

Agri Round Table – 20 May 2016 – Amsterdam

Identifying social issues in the agri value chain

As a financier, ABN AMRO has a responsibility in society. This means not only responsible financing, but also societal engagement about our role. ABN AMRO has developed a sustainability strategy and engages with clients in pursuit of shared improvements and a positive impact on society: 'A better bank contributing to a better world'. This means that we also take responsibility to respect and protect human rights.

Our commitment to respect human rights follows from the implementation of the United Nations Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guiding Principles on Business and Human Rights. In 2011 the United Nations Human Rights Council unanimously endorsed a standard for business and human rights: the UNGPs. The UNGPs - which have been also incorporated into the OECD Guidelines for Multinational Enterprises – state that businesses should implement a system to identify, prevent and mitigate human rights risks. Doing human rights due diligence helps businesses to ensure that they meet their responsibility to respect human rights, and where necessary offer solutions for improvement. Following from our commitment to respect human rights, ABN AMRO organises Round Tables as opportunities for more in-depth discussion with clients and stakeholders in a particular sector about the challenges and opportunities in the field of sustainability.

This year's Round Table for Agri Commodities Clients focused on 'Identifying social issues in the agri value chain'. Participants of the ABN AMRO Agri Round Table are global commodity trading, producing and processing companies and are active in different agri commodities value chains. A common feature connecting the participants is that they recognise their importance and responsibility in society as players in agri value chains:

- ▶ Trading companies occupy a critical position in society. They connect global supply and demand, have their own responsibility to respect human rights and are in a position to create change.

- ▶ It is important that trading companies focus not only on profit, but also on how they can contribute to society.

The Round Table consisted of two complementary sessions. In the first session, ABN AMRO presented its sustainability efforts, in particular its draft revised Agri Commodities Policy. The second session then explored what some of the commitments in the revised policy mean in practice. This included mapping out the different value chains in which clients operate and where potential human rights impacts could be found, as well as what action can be taken on identified impacts, including through collaborative effort to improve respect for human rights in the value chain. The role of ABN AMRO as a financier, how to best use its leverage and the bank-client relationship were common themes throughout the discussions.

Session I

ABN AMRO's clients are active in many different supply chains. As a bank we search for ways to leverage our position to contribute to sustainable value chains. We have conducted a variety of value chain due diligence projects (diamonds, cocoa and copper) to research these value chains, the human rights issues and ABN AMRO's position. In addition to our own cocoa research paper, True Price has researched the position of ABN AMRO cocoa value chains through an integrated P&L analysis. This research shows that through its cocoa trade finance services ABN AMRO is connected to negative human rights impacts at the farm level by financing the cocoa trade. These human rights impacts relate to income (underpayment

of workers and farmers), but also child labour. ABN AMRO finances approximately 3% of the global cocoa trade while our clients trade almost 70% of the global cocoa production. Therefore, we have tried to find ways for ABN AMRO to leverage its position to make an impact and improve sustainability in the value chains. These discussions have led to the Impact Banking initiative.

Impact Banking is an initiative to finance agriculture commodities supply chains with a positive impact on people and planet. We have learned that smallholders play an important role in many agri commodities value chains, yet lack access to financing to invest in their farms. This circumstance is a contributor or root cause to severe human rights impacts at the farm level. From this follows the next logical step: farmer finance. ABN AMRO wishes to team up with clients to finance sustainable farmer projects in origin countries. Currently, ABN AMRO Impact Banking is working on 5 farmer financing projects, representing values of USD 4-10 million and with tenures of up to 5 years. The initial focus of Impact Banking is on cocoa, coffee and palm oil projects.

Another important element of how ABN AMRO implements its commitments to respect human rights is through its relationships with clients. During the first session, ABN AMRO presented its revised Agri Commodities Policy. ABN AMRO uses this policy to assess the sustainability performance of clients active in agri commodities production, processing and trading. The policy includes standards (minimum requirements) but also benchmark requirements, with best practices of clients to help others to improve their sustainability standards. A central element in ABN AMRO's sustainability policies is the idea to engage, not to exclude. This means that if a client performs 'below par' this will not automatically mean the end of the business relationship. Instead ABN AMRO strives to engage with clients to make improvements together. The benchmark list is flexible: clients are benchmarked using the assessment tools. Another change in the new agri policy is that it distinguishes between generic and sensitive agri commodities, and between producers, processors and traders. Different sets of requirements will be adopted for each of these groups. In this session the participants were asked to provide feedback on our policy, the minimum standards and the benchmark requirements.

Participants welcomed the new policy with its distinction between generic and sensitive commodities, and recognized and appreciated ABN AMRO's role in agri value chains. However, participants felt it should be made clear whether ABN AMRO's policy is a strict policy or merely a vision. The participants also felt that 'certification' as an expression of best practices is not a good idea. While certification reflects elements of sustainable business, it is not the complete picture practice: certification does not necessarily mean that a company has high standards, nor does lack of certification mean that a company has low standards. It was suggested that certification should be replaced with 'best practices'.

Session II

As a financier and the host of this Round Table, ABN AMRO provides a platform for players in the value chain to discuss the role, position and responsibilities of each player and engage with a variety of stakeholders to address these questions. A brief survey held before the event indicated that participants were most eager to discuss child labour, forced labour and land-related human rights issues in the value chain. While discussing these issues it is important to recognise that responsibility is not the same as philanthropy. Responsibility does not mean that negative impacts can be balanced out by positive impacts, for instance permitting child labour in one part of the value chain while building a school elsewhere. Rather, meeting the responsibility to respect involves embedding corporate responsibility in business strategy and being proactive in identifying possible negative impacts in the company's own operations or value chain, and preventing and addressing these.

A key element for a company to meet its corporate responsibility is adopting a policy commitment and embedding it in its business. It should also conduct human rights due diligence. A possible useful starting point is mapping out the value chain to identify how the company might be involved in human rights impacts. The company could be (a) causing impacts, (b) contributing to impacts or (c) linked to impacts by a business relationship through its products, services and activities. During the second session, participants engaged in small groups to map out value chains for key commodities. The results of one of the groups are shown on the next page, for the soy value chain.

Main countries	Brazil, Argentina, US, South America, China	Brazil, Argentina, US, South America, China	Global	Latin America, EU, US, China	Global	Latin America, EU, US, China, Middle East	Latin America, EU, US, China, Middle East	Global
Type of entities	Large	Large/medium (80-90%), coop	Large (60%), others (40%)	Large (90%)	Large (60%), others (40%)	Large (60%), others (40%)	Large (60%), others (40%)	-
Value chain								
Potentially affected stakeholders	Agricultural workers, communities, animal welfare	Workers, communities, (?), other coop growers	-	Community, workers	-	Community (bec. of transportation activities), workers (migrants)	Community, workers	GMO
Human rights impacts	Health & safety, livelihood, freedom of association, slavery	Child labour (?), health & safety wages, bonded labour, land rights, indigenous people	-	Freedom of association, health & safety, right to livelihood, child labour	-	Working hours, freedom of association, labour rights	Health & safety, working conditions, labour	Right of info

Reflecting on the exercise, participants shared that mapping out the value chain is not always a common exercise within their companies. Where it is done, the focus is only on major issues. However, they agreed that mapping out the value chain is a good exercise for identifying business issues and understanding that issues can differ from one country to the next. Furthermore, mapping out the value chain is an engagement tool for discussing challenges and opportunities to address impacts: not only with players in the value chain itself, but also with other stakeholders such as communities, governments, NGOs and end-users.

Conclusion

The discussion between the different participants, the bank and specifically individual competitors is proving to be valuable. Participants agreed that sharing challenges and providing more insight into each other's due diligence processes helps them to become more proactive. They announced that they would consider further collaboration to address impacts in the agri value chain. The Round Table also sought to add a layer of practicality to ABN AMRO's Agri Commodities Policy through the value chain mapping exercise.

ABN AMRO will keep the participants informed about the further implementation of the Agri Commodities Policy and will continue the dialogue about the minimum standards and the benchmark criteria defined in the policy.

Lastly, participants shared suggestions with ABN AMRO for creating more leverage at all levels of the company. ABN AMRO will take those suggestions on board for the next Agri Round Table.

About ABN AMRO

ABN AMRO has a long-standing history in banking with certain of its business operations having roots in the early 18th century. ABN AMRO serves retail, private and corporate banking clients with a primary focus on the Netherlands and with selective operations internationally. In the Netherlands, clients are offered a comprehensive and full range of products and services through omni-channel distribution including advanced mobile application and internet banking. ABN AMRO offers in-depth financial expertise and extensive knowledge of numerous industry sectors. Internationally, the Group's operations are based on specific expertise and established market positions, including Private Banking, Energy, Commodities & Transportation (ECT) and Clearing.

For further inquiries about ECT and the Agri Commodities Policy, please contact Suzanne Larsson, Global Head Agri Commodities Clients (suzanne.larsson-nivard@nl.abnamro.com).