



Assessment of the Sustainability Quality of the Third Green Bond of ABN AMRO

6 April 2018

Aim and Scope of this Second Party Opinion

ABN AMRO commissioned oekom research¹ to assist with the issuance of its Green Bond by confirming the sustainable added value of an asset pool, from which assets for Green Bond issuances will be chosen. The assessment of the asset pool was conducted using the criteria and indicators of the oekom Green Bond KPIs.

oekom research's mandate included the following services:

- Definition of Green Bond KPIs ("oekom Green Bond KPIs") containing a clear description of eligible asset categories and the social and environmental criteria assigned to each category for evaluating the sustainability-related performance of the assets (re-) financed through the proceeds of the bond.
- Analysis of the alignment of the Green Bond to be issued out of the asset pool against ICMA's Green Bond Principles.
- Evaluation of compliance of the Green Bond Asset Pool with the oekom Green Bond KPIs.
- Review and classification of ABN AMRO's sustainability performance on the basis of the oekom Corporate Rating.

¹ On March 15, 2018, oekom research joined Institutional Shareholder Services Inc. ("ISS"). oekom research will be renamed ISS-oekom.

Overall Evaluation of the Green Bond Asset Pool

oekom's overall evaluation of the Green Bond Asset Pool by ABN AMRO is positive:

- ABN AMRO has defined a formal concept for its Green Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles (Part I of this Second Party Opinion).
- The overall sustainability quality of the financed projects in terms of sustainability benefits and risk avoidance and minimisation is good (Part II of this Second Party Opinion).
- The issuer itself shows a good sustainability performance (Part III of this Second Party Opinion).

The Green Bond Asset Pool shows a good overall sustainability performance.

Oekom research recommends a close follow up of the controversy related to one of the offshore wind projects, and to take into consideration the court's outcome and potential remediation actions in future decisions on the eligibility of the project within the green asset portfolio.

Part I – Green Bond Principles

1) Use of Proceeds

The proceeds of the Green Bond to be issued by ABN AMRO will be used exclusively to finance assets matching ABN AMRO's Green Bond Framework. This framework consists of the following project categories: energy efficiency, renewable energy, and eco-efficient and/or circular economy adapted products.

The assets included in the Green Bond Portfolio are either residential mortgage loans on new buildings in the Netherlands, or offshore wind power plants, located both in Germany and the Netherlands.

A detailed breakdown of the allocation of proceeds for this issuance is presented in the following table (the percentages relate to a tentative green bond portfolio of EUR 750m):

	Green Asset Category	Share of Green Bond Asset Pool
A	Green Buildings: residential mortgage loans	77%
B	Wind power	23%
TOTAL		100%

2) Process for Project Evaluation and Selection

ABN AMRO has set up the process of evaluation and selection as follows:

On at least a quarterly basis the owners of the assets will make a selection based on the eligibility criteria. After selection each asset owner will provide a pre-defined report to Global Treasury Support.

Based on the information provided by the asset owners, Treasury officers will review that existing and new assets qualify as Eligible Assets.

The Management Team of ABN AMRO Treasury will review and approve allocations of bond proceeds of the eligible assets on at least a quarterly basis.

Prior to issuance all changes in Green Bond framework and selection criteria have been agreed with the Head of the Sustainable Banking department.

Potential Eligible Assets are expected to comply with local laws and regulations, including any applicable regulatory environmental and social requirements. As part of the regular credit approval process, potential Eligible Assets are furthermore assessed against the environmental, social and ethical (ESE) criteria of ABN AMRO's Sustainability Risk Management Framework where applicable.

3) Management of Proceeds

The net proceeds of the outstanding bonds will be moved to a Green Bond portfolio. As long as the Green Bonds are outstanding, ABN AMRO aims to allocate an amount equivalent to the net proceeds of the bonds towards Eligible Assets. Unallocated proceeds will be invested in short term Money Market products from Sovereigns, Supranationals, Agencies, Development Banks and Financial Institutions which are rated 'Prime' by oekom research AG ("oekom").

Hereto, on a quarterly basis, Global Treasury Support will provide a proposal to the Management Team of ABN Amro Treasury for the distribution of an amount equivalent to these proceeds towards Eligible Assets or to be invested in short term Money Market products as explained above.

At the moment of issuance ABN AMRO seeks to ensure that the bond proceeds can be directed in full to the eligible assets by limiting the total issued amount of the bond proceeds to 80% of the Eligible Assets. On at least a quarterly basis Global Treasury Support will review existing and new loans. In case loans are no longer eligible or loans have been repaid early, ABN AMRO will make an effort to replace these assets with other Eligible Assets.

4) Reporting

Use of proceeds reporting

On a quarterly basis Global Treasury Support will prepare a Green Bonds Outstanding Report to update investors on the outstanding assets. This report provides information about:

- the allocated assets including a breakdown of exposure by type of assets
- the total outstanding of green bond transactions
- unallocated proceeds

Reporting will take place via ABN AMRO's corporate website.

Impact reporting

On an annual basis, ABN AMRO will provide an impact report. The methodologies and calculation model used to estimate the impact are independently developed by a consultancy firm for sustainability in construction, real estate and area development. The results will be published via ABN AMRO's corporate website including newsletters and/or sustainability reporting.

Part II – Sustainability Quality of the Green Bond Asset Pool

1) oekom Green Bond KPIs

The oekom Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of ABN AMRO's Green Bond. It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the Green Bond can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the Green Bond and which can also be used for reporting. Details on the individual criteria and indicators for the categories can be found in Annex 1 „oekom Green Bond KPIs“.

2) Evaluation of the Assets within the Green Bond Asset Pool

Method

oekom research has evaluated whether the assets included in the Green Bond Asset Pool match the categories and criteria listed in the oekom Green Bond KPIs. The evaluation was carried out using information and documents provided to oekom research on a confidential basis by ABN AMRO (e.g. information on credit guidelines). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by ABN AMRO.

Anticipated amounts were used to calculate the share of underlying assets which fulfill an indicator requirement.

Findings

A. Green Buildings: residential mortgage loans

Sustainability Benefits and Risks of the Asset Category

Residential mortgages for energy efficient buildings are beneficial from an environmental point of view as they contribute to climate protection through optimised energy use. Due to the small scale of work and resources involved in building residential housing as well as due to the fact that the buildings are in the Netherlands, environmental and social impacts from the construction of residential housing are comparably low.

However, fair banking practices need to be in place in the retail client business in order to mitigate potential social risks, e.g. over-indebtedness or foreclosure.

All projects selected for the Green Bond are located in the Netherlands, a highly regulated country.

- **Energy Efficiency prerequisites**

- ✓ **All the assets underwent an appropriate and detailed selection process that ensures good standards regarding energy efficiency.**

All the assets belong to the top 15% of low carbon residential buildings in the Netherlands.

All the assets meet the criteria of the Dutch Building Decree 2012 (Bouwbesluit 2012: Chapter 5 and NEN 7120).

All the assets are required to achieve an energy performance coefficient (EPC) of at least 0.6. This is at least 25% lower than the requirement for obtaining an energy label 'A' (on a scale from A-G in the Netherlands).

- **1. Construction standards**

- ✓ 100% of the assets are located in the Netherlands, where high labour and health and safety standards are in place for construction and maintenance work (e.g. ILO core conventions).

- **2. Responsible treatment of customers with debt repayment problems**

- ✓ For 100% of the assets, basic pre-emptive actions to prevent client debt repayment problems (e.g. screenings of mortgages) are in place.
- ✓ For 100% of the assets, sustainable solutions for customers with debt repayment problems are in place (e.g. debt counselling, foreclosure as a last resort).
- ✓ The issuer excludes the selling of contractually serviced loans.

Controversy assessment

- Due to a low controversy risk, oekom research does not carry out a controversy assessment for residential mortgage loans.

B. Renewable energy – Wind power

Sustainability Benefits and Risks of the Asset Category

The environmental benefits of wind power comprise climate protection and the transition towards a low carbon economy. Further benefits are less environmental intervention (e.g. resource extraction, releases of waste streams to air, water or soil) and less need for cooling water in comparison to fossil fuel or nuclear power plants.

Regarding wind power, the construction and operation of power plants can result in negative environmental impacts at construction sites (e.g. biodiversity, noise) and impacts on local communities. Further risks include potentially poor working conditions during construction and maintenance of power plants as well as in the production processes of wind power plants. As the construction of these plants requires large amounts of raw materials and equipment, life cycle aspects are an important factor when assessing the overall environmental footprint of related projects.

All projects selected for the Green Bond Asset Pool are located in Germany and the Netherlands, countries with high levels of social and environmental regulations.

- **1. Site selection**
 - ✓ 4 projects, accounting for 100% of the assets, are not located in key biodiversity areas (Ramsar sites, IUCN protected areas I-IV).
 - ✓ 4 projects, accounting for 100% of the assets, underwent environmental impact assessments at the planning stage.
- **2. Community dialogue**
 - ✓ 4 projects, accounting for 100% of the assets, feature community dialogue as an integral part of the planning process (e.g. sound information of communities, community advisory panels and committees, surveys and dialogue platforms, grievance mechanisms and compensation schemes).
- **3. Environmental aspects of construction and operation**
 - ✓ 4 projects, accounting for 100% of the assets, meet high environmental standards during the construction phase (e.g. noise mitigation, minimisation of environmental impact during construction work). However, for one project, accounting for 22% of the assets, evidence suggests that porpoises population in the area decreased due to construction noise, even though environmental standards were met.
 - ✓ 4 projects, accounting for 100% of the assets, provide for measures to protect habitat and wildlife during operation of the power plant (e.g. measures to protect birds and bats).

- 4. Working conditions during construction and maintenance work
 - ✓ 100% of the projects are located in countries that provide for high labour and health and safety standards for construction and maintenance work (e.g. ILO core conventions).

Controversies

- A controversy assessment on the underlying projects revealed a controversy for one offshore wind power plant, accounting for 22% of the assets.
The German Nature and Biodiversity Conservation Union (NABU) has criticised the operator of a wind farm for insufficient protection of porpoises, a protected species, during construction works. The NABU filed a lawsuit demanding the German agency for environmental protection (Bundesamt für Naturschutz) to stop the construction and operation of the wind park due to the environmental concerns. However, the court has ruled in favour of the project twice. In a new lawsuit, which is still underway, the NABU expects the environmental damages to be remediated.

Part III – Assessment of ABN AMRO’s Sustainability Performance

In the oekom Corporate Rating with a rating scale from A+ (excellent) to D- (poor), ABN AMRO was awarded a score of C+ and classified as “Prime”, meaning that it fulfils oekom research’s demanding requirements regarding sustainability performance in its sector.



As at 6 April 2018, this rating puts ABN AMRO in place 2 out of 249 companies rated by oekom research in the Financials/Commercial Bank & Capital Markets sector.

In this sector, oekom research has identified the following issues as the key challenges facing companies in terms of sustainability management:

- Sustainability impacts of lending and other financial services/products
- Customer and product responsibility
- Sustainable investment criteria
- Employee relations and work environment
- Business ethics

In all key issues, ABN AMRO achieved a rating that was above the average for the sector. A very significant outperformance was achieved in “Sustainable investment criteria” and “Business ethics”.

In recent years, the company was not involved in any controversial business practices or controversial areas of business, and thus does not breach any of the exclusion criteria frequently applied by sustainability-oriented investors. Overall, the company has a “moderate” controversy level, which is below the average level of the sector Financials/Commercial Banks & Capital Markets.

Details on the rating of the issuer can be found in Annex 2 “Issuer rating results”.

A handwritten signature in blue ink, appearing to read "R. Haßler", is written over a faint, circular official stamp.

Robert Haßler, CEO
oekom research AG
Munich, 6 April 2018

Disclaimer

1. oekom research AG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition we create a Second Party Opinion (SPO) on bonds based on data from the issuer.

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About oekom research

oekom research is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries with regard to their environmental and social performance. oekom research has extensive experience as a partner to institutional investors and financial service providers, identifying issuers of securities and bonds which are distinguished by their responsible management of social and environmental issues. More than 100 asset managers and asset owners routinely draw on the rating agency's research in their investment decision making. oekom research's analyses therefore currently influence the management of assets valued at over 600 billion euros.

As part of our Green Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria. We verify the compliance with the criteria in the selection of projects and draw up an independent second party opinion so that investors are as well informed as possible about the quality of the loan from a sustainability point of view.

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Annex

- Annex 1: oekom Green Bond KPIs
- Annex 2: oekom Corporate Rating of ABN AMRO

Annex 1: oekom Green Bond KPIs

The oekom Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of ABN AMRO's Green Bond Asset Pool. It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the Green Bond Asset Portfolio can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the Green Bond Asset Portfolio and which can be used for comprehensive reporting.

Use of Proceeds

The ABN AMRO Green Bond Framework consists of the following project categories:

- A. Green Buildings: residential mortgage loans
- B. Renewable energy: Wind power

Sustainability Criteria and Indicators for Use of Proceeds

In order to ensure that the environmental and social risks linked to the underlying assets are prevented and the opportunities clearly fostered, a set of sustainability criteria has been established for the project categories.

A. Green Buildings: residential mortgage loans

Energy Efficiency prerequisites: All projects underwent an appropriate and detailed selection process that ensures good standards regarding energy efficiency.

1. Construction standards

- Percentage of assets that provide for high labour and health and safety standards (e.g. ILO core conventions).

2. Responsible treatment of customers with debt repayment problems

- Percentage of assets that provide for pre-emptive actions to prevent client debt repayment problems (e.g. covenants limiting indebtedness, conservative loan-to-value ratios, long-term fixed interest rates).
- Percentage of assets that provide for sustainable solutions for customers with debt repayment problems (e.g. debt counselling, foreclosure as a last resort).
- Percentage of assets for which the creditor excludes the selling of contractually serviced loans or has implemented measures to ensure clients do not face unfavourable conditions as a result of the sale (e.g. required customer consent in case of sale, written confirmation of non- detrimental conditions).

Controversy Assessment

- Due to a low controversy risk, oekom research does not carry out a controversy assessment for residential mortgage loans.

B. Renewable energy – Wind power

1. Site selection

- Percentage of assets that are not located in key biodiversity areas (Ramsar sites, IUCN protected areas I-IV).
- Percentage of assets that underwent environmental impact assessments at the planning stage.

2. Community dialogue

- Percentage of assets that feature community dialogue as an integral part of the planning process (e.g. sound information of communities, community advisory panels and committees, surveys and dialogue platforms, grievance mechanisms and compensation schemes).

3. Environmental aspects of construction and operation

- Percentage of assets that meet high environmental standards during the construction phase (e.g. noise mitigation, minimisation of environmental impact during construction work).

- Percentage of assets that provide for measures to protect habitat and wildlife during operation of the power plant (e.g. measures to protect birds and bats).

4. Working conditions during construction and maintenance work

- Percentage of assets that provide for high labour and health and safety standards for construction and maintenance work (e.g. ILO core conventions).

Controversies

- Description of controversies (e.g. due to labour rights violations, adverse biodiversity impacts).

oekom Corporate Rating

ABN AMRO Group N.V.

Industry **Financials/Commercial Banks & Capital Markets**

Status **Prime**

Corporate Responsibility **Prime**

Country **Netherlands**

Rating **C+**

rated by **oekom research**

ISIN **NL0011540547**

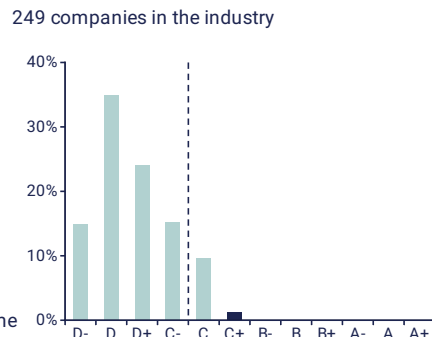
Prime Threshold **C**



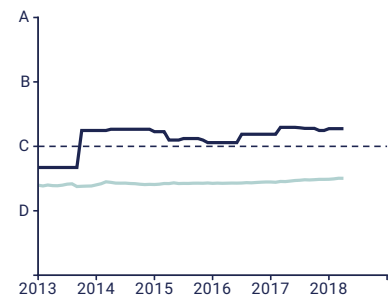
Industry Leaders

Company name (in alphabetical order)	Country	Grade
ABN AMRO Group N.V.	NL	C+
NIBC Bank N.V.	NL	C+
Raiffeisen Bank International AG	AT	C+

Distribution of Ratings



Rating History



Key Issue Performance

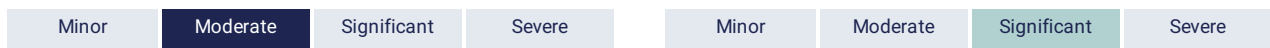


Strengths and Weaknesses

- + sound integration of environmental and social aspects into the lending and investment banking business
- + reasonable environmental and social guidelines for mainstream asset management services and structured investment products
- + reasonable measures regarding responsible treatment of customers with debt repayment problems
- + several measures taken to guarantee responsible sales practices
- no evident integration of environmental and social aspects into the credit rating process with regard to private clients
- no comprehensive portfolio decarbonisation strategies

Controversy Monitor

Company		Industry	
Controversy Score	-4	Maximum Controversy Score	-46
Controversy Level	Moderate	Controversy Risk	Significant



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ABN AMRO Group N.V.

Methodology - Overview

oekom Corporate Rating - The oekom Universe comprises more than 3,800 companies (mostly companies in important national and international indices, but also small and mid caps drawn from sectors with direct links to sustainability as well as significant non-listed bond issuers).

The assessment of a company's social and environmental performance is based on approximately 100 environmental, social and governance criteria, selected specifically for each industry. All criteria are individually weighted and evaluated and the results are aggregated to yield an overall score (rating), in which the key issues account for at least 50 per cent of the total weight. In case there is no relevant or up-to-date company information available on a certain criterion and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the criterion is graded with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company itself as well as information from independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

An external rating committee assists the analysts at oekom research with the content-related design of industry-specific criteria and carries out a final plausibility check of the rating results at the end of the rating process.

Controversy Monitor - The oekom Controversy Monitor is a tool for assessing and managing reputational and financial risks associated with companies' negative environmental and social impacts.

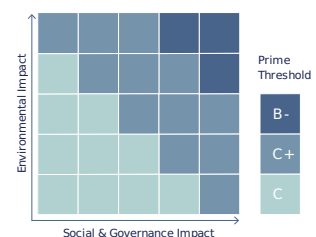
The controversy score is a unit of measurement for the number and severity of a company's current controversies. All controversial business areas and business practices receive a negative score, which can vary depending on the significance, number and severity of the controversies. Both the company's score and the maximum score obtained in the industry are displayed.

For better classification, the scores are assigned different levels: minor, moderate, significant and severe. The industry level relates to the average controversy score.

Only controversies for which reliable information from trustworthy sources is available are recorded. In addition to proven misconduct and activities of companies, alleged misconduct and activities are also assessed when the facts and circumstantial evidence provided by those sources, taking into account the experience of specialised analysts for each topic, is estimated to be sufficiently reliable. It should be noted that large international companies are more often the focus of public and media attention. Thus, the information available on those companies is often more comprehensive than for less prominent companies.

Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the oekom Universe (company portrayed in this report: dark blue).

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analysed is classified in a Sustainability Matrix. Depending on this classification, the two dimensions of the oekom Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the oekom Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the oekom Universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Status & Prime Threshold - Companies are categorised as Prime if they achieve/exceed the minimum sustainability performance requirements (Prime threshold) defined by oekom for a specific industry (absolute best-in-class approach) in the oekom Corporate Rating. Prime companies rank among the sustainability leaders in that industry.

Strengths & Weaknesses - Overview of selected strengths and weaknesses of a company with regard to the key issues of the industry from a sustainability point of view.