



Identifying Social Issues in the Value Chain

RSPO Round Table, Bangkok, November 7-10th, 2016



Outline

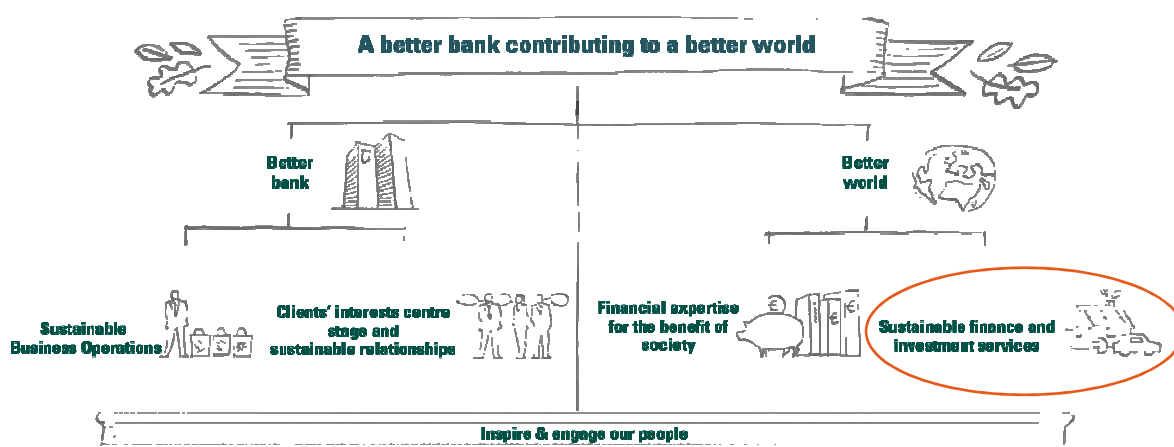
- 1) Introduction
- 2) ABN AMRO Strategy on Sustainability and Transparency
- 3) Human Rights Due Diligence
- 4) Identifying Social Issues in the Value Chain
- 5) Engagement
- 6) Q&A

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



External context drives strategic importance

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

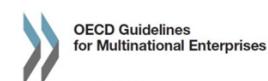
- Equator Principles
- RSPO

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

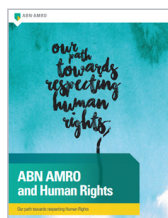
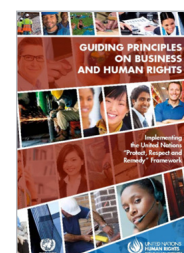


Human Rights Due Diligence: context

2011 → UN Guiding Principles on Business & Human Rights: “*Ruggie Framework*”
 → Endorsed in OECD Guidelines, EU Regulation, ISO 26000,
 Dutch Banking Sector Agreement (October 2016)

“**Corporate responsibility to respect Human Rights**” means:

- Avoiding negative impacts on other's human rights and
- 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

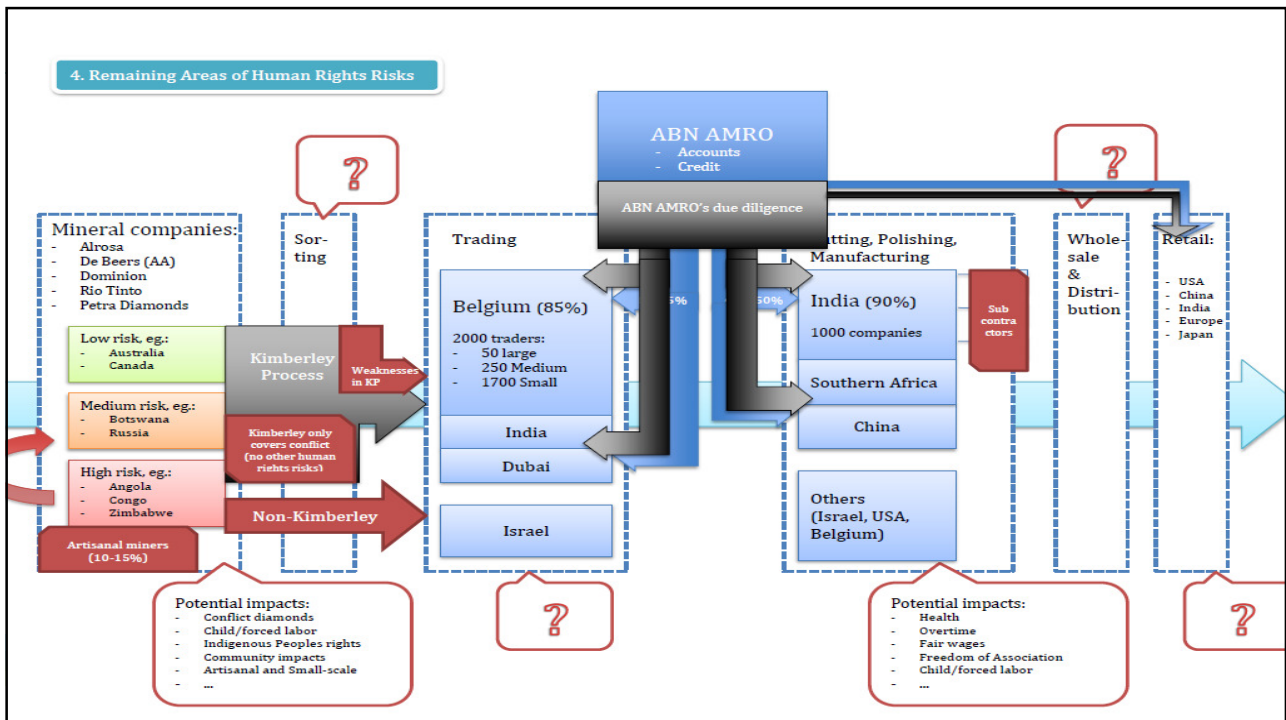
What?

- 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).



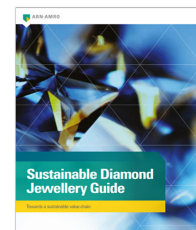
Sustainability risk assessment in addition to compliance assessment etc (sanctions/anti-money laundering)

→ 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!

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