

Salient human rights issues 2020

ABN AMRO Bank N.V.

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rights issues 2020**

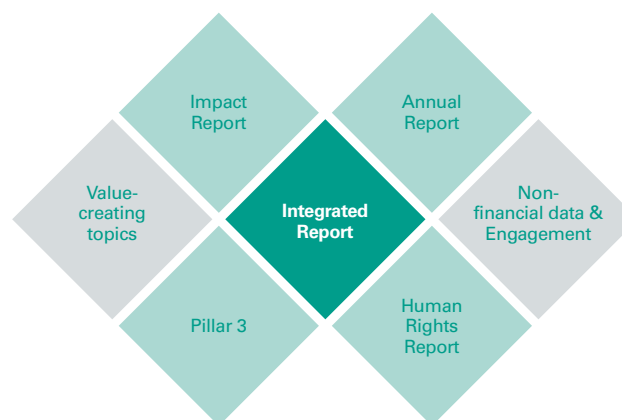
About this Report

This document sets out the results of our 2020 assessment of our salient human rights issues, the process and methodology used for that assessment, and its importance for our human rights programme and reporting.

The primary purpose of our human rights reporting is to showcase the steps that ABN AMRO has taken over the past two year towards respecting human rights. We explain the progress we have made in addressing our salient human rights issues in our Human Rights Report 2020. For the identification of our salient human rights issues, a salience assessment is necessary.

The salience assessment took place from May – October 2020. This summary of the salience process was drawn up by ABN AMRO. The objective of the assessment was to identify the salient human rights issues for ABN AMRO during the reporting period 2019-2020.

This report should be read in conjunction with our Human Rights Report 2020.




For more information on our approach to reporting, see abnamro.com

Our understanding of our salient human rights issues is constantly evolving. We welcome questions, feedback and new insights in relation to our salient human rights issues. Please contact us at humanrights@abnamro.com.

Process and methodology

Background

In 2015 we conducted our first salience assessment, enabling us to focus on, “the human rights at risk of the most severe negative impact through our activities and business relationships.”¹ Gaining this focus helps us appropriately prioritise our resources. 

That initial assessment, drawing on internal and external consultations, produced a list of four issues: privacy, discrimination, labour rights and land-related human rights. In the years following, we further embedded human rights across our roles of employer, service provider, lender and investment services provider. Within each of these roles we undertook actions focused on preventing and addressing human rights risks connected to our business.

Five years later, we decided to carry out a new salience assessment, incorporating all our insights gained in the period from 2015 – 2020. According to the UNGP Reporting Framework, ‘the process to identify salient human rights issues provides an effective and consistent means for a company to identify the human rights issues on which it should report, in line with the Guiding Principles’ focus on the severity of negative impacts on human rights.’² As the previous assessment was carried out 5 years ago, we felt it was necessary to perform a new assessment for this report. Again, this salience assessment provides the basis for our Human Rights Report (the 2020 edition).²

In addition, better alignment with existing management systems was sought after, with elements of our Enterprise Risk Management approach. The aim of this alignment was to create more robust mitigation actions as well as the possibility to monitor progress on a regular basis. The alignment is in keeping with the trend that traditional enterprise risk management and human rights risks are becoming increasingly related.

Finally, we also wanted our salience assessment to conform to the highest possible methodological standards. EY provided assurance on our Human Rights Report 2020, in which we describe our salient issues and our management of them.

Governance

Together with an external consultant from Sustainalize, human rights and reporting experts from our Group Sustainability Department performed the project management of the salience assessment. Group Sustainability is responsible for alignment with internal and external stakeholders, and for the proper identification of the salient issues during this assessment period. This project team worked closely with experts from Central Risk Management in order to align the salience risk assessment approach with the sustainability risk assessment approach of ABN AMRO. Representatives from different departments within the bank have been involved in all steps of the salience assessment:

Retail Banking, Private Banking, Commercial Banking, Corporate and Institutional Banking, Compliance and Conduct, Human Resources (HR) (including experts from HR International, HR Diversity & Inclusion), Procurement, Facility Management, Clearing, Credit Risk and Central Risk Management, as well as two representatives from ABN AMRO’s Employee Council.

The process and outcomes of the salience assessment were endorsed at the Sustainability Advisory Committee meeting on October 12, 2020.

Methodology

The methodology we used for the salience assessment is based on the following concepts:

- ▶ **Human rights risk:** Any actual or potential adverse human rights impact with which ABN AMRO may be involved either through our own activities or as a result of our business relationships.
- ▶ **Salient human rights issues:** Salient human rights issues for a business enterprise are those human rights issues that stand out as being most at risk. This will typically vary according to a company’s sector and operating context. The UN Guiding Principles Reporting Framework makes clear that an enterprise should not focus exclusively on its salient human rights issues and ignore others that might arise. But salient issues will logically be the ones on which the company concentrates its primary efforts and prioritises when allocating resources.

¹ This is the definition of salient human rights issues as set out by the UN Guiding Principles Reporting Framework. We report on human rights in line with this reporting framework. See ungpreporting.org.

² While the Human Rights Report 2020 covers the reporting period 2019-2020, the salience assessment covers the year 2020. Nevertheless, the Human Rights Report 2020 will focus on the newly identified salient issues. If necessary, other adverse human rights impacts will also be reported on as the UNGP Reporting Framework leaves room for additional severe impacts (question B4 of the Reporting Framework).

- ▶ **Severity:** Under the UN Guiding Principles on Business and Human Rights, the severity of a human rights impact is determined by one or more of the below characteristics. We further defined the characteristics to develop a five-layer scale ranging from “minor” to “massive.”
 - ▶ **Scale:** the gravity of the impact on the human right(s); and/or
 - ▶ **Scope:** the number of individuals that are or could be affected; and/or
 - ▶ **Remediability:** the ease with which those impacted could be restored to their prior enjoyment of their rights.
- ▶ **Likelihood:** To determine likelihood of impacts occurring, we applied the below indicators. We further defined these indicators into a five-layer scale ranging from “very unlikely” to “very likely.”
 - ▶ **Exposure:** the relation between ABN AMRO and the impacted stakeholder;
 - ▶ **Context:** the country and / or the sector where the impact could occur;
 - ▶ **Risk mitigation:** the robustness of actions by relevant third parties to prevent impacts from occurring.
- ▶ **Mitigating actions:** Under the UN Guiding Principles on Business and Human Rights, “mitigation of adverse human rights impact refers to actions taken to reduce its extent, with any residual impact then requiring remediation. The mitigation of human rights risks refers to actions taken to reduce the likelihood of a certain adverse impact occurring.” We used this definition to develop a five-layer scale to assess the robustness of current and potential mitigation actions, ranging from ‘we should start acting’ to ‘we do enough’.

We used all of the concepts above to construct a Human Rights Risk Register. This Register is designed to help us determine, record and aggregate our observations about our human rights risks. In 2021, we will also use the Risk Register to monitor progress on the human rights risks identified during the salience assessment.

In this assessment, we used the Risk Register to review and report on our findings through a four-step process:

1. Identification

We first created a ‘long list’ of possible human rights risks, using our 2015 salience assessment as a starting point. Similar to our approach in 2015, we used our four roles as a bank to structure the long list. This list was then enriched through desktop analysis of resources such as sector guides,¹ regulations, reports from civil society organisations, and peer analysis. We also requested internal colleagues and experts who are involved in one of our four roles to provide potential relevant documentation about our human rights risks. Relevant documentation included, for example, bank policies and strategies, monitoring tools, training materials, internal reports, external publications used internally, letters from public authorities (such as regulators) to ABN AMRO, and partnership agreements. This process gave us a consolidated ‘long list’ split into the four roles of the bank. At the end of the salience assessment, we decided to identify our role as a procurer of goods and services as a separate role, instead of integrating it into our role as an employer. The scope, nature and leverage within the roles differ considerably, making the split a logical step.

For the roles of employer, procurer of goods and services and services provider, the list contained 14 issues. For the roles of lender and investment services provider, we

identified 11 high risk sectors using our existing sector policies, overviews and research of ESG (environmental, social, governance) rating agencies and internal overviews of our investments universe. Within these sectors we identified a total of 14 issues.

Where feasible, we included in the list of issues descriptions of the context, triggers and existing risk mitigation actions. In this stage we also conducted an initial assessment of severity and likelihood.

2. Engagement

We then initiated the engagement phase, consisting of surveys and interviews with internal and external stakeholders.

Survey

We developed a survey in which the issues from the long list were processed in a format in which respondents could first select the roles about which they felt sufficiently informed to provide input. Per role, we requested that respondents first prioritise issues, and then provide an indication of the robustness of existing mitigation actions by ABN AMRO.

For the roles of lender and investment service provider, we included an additional filter to prioritise sectors. Beyond the issues and sectors we selected in our first phase, we gave respondents the opportunity to suggest additional issues and sectors.

We sent out 336 surveys. Of those, we sent 204 surveys to external parties including civil society organisations, companies in our sector, sustainability specialists, universities,

¹ In our roles of lender and investment services provider, we assessed our salient human rights issues for a selection of sectors we are active in:

- **Lender:** agricultural commodities, animal protein production, chemicals, pharmaceuticals, defence, energy, manufacturing, metals and minerals, transportation, construction, travel and leisure, human resource services.

- **Investment services provider:** food products, pharmaceuticals, aerospace and defence, energy, manufacturing, metals and mining, Internet or direct marketing, interactive media and services.

consultancies and governmental organisations. We received over 75 responses, a response rate of 22 percent.

Processing the feedback resulted in a more balanced prioritisation of our human rights risks, particularly in terms of severity and likelihood, and additions and refinements of issues. For example, through the survey process we added the issue of gender equality in our role as an employer. For the roles of lender and investments services, we added the risk related to security operators using violence against vulnerable groups. Our respondents also drew our attention to the issue of social exclusion of vulnerable groups.

In our role of service provider, we see an increasing number of people facing financial distress. Finally, respondents highlighted emerging issues such as the impact of climate change and artificial intelligence on human rights.

Interviews

Parallel to the survey, we conducted interviews with internal and external stakeholders.

We developed an interview protocol to ensure every interview would follow the same approach. Interviewees, both internal and external, received a slide deck before the interview, summarizing the salience assessment methodology, the purpose of the interview and the long list of issues including a definition and overview of mitigating actions. The primary aim of the interview was to gain insight about the completeness and accuracy of the issues identified and mitigation actions.

In total, we held 23 interviews with 31 people in a period of three months. We shared minutes of the interviews with the interviewees to ask for feedback or approval. The interviews were conducted by colleagues from the Group Sustainability Department together with Sustainalize.

The insights gained from these interviews resulted in a wide variety of refinements to our list of potential salient issues. We added, removed and often reformulated issues to reflect feedback from interviewees.

External stakeholders

We realise that specifically on human rights, 'stakeholders' are defined by the UN Guiding Principles on Business and Human Rights more narrowly: as people who could experience human rights harms in connection with our business.

For our salience assessment, we engaged with civil society organisations as representatives of potentially affected people, including by integrating their survey responses in our assessment and conducting several interviews with CSO representatives. During interviews with our own colleagues, we asked them to share with us information and insights they have received from external contacts, including civil society organisations who seek to represent potentially affected people.

3 Prioritisation

Based on the engagement phase, our project team undertook a major review of our initial longlist of issues.

- ▶ In the role of employer, we gave more attention and priority to societal developments about inequality between groups of people. At the same time, we retained as important areas of attention the issues of discrimination and harassment.
- ▶ In the role of service provider, we prioritised financial distress of clients and potential discrimination in the way banking services are provided alongside the existing issue of privacy. For all of these issues, stakeholders highlighted to us the role of big data.

- ▶ Finally, we built on issues arising in our roles of lender and investment services provider by adding additional sectors and issues. In total, we assessed 15 sectors and included 24 issues, grouped into four categories, in the Risk Register. Where necessary, we made a geographic distinction about where the named issues arise, between 'global' and 'Northwestern Europe'.

The process described here resulted in an aggregation of issues that we visualised in two graphs per role. The first graph shows the determination of the salient issues, followed by a second graph that visualises the robustness of our existing mitigation actions. We discussed these visualisations in prioritisation meetings with colleagues across ABN AMRO to fine tune, calibrate and agree on the outcomes. Given that the spread of sectors and issues for lender and investment services provider was so broad, we took an additional step to aggregate numerous rights under groupings of rights, in order to make the issue labelling more understandable.

During this third step, we organised four validation sessions. Per session, one role stood centre stage¹. For each validation session, we invited 6-7 internal experts (representatives from relevant departments and parts of our business). One week before each session, we shared two visualisations of issues (naming of salient issues and robustness of mitigating actions) to help participants prepare their questions, remarks and other types of feedback.

In the process of writing our Human Rights Report 2016, we have identified the four roles of the bank for the first time. We experienced that these four roles sufficiently covered our main activities and were relevant anchor points for our human rights programme. In 2020, we added a fifth role, the role of procurer of goods and

¹ Except for the session on our role of employer. In this session, the salient issues for our role of procurer of goods and services were also addressed.

services. This role was previously part of our role as employer. Each role is equally important, in terms of our salient human rights.

Each session resulted in some refinements on our assessment of the salient issues, as well as consensus on our process and next steps. After the sessions we again processed feedback to integrate into the updated version of the Risk Register.

4 Validation

In October 2020 our Sustainability Advisory Committee discussed the results of the salience assessment, resulting in the shortlist of salient issues below. Results from the 2020 assessment are in this year's Human Rights Report, Integrated Report and Annual Report.

Our salient human rights issues for the reporting period 2019-2020

For further detail, see our [Human Rights Report 2020](#).

As an employer: workplace discrimination and harassment

- ▶ Who could experience these impacts: our employees
- ▶ Who could cause these impacts: ABN AMRO

As a service provider: inadequate standard of living and health impacts, caused by financial distress due to inadequate client protection; personal privacy breaches; discrimination in banking services

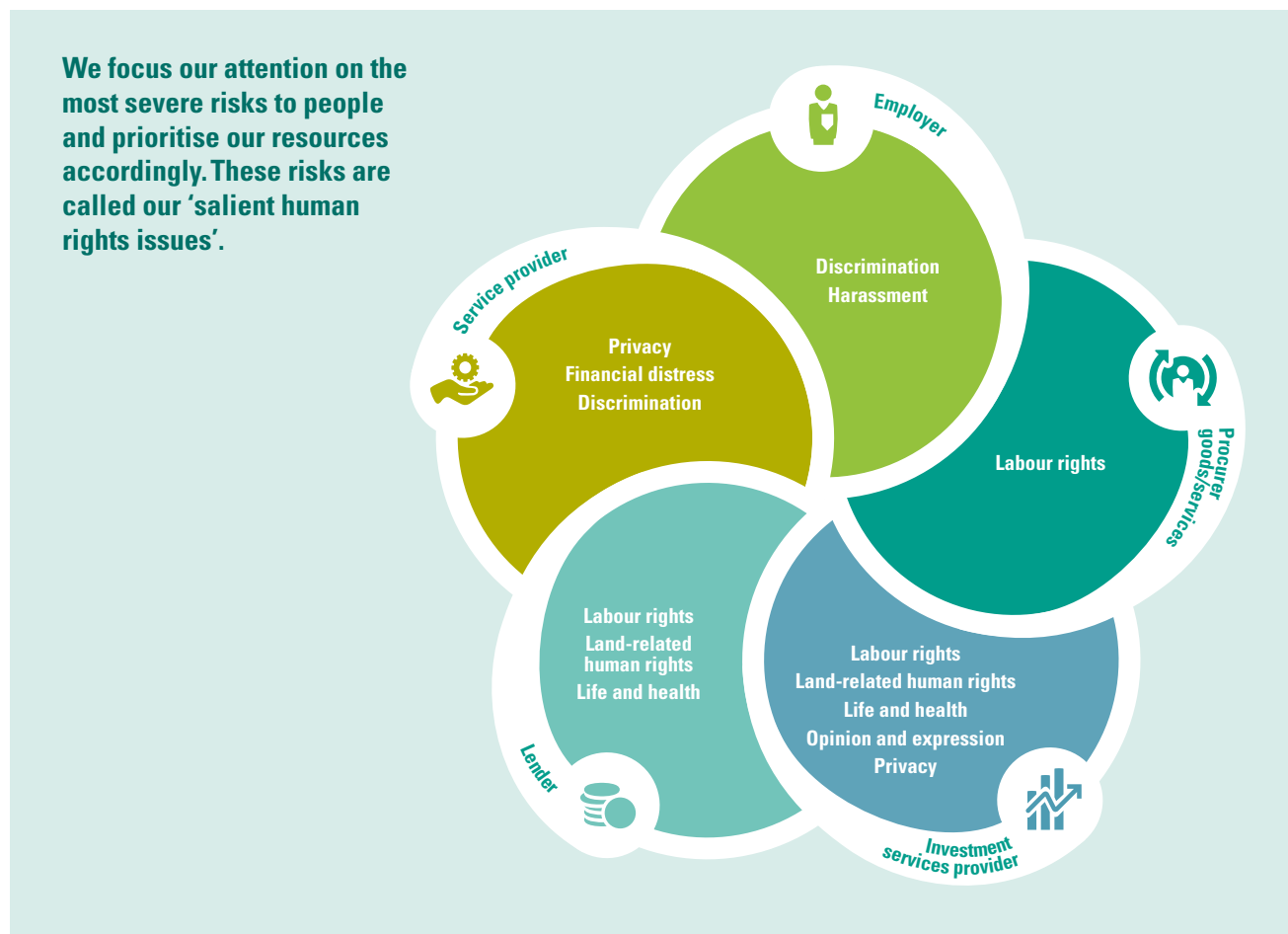
- ▶ Who could experience these impacts: Retail clients and non-profit organisations
- ▶ Who could cause these impacts: ABN AMRO; external parties contracted by ABN AMRO to process personal data on behalf of ABN AMRO

As a procurer of goods and services: labour rights

- ▶ Who could experience these impacts: workers of companies in our supply chain
- ▶ Who could cause these impacts: companies in our supply chain

As a lender and investment services provider: labour rights, land-related human rights, right to life and health, right to privacy¹, freedom of opinion and expression¹

- ▶ Who could experience these impacts: workers, communities and consumers
- ▶ Who could cause these impacts: our client companies and their business relationships, companies in our investment universe and their business relationships



¹ These two human rights are salient issues for our role as an investment services provider, not for our role as a lender.

Scope, boundaries and limitations

For the role of employer, our geographic focus reflects the countries in which ABN AMRO's offices are based. A similar scope was applied for our role of service provider, although here our reach is broader than just our physical presence, due to our online services. Finally, for the roles of procurer of goods and services, lender and investment services provider, we took a global perspective, to include all continents where our suppliers, clients and companies in our investment universe are active.

The salience assessment covers ABN AMRO Bank N.V. (excluding independently operating entities such as ABN AMRO Clearing, ABN AMRO Verzekeringen, ABN AMRO Pensions and International Card Services).

Despite the rigorousness and depth of the assessment, we are aware that limitations exist. The limitations result in the possibility of severe impacts on human rights that occurred or were still being addressed during the reporting period, but which fall outside of this identification of salient human rights issues. Potential limitations may exist due to (list non-exhaustive):

- ▶ The impact of the refocusing of ABN AMRO's Corporate and Institutional Banking (CIB) activities, announced August 12, 2020. For this salience assessment, the mid-2020 situation has been taken as a basis. The Risk Register is subject to regular review and will be aligned to our operational reality as the CIB restructuring progresses.

- ▶ The need to prioritise sectors and issues on a corporate level, resulting in potentially missing salient issues at a local or client level. Policies and procedures are designed to identify and mitigate such situations. Lessons learned will be integrated in the regular update of the Risk Register.
- ▶ Gaps in our grievance mechanism: as reported in our Human Rights Report 2020, we are currently at work improving our grievance mechanisms. As this work is not complete, we may have missed specific situations where salient issues could occur, that could have been brought to our attention via more robust grievance mechanisms.

