Why does ABN AMRO have a sustainability policy for Defence?

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 banks moderate risk profile.

More specifically, ABN AMRO has formulated sustainability requirements for clients in – or related to – the defence industry. ABN AMRO acknowledges that the defence industry poses sustainability risks, such as:

- **Human rights violations**: weapons or dual use goods such as jamming equipment for telecommunications, may contribute to human rights violations in the hands of oppressive regimes.
- **Proliferation of Controversial Weapons**: components or techniques may be used in the manufacturing process of controversial weapons thus contributing to the proliferation of controversial weapons.
- **Corruption**: trade of weapons in fragile states may be associated with corruption.

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.

The ABN AMRO Defence policy applies to all ABN AMRO’s (prospective) clients regardless of whether one would classify them as part of the defence industry. This means that all (prospective) clients are screened for a defence link. Sometimes this link is obvious because a company produces protective armour, for example. In other cases this link may be less obvious because a company produces so-called dual use goods which have a civilian - but also a military use. Examples include night vision cameras, 4 wheel drives, telecommunication systems. If a defence link is identified, additional due diligence is performed.

What does this policy require?

ABN AMRO acknowledges the right of states to defend themselves and thus the states’ right to produce and acquire arms. However, the sustainability risks associated with the defence sector need to be managed and mitigated. The requirements set out in this policy are complimentary to existing local laws, licensing obligations, regional agreements and international laws and conventions. ABN AMRO’s clients must comply with at least the following requirements:

- Client demonstrates a high level of governance and transparency
- Client has an anti-corruption policy
- Client has a robust internal approval - and monitoring process for defence related products and services
- Client has a Supplier Code of Conduct
- Client has a strong ethical track record
- Products and services have a legitimate and non-controversial ('generally accepted') defensive use

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?

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.