

Summary – Chemicals & Pharma

Why does ABN AMRO have a sustainability policy for Chemicals & Pharma?

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.

More specifically, ABN AMRO has formulated sustainability requirements for clients in the chemicals & pharma industry. ABN AMRO acknowledges that the chemicals & pharma sector poses sustainability risks, such as:

- *Extremely Hazardous Substances*; The chemicals & pharma industry may be exposed to the use of hazardous and toxic substances that are subject to international phase outs or that do not comply with regulations such as REACH and the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal.
- *Pollution*; The chemicals & pharma sector may cause pollution of air, water and/or soil due to irresponsible handling of substances;
- *Health & Safety*; Employees may face health and safety issues due to improper handling of substances and/or inappropriate safety measures;
- *Integrity of local communities*; Chemicals and pharma activities may potentially have harmful impact on the living environment of local communities due to pollution of the local environment and/or displacement;;
- *Animal Welfare*; some new chemical and pharmaceutical products are first tested on animals for example for commercial purposes or involve endangered species.

What is the scope of this policy?

This policy applies to ABN AMRO and all its subsidiaries, branches and representative offices and legal entities that are under its control, and it applies to all the bank's capacities: lender, investor, asset manager, service provider and purchaser.

For the purpose of this policy, the chemicals and pharma sector is divided in the following three subsectors with specific requirements:

- Chemical production, including the manufacturing of base, intermediate and specialty chemicals and gasses.
- Chemical and pharmaceutical trade
- Pharmaceuticals, including the production of drugs and pharmaceutical (medial) supplies

Due-diligence standards

For all three subsectors, ABN AMRO applies a set of minimum requirements and benchmark criteria. ABN AMRO will only finance clients who comply with all applicable minimum requirements, or have an improvement plan in place to do so within a limited timeframe. The benchmark criteria, which are aligned with international best practices, are used to compare the client's performance with their industry peers on an ongoing basis. An overview of the applicable minimum requirements and benchmark criteria for the three subsectors is included in the appendix below.

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.

How does ABN AMRO put its standards into practice?

In accordance with its Sustainability Risk Policy for Lending and Project Finance, ABN AMRO puts its sustainability standards into practice through a sustainability risk management process. This covers the following steps; risk determination, risk assessment, approval of the transaction and monitoring and reporting. ABN AMRO reviews (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 of € 1 million or more – 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: sustainability standards for Chemical Producers

Appendix 2: sustainability standards for Chemical Traders

Appendix 3: sustainability standards for Pharmaceutical Companies

Appendix 1 - Requirements Chemicals Producers

	Minimum requirements	Benchmarks
Compliance		
1. Clients comply with all national and international laws and regulations applicable to them (e.g. REACH, Rotterdam Convention, Stockholm Convention, Basel convention), have obtained and maintain all requisite permits and licences, and ensure continuous compliance with them.	X	
2. Clients have an anti-corruption and anti-bribery policy in place.	X	
Hazardous substances		
3. Clients using and/or producing hazardous substances and/or hazardous waste explain the appropriate steps taken to prevent harm to human health and the environment. They do so in accordance with the precautionary principle.	X	
4. Clients have a system in place that ensures the appropriate identification, labelling and documentation of hazardous substances as they appear during any stage of the client's operations.	X	
5. Clients have a strategy to look proactively for more sustainable alternatives to the substances they use or develop.		X
Due diligence & policies		
6. Clients have identified their key human rights impacts and risks and have a policy in place specifying how human rights risks associated with their processes and products are addressed, in accordance with the UN Guiding Principles.	X	
7. Clients have identified their key environmental risks and have an environmental policy in place specifying how it addresses environmental risks associated with their processes and products.	X	
8. Clients have identified their key health and safety risks and have a health and safety policy in place specifying how these risks are addressed.	X	
9. Clients have an emergency response plan in place that includes communication and cooperation with local communities and authorities in case of emergencies.	X	
10. Clients operate in accordance with the principles of Responsible Care.	X	
Stakeholder engagement		
11. Clients have (a strategy to) effectively disclose and communicate relevant environmental, human rights and health & safety risks and impacts of their operations and products to (potentially) affected stakeholders.	X	
12. Clients have in place effective operational-level grievance mechanisms for stakeholders who may be adversely impacted.	X	
13. Clients report on the (aggregated) number and content of grievances received and addressed.		X
Track record and reporting		
14. Clients have set SMART targets on at least the following key performance indicators: <ul style="list-style-type: none"> a. fatalities and (lost time on) injuries, b. emissions of greenhouse gases and other pollutants (e.g. NOx, SO₂), c. use of resources (e.g. energy, water). 	X	
15. Clients report on their environmental, human rights and health & safety performance. This includes the disclosure of incidents and results on key performance indicators (requirement 14).	X ¹	
16. Bank clients have a good track record, in terms of: <ul style="list-style-type: none"> a. incident rates (e.g. spills, fires, injuries, fatalities, fraud/corruption cases, human rights violations) are low or show consistent decline 	X	

¹ Minimum requirement for large globally operating listed companies.

<p>over time,</p> <p>b. the client has a demonstrated capacity in comprehensive and transparent response management and to adequately address issues,</p> <p>c. inspection authorities have not reported structural shortcomings in the client's management of environmental and social risks,</p> <p>d. there is no or limited bad press on the sustainability performance of the client and/or the client has responded adequately to it.</p>		
Governance		
17. Final responsibility for the client's human rights, environmental and health & safety policies and practices lies with a dedicated member of senior management or board.	X	
18. Clients are expected to have a corporate Environmental and Social and a Health & Safety Management System (ESMS) in place. The ESMS is in line with international standards such as ISO:14001 and OHSAS:18001, has clear objectives and targets and includes documented procedures to mitigate, monitor and measure, on a regular basis, the environmental, human rights and health & safety impacts and risks of the business operations.	X	
19. Clients have operational guidelines in place for each individual site to guarantee that corporate commitments and policies are supported and complied with at individual sites.	X	
20. Personnel are trained on relevant environmental, human rights, health and safety risks and compliance with the company's policies to mitigate these risks.	X	
Supply chain due diligence/transparency		
21. Clients apply environmental, human rights and health & safety criteria in the selection of suppliers, service providers and contractors.	X	
22. Clients have an obligatory supplier code of conduct or equivalent in place which addresses the key environmental, social and health and safety risks in their supply chain.		X
23. Clients monitor the environmental, human rights and health & safety performance of their suppliers.		X
24. Clients undertake to identify the environmental, social/human rights and health & safety risks in their upstream and downstream supply chain.		X
25. Clients producing intermediate or specialty chemicals strive to minimize their products' environmental impact throughout all stages of the products' life cycle (product stewardship).		X
Other		
26. Clients participate in relevant initiatives for sustainability and/or circular economy.		X
27. Clients making use of animal testing have an animal welfare policy based on the principles of the 3R-strategy of replace, reduce, refine.	X	

Appendix 2 - Requirements Chemicals Traders

	Minimum requirement	Benchmarks
Compliance & policies		
1. Clients comply with all national and international laws and regulations applicable to them (e.g. REACH, Rotterdam Convention, Stockholm Convention, Basel convention), have obtained and maintain all requisite permits and licences, and ensure continuous compliance with them.	X	
2. Clients have an anti-corruption and anti-bribery policy in place.	X	
3. Clients have identified their key environmental, human rights and health & safety risks, and have a code of conduct or policy in place specifying how it addresses these risks.	X	
4. Clients operate in accordance with the principles of Responsible Care.		X

5. Clients have in place effective operational-level grievance mechanisms for stakeholders who may be adversely impacted.		X
Hazardous substances		
6. Clients trading hazardous substances and/or hazardous waste explain the appropriate steps taken to prevent harm to human health and the environment. They do so in accordance with the precautionary principle.	X	
7. Clients have a system in place that ensures the appropriate identification, labelling and documentation of hazardous substances as they appear during any stage of the client's operations.	X	
Track record and reporting		
8. Clients report on their environmental, human rights and health & safety performance.		X
9. Bank clients have a good track record, in terms of: <ul style="list-style-type: none"> a. incident rates (e.g. spills, fires, fraud/corruption cases, human rights violations) are low or show consistent decline over time, b. the company has a demonstrated capacity in comprehensive and transparent response management, c. inspection authorities have not reported structural significant shortcomings in the company's management of environmental and social risks, d. there is no or limited bad press on the sustainability performance of the client and/or it has responded adequately to it. 	X	
Governance		
10. Clients have a corporate Environmental and Social Management System (ESMS) in place. The ESMS is in line with international standards such as ISO:14001 and OHSAS:18001.		X
Supply chain due diligence/transparency		
11. Clients apply environmental, human rights and health & safety criteria in the selection of suppliers, service providers and contractors.		X
12. Clients have an obligatory supplier code of conduct or equivalent in place which addresses the key environmental, social and health and safety risks in their supply chain.		X
Other		
13. Clients participate in relevant initiatives for sustainability and/or circular economy.		X

Appendix 3 - Requirements Pharmaceutical Companies

	Minimum requirements	Benchmarks
Compliance		
1. Clients comply with all national and international laws and regulations applicable to them, have obtained and maintain all requisite permits and licences, and ensure continuous compliance with them.	X	
Due diligence & policies		
2. Clients have a code of conduct in place, which addresses at least corruption, unethical marketing and anti-competitive behaviour that may restrict access to medicine.	X	
3. Clients have identified their key human rights impacts and risks, in particular regarding the right to health, and have a policy in place specifying how it addresses these impacts and risks associated with their processes and products, in accordance with the UN Guiding Principles on Business and Human Rights.	X	
4. Clients proactively undertake to ensure the accessibility of their pharmaceutical products.		X
5. Clients have identified their key environmental and health & safety risks and have a policy in place specifying how it addresses these risks associated with their processes and products.	X	

6. Clients producing antibiotics are aware of the specific risks related to antibiotics resistance and take appropriate measures, throughout the entire life cycle of the product.	X	
7. Clients making use of animal testing have an animal welfare policy based on the principles of the 3R-strategy of replace, reduce, refine.	X	
Stakeholder engagement		
8. Clients have in place effective operational-level grievance mechanisms for stakeholders who may be adversely impacted.	X	
9. Clients report on the aggregated number and content of grievances received and addressed.		X
Transparency and track record		
10. Clients have set SMART targets on at least the following key performance indicators: a. emissions of greenhouse gases and other pollutants, b. use of resources (e.g. energy, water), c. waste.	X	
11. Clients report on their environmental, human rights and health & safety performance. This includes the disclosure of incidents and results on key performance indicators (requirement 9).	X ²	
12. Bank clients have a good track record, in terms of: a. incident rates (e.g. spills, fires, injuries, fatalities, fraud/corruption cases, human rights violations) are low or show consistent decline over time, b. inspection authorities have not reported structural significant shortcomings in the company's management, c. there is no or limited bad press on the sustainability performance of the client and/or it has responded adequately to it.	X	
Governance		
13. Final responsibility for the client's human rights, environmental and health & safety policies and practices lies with a dedicated member of senior management or board.	X	
14. Clients have a corporate Environmental and Social and Health and Safety Management System (ESMS) in place, which ensures compliance with applicable legislation and company policies. The ESMS is in line with international standards such as ISO:14001 or OHSAS:18001.	X	
Supply chain due diligence		
15. Clients apply environmental, human rights and health & safety criteria in the selection of suppliers, service providers and contractors.	X	
16. Clients have an obligatory supplier code of conduct or equivalent in place which addresses the key environmental, social and health and safety risks in their supply chain.		X
17. Clients take responsibility for the correct use and disposal of their pharmaceutical products.	X	
Other		
18. Clients participate in relevant initiatives for transparency and/or sustainability (e.g. Access to Medicine index).		X

² Minimum requirement for large globally operating listed companies.