

A background image showing a close-up of two hands, one from a darker-skinned person and one from a lighter-skinned person, gently holding a glowing, translucent orb. The orb is illuminated from within, creating a bright, warm light. The background is blurred, showing a crowd of people in an outdoor setting.

Putting people centre stage

ABN AMRO Group N.V.

Human Rights Report 2018

Preface

On a cold December day in Paris in 1948, representatives from all across the world drafted the Universal Declaration of Human Rights. In human history terms, this was a monumental occasion. Not only because this declaration recognised the rights of all the citizens of this planet, but also because people from various backgrounds, both professionally and culturally, worked tirelessly together for the greater good of humanity. The greater good of our planet.

At ABN AMRO we believe we have a role to play in fulfilling the goals, sentiments and principles as outlined in the declaration. Our bank was founded on the belief that a bank exists to support and empower people. For this reason, we naturally aspire to continuously use our influence, knowledge and networks to honour the Declaration of Human Rights as laid out just over 70 years ago. Since 2011, companies are supported in their efforts by the UN Guiding Principles on Business and Human Rights. They serve as the normative foundation for ABN AMRO's own human rights programme, and set the standard for what we expect from our clients, suppliers and other business partners.

'Banking for better for generations to come' is how we have defined our role and reason for being. We want future generations to be born into a world where discrimination and inequality exist only in history books.

Where workers are free to join unions and bargain collectively, where peoples' land rights do not get trumped because they live in an area with a wealth of natural resources, and where citizens' rights to privacy and health are respected and upheld by all.

This report, ABN AMRO's second Human Rights Report, outlines our standards and our programmes in relation to human rights. It details the impact we are making as a bank internally through our own policies, procedures and partnerships, as well as the progress we are making in advocating for human rights in the business community.

I am proud of the steps we are taking, but mindful of the fact that the path from theory to practice is long and not without setbacks. While so much more needs to be done to protect human rights, I am hopeful. This optimism is largely driven by the collaboration we have seen and experienced both inside and outside our bank. Our partnership to identify human trafficking has led to concrete investigations and sparked the interest of other banks who are eager to use our knowledge.

The Dutch Banking Sector Agreement on Human Rights is recognised globally as a multi-stakeholder initiative that can drive meaningful change. And more and more banks are reporting transparently on their efforts in this area using the UN Guiding Principles Reporting Framework.

Collaboration, underpinned by a shared courage of conviction, is the common thread throughout the initiatives and programmes we describe in our report. No single entity can do this alone. We all have a role to play. Colleagues, together with business partners, NGOs, suppliers and clients have worked to make our aspirations a reality and indeed to stretch our own ambitions even further.

"I am proud of the steps we are taking, but mindful of the fact that the path from theory to practice is long and not without setbacks."

At ABN AMRO we take our role and responsibility very seriously. We need to work together, stay committed and be relentless in our application of human rights. We believe we are making meaningful progress. We hope you agree.

Kees van Dijkhuizen

Chief Executive Officer of ABN AMRO Group N.V.

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Our path **from theory to practice**

A common misunderstanding about banks is that everything revolves around balance sheets, liquidity ratios and interest rates. In fact, banking is about people. Now and in the future. That is why we want to bank for better, for generations to come.



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

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

**So it is imperative that we look at all our activities
from a human rights perspective**



Introduction

Respecting human rights: from theory to practice

Human rights are not goals that – one day – will be fulfilled and will need no further attention. Similarly, a human rights report is not the outcome of a final and completed process of identifying and managing human rights risks. In this report, we explain the steps that ABN AMRO has taken over the past two years towards respecting human rights. The report shows how we move from theory – the UN Guiding Principles on Business and Human Rights – to practice. On this path we learn many things that we do not want to keep to ourselves. Our annual International Human Rights Conference is a forum where we share our experiences and engage with human rights experts in the financial sector as well as with many other stakeholders. We also organise human rights events in our offices outside the Netherlands. In Singapore, for example, we organised events such

as a film screening and panel discussion on the occasion of International Human Rights Day. We take the lead in initiating practical forms of cooperation such as the Responsible Ship Recycling Standards, we have set up a Dutch human rights practitioners working group and facilitated dialogue in the financial sector on the exclusion of tobacco companies from lending and investment services. Sometimes, ABN AMRO can use its leverage to accelerate change beyond the financial sector, such as when we joined the political lobby for equal employment opportunities for people with disabilities. After all, taking responsibility to respect human rights is not something that companies can do in isolation. To illustrate our path from theory to practice and our efforts to embed respect for human rights more firmly in society at large, we have included a section in this report that highlights five examples of where the bank acts as a driver of change.



About this report

This second Human Rights Report builds on earlier publications such as the 2015 Human Rights Guide, the 2016 Human Rights Report and the 2017 Update. We explain the progress we have made over the past two years in addressing our salient human rights issues. For this purpose, we use the UN Guiding Principles Reporting Framework, which asks questions like:

- ▶ What are the company's policies to address its salient human rights issues?
- ▶ What is the company's approach to engagement with stakeholders?
- ▶ What trends, patterns or particularly severe impacts have been identified?
- ▶ How are findings about salient human rights issues integrated into decision-making processes and actions?
- ▶ How does a company know if its efforts to address its salient human rights issues are effective?
- ▶ How does the company enable effective remedy if people are harmed?
- ▶ What dilemmas do companies face while putting the UNGPs into practice?

Some of these questions are more challenging than others. This report refers to many concrete initiatives and programmes, some of which have been completed and some of which are still in progress. Many are long-term initiatives, and some are complex projects on which we are only making slow, gradual progress. Our goal is to present a balanced picture of all our human rights efforts, success stories and challenging issues alike.

We recognise that many of our stakeholders would like us to be more transparent, and disclose what we do, for example, when it turns out that one of the bank's corporate clients is involved in forced labour. In line with standard practice in the financial sector, we do not communicate about our client relationships with third parties without the client's consent. Sharing information can even be illegal. Although this makes it difficult to respond to all our stakeholders' request, this report does shed more light on what we do when confronted with specific high risks and impacts, including more detailed disclosure of our formal engagement processes. Going forward, we will be working to increase transparency.

We invite your feedback

If you have any questions or comments about this report, please send an email to humanrights@nl.abnamro.com.

Governance

ABN AMRO's human rights programme started when the Sustainable Banking Department identified human rights as one of its focus areas. Since then, a governance structure has emerged in which our CEO as the Chairman of the Executive Board is directly responsible for this programme.

Day-to-day responsibility for embedding human rights in our operations lies with various departments. In our role as a service provider, this includes Retail Banking, Private Banking, the Privacy Office and Compliance. In the bank's role as an employer, multiple departments are involved. At Human Resources, the HR International and Diversity & Inclusion teams are responsible for most of the work covered in this report. But as the bank also takes responsibility for its indirect employees, Procurement plays a part as well. In the bank's role as a lender, two business lines are involved: Commercial Banking, which serves companies with a turnover of between 1 million and 250 million euros, and Corporate & Institutional Banking, which serves larger corporate clients. Compliance, Risk Management and the Sustainable Banking Department assess sustainability risks in the client acceptance and credit approval processes as independent parties. In the bank's role as an investment services provider, Private Banking and ABN AMRO Investment Services drive our human rights ambition.

Human rights programme management

The Sustainable Banking Department is in charge of managing our human rights programme. This entails participating in external forums such as the Dutch

Banking Sector Agreement on Human Rights and Shift's Business Learning Program, as well as in many other working groups, forums and conferences. Internally, the Sustainable Banking Department is ABN AMRO's centre of expertise. It takes the lead in defining the bank's salient human rights issues and coordinates all reporting and communications on human rights. It also drafts the bank-wide Human Rights Statement, which requires approval from the Executive Board. ABN AMRO's human rights programme also draws on the expertise of many other internal experts, such as the Legal Department, Complaints Management and Security & Integrity Management. And while external stakeholders and experts are not formally part of our human rights governance, they play a crucial role in shaping our vision and day-to-day work. In addition to the numerous bilateral stakeholder engagements we hold, we regularly convene larger sessions to obtain feedback on draft statements, our governance structure and reporting efforts. Reports of these meetings are available online.

Ethics Committee

Our Ethics Committee considers moral issues that need to be addressed. If our employees come up against problems for which neither law nor regulations provide

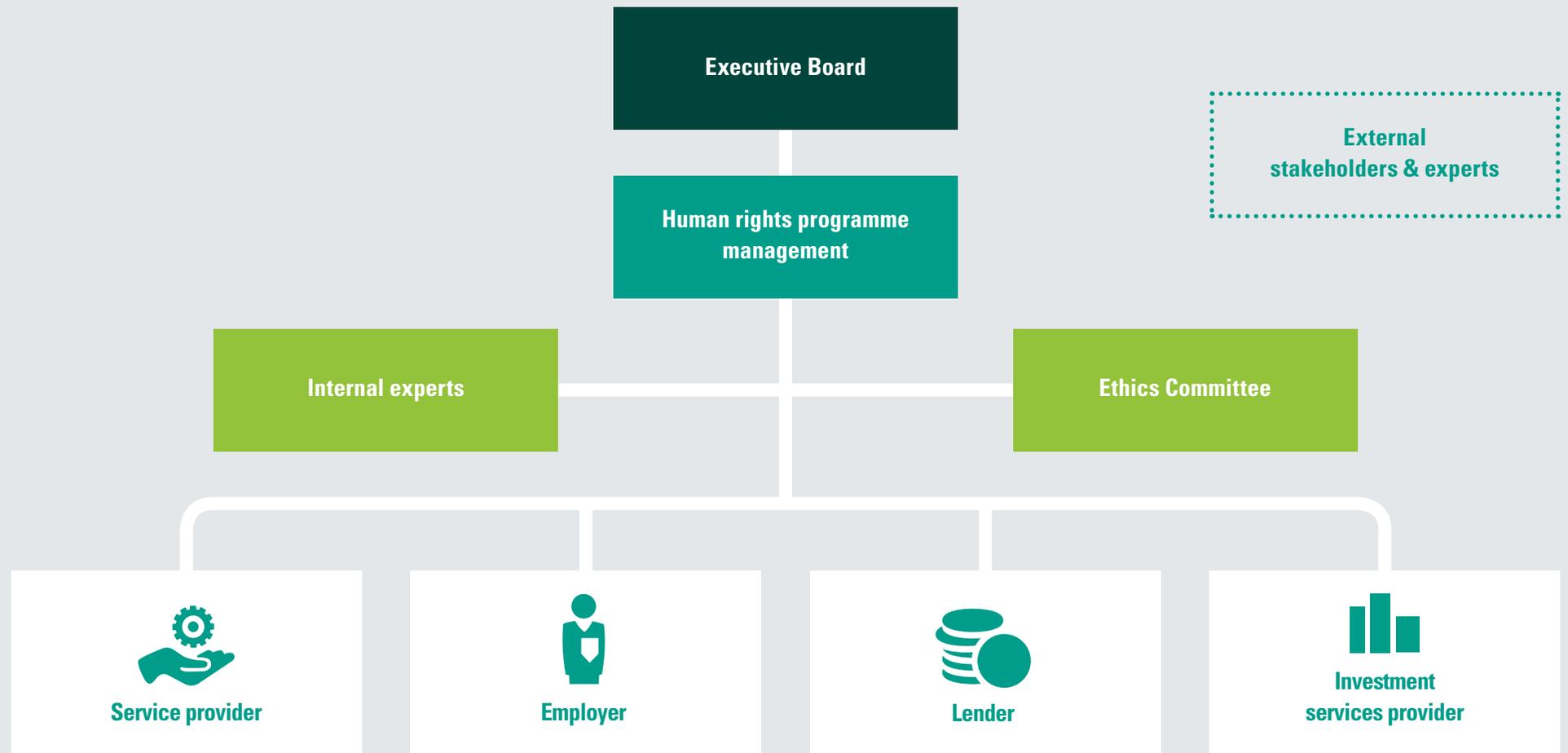
unambiguous answers, they can put the matter to the Ethics Committee. The Committee meets every quarter and convenes in the interim to address specific situations. It has six permanent members from senior management, including the CEO. Two years ago, three voluntary members with diverse backgrounds from the ABN AMRO organisation joined the committee – these members rotate every twelve months.

Minutes of the meetings are shared with all employees via the intranet. The Ethics Committee does not issue any rulings, but gives sound, well-considered advice, resulting in a body of advice providing guidance to employees when facing moral issues in their jobs.

Code of Conduct

More important than our governance structure is the culture within the bank. That is why respecting human rights has been integrated into the new Code of Conduct and why we are constantly working to raise awareness on the issue. Our aim is to encourage our staff to be aware of their actions whenever their work touches upon human rights. People should feel free to raise dilemmas and have open discussions about the moral aspects of their work.

Governance of ABN AMRO's human rights programme





Our salient issues

Privacy

Abuse or loss of client data by ABN AMRO or third parties



Discrimination

in the provision of services to (potential) clients or against ABN AMRO employees



Labour rights

of ABN AMRO's own workforce, and the supply chain workforce of corporate clients and companies we invest in on behalf of private clients



Land-related human rights

of local communities and indigenous peoples in relation to corporate clients or companies we invest in on behalf of private clients



We focus our attention on the most severe risks to people and prioritise our resources accordingly. Salient human rights issues, in the language of the UN Guiding Principles Reporting Framework, are 'the human rights at risk of the most severe negative impact through the company's activities and business relationships'. The degree of severity is based on the scale, scope and extent to which the impact can be remedied. ABN AMRO identified its salient issues in 2015, after an internal workshop with all relevant business lines and functions and consultations with external stakeholders.

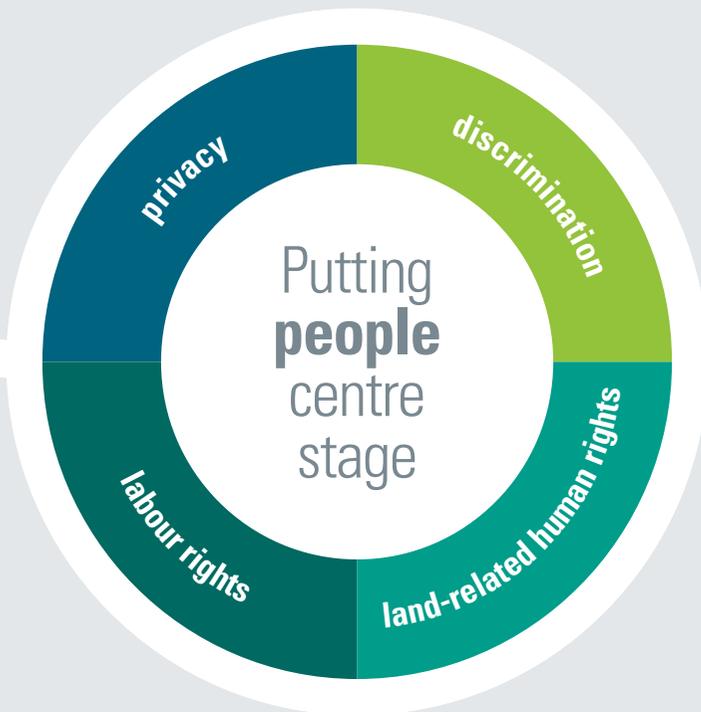
We are often asked whether identifying four salient issues means that we ignore other human rights. This is not the case. If an ABN AMRO client significantly impairs the right to freedom of speech, for example, we can raise this as a concern or start a formal engagement procedure. And in our 2017 Human Rights Update, we explained our criteria on the right to health for companies in our investment universe.

Our salient issues should be understood in the broadest sense. This means that for ABN AMRO, labour rights do not refer only to the core labour standards of the

International Labour Organization: freedom from child labour, forced labour and occupational discrimination and the right to freedom of association and collective bargaining. We also pay attention to health and safety impacts, and to the issue of a living wage and living income. Similarly, land-related human rights cover free, prior and informed consent (FPIC) as well as environmental concerns such as soil pollution or the extraction of ground water that affect peoples' rights. In the section on future steps, we will go into more detail about our ambition to refine our list of salient issues over the next years.

Our roles

Salient issues



Our roles



Service provider

We are one of the largest retail banks in the Netherlands, providing a full range of banking products and services to over 5 million individual clients.



Employer

ABN AMRO has about 20,000 employees worldwide. In addition, many people work for ABN AMRO through employment agencies and outsourcing contracts, as well as in our procurement supply chains.



Lender

ABN AMRO serves over 500,000 corporate clients, from small restaurants in the Netherlands to multinational energy companies in Asia. We have lending relationships with around 25,000 clients. The bank focuses on 15 sectors: agriculture, manufacturing, oil & gas, construction, food, technology & telecom, utilities, healthcare, the public sector, real estate, retail, leisure, transportation & logistics, business services and financial institutions.



Investment services provider

ABN AMRO is a leading investment services provider in the eurozone with 209 billion euros in client assets. ABN AMRO Investment Solutions is ABN AMRO Private Banking's asset management platform.

Examples from practice



Privacy

Gathering and using client data

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Discrimination

Helping clients with debt problems

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Labour rights

Labour standards of indirect employees

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Land-related human rights

Enhanced due diligence on community relocation

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Engaging on living wages

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Climate change and human rights

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Service provider

Employer

Lender

Investment services provider



Our role as a service provider

Our role

ABN AMRO is one of the largest retail banks in the Netherlands. We provide a broad range of financial services – from bank accounts to mortgages, and from insurance products to pension advice – to over 5 million clients.

Salient human rights issues

Privacy and equal access to financial services.

Who could be impacted

Individuals and families with bank accounts, mortgages and other financial products.

Key questions

How do we square our clients' different views about how their data are used? Is it possible to strike a balance between privacy protection and our duty of care – for example when analysing financial data to identify clients at a higher risk of default? How do we deal with dilemmas involving access to financial products and services, and personal insolvency? What impact does the trend towards online banking have on our more vulnerable, older clients? Which NGOs are most vulnerable to de-risking by banks?



Privacy

Treating client data with care

At ABN AMRO we know a lot about our clients, such as their credit histories, travel behaviour, payment information and the amount of time they spend on our website. In recent years, the amount of data at our disposal has grown steadily, and so has our responsibility to treat these data with care. All individuals whose personal data ABN AMRO processes are potentially at risk of their privacy being violated. Privacy is therefore one of our salient human rights issues. The bank is doing its utmost to prevent data from being shared with the wrong parties or handled carelessly.

Our 2016 Human Rights Report stated the importance of our Binding Corporate Rules, which guarantee global compliance with European privacy standards, and gave an overview of the results from an in-depth dialogue with our stakeholders. The 2017 Update focused on our employees, and featured an interview with the former chair of the bank's Employee Council in which she voiced her concerns about the privacy of ABN AMRO employees. The present report will demonstrate the importance of our clients' own perspectives on the right to privacy, and how we continuously raise awareness of the issue at the bank through training and case discussions.

Our privacy policy

ABN AMRO's policy is largely determined by its Binding Corporate Rules (BCRs) and its Personal Data Policy (PDP). The BCRs constitute a formal commitment to regulators and clients, guaranteeing global compliance with European privacy standards. The PDP, in turn, translates that commitment into practicalities in an internal context, and describes the principles and requirements that must be met when data are processed. We have published plain-language privacy statements for our clients and employees. The updates to the BCRs and the PDP will ensure that the newly stepped-up level of privacy protection set out in the EU General Data Protection Regulation (GDPR) is embedded in

ABN AMRO's personal data processing procedures, not just in Europe, but throughout the world. Adequate privacy governance will help us monitor whether all our branches are acting in line with our commitment.

Privacy is personal

The purpose of our privacy policy is not just to meet our legal obligations as set out in the GDPR – we must also consider what our moral responsibilities are when it comes to collecting and using data. Striking the right balance is not always easy, especially as our clients have differing opinions about what it means to respect their right to privacy. Some are totally opposed to any monitoring of online behaviour and the use of that information for commercial purposes. Others take no issue as long as the data are used anonymously. There are some who have no objections whatsoever and even like getting tailored commercial messages. Finally, there are those who disapprove only if the relevant parties are not transparent about their activities. Obviously, the boundaries of privacy vary from person to person. Ideally, clients themselves should be able to decide.

Gathering and using client data

ABN AMRO knows the location from which clients use their mobile banking app. While many would be horrified if they received a discount voucher for an ice cream from ABN AMRO while on holiday outside the Netherlands, it's important that we notify them immediately of suspicious behaviour – for example, if we know a client is abroad and we detect a login on the same account from the Netherlands. Collecting location data is crucial to keeping our clients' bank accounts safe, but using them for other means could constitute an invasion of privacy.

Now that the GDPR has been implemented, we plan to draft our own privacy strategy for the use of personal data. This is a step-by-step process. As part of our new strategy, we will define the steps we intend to take to ensure our clients' right to privacy is respected. While privacy legislation gives more clarity on what is and isn't lawful, the ethical dimension of privacy is highly personal. It is up to the bank to set standards in this area that can be applied uniformly across the organisation.

Defining the strategy will also provide new opportunities to engage with our clients and other stakeholders. At the moment, we are involving them in the development of new digital products and services. Taking these conversations to the strategic level will further inform our understanding of what our stakeholders consider to be the moral boundaries within which their data may be used. Importantly, the development of a general privacy strategy does not mean that the personal preferences of our clients are unimportant. On the contrary – allowing clients to opt in or out of the use of data for certain purposes will be key.

Raising awareness among employees

We strive to communicate clearly about privacy with our clients, and work continuously to raise awareness among our employees. To mark the introduction of the GDPR, all employees took a compulsory e-learning course. Our internal learning app also regularly presents them with questions on privacy-sensitive situations, giving them a better understanding of what the law does and does not permit, as well as a chance to consider the ethical dimensions of decisions that affect our clients' privacy.

Dilemma



Duty of care versus privacy

To identify clients in the early stages of debt problems, we use a risk prevention model which looks at patterns in their income and expenditure, as well as the degree to which they dip into their savings or use their overdraft. We also use information provided by the Dutch Credit Registration Office BKR.

Banks have a duty of care towards their clients. But when does our fulfilment of that duty cross the line into condescension, or even an invasion of privacy?

In the same spirit, various ABN AMRO business lines have set up a joint Privacy Community to share best practices, takeaways and dilemmas. In 2018, the bank launched the Speak Up pilot project, an internal programme intended to promote a discussion about integrity, which will be rolled out bank-wide in 2019.

The importance of conduct

Respecting the right to privacy means more than drawing up a strategy and making clear choices when developing our products and services. It also has to do with the conduct of ABN AMRO employees who have access to personal data. Financial information, for instance, should be accessed only when it serves a clear purpose, never simply to satisfy someone's curiosity. Although we are continuously raising awareness among our employees and ensure that our IT systems flag instances of data abuse, these steps are no guarantee that inappropriate conduct will never occur.

In 2018, for example, there was a case where an ABN AMRO employee had accessed and used information about a family member's ex-partner. Unfortunately, serious abuses of client data like this occur several times each year. In order to prevent this, we are focusing closely on awareness and conduct. Staff who handle client data complete compulsory monitoring programmes and e-learning modules, and a special information page about consulting client data has been published on our internal online platform. Any private individual, the supervisory authorities or the bank can notify the Foundation for Banking Ethics Enforcement of a bank employee who has broken the Bankers' Oath. Internal monitoring is also carried out to ensure that staff comply with the bank's own rules of conduct and the Bankers' Oath. In the event of proven undesirable behaviour, we take appropriate disciplinary action. In cases where employees have unduly consulted client bank accounts, we test their conduct against the Bankers' Oath and, if in breach, we report them to the Foundation for Banking Ethics Enforcement. In addition, we communicate internally about cases where employees were in breach, but without disclosing their identity. In these ways, we are working to impress on our employees that taking the Bankers' Oath is not just a formality, but a promise they must keep.



Discrimination

Equal access to financial services

Access to financial services is a key enabler in people's lives. While non-discrimination is important in itself, it is also directly linked to many other human rights, such as the right to an adequate standard of living. We focus our efforts on guaranteeing equal access to financial services for clients with debt problems and elderly clients. On a different note, we will also be looking at the problem of restricting financial services to NGOs active in high-risk countries.

In our 2016 Human Rights Report, we set out how the bank prevents discrimination in four areas: access to bank accounts, loan applications, product terms and conditions, and communications. The 2017 Human Rights Update featured an interview with the manager of the Dam Square branch in Amsterdam and one of her colleagues in the Compliance Department who work together on a daily basis to make banking services available to all.

People with debt problems

Clients who take out a loan in the form of consumer credit or a mortgage undertake to repay this debt to the bank. But unforeseen circumstances could result in these clients having trouble repaying their loans. When we see that clients may well run into debt problems, we try to get in touch as quickly as possible. As the infographic shows, we follow a four-step process in order to resolve the issue. ABN AMRO has several programmes in place to help prevent clients from getting into serious financial trouble. As part of our Responsible Lending and Carefree Living initiative, we communicate with clients who are at risk of falling behind in loan

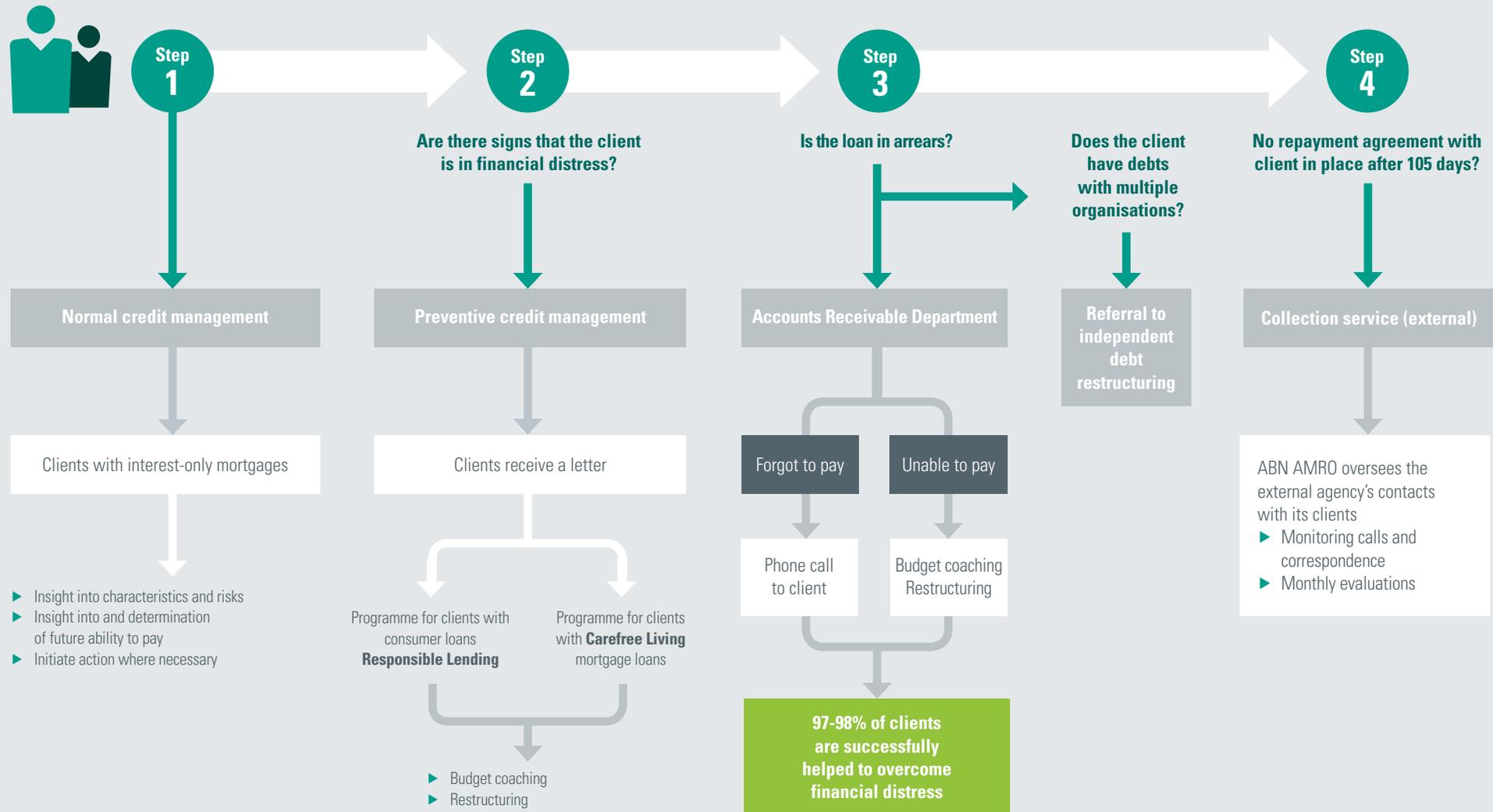
or mortgage payments. By investigating signs of potential future debt problems, we can approach our clients at an early stage. And should clients go into arrears, they are assigned to our Accounts Receivable Department. The department has a success rate of 97% to 99%, which means we enlist the services of our external debt collection agency only for the remaining 1% to 3% of cases.

Debt collection in the spotlight

Over the past few years, society has cast a critical eye on banks that have reportedly sold their debt collection cases to external parties. These parties, too, have come under scrutiny. In 2017, the Dutch weekly magazine *De Groene Amsterdammer* criticised banks that transfer clients with problematic amounts of debt to so-called debt-buying agencies which manage debt on banks' behalf. ABN AMRO has deliberately opted for an external party, called Intrum, to handle its debt collection activities. Intrum provides specialist services demanding a very high degree of expertise and legal knowledge. Our clients remain with us as clients, and we continue to fulfil our duty of care in respect of these clients for as long as we possibly can.

Working with an external party does not absolve us of our responsibilities, though. On the contrary, we keep a close eye on Intrum throughout the process. We have made clear agreements about how they may approach our clients. We monitor all correspondence between Intrum and our clients, and even regularly listen in on the agency's phone calls with them. Clients may not be put under undue pressure, nor may debt collection costs be excessive. We organise quarterly check-ups with Intrum and the bailiffs, ensuring they comply with our Code of Conduct. Monthly evaluation meetings help us ascertain whether we can refine and improve our methods. Complaints about the debt collection process are also monitored, and if an issue is not resolved, it is submitted to ABN AMRO's Complaints Management Department.

How we help clients avoid payment problems



Debt problems as a source of shame

"Divorce, the death of a partner or the loss of a job can land a person in financial trouble overnight. As a financial coach, I offer to take a judgement-free look at clients' situations. We always start by getting a clear overview of all their incomings and outgoings. Every step of the way, though, clients make their own decisions. In many cases, they've been robbing Peter to pay Paul for some time, so they're behind in payments to various parties. We also look at how the bank may be able to help. If the client has a loan with us, we may be able to temporarily suspend the repayment schedule until they're back on their feet. We may also jointly decide to terminate any revolving credit facilities so that their debt problems aren't made worse. If the client's situation requires a structural solution because they no longer have enough income coming in to pay back loans they have with the bank, we may be able to come to a special arrangement. My role as a financial coach is to do everything I can to put my client's mind at ease. That's so important when addressing these situations."

Monique van der Vis-Kalk, Financial coach at ABN AMRO

Tackling the causes

When life events like unemployment, divorce or the death of a partner result in debt problems, the bank offers to help clients deal with the financial consequences. In addition, we are examining whether ABN AMRO's own products or services could be at the root of debt problems

triggered by certain life events. We want to make sure that clients have insight into the characteristics and risks of financial products such as mortgages. Where necessary we initiate action together with the client to prevent possible future payment problems.

Dilemma



Fulfilling our duty of care: how far should we go?

Another dilemma we face is how far our duty of care should go when the costs are significant.

Making a loss on clients is not a sustainable business model. But we would not be fulfilling our duty of care if we were to make financial coaches available only to elderly clients who are wealthy. Should our duty of care always outweigh business considerations?

Elderly people needing financial assistance

While all people with debt problems are in a vulnerable position, the same certainly cannot be said of all our elderly clients. For various reasons, though, the elderly are at risk of having less straightforward access to financial services. These risks are rooted in trends such as ongoing digitalisation and the ageing population. There are also more specific related issues like the growing number of older people with some form of dementia and those who are at a higher risk of being taken advantage of as a result of their reduced capacity to take decisions for themselves.

Over the last few years, ABN AMRO has been a pioneer in the digital transition of the banking world. One of the positive results is the flexible, 'always on' service we provide to our clients: we offer easily accessible advice through video banking and numerous in-app banking services. Such innovations improve access and even security for our users. As these developments continue, however, more and more bank branches are closing their doors.

Our reception staff used to be able to notice when clients were in a vulnerable position, and could often identify suspicious activity thanks to face-to-face contact. Now we have to look harder to see the signs, if they are even visible at all. Meanwhile, we see that clients over sixty-five have more difficulty making the transition to online banking. It's a misconception that older people cannot, or have no desire to, use digital services; but we know that this client group can sometimes use a little extra help, especially when it comes to mobile banking.

A range of initiatives for the elderly

We strive to help our ageing clients bank securely and protect them from financial abuse by offering information, guidance and coaching. Since 2018, we have 38 financial coaches throughout the Netherlands offering extra at-home support and assistance to our elderly and less mobile clients. These coaches also help the bereaved resolve banking matters. In addition, the bank offers specialist online guidance to its elderly clients, addressing a number of life events and the resulting changes in a client's financial situation. As part of a dedicated platform, we provide tools to users and alert them to important steps they should take.

Our participation in the broad alliance *Veilig financieel ouder worden* (Banking Safely for the Elderly), in which we work together with other banks to combat financial abuse, is yet another way we are supporting this client group.

Symposium on vulnerable client groups

In September 2018, we organised a symposium to engage with our clients, NGOs and other experts, and to gain new insights into how we can provide even better support to vulnerable clients going forward. The meeting focused on two vulnerable groups: clients with dementia and young adults aged eighteen and older who suddenly find themselves in charge of their own finances. The participants included researchers and representatives from the Dutch Alzheimer Foundation, the National Institute for Family Finance Information (Nibud), the Dutch financial markets regulator AFM and the European Banking Federation. The main objective of the event was to educate our own employees about recognising the gradual or sudden signs of a reduced ability in elderly individuals with dementia to take decisions, or the inability to assume financial responsibility in young adult clients. Small individual discussion groups were then held so that participants could talk about the bank's role and responsibility, and come up with ideas to help provide better service to both these vulnerable client groups.

NGOs with restricted access to financial services

When it comes to non-discriminatory access to financial services, individuals aren't the only stakeholders who may be affected. ABN AMRO serves many NGOs active in parts of the world where people are in need of aid. Often, their activities take them to countries that are classified as high-risk, which means the bank has to perform enhanced due diligence to prevent money laundering or the financing of terrorist activities. Although these procedures are no different from those carried out for corporate clients active in high-risk countries, NGOs are more often victims of de-risking. This means that banks may refuse NGOs as clients, or that existing relationships are terminated. A related concern is that NGOs are accepted as clients, but that individual transactions to high-risk areas bounce.

While the purpose of anti-money laundering and terrorism finance (AML/TF) legislation is undisputedly important, the consequences of disengagement from NGOs who perform legitimate and vital humanitarian, development or human rights work can have enormous consequences. The failure to get funds from A to B may literally cost lives. At ABN AMRO, larger NGOs are served by the Institutions & Charities Department. That means they have dedicated relationship managers, and all files are reviewed by specialist compliance staff.

Putting lives at risk

For many NGOs operating internationally, being able to make fast, efficient payments is vital. In practice, though, money transfers to high-risk regions are particularly prone to disruptions and delays. A payment never goes directly from ABN AMRO to, for example, a refugee camp in Lebanon. Instead, it first passes through one or more correspondent banks. Each of these banks carries out its own checks to comply with AML/TF legislation. Especially when funds are needed for emergency aid, any delays can put lives at risk. Although banks have little influence on the transaction chain once the payment has left the originating bank, we encourage NGOs to discuss their transactions with high-risk and sanctioned countries upfront with their banks to be prepared for possible hiccups and delays.

Dilemma



A blind spot for smaller NGOs

Depending on the NGO's service needs, banks can spend more or less on the service level they offer NGO clients. The specific costs of the AML/TF compliance process also need to be considered.

Smaller NGOs such as diaspora groups are therefore likelier to be impacted by bank de-risking. If all they need is a basic bank account, banks may deem the cost of compliance too high. So the dilemma is whether banks should provide smaller NGOs with the same service as they do larger ones. And if so, should they charge higher fees? Whether ABN AMRO de-risks smaller NGOs is unclear since the bank keeps no centralised records on this. As our complaints procedure is also open to people and organisations who are not clients of ABN AMRO, we urge any smaller NGOs that feel they have been treated unfairly to voice their grievances.

For some of ABN AMRO's clients, the unintended consequences of AML/TF legislation on civil society are at the heart of their mission. The Human Security Collective, for example, was established to engage civil society in security issues that have an impact on development, human rights, peace building and humanitarian assistance. One of their programmes is dedicated to addressing the consequences of AML/TF legislation on civil society.

NGOs and banks: understanding each other

"A relationship of trust between the NGO and the bank is necessary since it enables the organisation to be transparent about their activities and funding. The more reassurance they can give the bank, the better the bank will understand the type of work the organisation is involved in and the partners and beneficiaries it serves. Banks, in turn, can explain to NGOs their obligations to comply with AML/TF and sanctions rules. They can support NGOs, especially smaller ones, with know-how that would help them prepare for a meeting with the bank to provide the information required to be accepted as a client. Also, banks would need to understand the nature of the work NGOs do and ensure that information requests are not repetitive, overly intrusive or irrelevant to the risk-based issue at hand, and that they do not request proprietary information or data that is protected by privacy laws or standards."

Lia van Broekhoven, Executive Director Human Security Collective

Listening to our clients

ABN AMRO has various means of directly engaging with its clients, including satisfaction surveys and client panels. We also frequently interact with a range of civil society organisations that represent our client groups or defend their interests. For the elderly, such organisations include the General Dutch Association for the Elderly (ANBO), which represents the interests of seniors in the Netherlands, and the Dutch Alzheimer Foundation, both of which are important sources of expertise. To better understand the needs of people with debt problems and to shape our policies, we engage with the National Institute for Family Finance Information (Nibud), debt assistance agencies and city councils.

Privacy complaints

As part of our human rights due diligence, we also listen to our clients by responding to their complaints. Privacy complaints are monitored as a specific category. In 2018, we saw an uptick in the number of complaints we received. This may have to do with greater awareness of the issue as a result of a referendum on intelligence and security services held in the Netherlands in March 2018, and the entry into force of the GDPR in May. Somewhat surprisingly, the bank receives regular complaints about the fact that our commitment to respecting our clients' privacy is a barrier to fast service. We do not, for instance, email confidential information because of privacy risks, and clients sometimes find uploading information in a secure environment rather user-unfriendly.

Discrimination complaints

The bank's new complaints policy, which is currently being developed, will also deal with discrimination complaints as a separate category of complaint. By explicitly registering these complaints as such, we will be able to better track our performance and obtain crucial management information. At the moment, we are seeing that most complaints involve age and nationality. ABN AMRO's Complaints Management Department has also integrated the issue of discrimination into its presentations and training programmes, thus helping our front office staff to be more aware of their responsibilities.

Approximately 80% of all cases submitted to the Complaints Management Department are resolved immediately. In unresolved cases, the individual having lodged the complaint is always given information on the process and timelines. We also inform them of the option of escalating the complaint to the Dutch Financial Services Complaints Tribunal, Kifid. All complaints are monitored to identify signals or trends that reveal more structural problems requiring follow-up.



Our role as an employer

Our role

ABN AMRO has just under 20,000 employees worldwide. People also work for ABN AMRO through employment agencies and outsourcing contracts.

Salient human rights issues

Labour rights and non-discrimination in the workplace.

Who could be impacted

People who work for ABN AMRO. Our own employees and workers in our supply chains.

Key questions

How can we guarantee basic labour rights for all people who work for ABN AMRO, even when they are not formally employed by us? How can we ensure that our LGBT+ colleagues feel more comfortable expressing their identity, even in countries where this cannot be taken for granted? How do we create a formal and informal culture in which people from a variety of backgrounds can thrive? How can we enable people with a disability to successfully work for the bank?



Discrimination

Respecting international labour rights

ABN AMRO employs almost 20,000 people in 17 countries, the majority of whom – about 16,000 – work in the Netherlands. But the bank's role as an employer goes beyond its own employees. Our responsibility also extends to the people who work for us through third parties – from catering and cleaning services in ABN AMRO's offices to IT specialists and help desk staff working for the bank in countries like India or South Africa.

The 2016 Human Rights Report described the commitments we had made with respect to labour rights in general and non-discrimination of LGBT+ employees in particular. In the 2017 Update, the Head of Human Resources for our branches in the Greater China region wrote about the changes that were made to our healthcare plans as a result.

The IFA in short

In 2015, ABN AMRO was one of the first banks worldwide to sign an International Framework Agreement (IFA), in our case with the Dutch trade union federation FNV and with UNI Global Union, the global federation of trade unions for skills and services. In this document, we express our commitment to respect basic labour rights in every country where the bank has a presence or where people perform outsourced work for the bank.

The IFA clarifies the basic rights these workers are entitled to. These include:

- ▶ No discrimination or intimidation in employment
- ▶ Freedom of association and assembly and the right to collective bargaining
- ▶ Payment of living wages
- ▶ Reasonable and legitimate rules relating to working hours
- ▶ Decent working conditions
- ▶ Good work-life balance
- ▶ Freedom of expression

International framework, local priorities

In 2017, a new team was established to implement, control and oversee ABN AMRO's global human resources strategy. Subsequently, all ABN AMRO locations outside the Netherlands carried out a self-assessment to determine to what extent they comply with the IFA. Not all labour rights are equally at risk everywhere.

Sometimes, full compliance with the IFA is simply impossible because of legislation in the countries in which we operate. In other places existing market practices are not aligned with our commitments.

These self-assessments identified many good practices. One of the countries in which ABN AMRO has a presence collaborates with an NGO to hire people from low-income families and does a health check-up among employees every two years. Our office in another country works with a headhunter specialising in diversity. Yet another works with an internal confidential adviser and external independent coaches specialising in burnout issues to address work-life imbalances. We are also seeing that countries are further expanding their existing activities, for example by incorporating 'unconscious bias' training sessions into diversity workshops. Where the labour rights issues that are salient for one branch office are also important at another, we will facilitate exchanges between the human resources departments involved.

We now also have a better picture of where we face the risk of non-compliance with the IFA. The issue of contractual trade union restrictions that we flagged in our 2016 Human Rights Report has been fully addressed. The branch office concerned has removed the clause from its standard contracts, and employees who had already signed these contracts have been informed that the clause is moot. In the coming years, all identified gaps in the implementation of the IFA will be addressed, prioritising the most salient issues.

Assessing compliance with our IFA

In their self-assessment, all ABN AMRO branches outside the Netherlands as well as our main IT service providers were asked to answer a number of questions to determine to what extent they comply with the bank's IFA. For example:

- ▶ Are pay scales and individual wages determined by reference to the concept of living wages?
- ▶ Do you monitor the existence of a gender pay gap?
- ▶ What mechanisms are in place to handle employee grievances?

Monitoring labour standards of our indirect employees

The IFA also applies to everyone working indirectly for the bank, but implementation is much more challenging than for our own operations. Over the last two years, we have been working to get a better picture of who our indirect employees are to determine what steps the bank needs to take to monitor their labour conditions. This will also help us remedy any negative impacts. Most people who produce goods that end up at ABN AMRO's offices, from computers to foodstuffs, do not know they are working in our value chain. This is not the case for our service providers – security staff and IT specialists know they work 'for' ABN AMRO, even though they may be formally employed by one of our service providers. This allows us to engage directly with these workers. And if something goes wrong, they know where to find ABN AMRO.

In 2018, we focused on implementing our IFA at the main IT companies we work with. As a first step, we decided to extend the self-assessment we did at our offices outside the Netherlands to include our five largest IT service providers. These companies are active in a number of countries in which ABN AMRO does not have a local branch. This means that we have to make an extra effort to determine whether local labour standards meet those stated in our IFA. The five IT service providers all returned the questionnaires.

Their answers confirm that their internal policies are aligned with our IFA standards. The next step is to verify whether our partners implement these standards in their own operations, and in business relationships with their subcontractors. One way of doing so is to engage with workers directly. So far, we have not collected worker feedback on labour standards when visiting our IT service providers.

The complaints procedure

Complaints by direct or indirect employees can be filed in different ways. The IFA states that when an issue cannot be resolved by regional or national management, FNV or UNI Global Union may raise the matter directly with ABN AMRO's Human Resources Director.

Grievance procedure for subcontractors

A number of shortcomings have recently been revealed in our oversight of IT service providers and their subcontractors, as well as the grievance system we have in place. That is why the bank is assessing how best to design a grievance procedure enabling both its own employees and the employees of subcontractors to file a complaint in the event of an alleged violation of labour rights. Since we have little leverage over subcontractors, effective oversight of our primary suppliers is of key importance, as is clarifying responsibility for the issues that arise when work is subcontracted.

Monitoring IFA adherence

When signing the IFA, we agreed to set up a committee to monitor adherence to the agreement. In October 2018, the IFA's Monitoring Committee met for the first time. The Committee consists of representative of the sustainability, human resources and procurement departments at ABN AMRO and representatives of FNV and UNI Global Union. In addition to discussing progress made by ABN AMRO, the committee took a closer look at the IFAs of other banks as these agreements are becoming an increasingly popular instrument to regulate global labour relations in the financial sector. We have received positive feedback on progress made. The Monitoring Committee will continue to meet on an annual basis. Internally, the departments that are responsible for implementation convene every three months.

Supplier code of conduct

Our IFA commitments also apply to the larger group of ABN AMRO's suppliers. We ask all our suppliers to sign a code of conduct that requires them to have a comprehensive labour policy in place covering their own operations as well as their value chain. This is a contractual commitment. Suppliers that are active in medium and high-risk sectors are also asked to be transparent about their sustainability performance by sharing certifications such as ISO certificates, and to join supplier rating/verification initiatives such as FIRA or EcoVadis. If we see that behaviour has a negative impact on human rights, we address this in an open dialogue designed to lead to an improvement plan. If the supplier does not commit, or shows no improvement within the agreed period, we will discontinue the relationship.

Protecting workers' rights across borders

"UNI Global Union protects the interests of workers across multinational companies, setting standards for trade union and human rights. By signing an International Framework Agreement with UNI, ABN AMRO has committed to complying and cooperating to meet the growing global and regional demands for responsible business conduct. UNI has closely followed ABN AMRO's activities since its Ethics Committee adopted a statement on LGBT+ rights, and encourages the bank to further deepen its commitment to workers' rights and social responsibility. In the financial sector it is particularly important for workers to have freedom of association and to raise the alarm on unethical practices. We therefore hope other banks will follow suit."

Christy Hoffman, General Secretary, UNI Global Union

Dilemma



A thin line between showing support and 'pink washing'

ABN AMRO regularly expresses its support for the LGBT+ community. During the Pride Amsterdam event in July and August 2018, the bank conducted a nine-day campaign with rainbow flags on cash points, and even dressed its branch on Dam Square in rainbow colours.

While the bank feels that it is important to show its support during such a key event, it recognises that it must be careful. Commercial organisations are often accused of 'pink washing': using events like the Pride as a way to achieving commercial success. ABN AMRO wants to highlight the importance of respect for everyone throughout the year, for example by avoiding stereotypes in television commercials.



Discrimination

Workplace equality

Our commitment to equal opportunities and treatment regardless of race, colour, sex, religion, political opinion, sexual orientation, social origin or other distinguishing characteristics is a key element of our International Framework Agreement. We have also classified it as a salient issue in itself because workplace equality is important to the vast majority of ABN AMRO employees. The impact of inaction may differ per group. People with disabilities, for example, run the risk of exclusion from the labour market, while people from non-Western backgrounds are underrepresented in the bank's management. Because of these differences, we will explain what we do to guarantee non-discrimination in the workplace for three groups: LGBT+ employees, employees from non-Western backgrounds and employees with disabilities.

This section builds on our 2016 Human Rights Report and 2017 Update in which we focused mainly on LGBT+ issues in our foreign branches, as well as on the difficulties we encountered when tracking performance through employee surveys.

LGBT+ employees

Unfortunately, discrimination based on sexual orientation is still common, also in the Netherlands. The bank's Ethics Committee adopted a specific LGBT+ statement in May 2016 because of the severe impact of exclusion based on sexual orientation.

Tracking progress

As a signatory to the Declaration of Amsterdam we have committed to measuring progress on LGBT+ inclusion and to benchmarking our results against other employers. In 2013 and 2018 we conducted surveys among our employees in the Netherlands to assess to what extent LGBT+ employees are open about their sexual orientation and whether this gives rise to negative experiences. The surveys also examined how our employees feel about LGBT+ issues in general. The results of the 2018 survey show that the situation has improved across the board compared with 2013.

Results of the 2018 LGBT+ survey in the Netherlands

- ▶ **73%** of our employees want us to focus more on gender diversity (no benchmark)
- ▶ **83%** would like us to adopt a similar diversity policy outside the Netherlands (74%, 2013)
- ▶ **78%** would like us to include a same-sex couple in ABN AMRO ads (52%, 2013)
- ▶ **12%** of employees know a colleague who hasn't come out yet (18%, 2013)
- ▶ **9%** of LGBT+ employees have had at least one unpleasant reaction to their sexual orientation in the past year (12%, 2013)
- ▶ **55%** of LGBT+ employees regularly have to deal with casual jokes about sexual orientation (66%, 2013)

Unpleasant reactions

According to data from the Dutch Social and Cultural Planning Office, we are exceeding the national average on all the indicators where comparison is possible. While that is obviously good news, we still have a way to go. We must continue our efforts to lower the percentage of employees receiving unpleasant reactions or comments about their sexual orientation. One in four LGBT+ employees does not reveal their sexual orientation to their co-workers, and it is our responsibility to make them feel safe doing so. It matters to us that everybody within the bank can be themselves.

LGBT+ inclusion outside the Netherlands

The LGBT+ statement of the Ethics Committee determined that the bank should not leave countries in which LGBT+ rights are not respected. Instead, we should make a point of finding out what the situation in these countries is, and then discuss with our employees how they can work safely and live a comfortable life there. Our people can then decide for themselves what they want, or don't want to do.

Our 2016 and 2017 reports provided examples of how we live up to this commitment in practice. For example, by adjusting standard healthcare plans to cover same-sex partners and by removing exclusions on congenital diseases and HIV to protect every employee's right to healthcare without stigmas. Following the IFA self-assessment, we now have a more comprehensive idea of initiatives undertaken in our foreign branches and at our IT suppliers. We have not identified any immediate risks or negative impacts. However, we continue to monitor this issue, taking into account the local context in which our people work.

Should we do as the Romans do?

What should companies do when they have business operations in countries whose legal frameworks do not adequately protect LGBT+ rights? There are three models:

1. The 'when in Rome' approach

Companies do not apply their LGBT+ policies in light of divergent local conditions.

2. The 'embassy' approach

Companies create a safe space for LGBT+ colleagues in the workplace.

3. The 'advocate' approach

Companies seek to influence local laws affecting LGBT+ people in order to strengthen their legal protection.

ABN AMRO applies models 2 and 3, depending on the specific circumstances in the country in question.

(Source: Standards of conduct for business, UNFE, UN Office of the High Commissioner for Human Rights)

Signing UN standards of conduct

In July 2018, ABN AMRO signed the UN standards of conduct supporting the business community in tackling discrimination against LGBT+ people. Although significant progress has been made in recent years, many countries still lack effective protection against discrimination on grounds of sexual orientation or gender identity. ABN AMRO therefore joined other leading multinational companies in publicly supporting the LGBT+ community and endorsing the UN standards. The standards do not only ask companies to eliminate discrimination against their own employees, but also encourage them to use their leverage to contribute to stopping human rights abuses in the countries in which they operate.

People from non-Western backgrounds

The bank's workforce includes 100 different nationalities – 10% of our people have non-Western origins, compared with 11% for the Dutch labour market as a whole. However, the numbers progressing to management levels are below average. To improve our cultural diversity at executive level, the bank has set itself a target: from 2020 onward, 6% of our senior executives and 7% of the executive layer immediately below must have a non-Western background. The bank has signed the Diversity Charter to formalise this goal. This is an initiative of the Dutch Talent to the Top foundation, which is advocating to get more women and culturally diverse talent in senior management positions.

The bank has traditionally been culturally homogeneous. Changing this starts with adjustments to the hiring process. Recruiters and managers have been trained about selective observation. This helps them to consider talent from a broader perspective and to recognise the talents of people from other cultural backgrounds. An early sign of success is that 20% of incoming trainees in 2018 came from a non-Western cultural background.

A taskforce to stimulate cultural diversity

Like every organisation, ABN AMRO has over the years developed a corporate culture with unwritten rules and customs. If this culture is shaped by a homogeneous workforce, new colleagues from groups that have traditionally been underrepresented may have a hard time. They should not be required to adjust. For example, appreciating assertiveness should not lead to bias against people who are more hesitant to express their views. Disagreeing with managers or older colleagues is not viewed positively everywhere, while in the Netherlands it may be perfectly normal to do so. The bank's Cultural Diversity Taskforce was set up to train and coach non-Western staff to enhance their personal development. Much of the work is driven by the bank's various business lines. In early 2018, a number of Diversity Circles were formed: teams that are made up of representatives from every layer of the organisation and that develop initiatives to promote diversity (cultural and otherwise) within their specific business lines. The taskforce then shares the best practices identified by the various Diversity Circles with the rest of the organisation.

Reboot project: a new beginning for refugees

Early in 2017 five ABN AMRO colleagues launched an initiative to give refugees with IT skills the opportunity to gain work experience at the bank. Many refugees are highly trained and ambitious. However, they are often unable to present their diplomas or did not have the chance to complete their studies. In the Netherlands, many of them are forced to do work that is below their capabilities. At the same time, the bank has a shortage of IT specialists. The Reboot project offers recognised refugees the chance to have a career at the bank, and by now 17 people have joined the bank through this initiative. Besides IT, we have extended the programme to other job profiles too. Other companies besides ABN AMRO have also joined the Reboot project, which is carried out in close cooperation with Amsterdam's municipal authorities. They help our new hires with their paperwork and with their civic integration courses. ABN AMRO also provides psychological counselling if necessary, for example when people suffer from post-traumatic stress disorder.

People with disabilities

Finding a job is often difficult for people with disabilities. Many companies tend to focus on their shortcomings rather than on their added value. They are often highly suitable candidates, what with the perseverance and commitment exhibited by many of them. At ABN AMRO, we believe that people with a disability have a right to a fully-fledged job. In 2011, the bank launched a programme designed to help disabled people find a job. In the Netherlands, we now employ 142. At the beginning of 2018 the bank set up the B-Able Desk to facilitate the recruitment and promotion of people with disabilities. The target for 2026 is 225 employees for the bank as a whole, and each business has set itself a concrete target in this area. The bank-wide programme places these people in both regular jobs and jobs created specifically for them. And we offer them coaching and support to ensure that they can use their capabilities to the full and maximise their talents. The programme is based on four key principles: acceptance, continuity, career perspective and energy balance. Employees may also receive training about working with people with a disability. For example, a woman with Asperger's Syndrome was hired in Brazil. Before she joined the bank, her future colleagues took part in a training course to learn what this means, and how they could best receive her in her new job.

Close cooperation with partners

In the Netherlands, we work closely with organisations such as Ctalents, Emma at Work, Onbeperkt aan de Slag and Refrisk. These social entrepreneurs seek to help people with disabilities find a job. They understand how a company works while making sure their candidates have all the training, resources and adjustments they need to be successful in their profession.

A win-win for employees and clients

One of the jobs created specifically for people with disabilities is the position of participation adviser. The person responsible for this role advises departments, teams and managers on the dos and don'ts of facilitating employees with a variety of disabilities. This advisory role extends to both the bank's own affairs and to its clients. Research shows that only 14% of all Dutch companies with a workforce of over 25 employees meet the legal requirement of employing people with an occupational disability. The other 86% do not meet this quota and risk a fine. By giving our clients information and advice, we can help them avoid incurring these fines. In other words, by using our influence as a bank we can enable more people with disabilities to enter the workforce.



Our role as a lender

Our role

ABN AMRO serves over 500,000 corporate clients in numerous sectors, from small restaurants in the Netherlands to multinational energy companies in Asia. Our total lending portfolio for corporate banking exceeds 88 billion euros. The entire loan portfolio per sector is published on our website.

Salient human rights issues

Labour rights and land-related human rights.

Who could be impacted

Employees of, and workers in the supply chains of our corporate clients and local communities affected by our clients.

Key questions

How do we continuously strengthen our human rights due diligence? In what way do we work with other banks and our stakeholders in the Dutch Banking Sector Agreement on Human Rights? How can we best identify adverse impacts on human rights?



Labour rights



Land-related human rights

Embedding human rights in our policies

ABN AMRO has an extensive policy framework in place to assess whether existing and prospective clients do business in a way that respects human rights. Over the last years, we have been working to further align our policies with the UN Guiding Principles and our salient issues. This report provides an update on the adjustments we have made. Some of these adjustments were made to obtain alignment with the UNGPs, while other initiatives respond to particular trends in society or adverse human rights impacts we may be connected to through financial relationships. We also provide more detailed information on how we prioritise between low, medium and high-risk clients in our due diligence process and how we use the Global Sustainability Risk Index (GSRI), our tool to determine whether clients comply with our policy requirements.

In our 2016 Human Rights Report, we explained our policy framework and our human rights due diligence process. We also shared dilemmas relating to transparency and client confidentiality, and about the bank's ambition to expand its international presence while maintaining a strong commitment to human rights. In our 2017 Update, two relationship bankers shared their stories about discussing land rights with clients in the energy sector in Asia, and labour exploitation in the transportation sector in the Netherlands.

Defining our red lines

We have updated the bank's Exclusion List twice since our last report. It contains our red lines: criteria we use to decide when to engage with, or when to exclude, a client. In 2017, for example, we stopped lending to tobacco manufacturers. In 2018, we decided to also exclude other companies in the tobacco value chain when revenues from these activities exceed 50% of their consolidated turnover.

Updating our Human Rights Statement

While the Exclusion List states that ABN AMRO does not want to finance activities that cause adverse human rights impacts, our Human Rights Statement reflects our broader ambition that all clients should respect human rights in line with the UN Guiding Principles and continuously improve their performance. We are currently revising our statement, based on input from conversations with many colleagues as well as external stakeholders. We expect the new statement to be published in 2019.

Addressing human rights risks per sector

We have merged the separate sector policies into one Sustainability Risk Policy with Sector Requirements. This will help us to establish uniform human rights criteria. We comprehensively updated the policy's section on Metals & Minerals and added new sections on Chemicals & Pharma and Transportation. The human rights criteria are tailored to the salient issues in the sector.

Lessons learned from the Dakota Access Pipeline

Banks offer many types of financial services to their corporate clients. When we finance a project, we are committing to a long-term financial relationship for the construction, expansion or upgrade of, for example, a plant, wind farm or mining operations. The financial sector uses a risk management framework, the Equator Principles, as a benchmark to determine and manage environmental and social risks for project finance.

The construction of the Dakota Access Pipeline sparked an international debate when it emerged that the land rights of the indigenous Standing Rock Sioux tribe had not been respected by the companies participating in the project. ABN AMRO did not finance the project. Nonetheless, we were directly linked to these adverse human rights impacts through our relationship with ETE, the parent company of one of the pipeline construction companies (ETP). As we were unable to use our leverage to improve the situation, we discontinued the relationship.

One of the underlying problems was that compliance with the Equator Principles' requirement of obtaining free, prior and informed consent (FPIC) from indigenous peoples is assumed for 'designated countries' such as the United States. However, domestic legislation is not always sufficient to protect human rights. In May 2017, ABN AMRO and a number of other banks sent a letter to the Equator Principles Association urging it to make FPIC applicable to projects anywhere in the world. Later in the year, the EP Association started updating its standards on, among other issues, the scope of applicability, human rights and climate change. A further round of stakeholder consultations will be held in 2019, and we hope the new EP4 standard will be a significant improvement in terms of human rights due diligence for project finance.

During 2017 and 2018, ABN AMRO was involved in multiple projects that reached financial closure. As a member of the Equator Principles, we report the number of projects we have assessed against these principles every year. When clients give their consent, we also disclose the project name to the Equator Principles Association for publication on their website. We obtained consent in a smaller number of cases than our peers, and will do our utmost to increase the number of disclosures in the coming years.

Listening to the people we affect

When developing new policies or initiatives, we always engage with civil society and other experts. We have built strong relationships with many NGOs and trade unions, both in the Netherlands and abroad. This includes the Dutch Banking Sector Agreement on Human Rights (see box on page 35), which is a formal multi-stakeholder collaboration between Dutch banks, NGOs, unions and the government. We have also set up a human rights practitioners working group to engage with peers from other multinational companies based in the Netherlands.

As we expect our clients to respect human rights in line with the UNGPs, both our Human Rights Statement and the various sector policies stress the importance of continuous engagement with affected stakeholders. By asking the right questions, we can assess not only whether our clients engage but also what the quality of these engagements is. For example, we encourage our clients to map their stakeholders, identify groups who may be particularly vulnerable and be transparent on how their engagement has informed corporate decision-making.

It is impossible for the bank to conduct meaningful engagement with all of the affected communities or the supply chain workers of all our clients. But scale should not be an excuse for failing to take action. When we conduct due diligence on specific clients, we use a wide variety of sources that inform us on the views of local communities or unions, for example. In the context of the Dutch Banking Sector Agreement's value chain mappings of the cocoa and palm oil sectors, we spoke with delegations from the main producing countries. Both visits were hosted by the Dutch trade union federation FNV, one of the parties to the agreement.

At our 2018 Human Rights Conference we brought together human rights specialists from a broad range of financial institutions and other companies to explore the prospects for digital connectivity as a way to engage more directly with the people we affect. One of the speakers was Anjali Nayar, founder of TIMBY (This is My Backyard).

Exploring innovative solutions for human rights due diligence

"Banks that finance sectors such as mining or palm oil need to know whether their clients have the commitment and capacity to manage their impacts. But banks often lack systematic engagement with the people who are most directly affected. TIMBY is a set of digital tools that enables workers and affected communities to share their stories and concerns safely and efficiently. Thanks to increasing digital connectivity around the world, companies and investors can now access reports and grievances in real-time."

Anjali Nayar, Founder of TIMBY (This is My Backyard)

Mapping value chains

Approaching human rights risks from a value chain perspective complements company-level due diligence. Having carried out several projects ourselves, we now actively contribute to the Dutch Banking Sector Agreement's value chain working group. Multi-stakeholder projects help us understand the root causes of human rights issues, evaluate existing initiatives and explore what banks and other parties can do to contribute to more sustainable value chains. For example, the cocoa value chain analysis that was published in August 2018 helps us to better understand the root causes of human rights impacts in the cocoa

sector. Some of the elements that were identified, such as gender discrimination, have not yet been addressed in our sector policy. This will be taken up in the 2019 policy revision.

Dutch Banking Sector Agreement on Human Rights

In October 2016, ABN AMRO signed the Dutch Banking Sector Agreement on Human Rights (DBA). The DBA brings together banks, civil society organisations, trade unions and the government with the aim of preventing and mitigating adverse human rights impacts that banks are connected to through corporate lending or project finance. The agreement sets out several commitments that each bank should implement individually, and establishes working groups in areas requiring attention. A total of four working groups are active under the DBA:

- ▶ Value chains: focusing on cocoa, palm oil, gold and oil & gas
- ▶ Increasing leverage
- ▶ Enabling remediation
- ▶ Transparency

The output of the DBA is published on www.imvoconvenanten.nl/banking

Responding to the arrival of migrant workers

The Dutch economy is booming, and the demand for labour in sectors like construction, agriculture, transport and leisure is strong – so strong, in fact, that companies are increasingly having to look to countries such as

Poland, Bulgaria, Romania and even Thailand to meet it. Most migrant workers in the Netherlands are employed through specialist temporary employment agencies. Owing to a lack of living space, more and more of these agencies are also providing accommodation for migrant workers. Consequently, ABN AMRO is seeing a growing number of loan applications for building this type of accommodation. Many of the agencies offer their clients all-inclusive packages, providing them with workers and housing. Although this service certainly benefits companies, it frequently causes problems for workers. The living space they have to share with complete strangers is often crowded and cramped and they are getting poor value for money. The workers are generally housed on industrial estates that are cut off from the rest of the world. The rental contract and employment contract they sign are one and the same, which makes them dependent and vulnerable. In response to this trend, the bank is focusing on working conditions in sectors employing large numbers of migrant workers, and in 2018 drafted special guidelines setting out the conditions under which ABN AMRO finances companies that provide housing for migrants. In this process, we consulted experts from the Dutch trade union federation FNV and the Social Affairs and Employment Inspectorate. By adhering to these guidelines when assessing loan applications, we aim to help stop the exploitation of migrant workers.

Collaborating while preserving a critical perspective

“ABN AMRO and our organisation are partners in the Dutch Banking Sector Agreement on Human Rights. It’s a positive step that the bank is also involving us as an expert partner in exchanging sector knowledge so we can make thorough risk assessments of violations in real-life situations. Autonomy is crucial: maintaining sufficient distance is key to preserving a critical perspective. Being realistic and transparent about how we can help each other enables us to tackle ethical issues together. To that end, we need to make clear agreements about where violations are reported and how we consult each other for advice on everyday situations.”

Imke van Gardingen, Policy advisor labour migration, FNV

Spotting human rights risks

Having a good policy framework in place is important, but not enough. We have two different procedures to identify human rights risks and impacts: the client acceptance and credit approval procedures. In the client acceptance process, sustainability checks have been integrated into the regular Risk Assessment Form we use in our company assessments. For the credit approval process, we have developed a separate tool: the Global Sustainability Risk Index. The GSRI supports us when performing a detailed assessment of all clients who have more than 1 million euros in outstanding debt, also when they are active in a sector for which there is no specific sector policy.

The assessment looks at all relevant sustainability issues.

	Client acceptance process	Credit approval process
Scope	All corporate clients	Corporate clients with >1 million euros in outstanding debt
Checks	Link with Exclusion List and defence sector, and basic checks on awareness of human rights risks	Compliance with all sustainability policy requirements
Tool	Risk Assessment Form	Global Sustainability Risk Index
Reviews	One or three years, depending on overall risk classification. Event-driven reviews at shorter intervals, for example if our client is named in a critical NGO report.	Annually for high-risk clients

The GSRI in practice

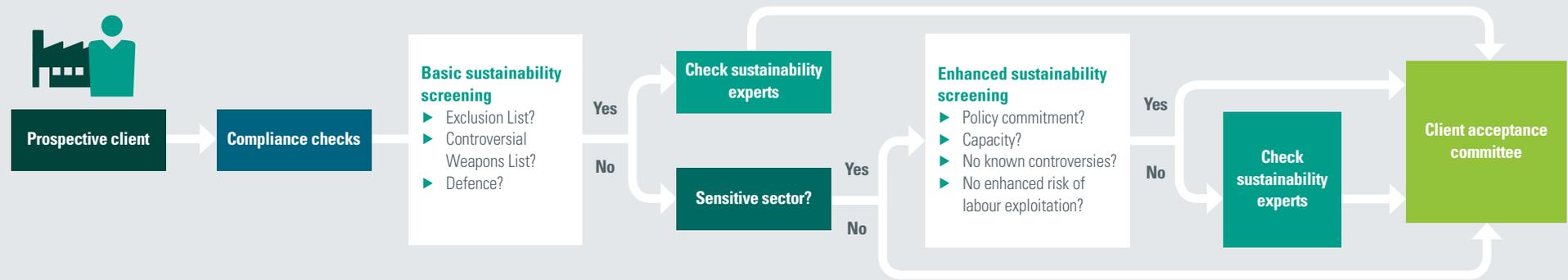
Our assessments for medium and high-risk clients are based mainly on information provided by the existing or prospective clients themselves. This information may be obtained from different sources: the bank's questionnaires, company visits and client reports

in the public domain. The relationship manager then uses this information to fill out the GSRI. With this tool, ABN AMRO assesses where the client stands at a given time, how it compares with others in the same sector, and tracks the company's performance over time.

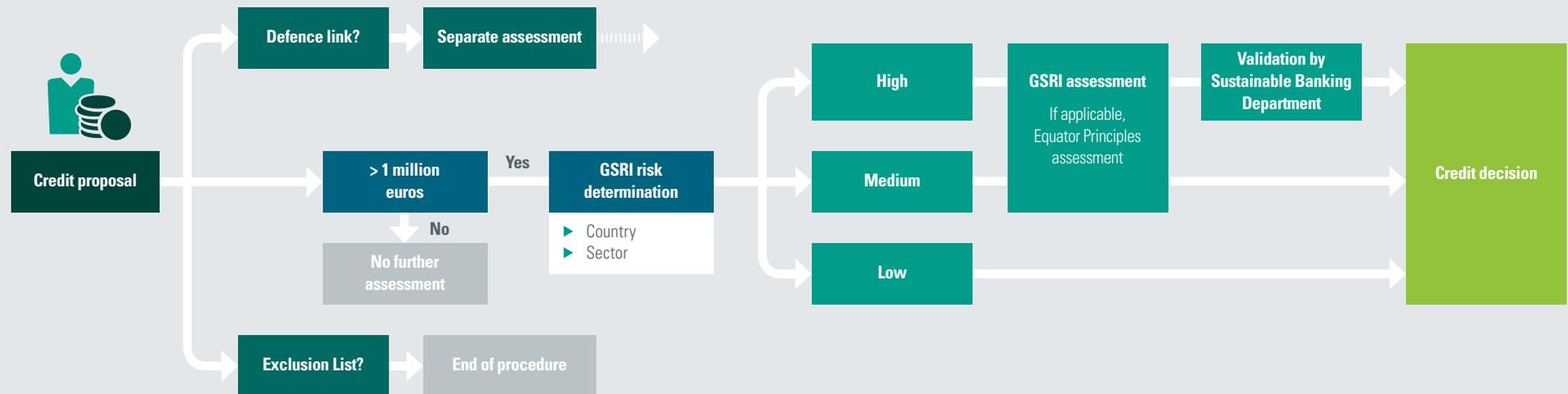
We look at three things:

- ▶ **Commitment:** This addresses the company's policies, whether these policies apply to suppliers and contractors, to what extent senior management is involved, and how it engages with stakeholders and with local communities in particular.
- ▶ **Capacity:** This addresses the company's management system, training efforts and reporting.
- ▶ **Track record:** This assesses whether the company has faced serious incidents, stakeholder or media campaigns and legal action on sustainability issues.

How we address human rights in our client acceptance process



How we address human rights in our credit approval process



Service provider

Employer

Lender

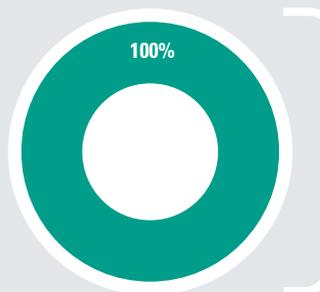
Investment services provider

Snapshot of the GSRI questions

The questions on commitment and capacity are tailored to the salient risks in the industry in which the company is active. Some are only relevant to a small group of clients, while other issues are cross-sectoral. We use multiple-choice questions to determine the company's position on human rights in more detail. A few examples of the GSRI questions and results for our Commercial Banking clients are given on this page.

At ABN AMRO, companies with an annual turnover of between 1 million and 250 million euros are served by our Commercial Banking business. Smaller companies are clients of Retail Banking; larger ones are clients of Corporate & Institutional Banking.

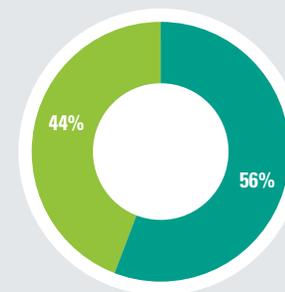
Does the company declare that it complies with all relevant social and environmental rules and regulations (including the ILO Maritime Labour Convention)? N=40



Sectors
Freight transport sea

- Yes, the company declares that it is compliant.
- No, the company declares that it is non-compliant (0%).

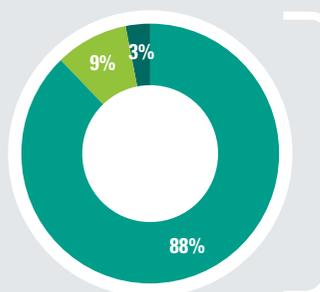
Does the company monitor workplace absenteeism and employee satisfaction? N=74



Sectors
Transport services land
Freight transport road
Metal working
Real estate agencies
Transport services water
Heavy construction
Waste & disposal services
Wholesale machinery
Lease machinery

- Yes, the company has insight into workplace absenteeism and employee satisfaction and has a concrete policy to continually improve both.
- Yes, the company has insight into workplace absenteeism and employee satisfaction but does not have a concrete policy to improve both.
- No, the company does not have insight into workplace absenteeism and employee satisfaction (0%).

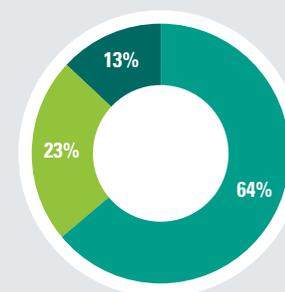
Does the company employ foreign workers/seasonal workers? N=783



Sectors
Agriculture
Fishery
Hotels & resorts
Renting of residential buildings

- No, only Dutch employees and/or fixed contracts.
- Yes, through a temporary agency that is certified by Stichting Normering Arbeid.
- Yes, through a temporary agency that is *not* SNA certified, but the labour conditions are good.
- Yes, through a temporary agency that is *not* SNA certified. There are no formal commitments about labour conditions (0%).

Does the company identify environmental and social risks in its supply chain (including human rights, water use and carbon emissions)? N=54



Sectors
Manufacturing
Transport
Retail & wholesale
Utilities

- Yes, the company identifies environmental and social risks in its supply chain and takes active measures to mitigate these.
- Yes, the company identifies environmental and social risks in its supply chain and takes measures to mitigate these.
- No, the company does not identify environmental and social risks in its supply chain.

Verifying a client's track record through public domain research

In addition to the information we obtain from the client, we use other sources that are available in the public domain to verify whether our assessment is accurate. This way we know what the client's track record is, for example on serious incidents, stakeholder campaigns or grievances filed.

Dealing with 'known unknowns'

In 2017, we noticed that a potential client of ABN AMRO in the food sector was mentioned in an NGO report. The NGO had documented severe labour abuses with various companies in the sector, but the report was already three years old. We got in touch with the NGO to ask them whether the sector had made any improvements since then. But although the researchers wanted to go back and do a follow-up report, they were simply unable to get visas to enter the country. In cases like these, we know that we cannot always verify whether a company is respecting human rights. We therefore engaged with the client to ask more detailed follow-up questions than we would normally do. This also included enhanced due diligence on the company's own stakeholder engagement approach. As the risk of human rights abuses in the company's own operations and value chains remains high, we decided to start a formal engagement procedure.

Silencing NGOs and human rights defenders

Our extensive use of media and NGO reports means that we depend on civil society when conducting due diligence. However, civic freedoms – i.e. the ability of citizens and civil society to organise, participate and communicate without hindrance – are becoming increasingly restricted. This is a global phenomenon that manifests itself in many ways, from the imposition of barriers to register trade unions to the outright murder of human rights defenders. Restricting civic freedoms is not only contrary to states' obligations to protect human rights, but it also impairs corporate responsibility to respect human rights. ABN AMRO participates in a working group on this issue that is convened by the Business and Human Rights Resource Centre. In August 2018, the centre published a report on the role that companies can play in preserving space for civil society, which is a precondition for meaningful interaction and dialogue with stakeholders. This was followed in December 2018 by a corporate statement supporting civic freedoms, human rights defenders and the rule of law, which ABN AMRO supports.

Authoritarianism a threat to civic freedoms

"The rise of authoritarian and populist governments in many countries across the globe poses a threat to civic freedoms. I find this a worrying development. It not only makes it difficult to verify facts, but also leads to serious polarisation and self-censorship in these countries. In the short term this might cause stronger economic growth, as measures can be taken without much public debate, but in the longer run it's more likely to be disruptive and clearly not beneficial to more inclusive economic growth and development."

Marijke Zewuster, Head of Emerging Markets & Commodity Research, ABN AMRO Group Economics

Results of assessment of high-risk prospects and clients

We keep an overview of all existing and prospective clients that have been reviewed by the Sustainable Banking Department. Some proposals are withdrawn before they are submitted to the approval authorities, for example because a relationship manager considers the human rights risks unacceptable. The results of the due diligence performed by the Sustainable Banking Department are shown in the table on page 40.

	2017	2018
Advice by the Sustainable Banking Department	537	472
Positive	288	191
Positive subject to conditions	218	243
Negative	20	28
Withdrawn	11	2

From 2017 to 2018 the number of sustainability assessments in the context of credit reviews increased. However, as other departments took over the role of the Sustainable Banking Department in some of the client acceptance processes, the total number of assessments decreased. Human rights criteria are part of all assessments. Of the assessments that had a positive outcome subject to conditions, about 35% concerned files in which we performed enhanced human rights due diligence.

When the Sustainable Banking Department's advice is positive subject to conditions, it may:

1. Request more information or higher monitoring frequency
2. Demand substantive improvements in a client's policies or practices
3. Recommend a formal engagement procedure

Example of enhanced due diligence

In 2017, we joined a syndicated facility of a mining company based in Latin America. As part of one of its projects, a local community was to be relocated to a different village. Although the relocation was compliant with all relevant policy criteria, and the community was initially positive about the company's engagement with them, more recent news reports gave reason for concern. A local consultant was hired to facilitate the resettlement, but this party was unknown to ABN AMRO. We therefore reached out to an expert on natural resources and social risk to discuss the situation and verify the credibility of the consultant. In May 2018, the relationship manager conducted a site visit to the mine and villages. We concluded that there was no reason to continue enhanced due diligence on this client.

We only start an intensive and formal engagement procedure if our clients' activities have a significantly adverse impact on human rights, or if there are recurring issues. At year-end 2018, we were engaging with 13 clients. In addition, there are many more clients with whom we have had detailed discussions on human rights. For these clients, conditions are monitored during the annual review. In the Dialogue and engagement section in this report, we provide more detail on the procedure and the companies with whom we engage.

Involving the Ethics Committee

The Sustainable Banking Department involved the Ethics Committee in two cases to discuss underlying bigger questions and dilemmas. One of these cases concerned a defence transaction. A client of ABN AMRO that was otherwise not involved in the defence sector wanted to deliver a machine that was to be used in the production of non-controversial weapons. The country that wanted to buy the machine has a highly problematic track record when it comes to human rights. Although we believed this transaction would not link ABN AMRO directly to these human rights abuses, the Ethics Committee strongly opposed the transaction because of the country involved. The Committee also stated that ABN AMRO should always conduct its own assessment, irrespective of whether the Dutch government would grant an export licence.

Opportunities for positive impact

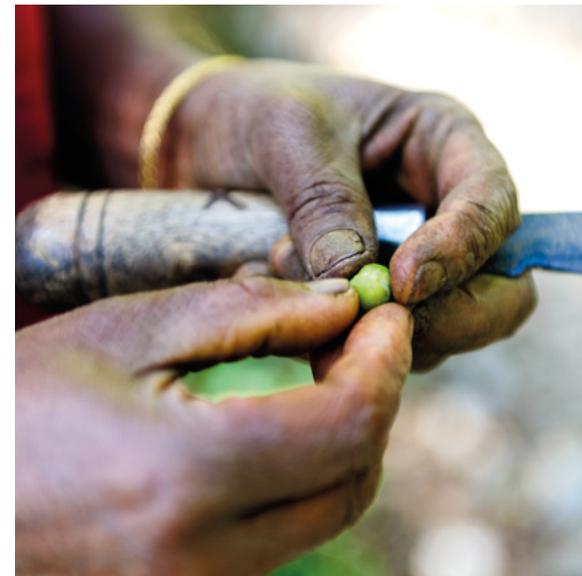
We find it important that all our clients respect human rights. To this end, we have included human rights in our general risk management framework. But we want to do more. We also actively seek to finance social enterprises that are putting human rights at the core of their business and we want to reward clients that scale up their human rights ambitions. For example, we have set up an impact banking programme for agricommodity clients which improves access to finance for smallholder farmers enabling them to escape poverty.

Incentivising change

Our Sustainability Risk Policy for Lending and Project Finance now includes a Sustainable Finance Framework which defines what we consider to be sustainable activities, assets, projects and companies. Clear definitions and criteria on environmental and/or social benefits prevent mislabelling and greenwashing. The framework is a starting point for enhanced transparency on the impact of ABN AMRO's loan portfolio, and the development of internal incentives for teams and individual employees. In addition, we can use interest rate differentiation to reward companies when they improve on sustainability benchmarks, or when they reach certain performance targets that were negotiated with the client. These so-called ESG incentive loans are tailor-made, and should take into account the environmental, social and governance criteria that are salient for the specific client. For example, a client in the cocoa value chain should not be rewarded for better tax disclosure if it fails to take action against child labour.

Financing smallholder farmers

Launched in 2015, the impact banking initiative is all about supporting sustainable value chains in the agricommodities sector by providing smallholder farmers with access to finance. We focus on clients with relationships with farmers and cooperatives in Asia, Africa and Latin America who produce cocoa, coffee and palm oil. We aim to build a loan portfolio worth 50 million euros for ABN AMRO clients who, in turn, lend to large groups of smallholder farmers. We are also working closely with other banks, government agencies such as the Sustainable Trade Initiative (IDH), NGOs and food companies. Partnerships enable us to join forces and share risk. In September 2017 our client Neumann Kaffee Gruppe launched a 9-million US dollar project to provide access to fertilisers and cash for coffee farmers in Uganda. Over a period of five years, we hope to reach approximately 53,000 farmers.



Service provider

Employer

Lender

Investment
services provider

Measuring impact

IDH measures the outcomes and impact of our work so we can learn, adapt and change approaches when needed. We start with mapping out the expected causal relationships between IDH support activities and the final outputs, outcomes and impacts that are realised through implementation of the project. There are several challenges related to collecting evidence. First, the data collection processes are challenging as the data usually come from different sources and partners, and need to be compiled, processed and analysed before good conclusions can be drawn. This means that we need to balance the depth and breadth of these data.

Second, and most importantly, there is a need to balance two purposes of gathering data: impact management and impact evaluation. Impact management implies gathering real-time data to inform decision-making and to adapt projects accordingly. While these data are very useful to inform decisions based on facts, they are often considered to be of lesser quality for impact evaluations, mainly because there is no control group. This means that in addition to gathering real-time data, we need to perform third-party impact evaluations such as

randomised control trials. These are expensive and time-consuming – it takes a long time to produce results and they often come too late to inform decision-making. For IDH, using real-time data for impact management is key as they can be used to quickly learn and increase the likelihood of achieving impact.

Sharing risk to create impact

“Most smallholder coffee farmers are struggling to meet basic needs. They simply cannot invest in their farms, even if this would yield high returns, because they need to prioritise short-term basic needs like food. Moreover, they receive their annual income in a concentrated 3-month period, the harvest period. The rest of the year they are cash-strapped, so when they need cash urgently, their only option tends to be the local moneylender whose interest rates are extremely high. Two years ago, we set up our Farmer Financing Unit which offers smallholders a fertiliser advance and a mobile money credit line. We give the fertiliser advance at the time of year when the coffee trees need to be fertilised. It is meant to very quickly increase their productivity and their overall incomes. This is a value-creating loan. We’ve seen in the first cohorts of farmers that productivity is increasing by around 100%. For the mobile money credit line, farmers only need to send us a text message and within a maximum of two minutes, the cash is transferred to their mobile money account. We have observed that this credit line is used most often around the two weeks in September when school fees are due.

This was all made possible by the risk-sharing agreement we signed with IDH and ABN AMRO. Their involvement has massively changed the risk-return equation for us, and was decisive in giving us enough comfort in getting started with these investments in smallholders. We are now working on a much bigger deal, in which we are targeting eleven countries in Asia, Africa and Latin America, and in which three banks will invest over a period of ten years. A development organisation is also joining this larger deal, which means that we will split the risk of farmer defaults among six different parties with different risk-return appetites. We are convinced that this transaction, which we are aiming to close by the end of this year, will be key to scaling our farmer financing operations to hundreds of thousands of farmers globally.”

Catalina Eikenberg, Head of Sustainable Business, Neumann Kaffee Gruppe

Remediating negative impacts

Over the past years, much work has been done to clarify what banks should, and can do to enable effective remediation of the negative impacts their lending relationships may have. ABN AMRO is active in the Dutch Banking Sector Agreement's working group on effective remedy, which will publish its final report in 2019. Internally, we have taken some modest steps in our policy framework since our last Human Rights Report. Effective grievance mechanisms help provide remedy to affected people and strengthen the general human rights due diligence process. Effective grievance mechanisms operate at five different levels at least.

Clients: Our updated sector policies now contain requirements that are aligned with the UNGPs, focusing on the effectiveness of grievance mechanisms rather than their mere existence.

Sectors: As a member of the Round Table on Sustainable Palm Oil (RSPO), grievances related to the financing of palm oil companies can be filed under the RSPO mechanism. In other sectors, such as mining, there are no industry-level mechanisms but sector organisations are issuing guidelines for the benefit of their member companies.

Project finance: In the context of project finance covered by the Equator Principles, grievance mechanisms are required for all projects with potential significant adverse impacts, although more effort is required to extend this to all types of projects.

External processes: The UNGPs are embedded in the OECD Guidelines for Multinational Enterprises. Every adhering country has a National Contact Point where grievances may be logged.

Bank-level grievance mechanism: Anyone may file a complaint with ABN AMRO, also concerning allegations about the bank's role in the event of negative human rights impacts by our clients. That said, we recognise that much work has to be done to align our procedures with the UNGP criteria for effective grievance mechanisms. The section on future steps provides more information about our ambition to work towards a bank-level mechanism.

Engaging with local communities

"The impact of mining operations on local communities can be both positive and negative. Over time, the impact as well as the people affected may change. We require our clients to understand the local context, for example by performing a social impact assessment at the start of a new mining operation, and to continuously monitor their impact on local communities. One of the things we ask them to do is make community development plans to ensure that local communities benefit from mining operations close to their livelihoods. And we expect clients to have effective operational-level grievance mechanisms in place. This allows remedy to be provided when people's rights have been negatively affected. Grievance mechanisms also have a forward-looking role as they identify which issues require more attention from a company."

Jeroen Westrik, Global Head of Basic Materials ABN AMRO

Our role as an investment services provider

Our role

ABN AMRO provides clients with the products and services they need to reach their investment objectives. We invest assets on behalf of our clients, who have a choice of three investment options: investing on their own (execution-only), through ABN AMRO based on our experts' advice (investing with advice), or by leaving all investment decisions to the bank (giving ABN AMRO a mandate, also known as discretionary portfolio management).

Salient human rights issues

Labour rights and land-related human rights.

Who could be impacted

Employees of, and workers in the supply chains of companies in our investment universe and the local communities they affect.

Key questions

How do we encourage our clients to invest in companies that respect human rights? What is the role of our asset manager ABN AMRO Investment Solutions? Who else in the investment ecosystem do we engage with to drive respect for human rights?



Labour rights



Land-related human rights

Accelerating the sustainability shift

Our responsibility to respect human rights in our role as an investment services provider resembles that of our role as a lender. In both cases, we are not at risk of causing a negative impact on human rights ourselves but we are connected to the risks and impacts of other companies. However, there are also fundamental differences. As a lender, we decide whether or not to start a business relationship with a company. As an investment services provider, our clients are in charge. They invest, for example by buying shares on a stock exchange, and we facilitate those transactions. This implies that we do not necessarily have a relationship with all the companies in our investment universe.

In our 2016 Human Rights Report we explained how we assess the impact of companies in our investment universe and what action we take when a company breaches the principles of the UN Global Compact. The 2017 Update contained a deep dive into the right to health and access to healthcare and medicine. Managing human rights risks in our role as an investment services provider is not as straightforward as it is in our other roles. Maintaining a focus on labour rights

and land-related human rights remains useful, for example when deciding whether to support thematic engagement. For now, however, human rights are integrated into a broad framework of environmental, social and governance (ESG) criteria. In 2019 we will take a closer look at the salient human rights issues in our role as an investment services provider.

Formalising investment standards and increasing transparency

As a provider of investment products and services to our clients, ABN AMRO incurs the ESG risks associated with the companies and investment funds in its investment universe¹. In 2018, we introduced the Sustainability Risk Policy for Investment, a framework with which we formalised existing standards and procedures and took some additional steps to increase transparency about voting and engagement.

Screening our investment universe

On a quarterly basis, we screen our full investment universe in order to exclude companies that are listed on our Controversial Weapons List (CWL) and the Investment Exclusion List (IEL). The IEL will contain names of companies that the bank has unsuccessfully engaged with, while CWL companies are excluded from our investment universe because of their direct or indirect involvement in the production of dedicated components used in controversial weapons. Although maintaining a CWL is required by law in the Netherlands,

we have expanded our definition of 'controversial' to include white phosphorus. An important milestone in 2018 was the publication of a part of our CWL, containing the names of stock exchange listed companies. At the moment, no companies feature in the IEL.

Deciding not to engage

A company is only included in the IEL when, after an extensive and thorough process, we have come to the conclusion that it is unable or unwilling to take action. However, engagement is sometimes impossible from the start. In 2018, ABN AMRO decided to exclude tobacco companies from its investment universe. The ban on investments in tobacco companies applies to all investment portfolios, including discretionary portfolio management (DPM) and portfolios of advisory clients. Execution-only clients can still choose to invest in tobacco-related companies. Tobacco is harmful to human health, and there is no acceptable amount of tobacco that can be used without causing harm. Respecting the right to health in a meaningful way would require

tobacco manufacturers to cease their primary business. Furthermore, the tobacco supply chain is exposed to systemic human rights abuses such as child labour. We therefore do not consider engagement to be an option.

Keeping tabs on sustainability performance

We assess, classify and disclose the sustainability performance of companies and funds in our investment universe. This is based on external research on their commitment, capacity and track record in a broad range of ESG issues, many of which are related to human rights. When assessing how a company performs on labour rights, we look at freedom of association, working conditions, discrimination, social supplier standards and supply chain monitoring. Performance on land-related rights is screened on the basis of their indigenous rights policies and various types of environmental impacts. Other criteria taken into account are procedural issues such as a company's commitment to conduct due diligence and establish operational-level grievance mechanisms.

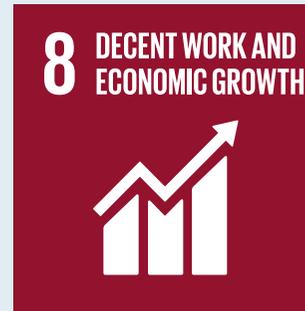
¹ The term investment universe refers to the companies and funds that ABN AMRO advises on.

Transitioning to sustainable investment

These screenings apply to regular investments. We also offer sustainable investments that are a combination of strict exclusion and positive best-in-class selection based on ESG criteria. Where possible, these portfolios also aim to contribute to the Sustainable Development Goals (SDGs). Sustainable investment is becoming more and more mainstream. With a growing interest in this area, our sustainable client assets increased from 8.2 billion euros in 2016 to 10.1 billion in 2017. As from 2018, sustainable investment is the default option for new clients in the Netherlands. The aim is that by 2020 it will also be the norm in every country in which ABN AMRO has a presence. Our goal is to grow our clients' sustainable assets to 16 billion euros by 2020. The bank is developing initiatives targeting various players in its investment universe to facilitate the transition to sustainability.

Focus SDGs

ABN AMRO impacts these SDGs the most:



Creating spillover effects to these interconnected SDGs:



Towards holistic impact measurement

We want to enable our clients to make a positive impact on the SDGs through their investment portfolios. However, measuring the real impact of their investment activities is not as straightforward as it might seem. While it is possible to count how many jobs have been created through clients' investments, it is difficult to determine the quality of these jobs.

Some investments create dilemmas that cannot be easily resolved. For example, while investments in the electrification of vehicles may contribute to achieving the Paris Agreement climate goals, cobalt in batteries often comes from mines in the Democratic Republic of Congo (DRC) where children's rights are reportedly being violated. Amnesty International, for example, has published an extensive report documenting cases of child labour in the DRC. Holistic impact measurement methods need to be developed to be able to show our clients the full potential and impact of their investment decisions.

Reporting on impact

An example of an organisation that measures impact is the Dutch development bank FMO, which invests in businesses in developing countries. In addition to informing investors about the sustainable projects and companies invested in, the fund also reports extensively on the impact of the investments. FMO measures impact using a sophisticated impact model.

Total impact of our clients' FMO co-investments

(up to and including Q3 2018)

20,015 jobs supported

A combination of the company's full-time employees and an estimate of indirect jobs in the chain.

15,380 tonnes of carbon emissions avoided

Avoided carbon emissions are calculated as the expected carbon emissions of the company or project compared with the most probable alternative.

664 small and medium-sized enterprises reached

The number of small and medium-sized enterprises (SMEs) reached is calculated on the basis of the number of SME loans extended.

36.54 GWh electricity production

Energy production is based on the generation of energy by sustainable projects in the energy sector.

40,645 people reached

This is calculated roughly by dividing the projects' expected electricity production by the average per capita use.

Climate change and human rights

Issues like tax evasion, corruption and climate change interrelate with human rights. Tax evasion and corruption perpetuate poverty and deprive countries of the revenues needed to provide for social security and quality health care. Climate change affects both ecosystems and people. Reaching the goals of the Paris Agreement has rightly been described as the biggest human rights challenge of the 21st century. Our changing climate is negatively impacting access to clean water, making food production less predictable and jeopardising human safety due to droughts or floods. Reducing carbon emissions is crucial if we want to mitigate these unwanted effects. Countries where investments in innovation and infrastructure have historically lagged are especially at risk. At the same time, we need to make sure that any mitigation or adaptation measures are compatible with human rights. Renewable energy projects, for example, require thorough human rights due diligence that addresses issues such as land rights.

Driving respect for human rights in the investment ecosystem

The transition from traditional to sustainable investment will not happen by itself and will require engagement on a number of fronts. Many different actors are involved: ranging from our employees to clients, and from asset managers to sustainability experts.

Our clients in the driving seat

As illustrated in the introduction, our influence varies depending on the type of investment services we provide. In 2018, we introduced impact reports to give clients greater insight into the impact their investments have, thereby raising client awareness of how they can contribute to sustainability.

Joining forces with ABN AMRO Investment Solutions

One of the choices offered to clients is to invest in a so-called mandate fund. Asset selection for these funds is performed by external asset managers, who, in turn, are selected by our asset management company ABN AMRO Investment Solutions (AAIS). AAIS has defined minimum criteria that funds have to meet:

- ▶ Signatory to the Principles for Responsible Investment¹
- ▶ Signatory to the UN Global Compact¹
- ▶ Exclusion of investments in tobacco manufacturers, controversial weapons manufacturers, and companies in breach of the UN Global Compact

Sustainable investing: not only about the environment

“The biggest change is that clients instantly know what I’m talking about when I start about sustainable investments. But all too often they associate sustainability with the environment and not with human rights. My job is to introduce them to our integrated approach to sustainable banking. At ABN AMRO, sustainability is about more than just the environment – it’s also about child labour and whether workers can join trade unions, for instance. I also explain to them that we don’t exclude companies pre-emptively from our investment universe, but use our influence to encourage them to make sustainable decisions.

I’m seeing that clients are more open to investing sustainably. Return on investment and investment fees aren’t a barrier. Sustainable investing enables them to contribute to a better world without having to give up anything. Occasionally, though, I do run into a client who isn’t open to this opportunity. Others feel that having a regular income stream is more important, so they choose a different way to invest their money. And then there are clients who believe that healthy investment returns are dominated by traditional sectors like oil & gas. For me, sustainable investing is the future, and I convey that message with total conviction.”

Marjolein Rijkers-Stelling, Private banker at ABN AMRO MeesPierson

¹ Or an equivalent of these principles/policies.

Non-compliance with these criteria may cause us to start engaging with the asset manager, with the aim of making real improvement. The objective for 2020 is to fully integrate the criteria into every fund that is managed by AAIS. Progress made will be tracked on a continuous basis.

In addition to applying basic exclusion criteria to the broad range of funds AAIS manages, they also offer a number of exclusive, sustainable funds. These funds have additional exclusion criteria as well as engagement and positive screening criteria in place, such as on child labour, forced labour, discrimination, trade union rights, working hours and health & safety, as well as other human rights issues.

Relying on external experts

The bank is not in a position to carry out due diligence on all companies our clients invest in. For this purpose, we enlist the expertise of external parties to gather information on possible labour and land-related issues. Sustainability, our main source of corporate analyses, assesses the companies in ABN AMRO's investment universe on a quarterly basis. Morningstar does this for investment funds. Each is assigned one of five possible sustainability indicator scores ranging from 'excellent' to 'poor'.

In dialogue with external asset managers

About half of all our clients' invested assets are managed by external asset managers. We use our influence to increase and better align demand for sustainable investments among our clients with what our external asset managers supply. Although we cannot force external asset managers to adopt our own sustainability policies, we do maintain a dialogue with these suppliers to encourage them to make their investment offering more sustainable. In doing so, we exert our influence as a bank whose client assets total 209 billion euros.

In the second half of 2018, we reached a successful agreement with Northern Trust Asset Management. The asset manager will apply ESG criteria to two investment funds it manages for investors. Now that it has introduced these criteria, the funds will no longer invest in companies failing to meet them, such as those that breach the UN Global Compact, generate revenue from the production of tobacco, or manufacture controversial weapons. Having secured this agreement is an important step for ABN AMRO. Northern Trust was very receptive to the questions and issues we raised.

Enabling ethical investment decisions

"At Northern Trust Asset Management, we enable global investors to achieve their most important goals by providing insights, solutions and an exceptional client experience. We focus on working closely with our clients as purposeful investors, committed to constructing innovative and efficient strategies that appropriately compensate investors for risk and deliver better outcomes in all market environments.

Northern Trust Asset Management creates sustainable investing solutions that deliver competitive risk-adjusted returns aligned with our investors' principles. In our Custom ESG index funds, we apply UN Global Compact screens, for example. Divesting companies that do not comply with labour standards, abuse human rights, or that are associated with ecological catastrophes or corruption allows investors to achieve consistency with their ethical investment philosophy and avoid reputational risks. Moreover, as we believe that violations of the UN Global Compact signal low corporate governance standards, this screen also aims to reduce governance risks."

Mamadou-Abou Sarr, Director of Product Development and Sustainable Investing at Northern Trust Asset Management

Dilemma



Striking a balance between financial return and sustainable impact

Our duty of care and financial obligation to our clients may not always be consistent with our own sustainability principles. After all, we vote on behalf of our clients, not on our own behalf.

At a recent annual shareholder meeting of a major oil company, an activist shareholder tabled a resolution to commit the firm to accelerate its transition to sustainable energy in line with the Paris Agreement. The company's point of view was that they already had an ambitious energy transition plan in place, and that the adoption of this particular shareholder resolution would have a negative impact on their business model and therefore on the company's shareholders. Both stories did not fully convince us, so we opted to abstain from voting in this particular case.

Educating our employees

By advising clients on the investment decisions they make, our investment specialists and advisers play an important role in the transition to sustainable investing. In 2019, our investment advisers will be contacting existing clients to discuss a shift to sustainable investment. When two or more companies show equal financial performance, our advisers give preference to the company that has the best ESG rating.

In order to engage in a constructive dialogue about sustainable investment with our clients, ABN AMRO entered into an academic collaboration with the University of Oxford in 2018. The university will be providing training to some 1,000 of the bank's employees. This builds on content addressed in a previous e-learning programme provided by the PRI Academy. Investment advisers and specialists enrol in a programme enabling them to make our clients' investment portfolios more sustainable. The training for relationship managers and investment advisers focuses on discussing with clients the transition to sustainable investment. Another important part of the collaboration involves launching joint research projects.

Diversifying our engagements

We can use our leverage in different ways. Sometimes, the best thing to do when we identify adverse human rights impacts at a company in our investment universe is to engage with the company. On other occasions, we can team up with other investors and investment services providers to address systemic issues.

Formal engagement procedures

For companies in our investment universe, engagement is triggered by a breach of the principles set out in the UN Global Compact. In addition, we have started engaging with all palm oil clients in our investment universe. Where possible, ABN AMRO engages in collaboration with other investors, unless the company is also a client of the bank. The engagement procedure is overseen by the relevant business line and the bank's sustainability advisers. Progress reports are drawn up to inform the Executive Board on a quarterly basis. The section on engagement describes the full procedure and contains a list of engagements.

Collaborating on thematic engagement

The salient issue of labour rights is closely related to the increasingly important concept of a living wage, the wage a person needs to maintain a normal standard of living. In many countries, that amount is higher than the statutory minimum wage. A living wage is an important factor in improving human rights all over the world, as it also has a knock-on effect on issues like child labour and excessive overtime. That is why the bank intends to take action. ABN AMRO is a member of the Platform Living Wage Financials (PLWF), a coalition of Dutch financial institutions

created by ASN Bank, Triodos Investment Management and the pension administrator MN. The platform focuses on companies active in mass production – the clothing industry in particular. It has developed a unique assessment methodology to determine whether a fashion retailer has satisfactory policies and procedures in place to evaluate whether its suppliers are paying a living wage and, if not, what steps it is taking to encourage its suppliers to do so. The assessments are carried out by analyst members of the PLWF based on information in the public domain. If necessary, additional information is requested from the companies in scope.

Exerting our voting rights

ABN AMRO participates in shareholder voting through its asset management company ABN AMRO Investment Solutions (AAIS). The actual voting is carried out by ISS, a firm specialised in this area, on the basis of a previously agreed general voting profile. AAIS is currently working with ISS to upgrade the profile to reflect the bank's sustainability policies and the environmental, social and governance (ESG) pillars. Ideally, we hope to be able to use tailor-made solutions in situations where we feel a particular ESG issue requires a different vote from that required by the standard profile. AAIS is also discussing

High time for the financial sector to take resolute action on living wages

"We want to identify possible negative impacts of our investments on the environment, workers and communities. By promoting living wages, we aim to mitigate other social risks in the supply chains of our investee companies, such as child labour or working excessive overtime. Despite the attention the topic has received in the textile industry over the years, there has been insufficient progress on the way towards an industry-wide implementation of living wages. In other industries, there has been little acknowledgement of the issue. A living wage is at the heart of the business since it relates to pricing, competition and customer demand. And collaboration is key. We're happy to have ABN AMRO join the platform and put their mouth where their money is."

Louise Kranenburg, Advisor Responsible Investments MN¹

¹ MN is a pension administrator investing on behalf of 2 million pension beneficiaries for PMT, PME and Bpf MITT.

with ISS what would be a good indicator for voting on ESG topics and a report focusing specifically on these topics. Having an indicator will put us in a better position to anticipate and follow up on these votes. In 2018, AAIS voted at 330 annual shareholder meetings regarding 668 resolutions, 84 of which concerned social issues. Of those 84 resolutions, nine were about human and labour rights. Topics on the agenda included human rights policies, discrimination and gender pay gaps. While a relatively small portion of shareholder resolutions now concern ESG issues, we expect to see an increase in ESG-related resolutions in the future.

Dialogue and engagement

ABN AMRO has an inclusive approach. This means that we seek to use our leverage over our clients and the companies in our investment universe if they do not manage their human rights risks properly, rather than simply excluding them. We are in frequent dialogue with clients about human rights, and have started an extensive engagement process with a number of companies – either because they do not meet our policy requirements or because they face severe risks of adverse human rights or environmental impacts. The table on page 55 provides more information on the sectors and regions in which these companies are active, as well as the issues we are engaging on. We have included the full table because our salient human rights issues are often interrelated with environmental and governance issues.

The companies with which we engage have to be willing and able to enter into a results-oriented process. We have developed a tailor-made engagement plan and set a maximum term within which improvements must take place. Typically, this is three years, but the term may be extended in certain cases – for instance when substantial improvements have been made and full compliance is within reach. The maximum term of engagement will always be determined on a case-by-case basis. Disengagement, although an option of last resort, can be an outcome of the process. The engagement process is explained in the figure on page 54.

Our leverage over companies we finance differs from that over companies our clients invest in. If we finance a company, there is usually potential for direct engagement. If we don't, or if we are part of a loan syndicate with other banks, engagement may be

performed by a third party. The engagement procedure is overseen by a team from the relevant business line and the bank's sustainability advisers. Progress reports to inform the Executive Board are drafted on a quarterly basis.

We strive to increase the likelihood that clients and companies in our investment universe will address their human rights risks and impacts. But we can rarely be sure that there is a causal relationship between our engagement efforts and the actions these companies take. Often, ABN AMRO is one voice among a diverse group of consumers, NGOs, other banks and governments who pursue the same objective through different means. Where possible, given client confidentiality and other constraints, we try to cooperate with external stakeholders in order to maximise positive impact.

Addressing human rights impacts in the palm oil sector

Palm oil is the most used vegetable oil in the world, with more than 3 billion consumers in over 150 countries. It is used in our everyday lives for numerous applications, ranging from ice cream to soap. In November 2016, Amnesty International published a report documenting severe labour rights abuses in the palm oil sector. Until then, our engagements with clients in the sector focused predominantly on their environmental impact. Since the report's publication, we have worked on different engagement routes.

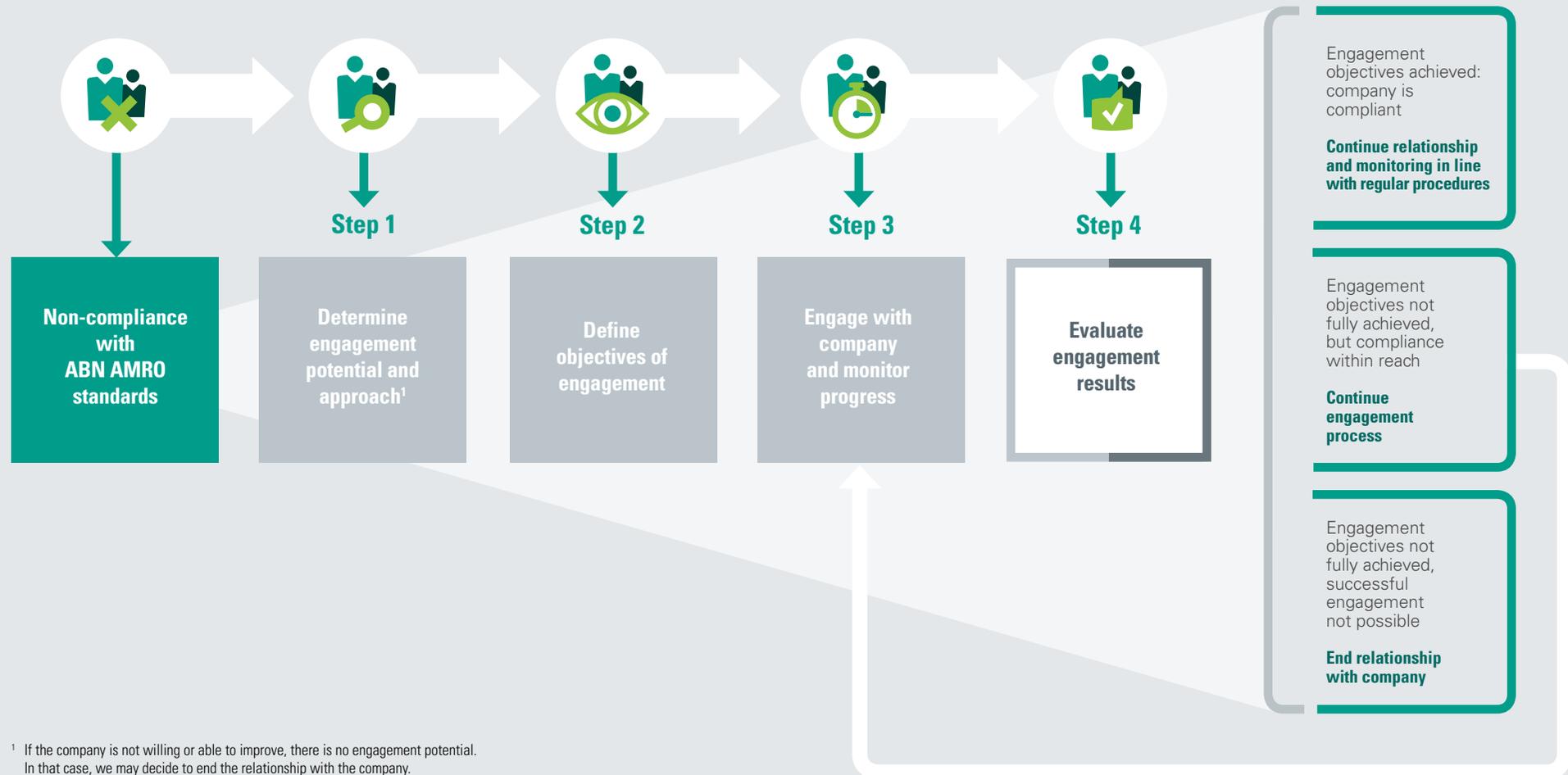
- ▶ **Client engagements** – We engage with our clients in the palm oil industry to improve their sustainability performance and move them towards alignment with international standards.
- ▶ **Investor engagements** – Together with other investors and investment services providers, we have started engaging with all palm oil companies in our investment universe, including those that are not clients of ABN AMRO. The main objective is to increase certification, prevent deforestation and foster respect for human rights.

- ▶ **Round Table on Sustainable Palm Oil (RSPO)** – Membership of the RSPO is mandatory for all our production, processing and trading clients. But we have also actively participated in the RSPO Principles & Criteria Review Taskforce, which developed the updated standard. This standard was adopted in November 2018 and includes stronger a commitment to child labour and protection, forced labour, living wage, gender, and the protection of human rights defenders and whistleblowers across the palm oil value chain.
- ▶ **Dutch Banking Sector Agreement** – The value chain working group of the DBA analyses the salient human rights issues in the palm oil value chain and charts the involvement of Dutch banks in order to identify new ways of using the banks' leverage to bring about change.

We recognise that the palm oil industry still faces many challenges and much work is yet to be done, but we are committed to contributing to the development of a sustainable industry together with our clients and stakeholders.



Our engagement process



Overview of ESG engagements

Product	Industry	Region	Engagement Status	Issue
Lending	Agriculture	Asia	Ongoing	Deforestation
Lending	Agriculture	Asia	Ongoing	Other community impacts
Lending	Agriculture	Asia	Ongoing	Deforestation, land rights, other human rights impacts
Lending	Agriculture	Asia	Ongoing	Child labour, health & safety impacts, other labour rights impacts
Lending	Agriculture	Asia	Ongoing	Forced labour
Lending	Financial Institutions	North America	Ongoing	Business ethics
Lending	Manufacturing	North America, Middle East, South America, Asia	Starting	Land pollution, water pollution, health & safety impacts
Lending	Oil & Gas	Europe	Starting	Arctic activities and human rights policy commitment
Lending	Oil & Gas	Africa	Ongoing	Other human rights impacts
Lending	Oil & Gas	Australia	Ongoing	Other community impacts
Lending	Transportation & Logistics	Asia	Ongoing	Health & safety impacts, other human rights impacts
Lending	Transportation & Logistics	Europe	Ongoing	Greenhouse gas emissions, air pollution, animal welfare
Lending	Utilities	Australia	Ongoing	Land rights, energy transition strategy
Investment Services	Agriculture	Asia	Ongoing	Bribery and corruption, forced labour
Investment Services	Agriculture	Asia	Ongoing	Water pollution, other community impacts
Investment Services	Energy	South America	Closed	Bribery and corruption
Investment Services	Healthcare	North America	Ongoing	Health & safety impacts, other human rights impacts
Investment Services	Healthcare	Europe	Starting	Bribery and corruption
Investment Services	Mining & Metals	North America	Ongoing	Land pollution, water pollution, other community impacts
Investment Services	Oil & Gas	North America	Closed	Land pollution
Investment Services	Public	North America	Ongoing	Other human rights impacts
Investment Services	Retail	North America	Closed	Freedom of association
Investment Services	Technology, Media & Telecoms	Asia	Starting	Bribery and corruption
Investment Services	Transportation & Logistics	North America	Closed	Other human rights impacts

The bank as a driver of change

For the bank, respecting human rights means first of all that we identify, prevent, mitigate and account for the way we address human rights risks in our own operations and business relationships. In addition, we are looking to make an impact on the financial sector as a whole and on society at large. Sometimes, we merely want to share our learnings. At other times, we work hard to use our leverage and drive meaningful change, for example in government policy. We seek to do so for all of the bank's four roles.



Service provider



Employer



Lender



Investment services provider

Joining forces to identify human trafficking

Since 2015, ABN AMRO has been working on a project with the Inspectorate of the Dutch Ministry of Social Affairs and Employment (Inspectorate SZW) and the University of Amsterdam (UvA) with the aim of sharing knowledge to identify human trafficking.

A specialist team in our Security & Integrity Management Department uses search queries to look for possible indications of human trafficking in our bank data. If we identify a sign that might point to human trafficking, we do additional research and report any unusual transactions to the Financial Intelligence Unit (FIU). The FIU, which is an independent organisation, assesses whether the investigating authorities, such as the police or the Inspectorate SZW, should take action. Searching for unusual transactions and reporting them to the FIU is common practice for any bank. But in this joint project to combat human trafficking, our focus is on potential victims. Our search parameters include indicators that point towards labour exploitation. Since the project's launch,

we have identified multiple potential cases. Going forward, we are looking to extend our monitoring efforts to include companies in high-risk sectors for human trafficking, such as construction, agriculture and transportation. Meanwhile, we are also keeping tabs on new employment structures that could be a sign of exploitation, as identified by the Inspectorate SZW. In the summer of 2018, for instance, we defined a new indicator that alerts us to exploitation through employment structures involving pseudo-self-employed workers. The new indicator has since helped us uncover one situation, which we reported to the FIU. The project group aims to implement this type of partnership at other banks as well.

Stronger together

"Our partnership shows that the lines separating government, business and NGOs are blurring. Policies are increasingly developed in cooperation with different actors, and based on knowledge from real-life situations. Simply by joining forces, we have made great strides in a relatively short time. If other banks join, we can make enormous progress, not just in terms of wiping out human trafficking, but also when it comes to other social challenges. By sharing knowledge and expertise, and by giving one another a look behind the scenes as needed, we can achieve better results."

Stef de Vries, Inspectorate of the Dutch Ministry of Social Affairs and Employment



The bank speaks out about an LGBT+ court case in Hong Kong

From its Hong Kong office, ABN AMRO regularly promotes gay rights in the city, supporting events including Pink Dot, The Economist Pride and Prejudice conference and the Hong Kong Gay Games 2022. Together with eleven other international banks, ABN AMRO tried to influence the outcome of a case before the Hong Kong Court of Appeal in 2017. The case centred on the refusal of a dependant visa issued to foreign same-sex spouses and civil union partners. The Hong Kong immigration authorities had rejected the application of a lesbian couple, married in the UK, because it did not recognise the partner as a legal spouse.

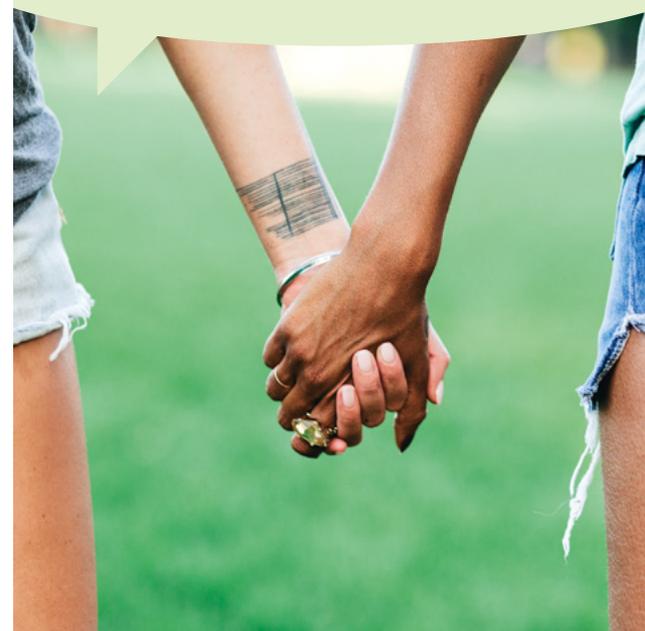
After a long legal battle, the lower court sided with the UK couple. But the Hong Kong government appealed against the ruling, which was overturned. In last instance, the Court of Final Appeal ruled that the earlier judgement had to be upheld. This ruling

is final and cannot be reversed. Never before have so many stakeholders in the financial world publicly and unequivocally expressed their support of LGBT+ rights in Hong Kong. This is a great success, which will benefit numerous people.

Nobody should have to pretend to be someone else

"It's not against the law to be gay in Hong Kong, but it's not generally accepted either. Many employees, especially those working for local businesses and institutions, are afraid to be open about their sexual orientation. They have to pretend to be straight or single and hide from those they work with their real relationship with the man or woman with whom, in many cases, they've been for years. In Hong Kong, we want to help change this, and we're proud that the bank supports us in our efforts."

Simone Blommestijn, Former Legal Country Head of ABN AMRO in Hong Kong



Important political breakthroughs for people with disabilities

2018 was an eventful year for people with disabilities as the topic gained traction in Dutch politics. In April, a political decision was taken: people with disabilities and a higher education qualification would now be included in the hiring quota as well. This is a crucial development for companies where the overwhelming majority of employees are highly educated – and even more important for the people themselves.

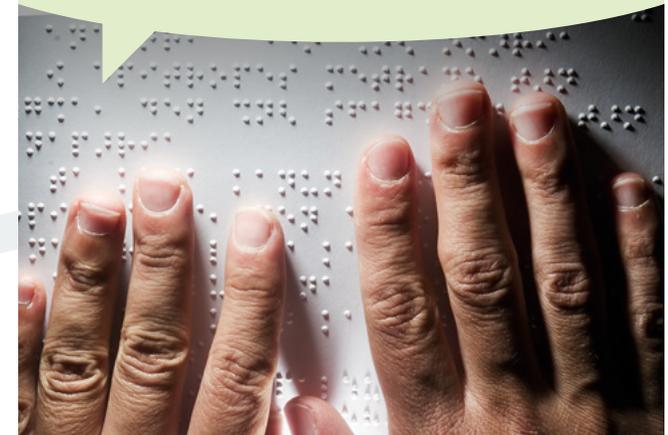
In September 2018, the Dutch government announced it was abandoning plans to allow businesses to pay people with disabilities less than the minimum wage. It had been suggested that those whose income would consequently fall below the minimum social assistance benefit level could apply for an additional benefit from the municipal authorities. These plans for so-called *loondispensatie* met with strong political opposition

and caused an outcry across the spectrum of people with disabilities. Although ABN AMRO is among the companies who pay people with disabilities a full salary, several people within the bank joined the opposition to get these government plans cancelled. The plans would have dramatically restricted opportunities for many people with disabilities to even gain employment, let alone a full salary.

A political lobby for equal opportunities and pay

“At a company such as ABN AMRO, 92% of employees are highly qualified. Under the proposed new legislation, people with disabilities and a higher education would not have counted towards fulfilling the hiring quota. As such, this group of people would have had their job security jeopardised because employers would no longer need to employ them to meet the legal requirement. Thankfully, those plans have been abandoned. I fought tirelessly for four years for what I believe is the only right outcome of this situation, so you can imagine my relief when in April 2018 they announced the good news. Then in September 2018 the government also abandoned its *loondispensatie* plans. We stood up for equal opportunities and equal pay, and respect for people with a disability is important too. We do not accept them being dismissed as an inferior group. We are normal people who should have the same chances and be paid normally for the normal jobs we do. Both are important victories in many ways.”

Sven Romkes, Diversity & Inclusion Project Officer at ABN AMRO



Banks unite behind Responsible Ship Recycling Standards

Recycling practices at the end of a ship's economic life can have major social and environmental impacts. As ABN AMRO focuses on financing recently built ships, we can only exert our influence at the beginning of the value chain. A few years ago, we teamed up with two other Dutch banks – NIBC and ING – to help mitigate the adverse effects of ship demolition. This resulted in 2017 in the Responsible Ship Recycling Standards (RSRS), an initiative created in collaboration with NGOs Bellona Foundation, Transparency International, Shipbreaking Platform and the Dutch trade union federation FNV.

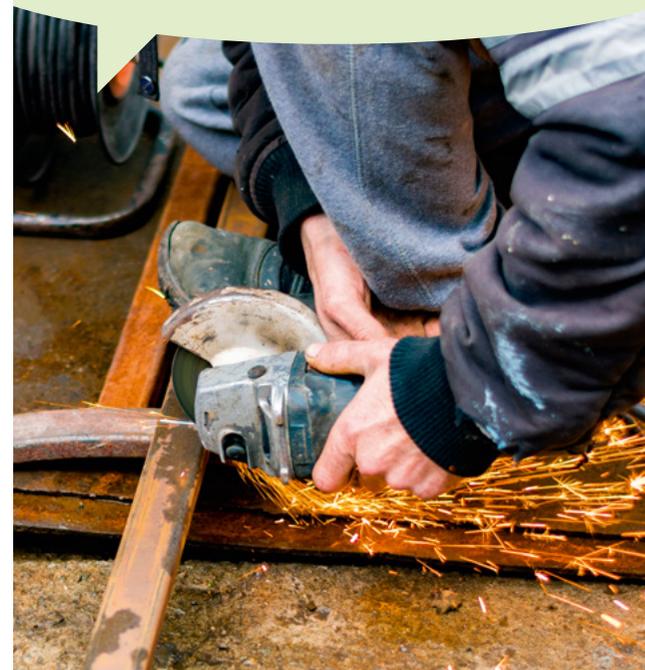
For every shipping loan participating banks approve, clients pledge to abide by the provisions of the loan agreement. This includes maintaining an inventory of hazardous materials (IHM) and recycling the ship in a sustainable way at the end of its life. The IHM lists the materials used in the ship itself and the equipment on board that could pose a threat to public health or the environment. For example, the IHM indicates not only that a ship contains asbestos, but also its exact location in the ship so that the right preventative measures can be taken during disassembly.

Five other banks have joined the RSRS initiative. During annual meetings, we discuss progress and ideas for expanding the scope of the standards, for example to include labour conditions during the construction phase. The RSRS apply to all ship financing transactions, but ABN AMRO also has clients who operate vessels that are not financed by the bank. Although our leverage to demand an IHM for those ships is limited, we can take up the issue with clients as our ambition goes beyond ship financing alone. We have updated our transportation policy to require clients to commit to responsible recycling, and are considering extending this requirement to other sectors, such as energy.

A client's perspective on responsible recycling

"Heerema Marine Contractors (HMC) believes in responsible ship recycling because it's the right thing to do. We're intrinsically motivated and aim to act sustainably because we want to, not because we have to. It was this vision that led to the recycling of the SSCV Hermod, one of the world's largest crane vessels ever. From the start of this project, our goal was to ensure that recycling the SSCV Hermod would be done in a safe and environmentally friendly way, with fair labour conditions for the workforce. With the help of Grieg Green, a provider of green recycling solutions, we were able to do just that: a responsible recycling operation reflecting HMC's sustainable values. Heerema is proud to be able to contribute to a sustainable future for ship recycling."

Vincent Doedee, Sustainability Advisor, HMC



Sharing takeaways on the exclusion of tobacco with other financial institutions

When working towards the exclusion of tobacco from our lending (2017) and investment services (2018), we collaborated closely with global advocacy and not-for-profit organisation Tobacco Free Portfolios (TFP) and the Dutch Heart Foundation. ABN AMRO supports the Dutch government's objective of a smoke-free generation. Excluding tobacco manufacturers from lending and our investment universe for advisory services and discretionary portfolio management is certainly not all we do to help meet this goal.

In April 2018, we organised a round-table discussion for the financial sector with TFP. The event was hosted by the CEO of our Private Banking business. Together with other banks, insurance companies and pension funds, we shared experiences and discussed key issues relating to ending involvement with the tobacco industry. By addressing dilemmas and sharing

takeaways we aim to help others take action. This is also a key element of the Tobacco-Free Finance Pledge, an initiative launched by TFP in September 2018. The Pledge has more than 100 founding signatories, jointly representing over 8.8 trillion US dollars in corporate loans, insurance premiums and assets under management across the globe.

Working towards a smoke-free generation

"We're happy that ABN AMRO supports the ambition of a smoke-free generation. Smoking is by far the single most avoidable cause of disease and death in the Netherlands. Hundreds of children still get addicted to tobacco every week. That's unacceptable. The Smoke-free Generation initiative aims to enable children to grow up in a world without tobacco. It's great to see that ABN AMRO supports this goal and has taken important steps towards achieving it, for example by excluding tobacco from its financing activities and investment universe. Additionally, ABN AMRO is one of the signatories to the National Prevention Agreement, which proposes measures to create a smoke-free generation by 2040. This would mean having a generation of children that don't, or will never smoke. With these actions, ABN AMRO is blazing the trail and setting an example for the rest of the financial world."

Floris Italianer, Director of the Dutch Heart Foundation



Our human rights programme (2011 - 2018)

2011

- ▶ UN Guiding Principles for Business and Human Rights unanimously endorsed by the Human Rights Council

2012

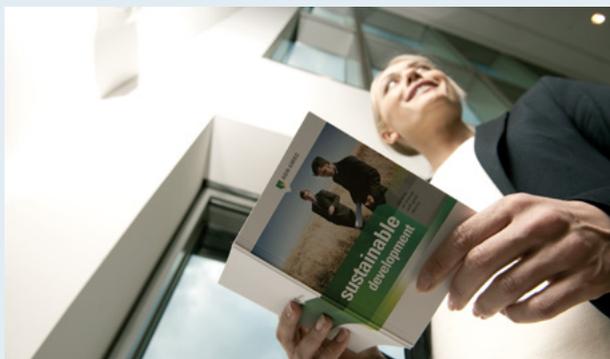
- ▶ Update ABN AMRO Human Rights Statement

2013

- ▶ Publication of Sustainable Fashion Guide

2014

- ▶ Membership of Shift's Business Learning Program
- ▶ Human rights become one of the focus themes of the bank's sustainability strategy
- ▶ First Fair Fashion workshop for corporate clients
- ▶ First International Human Rights Conference



2015

- ▶ Human rights programme endorsed by Managing Board
- ▶ First stakeholder dialogue on impact of lending and investment services
- ▶ Publication of Sustainable Diamond Jewellery Guide 'Towards a sustainable value chain'
- ▶ True Price analysis of ABN AMRO's role in the cocoa value chain
- ▶ Start of Partnership Global March against Child Labour
- ▶ Identification of bank-wide salient human rights issues
- ▶ Second International Human Rights Conference with Nobel Peace Prize winner Kailash Satyarthi
- ▶ Publication of ABN AMRO Human Rights Guide
- ▶ Stakeholder dialogue on child labour and human trafficking
- ▶ Start of partnership to identify indicators of human trafficking
- ▶ International Framework Agreement signed with FNV and UNI Global Union



2016

- ▶ Workshop on land-related rights for commercial bankers
- ▶ Comprehensive update sector policies
- ▶ Supplier Code of Conduct adopted
- ▶ Salient human rights issues in ABN AMRO's Integrated Annual Report 2015
- ▶ ABN AMRO joins the Dutch Banking Sector Agreement on Human Rights (DBA)
- ▶ Third International Human Rights Conference on the DBA
- ▶ Stakeholder dialogue on labour exploitation in the Netherlands



2017

- ▶ Publication of first Human Rights Report 'Responsible banking in practice'
- ▶ Membership Mekong Club
- ▶ Start of the Responsible Ship Recycling Standards
- ▶ Mapping human rights risks copper value chain
- ▶ True Price analysis of the diamonds value chain
- ▶ Living wage requirements in mining, manufacturing and transportation policies
- ▶ Human rights workshops in Singapore for Asian clients and employees
- ▶ Publication of Privacy Statement
- ▶ Start of general human rights training for Dutch employees
- ▶ Start of Reboot Initiative
- ▶ CEO responsible for human rights programme
- ▶ Impact banking transaction for smallholder coffee farmers in Uganda
- ▶ Sustainable investments default option for Dutch investors
- ▶ Fourth International Human Rights Conference with Kate Gilmore and Siddharth Kara

2018

- ▶ Publication of Human Rights Update 'Standing up for Human Rights'
- ▶ ABN AMRO joins Advisory Panel on Responsible Banking of the Dutch Banking Association
- ▶ Publication of Modern Slavery Statement
- ▶ Integration of human rights in Compliance Code of Conduct for ABN AMRO employees
- ▶ Seminar 'Growing up in Poverty'
- ▶ Introduction of financial coaches for elderly clients
- ▶ Labour rights self-assessment for branches abroad and IT suppliers
- ▶ Fair Fashion Seminar for fashion and retail clients
- ▶ Start of Diversity Circles
- ▶ Publication of Sustainability Risk Policy for Investment
- ▶ Sustainable banking central to ABN AMRO's business strategy and purpose
- ▶ Engagement strategy for lending and investment services formalised
- ▶ UN Standards of Conduct against discrimination of LGBTI community endorsed
- ▶ Start of long-term programme to help people with disabilities find a job at ABN AMRO
- ▶ Sustainability impact reports for investment clients
- ▶ Publication of DBA cocoa value chain mapping

- ▶ Human rights training for ABN AMRO's senior management
- ▶ Publication of listed companies on the Controversial Weapons List
- ▶ Stakeholder dialogue on human rights statement, governance and reporting
- ▶ Tobacco-Free Finance Pledge endorsed
- ▶ Financial sector round table with Tobacco-Free Finance
- ▶ Symposium on 'vulnerable clients'
- ▶ Cooperation with Oxford University on sustainable investments
- ▶ Fifth International Human Rights Conference 'Innovations in human rights due diligence'
- ▶ Statement Supporting Civic Freedoms, Human Rights Defenders and the Rule of Law endorsed

2019



Future steps

In the coming years we will continue our work to embed respect for human rights in our operations and business relationships. Three themes will be leading: salience, leverage and grievances.

Refining our salient issues

We last identified our salient human rights issues in 2015. A list of four issues emerged from internal and external consultations: privacy, discrimination, labour rights and land-related human rights. Much has happened since. In 2019 we will further refine our salient issues in order to better prioritise and address where ABN AMRO faces the biggest risk of negatively impacting people.

Discrimination, for example, has different meanings in the bank's different roles. This report therefore makes a distinction between equal access to financial services for our clients in our role as a service provider and workplace equality for our employees in our role as an employer. With regard to the former, we explain our efforts to provide better services for three groups of potentially vulnerable clients: people with debt problems, elderly people needing financial assistance and non-governmental organisations. In the past two years, we have created initiatives in multiple areas to help such groups of

vulnerable clients, often initiated by our employees and responding to concrete issues they faced in their daily work. Our client panels and surveys also serve as a key source for such initiatives, as a result of which we have put in place financial coaches, developed special webpages, engaged with external stakeholders and established internal working groups.

We now need to make sure that we pull all these initiatives together into a larger strategic plan with a clear vision for the future. We want to gain a better idea of the groups of vulnerable clients that we serve: we want to know who they are, what makes them distinct from other groups, and what we can do to help them. That is the way forward, the way we can arrive at a service that all our clients – regardless of their vulnerable situation – experience as accessible and safe. In 2019 we will engage with internal and external stakeholders to help us create an integrated strategy for vulnerable clients, i.e. a strategy that demarcates

our policy framework, that prioritises our activities and lays the foundation for measurable results. By arriving at our strategy by way of real-life initiatives, we work bottom-up from practice to theory.

Our efforts to refine our salience analysis will also cover the bank's other roles. As an investment services provider, for example, we have expanded our engagements from company engagements based on UN Global Compact breaches to thematic engagements with companies and external asset managers. ABN AMRO Investment Solutions is reviewing its voting profile, which contains guidelines for voting on human rights and other ESG issues at shareholder meetings. The refined analysis will help set engagement priorities and identify other ways of preventing and mitigating adverse impacts on human rights.

From risk to leverage

Effective management of our salient issues depends firstly on the successful identification of human rights risks. This is especially true for all roles in which we are not directly in touch with the people we affect – when we do business with IT suppliers, when we lend money to corporate clients, and when we provide investment advice. But the main challenge is to build leverage with the companies that are in the best position to effect meaningful change.

A willingness to engage is more important than a clean track record. While we are often urged to focus on our red lines and provide examples of companies that we do not want to do business with, this is not what is most important to ABN AMRO. A common misunderstanding is that banks only have leverage before they enter into a business relationship. In fact, leverage is often built during a business relationship. In 2018, the Dutch Banking Sector Agreement on Human Rights published a first report on how banks increase and use their leverage

in the context of corporate lending and project finance. At ABN AMRO, we continue to put this question at the heart of our human rights programme. For example, we held a number of workshops in 2018 in which we discussed clients who face significant human rights challenges. The goal was to have an in-depth dialogue with relationship bankers and human rights experts with a view to developing new strategies for engagement. In 2019, we will start implementing the lessons learned in our policy framework, GSRI tool and engagement plans.

Focusing more on our clients' ability and willingness to improve their human rights performance may lead to less detailed sector policies. In our efforts to be as concrete and objective as we possibly can, we have put in place very comprehensive policies that we require our corporate clients to adhere to. But more is not necessarily better. We do not want ABN AMRO's human rights due diligence to be a tick-the-box exercise, in which we assume that compliance with our minimum standards and benchmark

criteria is the same as respecting human rights. Every sector and every client may face different salient human rights risks. And while it is important to engage with companies that lag behind, industry leaders also face challenges. We want to help all our clients take the next step in their transition towards more sustainable business practices. For some, this may be the adoption of a first human rights policy; for others this means the implementation of a comprehensive action plan on living wages. Such a tailor-made approach provides more opportunities to effect change. Focusing on continuous improvement rather than on compliance requires a better assessment of ABN AMRO's leverage over its clients, as well as our clients' leverage in the countries and value chains in which they operate. This approach will be relevant not only to our corporate clients, but also to our IT suppliers and their subcontractors.

Dilemma



Shared financing, shared responsibility?

Companies are often financed by so-called syndicated loans. This means that a loan is provided by more than one bank. While some banks take a leading role in a syndicate, others merely participate.

The leverage of the participating banks to demand strict legal clauses on such issues as human rights is very limited. When dealing with syndicated loans, it is important not only to involve our clients in the grievance procedure, but to also include other banks. What if, for example, the banking group as a whole contributed to the adverse impact? The Equator Principles Association provides a common due diligence framework to overcome difficulties in the context of syndicated project financing. Should there be a similar organisation or mechanism to deal with grievances from affected stakeholders for regular corporate lending?

Working towards a human rights grievance mechanism

As explained in the section on our role as a lender, banks have different roles to play when it comes to enabling effective remedy for people whose human rights have been violated. Our main objective is to engage with our clients on the availability and effectiveness of their operational-level grievance mechanisms. Remedy is best sought close to where the impact occurred. This should guarantee early and direct redress by the company that is primarily responsible for this impact.

In some cases, ABN AMRO should do more. According to the UNGPs, when companies become aware that they have caused or contributed to adverse human rights impacts, they should provide for or cooperate in their remediation through legitimate processes. This could mean that we cooperate with our clients in a remediation process, or that we cooperate in a legitimate external process, such as the OECD National Contact Point Procedure. Alternatively, we could provide for remedy through a process we set up ourselves.

Our current grievance channel is open to everybody, including, for example, local communities whose land rights were infringed upon in the context of a project financed by ABN AMRO. When receiving such complaints, we need to determine our responsibility and ability to contribute to remediation.

In 2019, we will take a first step towards establishing an independent bank-level grievance mechanism, open to affected stakeholders and their legitimate representatives. Various issues need to be resolved before the mechanism can be launched. We need to address the following questions:

- ▶ What are the main obstacles to establishing an effective bank-level mechanism, and how can we overcome these obstacles?
- ▶ How can we reconcile the legal requirements on client confidentiality with the need for a legitimate and transparent procedure?
- ▶ What can we do if a client is unwilling to cooperate in the procedure?
- ▶ How transparent should we be during and after the procedure, also taking privacy into account?
- ▶ How can a single bank's grievance mechanism be used in syndicated financing?

We will conduct internal and external consultations to answer these questions and set up a bank-level grievance mechanism. We will also revisit our grievance procedure for indirect employees, as explained in the section on our role as an employer.

In short

Over the next two years, we will be working to:

- ▶ Refine our salience analysis, paying more attention to the position of vulnerable groups (including a gender perspective) and set priorities for each of the bank's four roles
- ▶ Revise the voting profile for voting at shareholder meetings
- ▶ Resolve the issues that our IFA self-assessment has brought to light
- ▶ Integrate the lessons from the Dutch Banking Sector Agreement on Human Rights into our internal policies and procedures
- ▶ Start piloting with new ways of human rights due diligence to improve our communications with affected stakeholders
- ▶ Keep track of political developments that may restrict civic freedoms or otherwise impact our ability to respect human rights
- ▶ Assess ABN AMRO's leverage over its clients and other business relationships
- ▶ Increase transparency by requesting clients' consent to disclose more details about their relationship with ABN AMRO in the context of project finance and engagement procedures
- ▶ Enhance our due diligence procedure for financial institutions
- ▶ Take a first step towards a bank-level grievance mechanism and take a closer look at the grievance mechanisms of our clients and other business relationships



References

The UNGP Reporting Framework Index

The table below details the criteria of the UNGP Reporting Framework and where relevant material can be found.

To keep this Human Rights Report as concise and relevant as possible, it also includes references to other sources.

Criterion	Reporting principle	Where to find it	UNGP RF reference
Governance	Governance of respect for human rights		A
Policy commitment	What does the company say publicly about its commitment to respect human rights?	Human Rights Statement Modern Slavery Statement Human Rights Report 2016, p. 2 Human Rights Update 2017, p. 4-5 Human Rights Report 2018, p. 1, 4	A1
Embedding respect for human rights	How does the company demonstrate the importance it attaches to the implementation of its human rights commitment?	Human Rights Report 2016, p. 9, 26-27 Human Rights Update 2017 Human Rights Report 2018, p. 8-9, 15-16, 17, 19-21, 23, 25, 27, 37-38, 40, 48-54	A2
Reporting focus	Defining the focus of reporting		B
	Statement of salient issues	Human Rights Report 2018, p. 10-11	B1
	Determination of salient issues	Human Rights Report 2016, p. 8 Workshop on Salient Human Rights Issues	B2
	Choice of focal geographies	Not applicable	B3
	Additional severe impacts	Human Rights Report 2018, p. 32, 44-45, 52-55, 61, 64	B4
Management salient issues	Management of salient human rights issues		C

Criterion	Reporting principle	Where to find it	UNGP RF reference
Specific policies	Does the company have any specific policies that address its salient human rights issues?	Sustainability Risk Policy Sustainability Risk Management Framework Privacy Statement and Binding Corporate Rules Code of Conduct International Framework Agreement Human Rights Report 2018, p. 14-15 , 23-24 , 27-28 , 32-33 , 41 , 43 , 45 , 60	C1
Stakeholder engagement	What is the company's approach to engagement with stakeholders in relation to each salient human rights issue?	Stakeholder dialogue reports Human Rights Report 2016, p. 8 , 13-14 , 19 , 22 , 31 Human Rights Report 2018, p. 6-9 , 11 , 15 , 20 , 23-24 , 26-27 , 30-31 , 33-36 , 39 , 52-53 , 58-59	C2
Assessing impacts	How does the company identify any changes in the nature of each salient human rights issue over time?	Human Rights Report 2016, p. 12-13 , 15 , 20-21 , 24-30 , 34-36 Human Rights Update 2017, p. 7 , 10 , 13 , 16 , 20 , 22 , 25 Human Rights Report 2018, p. 14-17 , 19-22 , 25-26 , 29-31 , 34-35 , 39-40 , 45-47 , 53 , 64	C3
Integrating findings, taking action	How does the company integrate its findings about each salient human rights issue into its decision-making processes and actions?	Human Rights Report 2016, p. 12-13 , 16 , 18 , 21-22 , 27 , 31 , 36-37 Human Rights Update 2017, 8 , 11 , 14 , 17 , 20 , 22 , 25 Human Rights Report 2018, p. 8-9 , 15-17 , 19-20 , 22 , 25-26 , 28 , 30-31 , 34-37 , 39 , 40-42 , 45-46 , 48-55 , 57-61 , 66	C4
Tracking performance	How does the company know if its efforts to address each salient human rights issue are effective in practice?	Human Rights Report 2016, p. 17 , 22 , 27 , 35-37 Human Rights Report 2018, p. 23 , 25-26 , 28-29 , 30-31 , 38-40 , 42 , 45-47 , 52	C5
Remediation	How does the company enable effective remedy if people are harmed by its actions or decisions in relation to a salient human rights issue?	Human Rights Report 2016, p. 17 , 38-39 Human Rights Report 2018, 17 , 23 , 25-26 , 39 , 43 , 45 , 66	C6

List of abbreviations

AML/TF	Anti Money Laundering and Terrorism Finance
Bpf MITT	Pension Fund for the Fashion, Furnishing, Carpet and Textile Industry
BCR	Binding Corporate Rules
CWL	Controversial Weapons List
DBA	Dutch Banking Sector Agreement
DPM	Discretionary Portfolio Management
EP	Equator Principles
ESG	Environmental, Social and Governance (criteria)
ETE	Energy Transfer Equity (parent company of ETP)
ETP	Energy Transfer Partners
FPIC	Free, Prior and Informed Consent
GDPR	General Data Protection Regulation
GSRI	Global Sustainability Risk Index
IEL	Investment Exclusion List
IFA	International Framework Agreement
IHM	Inventory of hazardous materials
LGBT+	Lesbian, gay, bisexual, transgender plus other gender and sexual identities
NGO	Non-governmental organisation
PDP	Personal Data Policy
PME	Pension Fund of the Metal and Electrical Engineering Industry
PMT	Metal and Engineering Industry Pension Fund
RSPO	Roundtable on Sustainable Palm Oil
RSRS	Responsible Ship Recycling Standards
SDGs	(United Nations) Sustainable Development Goals
UN	United Nations
UNGP	United Nations Guiding Principles

General background information

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Declaration of Amsterdam	workplacepride.org
Diversity Charter	diversitycharter.org
Dutch Banking Sector Agreement on International responsible business conduct regarding human rights	imvoconvenanten.nl/banking?sc_lang=en
Equator Principles	equator-principles.com/about
EU Regulation on Ship Recycling	shipbreakingplatform.org/european-laws-and-guidelines
Foundation for Banking Ethics Enforcement	tuchrechtbanken.nl/about-us
Hong Kong Convention	imo.org/en/About/Conventions/ListOfConventions/Pages/The-Hong-Kong-International-Convention-for-the-Safe-and-Environmentally-Sound-Recycling-of-Ships.aspx
Human Rights Defenders and the Rule of Law	business-humanrights.org/sites/default/files/Statement_Public_v2.pdf
Paris Agreement on Climate Change	unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement
Principles of Responsible Investment	unpri.org
UN Global Compact	unglobalcompact.org
UN Guiding Principles on Business and Human Rights	ohchr.org/Documents/Publications/GuidingPrinciples/BusinessHR_EN.pdf
UN Guiding Principles Reporting Framework	ungpreporting.org
UN Tobacco-Free Finance Pledge	unepfi.org/psi/tobacco-free-finance
Universal Declaration of Human Rights	un.org/en/universal-declaration-human-rights

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ANBO: General Dutch Association for the Elderly	anbo.nl
ASN Bank	asnbank.nl/home.html
Bellona Foundation	bellona.org
Business and Human Rights Resource Centre	business-humanrights.org
Ctalents	ctalents.nl
Dutch Alzheimer Foundation	alzheimer-nederland.nl
Dutch Heart Foundation	hartstichting.nl
Dutch Social and Cultural Planning Office	scp.nl
Dutch Talent to the Top foundation	talentnaardetop.nl
EcoVadis	ecovadis.com
European Banking Federation	ebf.eu
Emma at Work	emma-at-work.nl
Fira	fira-verificatie.nl/modules-sustainable-procurement
FMO: Dutch Development Bank	fmo.nl
FNV: Dutch Trade Union Federation	fnv.nl

FIU: Financial Intelligence Unit	fiu-nederland.nl
Global March against Child Labour	globalmarch.org
Heerema Marine Contractors (HMC)	heerema.com
Human Rights Council	ohchr.org/en/hrbodies/hrc/pages/home.aspx
Human Security Collective	hscollective.org
IDH: Sustainable Trade Initiative	idhsustainabletrade.com
ING	ing.com
Inspectorate SZW: Inspectorate of the Dutch Ministry of Social Affairs and Employment	inspectieszw.nl
ISS	issgovernance.com
Kifid: Dutch financial services complaints tribunal	kifid.nl
MN: Pension Insurance company	mn.nl/en
National Institute for Family Finance Information (Nibud)	nibud.nl
Neumann Kaffee Gruppe	nkg.net

NIBC	nibc.com
Northern Trust Asset Management	northerntrust.com
OECD: Organisation for Economic Co-operation and Development	oecd.org/about
Onbeperkt aan de Slag	onbeperktaandeslag.nl
PLWF: Platform Living Wage Financials	livingwage.nl
Pride Amsterdam	pride.amsterdam
Refrisk	refrisk.nl
Shift	shiftproject.org/
Shipbreaking Platform	shipbreakingplatform.org
The Mekong Club	themekongclub.org
TIMBY	timby.org
Tobacco Free Portfolios	tobaccofreeportfolios.org
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True Price	trueprice.org
Uni Global Union	uniglobalunion.org
United Nations (UN)	un.org
University of Amsterdam (UvA)	uva.nl
University of Oxford	ox.ac.uk

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