

# Summary – Investment Products & Services Policy

## **Why does ABN AMRO have a sector policy for investment products & services?**

By providing investment products & services, ABN AMRO and its clients are exposed to the environmental, social and ethical risks of the companies in its investment universe. This policy defines the process which ensures that ABN AMRO's investment products & services are provided in accordance with the Bank's sustainability risk standards. ABN AMRO believes that the application of this policy will support the Bank and its clients to take better informed investment decisions and reduces the sustainability risk related to its investment products & services.

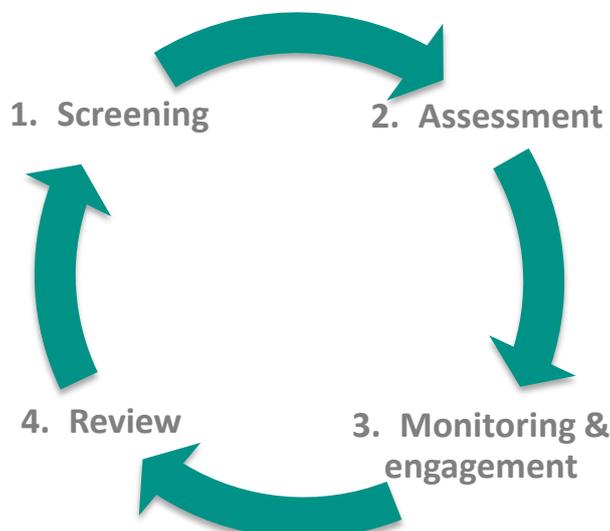
## **What is the scope of this policy?**

The Investment Products & Services policy applies to all asset management and investment advisory services that the Bank provides to its Retail & Private Banking (R&PB) clients.

The policy applies to ABN AMRO Bank N.V. and all its subsidiaries, branches, representative offices and legal entities that are under its control.

## **What standards does ABN AMRO apply to this sector?**

ABN AMRO bank applies a continuous process for managing the sustainability risks related to investment products & services provided to Retail & Private Banking clients. The process is best described as a continuous cycle of four steps:



## Step 1: Screening

All investments that qualify for ABN AMRO's investment universe (the potential asset base) are screened against two operational lists to identify assets that are associated with companies and/or activities that the Bank aims to exclude:

### 1. [Controversial Weapons List](#)

The Controversial Weapons List is a list of companies which are excluded because of their – direct or indirect – involvement in the production of dedicated components of controversial weapons (as defined by international conventions).

### 2. **Soft Exclusion List**

The Soft Exclusion List comprises companies with which the Bank has engaged due to concerns regarding its sustainability performance controversies, but where engagement was unsuccessful.

When an asset's issuing company is on either of these lists, ABN AMRO will not provide investment advice regarding these assets and ABN AMRO products (structured products, funds, mandates) will not have a position in these assets. In addition, clients managing their investment portfolio at their own discretion will not be able to invest in assets of companies mentioned on the Controversial Weapons List and will be recommended not to invest / sell positions in assets of companies mentioned on the Soft Exclusion List due to sustainability concerns.

Investment funds developed by third party fund managers and provided via ABN AMRO may not exceed a 5% exposure to companies which are (in)directly involved in the development, production, trade or stockpiling of cluster munition<sup>1</sup>. ABN AMRO requires a written confirmation from all external fund managers that the funds which are provided by the Bank comply with this threshold. In line with Dutch legislation the distribution of funds which do not meet this requirement has been ceased.

## Step 2: Assessment

If the screening indicates that the asset's issuing company is not excluded, ABN AMRO classifies the companies in its investment universe with a '[Sustainability Indicator](#)'. This classification is based on an assessment performed by an external rating agency specialised in assessing the sustainability performance of listed companies on behalf of investors and investment managers. This rating agency assesses companies in the ABN AMRO investment universe on a quarterly basis. The assessment is based on the applicable sustainability risk policies from our Sustainability Risk Management Framework and the United Nations Global Compact Principles, and includes:

- a) *An analysis of how the issuing company deals with sustainability matters in general (policies, governance, responsibilities, commitments)*
- b) *A check of any sustainability-related controversies associated with the company*
- c) *A validation of the company's compliance with the UN Global Compact Principles*

The assessment results determine which Sustainability Indicator score will be awarded to individual companies, ranging from 'Excellent' to 'Good', 'Average', 'Poor' and 'Weak'. In addition, all companies will be flagged as 'compliant' or 'non-compliant' with the United Nations Global Compact Principles.

## Step 3: Monitoring & engagement

Informed by the assessment results provided by its external rating agency, ABN AMRO monitors the sustainability performance of the companies in our investment universe on a quarterly basis with a focus on companies which show changes in their Sustainability Indicator score and companies for which their status for compliance with the United Nations Global Compact Principles has changed.

To manage the sustainability risk related to its investment products & services, ABN AMRO may initiate an engagement trajectory with an asset issuing company. Engagement is focussed at companies which do not comply with the United Nations Global Compact Principles and which show potential for material

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<sup>1</sup> For funds managed by fund managers domiciled in the Netherlands no exposure to companies which are (in)directly involved in the development, production, trade or stockpiling of cluster munition is accepted.

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improvement of their sustainability performance. The engagement trajectory will be initiated by the Investment & Engagement Committee which can decide to include companies on the Engagement List. Companies listed on the Engagement List are given a timeframe of 3-5 years to achieve the required changes before being removed from the Engagement List.

If material improvement of sustainability performance is not deemed feasible or if a company has not shown sufficient improvement of its sustainability performance during the timeframe of the engagement trajectory, the Investment Engagement Committee will decide to include the company on the Soft Exclusion List.

#### **Step 4: Review**

Based on update reports is of its external rating agency and engagement results, the Investment and Engagement Committee of ABN AMRO reviews the composition of its exclusion lists and the 'sustainability indicator' scores on a quarterly basis:

- *Companies which are in breach of national or international laws, regulations or conventions regarding cluster munitions and controversial weapons, will be included on the Controversial Weapons List.*
- *Companies which do not comply with the United Nations Global Compact Principles and which are not expected to improve their sustainability performance as a result of engagement will be included on the Soft Exclusion List.*
- *Companies which do not show sufficient improvement of their sustainability performance during the timeframe of the engagement trajectory will be included on the Soft Exclusion List.*
- *The 'sustainability indicator' scores of all companies in the investment universe will be updated and communicated to clients as part of ABN AMRO's Investment Advisory Services.*

#### **Annual methodology review**

The methodology to determine the 'sustainability indicator' scores of companies in the investment universe of ABN AMRO is subject to an annual review. This review is based developments in the policies of ABN AMRO's Sustainability Risk Management Framework and feedback and/or input from external stakeholders.