

Tobacco Policy

Why does ABN AMRO have a tobacco policy?

The bank believes that clients who responsibly manage the Environmental, Social and Ethical (ESE) aspects of their business are more successful in the longer term. Therefore, it is the bank's policy to closely manage the ESE impacts associated with the tobacco sector through thorough identification, mitigation, management and monitoring, governed by sustainability risk management and decision-making processes.

Within the tobacco sector, the bank has identified several aspects of the production, wholesale and consumption of tobacco that cause potentially harmful ESE impacts:

- *Growing*: deforestation, the use of pesticides and herbicides, water pollution, soil depletion and erosion, cost to the grower and child labour. Occupational health and safety of employees (e.g. use of pesticides) and potential impacts on local communities (e.g., impact on water supplies).
- *Wholesale*: tobacco smuggling (wholesale smuggling, 'white van trade' and bootlegging);
- *Consumption*: cost to smokers and non-smokers, poverty and smoking, public healthcare cost, cost to the industry, environment.

What is the purpose and scope of this policy?

ABN AMRO's involvement in the tobacco industry aims to promote sustainable practices that mutually enhance the profitability and reduce the negative environmental impact and social implications of its financing activities.

The policy applies to all clients in the tobacco sector. It applies to ABN AMRO as a whole, its subsidiaries world-wide and any outsourcing and joint ventures that the bank enters into.

What standards does ABN AMRO apply to this sector?

ABN AMRO requires that the ESE risks associated with tobacco are adequately addressed through a risk management process that comprises identification, mitigation, management and monitoring.

Under ABN AMRO's [Exclusion List](#), the bank will not engage with transactions or products linked to, amongst others:

- Production of, trade in, or distribution of tobacco products violating the World Health Organisation's [Framework Convention on Tobacco Control](#);
- Activities resulting in significant conversion or degradation of a critical habitat;
- Activities involving child labour, the exploitation of children, bonded and/or forced (child) labour;

- Resettlement of indigenous and/or vulnerable groups without free prior and informed consent (FPIC).

Furthermore, ABN AMRO does not finance tobacco companies that:

- Engage in the direct marketing of their products to minors;
- Promote the selling of their products by means of the black market;
- Have a history of severe human or indigenous rights violations related to product manufacturing;
- Contravene any relevant international environmental or labour agreement to which the member country concerned is a party, or violate local environmental or social laws;

ABN AMRO will only finance those US companies that have signed the [Master Settlement Agreement](#) and that will adhere to local laws on advertising, warning labels, etc.

The standards described above are consistent with international, regional and national legislation and act as a screening tool for tobacco companies.

How does ABN AMRO put its standards into practice?

In accordance with its [Sustainability Risk Policy for Lending](#) and [Sustainability Risk Policy for Investment](#) ABN AMRO puts its sustainability standards into practice through the following four steps:

- Screening and risk determination, using the bank's Global Sustainability Risk Index.
- Assessment of the client's sustainability performance and tobacco-specific issues by means of due diligence procedures.
- Approval of the transaction from a sustainability risk management perspective. If certain gaps have been identified in the client's sustainability performance, it is the bank's policy to agree on measures that enhance the client's sustainability performance or to require more intense monitoring by the bank.
- Monitoring the client's compliance. ABN AMRO's monitoring focuses on clients with a sustainability risk performance that is subject to improvement. The bank monitors the client's compliance with its conditions and mutually agreed measures, for as long as the bank maintains a financial interest in the transaction.