What is the purpose of this standard?
ABN AMRO recognises the right of countries to defend themselves and thus develop, produce, and possess arms. Furthermore, the bank acknowledges the need of defence-related products and services to fulfil peacekeeping, security and humanitarian objectives. However, ABN AMRO also acknowledges that the defence industry is highly sensitive and complex and that it carries specific human rights risks linked to the potential end-use of defence-related goods or services. We recognise the responsibility of private sector to respect human rights, together with the state’s duties to protect human rights. Consistent with this responsibility the bank undertakes due diligence to ensure that clients with defence-related activities are committed to respecting human rights in line with the UN Guiding Principles on Business and Human Rights.

The purpose of this standard is to enable ABN AMRO and its employees to assess responsible business behavior, to mitigate potential human rights risks and to manage the risks associated with defence-related engagement. In particular, we aim to mitigate the risk of contributing to:

1. oppression and other violations of human rights
2. international or regional instability
3. internal armed conflict
4. civilian casualties
5. local corruption
6. terrorism

What is the scope of this standard?
The Sustainability Standard for Defence applies to ABN AMRO and all its subsidiaries, branches, representative offices and legal entities that are under its control. The standard covers all clients of the bank regardless of the service that we provide. Therefore, the implementation of this standard takes place primarily within the context of the bank’s client onboarding and review process. Furthermore, the requirements included in this standard are also applied within our credit processes.

What does this standard require?
The standard requires that all ABN AMRO clients that have defence-related activities,\(^1\) go through an assessment process. The objective is to determine the sensitivity level of the client based on seven factors:

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\(^1\) Development, production and/or trading of goods or provision of services that are used for defence-related purposes or used by defence-related organisations.
1. country of (defence-related) operation of the client; 2. country of operation of the off-taker; 3. off-taker type; 4. product type; 5. product-use; 6. direct versus indirect involvement; 7. position within the supply chain. Based on these factors the client can be rated as moderate, high or critical.

The sensitivity level of the client determines the level of due diligence (how many ‘pairs of eyes’) are applied to the review of the client and the transaction. When the classification is ‘moderate’ one pair of eyes; If the classification is ‘high,’ additional due diligence is required, hence the ‘four eyes’ principle is applied; If the classification is ‘critical’, three pairs of eyes will be part of the review process of the client and the transaction, including ExCo’s approval.

The acceptability of the client is determined: by assessing the responsible business behavior; assessing their capabilities/initiatives to mitigate potential human rights risks and; capability of managing the risks associated with defence-related engagement.

All bank’s clients with defence-related activities shall meet the following requirements:

1. Clients comply with applicable international (humanitarian) law, treaties, conventions, national law, including (export) licenses, permits and legislation of relevant jurisdictions. In case there are conflicts between domestic law and international standards, clients are expected to make an effort to respect the latter.

2. Clients demonstrate a high level of governance (including an anti-corruption policy if applicable) and transparency.

3. Clients have a strong ethical track record:
   - there is no severe adverse media related to the ethical performance or the social/environmental performance of the client. This includes the companies in which the clients hold minority participations and associates.
   - incidents have been addressed adequately by the client.
   - authorities have not reported structural shortcomings in the company’s ethical performance.

In addition, clients that are classified as ‘high sensitive’ from a defence perspective are assessed using the following standards:

4. Clients demonstrate to be committed to human rights (i.e. through a Human Rights Statement or policy) and have a robust Human Rights due diligence process in place in line with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines.

5. Clients have a robust internal vetting and approval process for the purchase/selling of defence-related products and services. The process takes into account the governance, transparency and ethical standards of the purchasing/selling party.

6. Clients that produce/trade weapons, military equipment (including armed drones and espionage software), have a clear policy and process in place to prevent these products to be supplied to paramilitaries, non-governmental armed groups or end up being used for internal repression, violations of international humanitarian law or provoke or prolong armed conflicts.

**Inclusive approach**

ABN AMRO has an inclusive approach. This means that the bank will engage with clients who do not yet meet the bank’s minimum requirements, but who are willing and able to do so within a limited timeframe. The exception to this inclusive approach concerns activities on ABN AMRO’s [Exclusion List](#); as these activities are simply too risky from a sustainability perspective.
The Exclusion List defines amongst others that ABN AMRO will not finance, or invest in corporations that produce, sell or distribute controversial weapons. This exclusion materializes in the so-called ABN AMRO Controversial Weapons List listing the companies that are involved in controversial weapons and for this reason excluded from ABN AMRO services and investments.

**How does ABN AMRO put its standards into practice?**

The standard covers all clients of the bank regardless of the service that we provide. Therefore, the standard is put into practice primarily within the context of the bank’s client onboarding and review process. Furthermore, the requirements included in this standard are also applied within our credit processes.