

Sustainable Banking

The How and Why





2015-2017: Gearing up towards a sustainable property portfolio

ABN AMRO is going all out to speed up the process of making its property portfolio sustainable. The ambitious goal is to be crowned 'most sustainable real estate bank of the Netherlands' by 2017. How, exactly? We asked Head of Real Estate & Public Sector Clients Rutger Schuur.

Attitudes to property are shifting rapidly. In addition to the global perspective of combatting climate change, pressure to adapt is also felt from a Western European, Dutch, and local perspective. Tomorrow's employees want to earn their wages in a healthy, climate-friendly, comfortable building – preferably located in a vibrant and pleasant neighbourhood. Rutger Schuur: 'In recent years, we have seen a dramatic write-down of property

values. For understandable reasons, these were not always easy times. Fortunately, the world of real estate is on the cusp of embracing a new, positive agenda. ABN AMRO is not simply going to jump on the bandwagon. On the contrary, we are going to do everything in our power to integrate the principles and perspectives of that new agenda - and then spread that knowledge so our clients can excel.'

Sustainable switch across the board

Schuur is, of course, referring to last summer's exceptional achievement, when the ABN AMRO head office was granted the coveted BREAAAM Excellence certificate, which only a handful of Dutch buildings have received. To Schuur, it symbolises how ABN AMRO, as a big bank, is making the transition to a sustainable future across the board. 'We maintain a continuous dialogue with

our clients, and together we look for smart solutions in sustainability. That is one of the best guarantees that we are making real progress. And that we will keep going. With a number of external parties, we have invested heavily in a smart measuring and assessment system. It allows us to map our real estate portfolio in an entirely new and future-proof way. To make it a true challenge for ourselves, we aspire to have thirty percent of our property portfolio at A-label rating by 2017.

Listening closely and encouraging partners

A number of banks have from day one made sustainability a key feature of their policies and communication.

Is ABN AMRO lagging behind?

Schuur disagrees. 'I wouldn't know why. Ultimately, what counts is the things you accomplish, and whether you can convince your partners to assist in speeding up your sustainability agenda. We are right on schedule with that.' With a property sector market share of about 14 billion, every step ABN AMRO takes with regard to sustainability has a huge impact – especially if clients have the courage to follow the example.

'We encourage our clients in the property sector to take the leap. Indeed, the ambition to become the most sustainable real estate bank of the Netherlands by 2017 is always



at the back of our minds. But you should not be afraid to admit that the pace of change partially depends on your clients. You can never have total control over that. But we do everything we can to make them just as enthusiastic as we are – and just as successful.'

Enlightened self-interest

In addition to the added social value that sustainable real estate represents, there is an inherent business reason to speed up the transition to this type of property.

Schuur: 'According to virtually all scenarios for the future, environmental rules and legislation will only become more stringent.

We are staying ahead of the game

by making our real estate more sustainable.' Then there is the math, which paints a grim picture for unsustainable property.

'Such buildings will only become more expensive as time goes on, because they require a lot of maintenance and adjustment to meet stricter environmental requirements,' Schuur explains. 'In terms of cost levels, a sustainable building is much more attractive and stable. As a result, the risk profile becomes a lot more favourable as well. To make buildings fit that more favourable risk profile, and set them up for a sustainable future, we offer clients a scan, advice, and financing.'



Making money from fighting crime, youth services and development aid

Seasoned investors are worldly wise enough to know how society ticks, so why don't we get them to join our governments and charities in tackling society's problems? With this question in mind, the first Social Impact Bond was launched five years ago. The purpose was to finance a reintegration programme for the jail of Peterborough in the UK. Social Impact Bonds have huge potential. Plenty of reason for ABN AMRO to be a trendsetter in the Netherlands.

Every young person to get a new job can start contributing to society. Finding a job offers them a future, and improves the public budget. Not only does the government save on benefits, health care and policing, the additional incomes are taxed as well. Municipalities do not always have enough money to invest in solutions, making employment a missed opportunity for many.

This is where ABN AMRO and Star Foundation entered the stage, on behalf of the city of Rotterdam. Together they invested in the Buzinezzclub, which guides unemployed young people towards finding and keeping a steady job or entering self-employment. Participants enrol in an intensive programme that includes an apprenticeship, personal coaching, and group training sessions. Support

continues for a full year after a participant enters employment. This is a win-win situation for young people, governments, and investors. The investors receive a percentage of the returns if pre-established social and financial goals are achieved. The project is still in the start-up phase, but initial results are positive.

A better world

Social Impact Bonds can also make a difference in combating problems involving crime, youth services, health care, and development aid. The driving idea is to create a better world in a profitable way. Financial risks are shifted from governments to private parties, who are more agile and innovative. As a reward, they receive a percentage of the returns.

Around the world, governments and financial institutions alike are pleased with this solution. Ruben Koekoek, ABN AMRO's Manager for Social Impact Bonds says, "It used to be the government that solved every problem. Nowadays, citizens and businesses accept part of that responsibility."

Growth market

The UK and US governments have launched extensive programmes, and a growing selection of countries is following suit. Banks such as Goldman Sachs and Bank of America are joining in as well. J P Morgan has estimated 2014's total investments in the rapidly growing impact investment sector, which includes Social Impact Bonds, to be 10.6 billion dollars (approximately 9.4 billion euros).

Obstacles

Despite the promising results so far, impact investing has a long way to go before it reaches maturity. Projects often do not make it to the launch,

and when they do, they do not always live up to expectations.

To a large degree, the projects' failures have to do with the social goals that are linked to the projects as return requirements. This summer, Goldman Sachs and Bloomberg Philanthropies discontinued a re-integration programme in the New York prison Rikers Island, because the programme had not managed to lower young prisoners' odds of recidivism. Achieving social goals with a focused strategy turned out to be more difficult than reaching financial targets.

Measurement problems

Measurability is a challenge in itself, as researchers from accountants Ernst & Young have stated in a recent report. If positive results of impact investments are not measured, they do not translate into returns. Setting and measuring the right goals is, therefore, a prerequisite for success. This means large investments in the organisation, which challenges the small-scale feasibility of Social Impact Bonds.

Closing a deal

There's the rub: the investors who are needed for large projects, are not keen on taking on too much risk. In many cases, to attract sizeable amounts of money, there needs to be a successful pilot, or a non-profit organisation has to pledge to partially absorb any losses. Governments are

not always cooperative either. It is not uncommon for Dutch social investors to become entangled in bureaucracy as they cooperate with multiple levels of government. Koekoek observes that closing a deal is often complicated by the large number of parties involved.

Future

"I recommend having fewer parties involved in Social Impact Bonds," says Koekoek. The government can accomplish that by instituting an overarching fund that pays out the returns. Companies and governments, Koekoek believes, should share more knowledge in their quest for effective business plans. Despite the challenges, the list of successful applications of Social Impact Bonds is growing. That offers hope for the future. Because of the considerable international interest, many organisations have started their own research. Another ingredient in the recipe for success is finding investors with the courage to experiment, such as ABN AMRO. Koekoek: "We think of ourselves as thought leaders. We became involved in an early stage, and hope to give the market a push in the right direction by sharing our knowledge."



Balancing the interest of our client and the interest of society

In this video, Directory of Sustainability Richard Koolos explains how ABN AMRO deals with one of the most common bankers' dilemmas: what if the client's interest goes against the interests of society? Should the bank choose a side? And if yes – which one?



“Themes like privacy and equality remind us that human rights issues are much closer to home than we think”

Can a bank prevent the violation of human rights? Yes, to a much greater degree than done so far, says sustainable banker and corporate activist Maria Anne van Dijk. ABN AMRO is organising its second International Human Rights Conference on 9 December.

Purchasing chain

Banking is not limited to balance sheets and credit ratings. The bank manages more than just financial flows, Van Dijk states. ‘You can no longer say: we only take care of the financial flows. Especially if your clients operate or purchase all over the world. Their purchasing chain could involve exploitation, child labour or slavery. You don’t want to be financing such practices.’

ABN AMRO is the first bank in the world to report according to the UN Guiding Principles Reporting Framework, which is aligned to the UN Guiding Principles on Business and Human Rights. Van Dijk explains that for now, this is the best proof that ABN AMRO’s actions and reporting are in line with human rights as established by the UN. ‘ABN AMRO is an early adopter, like H&M and Unilever. I

know, it looks a lot like just a heap of words on paper, but it is very concrete. It means that at all times, we need to know what our clients are doing.’

Checking

Van Dijk explains: ‘If a client imports goods from Bangladesh or India, and has sustainability policies in place, you could say: great, that is sorted then. But to me that is not enough. We have to know more about the

process. What occupational health and safety standards do they have? How do they check those? You have to keep a close eye on what is going on and gather information. Based on the industry, the country, and the way they have organised the process, we rank our clients as low, medium, or high risk. It gives us a proper insight into the state of our client portfolios, and how many pioneers and stragglers we have.’

If a client does not meet the requirements, there will be consequences, Van Dijk continues. ‘What do you do? Ban them? Our policy is geared at giving the client an opportunity to improve. We enter a dialogue in which we also offer advice. Otherwise, they will switch to a bank that does give them that leeway. We tell them: within a certain timeframe, you have to get your house in order. We agree on an improvement plan and keep monitoring it. These clients have to keep up with the times. We choose engagement over exclusion, because we are convinced that we can maximise our influence that way.’

do. How does ABN AMRO handle clients’ personal data? How about employee rights, about pay gaps between men and women? Or opportunities for applicants with a migrant background? There are still many human rights issues in the Netherlands, ranging from privacy to equality. The same principle applies here: you have to investigate to get a grip on things.’

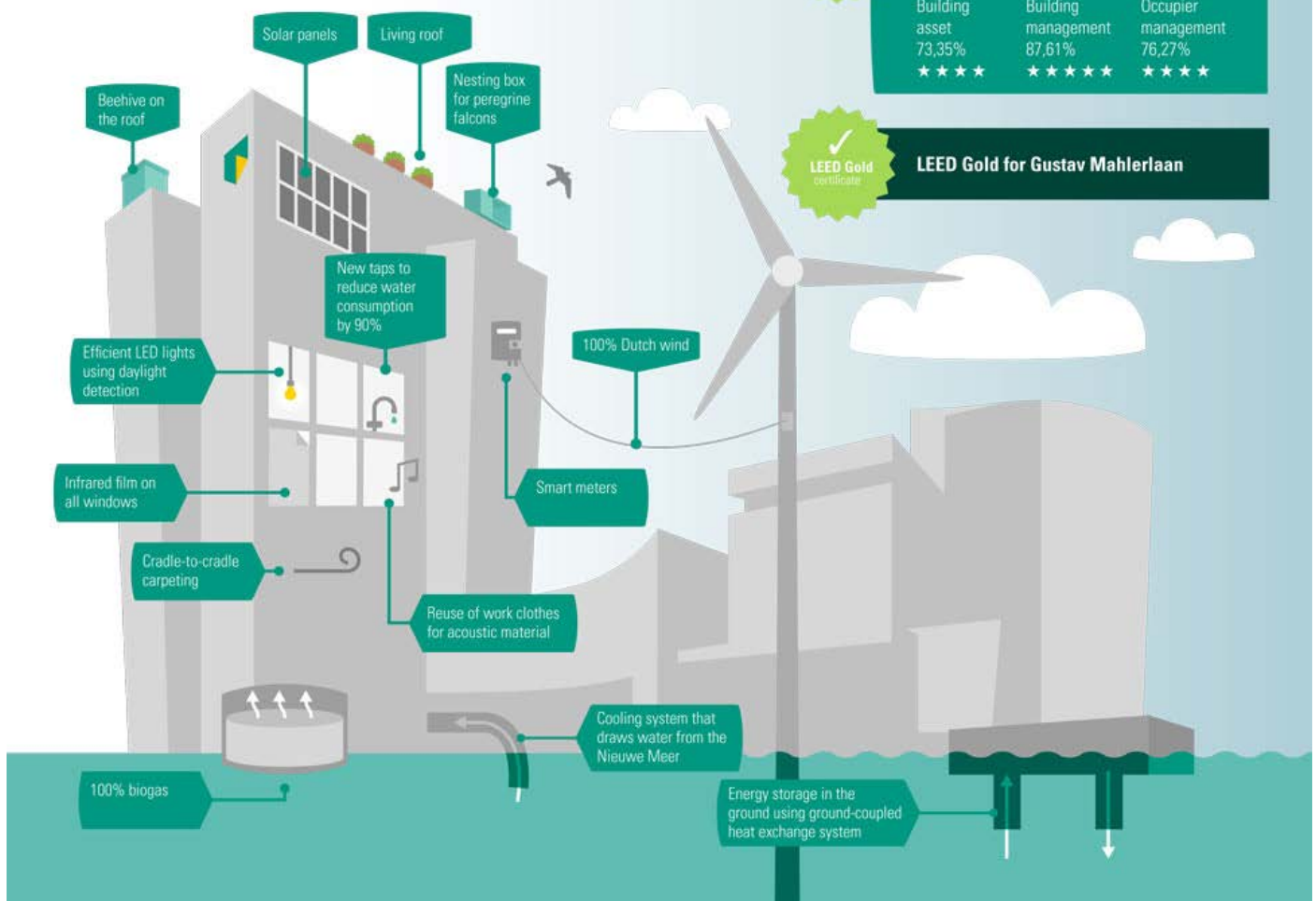
During the upcoming Human rights conference on 9 December, Van Dijk especially looks forward to the keynote speech by Kailash Satyarthi, a human rights activist who received the Nobel Peace Prize in 2014. He launched the Global March against Child Labour, a worldwide coalition of NGOs and unions. ‘He is a fantastic speaker who knows what it takes to translate ideals into practice. I am very curious about the second half of the conference as well. We will talk about the role that ABN AMRO can or should play. Our own work will be the focus.’

In the next edition of this newsletter, ABN AMRO will cover the conference.

Close to home

According to Van Dijk, many people assume that human rights issues are far removed in the chain: child labour in the textile industry, slavery on cocoa plantations. ‘Human rights issues take place much closer to home than you think they

ABN AMRO Gustav Mahlerlaan BREEAM Excellent status



This is what we learned from the sustainable makeover of our headquarters

As from this summer, ABN AMRO's head office on Gustav Mahlerlaan in Amsterdam is officially among the top sustainable buildings in the Netherlands. The facility management team's efforts have been rewarded with a BREEAM Excellent certificate.

BREEAM is an international sustainability standard that sets high requirements not only for the construction, but also for management and use of commercial premises. Our head office is now one of the few buildings with the

second highest certificate.

Rob Vermeij and Rob Kuipers, Senior Product & Contract Managers at ABN AMRO, have created a road map to make the bank's property portfolio more sustainable. Doing nothing is not an option, Vermeij believes. 'If

nothing is done, by 2050 we will need three Earths to sustain our needs. Another benefit of choosing sustainability is that the value of sustainable buildings holds up better.' ABN AMRO has set a good example, and clients with commercial property

are already starting to follow suit.

'Over the past few years, we have improved the quality of a total surface area of 350,000 square metres to "A" grade, qualifying for BREAAAM's "very good" certificate. That is nearly half our total property portfolio. A number of locations will be closing their doors in the next five years. Meanwhile, we are making the remaining offices more sustainable. We have started with the largest buildings, and want to work our way down to the smaller offices.'

The Gustav Mahlerlaan head office is the showpiece of the project. The building already scored well in tests performed in 2012, but the facility management, IT, and HR teams have taken us to new heights. Vermey elaborates on the steps that were taken to accomplish this.

Building: cleaner and more energy-efficient

'Fortunately, the head office, which we moved into in 1999, had already been built with sustainability in mind. But there was still a lot of room for improvement with regard to energy consumption. Now, we have switched to Dutch wind power and biogas to cut CO2 emissions to zero. With smart measures we have tremendously reduced our energy consumption. For temperature control, for example, we have installed infrared film on all glass

surfaces. As a result, the sun does not heat up the building as much and it needs less air conditioning. When we do need air conditioning, we pump up cold water from the bottom of a nearby lake.'

Facility management: purchasing more sustainably

'We are putting great effort into managing the building and installations we use. External parties keep an eye on things. In future renovations sustainable materials should be used, and waste minimised. We have also introduced a new environmental policy. It is an extensive document in which we describe the exact requirements for items that are used in the office. Everything is included: from printer paper down to the food sold in the restaurants. We also measure the number of transport miles the items travelled and the working conditions under which they were produced.'

Changing staff habits

'Improving sustainability is not just limited to the building, it involves the people who work there as well. We investigated how exactly our staff travels to work, and checked if we can make this more environmentally friendly. Right now energy labels A through C are allowed for cars, but we want to gradually raise that standard. Additionally, we are targeting staff with information campaigns to encourage sustainable

behaviour. We can install water-saving taps, but that does not make any real difference if people just keep the water running idly.'

Future: circular economy

'We have to continue improving if we want to keep the certificate. BREAAAM is releasing new guidelines in 2016, and of course we want to keep up. The next big step is introducing circularity. When purchasing new inventory, we have to be more mindful of product life span and whether the materials can be recycled or reused. For example, we have already started using carpets that, when worn out, are returned to the manufacturer to be reused. We will keep experimenting to be a trendsetter in this practice.'



Interview with Floris Lyppens: Long-term investment in sustainable society and a good life

Offshore wind farms will become an important source of stable and sustainable energy for prosperous and densely populated parts of the world. Floris Lyppens is Head of Structured Debt at ABN AMRO, and one of his projects is to work together with a team of specialists to finance maritime wind power projects. Below, he explains how this new market works.

Why is ABN AMRO focusing on offshore wind farms?

It is commonly known that the Netherlands are lagging behind the environmental targets set by the EU. The Dutch government has been rebuked for its underperformance by many parties, including Brussels. The consequences? During the next few decades, the country is going to make great efforts to catch up on renewable energy generation. An Energy Agreement has been

signed, confirming that offshore wind farming will play a major role in the catch-up. Right now, 5% of Dutch energy is renewable, and the aim is to increase that percentage to 14% by 2020, and 16% by 2023. ABN AMRO sees this ambition as a unique opportunity to apply its many years of experience in the maritime industry and the energy sector to this promising field. Through project financing we will help the government realise those offshore wind

farms, so the Netherlands do meet their environmental targets in future - and preferably outperform them. The government investment will add up to about 11 billion euros over the next 8 to 10 years. Note that the proposed offshore wind farms together will be a larger project than the country's famous Delta Works! It is quite a job, and will involve many Dutch construction companies, soil investigators, and suppliers of wind turbine foundations

We all know that offshore wind farms are expensive, and as a result, economically vulnerable. Why get involved?

If we were to allow ourselves to be guided by the mercantile spirit of our Dutch ancestors, and only focus on the price and the short term, starting tomorrow we would be building dozens of coal-fired power stations. You can get coal for peanuts. But coal is terribly bad for the environment, and that excludes this fuel from our future. If you want to build a sustainable economy and also keep the people's support, you must find an energy source that checks all the boxes: environmentally clean, economically scalable and socially responsible. As in Germany, Denmark, and the UK, the amount of available land is limited here, because the Netherlands is densely populated with an average of 488 persons per square kilometre. When you think it through, offshore wind farms are obviously part of the solution.

So a sustainable and wise solution in the Netherlands is not necessarily good for the US as well?

Exactly. Truly sustainable solutions take local factors into account. The US has an abundance of land. It would not make sense for the Americans to build offshore wind farms. In relatively crowded North-West Europe, however, they are essential for clean and stable energy in the long



“Creating and benefiting from offshore wind farms”

Floris Lyppens, head
Structured Debt

term. And looking at other densely populated areas in the world, we see ample untapped opportunities. But there is another aspect we have not yet addressed.

Which aspect?

There is a growing realisation that the world is in a state of flux. Energy policies are to some extent a geopolitical matter. The more you can control your own energy supply and work within your own borders, the more powerful and independent your position in the political arena becomes. In other words: you could see offshore wind farms as a long-term investment in our own political weight – in this case, the weight of the Netherlands and Europe. Current-

ly for the Netherlands, six offshore wind farms are on the drawing table with a total capacity of 3500 MW, which will provide for about 5 million households. Our objective is to cut the cost of wind energy by 40% between now and the completion of the last wind farm.

Let us assume that the Netherlands and Europe will indeed benefit from offshore wind farms. What is ABN AMRO's role in realising them?

Let us assume that the Netherlands and Europe will indeed benefit from offshore wind farms. What is ABN AMRO's role in realising them?

So, concretely, what knowledge will ABN AMRO contribute?

Knowledge on foundations, turbines, ship building, cables, maintenance, weather influences, and more. This knowledge is vital in setting up the complex financing of these projects.

How do you limit the costs of offshore wind farms and boost the returns?

We host frequent seminars and share our knowledge with experts around the globe. One of the new insights is that standardisation is a particularly effective way to save on offshore wind farms. Standardisation is going to be a big topic

It may be obvious, but why does this project financing fit in with the sustainable banking ideal?

It actually fits in in two ways. First, like our clients in this industry, we provide a concrete contribution towards making the Netherlands more environmentally clean and economically stable. Additionally, every bit of knowledge and experience related to these projects has long-term value, because we can use it in similar projects elsewhere in the world. North-West Europe is not the only densely populated place on earth where people are interested in clean air and a good life.

[Read more in the report 'Offshore wind power to gain momentum'](#)



Restoring religious heritage, which can be centuries old, is a costly procedure. But it is a very important priority, residents of towns and villages have stated. How do you go about gathering the required money? By using crowdfunding.

How ABN AMRO MeesPierson helps churches to preserve important religious and cultural heritage by using crowdfunding

It is generally quite expensive to restore cultural and religious heritage assets. The people of Soest, Sittard, and Hoek can tell you all about it. To address this problem, a crowdfunding campaign has been successfully launched in these three towns. The purpose in each case is to raise funds from locals as well as people who live further afield.

ABN AMRO MeesPierson guides these campaigns. As part of its aim of offering sustainable, innovative services, the bank has developed crowdfunding as a service for local projects. The projects are off to a good start, and there is confidence that they will meet their objectives.

Crowdfunding projects have been launched in:

Soest: restoration and placement of a monumental organ in the Oude Kerk

Sittard: restoration of the landmark tower of the basilica

Hoek: Hoek: replacement of the stained glass windows of the church, which is to be rebuilt

Within 3 weeks, over 40,000 euro was raised by the three participating institutions together, from over 150 separate donors.

Earlier, ABN AMRO MeesPierson successfully used crowdfunding to obtain financing for the project 'Draag de Dom' (Support the Dom) in Utrecht. That pilot project made it clear that crowdfunding is more than just a type of financing. With crowdfunding, the people involved become real co-owners of the mission, broadening support from the community.

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Sustainable Banking

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