



ABN AMRO Bank N.V.

Human Rights Update 2019

About this Human Rights Update

Banking is about people – our products and services have an impact on people’s lives and on society as a whole. As a bank, we have different roles in society: as a service provider, employer, lender and provider of investment services, to name but a few. Every role we play affects people and touches on their rights.

The rights that are at the greatest risk of being negatively impacted by the bank or its business relationships are referred to as ‘salient issues’. Our four salient issues are privacy, discrimination, labour rights and land-related rights – themes that are addressed in this Human Rights Update.

The impact we have on the lives of so many people carries a responsibility. Sometimes our bank is connected to the problem. Take the textiles industry, for example, a sector facing many challenges in areas such as labour rights, working conditions

and forced labour. As a financier of companies in this industry, we have the power to make an impact, for instance by making agreements with our clients and other parties in the supply chain on improving sustainability. And sometimes we are part of the solution, for example by finding creative ways to help asylum seekers with a residence permit get a job.

Respecting human rights is part and parcel of our strategy, and therefore part of the job of many of our employees. This relates to a wide range of topics, from privacy to diversity and from the

true price of jeans to identifying victims of human trafficking. In this Human Rights Update, we show that many of the bank’s employees work hard every day to serve people and to protect their rights.

If you would like to give us feedback on this update, please email humanrights@nl.abnamro.com. We very much welcome comments from other banks, civil society organisations and anyone else who would like to help us improve our human rights efforts.

For more information, see abnamro.com/humanrights.

About this report

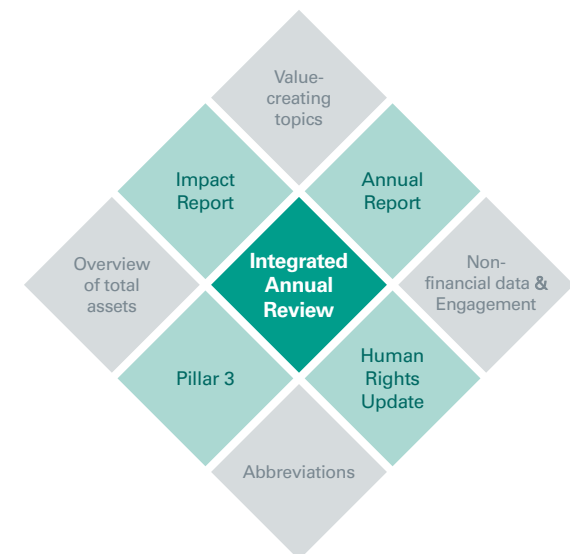
ABN AMRO takes a ‘core and more’ approach to reporting. The Integrated Annual Review (IAR) forms the ‘core’ report, in which ABN AMRO explains how, over time, our bank creates value for its stakeholders. The IAR describes ABN AMRO’s business, strategy and performance – and its support for the long-term transition to a more sustainable economy.

The IAR takes information from a number of ‘more’ reports that are published alongside it. This Human Rights Update is one of the bank’s ‘more’ reports, and parts of it are included in the IAR.

The purpose of the **Human Rights Update** is to provide information about our efforts to respect human rights in all our business

activities and relationships. Our 2016 and 2018 Human Rights Reports were drawn up in line with the UN Guiding Principles Reporting Framework. In these two reports, we determined our human rights governance, defined our salient issues and described how we manage these in ABN AMRO’s day-to-day operations. We hope this 2019 Human Rights Update provides a better understanding of what it means for a financial institution and its employees to view their activities from a human rights perspective.

Other ‘more’ reports, such as the Pillar 3 Report, Impact Report and Annual Report, regularly provide further quantitative and qualitative information in the area of risk and capital management and sustainability performance, as well as background information.



Over
5 million
individuals and
families bank
with us

Tens of
thousands of people
work for ABN AMRO,
either directly
or indirectly



Banking is **about people**

So it's imperative that we look at all our activities
from a human rights perspective

Millions of
people work for our
clients and companies
in our investment
universe

And countless
people live in
communities affected
by our clients
and companies in
our investment
universe

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How a **Risk Officer** promotes the interests of vulnerable people

As a member of the ABN AMRO Executive Board, Tanja Cuppen has been responsible for the bank's risk policy since 2017. This goes further than merely financial or credit risks – Tanja also devotes attention to people in vulnerable positions. The facts are clear: one out of every 185 people worldwide are victims of exploitation or human trafficking. Companies – including ABN AMRO, its suppliers and clients – run the risk of becoming involved in human rights issues. Tanja argues for raising awareness and taking action.



Tanja Cuppen Chief Risk Officer ABN AMRO

Why I think **human rights** are important

Turning disbelief into action

“Respect for people and the environment is important to me. Abuse and injustice make me sad and angry. It’s what you do with these emotions that matters – I’m happy when I can channel them into concrete action. I believe that everybody deserves to have equal opportunities. It’s our duty as society and our responsibility as a bank to make sure that vulnerable people have a fair opportunity to develop themselves.”

We’re all obviously against exploitation and human trafficking, but while these abuses sometimes take place right before our eyes, we’re unable to see what’s going on. Unfortunately, this situation is often the product of the complex choices we make every day in our global economy.

The bank’s human rights programme is one way we put into practice our purpose, ‘Banking for better, for generations to come’. Tanja sees human rights as the foundation on which society is built and can develop further. “A company that is connected to human rights violations will inevitably lose the trust of its clients, employees and society at large. Everything is seen in a different light; it erodes the company’s credibility. Respect for human rights is an essential ingredient of a prosperous society.”

We take our responsibility seriously

“Our bank has to take responsibility for its role in this respect,” Tanja continues. “We have the power to influence others, so our responsibility goes beyond our own actions. ABN AMRO’s clients are active in many sectors. Their business activities, and those of companies in the supply chain, are conducted around the world. As a lender, we’re concerned with how they carry out their business. We want to know how they deal with human rights. We’re not only talking about clients that work with international supply chains – in the Netherlands, too, labour exploitation is a bigger problem than most people realise.” The bank believes it has an important job to do in identifying human rights violations and promoting the importance of respect for human rights.

Tanja Cuppen is a child of the 1970s – crucial years in terms of making secondary education widely available. “Growing up in the seventies shaped how I think. I firmly believe that everybody should have equal opportunities for development. That shouldn’t depend on where you were born or who your parents are. The opportunity to develop is an important privilege. We have to realise that this isn’t a given and that we have an obligation to help people who, often beyond their control, are in a situation where they are unable to develop or – worse yet – are vulnerable to exploitation. I believe everybody should have equal opportunities.”



Engage rather than exclude

As the CRO, Tanja Cuppen is responsible for the bank's sustainability risk policy, with human rights being a key focus area. In sectors that are sensitive to sustainability issues, every credit application exceeding one million euros starts with an extensive investigation. This includes the agriculture, transport, and oil & gas industries, but also the temporary employment sector. "We want to be sure that our clients and the companies they work with respect human rights," Tanja explains. "If there are problems, we engage with them on a better way forward." This engagement strategy is a fundamental choice the bank has made. "Excluding a client that underpays workers in an Asian textile factory won't solve the problem. Our influence and our clients' willingness to change can help improve the lives of these vulnerable people."

Discussing ethical dilemmas

The bank regularly encounters dilemmas in providing its day-to-day service – including human rights dilemmas. The most complex cases are presented to the Ethics Committee, which is regularly chaired by Tanja Cuppen. "We have a method for peeling off the layers of highly complex cases. We define the dilemma in detail and identify all stakeholders, including their rights, interests and wishes. We then determine what values are at issue and lastly, we devise possible solutions, making sure we have sufficiently considered the rights, interests and wishes of all stakeholders. It's not an easy process, but it helps us reach a balanced decision. The most intense discussion we've had so far was the case of a client with a 'chat' site for sex workers. We talked extensively about the risk of minors being sexually exploited and preventive measures. We don't want to facilitate sexual exploitation

with our payment services in any way, shape or form." ABN AMRO is conducting further research on the risks associated with the adult entertainment industry to help define its role and position in this matter. The bank publishes anonymous versions of these cases on its intranet. "This is very valuable," says Tanja, "because it shows that these kinds of situations are complex and it helps employees take the right things into consideration." It also encourages employees to submit new dilemmas to the Ethics Committee.

"Our influence and our clients' willingness to change can help improve the lives of vulnerable people"

Tanja Cuppen

The war on human trafficking

On behalf of ABN AMRO, last year Tanja was a member of the international Financial Sector Commission on Modern Slavery and Human Trafficking, also known as the Liechtenstein initiative. This public-private partnership developed concrete actions that the financial sector could take to help put an end to exploitation and human trafficking. Tanja explains: "An enormous amount of money is involved in human trafficking and labour exploitation. The International Labor Organisation says that 150 billion dollars are made every year on forced labour. Victims often come from vulnerable groups in society, such as women, children, migrant workers and low-skilled workers. The work we've done in this commission has made it

even clearer to me that human traffickers need the financial system, for example to sell their products, to insure business assets or to launder money. This explains why the financial sector, and banks in particular, play such an important role in fighting this crime. We can work to keep the income generated by these crimes outside the financial system and we can use our resources to support companies that are trying to prevent human trafficking and exploitation."

The commission produced [Financials Against Slavery and Trafficking \(FAST\)](#), an action framework that shares information and best practices. Tanja is pleased with the initiative and the bank's involvement. "The commission's members include a number of victims. That's tough to see, but it's also good. Our bank should talk to these people more. They show us how things work in this complicated world, and talking to them creates a strong sense of urgency. It's made a big impression on me. Vulnerable people are often the target of exploitation and human trafficking. Due to personal circumstances, they have gotten into problematic situations, live in war zones or, as a result of climate change, have experienced floods or droughts. They're victims two times over."

A better existence for survivors

The CRO sees two key priorities going forward. "We have to work together more with governments, financial institutions and civil society organisations. Our top priority should be to increase effectiveness, for instance by sharing knowledge or setting up a joint blacklist of companies. I also think we should focus more on people who have been victims of these crimes. They should get the same opportunities as everybody else and the prospect of a brighter future."

The balance between financial duty of care and privacy

Safeguarding privacy is an ongoing process

Protecting the right to privacy is something the bank has to focus on every day – especially when it clashes with different interests or even fundamental rights. Frank Mulder, Chief Privacy Officer (CPO) and Data Protection Officer (DPO) at ABN AMRO, says that remaining vigilant is an ongoing process. Frank shares a few of the dilemmas and challenges the bank has faced this past year.



Frank Mulder Chief Privacy Officer – Data Protection Officer

Why I think **human rights** are important

We put people in boxes too easily

“The use of data benefits us – it makes life easier. But it also leads to automatic decisions, and that means we lose control. Putting people in boxes based on probabilities will cause us to lose sight of what makes us unique. If we only receive information that’s based on our search behaviour, we won’t be able to broaden our world view. Making sure this doesn’t happen motivates me in my job.”

We’re living in the data age. Not only is the amount of data growing, but data can also be used in an increasing number of ways. “And therein lies the threat to our privacy,” warns Frank. As Chief Privacy Officer, he is responsible for the bank’s framework for controlling privacy risks and for maintaining contact with the regulators. “Fortunately, the introduction of the General Data Protection Regulation (GDPR) in 2018 raised awareness of data security among consumers and businesses. That’s a good thing.”

Liable for privacy breaches

“There’s life ‘before GDPR’ and ‘after GDPR,’” Frank continues. “The new regulation requires banks to take on a different role. We’re moving from reactive to proactive. In the past, we only took action if and when needed. Now you must be able to show that you’ve done everything possible to prevent privacy breaches.” In addition to a comprehensive privacy statement, the bank has created a processing register – a system containing all of the bank’s information on personal data – and performs a Privacy Impact Assessment when introducing new processes. All this has become mandatory since the GDPR was introduced.

Despite having a detailed policy and introducing measures such as surveys among focus and client groups, ABN AMRO got some bad press regarding privacy last summer. Another Dutch bank announced that it wanted to amend its product terms and conditions to allow it to use payment data to send clients personalised messages or special offers for its own products and services, and the Dutch Data Protection Authority said this could constitute a breach of privacy law. This news prompted ABN AMRO to put its own approach to the

use of clients’ payment data on hold. Frank says this is a clear example of how sensitive this subject is and the challenges banks are facing: “Whenever a new law is enacted, banks need to do some exploring. Plus which, interpretation of the law isn’t straightforward. By postponing our plans to use transaction data, we can review the situation from every angle once again and make sure we’re considering the right things before using our clients’ data. The regulator’s interpretation seemed to go further than we did when we considered this in the past.”



Frank stresses that it basically comes down to assessing situations well. “We should have a legitimate interest if we are to use clients’ transaction data. If we’re going to use the data to help us detect fraud, then it’s permitted. If it’s to offer travel insurance to a client who’s made a payment in Switzerland, then that might not be justified. We should treat this information carefully. And it’s also important for us to act quickly and flexibly if there are any doubts about our practices.”

Mandatory reporting of data leaks

Data leaks are a well-known example of privacy risks. Every company is required to report data leaks to the Dutch Data Protection Authority. Frank explains: “We assess every incident to determine whether we’re required to report it. This central approach gives us insight into what’s going wrong. If we see repeating patterns, we need to adjust our systems or processes.” A lot of mistakes are made by human error. “Everybody has accidentally attached the wrong document to an email or put a letter in the wrong envelope. It can happen. But it’s worse when you’re aware of the fact that you’re leaking data. If any employees are careless about adhering to our strict processes, we need to detect this and respond appropriately.”

Conflicting laws create confusion

“It’s not that simple in practice,” Frank continues. “Since the GDPR was introduced, we have come up against a number of dilemmas. Different supervisory authorities sometimes have conflicting rules and expectations.” A number of organisations focus on whether the banking industry in the Netherlands is acting correctly.

“As a bank, we can play a big part in reducing social problems, but that may never come at the expense of privacy”

Frank Mulder

The Netherlands Authority for the Financial Markets (AFM) supervises the conduct of the financial markets and makes sure that banks fulfil their duty of care. The Dutch central bank (DNB) supervises banks in their role as gatekeepers, in detecting money laundering and terrorism financing, among other things. The Dutch Data Protection Authority, meanwhile, focuses on protecting

the personal data of clients and employees. “The AFM wants us to devote more attention to ‘preventive management’. One way is by contacting clients when their circumstances change, for example due to a divorce or loss of employment. But privacy laws restrict what we can do,” Frank notes. “You also see this in our efforts to detect terrorism financing. We can’t go far enough, as far as DNB is concerned, yet our actions touch on the limits of privacy laws.” This means regulators need to be clear about the boundaries.

Our social responsibility

Frank sees the balance between privacy and social responsibility as a work in progress. “Nobody takes issue with our efforts to detect financial crime. As a bank, we can play a big part in reducing social problems, but that may never come at the expense of privacy.”

Frank’s message to his colleagues at the bank is clear: “Use common sense. If you see or hear something out of the ordinary, ask questions. I always find it useful to ask myself if I, as a consumer, would appreciate a specific action. If you have any doubts, or if it’s very complex, put your question to your colleagues. If you’re unable to resolve a dilemma together, go to the Privacy Office. Together we’ll work on safeguarding privacy.”

More aware of our social responsibility

Human rights programme – **a work in progress**

Human rights are an important priority for the bank. In 2016, ABN AMRO signed the Dutch Banking Sector Agreement on international responsible business conduct regarding human rights, bringing even more focus to the bank's efforts in this area. The agreement ended in December 2019, as planned. And so Ruben Zandvliet, Social Sustainability Advisor at the bank's Sustainable Banking department, reflects on the state of play.



Ruben Zandvliet Social Sustainability Advisor, Sustainable Banking

Why I think **human rights** are important

Collecting signatures when I was young

“Human rights first touched my heart when I was at primary school. In Nigeria people who stood up for the rights of their communities in oil-rich areas were sentenced to death without a fair trial. It was also the time of the French nuclear testing on Mururoa. Events like these received a lot of media attention. I took part in Greenpeace and Amnesty events and collected signatures at school. Little did I think then that I’d end up working for a bank on human rights issues.”



Under the agreement, a coalition of banks, the Dutch Banking Association (NVB), trade unions, civil society organisations and the Dutch government teamed up to further the implementation of the UN Guiding Principles on Business and Human Rights (UNGPs) in the banking industry. The focus was on the human rights impacts of corporate lending and project finance.

Contributing to remedy for victims

ABN AMRO had its own human rights programme, with its own priorities and goals, years before the agreement came into being. It has made great strides in this area over the years. Examples include refining its corporate lending policy, improved transparency, and the publication of a Human Rights Report based on the UNGP Reporting Framework – making ABN AMRO the first financial institution worldwide to report comprehensively on its human rights efforts.

“The agreement allowed us to work more constructively with some important stakeholders,” Ruben begins by saying. “If the bank causes human rights violations itself, we have a clear responsibility to stop this. But when human rights are violated in the production chain of a client we finance, we have a different kind of responsibility, and we have to exercise our leverage to stop this from happening. Also, our responsibility differs when it comes to ensuring that victims of human rights violations have access to remedy, as set out in the UNGPs. If the bank has contributed to these impacts, we also have a responsibility – in our role as a lender – to contribute to providing remedy.” Ruben says there is now a solid basis to work from. “In a working group under the sector agreement we explored the

responsibility of banks for enabling remedy as well as the more practical roles banks could play in meeting this responsibility more effectively. The bank is now focusing on putting these principles into practice.”

Banks can help clients prepare for remedy before any specific impacts on human rights have occurred. “We expect our commercial clients in high-risk industries to have a grievance mechanism in place,” Ruben explains. “But it’s up to the companies themselves to give shape to these mechanisms, and we see that the differences are considerable. Whereas the textiles industry is known for its long, complex production chains, mining companies are active in geographically dispersed regions comprising a multitude of villages where people live and work. This complexity influences the way in which grievance mechanisms can best be set up. Despite these differences, however, all clients should be able to explain why their mechanism complies with the effectiveness criteria in the UNGPs.”

The final report of the working group provides guidelines that banks use to test whether their clients’ grievance mechanisms meet these criteria, such as transparency and accessibility. But how can you test whether this is the case? “If a company doesn’t get many complaints, this doesn’t necessarily mean that all is well. It might simply mean that people don’t know that a complaints procedure exists, because they don’t speak the language for instance. A better approach would be to ask companies how often they get the same kind of complaints. And if you see that the same complaint has been submitted time and again, it’s clear that the company has not done enough to solve the problem.”

“It’s a common misconception that complaints procedures are there solely for the benefit of those who complain,” Ruben goes on to say. “Companies that have these mechanisms in place get an early warning signal when things are about to go wrong, and so they’re able to learn and adapt. The focus is not on the number of complaints but on the nature of the complaints, and how they’re dealt with. Mechanisms of this kind strengthen our clients’ human rights due diligence.”

A grievance mechanism for ABN AMRO

Ruben: “Another question is whether people who have been impacted by our clients are also able to submit a complaint with the bank. It’s possible in theory, but we don’t yet have clear procedures in place for handling such complaints. Plus which, we need to reflect on our role. Since we haven’t caused these violations ourselves, we can’t solve them either. What we could do, though, is examine the facts, or act as a mediator.” The bank is currently looking into the possibilities, drawing on a dialogue with twenty stakeholders in October in which representatives from academia, civil society organisations and other banks took part.

Protecting human rights defenders

The sector agreement focused on other topical issues as well, such as the position of human rights defenders. Civic freedoms are under pressure in many countries, with freedom of speech, trade union rights and freedom of the press being increasingly curtailed. “Growing violence directed at human rights defenders is testimony to this,” Ruben points out. “The NGO Global Witness keeps a list of environmental activists that have even been murdered. The list tells the stories of a multitude of environmentalists and advocates of human rights

seeking to stand up against abuse by companies, paramilitary groups and even their own governments in the most dangerous countries in the world. Intimidation comes in many different forms. For example, we see that the number of Strategic Lawsuits Against Public Participation (SLAPP) is growing. These retaliatory lawsuits are brought by companies in an effort to intimidate their critics and incur high costs for their legal defence, ultimately forcing them to give up their fight.” The Business & Human Rights Resource Centre now documents these SLAPPs across the globe. ABN AMRO uses sources such as the Resource Centre to assess whether clients are involved in human rights abuses.

In June 2019, ABN AMRO gave human rights defenders a platform by organising a [conference](#) on the role of business in defending civic freedoms, drawing on an international report published on the subject. “It’s important to bring together various parties to talk about human rights topics,” says Ruben. “Among the

speakers was a Kenyan champion of LGBTI+ rights in his country whose freedoms are being curtailed. By bringing him into contact with companies that are active in Africa, we help raise awareness about these kinds of situations. Our clients can really have a positive impact when they speak up for human rights.”

Social impact as a new pillar

The end of the Dutch Banking Sector Agreement doesn’t mean that human rights will now disappear from ABN AMRO’s agenda. On the contrary – the issue is set to become even more important in the years to come. “A bank’s human rights programme is always a work in progress. And it’s about more than our corporate clients. That’s why social impact deserves to be one of the three focus areas of ABN AMRO’s strategy. To get things done, we’ll continue to work together with other banks, civil society organisations and trade unions.”

An external perspective on ABN AMRO’s performance

“In BankTrack’s recent Human Rights Benchmark, ABN AMRO achieved the highest score of the 50 banks benchmarked, receiving 9.5 points out of a possible 14 for its human rights policies, processes and reporting. The report classes the bank as a sector leader. However, it also shows that ABN AMRO does not yet fully meet its responsibilities under the UNGPs. The bank should do more to report on the most severe adverse human rights impacts it identifies and make clear how they are being addressed so that observers can see how the bank’s actions are making a difference to rights holders on the ground. ABN AMRO is beginning to address the issue of remedy. It should also do more to respond to several specific allegations of unresolved human rights impacts that have been raised by civil society groups, and should establish or participate in an effective grievance mechanism for communities impacted by its finance.”

Ryan Brightwell, Researcher and Editor, BankTrack

Dutch banks and stakeholders join forces

Much better picture of risks of human rights violations

Key elements of the Dutch Banking Sector Agreement on International Responsible Business Conduct regarding Human Rights (2016-2019)

Goal of the Agreement

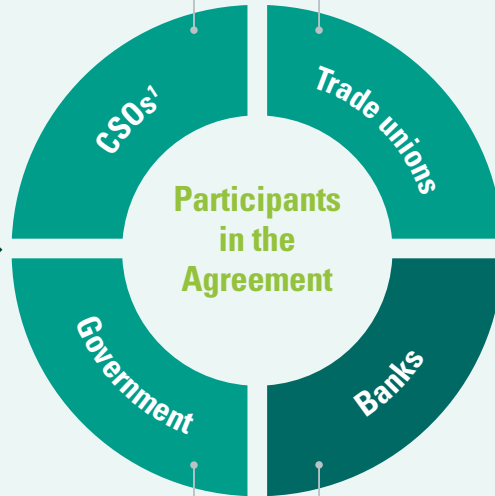
To further the implementation of the UN Guiding Principles on Business and Human Rights in the banking sector

Oxfam Novib, PAX, Save the Children, Amnesty International

CNV FNV

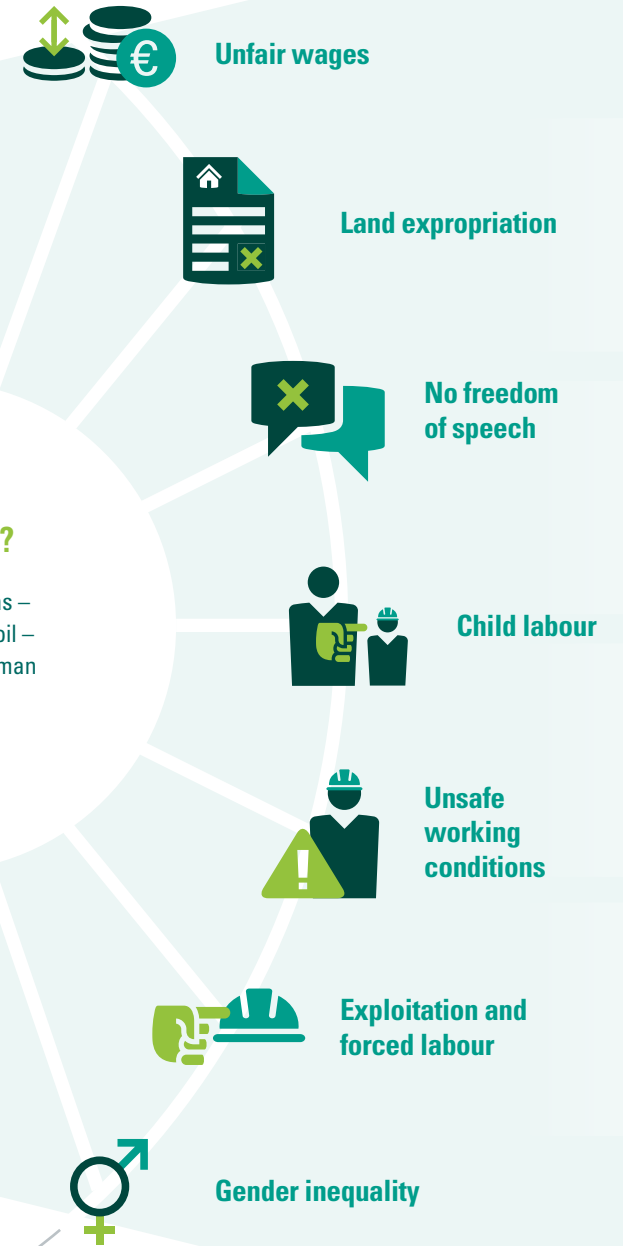
Dutch Ministry of Finance
Dutch Ministry of Foreign Affairs

Dutch Banking Association and adhering banks:
ING, Rabobank, ABN AMRO, BNG Bank, De Volksbank, FMO, NIBC Bank, NWB Bank, Triodos Bank, Van Lanschot Kempen



What's going on?

Many production chains – from oil & gas to palm oil – carry a large risk of human rights violations.



The commitment of Dutch banks

ABN AMRO and the other Dutch banks promised to:

- ▶ Implement and embed their responsibility to respect human rights in their operations
- ▶ Implement a human rights due diligence process for corporate clients and project finance
- ▶ Provide details of their approach and publish human rights reports
- ▶ Require project finance clients to put in place complaints mechanisms

¹ Civil society organisations.

What were the main focus areas?

Value chains

Gain insight into a number of production chains financed by banks which are subject to severe human rights risks, and make recommendations for improving human rights due diligence.

What did we achieve?

Extensive analyses of four sectors with a high risk of human rights violations, including concrete recommendations for improving policy and due diligence



A visit to Indonesia gave participants greater insight into local conditions, problems and challenges in the palm oil industry.

If you'd like to know more about our role in advancing fair trade and sustainability in the cocoa sector, read the interview with Raymond Beimers. [\(page 17\)](#)

Enabling remediation

Identify the role banks play in facilitating remedy for people who have been adversely impacted by corporate clients or in project finance.

Publication of a discussion paper with practical guidelines and recommendations that banks can use to engage with clients on grievance mechanisms and remedy.

ABN AMRO is one of the banks that explicitly states 'human rights violations' as a reason for a complaint on its website.

Want to know more about what we do to enable remedy? Read the interview with Ruben Zandvliet. [\(page 9\)](#)

Increase leverage

Explore how banks can increase their influence on business clients or on projects to improve practices relating to respect for human rights.

We identified in detail what influence banks and other stakeholders have in improving human rights in production chains and how they can work together more effectively.



Read all about our efforts to promote human rights in the interview with Jan de Ruyter. [\(page 14\)](#)

Find out how transparency can bring us a step closer to the fair production of jeans in the interview with Henk Hofstede. [\(page 20\)](#)

Transparency

Make clear what banks do to improve respect for human rights in production chains, identify risks and address abuse.

More banks publish reports in line with the UNGP Reporting Framework, and indicators have been developed to strengthen these reports and to improve their comparability.

AMRO's 2016 and 2018 Human Rights Reports were drawn up in line with the UN Guiding Principles Reporting Framework.



A lot could go wrong even in places where all appears to be well

Human rights concern in flower farming

The majority of flowers are cultivated in Africa and South America, and banks and governments have a limited view of how local employees and the environment are treated. Employees in these regions may very well be victims of human rights violations. Given these risks, it's important to look closely at the companies that ABN AMRO finances. Jan de Ruyter, Sector Banker, explains.



Jan de Ruyter Sector Banker, Plant-based Sectors

Why I think **human rights** are important

A lot of patience

“Child labour is rife in the chocolate production industry. To me, that’s unacceptable. At the same time, I understand that it’s incredibly hard to eliminate this practice. What surprises me is that even a brand like Tony’s Chocolonely is having a hard time taking the next step. They used to put ‘100% slavery free’ on their chocolate bars, but that’s been changed to ‘Working together to make chocolate slavery free’. To take the next step, we need to raise awareness – and that starts with transparency, honesty and insight. Our behaviour and our work can help make a difference, but it’s going to take a lot of patience.”

The Netherlands plays an important role as a global marketplace for buying, selling and distributing ornamental plants. Jan de Ruyter is Sector Banker at ABN AMRO and, within the Sector Advisory department, is responsible for the plant-based sectors. “ABN AMRO was originally a merchant bank, so we serve many trade companies in this sector. They, in turn, do business with local production companies, who employ the services of local people.”

Extra attention for working conditions

The cultivation of flowers and plants in developing countries could have a major impact on the environment, as these countries often have a shortage of water and enforce different guidelines for the use of pesticides. These chemicals not only harm the environment; they may also be dangerous for the people who come into contact with them. Several things could have a negative impact on workers in these countries, where working conditions are not as good as they are in the Netherlands. “Wages are very low and women’s rights are only just starting to gain attention,” Jan notes. “A relatively large number of women work in this industry, so they’re likely to be the first ones to suffer from human rights abuses.”

Violations are always looming

“A lot could be going wrong even in places where all appears to be well. We talk to companies about sustainability and social developments,” Jan emphasises. He visited a company in Africa that helped build a school and a hospital. It’s hard to determine whether these facilities are being used as a means of coercion. “An example of abuse of power is where women are told that if they don’t work harder, their children won’t be able to go to school.” The bank reviews its credit policy for

the agricultural sector every year. “In this respect, the agricultural sector is ahead of other sectors at ABN AMRO. But there’s a lot happening on the sustainability front and we want our services to keep pace with developments. The focus is shifting towards longer-term commitment, for example by encouraging partnerships. Companies that are leading the way in sustainable development are serving as a model for the rest.”



Sharing knowledge through partnership

An example: to tackle abuses in the flower sector, many parties in this sector have signed the Ornamental Plant Covenant. This covenant focuses on all the situations in which human rights are at risk of being violated. All participating companies and organisations have committed to achieving substantial improvements for people who are negatively impacted in or by the sector. Within three years, all of these companies will set up a due diligence process, perform a joint risk analysis and work together on key themes such as a living wage and the use of pesticides. "The fact that activities in the supply chain are shifting makes it even more important that we have a covenant and for various parties in the sector to join in. It means they can work together systematically on making improvements. Banks are not part of this covenant, but we believe it is an important development among our clients," says Jan.

"By supporting farmers in developing countries and advising cooperatives, we're helping to make these companies future-proof."

Jan de Ruyter

Partnering to achieve goals

There are also a number of front runners in the ornamental plant sector that have united in the Floriculture Sustainability Initiative (FSI). The participating companies want 90 per cent of internationally traded flowers and potted plants to be produced sustainably in 2020. The covenant acknowledges the importance of this global initiative and wants to improve the sustainability of the ornamental plant sector in accordance with the guidelines of the Organisation for Economic Co-operation and Development (OECD) and the United Nations Guiding Principles on Business and Human Rights. The FSI brings together a growing number of initiatives. "Auctions are also exerting their influence," says Jan. "They used to mainly just match supply and demand, but now they also play an important role in safeguarding delivery standards. They are the link between producers and trading companies."

Bank helps farmers

ABN AMRO works together with Agriterro to share its knowledge of financing with farming cooperatives in developing countries. This NGO, founded by the Dutch agricultural sector, helps farmers in developing countries to professionalise their organisations and improve production sustainably. "Agriterro brings together the need for knowledge among farmers with specialists' expertise worldwide," Jan explains. The bank's relationship managers regularly travel to these countries to advise farmers and provide training. The bank also performs assessments of cooperatives.

"We analyse the financial situation and governance, and advise them on how to improve. The knowledge we gain on location is very valuable, for us and for our clients." ABN AMRO has been working for years to help improve working conditions in the agricultural sector. "We focus not only on human rights; we take an integrated approach. By supporting farmers in developing countries and advising cooperatives, we're helping to make these companies future-proof. It's great that our bank can make such a valuable contribution."

Smart approach needed to overcome issues caused by fragmentation

The challenges facing cocoa farmers demand **structural solutions**

Almost 70 per cent of the world's cocoa comes from Ghana and Ivory Coast. Some 95 per cent of their output is produced by small farmers on plots of 1-3 hectares who don't earn enough to feed their families. According to Raymond Beimers, Head of Agri Coverage at Trade & Commodity Finance, the dismal prospects of cocoa farmers expose the sector to the risk of human rights violations such as exploitation and child labour. Fortunately, according to Raymond, the sector is aware of the problems and open to discussing them. He believes that banks have an important part to play.



Raymond Beimers Head of Agri Coverage

Why I think **human rights** are important

I'm an advocate of fair trade and sustainability in the sector

"I recently came back from Ghana, where I worked on a strategic business plan for a cocoa cooperative, mediated by Agriterra. A local farmer made me very happy when he told me that his son is studying Agriculture in the Netherlands. Unfortunately, that was more an exception than the rule. Most cocoa farmers don't share the enjoyment that chocolate gives us. For them, it's a daily struggle with very few prospects. I'm an advocate of fair trade and sustainability in the sector. It's just wrong that we derive our enjoyment over the backs of millions of defenceless small farmers."

The Netherlands is a key player in global trade of agricultural products, including cocoa: "The port of Amsterdam has always played an important role in cocoa shipping, and the Zaan region is home to a number of large cocoa factories that sell their products all over the world." ABN AMRO services two groups of clients. "The traders buy and sell cocoa beans," Raymond explains. "The processors then turn cocoa beans into semi-finished goods such as cocoa butter and cocoa powder. Some of them also make chocolate for large chocolate producers." Raymond gives both of these client groups strategic advice on matters of sustainability, innovation, investment and financing.

Downward spiral

"The problems are piling up in cocoa-producing countries," Raymond continues. "If you don't have enough money to live off, you can't invest in your company. Many farmers still use outdated farming methods, and many of their cocoa trees are old, which leads to poor harvests." As the problems pile up, production goes down, which leads to lower revenue and higher costs. Many farmers are trapped with no way out: without money it's impossible to buy new trees or switch to alternative crops.

Access to financing

The situation is further complicated by the fact that most of the farmers do not have access to reliable financing. "There are local lenders, but the interest on loans is generally very high." ABN AMRO has introduced a new way to give small farmers access to sustainable financing: Impact Banking, for which the bank works together with NGOs and its own commodity clients. In 2015, a fund of fifty million euros was earmarked specifically for this type of loan. However, where the coffee sector has

already successfully set up four projects, reaching 9,000 farmers, so far the situation in the cocoa sector has proved to be too complicated. Cocoa farmers are generally even poorer and are unable to look beyond the immediate future. Many projects have not yet developed to the point where farmers are ready to take on a financing obligation. Raymond stresses that many of the bank's clients have also initiated a range of different projects. "They're teaching farmers new farming methods, for example, and providing cuttings of young cocoa trees, or even new trees. However, it takes around five years for those trees to start bearing fruit. Our clients have also developed initiatives to help farmers by providing loans."



A climate for child labour

“Cocoa is a vulnerable crop that only grows in the band 10 degrees above and below the equator. The trees need sun and rain at regular intervals, but they also need enough shade. Unfortunately, with the climate changing, these ideal weather conditions aren’t as certain as they were.” These problems mean that poverty is a constant risk, and with it the risk of human rights violations. Raymond explains the three most important risks. “Many of the cocoa farmers live below subsistence level. The large-scale deforestation is also causing major problems, rendering large areas less habitable. Another issue is large-scale child labour.”

“Poverty is a constant risk, and with it the risk of human rights violations.”

Raymond Beimers

An estimated 2.1 million children work in the cocoa fields of Ivory Coast and Ghana. Raymond explains that it is important to investigate what the situation is and what the consequences are of child labour. “Child labour where children are brought to cocoa farms and forced to work requires action. Where the children are working for their own families, it’s a different matter whether a kid helps his dad to sweep up leaves after school or whether he’s doing dangerous work by hacking open cocoa fruits with a machete.”

Using our influence

Given the high risk of human rights violations, the bank has developed a careful procedure for screening clients in the cocoa sector, using questionnaires and interviews. It is very important for our clients to join umbrella organisations such as the European Cocoa Association (ECA) or the International Cocoa Initiative (ICI). The bank also asks clients to provide policies on human rights issues such as labour rights. “We look to see whether they’re actively contributing to the sector and take on board criticism, for example from NGOs,” Raymond continues. “We also watch to see how they solve particular situations or incidents in their day-to-day operations.” ABN AMRO prefers inclusion and engagement, rather than excluding those companies. The bank agrees on long-term engagement processes with clients to carry through structural improvements in human rights issues.

Contributing to fair trade in the sector

“The bank encourages sustainable initiatives by financially compensating clients through credit facilities,” Raymond explains. “We encourage our clients to buy certified cocoa beans, such as from the Rainforest Alliance and Fair Trade. As the market pays a premium to the farmer for these certified beans, it will increase the farmer’s income. We offer our clients a lower interest rate on their loan if they reach a particular volume.

A vast amount of improvement still needs to be made. “The highly fragmented nature of the cocoa industry complicates the process of accelerating the creation of sustainable and fair trade. Farmers need money to make their operations future-proof, but they don’t have access to funding. With the distance to all those farms being much too great, the bank’s risk model doesn’t permit us to finance them. We need to work with the sector as a whole to identify new ways to make this possible. We need innovative financial solutions that are geared towards the small scale of the operations and provide for new models to share information about the risks.”

Public-private partnerships are helping the development of these initiatives. As a signatory to the Dutch Banking Sector Agreement, ABN AMRO was one of the driving forces behind a value chain study into cocoa, which led to a report by the Dutch Social and Economic Council (SER). “One of the plans agreed in that report is to organise access to funding for cocoa farmers. Now we need to define and coordinate concrete actions.” The sector-wide cooperation is becoming more and more international. Led by IDH, the Sustainable Trade Initiative, the Netherlands is set to launch the Dutch Initiative on Sustainable Cocoa (DISCO) in the early part of the year, joining similar alliances in Germany, Belgium and Switzerland.

Members and stakeholders across the various countries are joining forces to make a greater impact on the cocoa sector. And ABN AMRO is a proud member of this initiative. Raymond is pleased that the sector is acting: “Access to financing for farmers in the cocoa sector is vital. I’m doing my best to find structural solutions together with other banks.”

The road to a fairer business model in the textiles industry

What does a pair of jeans **really** cost?

The clothing industry frequently faces the threat of human rights violations. The call for fairer production and trade is gaining increasing traction but awareness needs raising still further. Our clients are seeking guidance, which is why Henk Hofstede, Sector Banker, Retail at ABN AMRO, asked the Amsterdam-based Impact Institute to find out the true price of a pair of jeans.



Henk Hofstede Sector Banker, Retail

Why I think **human rights** are important

Ask yourself and the retailer about production

“Once you know how clothes are made and what’s what in the industry, you become co-responsible. I hope that manufacturers and retailers will take responsibility and start to manufacture more honestly and sustainably for people, animals and planet. But also that consumers take it upon themselves to make more aware consumer choices and ask questions – of themselves and their retailers – about how products are made. After all, consumers can vote with their money. If I, as a sector banker, can do my bit in all this and can plant a seed to help grow more sustainable value chains and business models, that will give my job a great deal of purpose and meaning.”

Calculating hidden costs

“I’d like to encourage the industry, and particularly our clients, to make their business more sustainable and to tempt consumers into developing more conscious buying habits.” A business economist specialised in management and organisation, Henk closely monitors trends and developments in the retail industry in his capacity as Sector Banker, Retail. “My position sees me provide advice to companies on the latest trends and developments. Technological and demographic developments are fundamentally changing how and where consumers shop.”

Zooming in on a pair of jeans wasn’t a coincidence: “It’s an iconic item of clothing and people own more than five pairs of jeans on average, worldwide.” In 2017, jeans totalled an estimated market value of 42 billion dollars across the world. Henk explains what the true price of an item of clothing tells us. “If we pay, say, 100 euros for a pair of jeans, the price reveals absolutely nothing about any forced labour, exploitation or child labour involved in its production. We arrive at a fair price by putting a real price tag on these hidden costs at every step of the manufacturing process, i.e. what it costs to undo, redress or prevent them. The true price includes the hidden social and environmental costs in the manufacturing chain, things that aren’t normally paid for. These hidden costs are passed on to the local population and the environment in the producing countries. This way, retailers don’t pay the product’s full and fair purchasing price – and the chain isn’t working as it should.”

And that’s the true price gap: the difference between the purchasing price that retailers and end-consumers pay and the real price including a product’s hidden costs. Our research reveals that this gap works out at around 33 euros on the purchasing price for a pair of jeans made in Bangladesh from cotton grown in India, this amount representing the negative impact on people and planet. As Henk observes: “Our report on the hidden price of jeans (‘De verborgen kosten van een spijkerbroek’, in Dutch only) reveals that the growth of cotton and its processing into denim in India are the biggest causes of this true price gap.” Environmental costs account for over half of this in cotton-growing, while we’re mostly looking at social costs in production. Henk: “In the production of denim in India we’re talking forced labour, child labour and inadequate wages and social security, while workers making the jeans in Bangladesh are facing intimidation, denial of freedom of association and inadequate wages.”

No closing our eyes

The report paints a harrowing picture: “Tamil Nadu, one of the southernmost states of India, is the biggest manufacturer of cotton yarn in India, with hundreds of thousands working in spinning mills. Young women are lured away from their villages as part of what is known as a ‘Sumangali scheme’ on long contracts at very low wages and working very long days. Employers retain a proportion of their pay to help build a dowry, a cultural practice in this region. However, these girls will only receive the dowry portion if they serve out their contracts, and will typically lose it if they leave sooner or are fired. As a result, these women are exploited, isolated and many of them live in very unhealthy conditions.

In a country such as Bangladesh, 85 per cent of workers in the clothing industry are female. Ill-treatment is rife and one in four women falls victim to physical sexual harassment.”

“By bridging the gap, we can work towards a fair, sustainably produced pair of jeans one step at a time.”

Henk Hofstede

Recommendations to retailers

The true price methodology is primarily about reducing the price gap. Henk sees it as a roadmap improvement: “Retailers have purchasing power and true price serves as a control instrument, in this case one that seeks to encourage the denim sector to improve its supply chain. We investigated a typical supply chain in India and Bangladesh, and found that most hidden costs could be curbed, bringing real production prices much closer to retail purchasing prices.” By using water efficiently in the cultivation of cotton in India, for instance, savings on water can be made, taking the true price per pair of jeans to 0.70 euros below that in our study. Now if forced labour in textiles production in India was stripped out by 95 per cent, the gap would narrow by 10.30 euros per pair in this supply chain. Add in a living wage, and value chain wages will cut the true price gap by another 2.95 euros. Re-use of 15 per cent of denim textiles in new production would shave off 1.30 euros.

“By bridging the gap, we can work towards a fair, sustainably produced pair of jeans one step at a time,” Henk continues. “The real additional costs should then be redistributed across the chain by the various parties.”

The role of the bank

“We seek to help our clients make the transition to sustainable business and believe in the growing importance of transparency, mainly driven by the awareness of resource scarcity, the need to take the pressure off the environment and to pay workers an honest wage,” Henk explains. “Together, we must make the clothing industry fairer. We investigate how this could be done and accelerated.” Relationship managers use the report to spark a dialogue with clients, while the bank also investigates human rights risks at clients in the textiles industry and imposes supplementary sustainability requirements on the manufacturing industry. When clients violate policies, an engagement may be launched to help improve the social impact. All textiles clients are expected to observe this sector policy, one of the preconditions being a grievance mechanism for victims of human rights violations. What’s more, the bank requires that its clients in the textile & apparel industry join sector initiatives – such as the Bangladesh Accord on Fire and Building Safety – that focus on the safety of garment factories.

New legislation also helps. Passed last year, the Child Labour Due Diligence Law will soon require entrepreneurs to trace, prevent and address child labour in their supply chains. ABN AMRO supported the drafting of the new law.

Fair is as fair does

In December 2019, ABN AMRO published its study called ‘Kruistocht voor een schone en eerlijke spijkerbroek’ (which roughly translates as ‘crusade for a clean and honest pair of jeans’), made up of consumer research and a follow-up to the earlier report. “This report covers questions such as: How do consumers view fair and sustainable jeans? What do they think of fair and sustainable products? What kind of information do they think is important and how can manufacturers play into that? The report offers valuable insights and wraps up with hands-on recommendations for consumers, the jeans chain and government.” In the weeks and months ahead, Henk will be promoting dialogue about both sets of research. “That’s my job as a sector banker. I want to help smooth the path for the transition to a fair business model in the textiles industry.”



**Diversity and inclusion –
the key to growth**

Different people, **equal opportunities**

Look at a photo of the top one hundred managers at ABN AMRO in 1996 and you'll see one hundred white men in suits. More than two decades later, Nicole Böttger, Head of Diversity & Inclusion at ABN AMRO, advises the Dutch government on behalf of the bank on diversity, and on preventing discrimination and exclusion in the workplace. "We've come a long way, but there's so much more to gain."



Nicole Böttger Head of Diversity & Inclusion ABN AMRO

Why I think **human rights** are important

Stay authentic

"I have German roots and have always attended an international school. Being who you are and staying authentic are very important to me. In my current position, I help make sure everybody has equal opportunities. Every day I'm surprised by subconscious patterns that get in the way of equal rights. That's why I'm 100 per cent committed to this cause – as a catalyst, a bridge builder and a problem solver."

ABN AMRO received an important prize in 2019 – in particular, the Diversity & Inclusion team which, under the leadership of Nicole Böttger, focuses on commitment, awareness and empowerment. The prize – Outstanding Company for Furthering Diversity & Inclusion – recognises the steps the bank has taken to create a more diverse and inclusive working environment. In the same week, ABN AMRO organised Diversity Week, which was attended by more than 1,000 employees. The varied programme addressed a wide range of diversity-related themes: cultural diversity, gender equality, freedom to express sexual orientation, room for people with disabilities, and bringing together different generations. The event emphasised the practical application of diversity and inclusion in the workplace.

Every year, the bank measures employee satisfaction and engagement. Nicole was pleased with the latest survey results. We saw a marked rise in the number of employees who experience the bank as an inclusive environment, i.e. 86% of our people, a 2% increase on 2018. "It was gratifying to see that many respondents took the time to post positive comments. That was a real boost for the team. It confirms that our efforts to create equal opportunities for everyone are taking root."

Contributing to the SER advice

ABN AMRO's diversity policy has not gone unnoticed outside the bank. Nicole was asked to take a seat on the committee set up by the [Dutch Economic and Social Council \(SER\)](#) to advise on more diversity at the top.

The Dutch corporate world has too few executives with a non-Western migration background and too few women. The SER argues for an integrated approach, says Nicole. "The media has focused on quotas for women on supervisory boards, but the 140-page report also devotes attention to how our society addresses this issue in the educational system." The SER's recommendation to introduce mandatory quotas for women on boards is yet to be approved by the Upper House of parliament."

"We currently have 28 Rebooters. It's great to see what this programme has done for their confidence."

Nicole Böttger

More diversity at the top

The bank's Employee Council recently recommended that Laetitia Griffith be appointed to the Supervisory Board. Nicole says this is a clear signal: "This reflects how important employees think diversity is, especially given that Laetitia has a non-Western background and is a strong advocate for diversity." With this appointment, our Supervisory Board is just slightly below the 30% quota for women on supervisory boards. ABN AMRO has placed women in 27% of upper middle-management positions and 28% in senior management positions. Our target for the end of 2020 is 35% and 30% respectively.

But we're not there yet. There's been a slight decline in the percentage of women in upper middle-management positions. This development has prompted the D&I team to set up the Female Career Sponsoring programme. "More than twenty women are participating in this programme. They are sponsored by senior management and receive coaching and training for one year to help them take the next step in their careers." The bank organised a similar programme to accelerate the advancement of employees with a non-Western background. Half of the participants have already been promoted. Our goal is to have people with a non-Western background make up 7% of the bank's upper middle-management by the end of 2020."



Creating equal opportunities

An important issue is equal treatment and pay. Nicole couldn't help wondering why so few women advance to the top. "Equal pay is one thing, but you also want equal opportunities. We need to improve our processes in this area. We're going to aim for an inflow of 50% women and 50% men – that ratio is currently 30 to 70. We'll also have both men and women conduct job interviews, and we're going to make our job advertisements inclusive. For instance, a woman is put off by a list of bullets under job requirements. Knowing that, we can adapt our job ads."

More than just gender

It may seem like Diversity & Inclusion focuses mainly on gender – but nothing could be further from the truth. The team mounted a major campaign in 2019 to promote respect for LGBTI+ people. Nicole is also particularly proud of the Reboot programme. "A lot of our initiatives are proposed by employees. Our Reboot programme offers asylum seekers with a residence permit a job for one year, including intensive coaching. If both parties are pleased, the person will be offered permanent employment." Reboot started as an initiative for recruiting IT staff, but it's expanded to positions at HR and Risk. "We currently have 28 Rebooters. It's great to see what this programme has done for their confidence." At the end of last year, the bank's Informal Investment Services department offered seven enterprising asylum seekers the opportunity to pitch their business ideas to potential investors. "The event attracted many investors, reflecting the fact that our clients also believe social impact is important."

A long way to go

This year, Nicole is taking the time to fine-tune D&I's strategy. "We want it to link up more closely with the bank's goals. This will help us sharpen our focus and create more alignment with the bank's strategy." Nicole also wants to strengthen international cooperation. "There are great initiatives throughout the organisation. Our office in Brazil, for instance, participated in a project supporting the empowerment of women refugees. And our office in Hong Kong won a diversity award for promoting equal rights in the LGBTI+ community. Inspiring and learning from one another will help us reach our goals."

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