Identifying Social Issues in the Value Chain
RSPO Round Table, Bangkok, November 7-10th, 2016

Outline

1) Introduction
2) ABN AMRO Strategy on Sustainability and Transparency
3) Human Rights Due Diligence
4) Identifying Social Issues in the Value Chain
5) Engagement
6) Q&A
Introduction: ABN AMRO at a glance

- **ABN AMRO**: 22,048 FTE, HQ in Amsterdam, a leading Dutch bank with global presence
- **Our businesses**: 1) Retail Banking  2) Corporate Banking and 3) Private Banking
- **Operating income 2015**: 8,455 m
- **Income by geography**: 80% Netherlands, 11% Rest of Europe and 9% USA, Asia and rest of the world
- **Corporate Banking**: 70,000 corporate clients, annual turn over > 1 mln EUR
- **ABN AMRO** is a recognized leader in the Global Energy, Commodities & Transportation (ECT) sector. ECT is active with full product offering in the entire value chain from sourcing to distribution
- **Top 3 global position financing commodity flows**
  - Commodities: Energy, Metals & Agri (soft commodities: cotton, cocoa, coffee, sugar, grains, palm & rubber)
- **Sustainable Banking Department**: 16 fte + 5 fte dedicated for ECT clients

---

ABN AMRO’s Sustainability Strategy

![Diagram showing ABN AMRO’s Sustainability Strategy]

- **A better bank contributing to a better world**
- **Smarter business operations**
- **Enhance client and partner relations and create new opportunities**
- **Financial solutions for the benefit of society**
- **Sustainable finance and investment services**
- **Inspire & engage our people**
Assessing and understanding client sustainability performance is of increasing strategic importance, driven by the external stakeholder context of banks:

1. Societal pressure
   - scrutiny from NGO’s and pressure groups on financing decisions
2. Sector Initiatives
   - Equator Principles
   - RSPO
3. International Guidelines and Standards
   - OECD Guidelines for multinational enterprises
   - UN Guiding Principles on Business & Human Rights
4. Investor demand
   - Insight in risks & impacts of loan portfolio’s
   - Sustainability performance increasingly linked to financial performance

Human Rights Due Diligence: context

→ Endorsed in OECD Guidelines, EU Regulation, ISO 26000, Dutch Banking Sector Agreement (October 2016)

“Corporate responsibility to respect Human Rights” means:
(i) Avoiding negative impacts on other’s human rights and
(ii) Addressing any such negative impacts which a business may be involved.

Your own activities or the activities of your business relationships could:
1) Cause adverse impacts (negative impact on other’s human rights)
2) Contribute to adverse impacts
3) Be linked to adverse impacts: through operations, products, services by a business relationship with such adverse impact
Sustainability Risk Assessment & General Due Diligence

When?
- client take on;
- credit approval / (new) credit facility;
- yearly review / event driven review

What?
- Sustainability Risk Policy for Lending / Agri Commodities Policy / Human Rights Statement
- Check: ABN AMRO Exclusion List (ao. no deforestation / no child labour, no forced labour);
- Agri Commodities Policy: Minimum Requirements and Benchmark Criteria
  → Minimum requirement for Palm Oil Producers: RSPO membership and certification
- Check: commitment + capacity + track record client, suppliers & buyers (tools: ao RepRisk/World Check/Factiva/Business & Human Rights Resource Centre/Sustainalytics).

Sustainability risk assessment in addition to compliance assessment etc (sanctions/anti-money laundering)
→ Integrated risk approach: sustainability is not standalone topic
Key learnings so far

1) Map the *entire* value chain: ‘go slow to go fast’

2) A *systematic* approach is valuable in helping identify potential impacts

3) *Understanding relationships* in the value chain is critical to understanding leverage

4) *Early involvement* of key business colleagues / cross-functional departments

5) *Added value* from external experts

6) *Data collecting* can be challenging

7) Think *creatively* about increasing leverage and don’t fear to start a dialogue with ‘critical friends’

8) Identifying the ‘*right*’ stakeholders can be challenging

Next

→ *Strengthening prevention and mitigation strategies and create positive impact*
  1) prioritization 2) using leverage 3) increasing leverage

→ *Focus on (pro-active) engagement and improvement instead of exclusion*
  - Knowledge sharing and awareness building
  - Agreeing on improvement areas using leverage

*The role of financial institutions is no longer limited to providing finance, a strategic dialogue on sustainability is key part of the client relationship*
THANK YOU!

Contact:

Ghislaine Nadaud / Senior Sustainability Advisor ECT Clients Asia
ghislaine.nadaud@sg.abnamro.com
Mob: +65 8129 0052