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# ABN AMRO: Bringing sustainability into core business strategy

Finalist: Embedding an integrated approach award

## What

ABN AMRO is a Dutch bank that launched a new purpose and updated corporate strategy in 2018 with sustainability at its very core. The strategy both reflects and stimulates integrated thinking within the organisation. An integrated thinking community regularly meets to share progress and identify improvements.

The updated strategy is called 'Accelerating the sustainability shift'. A key strategic pillar underpinning this strategy is about supporting clients' transition to sustainability. As ABN AMRO's impact is largely realised through its clients, helping those clients to operate more sustainably will help the bank to achieve its goals. So the bank has integrated sustainability across its investing, financing and real estate operations.

Finance has been fully engaged in developing the monitoring and reporting mechanisms to support integrated thinking. All business lines have dashboards with financial and non-financial KPIs, and finance co-develops group metrics and targets to measure progress. ABN AMRO also sees integrated reporting as an important tool for embedding integrated thinking and improving the sustainability of its business model.

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**'This is not our sustainability strategy: there is no separate sustainability strategy. There is one, core, group strategy of the bank that is applicable for all business lines, for all our activities in everything we do. And the strategy is called "To accelerate the sustainability shift".'**

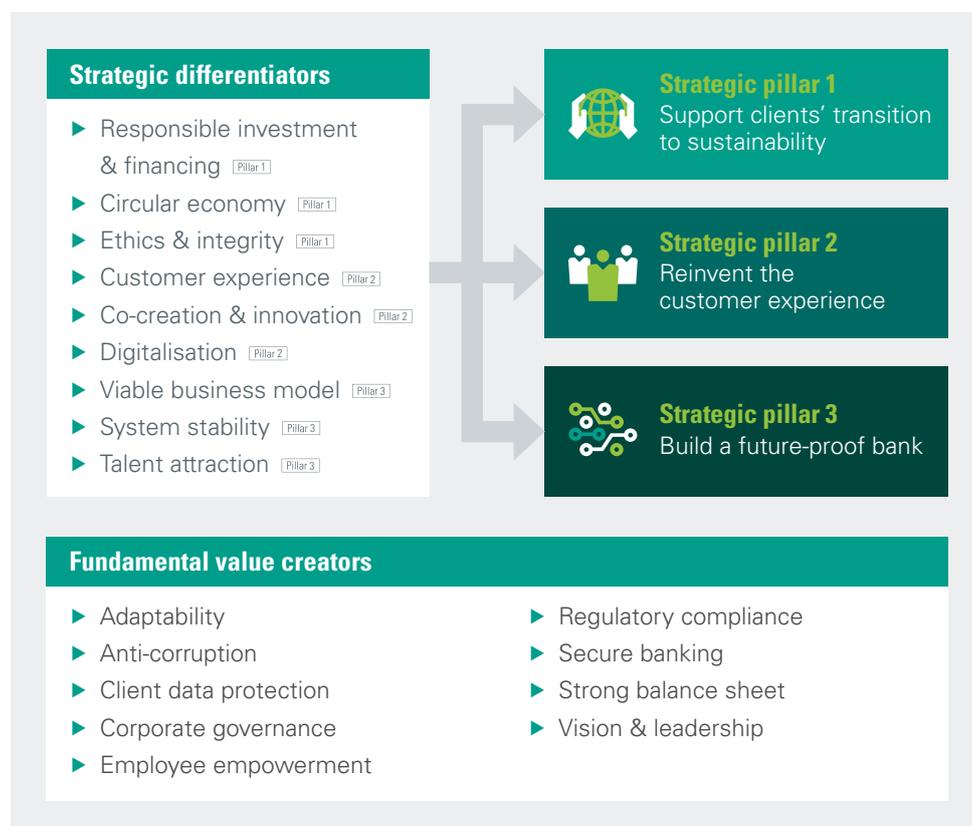
Clifford Abrahams,  
Chief Financial Officer, ABN AMRO

# Why

Previously, ABN AMRO had a separate sustainability strategy. To live up to its new purpose – ‘Banking for better, for generations to come’ – the bank decided to integrate sustainability into its core business strategy. This approach would prioritise long-term value creation and positive impact for all the bank’s stakeholders.

ABN AMRO is aware that its lending and investment activities produce social and environmental impact. An integrated approach enables the bank to lead by example: making responsible decisions, maintaining high standards of ethics and having a positive impact on society.

The purpose-driven strategy, though underpinned by a commercial imperative, goes far beyond financial value. Businesses are shifting to more sustainable operating models and individuals are moving to more sustainable lifestyles. Centring sustainability in its strategy and activities provides ABN AMRO with direction, focus and dedication to support the transition of its clients to sustainability, by offering new products and new ways of working.



**‘ABN AMRO, through its pioneering framework, is ensuring their value drivers are front and centre in their strategy and risk management. Embracing integrated thinking and reporting is clearly helping them to live their purpose.’**

Finance for the Future Awards judges

## How

ABN AMRO's updated purpose and strategy is the latest development in its work on sustainability and embeds integrated thinking across all business lines and activities:

- > The first integrated report, published in 2015, was an important step for the bank. A multi-disciplinary team brought together integrated reporting principles alongside financial reporting standards. Incorporating sustainability into core business strategy built on the bank's earlier work on integrated reporting and long-term value creation.
- > The bank carries out regular materiality assessments to identify its value-creating topics. The updated strategy and strategic pillars incorporated the material topics identified from the latest analysis, which included circular economy, human rights and sustainable financing and investing.
- > In 2017, the bank started an integrated thinking community to capture progress on material value-creating topics. Initially, the group was made up of staff responsible for value-creating activities but it continues to grow. The non-hierarchical community comes together quarterly to share progress and ideas on integrated thinking.
- > The CFO is a member of Accounting for Sustainability's CFO Leadership Network and works with sustainability staff to communicate the strategy to investors. The finance team plays a key role in the integrated report, impact reporting and the overall approach to integrated thinking at ABN AMRO.
- > The finance team co-develops dashboards with financial and non-financial KPIs for the different business lines within the bank. Sustainability is now integrated into performance updates and these reports are well-received.
- > The 2018 integrated P&L was measured across stakeholder groups and based on the six capitals of the International Integrated Reporting Council. This enabled the bank to have better insight into its impacts and to start to monetise them. Finance staff were heavily involved in supplying detailed financial data on activities.
- > ABN AMRO has set ambitious targets on sustainability. A top-line KPI for the bank is to be in the top 5% of banks in the Dow Jones Sustainability Index.
- > The bank has developed concrete plans and targets to embed sustainability into its three major areas of activity: investing, real estate and corporate loans. This includes adding sustainability criteria to lending activities, offering low-rate financing for sustainability improvements to properties and supporting clients to make properties more sustainable.
- > ABN AMRO plans to extend its impact reporting, set more targets and educate staff throughout the bank on core principles of sustainability.



## Putting the strategy into practice: sustainable investing

In line with ABN AMRO's strategy, to support clients' transition to sustainability, the bank has for instance focused on sustainable investing for its private banking clients. These clients are wealthy, with at least €500,000 of assets to invest. Previously, clients would get traditional investment advice. Advice on sustainable investing, or investing with a sustainable mandate, was available on request.

With the new strategy, this approach has been flipped. The standard investment offering is a sustainable mandate, with a traditional mandate available on request. To support this approach, the bank has KPIs and public targets on sustainable

investments. In the 2019 integrated annual review, the bank's 2019 target was to achieve €14.5 billion in sustainable investments. The 2022 target is more than double this, at €30 billion.

To develop sustainable investment portfolios, ABN AMRO uses a 'best in class' approach. The bank uses Sustainalytics data to identify the best investments for each sector – with some excluded – and then works to construct the best portfolio. Over its years of sustainable investing, the bank has found that its sustainable portfolios perform comparably to traditional portfolios over time, although results can vary within a smaller timeframe.

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## Putting the strategy into practice: residential mortgages

ABN AMRO has a residential mortgage portfolio of €51 billion. In line with the strategy, the bank aims to help clients invest to make their homes more sustainable, with a target of 70% of residential properties given the highest sustainability ratings (A–C) by 2022. By 2030, the bank wants all the real estate that it finances to have an average A rating.

The bank uses a multi-pronged approach to increase the sustainability of its residential mortgage portfolio. One of the biggest challenges, customers face in raising the sustainability ratings of their homes is understanding what is needed and having access to the means to do this. To address this, ABN AMRO

has an open-source tool to help customers see how sustainable their home is and what improvements they can make.

For customers who need financing to make their home more sustainable, the bank then offers financing at low rates of interest. Making the process as easy as possible encourages customers to make sustainability improvements so ABN AMRO also puts customers in contact with builders who can do the work where this is needed.

[www.abnamro.com](http://www.abnamro.com)



### DISCLAIMER

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