

Summary - Transportation

Why does ABN AMRO have a sustainability policy for Transportation?

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

- *Air pollution*; the emission of Sulphur Oxide (SO_x), Nitrogen Oxide (NO_x) and Particulate Matter (PM) associated with the transportation sector contributes to (local) air pollution.
- *Climate change*; the emission of CO₂ associated with the sector contributes to global climate change.
- *Ship recycling*; at end of life ships may be unsustainably recycled contributing to local pollution and leading to hazardous working conditions at the shipbreaking yards.
- *Working conditions*; working conditions in the transportation sector may be unsafe and seafarers as well as truck drivers are vulnerable for exploitation.
- *Water pollution*; irresponsible use of hazardous substances or disposal of waste may lead to water pollution.

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 transportation requirements in particular apply to all clients active in the transportation sector. For the purpose of this policy the sector is divided in the following subsectors:

- Freight transport deep sea
- Freight transport short sea
- Freight transport inland water
- Freight transport road & transport services land

Due-diligence standards

For generic agri-commodities and the seven sensitive agri-commodities, 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 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: Freight transport deep sea

Appendix 2: Freight transport short sea

Appendix 3: Freight transport inland water

Appendix 4: Freight transport road & transport services land

Appendix 1 – Freight transport deep sea

For the purposes of this policy the following subcategories are distinguished for Deep Sea Freight transport:

- Companies owning and operating ships (Own & operate)
- Companies owning ships but outsourcing operation to management companies (Out-source)
- Companies solely operating ships (Management companies)

Minimum Requirements	Own & operate	Out-source	Management
1. Clients comply with all national laws and regulations as well as international conventions and legislation applicable to them, e.g. <u>EU MRV Regulation</u> , the <u>IMO Conventions</u> , the <u>Maritime Labour Convention</u> (2006) and the <u>Memoranda of Understanding (MoU) of Paris and Tokyo</u> .	x	x	x
2. Clients have a sustainability policy in place addressing at least the key environmental risks (emissions ¹ , waste and pollution), human rights risks (labour, health, safety, modern slavery) and ethical risks (corruption and bribery) to which the company is exposed.	x	x	x
3. Clients are committed to responsible ship recycling. If the client is selling a vessel at end-of-life, only responsible scrapping facilities are considered which are at least Hong Kong Convention compliant.	x	x	N/A
4. Clients have an environmental and social management system in place preferably in line with ISO 14001 (environmental) and OHSAS 18001 (health and safety) or comparable.	x	N/A	x
5. Clients have appointed qualified staff within the company that is responsible for the implementation of its sustainability policy. Final responsibility sustainability policies lies with a member of senior management or board.	x	N/A	x
6. Clients are committed to decrease their CO ₂ emissions and relevant airborne emissions (SO _x , NO _x , PM, VOC and ODS). They show this commitment for example by investing in emission monitoring systems and/or emission reduction technologies or by operational management .	x	x	N/A
7. Vessels financed by the bank have an <u>Inventory of Hazardous Materials (IHM)</u> , or will get one [IHM] at the next dry-docking.	x	x	N/A
8. Clients train key employees on environmental, human rights and ethical risks.	x	N/A	x
9. Clients ensure that all seafarers (including subcontracted) are provided living wage, adequate accommodation and safe working conditions.	x	x	x
10. Clients have an emergency response plan in place	x	N/A	x
11. Clients consider environmental and social performance of shipyards when ordering new vessels.	x	x	N/A
12. Client that use private security – only use companies that have committed to the International Code of Conduct for Private Security Service Providers (ICOCA) or equivalent standards.	x	x	x

¹ CO₂, SO_x, NO_x, PM, VOC and ODS

13. Clients have a good track record, in terms of:	x	x	x
a. incident rates (e.g. spills, fires, injuries, fatalities, fraud/corruption cases, adverse human rights impacts)			
b. response management			
c. Port State Control (PSC) Inspections			
d. Media and/or NGO campaigns			
Benchmarks	Own & operate	Out-source	Management
14. Clients participate in sustainability initiatives such as <u>Sustainable Shipping Initiative</u> , <u>Clean Cargo Working Group</u> , <u>Green Award Foundation</u> or <u>HELMEPA</u> .	x	x	x
15. Clients annually report on their sustainability performance	x	x	x
16. Clients invest in Ballast Water Treatment (BWT) system on their vessels in line with <u>IMO Convention for the Control and Management of Ships' Ballast Water and Sediments (BWM)</u> ²	x	x	N/A
17. All clients' vessels, including those not financed by ABN AMRO, have an Inventory of Hazardous Materials (IHM), or will get one at the next dry-docking.	x	x	N/A
18. When expanding their fleet, clients only acquire the most eco efficient vessels	x	x	N/A
19. Clients have committed not to use heavy fuel (HFO) in the Arctic in line with the proposed IMO ban.	x	x	x
20. Clients have a grievance mechanism in place for all stakeholders.	x	N/A	x

Appendix 2 – Freight transport short sea

Minimum Requirements	Own & Operate
1. Clients comply with all national laws and regulations as well as international conventions and legislation applicable to them, e.g. <u>EU MRV Regulation</u> , <u>IMO Conventions</u> and the <u>Maritime Labour Convention (2006)</u> .	x
2. Clients are committed to responsible ship recycling. If the client is selling a vessel at end-of-life, only responsible scrapping facilities are considered.	x
3. Clients are aware of the opportunities and risks of sustainability for their company. <i>Opportunities: cost reductions by operating more efficient, competitive advantage compared less sustainable competitors. Risks: loss of licence to operate, loss of cargo to more sustainable alternatives, costs due to legislation.</i>	x

² At the moment of writing there is no clarity yet on which systems are eligible under the BWT Convention. Once there is clarity on the eligible BWT systems this benchmark will become a minimum requirement.

4. Clients have a system in place to monitor their emissions (CO ₂ , SO _x , NO _x and PM) and make investments in their vessels to lower these emissions over time.	X
5. The clients' workforce is trained on relevant environmental -, human rights -, health - and safety risks.	X
6. Clients provide adequate and affordable accommodation to seafarers, contracts in mother tongue and health & safety training	X
7. Clients have a good track record, in terms of: <ul style="list-style-type: none"> a. incident rates (e.g. spills, fires, injuries, fatalities) b. response management c. fines or penalties of the authorities d. Media and/or NGO campaigns 	X
Benchmarks	
8. Clients have sustainability policy in place, addressing the environmental risks (emissions, waste, pollution and biodiversity), social risks (labour, health and safety, human trafficking) to which the company is exposed and publish this policy.	X
9. Clients participate in sustainability initiatives of the shipping sector such the Green Award Foundation and have a Green Award – or comparable – certificate.	X
10. Clients have an environmental and social management system in place in line with ISO 14001 (environmental) and OHSAS 18001 (health and safety) or comparable.	X
11. Clients identify environmental and social risks in their supply chain and mitigate these risks.	X
12. Clients engage pro-actively with stakeholders (e.g. governments, interest groups, communities) on sustainability issues and address stakeholders' concerns.	X
13. Clients periodically report on their sustainability performance	X

Appendix 3 – Freight transport inland water

Minimum Requirements	Own & operate
1. Clients comply with all national and international laws and regulations applicable to them.	X
2. Clients refrain from operating single hull vessels.	X
3. Clients are aware of the opportunities and risks of sustainability for their company. Opportunities: cost reductions by operating more efficient, competitive advantage compared less sustainable competitors etc. Risks: loss of licence to operate, loss of cargo to more sustainable alternatives, costs due to legislation etc.	X
4. EU clients have a plan for making the investments necessary to meet the EU norms for Non-Road Mobile Machinery (NRMM), the continuously evolving requirements of harbours and freight suppliers	X

and anticipate on future legislation.	
5. Clients have a system in place to monitor their emissions (<u>CO2, SOx, NOx and PM</u>) and make investments in their vessels to lower these emissions over time.	X
6. Clients have a good track record, in terms of: <ul style="list-style-type: none"> a. incident rates (e.g. spills, fires, injuries, fatalities) b. response management c. fines or penalties of the authorities d. Media and/or NGO campaigns 	X
Benchmarks	
7. Clients participate in sustainability initiatives of the shipping sector such the <u>Green Award Foundation</u> and have a Green Award – or comparable – certificate.	X
8. Clients make additional investments to improve their sustainability performance: i.e. waste management, biodiversity, health & safety.	X
9. Clients engage with governments, interest groups, communities and freight suppliers on sustainability issues.	X

Appendix 4 – Freight transport road & transport services land

For the purposes of this policy the following subcategories are distinguished:

- Road = Road transportation and logistics service providers
- Agent = Shipping agents
- Other = Transshipment terminals, trailer – and container rental

Minimum Requirements	Road	Agent	Other
1. Clients comply with all national and international laws and regulations applicable to them.	X	X	X
2. Clients are aware of the opportunities and risks of sustainability for their company. Opportunities: cost reductions by operating more efficient, competitive advantage compared less sustainable competitors etc. Risks: loss of licence to operate, loss of cargo to more sustainable alternatives, costs due to legislation etc.	X	X	X
3. Clients have obtained a <u>Lean and Green Award</u> sustainability certificate ³	X	N/A	N/A
4. Clients have a system in place to monitor their emissions (CO2, SOx, NOx and PM) and make investments to lower these emissions. ⁴	X	X	X
5. Clients' fleet consist of vehicles with relatively low environmental burden (hybrid, LNG, electrical) or have a time bound plan to make such a transition.	X	N/A	N/A

³ Applies to CB clients only.

⁴ For CIB clients the following applies: *Clients are committed to decrease their CO2 emissions and relevant airborne emissions (SOx, NOx, PM, VOC and ODS). They show this commitment for example by investing in emission monitoring systems and/or emission reduction technologies or by operational management.*

6. Clients ensure good working conditions and fair payment for all workers and take measures to avoid sham employment arrangements [schijnconstructies].	X	X	X
7. Clients engage with their suppliers and clients on environmental – and social issues.	X	X	X
8. Clients have assigned Environmental and Social Responsibilities to qualified staff which report to senior management.	X	X	X
9. Clients have a good track record, in terms of: <ul style="list-style-type: none"> e. incident rates (e.g. spills, fires, injuries, fatalities) f. response management g. fines or penalties of the authorities h. Media and/or NGO campaigns 	X	X	X
Benchmarks			
10. Clients have formal sustainability policy in place, addressing the environmental risks (emissions, waste, pollution), social risks (labour, health and safety, human trafficking) to which the company is exposed and publish this policy.	X	X	X
11. Clients have a certified environmental and social management system in place in line with ISO 14001 (environmental) and OHSAS 18001 (health and safety) or comparable.	X	X	X
12. Clients participate in sustainability initiatives such as Connect and/or are participating in initiatives stimulating the circular economy (i.e. reverse logistics and the sharing economy)	X	X	N/A
13. Clients periodically report on their sustainability performance	X	X	X
14. Clients engage pro-actively with stakeholders (e.g. governments, interest groups, communities) on sustainability issues.	X	X	X