

Summary - Manufacturing

Why does ABN AMRO have a sustainability policy for Manufacturing?

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 manufacturing sector. ABN AMRO acknowledges that the manufacturing sector poses sustainability risks, such as:

- *Labour conditions*: The suppliers of many manufacturing companies are located in countries with low labour costs that often have weak labour laws or inadequate legislative enforcement. Companies may face a breach of the fundamental labour rights and principles including the freedom of collective bargaining, forced- and child labour and discrimination at the manufacturing facilities in their value chain;
- *Environmental damage*: Production processes may involve hazardous substances that may cause water- and soil pollution when not properly dispensed.

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 manufacturing industry is divided in generic manufacturing and a few subsectors. The generic requirements apply to all clients active in the manufacturing sector. Depending on the client's subsector additional requirements apply for:

- Electronic equipment
- Food and beverages
- Apparel and textiles
- Packaging
- Wood products

Due-diligence standards

For generic manufacturing and the five specific 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.

The manufacturing sector policy differentiates between producers and buyers and imposes more stringent sector standards on producers than on buyers. As producers operate closer to the sources of the manufacturing process they have more control and leverage on environmental and social conditions. An overview of the applicable minimum requirements and benchmark criteria for generic manufacturing and the five specific 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 generic manufacturing (Producers and Buyers)

Appendix 2: supplementary sustainability standards for Electronic Equipment

Appendix 3: supplementary sustainability standards for Food & Beverage

Appendix 4: supplementary sustainability standards for Apparel & Textile

Appendix 5: supplementary sustainability standards for Packaging

Appendix 6 supplementary sustainability standards for Wood Products

Appendix 1 - Generic Requirements Manufacturing

| Generic Requirements for Producers | Minimum Requirements | Benchmarks |
|---|----------------------|------------|
| 1. Clients of the bank declare that they comply with all relevant (social and environmental) legislation and regulations) | X | |
| 2. Clients have identified who their main stakeholders are and have a strategy to engage regularly, openly and constructively with these stakeholders on the environmental and social risks and impact of their operations. | X | |
| 3. Clients have in place effective operational-level grievance mechanisms for stakeholders who may be adversely impacted. | X ¹ | X |
| 4. Clients have identified key human rights impacts of their own business and have a Code of Conduct or policy in place stating their commitment to respect Human Rights based on the UN Human rights Conventions and the Core Labour Conventions of the ILO. At least the following Human Rights are addressed; working times, forced and child labour, discrimination and the right to collective bargaining. | X | |
| 5. Clients have identified their key environmental impacts including chemical handling, water and waste treatment, energy efficiency and greenhouse gas reduction and have an environmental policy in place specifying how their key environmental impacts are addressed in production processes. | X | |
| 6. Clients have identified key environmental, human rights and health and safety impacts in their supply chain and apply criteria on these impacts for the selection of their suppliers, service providers and contractors and monitor their performance. | X | |
| 7. Clients have a transparent overview of their supply chain and know in which country and in what factories their products are manufactured. | X | |
| 8. Clients act on the responsibility to prevent human trafficking in their supply chain. | | X |
| 9. Clients promote living wage throughout their supply chain. | | X |
| 10. The client has appointed qualified staff within the company that is responsible for the implementation of its social and environmental policies. Final responsibility for social and environmental policies lies with a member of senior management or board. | X | |
| 11. Clients perform regular audits at production locations and have a system in place to follow up on the audit results. Audits are verified by an independent third party. | | X |
| 12. Clients are expected to report comprehensively about their environmental, human rights and health and safety performance. | X ² | |
| 13. Clients invest in research on circular production, focusing on modular products, sustainable packaging methods and recycling opportunities. | | X |
| 14. Clients are expected to be SA8000, OHSAS 18001 or ISO 14001 certified. | X ³ | X |
| 15. The client has a good track record in the field of sustainability (in its supply chain). Incidents are reported transparently and the client has demonstrated that it acts rapidly and effectively in the event of incidents. | X | |

¹ The minimum requirement is only applicable to globally operating, listed companies.

² Minimum requirement only applicable for globally operating listed companies

³ Minimum requirement only applicable for globally operating listed companies

| | Minimum requirements | Benchmarks |
|--|----------------------|------------|
| Buyers (Wholesale and Retail) | | |
| 1 Clients of the bank comply with all (inter)national social and environmental legislation and regulations. | X | |
| 2 Clients have a transparent overview of their supply chain. They know in which country and in which factories their goods are manufactured. | X ⁴ | |
| 3 Clients have identified key environmental, human rights and health and safety impacts in their supply chain and apply criteria on these impacts for the selection of their suppliers, service providers and contractors and monitor their performance. | X ⁵ | |
| 4 Clients have targets for reducing its environmental impacts on at least but not limited to greenhouse gas emissions, energy use and packaging methods. This impact can arise, for instance, via transport and packaging methods. | X | |
| 5 Clients have a good track record in the field of sustainability (e.g. environmental or human rights abuses). Incidents are reported transparently and the client must show that it acts rapidly and effectively when incidents occur. | X | |
| 6 Clients promote living wage throughout their supply chain. | | X |
| 7 Clients are a member of the Business Social Compliance Initiative (BSCI) or of a similar initiative. | | X |

Appendix 2 - Supplementary Requirements Electronic Equipment

| | Minimum requirements | Benchmarks |
|--|----------------------|------------|
| 1. Clients have a transparent overview of their supply chain. They know where the metals in their products are sourced from. | X | |
| 2. When the products include conflict minerals (Tantalum, Tin, Gold and Tungsten) a sustainability policy on the responsible sourcing of these materials must be in place. | X | |
| 3. Where applicable, the client must comply with REACH regulations. | X | |
| 4. Clients comply with local legislation on chemicals waste and deals with hazardous materials responsibly | X | |
| 5. Clients have a recycling program in place for electronic waste (E-Waste) | | X |
| 6. Clients have a (partly) circular business model. They produce modular, use recycled parts, sustainable materials and/or work with their supply chain to increase circularity. | | X |
| 7. Clients are a member of the Global e-Sustainability Initiative (GeSI)/ITRI Tin Supply Chain Initiative (ITSCI)/Electronic Industry Citizen Coalition (EICC)/Fair Labour Association | | X |

⁴ Benchmark for companies that only sell products from other brands, of which they have no influence on production practices.

⁵ Benchmark for companies that only sell products from other brands, of which they have no influence on production practices.

Appendix 3 - Supplementary Requirements food & beverage

| | Minimum requirements | Benchmarks |
|--|----------------------|------------|
| 1. Clients that use palm oil in its products is itself member of the Roundtable for Sustainable Palm Oil (RSPO), or else has a commitment of sourcing RSPO certified sustainable palm oil. | X | |
| 2. Clients that use soy in its products is a member of the Round Table for Sustainable Soy, ⁶ or else its supplier is a member. | | X |
| 3. Clients active in the manufacturing of fish products have access to MSC-certified for wild-caught fish and ASC certificate for farmed fish and seafood or uses an equivalent standard. | X | |
| 4. Clients that work with animal products such as meats, promote animal welfare and use animal friendly production methods throughout their supply chain. | X | |
| 5. Clients that also produce raw materials from own plantations has a policy that addresses, where relevant issues such as deforestation and exploitation of local communities. The client complies with the Free and Prior Informed Consent (FPIC) principle when acquiring land. | X | |
| 6. Clients actively address health issues their product can cause, through promoting responsible consuming behaviour. | | X |
| 7. Clients uses new techniques and invests in innovation on recycling food waste and increasing the conservation of food. | | X |
| 8. Clients are affiliated with at least one consumer quality initiative in the area of sustainability sourcing; (e.g. Beter Leven, UTZ, Fair Trade, organic labelling) | | X |

Appendix 4 - Supplementary Requirements apparel and textile

| | Minimum requirements | Benchmarks |
|---|----------------------|------------|
| 1. Clients should know its suppliers, sub-contractors and the production locations where their products are being manufactured, including the use of sub-contractors to at least the Cut-Make-Trim (SCM) stage. | X | |
| 2. Clients that produce leather goods also have a policy for animal welfare and dealing with chemicals and energy in production processes. | X | |
| 3. Clients that manufacture products in Bangladesh have signed the Bangladesh Accord on Fire and Building Safety. | X | |
| 4. Clients have long term (at least 5 years) contracts with suppliers to maintain a sustainable relationship. | | X |
| 5. The client is a member of the Fair Wear Foundation, Business Social Compliance Initiative (BSCI), Ethical Trading Initiative, Better Cotton Initiative or Fair Labour Organization. | | X |
| 6. Clients are signatory of the IMVO Covenant for the Dutch Apparel Sector. | | X |
| 7. Clients invest in sustainable materials such as recycled cotton/ polyester, sustainable bamboo, recycled plastics or similar. | | X |

⁶ www.responsiblesoy.org

Appendix 5 - Supplementary Requirements packaging

| | Minimum requirements | Benchmarks |
|---|----------------------|------------|
| 1. Clients invest in innovative technologies and design where possible their products modular and/or for improved recyclability | X | |
| 2. Clients invest in the use of bio based materials for the production of packaging. | | X |
| 3. Clients take part in the “ <i>Branche verduurzamingsplannen</i> ” from the knowledge institute sustainable packaging (KIDV) relevant for its packaging category. | X ⁷ | |
| 4. Clients have published an ISO 26001 self-declaration and/or take part in MJA3. | | X |

Appendix 6 - Supplementary Requirements wood products

| | Minimum requirements | Benchmarks |
|--|----------------------|------------|
| 1. Clients that source directly from plantations have a supplier code of conduct or similar commitment that addresses deforestation at origin. | | X |
| 2. The client only uses wood which is FSC (for tropical wood) or PEFC certified. | X | |

⁷ Only applicable for Dutch clients.