



2016 LTECV REPORT

Loi de Transition Energétique relative à la Croissance Verte
(French Law on Energy Transition for Green Growth) In
application of Article 173 of Decree 2015-1850

Report in respect of 2016 financial year

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INTRODUCTION



The French energy transition for green growth act (Loi Transition Energétique relative à la Croissance Verte - LTECV)¹, published on 17 August 2015, requires all economic agents to position themselves with regard to taking Environmental, Social and Governance criteria into consideration in a ‘climate’ approach in their core businesses.

The LTECV implementation decree, published on 29 December 2015, echoes the Paris climate agreement, the “first-ever universal, legally binding climate deal. The agreement sets out a global action plan to put the world on track to avoid dangerous climate change by limiting global warming to well below 2°C.”²

France has given itself legislative tools to combat climate change more effectively and strengthen its energy independence by a better balance in its sources of energy supply. This legislation aims to reduce greenhouse gas emissions by 40% in 2030 relative to 1990, raise the share of renewable energies in end-user energy consumption to more than 30% by 2030 and reduce the share of nuclear energy to 50% of electricity production by 2025.

The purpose of this first “2016 LTECV report” required by the legislation is to explain the asset management company’s approach to ESG issues.

The information thus provided consists of two sets of information:

- at the level of the investor (“the management company”)
- at the level of the investment (“the funds”)

As an asset management company, ABN AMRO Investment Solutions invests in the financial markets for its portfolios. Its investment processes³ take into consideration various elements of macroeconomic and microeconomic financial analysis so as to draw up investment strategies that are consistent with each portfolio’s investment objectives, risk limits and constraints. In addition to traditional financial analysis, it also takes into account the Environmental, Social and Governance (ESG) behaviour of the companies and States in which it invests. We believe that a company that cares about its environment and employees is part of a sustainable approach that will reward in the long term.

ABN AMRO Investment Solutions (AAIS) has equipped itself with tools and resources for analysing risky behaviour and good practices in the area of ESG. At this stage, ESG information is made available to all the fund managers but is only binding for funds that apply a Socially Responsible Investment (SRI) process.

AAIS has developed a range of SRI funds that systematically select their investments based on ESG criteria. Our clients are currently offered a full range of SRI funds that respond to both financial and ESG objectives. AAIS is in a position to provide its clients with the ESG score of each investment.⁴

¹ For more information: <https://www.ecologique-solidaire.gouv.fr/loi-transition-energetique-croissance-verte>

² Source: https://ec.europa.eu/clima/policies/international/negotiations/paris_fr

³ A detailed description of the investment process is available from the fund manager on request. aaais.contact@fr.abnamro.com

⁴ However, some issuers are not yet covered by this type of analysis. To date, AAIS has not defined a policy of systematically circulating this information to its clients.

I. INVESTOR ESG INFORMATION: ABN AMRO INVESTMENT SOLUTIONS

1. General approach for factoring in Environmental, Social and Governance (ESG) criteria

Taking ESG criteria into account in all its banking and asset management businesses has been an integral part of ABN AMRO's development strategy since 2004.

1.1 Presentation of ABN AMRO Investment Solutions (AAIS)⁵

ABN AMRO Investment Solutions (AAIS) is the ABN AMRO group's asset management arm. It is based in France and is a subsidiary of Banque Neuflyze OBC, which is itself owned by ABN AMRO Bank NV.

AAIS serves ABN AMRO's entire international network as well as outside clients; it has around €35 billion of assets under management or advised by its subsidiary ABN AMRO Advisors.

In developing its offering to its clients, AAIS draws not only on its own expertise and skills but also on delegated management. In this way, in a complex and constantly changing market, AAIS gives access to all types of asset classes and to the most talented fund managers.

AAIS is a global asset manager at the service of ABN AMRO and its clients, in the Netherlands, France and abroad.

1.2 Corporate Social Responsibility (CSR)⁶

a) CSR history

Since 2004, Banque Neuflyze OBC's commitment, and that of its subsidiary, ABN AMRO Investment Solutions, to responsible, efficient and innovative management has continued unwaveringly in keeping with the strategy of its parent company, ABN AMRO.

At the end of 2013, after ten years of commitment to sustainable development, Banque Neuflyze OBC's Executive Committee decided to define a clear strategy and set specific aims for this approach.

To integrate sustainable development criteria in all its businesses, the approach was qualified as "Corporate Social Responsibility" (CSR).

b) CSR Governance

CSR is overseen by the CSR Committee, a committee appointed by Banque Neuflyze OBC's Executive Committee. The CSR Committee is chaired by a member of Neuflyze OBC's Management Board and meets on a monthly basis.

The CSR Committee draws up the group's CSR strategy and defines its implementation through annual action plans. It appoints, on proposals from their managers, CSR Correspondents who represent their respective departments at the CSR Committee's monthly meetings

⁵ For more information: <https://www.abnamroinvestmentsolutions.com>

⁶ For more information: <http://www.orse.org/>

AAIS is an integral part of this approach and has appointed three CSR correspondents who are seconded to Neuflyze OBC's CSR Committee.

c) CSR Committee

The CSR Committee oversees innovative CSR projects (21 projects for 2014-2017) and appoints project teams that operate on a group-wide basis. Each CSR Committee member is the sponsor for several projects.

The CSR Committee reports on its activities to Neuflyze OBC's Executive Committee each quarter and to Neuflyze OBC's Supervisory Board once a year.

1.3 CSR strategy: developing a responsible offering

a) 2014-2017 Plan⁷

The three-year CSR strategy (2014-2017) adopted by the Neuflyze OBC group (the bank and its subsidiaries AAIS and Neuflyze Vie) focuses on four areas, with a constant commitment to transparency

- A responsible, sustainable offering;
- Being an employer of choice;
- Supporting the community;
- Reducing our direct environmental impact.

In concrete terms, this strategy has resulted in putting in place indicators for monitoring performance in the area of sustainable development. Implementing ESG criteria is therefore an essential step in achieving the group's development objectives.

b) Plan 2018-2020

Neuflyze OBC's CSR strategy for 2018-2020 integrates climate parameters.

In accordance with ABN AMRO Bank NV, Neuflyze OBC has adopted an integrated CSR approach. All the business lines now apply CSR criteria in carrying out their business and in their products and services offerings. CSR forms part of individual and collective goals.

Like ABN AMRO Bank NV, Neuflyze OBC considers global warming to be one of the key issues facing society. The Neuflyze OBC group acts by reducing and neutralising its own emissions and encouraging its clients to act in the same way. ABN AMRO NV has adopted UN Goal 13 relating to "Urgent action to combat climate change" as a priority objective.⁸

The Group has undertaken to reduce its own carbon footprint and develop products that contribute to this. This environmental and climate strategy is part of Neuflyze OBC's integrated CSR approach, leading to changes in its business model.

At the level of AAIS, this strategy consists of acting in the following areas:

- Reducing our greenhouse gas emissions by 30% by 2020 relative to 2008.

⁷ For further information: <https://rse.neuflyzeobc.fr/2017/fr/la-strategie-rse-2014-2017.html>

⁸ For more information: <http://www.un.org/sustainabledevelopment/fr/climate-change-2/>

- Putting in place a policy favouring businesses with a positive impact for energy transition.
- Becoming a signatory of the main national and international charters on climate change and monitoring of actions taken as part of our action plan.
- Helping to finance the energy transition by gradually increasing the share of Green Bonds held in our portfolios and managed funds. Accelerating the development of SRI solutions; socially responsible investment forms an integral part of the group's sustainable development strategy. AAIS offers a full range of SRI funds⁹
- Integrating ESG ratings and carbon footprint of our clients' portfolios.
- Continuing to extend ESG criteria to cover all the stocks we work with and using them as selection criteria for stocks and fund managers.
- Putting in place tools for monitoring our direct and indirect exposure to activities linked to fossil fuels.

c) Consolidated CSR report

All the work and research carried out by the CSR Committee is described annually in the consolidated CSR report published on Neuflyze OBC's website¹⁰.

2. Our SRI approach

2.1 Adherence to ESG charters, codes, initiatives and labels

AAIS participates actively in various professional working groups dedicated to "green finance".



Equator principles¹¹

ABN AMRO was among the first signatories of the Equator Principles under which financial institutions undertake to select their project financing deals based on criteria of respect for the environment and of human and social rights, in addition to financial criteria.



Principles for Responsible Investment (PRI)¹²

ABN AMRO is a signatory of the PRI ("Principles for Responsible Investment", drafted under the aegis of UNEPFI), which therefore also apply to the entire Neuflyze OBC group. This is a voluntary undertaking in the form of six founding principles addressing the financial sector and encouraging investors to take ESG issues into account in the management of their portfolios.

⁹ See "SRI funds" section in this report

¹⁰ Consolidated CSR report available at: <https://rse.neuflyzeobc.fr/2017>

¹¹ <http://www.equator-principles.com/>

¹² <https://www.unpri.org/>

[Climate Statement Dutch Banking \(Netherlands\)](#)¹³

Climate change is taken very seriously by the ABN AMRO group, which signed the Climate Statement of the Dutch Banking Association in 2015. This statement commits a number of Dutch banks around 10 principles with the aim of taking climate change into consideration.

ABN AMRO had already published its own statement on climate change in 2014, in which it undertook to reduce its greenhouse gas emissions by at least 30% by 2020, compared with the 2013 level.

[Green Bond Principles \(GBP\)](#)¹⁴

ABN AMRO Investment Solutions is a member of the International Capital Market Association's Green Bonds Principles.¹⁵

GBP is a professional community within the International Capital Market Association (ICMA). GBP groups, on a voluntary basis, financial professionals divided into three collegial bodies: Investors, Issuers and Underwriters. The Executive Committee validates the guidelines, the working groups and their work.

The Green Bond Principles are a set of voluntary process guidelines for issuing green bonds.

AAIS is a member in the "investor" category; as such it participates in electing the members of the Executive Committee and forms part of technical working groups tasked with developing best practices in "green" finance.

It was part of the working group dedicated to promoting GBP and was involved in drawing up the latest version of the Green Bond Principles (published in June 2017).



[FIR-AFG-Eurosif Transparency Code](#)¹⁶

All the French funds in AAIS's range of SRI funds have drafted a transparency code which has been filed on the management company's website and with the French asset management association AFG.

With a view to sharing this code of good fund management practices with its international clients, an English-language version of the code will be available on AAIS's website in the near future.



[Novethic Label 2015-16](#)

Novethic is a research and media expert in sustainable finance that offers training and research. A pioneer in SRI certification, Novethic has created several labels which have been assigned to more than 300 SRI or environmental funds. These labels, recognised as a guarantee of quality, are widely recognised in Europe, as is all of Novethic's expertise.

¹³ <https://www.abnamro.com/en/newsroom/newsarticles/2015/abn-amro-signs-dutch-banks-climate-statement.html>

¹⁴ <https://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

¹⁵ <https://www.icmagroup.org/About-ICMA/>

¹⁶ <http://www.afg.asso.fr/solutions-depargne/presentation-isr/code-de-transparence-isr/>

Novethic's SRI label was the first European label for SRI funds managed based on ESG criteria. Created in 2009, by the end of 2016 it had been awarded to more than 300 funds marketed by 40 management companies.

The ABN AMRO Euro Sustainable Equities fund obtained Novethic's SRI label for the 2015-2016 period, thereby validating the socially responsible investment process put in place (a process applied to all the company's SRI funds).

Novethic's SRI label is no longer awarded in France, but it has served as a springboard for labelling in France as the authorities now propose their own SRI label for which Novethic helped to draw up the guidelines.

The French authorities have thus launched two new labels: the SRI label and the TEEC Label¹⁷. ABN AMRO Investment Solutions has not applied for either of the new labels this year.

Nonetheless, all the funds in the French range are listed in Novethic's "SRI funds" category¹⁸.



AFG's Responsible Investment Technical Committee¹⁹

Association Française de la Gestion financière (AFG)²⁰ is the French asset management industry's professional body, of which AAIS is a member. AFG represents and promotes the industry's interests. Its members include all market participants whether working for individual investors (mandates) or collective investment schemes.

The RI Technical Committee is a permanent committee dedicated to developing socially responsible investment. Through working groups, it draws up guidelines and recommendations on a variety of matters such as the transparency code for SRI funds, the SRI label, ESG indicators, integrating ESG, understanding the Energy Transition Act and a professional guide to sustainable bonds.

The committee responds to requests from the European Commission and the European asset management association (EFAMA) and works with the supervisory bodies in the area of responsible investment.

AAIS has been involved in, among other things, the drafting of the guide to sustainable bonds ("Guide professionnel des Obligations Durables"²¹) published by AFG in 2015, and the new version of the "Transparency code for SRI funds" which integrates some aspects of the LTECV (yet to be published by AFG).



AFG's Corporate Governance Technical Committee²²

Fully aware that good corporate governance practices increase the value of investments, the AFG was quick to see the role its members could play in this area.

¹⁷ <http://www.semaine-finance-responsable.fr/les-labels/>

¹⁸ <http://www.novethic.fr/isr-et-rse.html>

¹⁹ <http://www.afg.asso.fr/categorie-de-document/comite-technique-investissement-responsable-ir/>

²⁰ <http://www.afg.asso.fr>

²¹ http://www.afg.asso.fr/wp-content/uploads/2015/04/Guide_Professionnel_Obligations_durables_2015_04_23.pdf

²² http://www.afg.asso.fr/wp-content/uploads/2017/01/Recommandations_GVT_entreprise_2017.pdf

Its action has focused on exercising shareholder rights and obligations, particularly by encouraging management companies to actively participate in the annual general meetings of listed companies. The Corporate Governance Technical Committee issues recommendations on best practices in the area of voting at general meetings. For the past 15 years, it has published an annual guide - "Recommendations for corporate governance" - because "good management also means voting well". This involvement is part of the broader framework of its action to promote long-term savings, asset quality and responsible investment.

2.2 Our organisation: SRI coordination

The SRI coordination team

ABN AMRO Investment Solutions has appointed an "SRI coordination" team that reports directly to the Management Board.

The team comprises three specialised fund managers/analysts that either manage or advise SRI funds.

Role

Their principal task is to disseminate good ESG practices within the management company. The team defines objectives and is involved in the project for integrating ESG criteria into all the management company's business lines.

The coordinators are responsible for developing socially responsible investment both internally and externally. The SRI coordination team reports directly to AAIS's Management Board, the head of direct investment and the head of funds selection.

The coordination team is assisted in its work by the SRI Committee.

SRI Committee

The coordinators chair the management company's SRI Committee, which meets monthly. This committee is comprised of fund manager/analysts from the direct investment and fund selection division, representatives of the sales development team and, occasionally, the risk monitoring, operational control, compliance teams, etc.

The SRI Committee draws up the roadmap, gathers the requests of the parties involved, provides technical solutions (circulation of ESG ratings for example), proposes actions for developing SRI investment (participating in conferences, labelling, partnerships, etc.) and coordinating the development of SRI policies at the ABN AMRO group level. The work is shared with Neuflyze OBC's CSR committee and with ABN AMRO NV.

2.3 ESG analysis methodology²³

a) Excluded sectors under our CWL

All our investment decisions must be filtered through our "Controversial Weapons List" (CWL), which lists companies that are in any way involved, closely or from afar, in the manufacture of controversial weapons such as

²³ <https://www.abnamroinvestmentsolutions.com/fr/socially-responsible-investment-abn-amro-investment-solutions/concept/index.html>

cluster bombs and land mines. This list of “prohibited” issuers is reviewed regularly and circulated throughout the ABN AMRO group and applied within ABN AMRO Investment Solutions.

b) ESG criteria

Description

ESG criteria are the three fundamental pillars of socially responsible investment. These criteria can be weighted differently according to the SRI approach adopted by the management company. We define them as follows:

Environmental criteria-E: direct or indirect impact of the company’s activities on the environment, for example:

- Programmes to reduce greenhouse gas emissions
- Procurement policy oriented toward green energy
- Reducing consumption of water, electricity, fuel, plastic, paper, etc.

Social (or societal) criteria-S: direct or indirect impact of the company's activity on the parties involved by reference to universal values (human rights, international labour standards, combating corruption, etc.), for example:

- Significant policy to prevent discrimination
- Advance programme to foster diversity
- Low staff turnover rate within the company
- Ethical approach to subcontractors

Governance criteria-G: the manner in which the company is managed, administered and controlled, and particularly its relationship with its shareholders, its board of directors and its senior management, for example:

- Highly developed anti-corruption and anti-money laundering policies
- Senior management remuneration policy
- Signatory of the UN Principles for Responsible Investment

AAIS performs the ESG analysis and assigns ratings to each pillar. The ESG data is supplied by our partner Sustainalytics.²⁴ This highly-reputed extra-financial rating agency has international reach and analyses most of the large stock markets. More than 4,500 companies and 220 States are scrutinised.

These ratings are based on a score of 0 to 100: the higher the score, the more sustainable and better quality the company’s practices are (based on present norms and standards).

Sustainalytics also assesses the level of controversy to which the company is exposed on a scale of 0 to 5, with 5 corresponding to high level of controversy that could seriously damage the company’s image; this element supplements the final quantitative analysis performed by AAIS.

²⁴ <http://www.sustainalytics.com/>

c) ESG rating

An issuer's ESG rating results from the combined scores of the three pillars; it is calculated by AAIS, applying the following weightings:

$$\text{ESG rating} = 50\% \text{ E score} + 30\% \text{ S score} + 20\% \text{ G score}$$

All this quantitative data is directly integrated into our databases and the qualitative analysis data is available through a dedicated platform at Sustainalytics.

d) Instruments covered

The data is available at the issuer level for all types of assets: equities, bonds, money-market instruments, convertible bonds, etc. It is not applied to derivative products, futures and liquid assets (except in the case of the ABN AMRO Euro Sustainable Money Market fund).

We do not systematically disclose the ESG ratings of the positions in external or internal funds held by our funds as we do not, for the moment, have the required technical and human resources for automatic implementation.

e) ESG investment strategy

The ESG ratings are available to AAIS's teams. Only the managers of SRI funds have constraints that must be complied with in terms of ESG ratings, which are described in the fund prospectus and in the Transparency code for SRI funds.²⁵

2.4 Carbon data

a) Description

The carbon data is supplied by our extra-financial analysis partner Sustainalytics. This data currently covers around 2,500 companies. Such data is not collected for States.

The data concerns mainly greenhouse gas emissions, particularly carbon emissions (CO₂). The data is gathered from the annual reports published by the companies (reported data) or calculated based on historical or sector averages (estimated data).

It concerns scope 1 and scope 2 emissions as defined in the GHG protocol.

"The GHG Protocol (Green House Gas Protocol) is a protocol for tackling greenhouse gas emissions that was launched in 2001 by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI).

It has been developed in partnership with a wide range of international players, such as governments, NGOs and businesses.

The aim of this protocol is to harmonise the fight against climate change at world level. It serves to measure all the impacts arising from production

²⁵ See "Our SRI offer" section in this report

and consumption of a product. It is divided into three levels that correspond to emission scopes:

- Level 1 (or scope 1) corresponds to direct emissions resulting from burning fossil fuels such as gas, oil, coal, etc.
- Level 2 (or scope 2) concerns indirect emissions linked to the consumption of electricity, heat or steam to manufacture products.
- Level 3 (or scope 3) concerns other indirect emissions, such as extraction of the materials purchased by the company to manufacture the product or the emissions linked to transport of employees and of the customers who come to buy the products. This is the largest part of a company's emissions.²⁶

b) Measurement unit

Sustainalytics provides us with the scope 1 and 2 data based on the carbon emissions and total turnover of the company concerned.

Sustainalytics then calculates a "carbon intensity" indicator as the sum of (scope 1 + scope 2) / (turnover expressed in USD million)

The unit thus used to express Carbon Intensity is "tonne of CO2 equivalent/USD million of turnover.

c) Instruments covered

For the moment, we do not have scope 3 data which is far more difficult to isolate so as to avoid double counting.

The data is available at the issuer level for all types of assets: equities, bonds, money-market instruments, convertible bonds, etc. It is not applied to derivative products, futures and cash assets.

d) Interpretation

We do not break down carbon intensity by type of instrument. It therefore seems very likely that, in a diversified portfolio invested in the shares, bonds and money market instruments of a same issuer, the carbon intensity is overestimated.

In effect, we could consider that the carbon risk bearer is the shareholder due to his stake in the capital and that the bondholder is only a "partial" risk bearer for up to the % of debt held.

To date, there is no market consensus on what method should be used to allocate carbon data within an investment portfolio.

e) Carbon investment strategy

AAIS has not defined a carbon strategy for 2017 in respect of its investment portfolios. The carbon intensity of each investment is available to AAIS's investment teams.

2.5 Content, frequency and means of client information

a) ESG and Carbon implementation

²⁶ Source: Novethic <http://www.novethic.fr/lexique/detail/scope-3.html>

Involved in ESG research with its partner, Sustainalytics, since 2010, ABN AMRO Investment Solutions, in accordance with its 2016 goal, achieved full implementation of the three ESG-Carbon ratings within its main monitoring tool for directly managed portfolios in 2017.

This data is now available in the management company's central risk monitoring file for all types of assets (bonds, equities and money-market instruments excluding cash assets, derivatives and futures).

The ESG rating and carbon intensity indicators can therefore be consulted internally at any time by the investment, standards, risk monitoring and operational control teams.

b) ESG-Carbon reports

AAIS's SRI Committee has drawn up a template for portfolio ESG-Carbon reporting. For the moment, it is only available on request. Such reports will nonetheless be prepared at least annually and archived for the funds that fall within the scope of the LTECV.²⁷

Also, all the general statistics for the scope defined (see below) will be archived annually (based on the asset data at end-December)

c) Scope

The scope under review concerns all the assets managed by the company.

At present, we have a direct and almost immediate view of more than 54% of assets under management, i.e. €19 billion of assets (out of total managed or advised assets of €35 billion at end-June).

The results are provided in this report under "*Global analysis of ESG risks*", "*Our analyses*".

We do not currently have the resources to ensure a "see-through" view of all the positions held "indirectly"; we are working to obtain the information from the external fund managers we work with.

2.6 Our SRI offering

a) Range of SRI funds

As a responsible investor, we offer our clients a comprehensive range of SRI funds (money-market funds, diversified funds, bond funds and equity funds). These funds benefit from a selection process that systematically takes into account both financial and ESG criteria for each issuer in the portfolio. The funds must also achieve both financial and extra-financial objectives as set forth in their respective prospectuses.

At 31 December 2016, assets under management in SRI funds managed by ABN AMRO Investment Solutions amounted to €822 million and represented 2.3% of total managed and advised assets.

AAIS is working to promote and develop its range of SRI funds.

²⁷ See "Investment ESG Information" section of this report

List of our SRI funds

Category	SRI fund name
Money-market	ABN AMRO EURO SUSTAINABLE MONEY MARKET
Money-market	MONEVIE*
Bond	ABN AMRO EURO SUSTAINABLE BONDS
Diversified	ABN AMRO SUSTAINABLE MODERATE PROFILE
Diversified	ABN AMRO EURO SUSTAINABLE EQUITIES
Diversified	ABN AMRO SUSTAINABLE BALANCED PROFILE
Equity	ABN AMRO SUSTAINABLE DYNAMIC PROFILE
Equity	AA MMF GLOBAL SUSTAINABLE EQUITIES
Equity	ESPERANCE

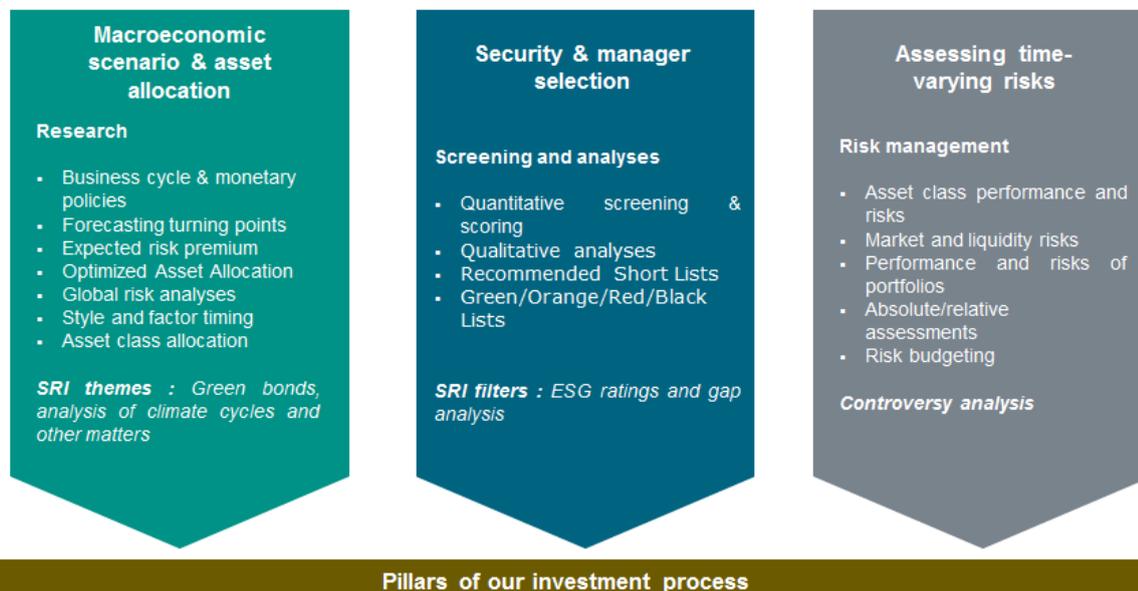
*: feeder funds

b) SRI process

Our SRI process is based on the global investment process put in place.

It draws on traditional analysis and SRI analysis:

1. Our macroeconomic scenarios and asset allocations
2. Our selection of stocks and funds
3. Our risk assessment
4. Our SRI assessment: strong themes, ESG analysis



Source: ABN AMRO Investment Solutions

The SRI methodology put in place by ABN AMRO Investment Solutions for its SRI funds combines the two following approaches:

Sector exclusions

A certain number of sectors and/or activities are excluded from the investment universe. Companies that generate more than 25% of their turnover in tobacco, munitions, gambling and pornography are excluded, as are companies that sell cluster bombs or land mines.

Our Controversial Weapons List applies automatically in addition to the exclusions described above.²⁸

“Best in-class” approach²⁹

c) A minimum SRI rating

After the initial exclusion phase, a “best-in-class” filter is applied. This consists of classifying the stocks in order to identify the “best-in-class” in each business sector.

We quantify the quality of their approach with regard to the three types of ESG criteria using the following weightings: 50% for environmental, 30% for social and 20% for governance. We thus obtain a global score: the “SRI rating”. (We chose to overweight the environmental criteria as from the creation of our first SRI fund in 2010).

We retain those issuers with an SRI score of more than 50/100.³⁰

d) The EMME criterion for money-market funds

The EMME indicator (impact on the euro money market) was developed internally specially for money market investments and for our money-market fund ABN AMRO Euro Sustainable Money Market. Our unique SRI process for money-market funds is innovative; it combines “sector exclusions” and market governance (measurement of issuers’ efficiency in the money market, transparency of disclosure documents and liquidity). This indicator is applied in addition to the three ESG criteria.

The description of the SRI process and the list of SRI funds can be consulted on the company's website (see transparency code).³¹

2.7 Shareholder engagement strategy

a) Voting policy³²

A voting right is usually attached to a share. Exercising these voting rights at shareholders’ meetings enables the shareholder to participate (by voting) in the company’s main decisions. Exercising voting rights is one of the means used to engage in dialogue with the companies and is part of the AAIS’s engagement strategy.

AAIS’s voting policy is based on application of the ABN AMRO group’s shareholder engagement policy in the area of socially responsible investment.

²⁸ See “ESG analysis methodology”, “Sectors excluded under our CWL” section in this report.

²⁹ The “Best-in-class” approach favours the issuers that achieve the highest ESG scores within their business sector.

³⁰ The SRI funds can invest up to 10% of their assets in stocks with no SRI rating or whose rating is <50. The money-market SRI fund’s investment process does not include a minimum SRI rating, which is replaced by the EMME criterion.

³¹ <https://www.abnamroinvestmentsolutions.com/fr/socially-responsible-investment-abn-amro-investment-solutions/Sri-range/index.html>

³² AAIS’s voting policy is published on its website at <https://www.abnamroinvestmentsolutions.com/fr/footer/Regulatory-information.html>

ABN AMRO showed its commitment in this area as early as 2005 as a signatory-founder of the “Principles for Responsible Investment” drawn up under the aegis of the United Nations.³³

Since then, as institutional investors, ABN AMRO and its subsidiary AAIS have a duty to defend the long-term interests of their beneficiaries and unit holders. In the context of their fiduciary role, they consider that adequately taking into account environmental, social and governance issues can have a positive impact on performance and should therefore be taken into consideration in the investment policy and in their relations with listed companies.

Note that ABN AMRO Investment Solutions has been constantly involved in the work of the AFG’s Corporate Governance Committee, of which it has been a member since its creation in 1998 and which publishes corporate governance recommendations each year for asset management companies and issuers.

The terms and resolutions presented to shareholders’ meetings are examined on a collegial basis within ABN AMRO Investment Solutions with the assistance of ISS Governance³⁴, a specialized governance advisor that contributes the scale and reach of its international governance analysis, independently of its technical and IT platform to help the managers and handle instructions to the various custodians.

The voting policy’s application scope concerns the fund’s managed by the company, i.e.:

- French and foreign mutual funds that are open to the public.
- French and foreign institutional funds.

In accordance with the applicable regulations, the application scope does not include mandates and corporate investment funds, whose voting rights are exercised directly by their representatives. AAIS has set minimum thresholds for shareholder action (in € millions).

b) Engagement policy

ABN AMRO Investment Solutions does not seek to be an activist shareholder. Nonetheless, if we identify critical points, we raise them at our meetings with the companies.

Our aim is to share our processes and the way we integrate ESG criteria into our investment processes with the companies so that they can gain a better understanding of our requirements and constraints. There is therefore no specific engagement policy for each fund but they benefit from the numerous exchanges that the investment teams and the SRI Committee have with the portfolio companies.

The engagement approach is a long-term process. We have not yet put in place any specific process for controlling the effectiveness of our engagement policy as it is still fairly recent.

³³ See below under: “Adherence to ESG charters, codes, initiatives and labels”

³⁴ <https://www.issgovernance.com/>

Our engagement methods can take different forms according to the issues identified and their importance. The preferred method is to meet the companies' Management and discuss matters at regular meetings. We can also express our disagreement during votes at general meetings or submit resolutions in collaboration with other institutional investors.

The engagement is not carried out in the name of the fund. It is the SRI Committee members, i.e. the people in charge of voting, who express their views at regular meetings with the companies' Management.

3. Global analysis of ESG risks

3.1 ESG breakdown, methodology

We have listed our investments by asset class and calculated the average E, S and G ratings of each asset class (weightings included).

We have calculated the coverage rate of the ESG analysis (taking into account the weighting of each position) in order to determine the meaningfulness of the average rating obtained.

We have not at this stage retained comparables in terms of indices or statistic data.

3.2 Identification of brown sectors and green sectors

ABN AMRO Investment Solutions pays particularly close attention to the sectors with the most negative exposure to energy transition risk: "brown sectors" and has identified the sectors that represent major issues in the "2°C scenario": the "green" sectors.

At present, the "brown" sectors concern mainly businesses operating in fossil energy (oil and gas) and some mining activities. The "green" sectors concern renewable energy, recycling and environmentally-responsible water and forestry management.

These lists, defined by the management company, are not exhaustive and will undoubtedly evolve.

3.3 Identification of Green Bonds

ABN AMRO Investment Solutions has been working with the ICMA since 2015 to draw up a charter of good practice in issuance of Green Bonds.

The purpose of these 'green' bonds is to finance environmental projects identified as 'green' according to specific definitions set by professional organisations such as the "Green Bonds Principles", the "Climate Bond Initiative" (CBI)³⁵ as well as by the French government's new label "Transition Energetique et Ecologique pour le Climat (TEEC label)"³⁶.

Drawing on its expertise in this area, at the end of 2016 ABN AMRO Investment Solutions launched an SRI bond fund dedicated specifically to this type of investment: ABN AMRO Euro Sustainable Bonds. The flagging of Green Bonds in our database was not effective at 31 December 2016. We therefore have no global statistics (flagging only performed on the SRI funds).

³⁵ <https://www.climatebonds.net/>

³⁶ <https://www.ecologique-solidaire.gouv.fr/label-transition-energetique-et-ecologique-climat>

4. Analysis³⁷

Reminder of scope: 54% of assets under management (i.e. around €19 billion, concerning mainly directly managed assets).

Statistical findings

Comment

(AUM at 26/06/2017, ESG ratings at end-May 2017 and carbon data at end-December 2015)

ESG ratings

Asset class	ESG rating Score out of 100	Coverage rate
Bonds	71	74%
Convertibles	68	56%
Money market	75	80%
Equities	65	72%



A coverage rate of more than 70% for bonds, equities and money-market securities is satisfactory. However, the coverage rate of convertible bonds needs to be improved.

The average ESG scores are globally satisfactory if we compare them to the performances achieved by our SRI funds (ESG rating of >70). Our analysis is rounded off by the introduction of an ESG performance index and screening for sector exclusions and ESG scores of <50 for all our SRI investments.

Statistical findings

Comments

(AUM at 26/06/2017, ESG ratings at end-May 2017 and carbon data at end-December 2015)

Carbon data

Asset class	Carbon intensity*	Coverage rate
Bonds	200	36%
Convertibles	297	44%
Money market	233	66%
Equities	195	63%

* expressed in tonnes CO₂eq/USD million of turnover



The coverage rates are of <50% for bonds and convertible bonds. They are of more than 60% for equities and money-market securities.

In the present situation, an analysis of carbon data is of little relevance. The introduction of a Carbon performance index and a track record would round off our analysis and possibly trigger a carbon scenario. A geographic study would locate the countries whose carbon legislation is the least mature.

³⁷ Source: AAIS

Green sectors

Green sectors	1.0%
Environ Engineer & Consulting	0.01%
Forest & Paper Products Manufacturing*	0.06%
Forestry & Logging* Power Generation Renewable Energy	0.01%
Renewable Energy Equipment	0.57%
Waste & Environment Services & Equipment	0.02%
Waste Management	0.24%
	0.04%
	0.02%

* with sustainable forestry management



The overall weight of green sectors is lower than that of brown sectors. This weight is low at 1% of assets analysed. However, the sector classification used only identifies 'pure players' and not any possible cross-sector players (operating in several different business sectors)

Brown sectors

Brown sectors	6.9%
Base Metals	0.4%
Coal Operations	0.1%
Construction & Mining Machinery	0.5%
Exploration & Production	0.7%
Integrated Oils	2.6%
Metals & Mining	0.6%
Midstream - Oil & Gas	0.0%
Mining Services	0.0%
Oil & Gas Services & Equipment	0.7%
Pipeline	0.1%
Refining & Marketing	0.5%
Steel Producers	0.7%



The weight of brown sectors is <10% of analysed assets. The companies thus targeted our probably those with the highest carbon intensity. We could fine tune this selection with carbon intensity data. Classification of all the segments of economic activity would enable us to determine "orange" sectors, for example, the largest consumers of brown sectors (such as the automotive industry, the building sector, etc.).

To fine-tune our sector approach (brown, green sectors) we shall draw on the different work carried out within the industry, including that carried out at international level by the Carbon Disclosure Project (CDP)³⁸, the Climate Bonds Initiative (CBI)³⁹ and at national level by the Alliance Nationale de Coordination la Recherche pour l'Energie (ANCRE)⁴⁰ and the Agence de l'Environnement et de la Maitrise des Energies (ADEME).⁴¹

³⁸ <https://www.cdp.net/en/articles/media/new-report-shows-just-100-companies-are-source-of-over-70-of-emissions>

³⁹ <https://www.climatebonds.net/standards/taxonomy>

⁴⁰ <http://www.allianceenergie.fr/>

⁴¹ www.ademe.fr/

II. INVESTMENT ESG INFORMATION: FOCUS ON OUR FUNDS

1. Scope

The regulator has asked management companies to produce an “LTECV report” for funds with more than €500 million of assets under management. This first “LTCV report” is intended to be a pedagogical exercise and the elements presented other than ESG data are left to the management company's discretion.

In the scope of funds managed by AAIS for the LTECV report, we have included the SRI funds⁴² (with no AUM threshold) and the funds with more than €500 million of assets under management.

We have therefore listed seven SRI funds and seven non-SRI funds representing total assets under management of €7,013 million (at 31 December 2016).

2. Methodology⁴³

2.1 Portfolio's ESG rating

Note that we take the E, S and G scores of each issuer in the portfolio and calculate the issuer's ESG rating applying the following weightings:

$$\text{ESG rating} = 50\% \text{ E score} + 30\% \text{ S score} + 20\% \text{ G score}$$

The portfolio's ESG rating is the result of the weighting within the portfolio of each ESG rating (excluding cash assets).

2.2 Portfolio's carbon intensity

Each issuer's carbon intensity is provided by Sustainalytics and expressed in “tonnes CO₂eq/USD million of turnover”.

The carbon footprint of a portfolio is calculated as the weighted average of the scope 1 and scope 2 greenhouse gas emissions (only CO₂) of each line in the portfolio.

This data does not take into account the company's total emissions (other than CO₂) nor the scope 3 data.

2.3 Comparative analysis: nota bene

It is unwise, in our view, to “compare” the ESG ratings and carbon footprints of the different portfolios in “absolute value” without first analysing each portfolio's investment process and objectives.

It is important to know whether the Carbon results and ESG rating obtained are the result of an identified environmental and/or social approach or whether they are due to chance, or opportunist.

⁴² The Esperance fund is excluded from the scope

⁴³ Method described in sections 2.3 and 2.4 of this report

The financial industry is working on putting in place standardised reports with validated metrics (indicators and benchmark indices).

Moreover, it is important to verify the coverage rate of the analyses presented (ESG ratings and carbon data) to assess the relevance of the data provided. We consider that a coverage rate of less than 50% (excluding liquid assets) is not sufficient to draw behavioural conclusions.

Attached, we present our AAIS relevance grids based on coverage rates:

ESG coverage rate		GHG coverage rate	
<50%	Not meaningful	<50%	Not meaningful
]50;65]	Medium]50;65]	Medium
]65;75]	High]65;75]	High
]75;90]	Very High]75;90]	Very High
>90%	Excellent	>90%	Excellent

3. Climate stress tests

3.1 Modelling

We have put in place two “climate” stress tests, which could be classified as “energy transition risks”, for assessing the financial impact on our investment portfolios. These scenarios are based on ‘past’ events and the continuity of these results in the future is not certain, particularly in the context of a changing energy model, and consequently a changing economic model.

We therefore modelled the “Fukushima incident” and the “2016 oil crisis” pending the development of additional scenarios.

These stress tests form an integral part of the tools used by our Risk team (PRC tools). They are applied, among others, to the portfolios concerned by our LTECV report. The results are archived periodically and can be freely consulted internally.

3.2 Development

AAIS has not developed a climate scenario based on reduction in GHG emissions linked to “national carbon budgets” as defined in Decree 2015-1491 of 18 November 2015.

To do so, we must first examine the compatibility of our carbon data with that published in the framework of France’s National Low Carbon Strategy (Stratégie Nationale Bas Carbone - SNBC).⁴⁴

The global reduction targets defined by ABN AMRO for 2020 are in line with these objectives.

⁴⁴ SNBC scenario can be viewed here: <https://www.ecologique-solidaire.gouv.fr/strategie-nationale-bas-carbone>

For information, in the framework of the SNBC, France has set limits for greenhouse gas emissions so as to reach its target of a 40% reduction in emissions in 2030 relative to 1990 and of 75% in 2050 relative to 1990 (see LTECV of 17 August 2015). Below we show France's gross "carbon budgets"⁴⁵ for 2015-2018, 2019-2023 and 2024-2028⁴⁶:

Average annual emissions (in million tonnes CO2 eq.)	2013	1st carbon budget (2015-2018)	2nd carbon budget (2019-2023)	3rd carbon budget (2024-2028)
Sectors covered by the Emissions Trading Scheme (excluding national aviation)	119	110	n/a	n/a
Other sectors	373	332	n/a	n/a
All sectors	492	442	399	358

4. Analysis of results

4.1 Statistical findings

Funds managed by AAIS	Net assets	ESG rating	Coverage rate	Carbon intensity	Coverage rate	Green bonds
Data at:	31/12/2016	31/05/2017	31/12/2016	31/12/2015	31/12/2016	31/12/2016
Unit:	€ million	out of 100	% of assets	T.CO2eq./million USD of sales	% of assets	% of assets
SRI funds						
ABN AMRO EURO SUSTAINABLE MONEY MARKET	257.2	72.1	91%	209.7	68%	
ABN AMRO EURO SUSTAINABLE BONDS	8.7	73.8	97%	61.3	51%	44%
ABN AMRO SUSTAINABLE MODERATE PROFILE	64.1	77.0		123.6		
Equities pocket: 29%		75.3	99%	225.0	85%	
Bonds pocket: 27%		78.9	97%	11.3	64%	11%
UCITS pocket: 35%		-	-	-	-	
ABN AMRO EURO SUSTAINABLE EQUITIES	129.9	74.9	94%	166.5	84%	
ABN AMRO SUSTAINABLE BALANCED PROFILE	121.5	76.4		166.1		
Equities pocket: 50%		75.5	99%	225.7	85%	
Bonds pocket: 20%		78.7	97%	13.9	69%	6%
UCITS pocket: 25%		-	-	-	-	
ABN AMRO SUSTAINABLE DYNAMIC PROFILE	34.5	75.7		187.0		
Equities pocket: 74%		75.2	99%	221.0	85%	
Bonds pocket: 15%		78.1	96%	15.3	60%	4%
UCITS pocket: 5%		-	-	-	-	
AA MMF GLOBAL SUSTAINABLE EQUITIES	201.5	71.5	98%	76.3	94%	
Other funds (assets > €500 million)						
AA FOM N.A. EQUITIES	672.3	61.4	96%	142.1	90%	
AA FOM EUROPEAN EQUITIES	821.0	69.6	94%	92.9	77%	-
AA MMF FOM EURO CORPORATE BONDS	647.9	68.5	75%	101.7	59%	-
AA MMF PROFILE 3	1,278.9	66.3	81%	105.4	59%	-
AA MMF PROFILE 4	1,241.2	65.1	84%	120.5	66%	-
AA MMF PZENA US EQUITIES	756.7	69.6	97%	127.2	80%	-
AA MMF ARISTOTLE US EQUITIES	778.0	60.0	95%	295.9	88%	-
Total	7,013.5					

⁴⁵ These budgets will be reviewed in 2019.

⁴⁶ Source: AFG, "LTECV" October 2016

4.2 Comments

The assets under management reviewed amounted to more than €7 billion (corresponding to 36.8% of the pocket examined in this report and 20% of total managed and advised assets). The first results are encouraging and fairly satisfactory.

We acknowledge the very great relevance of ESG and Carbon analysis when coverage rates are of at least 90% (barring exceptions); with a coverage rate of less than 50% (barring exceptions), the analysis is not meaningful⁴⁷. A complete analysis requires the putting in place of ESG and Carbon benchmark indices, particularly for non-SRI funds.

The SRI funds:

ESG-the coverage rate of SRI funds by the ESG analysis is very high and exceeds 90%. Their SRI rating is higher than 70/100 and exceeds that of their benchmark index in all cases. These SRI performance and transparency obligations are in accordance with their SRI process

Carbon-the coverage rate for Carbon intensity is very high for equities and slightly lower for bonds. This is explained by the funds' holdings in government bonds, which are not covered.

The AA MMF Global Sustainable Equities fund posts a coverage rate of 94% in carbon data and low carbon intensity. Effectively, the investment team has decided not to invest in fossil fuels which are very high-carbon sectors².

Green Bonds-All the funds have a bond pocket invested in green bonds. The ABN AMRO Euro Sustainable Bonds fund has 44% invested in green bonds, as it focuses in particular on environmental bonds. The Carbon coverage rate is low as it holds a substantial portion of supranational bonds, which are not covered. The carbon data for this fund is in reality lower than the results given here; GBs are designed to reduce their environmental footprint and this important element is not taken into account in this calculation (we shall have to wait for specific disclosure on this subject for each bond)

Other funds

(Assets > €500 million)

ESG-the coverage rate of these funds by the ESG analysis is high overall, ranging from 75% to 97%. The view of their ESG performance is meaningful. Their SRI rating ranges from 60 to 70 and is therefore lower than those of our SRI funds. These funds do not apply a specific selection process based on ESG criteria.

Carbon-Carbon intensity coverage rates vary widely, ranging from 59% to 90%. A priori, the lower coverage rate cannot be attributed to the holding of government bonds not covered by the carbon data.

Green Bonds- the share of green bonds is not identified in these funds for the moment (concerns only bonds).

4.3 Integrating the results into the funds' investment policies

The "SRI funds" monitor their ESG performance on a daily basis as ESG selection is an intrinsic part of their investment policy. In contrast, to date, these funds have no Carbon intensity targets.

The "Other funds" do not implement SRI policies or specific carbon targets.

This report will be transmitted to the fund managers concerned by the assessment and will be available on AAIS's website. Appropriation of this data is essential for continuing to roll out the 2018-2020 CSR targets set by the ABN AMRO (as described above).

⁴⁷ See AAIS grid in section 2.3

5. Funds' engagement strategy

5.1 Voting policy⁴⁸

Exercising voting rights is an integral part of AAIS's engagement policy.

The terms and resolutions presented to shareholders' meetings are examined on a collegial basis within ABN AMRO Investment Solutions with the assistance of ISS Governance⁴⁹, a specialized governance advisor that contributes the size and reach of its international governance analysis service, independently of its technical and IT platform to help the managers and handle instructions to the various custodians.

The voting policy's scope concerns the fund's managed by the company, i.e.:

- French and foreign mutual funds that are open to the public.
- French and foreign institutional funds.

In accordance with the applicable regulations, the application scope does not include mandates and corporate investment funds, whose voting rights are exercised directly by their representatives.

The application scope determined by ABN AMRO Investment Solutions for attending a shareholders' meeting comprises two levels of involvement based on a distinction between funds that rigorously and specifically implement SRI principles (with systematic use of SRI filters) and those that implement general investment processes within the framework of the UN charter:

- For all funds (general or SRI), exercising voting rights depends on the following systematic condition: a minimum and significant level of representation determined geographically based on consolidated thresholds per issuer. This threshold is set at an aggregate position held by the portfolios of €5 million for French issuers, €7.5 million for European issuers excluding France and €10 million for issuers located in the rest of the world.
- Then, specifically for SRI funds, exercise of voting rights for all the other issuers in the portfolio that did not meet the first condition, with application of a threshold of an aggregate position held by all the SRI portfolios of €2 million. This lower threshold expresses the SRI funds' specific and enhanced commitment to responsible finance.

The final list of issuers included in the scope of the voting policy results from adding the two lists together: it applies to all the SRI or general funds who will vote for or against resolutions based on identical criteria.

This system of thresholds was adopted to strengthen and demonstrate the management company's ESG commitment vis-à-vis the largest holdings in its portfolios, with a more demanding level of commitment for the SRI portfolios offered to retail and institutional customers in order to promote increasingly responsible finance.

Naturally, this general principle is not rigid, and it is possible to vote at an ordinary, mixed or extraordinary general meeting at the

⁴⁸ AAIS's voting policy is published on its website at: <https://www.abnamroinvestmentsolutions.com/fr/footer/Regulatory-information.html>

⁴⁹ <https://www.issgovernance.com/>

request of one or more of AAIS's fund managers if one of these two criteria is not met.

Moreover, ABN AMRO Investment Solutions does not attend any general meeting requiring the blocking of the shares held, in order to ensure that the fund managers have the necessary flexibility of action.

5.2 Funds' engagement with regard to issuers

ABN AMRO Investment Solutions does not seek to be an activist shareholder. Nonetheless, if we identify critical points, we raise them at our meetings with the companies. Our aim is to share our processes and the way we integrate ESG criteria into our investment processes with the companies so that they can gain a better understanding of our needs and constraints. There is therefore no specific engagement for each fund but they benefit from the numerous exchanges that the investment teams and the SRI Committee have with the portfolio companies.

The engagement approach is a long-term process. We have not yet put in place any specific process for controlling the effectiveness of our engagement policy as it is still fairly recent. Our engagement methods can take different forms according to the issues identified and their importance.

The preferred method is to meet the companies' Management and discuss matters with them at regular meetings. We can also express our disagreement during votes at general meetings or submit resolution in collaboration with other institutional investors.

The engagement is not carried out in the name of the fund. It is the SRI Committee members, i.e. the people in charge of voting, who express their views at regular meetings with the companies' Management.

CONCLUSION

This report is available on the Home page of the management company's website under the "Regulatory information" heading at the bottom of the page. It supplements the reports published, in the context of LTECV requirements, by Banque Neuflyze OBC and Neuflyze Vie.

The ESG information and carbon data are available from your usual contact on request.

In accordance with the applicable regulations, this information will be updated annually within six months of the annual accounts closing date of each of the above-mentioned funds.

Published in July 2017