

Sustainability Requirements for Financial Institutions

Why does ABN AMRO have a sector policy for financial institutions?

ABN AMRO strives to create long-term value for its stakeholders, to respect human rights and safeguard the environment. The bank recognizes that in its role as a financial service provider it may be exposed to social, environmental and ethical risks through the activities of clients. To manage these sustainability risks, ABN AMRO operates a Sustainability Risk Policy Framework in line with the bank's moderate risk profile.

Some of our clients are financial institutions as well, facing similar sustainability risk as ABN AMRO does. ABN AMRO expects from these financial institutions that they are aware of the environmental, social, and ethical risks associated with their clients too. The purpose of this policy is to set sustainability standards for ABN AMRO's clients in the financial sector.

Due-diligence standards

For financial institutions, ABN AMRO applies a set of minimum requirements and benchmark criteria. ABN AMRO will only enter into a relationship with clients who comply with all applicable minimum requirements, or have an improvement plan in place to do so within two or three years. In addition to the minimum requirements, ABN AMRO compares the sustainability performance of clients in the financial sector with 'benchmark criteria'. These criteria are aligned with international best practices in order to benchmark client development and progress. The bank will continuously update the set of benchmark criteria and expects 'continuous improvement' to be the outcome for the entire client portfolio over time.

An overview of the applicable minimum requirements and benchmark criteria for financial institutions is included below.

How does ABN AMRO put its standards into practice?

ABN AMRO seeks to ensure that financial institution clients act with ethical integrity and meet all the bank's minimum requirements. For this reason ABN AMRO performs due diligence of all actual and prospective clients and transactions on a case-by-case basis. In some cases this may lead to an engagement of ABN AMRO with the client with the objective to improve the client's performance on sustainability.

ABN AMRO reviews existing and prospective clients at various moments to determine their compliance with the bank's Policy:

- When the client is first accepted;
- If and when the client applies for a loan – the review is then repeated every year;
- In the event of incidents or if important new information comes to light based on which the client's risk level or performance score might change.

Appendices:

Appendix 1: Requirements for Banks

Appendix 2: Requirements for Investors / Asset managers

Appendix 3: Requirements for Asset Owners

Appendix 4: Requirements for Consumer Finance

Appendix 1 - Requirements for Banks

	Minimum	Benchmark
1. Clients have a corporate governance code or code of conduct in place, in line with national or international standards such as the OECD principles for Corporate Governance or the UK Corporate Governance Code, Gedragscode Vereniging Financieringsinstelling NL, which addresses at least corruption and bribery, human and labour rights (e.g. remuneration, diversity, discrimination).	X	
2. Clients apply environmental and human rights criteria in the selection of suppliers, service providers and (sub) contractors and monitor their performance.		X
3. Clients with a corporate (lending) portfolio are publicly committed to sustainability and have policies and due diligence in place to manage and mitigate environmental, human rights and health & safety risks and impacts associated with their clients and transactions.	X	
4. Clients with a corporate (lending) portfolio have defined an exclusion list for activities which the bank is unwilling to finance or facilitate because of severe environmental and/or social impacts associated with it (e.g. child labour, illegal wildlife trade).	X	
5. Clients have in place an ethical framework, including a position on controversial weapons, for assessing defence related clients and transactions, or declare to have no more than 5% of their lending portfolio in defence related clients or transaction.	X	
6. Where relevant ¹ clients are committed to ensuring financial inclusion and guarantee for individuals to have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance.	X	
7. Clients are committed to provide financial services in a responsible manner, in particular providing products and services appropriate to their client's plans and budget situation, and identifying customers in financial distress as to avoid over indebtedness.	X	
8. Clients active in project finance apply the Equator Principles.	X	
9. Clients are signatory to the Principles for Responsible Banking.		X
10. Clients have identified and are transparent about exposure of their portfolio to climate related risks and opportunities in line with TCFD ² recommendations.		X
11. Clients have set smart targets on their scope 1, 2 and 3 GHG emissions and report on their progress (in line with international standards such as PACTA, PCAF, CDP ³).		X
12. Clients report about their environmental, human rights and health and safety performance in line with (integrated) international reporting standards such as the GRI Financial Services Supplement ⁴ .		X
13. Clients are part of or endorse relevant international initiatives such as UN Global Compact, OECD Guidelines for Multinational Enterprises and UNEP FI.	X ⁵	X
14. Clients have identified their main stakeholders (e.g. clients, employees, shareholders, policy makers and the public) and communicate openly on their direct and indirect environmental, human rights and health & safety impacts.		X

¹ Only applicable to clients that serve retail clients (mass market) in their portfolio.

² <https://www.fsb-tcf.org>

³ <https://www.2degrees-investing.org/pacta>, <https://www.carbonaccountinfinancials.com>, <https://www.cdp.net>

⁴ <https://www.globalreporting.org/resource/library/G3-English-Financial-Services-Sector-Supplement.pdf>

⁵ For multinational enterprises in OECD countries, adherence to the OECD Guidelines is a minimum requirement by law.

<p>15. Clients have a good track record:</p> <ul style="list-style-type: none"> a. no or limited adverse media, NGO/public attention or structural shortcomings reported by authorities, b. demonstrated capacity to respond adequately to adverse media, NGO/public attention or structural shortcomings reported by authorities. 	X	
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Appendix 2 - Requirements for Investors / Asset managers

	Minimum	Benchmark
1. Clients have a corporate governance code or code of conduct in place, in line with national or international standards such as the OECD principles for Corporate Governance or the UK Corporate Governance Code, which addresses at least corruption and bribery, human and labour rights (e.g. remuneration, diversity, discrimination).	X	
2. Clients apply environmental and human rights criteria in the selection of suppliers, service providers and (sub) contractors and monitor their performance.		X
3. Clients are publicly committed to sustainability and integrate environmental, human rights and governance performance indicators to manage and analyse their portfolio.	X	
4. Clients engage with investee companies on environmental, human rights and governance issues and/or participate in collaborative engagement initiatives.		X
5. Where relevant, clients have developed an active ownership policy with environmental, human rights and governance considerations, and exercise active voting rights.		X
6. Clients have defined or agreed with investors on an exclusion list for activities which it is unwilling to invest in because of severe environmental and/or social impacts associated with it (e.g. child labour, illegal wildlife trade).	X	
7. Clients have in place an ethical framework, including a position on controversial weapons, for assessing defence related investments, or declare to have no more than 5% of their portfolio in defence related activities.		X
8. Clients are signatory to the Principles of Responsible Investment.	X ⁶	
9. Clients have identified and are transparent about exposure of their portfolio to climate related risks and opportunities in line with TCFD ⁷ recommendations.		X
10. Clients have set smart targets on their scope 1, 2 and 3 GHG emissions and report on their progress (in line with international standards such as PACTA, PCAF, CDP ⁸).		X
11. Clients report about their environmental, human rights and health and safety performance in line with (integrated) international reporting standards such as the GRI Financial Services Supplement ⁹ .		X
12. Clients are part of or endorse relevant international initiatives such as UN Global Compact, OECD Guidelines for Multinational Enterprises and UNEP FI.	X ¹⁰	X
13. Clients have identified their main stakeholders (e.g. clients, employees, shareholders, policy makers and the public) and communicate openly on their direct and indirect environmental, human rights and health & safety impacts.		X
14. Clients have a good track record: <ul style="list-style-type: none"> a. no or limited adverse media, NGO/public attention or structural shortcomings reported by authorities, b. demonstrated capacity to respond adequately to adverse media, NGO/public attention or structural shortcomings reported by authorities. 	X	

⁶ Minimum requirement only for multinational clients only.

⁷ <https://www.fsb-tcfid.org>

⁸ <https://www.2degrees-investing.org/pacta>, <https://www.carbonaccountinfinancials.com>, <https://www.cdp.net>

⁹ <https://www.globalreporting.org/resource/library/G3-English-Financial-Services-Sector-Supplement.pdf>

¹⁰ For multinational enterprises in OECD countries, adherence to the OECD Guidelines is a minimum requirement by law.

Appendix 3 - Requirements for Asset Owners

	Minimum	Benchmark
1. Clients have a corporate governance code or code of conduct in place, in line with national or international standards such as the OECD principles for Corporate Governance or the UK Corporate Governance Code, which addresses at least corruption and bribery, human and labour rights (e.g. remuneration, diversity, discrimination).	X	
2. Clients apply environmental and human rights criteria in the selection of suppliers, service providers and (sub) contractors and monitor their performance.		X
3. Clients are publicly committed to sustainability and have policies and due diligence in place to manage and mitigate environmental, human rights and health & safety risks and impacts through their investments.	X	
4. Clients require external investment managers to incorporate environmental, human rights and governance criteria in their investment strategy.	X	
5. Clients require their investment managers to undertake and report on environmental, human rights and governance related engagement activities and results.		X
6. Clients have defined an exclusion list for activities which the asset owner is unwilling to invest in because of severe environmental and/or social impacts associated with it (e.g. child labour, illegal wildlife trade).	X	
7. Clients have in place an ethical framework, including a position on controversial weapons, for assessing defence related investments and transactions, or declare to have no more than 5% of their portfolio in defence related activities.	X	
8. Clients have identified and are transparent about exposure of their portfolio to climate related risks and opportunities in line with TCFD ¹¹ recommendations.		X
9. Clients have set smart targets on their scope 1, 2 and 3 GHG emissions and report on their progress (in line with international standards such as PACTA, PCAF, CDP ¹²).		X
10. Clients report about their environmental, human rights and health and safety performance in line with (integrated) international reporting standards such as the GRI Financial Services Supplement ¹³ .		X
11. Clients engage with investee companies on environmental, human rights and governance issues and/or participate in collaborative engagement initiatives.		X
12. Clients have developed an active ownership policy with environmental, human rights and governance considerations, and exercise active voting rights.		X
13. Clients are part of or endorse relevant international initiatives such as UN Global Compact, OECD Guidelines for Multinational Enterprises and UNEP FI.	X ¹⁴	X
14. Clients have identified their main stakeholders (e.g. clients, employees, shareholders, policy makers and the public) and communicate openly on their direct and indirect environmental, human rights and health & safety impacts.		X
15. Clients have a good track record: <ol style="list-style-type: none"> a. no or limited adverse media, NGO/public attention or structural shortcomings reported by authorities, 	X	

¹¹ <https://www.fsb-tcdf.org>

¹² <https://www.2degrees-investing.org/pacta>, <https://www.carbonaccountinfinancials.com>, <https://www.cdp.net>

¹³ <https://www.globalreporting.org/resource/library/G3-English-Financial-Services-Sector-Supplement.pdf>

¹⁴ For multinational enterprises in OECD countries, adherence to the OECD Guidelines is a minimum requirement by law.

b. demonstrated capacity to respond adequately to adverse media, NGO/public attention or structural shortcomings reported by authorities.		
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Appendix 4 - Requirements for Consumer Finance

	Minimum	Benchmark
1. Clients have a corporate governance code or code of conduct in place, in line with national or international standards such as the OECD principles for Corporate Governance or the UK Corporate Governance Code, Gedragscode Vereniging Financieringsinstelling NL, which addresses at least corruption and bribery, human and labour rights (e.g. remuneration, diversity, discrimination).	X	
2. Clients apply environmental and human rights criteria in the selection of suppliers, service providers and (sub) contractors and monitor their performance.		X
3. Clients are committed to provide financial services in a responsible manner, in particular providing products and services appropriate to their client's plans and budget situation, and identifying customers in financial distress as to avoid over indebtedness.	X	
4. Clients have a good track record: <ol style="list-style-type: none"> a. no or limited adverse media, NGO/public attention or structural shortcomings reported by authorities, b. demonstrated capacity to respond adequately to adverse media, NGO/public attention or structural shortcomings reported by authorities. 	X	