

Sustainable Banking

Sustainability Risk Policy - Summary

Why do we have a Sustainability Risk Policy?

ABN AMRO Bank aims to have a prominent position as a sustainable bank that takes responsibility for its actions and engagements, as a member of society with its own impact on the planet and on people, but also as a provider of financial services with an indirect impact through the activities of its clients and investments. This prominent position is to be achieved by fully incorporating sustainability into the bank's daily business, and by bolstering the bank's sustainability risk management.

Different types of bank practices can lead to sustainability risk, whatever the bank's role may be: as lender, investor, asset manager, service provider, purchaser, operator or as employer. Sustainability risk is a transversal risk of increasing importance. Failure to anticipate and manage this risk can have multiple consequences, including financial, legal and reputational. The bank's sustainability risk management is aligned with the bank's moderate risk profile and risk appetite, and supports the bank's mission to bring sustainable solutions to its clients.

For ABN AMRO, sustainability means adhering to the values and business principles of the bank and bringing sustainable solutions to the current and future human, natural and financial needs of the bank's stakeholders and the organisation itself, that are in line with the bank's moderate risk profile.

By managing Environmental, Social and Ethical (ESE) risks, mitigating their impacts and grasping the opportunities deriving from sustainable solutions, the Sustainability Risk Policy has incorporated sustainability into the bank's business objectives.

What is the purpose and scope of this Sustainability Risk Policy?

The purpose of the ABN AMRO Sustainability Risk Policy is to establish the bank's Sustainability Risk Management Framework and to define the bank's guiding principles for sustainability risk management.

The Sustainability Risk Policy applies to ABN AMRO and all its subsidiaries, branches, representative offices and legal entities that are under its control. It builds on the ABN AMRO values (trusted, professional, ambitious) and the ABN AMRO Business Principles.

The policy is supported by the various voluntary sustainability initiatives that the bank has endorsed and that define the standard for sustainability in corporate behaviour in general or banking in particular. These include the [United Nations Environment Programme Finance Initiative \(UNEP FI\)](#), [the ten principles of the UN Global Compact](#), [the Principles for Responsible Investments \(PRI\)](#), [the Equator Principles](#), [the OECD Guidelines for Multinational Enterprises](#), [the UN Guiding Principles for Business and Human Rights](#), and [the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy](#).

What standards does ABN AMRO apply to its business activities?

ABN AMRO's sustainability risk management is guided by five Sustainability Risk Principles, as defined in the policy.

1. Sustainability risk management is a driver for quality improvement

ABN AMRO is convinced that a structural incorporation of sustainability risk management in the bank's decision-making processes genuinely improves the quality of the bank's business and enables the bank to make more balanced and well-informed decisions.

2. The bank is responsible for its actions and its decision to engage with a business relation ¹

ABN AMRO takes full responsibility for its actions and decisions. ABN AMRO is directly or indirectly exposed to the activities of its business relations, and thus to the impacts and risks associated with these activities. Although a business relation is responsible for its own actions and decisions, ABN AMRO bears full responsibility for the decision to engage or disengage with a business relation. Furthermore, ABN AMRO seeks to positively influence the sustainability performance of a business relation, in accordance with its leverage potential.

3. The bank strives for an inclusive approach and will enter into a dialogue with its business relations

ABN AMRO believes that a good sustainability performance results in better corporate performance for its business relations, and the bank aims to help these partners in addressing those risks and opportunities relevant to them. In this effort, ABN AMRO strives for an inclusive approach rather than excluding business relations on the grounds of a lagging sustainability performance, ABN AMRO chooses to enter into dialogue on the steps and responsibilities needed to achieve improvement.

4. The bank will not engage in activities that do not meet its ESE standards

Based on the sustainability risk of an activity, ABN AMRO will take appropriate measures to manage these risks. If the bank concludes that the sustainability risks cannot be adequately managed or that the business relation is not committed to a sufficiently high level of sustainability performance, the bank will not engage with the client, transaction or activity. The bank has also identified 'embargoed activities' that it considers unacceptable from a sustainability risk perspective and for which there is a bank-wide embargo. In the case of such activities, no exceptions under this policy are allowed without approval from the bank's Managing Board.

5. The bank engages actively and openly with its stakeholders regarding sustainability risk

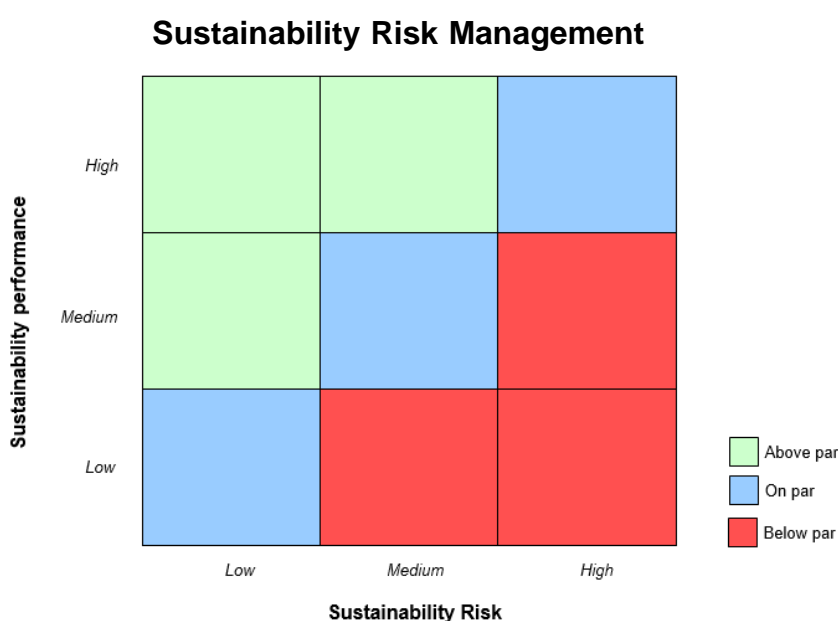
ABN AMRO maintains a constructive and open dialogue on sustainability risk with a broad range of its stakeholders. The bank is committed to a transparent process and will demonstrate its engagement on sustainability issues by actively discussing environmental, social and ethical issues with its stakeholders in terms of both risks and opportunities.

¹ A business relation can be a client, employee, supplier, investor or regulator/governmental body

How does ABN AMRO put its standards into practice?

The bank's Sustainability Risk Management Framework consists of operational and sector policies, guidelines and tools through which the bank assures itself that the sustainability risks of its activities are adequately identified, analysed, mitigated, managed, monitored and reported, in accordance with the bank's sustainability risk principles.

ABN AMRO will engage with its business relations to achieve a sustainability performance level that, at a minimum, corresponds with the sustainability risk level of the business relation's activity. This means that the higher the sustainability risk of a transaction, the higher the sustainability performance of the business relation should be in order to mitigate that risk. The matrix below shows how the sustainability performance correlates with the sustainability risk level.



ABN AMRO is committed to a consistent application of its policies, guidelines, procedures, and practices in an objective and fact-based manner. All business relations are subject to the same set of standards and principles and will be treated accordingly. As sustainability risks continue to evolve and change over time, ABN AMRO periodically reviews and updates its sustainability risk policies, procedures and practices.

ABN AMRO implements its Sustainability Risk Policy and underlying policies according to the bank's 'Three Lines of Defence' (3LoD) risk management system. This approach ensures that sustainability risk management has a firm basis within the organisation by dividing risk management responsibilities between different bank roles. The first line of defence (business management) has risk ownership, the second line (risk management and supporting functions) has risk control while the third line (audit) verifies risk assurance.

ABN AMRO's Central Sustainability Department (second line) is responsible for initiating, developing, reviewing, and updating the Sustainability Risk Management Framework. The Central Sustainability Department supports and supervises the business (first line) in its application of the policy and ensures alignment and consistency of the sustainability standards throughout ABN AMRO. In this coordinating role, the department actively liaises with the other departments within the bank (business management, risk management, corporate governance, legal, compliance), as well as with peer banks and external stakeholders.