

# Sustainability Requirements for Animal Protein Production

## Why does ABN AMRO have a sector policy for animal protein production?

ABN AMRO strives to create long-term value for its stakeholders, to respect human rights and safeguard the environment. The bank recognizes that in its role as a financial service provider it may be exposed to social, environmental and ethical risks through the activities of clients. To manage these sustainability risks, ABN AMRO operates a Sustainability Risk Policy Framework in line with the bank's moderate risk profile.

The production of animal protein such as meat, dairy and eggs poses environmental, social and ethical risks. Examples are animal welfare violations, excessive use of antibiotics, air pollution, climate change, biodiversity loss or below standard working conditions.

As a financial service provider, ABN AMRO needs to be aware of the environmental, social, and ethical risks associated with its clients operating in the animal protein sector and needs to manage those risks through proper due diligence and client engagement. The purpose of this policy is to set sustainability standards for ABN AMRO's clients in the animal protein industry.

## What is the scope of this policy?

ABN AMRO's Animal Protein Policy applies to:

- ABN AMRO and all its subsidiaries, branches and representative offices and legal entities that are under its control;
- Clients of the bank that handle farmed, living animals for the purpose of protein production: companies that are involved in the breeding, fattening and slaughtering of farmed animals. The policy does not apply to companies that handle wild caught animals or wild caught fish or to companies that only process animal protein (meat, dairy, eggs) without handling the living animal.

## Due-diligence standards

For animal protein production, ABN AMRO applies a set of minimum requirements and benchmark criteria. ABN AMRO will only enter into a relationship with clients who comply with all applicable minimum requirements, or have an improvement plan in place to do so within two or three years. In addition to the minimum requirements, ABN AMRO compares the sustainability performance of clients in the animal protein industry with 'benchmark criteria'. These criteria are aligned with international best practices in order to benchmark client development and progress. The bank will continuously update the set of benchmark criteria and expects 'continuous improvement' to be the outcome for the entire client portfolio over time.

An overview of the applicable minimum requirements and benchmark criteria for animal protein production is included below.

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## **Exclusion**

Ruminants, such as cows, goat and sheep, emit large quantities of methane, a very strong greenhouse gas. Because of its contribution to climate change and ABN AMRO's commitment to reduce the GHG intensity of our loan portfolio, ABN AMRO will not knowingly provide financial products or services that directly facilitate large-scale ruminant farming (over 500,000 heads).

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

ABN AMRO seeks to ensure that animal protein clients act with ethical integrity and meet all the bank's minimum requirements. For this reason ABN AMRO performs due diligence of all actual and prospective clients and transactions on a case-by-case basis. In some cases this may lead to an engagement of ABN AMRO with the client with the objective to improve the client's performance on sustainability.

ABN AMRO reviews existing and prospective clients at various moments to determine their compliance with the bank's Policy:

- When the client is first accepted;
- If and when the client applies for a loan – the review is then repeated every year;
- In the event of incidents or if important new information comes to light based on which the client's risk level or performance score might change.

## **Appendices:**

Appendix 1: Requirements for animal protein production

Appendix 2: Requirements for aquaculture

## Appendix 1 - Requirements for animal protein production

*N.B. Small family owned and operated companies with no or just a few employees are not always expected to comply with the letter of the requirements below. For these type of companies – referred to below as “small companies”, on certain policy requirements a specification is provided in the footnotes.*

	Primary producer/breeder/fattener		Processor/slaughterhouse	
	Minimum	Benchmark	Minimum	Benchmark
<b>1. Compliance</b>				
a) Clients comply with all national laws and regulations, as well as international conventions and legislation applicable to them, and obtain, maintain and ensure compliance with all requisite permits and licences.	X		X	
b) Clients have an anti-corruption and anti-bribery policy <sup>1</sup> or statement in place.	X		X	
<b>2. Stakeholders</b>				
a) Clients know who their main stakeholders are (e.g. local communities, workers, NGOs, local authorities) and have a stakeholder engagement plan <sup>2</sup> to engage with them constructively and openly.	X		X	
b) Clients have, or participate in, effective <sup>3</sup> operational-level grievance mechanisms <sup>4</sup> for stakeholders who may be adversely impacted.	X		X	
c) Clients have a system in place to provide for, or contribute to the provision of remedy for adverse impacts on human rights that they caused or contributed to.		X		X
<b>3. Climate change<sup>5</sup></b>				
a) Clients monitor their scope 1 <sup>6</sup> and scope 2 <sup>7</sup> emissions and have time-bound targets to reduce them.	X		X	
b) Clients are inclined to explore future monitoring of their scope 3 <sup>8</sup> emissions (e.g. supply chain data).	X		X	
c) Clients' targets and performance on GHG emissions reduction are verified by an independent third party, e.g. Science Based Targets initiative (SBTi), CDP.		X		X

<sup>1</sup> Small companies are not required to have a formal policy in place but shall address their key risks and impacts in their daily business.

<sup>2</sup> Small companies are not required to have a formal written plan available, but are expected to communicate openly with key stakeholders such as neighbours, authorities and NGOs.

<sup>3</sup> Effective is defined by the UN Guiding Principles for Business and Human Rights as legitimate, accessible, predictable, equitable, transparent, rights-compatible, a source of continuous learning, and based on engagement and dialogue (see: <https://globalnaps.org/ungp/guiding-principle-31/>).

<sup>4</sup> Small companies are not expected to have a formal grievance mechanism in place, but are expected to respond constructively to grievances.

<sup>5</sup> Small companies are not expected to account their scope 1, 2 and 3, but are expected to be aware of their impact on climate change and implement measures to decrease their GHG emissions.

<sup>6</sup> Emissions within a company's organizational boundary from sources that the company owns or controls. For farmers this includes amongst others emissions associated with manure and the enteric fermentation of the animals. For slaughter houses this includes a.o emissions from waste water ponds.

<sup>7</sup> Emissions that result from a company's purchased electricity for its own use.

<sup>8</sup> Emissions that result from the company's supply chain. For farmers this includes amongst others emissions associated with feed production. For slaughterhouses this includes the emissions associated with manure and enteric fermentation of the animals purchased.

<b>4. Local environment<sup>9</sup></b>				
a)	Clients take measures to reduce their local air pollution (e.g. emissions of particulate matter, NOx).	X		X
b)	Clients are committed to responsible manure management.	X	N/A	
c)	Clients assess water risks (e.g. scarcity, pollution).		X	X
<b>5. Biodiversity</b>				
a)	Clients are committed to zero deforestation or degradation of HCV and HCS forests and other sensitive areas, if applicable <sup>10</sup> .	X	X	
b)	Clients are committed to closing the nutrient cycle as much as possible (e.g. forestry, crop and cattle rotation systems, manure use for fertilizer).		X	X
<b>6. Human rights &amp; communities<sup>11</sup></b>				
a)	Clients have a policy in place that describes a commitment and strategies to address human rights risks in their own operations and in the supply chain, and specifically how salient human rights risks are identified and addressed.	X	X	
b)	Clients have obtained Free Prior and Informed Consent of local and/or indigenous communities when affecting their (land) rights.	X	X	
<b>7. Labour conditions<sup>12</sup></b>				
a)	Clients have committed to the core conventions of the ILO, e.g. prohibiting all forms of child labour and forced labour, allowing workers (including vulnerable groups such as migrant and temporary workers, women and youth) to exercise their right to freedom of associations and collective bargaining.	X	X	
b)	Clients promote that their workers receive a living wage.	X	X	
c)	Clients disclose worker injury, job related illnesses and fatality data in reporting year and previous years.		X	X
<b>8. Antibiotics<sup>13</sup></b>				
a)	Clients are committed to no prophylactic or routine use of antibiotics <sup>14</sup> .	X	X	
b)	Clients disclose the use of hormones and antibiotics, as well as reasons for use. Data is verified by a third party.		X	X

<sup>9</sup> For small companies the requirements for local environment are expected to be addressed through compliance with national regulation.

<sup>10</sup> This may include a due diligence framework to ensure the supply chain is deforestation free.

<sup>11</sup> Small companies are not expected to have a policy in place or a community development plan, they are expected to communicate openly with neighbouring communities and take measures to minimise and mitigate negative impacts.

<sup>12</sup> For small companies the requirements for labour are expected to be addressed through compliance with national regulation.

<sup>13</sup> For small companies the requirements for antibiotics are expected to be addressed through compliance with national regulation.

<sup>14</sup> Specific attention for the use of Medically and Critically Important Antibiotics (MIA/CIA), which are only to be used if no alternative treatment opportunities are available.

<b>9. Animal Welfare</b>				
a) Clients have an animal welfare policy <sup>15</sup> in place that addresses the protection of the Five Animal Freedoms <sup>16</sup> and describes the management of key risks to infringement of these freedoms during breeding, fattening, slaughtering and/or transportation.	X		X	
b) Clients have cage-free and crate-free production systems and apply best practices in terms of living space for animals as defined by FARMS Initiative or other initiatives. <sup>17</sup>		X	N/A	
c) Clients have an animal welfare monitoring system in place.	X		X	
<b>10. Supply chain management</b>				
a) Clients apply environmental, social and animal welfare criteria to the selection of suppliers, service providers, contractors and other business partners, and monitor their suppliers' performance on these topics.	X		X	
b) Clients are committed to working towards a deforestation free soy supply in time (e.g. certified RTRS or equivalent) in their feed sourcing.	X		N/A	
<b>11. Implementation</b>				
a) Employees are regularly trained on relevant environmental, social, animal welfare and anti-corruption commitments of the company. <sup>18</sup>	X		X	
b) Clients have Environmental and Social Management Systems (ESMS) in place. The ESMS is expected to be in line with international standards such as ISO:14001 or OHSAS:18001. <sup>19</sup>	X		X	
c) Clients take preventive measure and respond adequately to accidents and incidents such as: animal diseases, barn fires, employee health & safety, food safety.	X		X	
d) Clients work on innovation to reduce their environmental and climate impacts (e.g. insect based feed, plant-based products).		X		X
<b>12. Track record</b>				
a) Clients have a good track record: <ul style="list-style-type: none"> <li>incident rates are low and show consistent decline over time,</li> <li>inspection authorities have not reported structural shortcomings in the company's management of animal welfare, environmental impact, human rights and health &amp; safety risks<sup>20</sup>,</li> <li>no evidence of structural poor sustainability practices or of poor management of sustainability related incidents.</li> </ul>	X		X	

<sup>15</sup> Small companies are not expected to have a formal policy in place but shall address and minimise their key risks and impacts.

<sup>16</sup> Five Animal Freedoms include: freedom from hunger or thirst, from discomfort, from pain, injury or disease, to express (most) normal behaviour and from fear and distress.

<sup>17</sup> Such as 'Beter Leven', Global Animal Partnership, Planet Proof

<sup>18</sup> Small companies are not expected to have a formal training program in place, but employees (if any) are expected to be informed and trained on a regular basis.

<sup>19</sup> Small companies are not expected to have a certified ESMS.

<sup>20</sup> This includes no evidence of fraud in regulatory reporting requirements (e.g. on manure, nitrogen).

## Appendix 2 - Requirements for aquaculture

For aquaculture companies the above requirements apply with the exception of:

- 4 a) and b)
- 9 b)
- 10 b)

In addition the following requirements apply:

<b>Aquaculture</b>	<i>Minimum</i>	<i>Benchmark</i>
a) Clients are committed to close their aquaculture systems as much as possible in terms of fresh water use, brood stock and disease prevention.	X	
b) Clients' farms are Aquaculture Stewardship Council (ASC) certified or equivalent.	X	
c) Clients aim to use plant based feed or ASC/MSC certified feed products as much as possible.	X	
d) Clients disclose sustainability data e.g.. feed ingredients, sourcing location of feed, animal mortality, disease outbreaks, fish escapes.		X