

Sustainable Banking

The How and Why





Moving to a circular economy - what we are going to do

Starting this year the three major Dutch banks are going to accelerate the move to a circular economy. What are ABN AMRO's plans? We start with the most pressing issue for business: how to organise production chains in a circular manner. Our new Circular Economy Guide walks them through this process in fourteen key questions and answers.

There's no doubt about it – we will make the move to a circular economy. Growth of the global population and middle class is driving up consumption of raw materials, natural resources, agricultural land and fresh water. All of these resources are rapidly being depleted, causing shortages worldwide.

Circular hotspot

The circular economy revolves around making optimum use of

raw materials through perpetual recycling. This approach creates opportunities. McKinsey consultancy has calculated that a circular economy could save the European Union 1,800 billion euros in 2030. To accelerate the changeover, on 21 January Rabobank, ING and ABN AMRO announced that they would help business: by exploring needs, financing circular business activities, purchasing circular products and sharing knowledge. For example,

ABN AMRO is a leading partner of Ambitie2020, an initiative of MVO Nederland, the Dutch association for corporate social responsibility, aimed at making the Netherlands a circular hotspot.

Answer to the key question

So, what exactly are we going to do? ABN AMRO has kicked off by publishing the Circular Economy Guide, a manual for business. Perhaps the greatest challenge

facing a company is how to make the changeover. The Circular Economy Guide explains the basic principles of the circular economy, offers concrete tools and highlights successful cases. This information can help companies draw up a circular business case. Based on the life cycle of a product, they will have the tools to take tangible steps, from design and choice of material, to production and use, to re-use – all with examples of leaders in the circular economy.

The Circular Economy Guide will become the standard manual and discussion document in the coming year. We will discuss it with our clients in all relevant industries to help get them on the fast track to becoming circular. Download the Circular Economy Guide to find answers and learn more about front-runners, such as Dutch Spirit and De Heyde Hoeve. Or order it for a colleague or business partner.

[Infographic - Towards a circular company](#)



Why social entrepreneurship will be booming in 2016

Employment at social enterprises increased by 36 per cent between 2013 and 2015. Their turnover was up 24 per cent during the same period, and the signs for 2016 are even more favourable. Here are three reasons why social entrepreneurship is set to show further growth in 2016. And five ways in which ABN AMRO will contribute to this - for example, by investing in BeeBox's 'healthy food' boxes.

Earning money is not the primary goal of social enterprises – finding innovative solutions to the challenges of today's society comes first. Yet, they certainly make money – and quickly at that: between 2013 and 2015 they achieved much faster growth than mainstream SMEs did. These impressive results were not restricted to popular companies such as Snappcar (car sharing), Tony Chocolonely (slave-free chocolate), Fairphone ('ethical' phones) and Peerby (sharing things).

Projects designed to combat youth unemployment or to support informal carers also performed well. The crux is that social enterprises offer solutions to real problems while at the same time developing healthy business models.

Three reasons why social entrepreneurship is set to show further growth in 2016

1. Governments are changing tack

Social entrepreneurs have placed themselves on the administrative map. At the request of the Minister of Social Affairs and Employment, the Social and Economic Council of the Netherlands issued a recommendation in mid-2015 underlining the role municipalities can play in promoting social entrepreneurship. A great many cities will take up this challenge in

2016. Amsterdam aspires officially to blaze the trail (article in Dutch). And in May 2015, Utrecht saw the opening of the Social Impact Factory in which social entrepreneurs, local government and corporate partners team up to develop solutions to social challenges. In future, municipal procurement programmes will be closely involved in social entrepreneurship.

2. Legal barriers are disappearing

Social entrepreneurs are making widespread use of crowdfunding because people are eager to invest in a social cause. April 2016 will see the introduction of a law in the Netherlands making crowdfunding easier.

The new law is expected to generate more funds. The small Christian party ChristenUnie is even in favour of investigating whether government funding adequately addresses the needs of social entrepreneurs. In another development, recommendations put forward by SocialEnterpriseNL (article in Dutch) have been included in the new Dutch Tendering Act, which will regulate procurement by all government bodies in the future.

3. More funding available

As the Dutch economy is expected to grow by more than two per cent in the coming year, more money will flow into the market. And social entrepreneurs are set to benefit. But money will also become available from other sources, such as from the growing number of investment funds

for social entrepreneurs. Willemijn Verloop, for example, social entrepreneur and founder of War Child, set up a new fund with 30 million euros available for investment.

Five ways in which ABN AMRO is contributing to this

ABN AMRO has been investing in social entrepreneurship for some years now. In 2016 the entire bank will contribute: from Large Corporates to Private Banking and Retail Banking. Our overall objective is to help entrepreneurs move forward in an economy that is beneficial to all. Here's what we have to offer social entrepreneurs:

1. ABN AMRO Social Impact Fund

ABN AMRO has earmarked a total of 10 million euros for social entrepreneurs through this fund. The money is not only invested in Social Impact Bonds, but also directly in businesses. Like Beebox, pictured in the header, which delivers biological food boxes to consumers' homes. ABN AMRO has invested its own capital in this fund, with the aim of building up a pool of knowledge and experience in social enterprise investments.

2. Social Impact Bonds

We launched the first Dutch Social Impact Bond (SIB) in 2013, thereby financing a social cause with private capital. The second SIB, totalling 2.1 million euros, was launched in November 2015 to support Buzinezzclub,

an organisation in the city of Utrecht, which aims to help 540 youngsters find a job, enrol in school or set up a business in 2016. We hope to launch another three Social Impact Bonds in 2016.

3. Informal investors

Our network covers a wide range of informal investors interested in social impact. We proactively link them to social entrepreneurs, for example at the 'Social Impact Pitch Day' at this year's ABN AMRO World Tennis Tournament. At last year's Pitch Day, Marcel van Heist of Rural Spark successfully collected capital for his energy ambitions in India.

4. Coaching programmes

Alongside capital, we also provide knowledge for social entrepreneurs by offering them coaching sessions. In recent years, dozens of experts from ABN AMRO were mobilised to coach social entrepreneurs via the platform of Social Enterprise NL (of which we are a partner).

5. Speciale betaalrekening

In 2016, ABN AMRO will offer social entrepreneurs the option of opening a designated bank account. This approach underlines the special status of this group of entrepreneurs and makes it easier for the bank to contact these entrepreneurs to discuss any specific needs they may have or to connect them with informal investors and the Social Impact Fund.



How sustainable investment works at ABN AMRO

How sustainable are ABN AMRO's investment services? As sustainable as each individual investor wants them to be, says Global Head of Investment Services & Sustainability Solange Rouschop. 'We give investors the knowledge to make a considered decision within a wide range of choices.'

How much capital does ABN AMRO have invested in sustainable investments?

'ABN AMRO has sustainable investments totalling more than five billion euros, most of which are in sustainable investment mandates. A mandate means the client has asked us to invest their money for them. Sustainable mandates have grown explosively in recent years compared with other, traditional asset management mandates. We saw growth of 20 per cent in 2014, and this trend continued in 2015.'

Is a sustainable investment mandate the only way for clients to invest sustainably?

'No, other options are also available. Clients can invest independently through us or based on our experts' advice. In that case, the client selects the composition of the portfolio and the degree of sustainability. We help by providing information on sustainability.'

What is – and what isn't – sustainable investment?

'We always try to bring the total picture into focus. That's why we developed the Sustainability Indicator. We use this indicator to benchmark the companies behind shares and bonds, meaning we compare the firm's sustainability with that of other market players. This allows us to see who is doing relatively well and who isn't. We want to reward the front-runners among listed companies and warn the laggards.'

How does the Sustainability Indicator work?

'A share or bond is rated on a scale of 1 to 5, from "excellent" to "poor". We base our decision on information provided by Sustainalytics research agency, which continuously adjusts ratings based on the latest developments. We look at social, governance and environmental aspects. This means that a laggard in a relatively sustainable market can score a 5, and a front-runner in a less sustainable market a 1. Independent investors and our investment advisors can use the Sustainability Indicator to determine how sustainable a company is.'

Are there any shares or products in which ABN AMRO clients cannot invest?

'Yes. Clients cannot invest via ABN AMRO in shares of companies that are involved in the production or distribution of controversial weapons. So even with "traditional" investments, we exclude certain companies and products. We do not necessarily exclude shares of companies that are not sustainable. We would rather engage them in a dialogue so that we can exert our influence.'

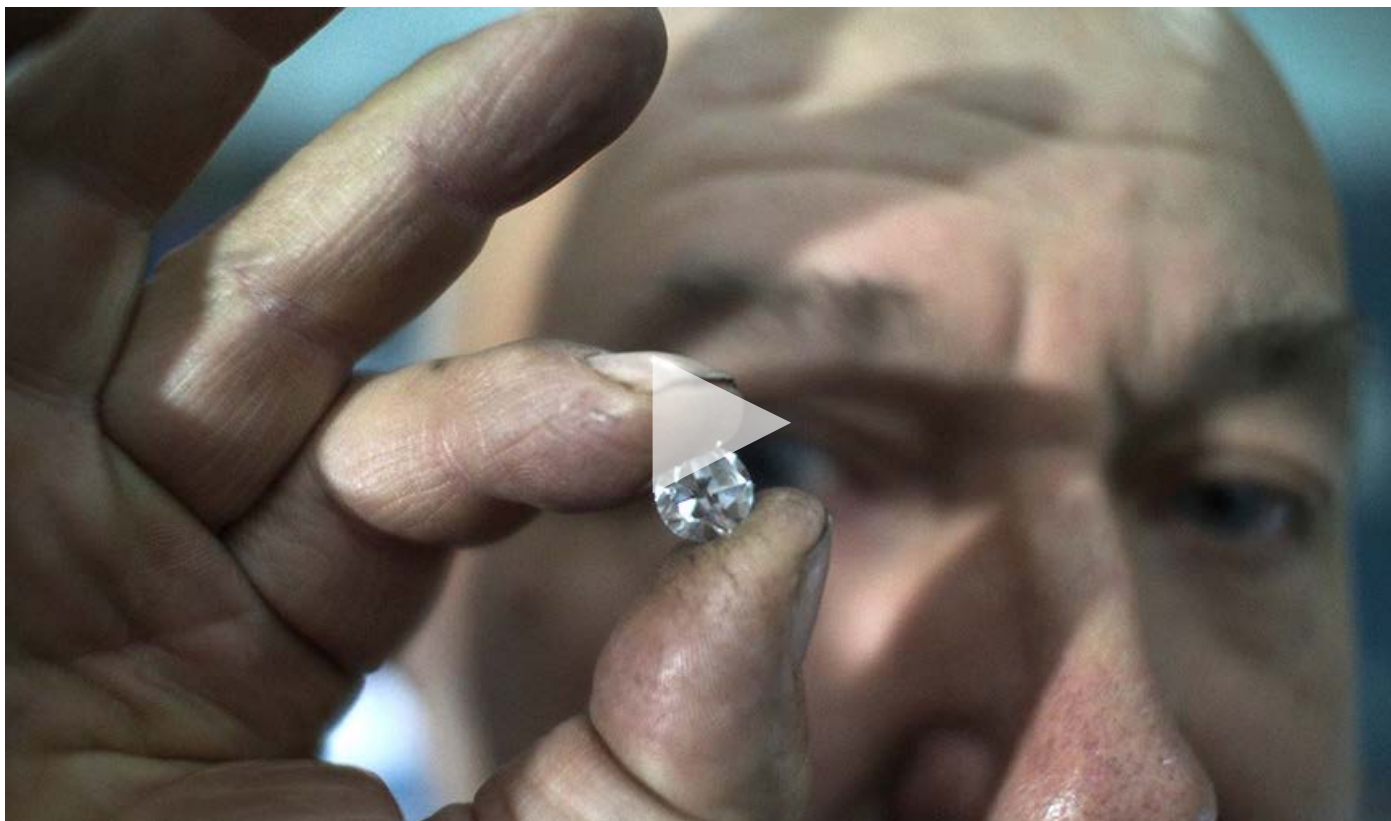
What does it mean to engage non-sustainable companies in dialogue?

'We try to convince companies that, for example, violate human rights or environmental standards to change their ways. In collaboration with RobecoSAM, we encourage them to embark on an improvement process. If that does not yield results within a few years, we can always decide to exclude the share from our investment offering. It's a last resort measure, but we often exert more influence by talking than by excluding companies.'

What does ABN AMRO believe is the key to success for sustainable investment?

'More and more investors are aware of sustainability issues and make well-considered investment decisions. If there's a demand for sustainability, the supply will become sustainable. ABN AMRO helps investors make decisions that are both financially profitable and fit for the long term. We believe that sustainable investment will ultimately become mainstream because it's smart investment. Why wouldn't an investor make sustainable investments?'

[Infographic - Patterns of Sustainable Investment](#)



Where does the bank stand in a sector of extremes?

ABN AMRO has been serving clients in the diamond sector for over a century, financing a fascinating and timeless product. There's also a downside, though. Most rough diamonds are mined in developing countries, where sustainability is a risk factor, just as it is in industries like textile and cocoa.

Mining rough diamonds was a controversial activity until the beginning of this century, as rebel movements in areas of conflict were using the proceeds to finance their wars. The sale of 'blood diamonds' ended with the Kimberley Process Certification Scheme (KPCS) in 2003, when NGOs, business and governments successfully joined forces to curb the sale of diamonds from conflict areas.

Although the KPCS was a major step forward in terms of sustainability, problems can still arise in less professional businesses, where poor working conditions and pollution are still commonplace. In this video, Geert van Reisen, Head of Strategy and Portfolio Management Diamond & Jewellery Clients explains the bank's stance in a sector of extremes. And what role ABN AMRO wishes to play in making this sector more sustainable.



Banks are also 'changemakers'

Featuring top speakers and an international audience, the second Human Rights Conference focused on a pressing issue: How can the bank use its influence to defend human rights? Watch the compilation of the main messages of speakers, including Kailash Satyarti, founder of the Global March against Child Labour.

Human rights are a priority to ABN AMRO, a message we clearly conveyed at our first Human Rights Conference in 2014. Since then, we have taken another major step forward by signing the UN Guiding Principles Reporting Framework in mid-2015, making ABN AMRO the first financial institution to adopt these standards to report on its human rights efforts.

Sensitive themes

The second edition of the Human Rights Conference had a stronger

impact as a result of our commitment to the UN Guiding Principles Reporting Framework. The conference theme 'Business and Human Rights', 350 visitors and a worldwide livestream were the ideal backdrop for defining the responsibilities of all of the parties in ABN AMRO's value chain. The conference was held on 9 December and was followed the next day by two meetings of experts on children's rights in the informal sector and human trafficking.

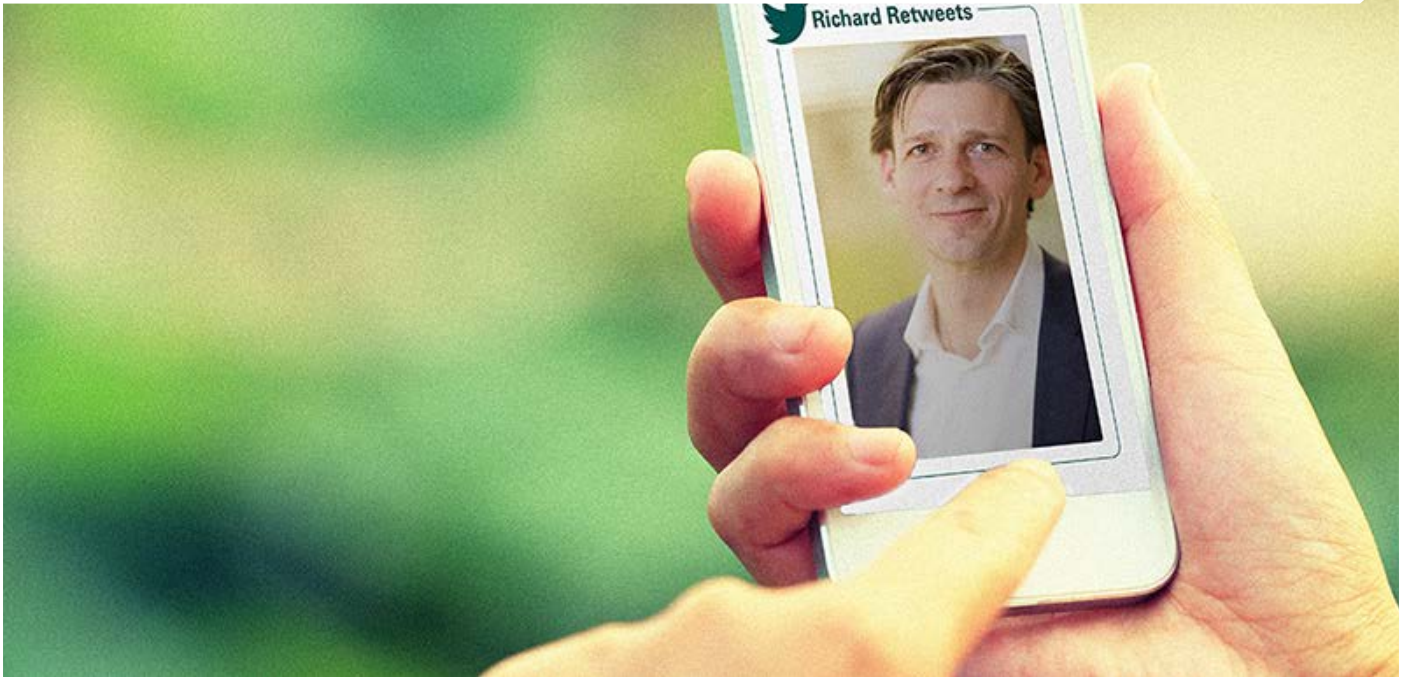
'Making tangible progress'

Kailash Satyarti, Indian activist and winner of the 2014 Nobel Prize, was the keynote speaker of the Human Rights Conference. He has been fighting child labour for thirty years and claims 'Banks are not only "money makers" but also "change makers"'. While a bank like ABN AMRO can play an important role in financing businesses, it also has the clout to bring about social change. Corinne Dettmeijer, National Reporter on Trafficking in Human Beings and Sexual Violence

against Children, showed us the effects of human trafficking in the Netherlands, emphasising that 'We must learn how to recognise human trafficking by learning to look carefully'. Caroline Rees is president of Shift, a non-profit organisation that translates the basic principles of human rights into clearly defined reporting standards for organisations. She pointed out that 'Companies that take responsibility help to eliminate violations of human rights in their chains.' [Watch a compilation of the main messages](#)

Next steps

After the conference, all participants – clients, employees and other stakeholders – were handed the new booklet "ABN AMRO and Human Rights – Our path towards respecting human rights" (PDF 6 MB). We wrote this booklet to share our knowledge and efforts, and to encourage stakeholders to give this issue priority. A week after the conference, we held a survey, asking stakeholders to name ABN AMRO's main human rights issues. The survey will help us ensure that we are indeed tackling the most pressing issues.



Head of Sustainable Banking Richard Kooloos ranks his favourite tweets and retweets once every three months. This quarter's picks: the impact of solar roofing tiles, choosing between the economy and the environment, and the bank-wide green bond. Richard Kooloos, Head of Sustainable Banking at ABN AMRO and registered tweeter, pressed the tweet button more than 2,300 times in almost 1,900 days. He shares what he thinks, does and sees in the world of sustainability. This is his selection of tweets from the past quarter. Follow him on Twitter for daily sustainability updates.



'The accord at the climate summit in Paris was praised as politically "historic." The ambition is to limit global warming to a maximum of 1.5 degrees Celsius. Now we have to live up to this target, and the market has to get on board. Sustainable supply and demand are having a hard time finding each other. Take solar panels, for instance. Everybody knows that panels earn their investment back, but the public still hasn't warmed to

them. So, what's going wrong? I think that a better supply could remove psychological barriers, like the idea that solar panels are ugly. Just see what's happening with "attractive" solar roofing tiles. The rapidly growing demand for this product proves that smart adjustments to supply could have a huge impact on demand.'



'Justin Trudeau is right – it's not about choosing. The economy isn't a victim of sustainability or vice versa. We can build a new, flourishing economy based on sustainable principles. I see sustainability as a fundamental attitude that people and organisations can adopt. Sustainable business innovation – that's what's closest to my heart. In essence, the question is the same for everybody: how long can we keep doing what we're doing? How can I

Richard Retweets

make sure that I will be proud of what I am doing twenty years down the line?’



‘I think we will still be proud of our Green Bond twenty years from now. We issued a total of 500 million euros in green bonds in 2015, which we are using to finance green mortgages and loans for solar energy. That was a pioneering move – in a nutshell, we set up a small bit of sustainable financial infrastructure. Sustainability at the heart of the bank. We’re now being rewarded with a prize in this field.’



‘We want to give human rights a prominent position in the bank. To embed an issue like this in the long term, we need to involve stakeholders by engaging them in a dialogue and explaining the course we are trying to take. And if stakeholders see initiatives like our Human Rights Conference and the Human Rights Guide, this will confirm that we are on the right track.’



Grieg Green offers a sustainable alternative for shipbreaking

In 2014, three out of four obsolete ships were demolished on the beaches of India, Bangladesh and Pakistan, under inhumane and highly polluting conditions. Grieg Green helps ship owners break down their ships to the last nuts and bolts. Anette Berg, head of ABN AMRO's Maritime Norway department, explains why ABN AMRO is financing and supporting this project.

As a co-founder of the Sustainable Shipping Initiative, ABN AMRO is a front runner in making this industry more sustainable. One of the main objectives of this joint venture between businesses and NGOs is to change current ship demolition practices. Financing Grieg Green, which buys obsolete ships and guarantees sustainable recycling, brings this goal within reach. Norwegian Anette Berg was

involved in the financing procedure. She has been working in the shipping industry for nearly thirty years, as a CFO and currently as head of Maritime Norway at ABN AMRO.

What's the problem?

'Businesses are paid more for their old ships if they have them demolished on the beaches of India, Pakistan and Bangladesh.

However, this method takes its toll on labourers and the environment. Lack of schooling, tools and safety measures renders the work extremely dangerous. While exact figures are not available, the Shipbreaking Platform claims that in 2014 at least 27 people were killed in work-related accidents in India, Bangladesh and Pakistan. The number of deaths accountable to illness caused by exposure

to asbestos and toxic fumes is unknown. Hazardous waste is often left behind on the beaches, damaging the environment. This is unacceptable.'

What is Grieg Green's role?

'This company is unique in that it advises customers on sustainable recycling of ships. Grieg Green advises throughout the entire process, from finding shipyards to conducting contract negotiations and processing the paperwork. Grieg Green also buys old ships to resell them to shipyards that have been preselected to meet the highest sustainability standards. Grieg Green offers a sustainable alternative in the predominantly polluting industry of ship breaking.'

How is ABN AMRO supporting this initiative?

'We provide Grieg Green with working capital, which Grieg Green then uses to buy more ships. The impact is immediate. Tapping our broad network in the marine and offshore sector, we introduce the company to our clients, who we frequently contact about this issue. We are convinced that change is essential and are therefore more than willing to support this company. We provide financing, as well as our knowledge and network.'

Is there any hope for change?

'A growing number of ship owners agree that the beaching method is unacceptable. Some 25 per cent of obsolete ships – measured in gross tonnes – are processed in a more sustainable manner at shipyards, although fewer than ten per cent of this group meet the latest safety and sustainability requirements. By financing Grieg Green, we hope to accelerate change in this industry. This won't happen overnight, but there is a lot of potential. If we manage to depollute shipbreaking, the impact for people and the environment will be huge.'

[Infographic Scheepssloop](#)



An Alkmaar bank branch is the prime sustainable business case

One of the two goals of the Green Quest last year was to make a mid-sized ABN AMRO bank branch in Alkmaar energy and carbon neutral. Now, though, those horizons have been expanded: if all Dutch offices were to copy this business case, fifty per cent of the Dutch 'Energy Agreement for Sustainable Growth', would be met.

Last year ABN AMRO was advised by the Green Quest, the Netherlands' leading experts in sustainability.

The bank had two goals: to obtain BREEAM Excellent certification for its head office at Gustav Mahlerlaan in Amsterdam and to make its Alkmaar branch carbon and energy neutral. We wanted to create a successful business case that other ABN AMRO branches and clients could copy. And we were successful! The Gustav Mahlerlaan

building was awarded BREEAM Excellent certification in September, and the Alkmaar branch followed in November..

Carbon and energy neutral

Both offices now rank among the only four office buildings in the province of North Holland with the highest level BREEAM sustainability certificate for existing buildings. The Alkmaar branch is even fully carbon and energy neutral. This means that carbon

emissions are kept at zero by limiting and compensating emissions, and the office has become self-sufficient energy-wise by saving and generating energy. What is the business case? What measures can office owners or renters duplicate?

The Alkmaar business case

- The market will sit on its hands unless it sees a solid business case. Office owners will only invest in sustainability if the return

time is realistic. The successful transformation of the Alkmaar branch demonstrates that such a business case is possible.

Kantoor grootte: 5.000 m²

- Size of the office: 5,000 sq.m
- Goal: To make the building carbon and energy neutral
- Total costs: 533,264 euros (which is more expensive than traditional replacement)
- Average life cycle of installations: 15 years
- Annual energy savings and maintenance: 44,646 euros
- Annual revenues and subsidy: 27,725 euros
- Return time of investment: 7.4 years
- Net savings after 15 years: more than 500,000 euros (after deducting investment)

The lessons of Alkmaar

Below are the three main measures – all of which pay off quickly – that every office owner in the Netherlands can implement:

- **Choose all-electric – and only all-electric** An air-to-water heat pump can cool and heat a building and is fully electric. In principle, the gas tap can be switched off. Electricity consumption grows, but this is easier to compensate than gas.
- **Saving and generating are a golden combination** Savings measures alone reduced energy consumption in the Alkmaar

branch by around 60 per cent.

The branch's energy needs – constituting the remaining 40 per cent – were met by 500 solar panels, making the branch energy neutral. In the long run, the panels will even yield additional energy.

- **A foundation of proven technology with a few top innovations** A smart balance between innovation (big impact) and proven measures (affordable) is a key success factor. In Alkmaar the emphasis was on proven innovations. This was supplemented by specially designed innovations, such as the use of phase-change material in the ceiling. This material stores heat when it is warm (which has a cooling effect) and releases heat when it is cold.

Alkmaar's impact

One of the goals stated in the Dutch Energy Agreement for Sustainable Growth is to reduce energy consumption in the total developed environment by 62 petajoules. If the lessons learned in Alkmaar were to be rolled out nationwide – including outside of ABN AMRO – 50 per cent (30.6 petajoules) of that goal would be met. And this doesn't even include residential buildings. This is what ABN AMRO will do to make impact.

- ABN AMRO is using Alkmaar as a blueprint for making more of its own offices sustainable..

- All Dutch real estate owners have the 'right to copy': all findings will be released and ABN AMRO relationship managers will share them with the market.
- ABN AMRO Real Estate is harnessing its expertise to achieve its real estate ambition for 2017, namely to ensure that 30 per cent of its portfolio obtains an energy A label (up from 1 per cent now), to transform 300,000 square metres of vacant space and to finance 30 landmarks.

Annemarie Rakhorst, one of the pioneers in sustainable building, says the next step for ABN AMRO is to bring this knowledge to the housing market. She was quoted in the Dutch financial daily *Het Financieele Dagblad* as saying 'Individuals often have a hard time making their homes energy-producing. ABN AMRO should share this knowledge.'

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