ABN·AMRO Private Banking

Sustainable Advice

Integration of sustainability risks

In the context of the sustainable finance disclosure regulation, the bank informs you herewith of the manner in which sustainability risks are integrated into its investment decisions and of the results of the assessment of the likely impacts of sustainability risks on the returns of the financial products they make available.

ABN AMRO actively manages and monitors its selection of financial instruments that it uses for advisory services (“Investment Universe”), that consists of equity, fixed income, funds, ETFs, structured products and mandates. Sustainability risk for investments means an environmental, social or governance (“ESG”) event or condition that, if it occurs, could cause an actual or a potential material negative impact on the financial value of the investment. This risk is taken into account when managing and monitoring its Investment Universe as further explained hereafter.

ABN AMRO uses data provider Sustainalytics to screen companies in the Investment Universe against the principles of the UN Global Compact on human rights, labour, environment and anti-corruption. Any assets in breach of the UN Global Compact principles will not receive a buy recommendation.

Exclusion strategies apply restrictions on the ability of an advisor to advise on assets related to industries such as weapons, tobacco, thermal coal extraction, unconventional oil and gas extraction, alcohol and adult entertainment. Alternatively, advisors may be able to advise only on businesses that have signed up to the UN Global Compact on sustainable and socially responsible policies. ABN AMRO will engage with companies in breach of the UN Global Compact principles. Companies in severe breach of the UN Global Compact principles will be excluded from the Investment Universe immediately. Others can be excluded after 2-5 years of unsuccessful engagement.

For stocks, corporate bonds and government bonds, an ABN AMRO Sustainability Indicator (“AA-SI”) is available. This indicator is based on the industry leading Sustainalytics ESG Risk Rating and the Sustainalytics Country Risk Rating. The AA-SI is a classification of sustainability risk on a 5-point scale. The lower the Sustainalytics’ Risk Rating, the higher/better the AA-SI. Stocks, corporate bonds and government bonds with an AA-SI of 5 are excluded from the Investment Universe.

For funds, the Morningstar methodology for sustainability is integrated. The Morningstar globes rating is a classification of sustainability risk on a 5-point scale. The higher the rating, the higher/better the AA-SI. Funds with 1 Morningstar globe are excluded from the Investment Universe.

We will continue to advice the client to buy or hold financial instruments with significant sustainability risks if this is in line with your risk appetite and investment horizon / needs / requirements.

Impact on returns

Sustainability risk can have a negative impact on the asset value and expected cash flow like dividends. Examples over the past years include large environmental accidents or fraud cases that result in fines/penalties or additional operational costs. Nevertheless, it is still hard to statistically model the value of sustainability into investment performance. The process of active Investment Universe management as described above could mitigate the potential negative impacts of sustainability risks on the returns.

EU Taxonomy

The EU is developing criteria to determine if and to what extend an economic activity can be classified as environmentally sustainable. The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities Because those criteria are still under development and not applicable we cannot take those criteria into account.