

Dutch Banks: Commitments and Progress

A research paper prepared for the
Eerlijke Bankwijzer (Fair Bank Guide
Netherlands)

EerlijkeBankwijzer®



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Dutch Banks: Commitments and Progress

**A case study about commitments made by
Dutch banks in previous case studies**

**A research paper prepared for the
Eerlijke Bankwijzer (Fair Bank Guide
Netherlands)**

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Samenvatting

Het *Praktijkonderzoek Toezeggingen* richt zich op toezeggingen van Nederlandse bankgroepen die zijn gedaan naar aanleiding eerdere praktijkonderzoeken, door de Eerlijke Bankwijzer gepubliceerd in de periode 2009 tot 2013. Het voorliggende praktijkonderzoek beschrijft relevante en meetbare stappen die door Nederlandse banken zijn ondernomen, in lijn met de aanbevelingen in de praktijkonderzoeken.

De praktijkonderzoeken hadden betrekking op de volgende onderwerpen:

- Controversiële wapens en controversiële wapenhandel (2009 en 2013)
- Duurzame energieopwekking (2010 en 2012)
- Arbeidsrechten in de kledingindustrie (2010)
- Delfstofwinning en mensenrechten (2011 en 2013)
- Dierenwelzijn (2011 en 2013)
- Transparantie en verantwoording (2011 en 2013)
- Buitenlandse landverwerving (2012)
- Scheepsslopen (2012)

Tijdens de onderzoeksfase van een viertal praktijkonderzoeken - tweede praktijkonderzoek delfstofwinning en mensenrechten (2013), dierenwelzijn en veetransport (2013), buitenlandse landverwerving (2012) en scheepsslopen (2012) - is de banken expliciet gevraagd om toezeggingen dat zij instrumenten zullen ontwikkelen en gebruiken om de Environmental, Social and Governance (ESG) risico's die in het onderzoek naar voren kwamen aan te pakken. In andere praktijkonderzoeken deden banken meer impliciete toezeggingen, ook zonder dat dit hen expliciet gevraagd was.

Voor het huidige praktijkonderzoek hebben we de banken gevraagd of zij hun eerdere - expliciete en impliciete - toezeggingen hebben nageleefd. Daarnaast hebben we gevraagd naar eventuele aanpassingen van het beleid en hebben we informatie van banken in de praktijkonderzoeken opgevolgd.

Dit praktijkonderzoek richt zich op tien bankgroepen, actief op de Nederlandse markt, die momenteel vallen binnen de onderzoeksgroep van de Eerlijke Bankwijzer:

- ABN Amro Bank
- Aegon
- ASN Bank
- Delta Lloyd
- ING
- NIBC
- Rabobank
- SNS Reaal
- Triodos Bank
- Van Lanschot

Op basis van een analyse van de mate waarin de (impliciete en expliciete) toezeggingen van de banken zijn nageleefd en overige vervolgstappen van de banken, kunnen we het volgende concluderen:

In reactie op praktijkonderzoeken zijn banken bereid om toezeggingen te doen

Wanneer in de praktijkonderzoeken tekortkomingen werden geconstateerd in het beleid van banken of in de instrumenten die zij gebruiken om ervoor te zorgen dat de bedrijven waarin zij investeren aan hun criteria voldoen, bleken verschillende banken bereid te zijn om verbeteringen toe te zeggen. Dergelijke expliciete toezeggingen werden door de Eerlijke Bankwijzer gevraagd in vier case studies: tweede praktijkonderzoek delfstofwinning en mensenrechten (2013), dierenwelzijn en veetransport (2013), buitenlandse landverwerving (2012) en scheepsslopen (2012). Daarnaast deden banken ook toezeggingen in reactie op andere case studies. In totaal werden er door 6 banken 14 expliciete en impliciete toezeggingen gedaan in reactie op de volgende praktijkonderzoeken: delfstofwinning en mensenrechten (2011 en 2013), wapens (2009 en 2013), buitenlandse landverwerving (2012) en scheepsslopen (2012).

Banken die toezeggingen deden, deden dit ieder naar aanleiding van maximaal vier praktijkonderzoeken. Sommige banken deden geen enkele toezegging. In veel gevallen kan het gebrek aan toezeggingen worden verklaard door het feit dat banken hoog scoorden in de praktijkonderzoeken en er geen noodzaak was om hun beleid te verbeteren. Maar in een aantal gevallen deden banken ook geen toezeggingen ondanks het feit dat in het praktijkonderzoek op tekortkomingen werd gewezen.

Wat leidt tot aantoonbare verbeteringen

Een aantal banken heeft duidelijke stappen voorwaarts gezet in reactie op de 13 praktijkonderzoeken. De meeste toezeggingen van de banken zijn opgevolgd. Ook als hen niet expliciet om een toezegging was gevraagd hebben banken de aandachtspunten en aanbevelingen uit de praktijkstudies opgevolgd. Praktijkonderzoeken werden vaak begeleid door leerbijeenkomsten, georganiseerd door de Eerlijke Bankwijzer, en door bilaterale bijeenkomsten tussen banken en aangesloten organisaties bij de Eerlijke Bankwijzer. Hierdoor kregen banken veel praktische informatie over een bepaald onderwerp en over standaarden en initiatieven om problemen en misstanden aan te pakken. Deze discussies en informatie hielpen de banken om hun beleid op het gebied van verantwoord beleggen en de toepassing ervan te versterken.

De Rabobank heeft bijvoorbeeld een stap voorwaarts gezet door investeringen aan bedrijven die zijn betrokken bij de productie van controversiële wapens of bij controversiële wapenhandel stop te zetten. Naar aanleiding van het onderzoek buitenlandse landverwerving, integreerde ABN Amro Bank het principe van vrije, voorafgaande en geïnformeerde toestemming voor alle lokale gemeenschappen in haar uitsluitingslijst. Aegon vervolgde haar engagement met de mijnbouwbedrijven Barrick Gold, Shell en Vedanta Resources - alle betrokken bij ernstige schendingen van de mensenrechten - wat uiteindelijk leidde tot uitsluiting van twee van de drie bedrijven: Barrick Gold en Vedanta Resources. In haar onlangs herziene beleid op het gebied van dierenwelzijn heeft Delta Lloyd een norm gesteld (maximaal 8 uur) ten aanzien van de transportduur van levende dieren.

Maar de praktische resultaten zijn niet altijd meetbaar

Dit praktijkonderzoek laat zien dat banken stappen voorwaarts hebben gezet in reactie op de praktijkonderzoeken, door te voldoen aan de formele toezeggingen en door andere vormen van follow-up. Echter, de praktische resultaten van deze stappen zijn niet altijd meetbaar. Het blijft bijvoorbeeld onduidelijk of de beleggingen van de banken (leningen, verzekeringen, beleggingen in aandelen en obligaties) in bedrijven die betrokken zijn bij omstrede buitenlandse landverwerving is gedaald, of scheepvaartbedrijven effectief worden aangespoord om te zorgen voor een verantwoorde manier van het slopen van schepen en wat de resultaten zijn geweest van engagement en dialoog met bedrijven, actief in delfstofwinning, over mensenrechten.

Een belangrijke reden voor het ontbreken van meetbare resultaten is het gebrek aan transparantie van veel banken op indicatoren die kunnen worden gebruikt om de voortgang van banken te meten op het gebied van bijvoorbeeld arbeidsrechten, klimaatverandering en dierenwelzijn:

- In welke bedrijven investeert de bank of - wanneer de bank geen namen van klanten wil openbaren omdat dat, bijvoorbeeld, niet is toegestaan door regelgeving - in welke sectoren, industrieën en landen investeert de bank?
- Met welke bedrijven heeft de bank een engagementtraject lopen, wat waren de resultaten en hoe worden deze resultaten vastgelegd en gecontroleerd (bijvoorbeeld door clausules in kredietovereenkomsten)?
- Welke bedrijven worden door de bank van investeringen uitgesloten?

Zolang de meeste banken onvoldoende transparant zijn over bovengenoemde onderwerpen, kan de waarde van hun toezeggingen en de stappen die zij naar aanleiding van de praktijkonderzoeken hebben ondernomen niet goed op hun praktische toepassing worden beoordeeld.

In sommige gevallen zijn de toezeggingen niet volledig opgevolgd

Uit dit praktijkonderzoek blijkt dat de banken hun gedane toezeggingen niet hebben genegeerd. Echter, ze zijn niet in alle gevallen volledig opgevolgd. Delta Lloyd bijvoorbeeld, heeft naar aanleiding van het praktijkonderzoek kernwapens (2013) toegezegd hun investeringen uit vier wapenbedrijven terug te trekken. In de praktijk deed zij dat bij twee van de vier bedrijven. ING beloofde om de dialoog met scheepvaartbedrijven in haar beleggingsportefeuille voort te zetten en dit te formaliseren in beleid. Maar twee en een half jaar na publicatie van het onderzoek heeft ING nog geen beleid gepubliceerd ten aanzien van het slopen van schepen.

Daarom zijn de oorspronkelijke aanbevelingen nog steeds relevant voor een aantal banken

Ter afsluiting van de eerdere conclusies - sommige maar niet alle banken zijn bereid om toezeggingen te doen, de praktische implicaties van toezeggingen zijn niet altijd meetbaar en niet alle toezeggingen zijn goed opgevolgd - kan een algehele conclusie worden getrokken: ondanks verbeteringen, zijn veel van de aanbevelingen in de onderliggende praktijkonderzoeken nog steeds relevant. Dit geldt zeker voor banken die zwak hadden gescoord in een aantal praktijkonderzoeken, niet of nauwelijks toezeggingen hebben gedaan en weinig verbeteringen hebben laten zien in de aanpak van hun tekortkomingen. De belangrijkste aanbevelingen van de voorgaande praktijkonderzoeken worden daarom hieronder samengevat, gegroepeerd op onderwerp:

- **Wapens**
 - Stop alle investeringen in bedrijven die controversiële wapens produceren en/of wapens verhandelen naar onder andere dictaturen en landen waar mensenrechtenschendingen plaatsvinden;
 - Pas het non-proliferatieverdrag toe naar letter en geest, door investeringen te vermijden in ondernemingen die kernwapens produceren en onderhouden, waar ook ter wereld;
 - Breid de toepassing van de uitsluitingscriteria uit naar alle directe en indirecte beleggingen in alle bedrijven die betrokken zijn bij de productie en ontwikkeling van (essentiële onderdelen van) kernwapens.

- **Hernieuwbare energie**
 - Zorg ervoor dat ten minste 67% van alle investeringen in de elektriciteitssector zijn gericht op hernieuwbare energiebronnen;
 - Wees transparant over de omvang van de investeringen in hernieuwbare energie, inclusief de verhouding tot investeringen in niet-hernieuwbare energie;
 - Bouw de investeringen in de productie, het transport en de verwerking van olie, gas en steenkool af.

- **Kledingindustrie**
 - Integreer voorwaarden over arbeidsnormen in kredietovereenkomsten, met inbegrip van controle op naleving en engagement in geval van onvoldoende naleving;
 - Zorg voor aantrekkelijke kredietvoorwaarden indien klanten lid zijn van multistakeholder-initiatieven en certificeringssystemen;
 - Wacht niet tot zich schokkende gebeurtenissen voordoen, zoals de tragische brand in Rana Plaza - Bangladesh, alvorens actie te ondernemen, maar pas het voorzorgsbeginsel om risico's op het gebied van arbeidsomstandigheden te vermijden.

- **Mensenrechten en landrechten**
 - Besteed bij het screenen van bedrijven in mijnbouw, bosbouw en landbouw, aandacht aan de impact van de activiteiten van het bedrijf op de mensenrechten van de inheemse bevolking en lokale gemeenschappen en pas daarbij het beginsel van vrije, voorafgaande en geïnformeerde toestemming (Free, Prior and Informed Consent - FPIC) toe voor alle lokale gemeenschappen;
 - Stel, voorafgaand aan een engagementtraject met een bedrijf, meetbare en tijdgebonden doelen vast, die in geval van gebrek aan resultaten, als laatste stap kan leiden tot uitsluiting van de betreffende onderneming;
 - Lidmaatschap van 'round tables' rondom grondstoffen als palmolie en soja is relevant voor zowel banken als hun klanten. Maar gezien de huidige tekortkomingen van verschillende 'round table' initiatieven worden banken aangemoedigd om hun lidmaatschap actief te gebruiken om de geldende normen voor bijvoorbeeld landrechten te verbeteren.

- **Scheepsslopen**
 - Ontwikkel beleid gericht op de scheepvaartsector dat rekening houdt met de volledige levenscyclus van schepen - hergebruik, ontmanteling en recycling -, en verwijs naar internationale regelgeving en vrijwillige normen in de scheepvaartsector, zoals de International Ship Recycling Association (ISRA) en het Sustainable Shipping Initiative;
 - Zoek aansluiting bij multistakeholder-initiatieven en zoek samenwerking met andere banken en bedrijven bij de ontwikkeling van screeningsmethoden en engagementprocessen met betrekking tot duurzame scheepsrecycling.

- **Dierenwelzijn**
 - Integreer voorwaarden over huisvesting van dieren in kredietovereenkomsten met klanten in de intensieve veehouderijsector;

- Stel voorwaarden met betrekking tot dierenwelzijn en maximale duur van veetransport in kredietovereenkomsten met klanten in de vlees- en transportsector.
- **Transparantie**
 - Wees transparanter over investeringen en leningen naar sectoren, industrieën en bedrijven;
 - Wees transparanter over engagementtrajecten met bedrijven, over de resultaten van engagement en hoe afspraken worden vastgelegd en bewaakt (bijvoorbeeld in kredietovereenkomsten);
 - Publiceer een lijst van uitgesloten bedrijven.

Summary

This *Commitments* case study focuses on commitments made by Dutch banking groups in the case studies that have been published by the *Eerlijke Bankwijzer* (Fair Bank Guide) from 2009 until 2013. The present case study describes relevant and measurable steps by Dutch banking groups in line with the recommendations mentioned in the case studies. These case studies covered the following topics:

- Controversial arms and controversial arms trade (2009 and 2013)
- Renewable power generation (2010 and 2012)
- Labour rights in the garment sector (2010)
- Human rights in the extractive industries (2011 and 2013)
- Animal welfare (2011 and 2013)
- Transparency and accountability (2011 and 2013)
- Land acquisition (2012)
- Labour rights and shipbreaking (2012)

Some of the banking groups have made commitments during or after publication of the various case studies. During the research process of some of the case studies, some banks responded positively to a request from the Fair Bank Guide to commit to develop and use instruments in order to manage the ESG risks addressed in the case study.

In other case studies banks made (implicit) commitments as well, without being asked explicitly to do so. For the present case study, we have asked the banking groups whether they have met their earlier - explicit and implicit - commitments. Additionally, we asked for updates since the publication of the various case studies and we followed up on data and information published in the case study reports.

This case study focuses on the following ten banking groups active in the Dutch market, which are covered at present by the Fair Bank Guide:

- ABN Amro Bank
- Aegon
- ASN Bank
- Delta Lloyd
- ING
- NIBC
- Rabobank
- SNS Reaal
- Triodos Bank
- Van Lanschot

After an analysis of the (implicit and explicit) commitments made by banks in response to the previous 13 case studies and of the information gathered on follow-up steps taken by the banks, we can conclude the following:

In response to case studies, banks are willing to make commitments

When the case studies of the Fair Bank Guide highlight deficiencies in the policies of the banks or in the instruments they use to ensure that the companies they are investing in are meeting their criteria, various banks are prepared to commit to improvements. Such explicit commitments were asked for by the Fair Bank Guide in four case studies. As banks also made implicit commitments in response to some other case studies, a total of 14 explicit and implicit commitments were made by 6 banks in response to case studies on four different topics: Human rights and extractives, Weapons, Labour rights and Land acquisition.

No bank made a commitment in response to more than four case studies and some banks did not make any commitment at all. That banks did not make a commitment is in a number of cases explained by the relatively high score of the bank in the case study: the need to commit to improvements was not felt strongly.

However, in some cases banks were still not willing to make a commitment despite the case study clearly highlighted deficiencies in their policies or instruments and the Fair Bank Guide explicitly asked for such a commitment.

Leading to clear steps forward

Various banks have taken clear steps forward in response to the 13 case studies analysed. Most commitments made by the banks in response to case studies have been followed up. But also when they had not been asked for a commitment, several banks followed up on the topics raised, because the case studies brought the urgency of the topic to the attention and highlighted how a bank could tackle the topic. As case studies are often accompanied by study meetings organised by the Fair Bank Guide and by bilateral meetings between banks and Fair Bank Guide member groups, banks receive a lot of practical input on the impacts of a certain topic and on the standards and initiatives to deal with these impacts. This input helps them to strengthen their responsible investment policies and instruments.

Examples of clear steps forward are offered by Rabobank which met its commitment to divest from companies involved in controversial weapons or controversial arms trade; ABN Amro met its commitment to integrate the principle of free, prior and informed consent for all local communities in its exclusion list; Aegon continued its engagement with mining companies Barrick Gold and Vedanta Resources - both involved in serious human rights violations - what eventually led to exclusion of the companies; and Delta Lloyd has set a measurable standard (maximum 8 hours) on the duration of animal transport in its recently updated Animal Welfare policy.

But the practical results are not always measurable

While this study identified clear steps forward made by various banks in response to case studies - both by meeting formal commitments and by other forms of follow-up - the practical results of the steps taken by banks are not always measurable. It remains for instance unclear if the investments of banks (loans, underwriting, investments in shares and bonds) in companies involved in land-grabbing have decreased, if shipping companies are effectively pushed to look for responsible ways of shipbreaking and what have been the results of engagement processes with extractive companies on human rights.

An important reason for the lack of measurable results is lack of transparency of many banks on most indicators that could be used to measure the progress of banks in the fields of - for instance - labour rights, climate change and animal welfare:

- In which companies is the bank investing or - when the bank does not reveal names of clients, because, for instance, it is not allowed by regulations - in which sectors, sub-sectors and countries is the bank investing in?

- With which companies has the bank started engagement processes, what were the results of these engagement processes and how are these results secured and monitored (e.g. by covenants in loan contracts)?
- Which companies have been excluded from investments by the bank?

As long as most banks are insufficiently transparent on these topics, the practical value of their commitments and the steps they have taken in response to case studies cannot be assessed properly.

And in some cases commitments are not followed-up properly or completely

While this study did not find that banks completely ignored the explicit commitments they had made, in some cases commitments made by banks were not followed-up properly or completely. Examples are the commitment of Delta Lloyd to divest from four nuclear weapons producers which has only been implemented for two of them and ING's promise to continue a dialogue with the shipping companies in its portfolio and formalise this as one of its ESG instruments: after two and half years ING still has not published its policy regarding shipbreaking.

Therefore the original recommendations are still relevant for several banks

Considering the previous conclusions drawn - some banks are willing to make commitments, but not all banks are willing to do so, the results of commitments are not always measurable and not all commitments have been followed-up properly - one final conclusion can be drawn: in spite of improvements made, many of the recommendations in the underlying case studies are still relevant. This certainly applies to banks that scored weak in some of the case studies, hardly made commitments and have shown little improvement in tackling their deficiencies. The most important recommendations of the previous case studies are therefore summarized below, grouped by topic:

- **Weapons**
 - Stop all investments in companies producing controversial weapons and/or trading arms to, among others, dictatorships and countries with significant human rights violations;
 - Implement the letter and the spirit of the Non-Proliferation Treaty in the weapons policy, by avoiding investments in companies producing and maintaining nuclear arms, anywhere in the world
 - Expand the scope of exclusion criteria to all direct and indirect investments in all companies that are involved in production and development of (essential parts of) nuclear weapons.
- **Renewable power**
 - Ensure that at least 67% of all investments in the electricity sector are targeting renewable power generation;
 - Be transparent about the level of investments in renewable energy, also relatively to investments in non-renewable energy;
 - Significantly reduce investments in production, transport and processing of oil, gas and coal.
- **Garments**
 - Integrate covenants about labour standards in credit contracts, including monitoring and engagement;
 - Provide attractive services and conditions to clients in case of membership and participation in multistakeholder-initiatives and certification systems;

- Do not wait until shocking incidents happen, such as the Rana Plaza tragedy in Bangladesh, before taking action, but apply the precautionary principle to avoid labour rights' risks.
- **Human rights and land rights**
 - When screening companies, pay attention to the impact of a company's activities on the human rights of affected communities and apply the principle of free, prior and informed consent (FPIC) for all local communities;
 - Set predetermined goals within a set time frame for engagement processes, which in case of lack of results, as a final step may lead to exclusion of the company concerned;
 - Membership of commodity round tables by banks and their clients is relevant, however because of current shortcomings in several round tables banks are encouraged to actively use their membership to improve standards on, for example, land rights.
- **Shipbreaking**
 - Develop a sector policy that takes into account the full lifecycle of ships, including reuse, dismantling and recycling referring to international regulations and voluntary standards in the shipping sector, such as the International Ship Recycling Association (ISRA) and the Sustainable Shipping Initiative;
 - Join multistakeholder-initiatives and cooperate in the development of screening and engagement policies with regard to sustainable ship recycling.
- **Animal welfare**
 - Include clear covenants in loan contracts with clients in the livestock farming sector to guarantee appropriate housing conditions;
 - Include clear covenants in loan contracts with clients in the transport and meat sectors to avoid long-distance animal transport.
- **Transparency**
 - Be more transparent about investments and loans in terms of sectors, industries and companies;
 - Be more transparent about engagement processes with companies, about the results of these engagement processes and how these results are secured and monitored (e.g. by covenants in loan contracts);
 - Publish a list of companies which have been excluded from investments.

Chapter 1 Introduction and Methodology

1.1 Overview and objectives

This case study is a follow-up of thirteen case studies undertaken in the past six years by the *Eerlijke Bankwijzer* (Dutch Fair Bank Guide) into the policies and practices of Dutch banks with regard to various sectors and topics. The aim of this case study is to check and analyse whether the banks in question have followed-up the commitments they made during and after publication of the case studies, and/or made relevant and measurable steps in line with the recommendations mentioned in the case studies.

This study focuses on the case studies that have been published by the *Eerlijke Bankwijzer* from 2009 until 2013:

- Banks and weapons (2009)
- Dutch banks' investments in renewable power generation (2010)
- Dutch banks in the garment sector (2010)
- Dutch banks and human rights (2011)
- Pig farming, a study on animal welfare (2011)
- Transparency (2011)
- Dutch banking groups and land acquisition in developing countries (2012)
- Dutch banks' investments in renewable power generation (2012)
- Dutch banking groups and shipbreaking (2012)
- Dutch banking groups and nuclear weapons (2013)
- Dutch banking groups and cattle transports (2013)
- Transparency and accountability (2013)
- Extractive industries and human rights (2013)

The case studies that have been published by the *Eerlijke Bankwijzer* during the last year have been disregarded, as financial institutions need to have time to follow-up the commitments made. As part of some case studies, financial institutions were requested to commit themselves explicitly to using more instruments within 1 year after publication, in response to the issues addressed in the case studies.

This was the case in the following case studies:

- Human Rights and extractive industries II
- Animal welfare and cattle transport
- Labour rights and shipbreaking
- Land acquisition

The approach used for this case study is explained in the next section.

1.2 Research approach

1.2.1 Research questions

The study aims to provide answers to the following questions:

- What commitments have been made with regard to the development and adaptation of Environmental, Social and Governance (ESG) policies and strategies?
- What commitments have been made with regard to the integration of ESG standards and criteria in the selection of investments?

- What commitments have been made with regard to dialogue and engagement with companies in the investment portfolio?
- What commitments have been made with regard to the development and implementation of exclusion and inclusion criteria and divestments?
- To what extent have the banks in question fulfilled their commitments?
- In case commitments were not (fully) met, does the bank provide an explanation?
- Have the banks made relevant and measurable steps in line with the recommendations mentioned in the case studies?
- Have the banks made other relevant and measurable steps in relation to the issues addressed in the case studies?

1.2.2 Research process

The research process consisted of several steps. For each case study, we have collected and described the commitments made during and after publication of the study. Each bank received a questionnaire based on the commitments made. Banks also received the opportunity to provide additional information, such as updated or new policies. If relevant, we also followed-up on specific information provided during the study.

The banks were requested to support their answers with documents and/or references to publicly available information, such as engagement reports, policy documents, annual reports and exclusion or inclusion lists. If a bank had promised to divest from a company, it was required to prove that the shares have been sold or the loans are sold or have expired, for example by providing an overview of the current portfolio. In order to conclude whether a bank has fulfilled its commitment, the answers have been analysed according to the methodology of the specific case study at hand.

The responses to the questionnaire have been analysed using qualitative research methods. Based on this information, we expected to be able to draw conclusions with regard to the following aspects:

- Which commitments were met and which were not;
- To what extent commitments were met (completely or partially);
- Quality and completeness of the provided documents and references to support the answers;
- Correlation between quality and quantity of the commitments made and the scores of the case studies;
- Impact of the fulfilled commitments on the scores of the case studies;
- Updates in policies and follow-up actions since the publication of the case study.

Because of the sometimes unqualified nature of the commitments made and lack of transparency of banks on their actual investments and on engagement processes, in many cases it eventually appeared to be impossible to relate commitments to certain impacts and to the scoring methodology of the original case studies.

Once the answers were processed into a draft report, the researched banks were asked for feedback on their individual profile with results and conclusions. Where relevant, the feedback has been incorporated in the bank profiles.

1.2.3 Research planning

The planning used for this case study is summarized in Table 1.

Table 1 Planning of the case study

| Deadline | Activity |
|------------------|--|
| 9 April 2015 | Send questions to financial institutions |
| 30 April 2015 | Deadline answers on questions financial institutions |
| April / May 2015 | Analysis of results |
| 12 May 2015 | Send profiles with draft results to financial institutions |
| 26 May 2015 | Deadline feedback profile financial institutions |
| 22 June 2015 | Send profiles with draft results to financial institutions: fact checking |
| 29 June 2015 | Deadline feedback profile financial institutions |
| 30 June 2015 | Send final report (embargoed) |
| 7 July 2015 | Publication report |

1.3 Definitions

Banks have made commitments during or after publication of the various case studies. In a few cases, as part of the study, banks have been explicitly asked whether they were prepared to develop and use ESG instruments in order to manage the ESG risks addressed in the case study in question within 1 year after publication. In other cases, commitments were made afterwards, during meetings or as a response to media attention or in dialogue with the organisations of the Fair Bank Guide.

This case study therefore deals with both explicit and implicit commitments made by the banking groups. These commitments may refer to:

- Adaptation and development of policies;
- Integration of ESG-criteria into the selection and screening of companies;
- Engagement with companies;
- Exclusion of companies;
- Disinvestment from companies.

Apart from (explicit and implicit) commitments, this case study also has investigated the follow-up given by the banking groups to the various case studies. This follow-up can deal with the outcomes of engagement processes with companies and other relevant steps in relation to the issues addressed in the case studies. .

1.4 Banking groups research in this case study

The study evaluates commitments made in previous Fair Bank Guide case studies by the following ten banking groups active in the Dutch market:

- ABN Amro Bank
- Aegon
- ASN Bank
- Delta Lloyd
- ING

- NIBC
- Rabobank
- SNS Bank
- Triodos Bank
- Van Lanschot

ASN Bank and SNS Bank belong to the same financial group (SNS Reaal), but are assessed separately. ASN Bank formally has its own responsible investment policies, which clearly differ from SNS Bank. Furthermore, ASN Bank belongs to the largest independent banks in the Dutch savings market.

Banks that were included in previous case studies but are not part of the current selection of the Fair Bank Guide are left outside the scope of this case study.

In the course of time, some of the banking groups have undergone changes, as a result of restructurings, mergers and acquisitions. In some cases, these changes have an impact on the circle of influence of the banks concerned, in other cases they led to name changes. For an overview of relevant restructurings, see Table 2.

Table 2 Restructurings of Dutch banking groups

| Banking group | Change | Impact on case study commitments |
|----------------|--|--|
| ABN Amro | 2012: Fortis Bank Netherlands integrated in ABN Amro. | In the first and second case study, <i>Banks and Arms</i> (2009) and <i>Renewable power Generation</i> (2010), ABN Amro and Fortis Bank were researched as two separate banks. |
| Friesland Bank | 2014: Friesland Bank was taken over by Rabobank. | Commitments of Friesland Bank are not researched. In the first nine case studies, Rabobank and Friesland Bank were researched as two separate banks. |
| ING | 2014: ING sold shares of the insurance division (Nationale Nederlanden - NN). Up to May 2015, ING Group had a majority stake in NN Group and holds a significant minority share since. | As ING Group no longer owns a majority stake in NN Group since May 2015, NN Group is not part of the assessment. |
| Rabobank | 2013: Since July 2013, Robeco is no longer part of Rabobank. | In the assessment of Rabobank, the bank has not been held responsible for the policies and performance of Robeco since July 2013. |
| SNS Bank | 2014: SNS Asset Management, the asset/fund manager of SNS Bank, changed its name in Actiam. 2015: SNS Bank is a division of SNS Reaal Group. On 1 January 2015, SNS Reaal's banking and insurance activities demerged. The bank brands - ASN Bank, BLG Wonen, SNS Bank and SNS Regio Bank - were placed under SNS Bank NV and the insurance brands, including Actiam, under Reaal NV (trade name VIVAT Verzekeringen). In February 2015, SNS Reaal announced the sale of VIVAT to Anbang Insurance Group (China). Completion of the | In Chapter 2, description of case studies, we use the group name for the asset management activities of SNS Reaal. In the description of the findings and the analysis, Chapter 4 and Chapter 4, we use the new name Actiam. The demerger into banking and insurance has no impact on the assessment, because it has not come into effect yet. |

| Banking group | Change | Impact on case study commitments |
|---------------|---|----------------------------------|
| | sale is expected in the third quarter of 2015. After the sale, SNS Bank NV will remain as SNS Reaal's only material subsidiary. | |

Chapter 2 Description of the case studies

In this chapter a description is given of the objectives and results of the case studies that are included in the case study *Commitments*. We list all banks and banking groups that were selected for the various case studies. For clarity's sake, the ten banking groups that are included in the present case study are marked in bold, especially in the first case studies.

2.1 Banks and arms

2.1.1 Overview

The case study *Banken en Wapens: de Praktijk (Banks and Arms: the Practice)* was published in July 2009.

The goal of the case study was to determine whether the banks investigated invest in companies that produce controversial weapons, such as cluster munitions, landmines, nuclear weapons, etc.), and/or companies that are active in the controversial arms trade. Regarding the latter, “controversial” refers to trade and thus not to a specific arms category. Controversial arms trade relates to the supply of (important parts of) weapons and weapon systems, military transport systems and other military goods to countries with an arms embargo, due to the occurrence of political or civil rights abuses, involvement in armed conflict, corruption related to military procurement, and/or to fragile states or low income states with excessive military spending.

The following Dutch banking groups were investigated:

- ABN Amro Bank Nederland
- Aegon Bank
- ASN Bank
- DSB Bank
- Fortis Bank Nederland
- Friesland Bank
- ING Bank
- Rabobank
- Robeco Direct
- SNS Bank
- SNS Regio Bank
- Triodos Bank

Twelve banks were listed in the selection of banks for this case study, of which seven banks are part of the present case study *Commitments* (marked in bold).

2.1.2 Outcomes

Six of the twelve investigated Dutch banking groups (four from the ten banks selected for *Commitments*) invested through their investment funds in corporations involved in the production of controversial weapons (cluster munitions, anti-personnel mines, nuclear weapons) and/or companies involved in arms trade with controversial countries or regimes: **Rabobank, ING Bank, Robeco Direct, Aegon Bank, SNS Bank** and SNS Regio Bank. Of the twelve banks investigated, **Rabobank, ING Bank** and Robeco Direct invested also for their own account in companies that produce controversial weapons (all nuclear weapons). Furthermore, ING invested for own account in companies that are involved in controversial arms trade.¹ **ASN Bank, Friesland Bank** and **Triodos Bank** did not invest in companies involved in production of controversial weapons or involved in controversial arms trade. **ABN Amro, Fortis Bank Nederland** and **DSB Bank** did not have investments funds and scored 'not active' for investments funds.

2.1.3 Commitments

Commitments requested: no

Commitments made: yes, the following commitments were made:

- After publication of the case study, ING promised to publish an updated policy on arms trade and controversial weapons. The renewed policy applied to the whole banking group, including asset management, and specified that the bank does not want to finance companies that supply weapons to countries under (EU and UN) arms embargoes;²
- In September 2009, Rabobank promised that it would improve its screening process. In case of non-compliance with the Rabobank Armaments Industry Policy³, Rabobank will start a dialogue and engagement process with the purpose of changing the company's policy and, as a final step, exclusion of the company;⁴
- After publication of the research report, in September 2009, SNS Bank officially confirmed its policy of excluding companies that produce controversial weapons, or sell weapons to high-risk countries with respect to human rights violations. Furthermore, SNS Bank committed to exclude and sell the shares in Rolls-Royce and further investigate ThyssenKrupp.⁵

2.2 Renewable power generation I

2.2.1 Overview

The case study *Investerings in Duurzame Elektriciteitsopwekking door Nederlandse banken (Dutch Banks' Investments in Renewable Power Generation)* was published in May 2010.

The goal of the case study was to determine what portion of investments by the twelve banks into the electricity sector concerns power generation from renewable energy sources. The scope of the case study were producers of electricity as well as producers of capital goods for power generation, such as solar panels, wind turbines, etc.

The study also aimed to indicate to what extent banks are taking responsibility in mitigating climate change. The scope of the case study was limited to loans and investments for own account and risk of the banks. Asset management was outside the scope of the case study. It is also important to note that investments in the electricity sector are only one aspect of implementing responsible investment policies regarding climate change. The bank investments in the oil and gas sector and in coal mines were outside the scope of the case study.

Investigated Dutch banking groups:

- ABN Amro Nederland
- Aegon Bank
- ASN Bank
- Fortis Bank Nederland
- Friesland Bank
- ING Bank
- Rabobank
- Robeco Direct
- SNS Bank
- SNS Regio Bank
- Triodos Bank
- Van Lanschot

2.2.2 Outcome

In order to limit global warming to 2 degrees Celsius, over the coming 20 years, the International Energy Agency of the OECD concluded that around two-thirds of the investments in power generation must be targeted towards renewable sources. The Netherlands is lagging behind other EU countries in terms of investments in sustainable energy generation. A target of a minimum of 67 percent of total electricity investments in renewable energy is therefore recommended. Several months before the publication of the case study, the CEOs of ten big Dutch banks, after a successful dialogue with the Fair Bank Guide, published a joint appeal to the Dutch government. They confirmed the importance of limiting an increase in global temperatures to the (internationally agreed) 2 degrees, voiced the intention to invest more in renewable energy, promised to co-operate with the case study of the Fair Bank Guide on renewable power generation, and called on the government to introduce a long-term legal framework to promote sustainable energy.

Twelve banks were listed in the selection of banks for this case study. With the exception of **Van Lanschot**, all banks cooperated with the study. On average, the banks invested 47% of their investments in electricity generation from renewable energy sources.

Seven banks were part of the present case study *Commitments* (marked in bold). Two out of these seven banks invested more in electricity generation based on fossil fuels than in renewable electricity generation (**Aegon**: 11%; **ING**: 25%). Also Fortis Bank (46%), Friesland Bank (37%) and Robeco Direct (13%) did not meet the 67% threshold. SNS Bank and SNS Regio Bank both do not invest in electricity generation.

For both **ASN Bank** and **Triodos Bank** investment in renewable energy generation concerned 100 percent of the total investments in power generation. With respectively 90 and 82 percent, a large portion of **ABN Amro's** and **Rabobank's** investments in the electricity sector concerned renewable energy generation.⁶

2.2.3 Commitments

Commitments requested: no

Commitments: no

2.3 Labour rights in the garment sector

2.3.1 Overview

The case study *Nederlandse Banken in de Kledingsector: de Praktijk (Dutch Banks in the Garments Sector)* was published in September 2010.

The goal of the case study was to determine whether and how the investigated banks monitor and ensure that the companies they invest in are not involved with poor labour standards in the garment manufacturing industry. The banks were rated on the level of implementation of their general policies on labour rights and the manufacturing sector into screening and engagement processes with regard to their clients in the garment sector. The banks got a score from 'poor' to 'good'.

Investigated Dutch banking groups:

- ABN Amro Bank
- Aegon Bank
- ASN Bank
- Friesland Bank
- ING Bank
- Rabobank
- Robeco Direct
- SNS Bank
- SNS Regio Bank
- Triodos Bank
- Van Lanschot

2.3.2 Outcome

All banks in the case study extended loans to, or invested in, garment producers and major clothing retailers. All banks, except **SNS Bank**, co-operated with the research. Eight of the eleven banking groups that were selected for the case study scored 'moderate' to 'poor'. Five of these banks concern banks that are part of the present case study *Commitments*: **ABN Amro Bank** ('moderate'), **Aegon Bank** ('insufficient'), **Rabobank** ('moderate'), **SNS Bank** ('poor') and **Van Lanschot** ('insufficient'). **Triodos Bank** and **ASN Bank** scored 'good' and ING scored 'sufficient'.

The case study showed a variety of binding conditions with regard to labour law in credit agreements. For **Triodos Bank** this is a standard practice and **ING Bank** has implemented this strategy since 2006 for new loans in the garment sector. ASN Bank only invests in garment companies with high labour standards. In 2010, **ABN Amro Bank** and Friesland Bank had such agreements with one or two clothing manufacturers, while **Rabobank** has (as of March 2010) stated to do this with customers who may have issues with labour relations and workplace conditions.⁷

2.3.3 Commitments

Commitments requested: no

Commitments: no

2.4 Human rights and the Extractive industries I

2.4.1 Overview

The case study *Nederlandse Banken en Mensenrechten: de Praktijk (Dutch Banks and Human Rights)* was published in February 2011.

The goal of the case study was to determine whether or not the asset management divisions of nine large Dutch banking groups invest in shares or bonds issued by three raw materials extraction companies that were systematically involved in human rights violations in recent years: Barrick Gold Corporation, Royal Dutch Shell and Vedanta Resources. It was also examined how, if investments were made, the banking groups hold the companies to account ('engagement'). If investments were not made, we studied whether or not this choice was based on human rights or sustainability considerations.

Investigated Dutch banking groups:

- ABN Amro Bank
- Aegon Bank
- ASN Bank
- Friesland Bank
- ING Bank
- Rabobank
- SNS Bank
- Triodos Bank
- Van Lanschot

2.4.2 Outcome

Six of the banks selected for the case study invested in one or more of the above mentioned corporations (between brackets the number of companies the banks had investments in): **ABN Amro Bank(3)**, **Aegon Bank(3)**, **ING Bank(3)**, **Rabobank(2)**, **SNS Bank(1)** and **Van Lanschot(3)**. These banks are also part of the present case study.

ASN Bank, Friesland Bank and **Triodos Bank** did not invest in these companies because of non-compliance with their human rights and environmental standards. SNS Bank invests in one company, Shell. The other two companies did not meet its human rights standards.

Dutch banking groups investing in the three corporations put little pressure on them, in order to prevent that their activities lead to violations of the human rights of local populations.

Rabobank, SNS Bank and Van Lanschot were involved in an engagement process with the companies they invest in and provided information about the objectives. However, it was not clear whether lack of results may lead to exclusion. Therefore they got a 'moderate' score. Also Aegon Bank and ING Bank have an engagement trajectory with the companies. They did not provide information about the objectives and frequency and therefore scored 'insufficient'. ABN Amro did not provide any information and therefore scored 'poor'.⁸

In the preparatory phase of this case study a study meeting was organised by the Fair Bank Guide for the Dutch banks, where information on the human rights violations by these three companies were presented and discussed.

2.4.3 Commitments

Commitments requested: no

Commitments made: yes, the following commitment was made:

- ABN Amro made the commitment to start a dialogue and engagement with companies in its investment portfolio.

2.5 Animal welfare and pig farming

2.5.1 Overview

The case study *Varkenshouderijen - een Studie over Dierenwelzijn (Pig Farming, a Study on Animal Welfare)* was published in July 2011.

The goal of the case study was to investigate whether the banking groups investigated invest in pig farms and in case they do, whether they act in accordance with the criteria stipulated by the Fair Bank Guide with regard to animal husbandry and welfare. The scope of the case study were pig farms in the Netherlands and stock-listed foreign companies involved in pig husbandry.

Investigated Dutch banking groups:

- ABN Amro Bank
- Aegon
- ASN Bank
- Delta Lloyd
- Friesland Bank
- ING
- NIBC
- Rabobank Groep
- SNS Bank
- Triodos Bank
- Van Lanschot

2.5.2 Outcome

Of the 7 banks that did invest in pig farming, **Triodos Bank** and **ASN Bank** had policies in place that exclude investments in pig farming with restrictive housing conditions and do subsequently get the highest score. **SNS Bank** planned to leave the pig farming sector and therefore no longer engaged with pig farmers who could improve living conditions, therefore getting the lowest score. The other four banks, **ABN Amro**, Friesland Bank, **ING** and **Rabobank**, all had pig farmers among their clients, who do keep pigs under restrictive housing conditions. While all four banks stated that they did engage with their clients to achieve an improvement, none could provide information about the frequency of this engagement, nor about the results.

Six of the eleven banking groups invest in foreign stock market listed pig farms, which have poor living conditions. Triodos Bank and ASN Bank's sustainability policies preclude this, resulting in a (maximum) score of 5. ASN Bank avoids investments in animal husbandry due to lack of guarantees with regard to climate change protection, biodiversity, human rights and animal welfare. ABN Amro, NIBC and Van Lanschot do not invest in foreign pig farming companies, for other reasons, and are marked 'non active'. Banks that do invest in foreign pig farming companies either did not engage with clients (**Aegon**, **Delta Lloyd**, Friesland Bank and **SNS Reaal**) or did not provide information about this engagement (**ING** and Robeco, then-subsiary of Rabobank).⁹

2.5.3 Commitments

Commitments requested: no

Commitments made: no

2.6 Transparency of Dutch banks

2.6.1 Overview

The case study *Praktijkonderzoek Transparantie (Transparency of Dutch banks)* was published in September 2011.

The goal of this study was to examine the level of transparency of the eleven Dutch banking groups with regard to the companies they invest in. Four investment categories were considered, two of which concern investments by banks on their own account, the other two asset management activities of the same banking group, on behalf of private and institutional investors.¹⁰

Investigated Dutch banking groups: similar to section 2.5.1.

2.6.2 Outcome

The majority of investigated banks kept a large part of their investments confidential. Consumers cannot adequately trace in which companies or governments their banks invest. Many banking groups did not fully comply with international guidelines on transparency (Global Reporting Initiative - GRI), although they claim to do so. Nine out of eleven banks, of which eight are also included in the present case study, got the score 'poor', 'insufficient' or 'moderate' on transparency in lending and/or asset management.

Most banks did not publish the names of companies and governments to whom they provide credit. Only ASN Bank and Triodos Bank did. They got the score 'good'. ASN Bank also included amounts, while Triodos Bank only did that for loans to banks. Other banks did present a general division of their credit portfolio, in regions and sectors. ABN Amro, Rabobank and NIBC did that in most detail; however the way this is presented does not make it possible to determine whether banks invest in sectors with serious sustainability issues or sensitive regions. With the exception of Triodos Bank and ASN Bank, banks barely provided any information about their own investments in shares, bonds and other securities.

With regard to asset management, almost all banking groups (except NIBC) managed investment funds that invest in stock market listed shares and bonds. The annual reports on these funds in most cases provided a detailed portfolio overview (with the exception of ABN Amro). All banking groups (with the exception of ASN Bank) in 2011 had asset management activities on behalf of private and institutional investors, usually in the form of private banking or mandates. Apart from Triodos Bank, none of the asset managers provided insight into the companies and governments in which these assets are invested.

2.6.3 Commitments

Commitments requested: no

Commitments made: yes, the following commitments were made:

- In October 2011, Fair Bank Guide organised a meeting to discuss the results and conclusions of the case study. All banks present (ABN Amro, Aegon, ASN Bank, Delta Lloyd, ING, NIBC, Rabobank and Van Lanschot) stated that they would consider upgrading the transparency level regarding investments and loans to, for example, SBI level 2 (double digits).¹¹

2.7 Land acquisition

2.7.1 Overview

The study *Nederlandse Bankgroepen en Buitenlandse Landverwerving (Land Acquisition)* was published in February 2012.

The goal of the study was to collect information about the relevant criteria and instruments that banking groups use to prevent and counteract land-grabbing. Furthermore, the study aimed to raise awareness among Dutch banking groups on the issue of land-grabbing and to provide practical guidelines on how to manage the risk of involvement in land-grabbing.

Investigated Dutch banking groups: similar to section 2.5.1.

2.7.2 Outcome

Almost all investigated banking groups, in particular ING, Rabobank, Aegon and ABN Amro, invested in companies that acquire land abroad for agriculture, forestry or biofuels.

The case study stipulated that, in order to prevent the risk of land-grabbing, most banking groups had not developed adequate policies or, if they had, did not structurally or effectively implement them.

Prior to conducting this research, in October 2011, the Fair Bank Guide organised a briefing for banking groups on the risks of land-grabbing in land acquisitions in developing countries. For Delta, the announcement of the case study was an incentive to develop and finalise a policy on land-grabbing (October 2011).¹²

Only ASN Bank had a good policy in regards to foreign land acquisition, as its policy explicitly pays attention to human rights principles in relation to land acquisition. ABN Amro, Rabobank and ING referred to important treaties or paid attention to multi-stakeholder initiatives (ABN Amro and Rabobank) or for certain types of (project) investments (ING) took into account the land rights or rights of indigenous people. Delta Lloyd was still in the process of developing systematic monitoring and engagement instruments. Aegon Bank's policy is scored as unsatisfactory, due to the very general way it refers to human rights. NIBC is not active in this sector.¹³

2.7.3 Commitments

Commitments requested: yes

Commitments made: yes, the following commitments were made:

- ABN Amro promised to integrate the concept of free, prior and informed consent in the exclusion list within one year after publication of the case study;
- Delta Lloyd promised that it would more often apply a combination of various instruments in case companies are involved in land rights violations, more in particular engagement and divestments;
- SNS AM promised to finalise relevant sector and issue papers on land-grabbing, derived from the Tirana Declaration.

2.8 Renewable power generation II

2.8.1 Overview

The follow-up study *Investeringsen in Duurzame Elektriciteitsopwekking door Nederlandse Banken (Renewable Power Generation II)* was published in May 2012. The goal of the study was to determine whether investments in renewable energy generation in 2010 and 2011 had increased, in comparison with 2007 to 2009, the research period of the first case study. The scope of the case study was limited to loans and investments on own account and risk. Asset management was outside the scope of the case study. As in the first case study on renewable power generation, the results may give a distorted picture of the performance of banks in the energy sector. Investments in the electricity sector are only one aspect of implementing responsible investment policies regarding climate change. The bank investments in the oil and gas sector and in coal mines were outside the scope of the case study.

Investigated Dutch banking groups: similar to section 2.5.1.

2.8.2 Outcome

In 2010 and 2011 Dutch banks invested considerably more in power generation from renewable sources and much less in fossil fuel, in comparison with the previous research period (2007 to 2009). Banks' investments in renewable energy had increased with 55 percent to over € 1.5 billion annually.

Rabobank (€ 1,233 million) was the biggest funder of renewable energy and 100% in renewables, followed by Triodos Bank (100%: € 709.9 million), which invested notably more in sustainable energy than either ING (72%: € 538 million) or ABN Amro (47%: € 161.6 million). Rabobank (€ 1,030 million in 2007-09), Triodos Bank (€ 530.5 million in 2007-09) and ASN Bank (€ 192.6 million; € 81 million) had considerably raised their investments in sustainable energy in 2010 and 2011. Like the above mentioned banks, the percentage of NIBC (100%: € 225.4 million) and Aegon (83%: € 1.7 million) was also higher than the 67% benchmark to limit global warming to 2 degrees Celsius, over the coming 20 years. Only ABN Amro's investments were lower than the benchmark. Three banks, Delta Lloyd, SNS Bank and Van Lanschot were not active in the electricity sector and were therefore not examined.¹⁴

2.8.3 Commitments

Commitments requested: no

Commitments made: no

2.9 Labour rights and shipbreaking

2.9.1 Overview

The case study *Nederlandse Bankgroepen en Scheepsslopen (Labour Rights and Shipbreaking)* was published in November 2012.

The goal of the study was to investigate whether the investment practices of 11 major Dutch banking groups adhere to international standards regarding working conditions in shipbreaking yards. Furthermore, the study showed whether and how the banking groups were concerned with the poor working conditions in shipbreaking yards and what instruments they used to avoid involvement with poor labour standards. The study also aimed to raise awareness among banking groups about the poor labour standards in shipbreaking yards.¹⁵

Investigated Dutch banking groups: similar to section 2.5.1.

2.9.2 Outcome

Nine banking groups invested in shipping companies. Over the past five years, all of them - **ABN Amro, Aegon, Delta Lloyd, Friesland Bank, ING, NIBC, Rabobank, SNS Reaal and Van Lanschot** had invested in one or more shipping companies which have sent ships at the end of their life span to scrapyards in countries like India and Bangladesh, where ships are dismantled under poor working conditions. **ASN Bank** and **Triodos Bank** did not invest in the shipping sector. Delta Lloyd did not co-operate with the case study.

The case study concluded that taking into account ship-recycling practices in finance and investment decisions regarding the shipping sector is not a common practice among Dutch financial institutions. With regard to asset management, only **Van Lanschot** could prove that it had made an agreement with one company about proper dismantling of ships. **ABN Amro** and **Aegon** claimed that they apply sustainability standards in investment decisions in the shipping sector, but could not support this with documents. In their banking activities, **ABN Amro** and **NIBC** take the issue of ship recycling into account in their financing decisions but this did not result in agreements about ship recycling. **ABN Amro** stated that, in the future, it will be necessary to make agreements about the whole fleet of a shipping company, especially if its fleet consists of relatively many old ships. **NIBC** had integrated an agreement about ship recycling in a proposed finance decision but the deal had been cancelled. However, **NIBC** could not demonstrate that agreements about ship recycling are a standard procedure in the finance of ships and not only with regard to the cancelled credit application. Three banks, **ING, Rabobank** and **SNS Reaal** had a screening procedure but no engagement policies to address the issue of ship recycling.

ABN Amro was involved in the Sustainable Shipping Initiative, a coalition of global shipping leaders and NGOs, WWF and Forum for the Future. The asset management division of Van Lanschot had concluded an agreement on responsible shipbreaking with a shipbuilder. Rabobank Shipping said that it was in the process of improving its policy on ship-breaking, screening as well as engagement

In response to the case study, **ING** said it had asked questions about shipbreaking to shipping companies and wanted to improve policies and instruments for screening and monitoring. **Delta Lloyd** had refused to co-operate with the research, but indicated several months later, that it had contacted a shipping company in Asia about their bad working conditions, with positive result.

In April 2013, the Fair Bank Guide organised a study meeting for banking groups, to discuss the conclusions and recommendations of the case study. In 2013, one of the companies involved in controversies regarding shipbreaking, BosKalis, announced that it will no longer have its ships demolished on beaches in Asia.

2.9.3 Commitments

Commitments requested: yes

Commitments made: yes, the following commitments were made:

- During the research phase of the case study, **ING** has approached the companies that were part of the Fair Bank Guide analysis and asked questions about the dismantling, the ship and the location, to get more insight in the involvement of these companies. **ING** stated that they will start a dialogue with these companies and, for bank investments, within 1 year formalise this as one of the ESG instruments,¹⁶

- Rabobank committed to tighten its policy on shipbreaking both with regard to screening and engagement and to assessing applications for funding within 1 year. It will include: the degree of compliance with relevant ILO guidelines, membership of International Ship Recycling Association (ISRA) and how the company deals with shipbreaking (country, location, selection of shipbreaking yard, policy, planning, implementation, etc.);¹⁷
- After publication of the case study, in April 2013, the Fair Bank Guide organised a meeting with the financial institutions to discuss the results and conclusions of the case study. At the end of the meeting, one of the present banks suggested to organise a new meeting within three months in order to develop an improvement plan with regard to labour conditions in shipbreaking.¹⁸ Though this may be regarded as a commitment, we leave it out of the scope of the case study, as the meeting was regarded confidential and the outcome of the process is still unclear after more than 2 years

2.10 Nuclear weapons

2.10.1 Overview

The case study *Nederlandse Bankgroepen en Kernwapens (Dutch Bank Groups and Nuclear weapons)* was published in February 2013.

The goal of the study was to investigate whether ten major Dutch banking groups have any bank investments (such as loans), and/or asset management investments (via shares or bonds) in companies involved in the production of nuclear weapons.

Investigated Dutch banking groups:

- ABN Amro Bank
- Aegon
- ASN Bank
- Delta Lloyd
- ING
- NIBC
- Rabobank Group
- SNS Reaal
- Triodos Bank
- Van Lanschot

2.10.2 Outcome

Together, seven banks invested over € 1.5 billion in twenty identified producers of nuclear weapons. The seven banks were: ABN Amro, Aegon, Delta Lloyd, ING, Rabobank Group, SNS Reaal and Van Lanschot.

ING and Aegon were by far the most important investors in these companies, followed by Rabobank, ABN Amro and Delta Lloyd. Van Lanschot and SNS Reaal had minor investments in the identified companies. At the time of the research, three of the ten investigated banking groups - ASN Bank, NIBC and Triodos Bank, did not have a financial relationship with any of the nuclear weapons producers.¹⁹

2.10.3 Commitments

Commitments requested: no

Commitments made: yes, the following commitments were made:

- After publication of the case study, Delta Lloyd decided to no longer invest in nuclear weapons manufacturers or companies that supply arms to controversial regimes.²⁰

- After publication of the case study (13 February 2013), Rabobank publicly announced that it would improve its weapons' policies. In addition to the existing policy for Rabobank, Rabobank Group as a whole does not want to be involved with weapon trade with controversial regimes. This also concerns nuclear weapons;²¹
- SNS Reaal announced further research into the one nuclear weapons producer in which it had investments.²²

2.11 Animal welfare and cattle transport

2.11.1 Overview

The case study *Nederlandse Bankgroepen en Veetransport (Dutch Banking Groups and Cattle Transport)* was conducted in July 2013.

The goal of the study was to determine to what extent the Dutch banking groups involved in financing animal transport companies attempt to decrease or replace animal transport, and how they attempt to improve animal welfare during transport.

Investigated Dutch banking groups: similar to section 2.10.1.

2.11.2 Outcome

According to the case study, four banks had investments or loans in companies involved in livestock transport: ABN Amro, ING, Rabobank and SNS Reaal. The majority of banks assumed that cattle transport is sufficiently regulated with European and Dutch legislation. According to animal welfare organisations, these regulations fail to protect animal welfare during transportation. The European Commission, the Dutch Minister of Agriculture, *De Algemene Rekenkamer* (Dutch Court of Audit) and animal welfare organisations came to similar conclusions.

The findings showed that five banking groups invest in Dutch and foreign meat processing and foreign cattle transportation companies: ABN Amro, Aegon, ING Group, Rabobank and SNS Reaal. Guaranteeing animal welfare during transport, including maximum hours, had no priority for them, the case study concluded. Only Rabobank and ABN Amro checked whether quality regulations are in place. Rabobank also had a policy on cattle transport, however, it remains unclear whether and how the policy is implemented.²³

ASN Bank, Delta Lloyd, NIBC, Triodos Bank and Van Lanschot scored 'not active'.

Within one year after publication of the case study, in 2014, the Dutch Minister of Agriculture decided to withdraw recognition of the self-regulation system in monitoring compliance with certified quality standards regarding the logistics of livestock (QLL). After repeated audits, carried out by the *Nederlandse Voedsel- en Warenautoriteit – NVWA* (The Netherlands Food and Consumer Product Safety Authority), the Dutch government concluded that the sector fails to guarantee compliance with animal welfare legislation regarding livestock transport. From 1 March 2014 onwards, the NVWA is responsible for the quality checks.²⁴

2.11.3 Commitments

Commitments requested: yes

Commitments: no

2.12 Transparency of Dutch banks II

2.12.1 Overview

The case study *Transparantie en Verantwoording (Transparency of Dutch banks II)* was published in November 2013. The goal of the study was to determine the degree of transparency and accountability of Dutch banks in relation to their bank investments (loans) and the investments of their asset management divisions, as well as how banks ensure that complaints by consumers or social organisations are taken seriously and, when applicable, lead to changes.

Investigated Dutch banking groups: similar to section 2.10.1.

2.12.2 Outcome

Most banks were not transparent about their investments, their ownership structure (including their subsidiaries), the countries where they pay taxes and their lobby activities.

Some progress has been observed since the Fair Bank Guide's first case study on transparency (2011). Several banks - ASN Bank, NIBC, Triodos Bank and Van Lanschot - have improved their transparency on investments. As a follow-up of the previous case study, Fair Bank Guide organised a workshop with nine banks present and requested that banks publish data on loans and investments using the main categories of the SBI 2008. All banks, except Delta Lloyd, do publish general data on loans, broken down by sector and/or region (GRI FS6). Two banks - NIBC and Van Lanschot - currently publish a breakdown of the business lending portfolio by the main categories of the SBI 2008. ASN Bank and Triodos Bank publish lists of all companies they invest in.

Van Lanschot, Aegon and Delta Lloyd also published lists of excluded businesses, in contrast to many other banks. ABN Amro and NIBC have a complaints mechanism also for use by non-clients, which several other banks do not yet have in place.

A positive development is also that, since December 2012, all banks have published their sustainability policies. Almost all banks have also become (more) open about their bonus policies, and about the exceptions they make in their policies.

Regarding banking groups' asset managers, it is notable that ASN Bank, SNS Asset Management and Triodos Bank score well on transparency, and Delta Lloyd, ING and Van Lanschot have reasonable scores on transparency. The asset managers of other banking groups, ABN Amro, Aegon, NIBC and Rabobank are less transparent, in particular with regard private banking and mandates.²⁵

2.12.3 Commitments

Commitments requested: no

Commitments made: no

2.13 Human Rights and extractive industries II

2.13.1 Overview

The case study *Delfstofwinnende bedrijven en mensenrechten (Case Study: Extractives and Human Rights)* was published in December 2013.

The research objective was to assess to what extent sixteen financial institutions, selected for the Dutch Fair Bank Guide and the Dutch Fair Insurance Guide, take human rights into account in their investment decisions in the extractive sector. The focus of the study was the financial relations of banks and insurance groups with 10 extractive companies that had been involved in severe violations of human rights over the period 1 July 2009 - 1 July 2013, or carried the responsibility to restore the damages due to prior violations of human rights in that same period:

1. Barrick Gold, Canada
2. Freeport-McMoran Copper & Gold, United States of America
3. Glencore Xstrata, Switzerland
4. Goldcorp, Canada
5. Oil and Natural Gas Corporation (ONGC), India
6. PetroChina / CNPC, China
7. Posco, South-Korea
8. Royal Dutch Shell, The Netherlands
9. Trafigura, The Netherlands
10. Vedanta Resources, United Kingdom

Investigated Dutch banking groups: similar to section 2.10.1.

2.13.2 Outcome

All banks, except ASN Bank, NIBC and Triodos Bank, maintain financial relations with some or all of the ten selected extractives companies. NIBC is not active in the extractive sector for strategic reasons; ASN Bank and Triodos Bank because the companies do not meet these banks' human rights and sustainability standards. Delta Lloyd did not cooperate with this case study.

Regarding the financial institutions that did have financial relations with the ten extractive companies, it was investigated whether, and if so, how, they have made use of their influence on the companies' behaviour with regard to human rights. Specifically, to what extent they made use of the following instruments: screening, voting, engagement and exclusion.

The results show that ASN, SNS Reaal, Triodos Bank and Van Lanschot - and ABN Amro, except for its asset management division - structurally screen their (potential) investments, based on human rights criteria. A few banks exclude companies as a result of a negative outcome of the screening process. A negative outcome of the screening process does, however, stimulate most of the financial institutions to use their influence on the companies by entering into engagement. The financial institutions which own shares of the selected companies actively make use of the right to vote on shareholder resolutions. However, the engagement processes are often free of obligations. SNS Reaal is the only financial institution that has been able to show that they set clear goals with regard to the desired impact that companies' activities have on human rights.

With regard to banking services, ABN Amro Bank, ING Bank and Rabobank showed that they take into account the impact of their clients' activities on human rights in screening and engagement processes. Moreover, with various anonymous documents, ABN Amro Bank and ING Bank provided insight into the kind of engagement trajectories they set up with their business clients active in the extractive industries. Rabobank refused to do so, in order to, according to the bank, not violate regulations and respect legal and other rights of clients. Moreover, ING Bank had also shown that agreements on human rights had sometimes been included in credit agreements. Because of the anonymized character of the documents, it could not be determined whether these instruments had also been applied to the ten extractive companies selected for the case study.²⁶

2.13.3 Commitments

Commitments requested: yes

Commitments made: yes, the following commitments were made:

- ABN Amro, formally committed to apply more instruments, within one year after publication, in order to prevent providing services to companies in the extractives sector that do not take their responsibility to respect human rights seriously enough, in particular by improving the screening and assessment methodology;²⁷
- ING, formally committed to apply more instruments, with one year after publication, in order to prevent providing services to companies in the extractives sector that do not take their responsibility to respect human rights seriously enough;²⁸
- SNS Reaal (Actiam) promised to integrate the issue of remedy on a more structural basis into the engagement process with extractive companies, starting within one year after publication of the case study.²⁹

Chapter 3 Commitments and follow-up per banking group

3.1 ABN Amro

3.1.1 Company profile

ABN Amro is a full-service bank with a primary focus on the Netherlands and selective operations internationally. It serves retail, private and corporate banking clients.³⁰ The present ABN Amro is fully state-owned and is the result of the completed integration of the Dutch arm of the former ABN Amro and Fortis Bank Nederland in 2012, following the Dutch State's bailout program after the financial crisis in 2008.³¹ In 2013, the Dutch Finance Minister announced that ABN Amro could start making preliminary preparations for a possible stock exchange listing (an Initial Public Offering (IPO)). In the beginning of 2015, the Dutch Parliament postponed the privatisation of ABN Amro due to a political debate about the remuneration of senior management. However, it is possible that the listing could still take place by the end of 2015.³²

ABN Amro has 22,215 employees (FTEs), mainly situated in Europe, Asia and the United States. The bank generates 81% of its revenue in the Netherlands.³³

At the end of 2014, ABN Amro's total assets amounted to € 386.9 billion, of which € 216.0 billion was due to customers (money put on current and savings accounts).³⁴ The total assets were invested in the following investment categories, in order of percentage of total:³⁵

- Mortgage loans to private customers and SME: € 152.0 billion (39.3%)
- Loans to companies: € 109.9 billion (28.4%)
- Investments in stocks, bonds and derivatives: € 95.4 billion (24.7%)
- Loans to banks: € 21.7 billion (5.6%)
- Others: € 7.2 billion (1.8%)
- Cash: € 0.7 billion (0.2%)

In addition to the bank's own assets under management, it managed € 190.6 billion in assets for third parties.³⁶

3.1.2 Controversial weapons and arms trade

At the time of the case study *Banks and arms (2009)*, ABN Amro Netherlands did not manage investment funds and therefore scored 'not active'. The management of third party assets (private and institutional investors) was outside the scope of the case study. Therefore, in the context of the study it could not be verified whether these assets were invested in producers of controversial weapons and/or companies active in controversial arms trade.

Since the publication of the case study, ABN Amro has improved its defence policy with regard to third party investments. ABN Amro already excluded controversial weapons and arms in its lending practices. In addition, in 2012 ABN Amro has set up a special Investment Engagement Committee (IEC) to draw up criteria for the positive selection or exclusion of companies from clients' investments and to decide which individual companies meet these criteria. One of the IEC's criteria concerns the production and/or distribution of controversial weapons. Since the establishment of the IEC, ABN Amro has been using a Controversial Weapons List.

Companies that feature in the list are excluded from all the bank's investment services. ABN Amro does not publish the list of excluded companies. In 2014, the bank discontinued a major distribution relationship with one of its investment fund providers as the bank was unable to receive sufficient assurance that their funds would be compatible with ABN Amro's controversial weapons approach.³⁷

According to ABN Amro, a lot of its clients invest in third party investment funds. In order to comply with the Dutch ban on investments in producers of cluster munitions (since 1 January 2013)³⁸, ABN Amro wants to have the guarantee that not more than 5 percent of the shares concern companies that produce, trade or distribute cluster munitions. If this cannot be guaranteed, ABN Amro stops offering this fund to their clients. In March 2014, for example, ABN Amro deleted the investments funds of the US asset manager Franklin Templeton Investments from the ABN Amro advisory list, due to non-compliance with the Dutch ban on direct and demonstrable investment in cluster munitions producers.³⁹

In 2013, the Fair Bank Guide carried out another case study on weapons, this time focusing on nuclear weapons. Since the publication of the case study *Dutch bank groups and nuclear weapons (2013)*, ABN Amro has improved its policy with regard to production and/or trade of nuclear weapons. Since June 2013, the bank no longer provides investment advice on nuclear weapons; however this is limited to companies based in a non-NATO-member state and if the country has not signed the non-proliferation treaty.⁴⁰

3.1.3 Renewable power generation

The scope of the case studies *Dutch banks’ investments in renewable power generation (2010)* and *Renewable power generation II (2012)* was limited to loans and investments for their own account and risk. Asset management was outside the scope of the case study, as were investments in the oil and gas sector and in coal mines.

Since the publication of the case studies), the bank has renewed its Energy Policy (2014). The policy refers to fossil fuels as well as renewable energy. The Energy Policy is a revision of the previous Oil & Gas policy, which was originally launched in 2003/2004. The bank excludes exploration and extractive activities in the Arctic region or tar sand exploration. It also does not provide project finance to nuclear plants. The bank has no specific targets with regard to investments in renewable power generation, the focus of the two case studies.⁴¹

The update of the Energy Policy will be assessed in the 15th update of the Fair Bank Guide.

In the period 2010-2011, the percentage of investments in power generation from renewable sources amounted to 47%, under the recommended threshold of minimum 66%.⁴² ABN Amro did not provide an update of its investments in renewable energy.

3.1.4 Labour rights in the garment sector

During the research into *‘Banks and garments’* (2010), ABN Amro stated that they conduct a dialogue with garment manufacturers as part of client research, and if necessary after acceptance as a client in case of controversies.⁴³ ABN Amro did not support this statement with documented proof.

Though no implicit or explicit commitment was made, ABN Amro was requested to provide more details about the engagement process with their clients in the garment sector, see Table 3. As was the case during the case study, ABN Amro did not disclose information about the details and results of engagement processes with their clients in the garment sector. They expect their clients to be a signatory of the Bangladesh Accord, and encourage them to adopt certification standards, but these are not binding conditions.

Table 3 Questions to ABN Amro on the garment sector

| Question | Answer |
|--|--|
| Could ABN Amro provide more (documented) information about its ongoing dialogue and engagement with garment manufacturers? | ABN Amro actively checks each company in the investment universe on violation of the UN Global Compact principles. If a company violates these |

| Question | Answer |
|--|---|
| Since the publication of the case study, has your organisation made any changes to its investment policy and the implementation thereof in order to improve decision-making in the investment process? | principles, the bank will start an engagement trajectory with this company. This also applies to garment companies. During the past year, ABN Amro decided to integrate environmental, social and governance (ESG) factors into all of its investment advice as of mid-2015. In addition to existing sector policies, ABN Amro also introduced sustainability criteria into its credit application policies for the manufacturing sector. Clients are expected to be a signatory to the Bangladesh Accord on Fire and Building Safety or intend to do so. ABN Amro also encourages clients to become a member of the Fair Wear Foundation, the BSCI, the Ethical Trading Initiative, the Better Cotton Initiative or the Fair Labour Organization. ⁴⁴ |

As was the case at the time of the case study, ABN Amro does not provide information about the details and results of engagement processes with individual clients. The bank showed that it responds to signals from its network or the media about potential violations of labour rights. The bank keeps their clients up-to-date about sector initiatives but it is not clear whether membership of multi-stakeholder-initiatives and/or the adoption of certification systems with regard to core labour standards is part of the credit agreements.

3.1.5 Human rights and extractive industries

The first case study with regard to the extractive industries, *Dutch banks and human rights (2011)*, showed that ABN Amro subsidiaries invest in three companies that are involved in human rights violations: Barrick Gold Corporation, Royal Dutch Shell and Vedanta Resources. According to ABN Amro, an engagement process with the three companies was not deemed relevant, because of the minor share of ABN Amro in the company. ABN Amro did however commit to improving its engagement activities by stating that, in the future, they would expand the engagement activities with those companies.⁴⁵

In the second case study *Extractives and human rights (2013)*, ABN Amro scored 6 points out of a maximum of 10 for bank investments and 1 for asset management. The financial institution promised to use more instruments to prevent the provision of services to extractive companies that don't take their responsibility to respect human rights seriously enough, within one year after publication of the case study. This commitment was formalised in a written statement and applied to both banking services and asset management.⁴⁶

To verify whether the financial institution has fulfilled these commitments, ABN Amro was requested to provide an answer to the following questions, see Table 4

Table 4 Questions to ABN Amro on the extractives sector

| Question | Answer |
|--|--|
| Could ABN Amro provide (documented) information about expanding the engagement activities with companies that are involved with human rights violations, more in particular Barrick Gold Corporation, Royal Dutch Shell and Vedanta Resources? | ABN Amro did not respond to our question. According to ABN Amro, in general, it cannot disclose information about individual client cases. |

| Question | Answer |
|---|---|
| <p>Since the publication of the case study Dutch banks and human rights (2011), has your organisation made any changes to its investment policy and the implementation thereof in order to improve decision-making in the investment process?</p> | <p>According to ABN Amro, since the publication of the case study, ABN Amro has improved its human rights policies. In 2012, the bank has issued a Human Rights statement, in line with the UN Guiding Principles on Business and Human Rights. The bank actively checks each company in its investment universe on violation of the UN Global Compact principles. If a company violates these principles, the bank can decide to start an engagement trajectory with this company. The bank also has developed a sector policy on Metals and Mining (2013). If a company violates these principles, ABN Amro will start an engagement trajectory with this company. The bank will start this engagement process by the end of May 2015. According to ABN Amro, this includes mining companies as well.</p> |
| <p>Since the publication of the case study <i>Extractives and human rights (2013)</i>, has your organisation improved the use of instruments to address the ESG risks observed in this case study, such as screening, engagement and exclusion?</p> | <p>ABN Amro has recently implemented a GRSI-tool (Global Sustainability Risk Index). The GRSI is an internally developed tool, aiming at classifying risk levels based on the type of activity and the location of the activity. This tool screens corporate loans on their ESG-risk. Depending on the indicated risk level the Sustainable Banking department needs to be involved. The screening on all risk levels (low, medium, high) is mandatory.</p> |
| <p>What have been the results of the improved human rights policy with regard to the extractives sector, in terms of ESG screening, dialogue, engagement and exclusion?</p> | <p>ABN Amro reports on the advice provided by the central sustainability department, per sector, in terms of approvals and rejections.⁴⁷ The number of advices has increased from 335 to 444. In 2014, a total of 167 cases explicitly focused on human rights were screened.⁴⁸ Depending on the findings, the central sustainability department decides on a follow-up. ABN Amro does not provide a detailed report on the themes and issues that are screened and the reason for rejection.</p> |

ABN Amro did not provide information about its engagement process with Barrick Gold Corporation, Royal Dutch Shell and Vedanta Resources, the three focus companies of the first case study. Therefore, we cannot assess whether ABN Amro has fulfilled its commitment to expand its engagement policies with the companies.

With regard to the commitment made in the second case study, ABN Amro has applied a more systematic screening tool, the GRSI-tool (Global Sustainability Risk Index), aiming at classifying risk levels based on the type of activity and the location of the activity. ABN Amro publicly reports on the advice provided by the central sustainability department, per sector, in terms of approvals and rejections. ABN Amro does not provide a detailed report on the themes and issues that are screened and the reason for rejection. It also does not provide information about the implementation of its engagement policies, time frames for the implementation of improvement plans and whether lack of results finally leads to exclusion. Therefore it is difficult to assess whether ABN Amro has expanded its minimum human rights standards. There is still room for improvement to highlight details of cases and follow-up actions in the annual report.

3.1.6 Animal welfare

According to the publication of the case studies *Pig farming, a study on animal welfare (2011)* and *Dutch banking groups and cattle transport (2013)*, ABN Amro invests in companies involved with livestock farming. A request for information on any updates regarding animal welfare policies and the implementation thereof was considered inapplicable.

ABN Amro did not provide information about engagement policies about housing conditions with companies involved in livestock farming, nor about the details of its policies (if any) regarding animal transport.

3.1.7 Transparency of Dutch banks

Two case studies on *Transparency of Dutch banks* were published in 2011 and 2013. After publication of the first case study, in October 2011, Fair Bank Guide organised a meeting to discuss the results and conclusions of the case study. All banks that were present at this meeting, including ABN Amro, stated that they would consider to upgrade the transparency level regarding investments and loans to, for example, SBI level 2 (double digits).⁴⁹ The bank also started publishing its sustainability policies. Furthermore, ABN Amro published a complaint mechanism open to non-clients.

To verify whether the financial institution has fulfilled these commitments, ABN Amro was requested to provide an answer to the following questions, see Table 5.

Table 5 Questions to ABN Amro on transparency

| Question | Answer |
|--|--|
| Could ABN Amro show and explain how it has upgraded and improved the transparency level regarding investments and loans? | ABN Amro uses the Industry Classification Benchmark (ICB) categorisation for disclosing its exposure in several industries. ⁵⁰ The level of transparency is not comparative with SBI level 2. Also, as of 2011 ABN Amro increased its level of transparency by implementing subsequently GRI 3.1c and GRI 3.1a. Over 2014 ABN Amro reported on GRI 4-level. |
| Could ABN Amro show and explain how and when they have fulfilled the commitment of publishing their sustainability policies? | According to ABN Amro, since 2011, the bank's policies are updated continuously. The bank publishes its policies on the corporate website, general policies, an exclusion list and sector policies (agriculture, chemicals & pharma, defence, energy, extractive industry, manufacturing, and transport). |
| Could ABN Amro show and explain whether it has published and provide a complaint mechanism open for non-clients? | Everyone (with or without a bank account) can file a complaint on the website. The bank publishes what the complaint trajectory looks like, which is the same for clients and non-clients. Visitors of the website can also download a flyer (Brochure "Alles naar wens"), which describes the process. Information about complaint procedures is also available on the corporate website, in Dutch and English. ⁵¹ Furthermore, in the sustainability report, the bank reports on client complaints on security and privacy, and on complaints about non-compliance with regulations and voluntary codes by ABN Amro in the Netherlands. ⁵² |

| Question | Answer |
|---|---|
| Since the publication of the case study, has ABN Amro made any other changes to its investment policy and the implementation thereof in order to improve decision-making in the investment process? | Over the past years ABN Amro has implemented an Ethics Committee, a Sustainability Advisory Board and a Stakeholder Council, all with a specific role in the decision making process. In 2014, ABN Amro reviewed its sustainability strategy by performing a materiality analysis, to identify what in- and external stakeholders consider to be material or relevant issues. The bank organised and will continue to organise stakeholder dialogues in order to balance the bank's interests with the interests of its stakeholders. |

ABN Amro's use of the term 'exclusion list' is different from what is generally defined as exclusion list. The list is not a list of excluded companies but rather an overview of standards, criteria and indicators that may be reason for exclusion. There is room for improvement to be more transparent about the companies that have been excluded and on what criteria. Furthermore, the level of transparency of investments and loans is not comparative with SBI level 2.

3.1.8 Land acquisition

According to the *case study on Land acquisition* (2012), ABN Amro did not implement the principle of *free, prior, informed consent* (FPIC), in order to prevent land-grabbing, and does not address relevant gender issues. In response, ABN Amro made the commitment to strengthen its policy with regard to land-grabbing, with special attention for the rights of indigenous people and other vulnerable groups. The financial institution promised to integrate and implement the concept of *free, prior, informed consent* in its exclusion list and other instruments, within one year after publication of the research.⁵³

ABN Amro has indeed improved its policy regarding exclusion: 'The bank will not engage with transactions and activities, nor will it promote products, that are linked to the following practices: (...)

12. Resettlement of indigenous and/or vulnerable groups without Free Prior and Informed Consent (FPIC).⁵⁴ The Exclusion List does not apply to assets managed by external parties for which ABN Amro has developed a separate engagement strategy.⁵⁵

To verify whether the financial institution has fulfilled its commitments, ABN Amro was requested to provide an answer to the following questions, see Table 6.

Table 6 Questions to ABN Amro on land acquisition

| Question | Answer |
|--|--|
| Could ABN Amro provide information about the integration of the concept of <i>free, prior, informed consent</i> in the exclusion list (year, month)? | The concept of <i>free, prior, informed consent</i> has been integrated in ABN Amro's responsible investment policies. The bank considers resettlement of indigenous and/or vulnerable groups without Free Prior and Informed Consent (FPIC) unethical, harmful, exploitative, or abusive. The bank will not engage with transactions and activities that do not comply with the FPIC principle. ⁵⁶ |
| Could ABN Amro provide information about the implementation of the concept of <i>free, prior, informed consent</i> in the exclusion list and other | ABN Amro does not publish a list of excluded companies. The exclusion list contains controversial activities, no companies. The bank |

| Question | Answer |
|--|--|
| instruments, in terms of adding new companies to the exclusion list? | actively checks each company in the investment universe on violation of the UN Global Compact principles. If a company violates these principles, the bank may decide to start an engagement trajectory with this company. |

3.1.9 Labour rights and shipbreaking

The case study *Labour Rights and Shipbreaking (2012)* showed that ABN Amro participates in the Sustainable Shipping Initiative (SSI). Furthermore, the financial institution participates in a project group, established with the aim to study whether there are market parties interested in sustainable shipbreaking. Though no implicit or explicit commitment, we took the opportunity to ask for more details about the results and conclusions of this project group.

ABN Amro was requested to provide information whether the study of the project group with the purpose of identifying sustainable shipbreaking parties led to any policy and strategy changes.

According to ABN Amro, the study resulted in the introduction of a client questionnaire that is sent to ABN Amro shipping clients, including a question relating to the Responsible Ship Recycling Standards. The bank also updated its shipping policy, the newest version should be approved internally by mid-2015 (last version was of April 2013).⁵⁷

3.2 Aegon

3.2.1 Company profile

Aegon is one of the world's leading financial services organisations, providing life insurance, pensions and asset management.⁵⁸ The group is active in the Netherlands, the United Kingdom, the United States, Canada, Brazil, Mexico, Central & Eastern Europe, Asia, Spain, Portugal and France.⁵⁹ Aegon has two main umbrella brands, Aegon and Transamerica. It also has a number of sub-brands that operate globally, such as Aegon Asset Management, Aegon Global Pensions and Aegon Blue Square Re.⁶⁰ Aegon also sells its products under the labels Knab, Kroodle, Onna-Onna, Kruidvat Verzekeringen, Eneco Bronsparen and Menzis Zorgsparen.

At the end of 2014, Aegon had over 28,602 employees worldwide.⁶¹ Its premium turnover for 2014 totalled € 19.9 billion, of which € 4.7 billion came from the Netherlands.⁶²

At the end of 2014, Aegon owned assets with a total value of € 424.9 billion. These included € 345.1 billion of insurance investments and loans, of which 45% at the company's own risk and 55% at the risk of policyholders.⁶³ These investments were invested in the following investment categories:⁶⁴

- Bonds: € 140.4 billion (40.7%)
- Investment funds and other investments: € 137.0 billion (39.5%)
- Mortgage loans to private customers: € 36.7 billion (10.7%)
- Shares: € 28.1 million (8.2%)
- Real estate: € 2.9 billion (0.9%)

Aegon Bank N.V. is the banking subsidiary of the Aegon Group. The bank is only active in the Netherlands and offers savings accounts and mortgage loans to private individuals in the Netherlands and mediates between other Aegon products (investments, insurance and pensions).⁶⁵

In 2013, of the 4,384 employees of Aegon Group, 126 worked for Aegon Bank.⁶⁶ At the end of 2013, Aegon Bank owned total assets with a value of € 8.1 billion, of which € 4.3 billion was deposited as savings. Aegon Bank's investments were divided as follows:⁶⁷

- Mortgage and other loans to private customers: € 5.2 billion (64%)
- Investments in bonds and derivatives: € 2.6 billion (32%)
- Loans to banks: € 0.1 billion (1%)
- Cash: € 0.1 billion (1%)
- Other: € 0.1 billion (1%)

Besides the investments included on its balance sheet, Aegon Asset Management managed another € 174.8 billion in assets for third parties (private clients and institutional investors).

Over the past few years, Aegon has updated its Dutch responsible investment policy several times. Moreover, in 2011 Aegon has introduced a global policy on responsible investment. Aegon also expanded its sector policies. Currently Aegon is in the process of revising its RI policy, which is planned to be published in the first half of 2015. On the implementation side all portfolio managers and analysts have received an enhanced financial analysis ESG training from PRI Academy, as well as continuous training and updating from Aegon's ESG research provider.

3.2.2 Controversial weapons and arms trade

The case study *Banks and arms: the practice (2009)* concluded that Aegon invested in companies that are involved with production of controversial weapons and/or controversial arms trade.⁶⁸ Since the publication of the case study, Aegon has improved its controversial weapons and arms policies. Since March 2014, Aegon Investment Management excludes investments in shares and bonds of companies that are directly involved in the manufacture, development, maintenance or marketing of the end product, but also in the production or development of key components and the provision of essential services to controversial weapons. These are the following types of weapons: biological weapons, chemical weapons, anti-personnel mines, cluster munitions and depleted uranium ammunition. With regards to nuclear weapons, Aegon excludes companies that are directly involved in the manufacture, development, maintenance or trading of nuclear weapons. However, this is limited to countries where that is not allowed under the non-proliferation treaty.⁶⁹

Aegon's most recent exclusion list, dated January 2015, does not include the companies that were part of the Aegon investment portfolio at the time of the case study. Aegon's policy on controversial arms trade is limited as it is not applied at group level. This means that it does not apply to assets managed for clients outside of the Netherlands and enables Aegon Group to invest in arms companies that are excluded by Aegon Nederland. Furthermore, the policy does not cover all relevant responsible investment principles, such as arms trade to unfree countries, countries in armed conflict, fragile states, low income states with relatively high military spending or corrupt regimes, allowing Aegon to invest in companies involved in controversial arms trade.

According to the *Case study: Controversial Arms Trade (June 2015)*, Aegon still invests in companies involved in controversial arms trade, € 331 million in shares and € 474 million in bonds.⁷⁰

The case study *Dutch Bank Groups and Nuclear Weapons (2013)* concluded that Aegon did not invest in or granted credits to the selected nuclear weapon producers for its own account and risk. However, it did invest in a number of selected nuclear weapon producers on behalf of its clients. Aegon did not provide information whether the new weapons' policies (March 2014) have led to divestment from companies it invested in at the time of the case study.

3.2.3 Renewable power generation

The Fair Bank Guide published two case studies on power generation, *Dutch banks' investments in renewable power generation (2010)* and *Renewable power generation II (2012)*. The scope of the case studies was limited to loans and investments for their own account and risk. Asset management was outside the scope of the case study, as were investments in the oil and gas sector and in coal mines.

In the period 2010-2011, the percentage of investments in power generation from renewable sources amounted to 83%, above the recommended threshold of minimum 66%.⁷¹ Aegon did not provide an update of its investments in renewable energy.

Aegon has a new policy on climate change. The financial institution wants to invest in projects that are focused to encourage the transition to renewable power generation.⁷² The update of the climate policy will be assessed in the 15th update of the Fair Bank Guide.

3.2.4 Labour rights in the garment sector

During the research process, of the *Banks and garments (2010)*, Aegon stated that it intended to have a dialogue with individual garment companies, which was not the case at the time of the case study.⁷³ This was one of the indicators to check compliance with the criteria used in the case study. We asked Aegon for a follow-up.

According to Aegon, the intention to engage with garment companies mentioned in the report, needs correction. At the time of the publication, Aegon had just started with the implementation of its engagement strategy. The intention referred to engagement in general, not the garment sector in particular.

According to Aegon, since the publication of the case study, it has started an engagement process with different companies and addressed a variety of issues. One of the engagement trajectories deals with the garment industry. As published in the Aegon Asset Management Responsible Investment Report 2013, Aegon Asset Management US joined an investor coalition coordinated by the Interfaith Center on Corporate Responsibility (ICCR) to urge Bangladeshi garment factories to join the Accord on Fire and Building Safety in Bangladesh.⁷⁴ However, this information was not supported with evidence, as Aegon or Aegon Asset Management US is not listed as one of the signatories of the ICCR initiative.⁷⁵ According to Aegon Netherlands, it intended to join the ICCR initiative but something must have gone wrong in implementing this decision.⁷⁶

Aegon did not show that it has started a dialogue with individual garment companies. Some progress has been made with regard to another indicator in the case study: collective dialogues with the garment sector. Joining the investor coalition to promote the Bangladesh Accord, could be regarded as a first step. However, Aegon did not provide documented proof about its participation in this initiative.

3.2.5 Human rights and extractive industries

During the research process and after publication of the case studies on the extractive sector, *Dutch banks and human rights (2011)* and *Extractives and human rights (2013)*, the financial institution did not make any commitments to improve the policies and practices related to relevant issues and topics.

The first case study showed that Aegon subsidiaries invest in three companies that are involved with human rights violations: Barrick Gold Corporation, Royal Dutch Shell and Vedanta Resources. According to Aegon, engagement activities are carried out by an external party, on behalf of the financial institution. Aegon did not provide information about the format, themes and frequency of the engagement process, nor about the results.

We asked Aegon to further explain its engagement activities with Barrick Gold Corporation, Royal Dutch Shell and Vedanta Resources, in terms of policies, strategies and results. We also asked for updates with regard to its human rights policies.

According to Aegon it has discussed several topics with Barrick Gold:

- disclosure of its human rights policy;
- human rights compliance programme;
- human rights assessment methodology;
- disclosure of the outcome of the company's human rights impact assessments.

According to Aegon, on all these issues it has realised its goals. On one environmental issue the outcome of the engagement process was not satisfactory. According to the company realisation of that goal is not possible due to the specific circumstances in the area involved. For TKP Investments, part of Aegon Asset Management, specialised in service to Dutch pension funds, this was reason to add the company to their exclusion list.

According to Aegon, engagement with Royal Dutch Shell is ongoing. Topics addressed are:

- deep sea drilling
- safety issues in Nigeria and Iraq
- CO2 Capturing and Storage (CCS)
- arctic drilling
- oil sands
- community relations.

The engagement with Vedanta Resources has been concluded unsuccessfully. Currently, Aegon does not invest in Vedanta Resources and the company is formally excluded by TKP Investments.

With regard to the companies selected in the second case study, Aegon Asset Management provided information about its engagement process with Posco, one of the six companies it invested in at the time of the case study.⁷⁷ Posco is one of the world's largest steel manufacturers. In June 2005, the company signed a memorandum of understanding with the government of Odisha in India to build a steel plant on a 4,000 acre site in Odisha. In the process of securing the required permits from the local and national governments, the project has led to large scale protest relating to the involuntary relocation of people and other human rights violations. According to the International Human Rights Clinic (IHRC), steel manufacturers are involved in human rights violations, such as forced displacement of farmers and forest dwellers, loss of local people's livelihood and lack of consulting local communities. Based on the report of IHRC, Aegon has been engaging steel manufacturer Posco on adopting specific policies on community consultation, land rights and forced settlement. In 2013, the engagement process was followed by an on-site visit in Odisha, India, where Posco has plans to build a steel plant.⁷⁸ The engagement is still ongoing.

According to Aegon, currently it is in the process of revising its RI policy, which will be published in the first half of 2015. The updated RI policies also include a sector policy on mining and extractives.⁷⁹

We can conclude that, since the publication of the first case study, Aegon has continued its engagement policies with the three focus companies and has been transparent in disclosing the details of issues discussed with the companies and the results, which is an improvement. This is also the case with regard to Posco. However, what is still missing is clarity about the goals of the engagement processes, the time frame of required improvements and, in case of lack of results, as a final step exclusion of the company concerned. It is important to note that divisions and subsidiaries of Aegon can take their own decisions about exclusions. Barrick Gold and Vedanta Resources are listed on the exclusion list of TKP Investments.⁸⁰ The two companies are not excluded by Aegon N.V. and Aegon Netherlands.⁸¹

3.2.6 Animal welfare

The case studies *Pig farming, a study on animal welfare (2011)* and *Dutch banking groups and cattle transport (2013)* concluded that Aegon did not provide credits and investments for own account and risk to pig husbandry companies. Aegon did invest in several international pig meat processing companies for the account of third parties. However, during the research process and after publication of this case study, the financial institution did not make any commitments to improve the policies and practices related to relevant issues and topics.

According to Aegon, currently it is in the process of revising its RI policy, which will be published in the first half of 2015. On the implementation side all portfolio managers and analysts have received an enhanced financial analysis ESG training from PRI Academy, as well as continuous training and updating from Aegon’s ESG research provider. The revision also includes standards on animal welfare. Aegon will incorporate the Five Freedoms indicators in its policy. The new animal welfare policies will be assessed in the 15th update of the Fair Bank Guide.

Aegon did not provide information about engagement processes about housing conditions with companies involved in livestock farming, nor about the details of its policies regarding animal transport (including maximum transport hours for animals).

3.2.7 Transparency of Dutch banks

Two case studies on *Transparency of Dutch banks* were published in 2011 and 2013. After publication of the first case study, in October 2011, Fair Bank Guide organised a meeting to discuss the results and conclusions of the case study. All banks that were present at this meeting, including Aegon, stated that they would consider upgrading the transparency level regarding investments and loans to SBI level 2 (double digits) for Aegon Bank N.V.⁸² Aegon has also started publishing an overview of companies they exchanged information with about social and environmental issues (GRI Financial Services Supplement 10).

We asked Aegon to provide an answer to the following questions, see table Table 7:

Table 7 Questions to Aegon on transparency

| Question | Answer |
|--|---|
| Could Aegon show and explain how it has upgraded and improved the transparency level regarding investments and loans? | According to Aegon, it complies with the G4 guidelines. The Responsible Investment Report 2013 provides a breakdown of asset classes and asset management units, and to a lesser extent, of sectors and industries. ⁸³ |
| Could Aegon show and explain how they have implemented the commitment to publish an overview of companies they exchanged | In the Responsible Investment Report 2013 and 2014, Aegon provides information on the number of companies that are involved in an engagement |

| Question | Answer |
|---|--|
| information with about social and environmental issues? | process, the percentage of engagement activities in terms of engagement issues (governance, social or environmental), and a qualification of time and energy spent (extensive, moderate or basic). Furthermore, Aegon provides information about a selection of cases. ⁸⁴ |

Aegon has increased its level of transparency but it is still not comparative with SBI level 2.

3.2.8 Land acquisition

Aegon scored 'insufficient' in the *Case study on Land acquisition* (2012). During the research process and after publication of this case study, the financial institution did not make a commitment to improve its policies.

Currently, Aegon is in the process of revising its Responsible Investment policy, which will be published in the first half of 2015, according to Aegon. Since February 2014, Aegon also has a policy on land acquisition, as part of sector policies on forestry, agriculture and fisheries. In the acquisition of land for forestry or agriculture, the rights of indigenous people and local communities need to be respected and the principle of free, prior and informed consent needs to be applied. Aegon expects investors to comply with the Principles for Responsible Investment in Farmland (Farmland Principles) and the Principles for Responsible Agricultural Investments that Respect Rights, Livelihoods and Resources (PRAI). In case of controversies, Aegon will start an engagement process with the companies concerned. Aegon does not refer to the instrument of exclusion in case of non-compliance.⁸⁵

Since the publication of the case study, Aegon has made a significant step by publishing a policy on land acquisition.

3.2.9 Labour rights and shipbreaking

Currently, Aegon is in the process of revising its Responsible Investment policy, which will be published in the first half of 2015. There are no updates regarding labour rights and shipbreaking.

3.3 ASN Bank

3.3.1 Company profile

The ASN Bank, wholly owned by SNS Reaal, is mainly active in the private market in the Netherlands. ASN Bank is assessed separately since the bank carries out its own formal policy and is independently one of the ten largest banks in the Dutch savings market.

At the end of 2014, ASN Bank had 134 employees and 600,000 clients in the Netherlands.⁸⁶ Its total assets amounted to € 11.6 billion, of which € 10.7 billion was originating from funds entrusted by customers.⁸⁷ Total assets were invested as follows:⁸⁸

- Mortgage loans to private customers: € 4.5 billion (38.8%)
- Government bonds (including local government): € 3.8 billion (32.8%)
- Loans to companies and semi-governmental institutions: € 1.5 billion (13.0%)
- Cash: € 0.7 billion (6.1%)
- Others: € 0.7 billion (5.8%)
- Loans to local government: € 0.4 billion (3.5%)

ASN Bank managed a number of collective investment schemes, mandates and private banking accounts, via its subsidiaries ASN Beleggingsinstellingen Beheer and ASN Vermogensbeheer. Assets managed for external clients amounted to € 2.10 billion in 2014.⁸⁹

3.3.2 Controversial weapons and arms trade

ASN Bank's policy is not to invest in the arms industry. The case studies *Banks and arms: the practice (2009)* and *Dutch bank groups and nuclear weapons (2013)* concluded that the financial institution did indeed not invest in the selected arms companies.

Since the publication of the case studies, ASN Bank has not changed its investment policy and still excludes investments in the arms industry. This information is supported by publicly available policies, standards, methodology and selection criteria.⁹⁰ Besides this, ASN Bank is active in a lobby campaign against nuclear weapons in collaboration with PAX.⁹¹

3.3.3 Renewable power generation

The case studies *Dutch banks' investments in renewable power generation (2010 and 2012)* concluded that all investments and loans of ASN Bank in power generation concern renewable energy, which is still the case.

In the past few years, ASN Bank has implemented a reviewed, more up to date and detailed climate policy. The new policy also includes the climate ambition to become net climate neutral in 2030, with regard to all investments. This will affect the investment decisions.⁹²

The update of the climate policy will be assessed in the 15th update of the Fair Bank Guide.

3.3.4 Labour rights in the garment sector

Since the publication of the case study *Banks and garments' (2010)*, ASN Bank has not changed its investment policy and still has the same strict policies regarding the garment industry, with regard to, among others, child labour, forced labour, non-discrimination, freedom of association and safe and healthy working conditions in the supply chain.⁹³

ASN Bank is active in different ways to improve the working conditions of workers in the garment industry. ASN Bank is a signatory of the Bangladesh Investor Statement as of September 6, 2013.⁹⁴ As such, the bank supports the Accord on Fire and Building Safety in Bangladesh, in short the Bangladesh Accord.⁹⁵

According to the case study, in addition to screening and engagement of individual garment companies, ASN Bank did not carry out a collective dialogue with the garment sector, one of the indicators used to check compliance with the research criteria. Joining the investor coalition to promote the Bangladesh Accord therefore is a positive step.

3.3.5 Human rights and extractive industries

The case studies on the extractives sector, *Dutch banks and human rights (2011)* and *Extractives and human rights (2013)*, concluded that ASN Bank did not invest in the selected companies because they do not meet the bank's environmental and social criteria as included in its human rights policies.

ASN Bank held on to its investment policy and still does not invest in these companies due to the high risk of social and environmental harm. Since the publication of the case studies, no changes were made to its investment policy on human rights. This information is supported by publicly available policies and standards.⁹⁶

3.3.6 Animal welfare

There have been two case studies on animal welfare, *Pig farming, a study on animal welfare (2011)* and *Dutch banking groups and cattle transport (2013)*.

In April 2015, ASN Bank has renewed its policy regarding animal welfare, which is based on the Five Freedoms.⁹⁷

The bank does not invest in (pig) farming or aquaculture yet. Due to the high sustainability risks regarding human rights, climate, biodiversity and animal welfare, the bank does not engage in companies which are active in these sectors.⁹⁸

ASN Bank held on to its investment policy and still does not invest in meat processing companies that do not comply with its animal welfare standards. The updated animal welfare policies will be assessed in the 15th update of the Fair Bank Guide.

3.3.7 Transparency of Dutch banks

Two case studies on *Transparency of Dutch banks* were published in 2011 and 2013. After publication of the first case study, in October 2011, Fair Bank Guide organised a meeting to discuss the results and conclusions of the case study. All banks that were present at this meeting, including ASN Bank, stated that they would consider upgrading the transparency level regarding investments and loans to, for example, SBI level 2 (double digits).⁹⁹

ASN Bank is transparent about all its investments, on the level of debtor name, sector, country of origin, number of shares and shareholders' value. Loans to private clients are on a higher anonymous level. ASN Bank also publishes an inclusion list of all the companies in the investment universe, both in the Annual Report of the ASN Bank and the ASN Bank investment funds, and on the corporate website.¹⁰⁰ Furthermore, ASN Bank has published a research manual describing the sustainability criteria used in the selection process for all investments.¹⁰¹

3.3.8 Land acquisition

In the *Case study on Land acquisition (2012)* ASN Bank was given a 'good' for its policy in regard to foreign land acquisition, as its policy explicitly pays attention to human rights principles in relation to land acquisition. Since the publication of the case study, ASN Bank did not change its policies, as they are considered sufficiently adequate.¹⁰²

3.3.9 Labour rights and shipbreaking

In the case study *Labour Rights and Shipbreaking (2012)* the financial institution received the qualification 'not active' because the research did not identify investments by ASN Bank in this sector. As of now, ASN Bank still does not invest in this sector due to the high risk of social and environmental harm.

3.4 Delta Lloyd

3.4.1 Company profile

Delta Lloyd Group is a listed Dutch financial institution with products and services in the field of insurance, pensions, investments and banking. Delta Lloyd is active in the Netherlands, Belgium and Germany and focuses on consumers, but also on small and large companies,

multinationals and pension funds. It sells products under three brands: Delta Lloyd, OHRA and ABN Amro Verzekeringen.¹⁰³ BeFrank is responsible for pension products of Delta Lloyd. Erasmus Leven provides life insurance policies and mortgage related insurance while Cyrte Investments is an investment boutique that manages funds for institutional investors.¹⁰⁴

At the end of 2014, Delta Lloyd had 5,684 employees (FTEs).¹⁰⁵ The total assets of the group amounted to € 90.0 billion, including € 65.3 billion in insurance investments. These investments were divided among the different investment categories as follows:¹⁰⁶

- Bonds: € 33.2 billion (50.9%)
- Mortgage loans to private customers: € 13.2 billion (20.3%)
- Shares: € 12.0 billion (18.4%)
- Derivatives: € 2.5 billion (3.9%)
- Other loans: € 2.3 billion (3.6%)
- Real estate: € 1.5 billion (2.3%)
- Other: € 0.6 billion (0.6%)

Banking services are offered by Delta Lloyd in the Netherlands and Belgium, via Delta Lloyd Bankengroep NV. In the first half of 2013, Delta Lloyd Bankengroep NV was restructured, however. In March 2013, the Belgium-based subsidiary Delta Lloyd Bank NV was sold to Delta Lloyd NV with the earmark of selling these activities to a third party. In May 2013 Delta Lloyd Bankengroep NV and the Netherlands-based subsidiary Delta Lloyd Bank NV were merged, and now operate under the name Delta Lloyd Bank NV.¹⁰⁷ Also, Delta Lloyd Group owns a 30.5% stake in the Van Lanschot banking group.¹⁰⁸ In December 2014, Delta Lloyd agreed to sell Delta Lloyd Bank Belgium to Anbang Insurance Group Co (China).

In 2013, Delta Lloyd Bank had 200 employees.¹⁰⁹ At the end of 2013, Delta Lloyd Bank's total assets amounted to € 4.2 billion, of which € 3.6 billion originated from funds entrusted by customers. Total assets were invested in the following:¹¹⁰

- Mortgage loans to private customers: € 2.8 billion (67%)
- Investments in bonds and derivatives: € 0.6 billion (14%)
- Loans to governments: € 0.4 billion (10%)
- Cash: € 0.2 billion (5%)
- Loans to companies: € 0.1 billion (2%)
- Loans to other banks: € 0.1 billion (2%)

Additional to the investments included in its balance sheet, Delta Lloyd Group at the end of 2013 managed assets with a value of € 7.7 billion for third parties (private clients and institutional investors).¹¹¹

Since January 2015, Delta Lloyd has improved its ESG standards and selection criteria. Delta Lloyd has an ESG-Board consisting of the chairman of the board of directors and heads of divisions. This board monitors the progress made by the Group Program 'Sustainable Impact' (formally initiated in January 2015), focussing on sustainability in three pillars: Responsible Investments, Sustainable Insurance and CSR.

3.4.2 Controversial weapons and arms trade

Delta Lloyd was not included in the researched banks for the case study *Banks and arms: the practice (2009)*. Nevertheless, the bank responded positively to our request for information about updates with regard to its policies on controversial weapons and arms trade (CWA). According to Delta Lloyd, over the past few years it has improved its CWA policies, as a part of its overall ESG policies and standards. Delta Lloyd publishes a list of 28 companies that are excluded from investments due to their involvement in CWAs.¹¹² Furthermore, Delta Lloyd has a blacklist of countries it does not invest in, but it is not clear whether the exclusion criteria also include involvement in CWA trade.

The case study *Dutch bank groups and nuclear weapons (2013)* showed that Delta Lloyd had invested € 3.8 million in four nuclear weapons producers. After publication of the case study, Delta Lloyd decided to include nuclear weapons in its policy on controversial weapons. In a press release, it announced that, from February 2013 onwards, Delta Lloyd would no longer invest in companies that are involved in the production, maintenance or testing of nuclear weapons.¹¹³ As a consequence, Delta Lloyd intended to divest from four companies and exclude another 30 companies from its investment universe.¹¹⁴

While Delta Lloyd did not mention the names of the four companies, based on the information about the total value of the assets involved (€ 3.8 million) we may conclude that it concerned the investments in Boeing, Fluor, Northrop Grumman and Rolls-Royce, as identified in the Fair Bank Guide report.¹¹⁵ According to its most recent Exclusion List Q2 2015¹¹⁶, Fluor and Northrop Grumman have indeed been added to the exclusion list, while Boeing and Rolls-Royce have not. Delta Lloyd still has investments in Boeing.¹¹⁷

Delta Lloyd says it is not its policy to disclose information on the decision-making process regarding its investments in individual companies. In general, the decision to exclude companies from the investment universe is based on a materiality assessment of ESG indicators and controversial weapons indicators. Decisions are reviewed on a quarterly basis.

3.4.3 Renewable power generation

Delta Lloyd was included in the second case study *Renewable power generation II (2012)*. The bank did not invest in power generation and therefore scored 'not active'. It is not clear whether Delta Lloyd still does not invest in the electricity sector.

3.4.4 Labour rights in the garment sector

Delta Lloyd was not included in the list of banks selected for the case study *Banks and garments (2010)*. Nevertheless, the bank responded positively to our request for information about updates with regard to its policies on investments in the garment sector. Delta Lloyd explained that it has improved its policy on consumer goods since January 2015, including elements on the garment sector.¹¹⁸ According to Delta Lloyd, 'a durable sustainable consumer goods sector is based on internal management processes, sustainable use of the environment, good working conditions and supply chain responsibility'.¹¹⁹ Companies are expected to implement an environmental and social risk management system. They also need to implement a certification system according to relevant standards and criteria, such as ILO guidelines with regard to child labour in the garment sector.¹²⁰

The update of the policy on consumer goods will be assessed in the 15th update of the Fair Bank Guide.

3.4.5 Human rights and extractive industries

Delta Lloyd was included in the list of banks in the second case study on the extractives sector, *Extractives and human rights* (2013), not in the first case study. The financial institution had shares in two of the ten selected companies for the second case study. The bank did not cooperate with the case study.

The bank did not provide an update on engagement with the two companies they owned shares in at the time of the case study. According to Delta Lloyd, it has improved its policy on human rights since January 2015.¹²¹ In its due diligence processes regarding clients and investment, Delta Lloyd uses international declarations and conventions on human rights. The update of the human rights policy will be assessed in the 15th update of the Fair Bank Guide.

3.4.6 Animal welfare

Delta Lloyd scored 'poor' in the case study *Pig farming, a study on animal welfare* (2011) and 'not active' in *Dutch banking groups and cattle transport* (2013).

Delta Lloyd has improved its investment policy with regard to animal welfare. Existing and new investments in activities that touch on animal welfare are verified on the following issues:

- Companies need to respect the Five Freedoms;
- Animal testing for cosmetic purposes are unacceptable;
- Restrictive housing conditions for calves (in boxes), laying hens (in battery cages) and sows (in feed cubicles) are unacceptable;
- Companies limit the duration of animal transport up to 8 hours.

At the time of the first case study, Delta Lloyd did not have specific policies regarding animal welfare in the meat processing industry. The financial institution made progress by publishing a policy including relevant issues about housing conditions, however, not regarding pig husbandry, the focus of the case study. The animal welfare policy includes a limitation of animal transport up to 8 hours, which is relevant with regard to the second case study on animal welfare.

The new animal welfare policies will be assessed in the 15th update of the Fair Bank Guide.

3.4.7 Transparency of Dutch banks

Two case studies on *Transparency of Dutch banks* were published in 2011 and 2013. After publication of the first case study, in October 2011, Fair Bank Guide organised a meeting to discuss the results and conclusions of the case study. Also Delta Lloyd participated in the dialogue about transparency with representatives from the financial sector. The banks that were present at this meeting stated that they would consider upgrading the transparency level regarding investments and loans to, for example, SBI level 2 (double digits).¹²²

According to Delta Lloyd, currently far-reaching transparency on investments and loans is no priority issue, due to its modest position in the Dutch banking sector and the limited character of products and services. The bank intends to take further action in the course of 2015 and 2016.

Since the publication of the second case study, Delta Lloyd publishes more information on its website regarding its responsible investment policies.¹²³ However, Delta Lloyd has not increased its level of transparency regarding investments and loans to SBI level 2 or a similar standard.

3.4.8 Land acquisition

The *Case study on Land acquisition (2012)* concluded that Delta Lloyd did not provide credits and investments for own account to companies involved in land-grabbing. Delta Lloyd did invest in companies in the agriculture, forestry and biomass production sectors for the account of third parties.

During the research process, the financial institution indicated that it does not want to invest in high risk companies with regard to involvement in land-grabbing. In response to the announcement of the case study, Delta Lloyd developed a policy on land-grabbing, which was finalised during the research process (October 2011). The policy includes relevant elements recommended in the case study, such as reference to the principle of free, prior and informed consent, and land rights of indigenous people and local communities.¹²⁴ At the time, Delta Lloyd was still working on the establishment of more systematic monitoring and engagement policies and strategies. Delta Lloyd stated that, in future, they will more often apply a combination of various instruments, in case of involvement in land rights violations, more in particular engagement and divestments.¹²⁵

According to Delta Lloyd, the bank has committed itself to the integration of the Fragile States Index-information in its sovereign investment process. However, issues related to land-grabbing are not part of the set of indicators.¹²⁶ Delta Lloyd did not provide information about any updates or improvement of the monitoring and engagement policies and strategies towards avoidance of land-grabbing practices.

3.4.9 Labour rights and shipbreaking

After publication of the case study *Labour Rights and Shipbreaking (2012)*, Delta Lloyd has improved its human rights policy, also including labour rights.¹²⁷ Companies need to have a human rights policy. However, Delta Lloyd does not provide clear information about monitoring systems in place and policies in case of non-compliance. Delta Lloyd does not have a specific policy on shipbreaking.

3.5 ING Group

3.5.1 Company profile

ING Group (ING) is a global financial institution of Dutch origin offering retail and commercial banking services. ING has more than 32 million clients in Europe, the United States, Canada, Latin America, Asia and Australia: private, corporate and institutional investors.¹²⁸ At the end of 2014, ING had 68,431 employees (including 12,486 from discontinued operations). The total assets of the group amounted to € 992.9 billion.¹²⁹

In 2009, a restructuring programme that met the European Commission's requirements was agreed. In the successive years ING has put that into effect with only a few steps remaining. ING has conducted over 50 divestment transactions over a five-year period.¹³⁰

In July 2014, NN Group, the European/Japanese insurance business of ING, listed on the Euronext Amsterdam stock exchange.

Through the listing, ING's stake in NN Group was reduced to 68.1 percent and in May 2015 ING's stake was reduced to 42.4 percent. This stake is required to reach zero in 2016.¹³¹

ING has also reduced its stake in Voya Financial, Inc. (Voya), its former American insurance business. ING is required to fully divest its Voya holding by 2016. At year-end 2013 ING's stake was 57 percent, at year-end 2014 this had been reduced to approximately 19 percent. In March 2015, ING completed the divestment of Voya shares.¹³²

Furthermore, the Dutch State has been repaid by ING in full. In November 2008, ING received EUR 10 billion in aid from the Dutch State in the form of core Tier 1 securities. In 2009, ING started repaying the Dutch State and made the final payment on 7 November 2014. This was achieved six months ahead of the repayment schedule agreed with the European Commission in 2012.¹³³

ING continues its banking activities under the ING brand. At the end of 2014, ING Bank owned total assets of € 828.6 billion, of which € 489.3 billion originated from funds deposited on bank accounts by customers.¹³⁴ Total assets were invested in the following investment categories:¹³⁵

- Mortgage and other loans to private customers and SMEs: € 316.2 billion (38.2%)
- Investments in shares, bonds and derivatives: € 241.7 billion (29.2%)
- Loans to companies: € 160.5 billion (19.4%)
- Loans to governments: € 45.4 billion (5.5%)
- Loans to banks: € 39.1 billion (4.8%)
- Cash: € 12.2 billion (1.5%)
- Other: € 13.5 billion (1.4%)

In 2013 ING revised its ESR policies. In the ING Environmental and Social Risk Framework, according to ING, it extended the scope of its policy on controversial weapons, global sustainable procurement criteria (regarding the direct footprint) as well as several policy initiatives and updates regarding the indirect footprint from client engagements, i.e. SME's in Turkey and India, carbon credits from small hydro, fishing, shipbreaking, coal fired power, an update of exclusion based policies and all sector based policies referring to available best practices and renewed automated assessment tools and processes.

3.5.2 Controversial weapons and arms trade

The case study *Banks and arms: the practice* (2009) concluded that ING Bank invested in companies that are involved in the production of controversial weapons (nuclear weapons) and companies that are involved in controversial arms trade.¹³⁶ Additionally, investment funds managed by ING invested in companies involved in the production of controversial weapons as well as companies involved in controversial arms trade.¹³⁷

Within 3 months after publication of the case study, ING published an updated policy on arms trade and controversial weapons. The renewed policy specified that the bank does not want to finance companies that supply weapons to countries under (EU and UN) arms embargoes.¹³⁸ According to the updated and current policies, ING does not finance the development, production, maintenance or trade of controversial weapons and arms, nor does it provide any financial services to companies involved in these weapons. ING will not invest its proprietary assets (ING's own account) in controversial weapons companies. This also applies to ING investment funds and asset management activities, if legally possible.¹³⁹ The commitment has been formalised in the public ESR policy, available at the corporate website.¹⁴⁰

According to the case study *Dutch Bank Groups and Nuclear Weapons* (2013), ING invested in companies involved in the production of nuclear weapons. As was the case in 2013 and still applies at the time of writing, ING does not exclude these types of companies as a whole. ING requires 'written declarations that the credit lines are not used for the production of nuclear weapons'. Furthermore, ING states that the 'overall exposures have decreased substantially with the sale of Voya Financial and further decrease as a result of the stock listing of NN Group in 2014'. According to ING, most investments in the nuclear weapon producers selected for the case study were under management of NN Group, which is not part of ING Group anymore.

To verify whether the financial institution has fulfilled these commitments, we have requested ING to answer the following questions, see Table 8.

Table 8 Questions to ING on weapons

| Question | Answer |
|---|--|
| <p>The case study was published in July 2009, followed by an announcement of changes to the ING policy on cluster munitions in October 2009.¹⁴¹ The information provided about the controversial weapons' policy on the ING website dates from March 2014. Could you please explain whether and how the new policy has been integrated in the ESR Framework of ING?</p> | <p>According to ING, the new policies have been fully integrated. The policy on cluster munitions forms part of the ESR framework and is applicable worldwide in all ING's businesses. The ESR policy is fully integrated into ING's systems and forms part of each due diligence investigation of a client/transaction.¹⁴²</p> |
| <p>According to the case study 'Banks and arms', ING invested in 22 controversial companies, for the account and risk of ING and with money from clients in investment funds.</p> <p>a. Does ING still invest in one or more of these companies?</p> <p>b. Have these companies been excluded as a consequence of the adapted policies? If yes, which companies have been excluded and which have not? Could you please explain why?</p> <p>c. Could you provide documented proof of excluded companies and de-investments?</p> | <p>The majority of the investments were part of the ING Insurance and ING Voya investment portfolio. ING Voya has been sold and since July 2014, ING Insurance (currently Nationale Nederlanden) is not part of ING Group anymore.</p> <p>a. No response, see above.</p> <p>b. No response, see above.</p> <p>c. ING does not disclose a list of restricted companies and therefore cannot respond to this question.</p> |
| <p>Since the publication of the case study, has your organisation made any other changes to its investment policy and the implementation thereof in order to improve decision-making in the investment process?</p> | <p>ING has extended the scope of its policy on controversial weapons. The policy has been amended in line with legislation whenever needed.¹⁴³</p> |

Up to date, ING has outstanding loans in companies involved in the production of controversial weapons. ING Group has outstanding loans to Airbus, Boeing, Fluor and Safran.¹⁴⁴

NN Group (Nationale Nederlanden) owns shares in Boeing, Fluor, Honeywell International, Jacobs Engineering, Safran and ThyssenKrupp.¹⁴⁵ These companies were found to be involved in the production of controversial weapons and/or active in controversial arms trade.¹⁴⁶ Since NN Group is not majority-owned by ING Group anymore, it is not part of the assessment in this report.

ING does not publish a list of excluded companies. It is recommended to publish such a list, including the scope.

3.5.3 Renewable power generation

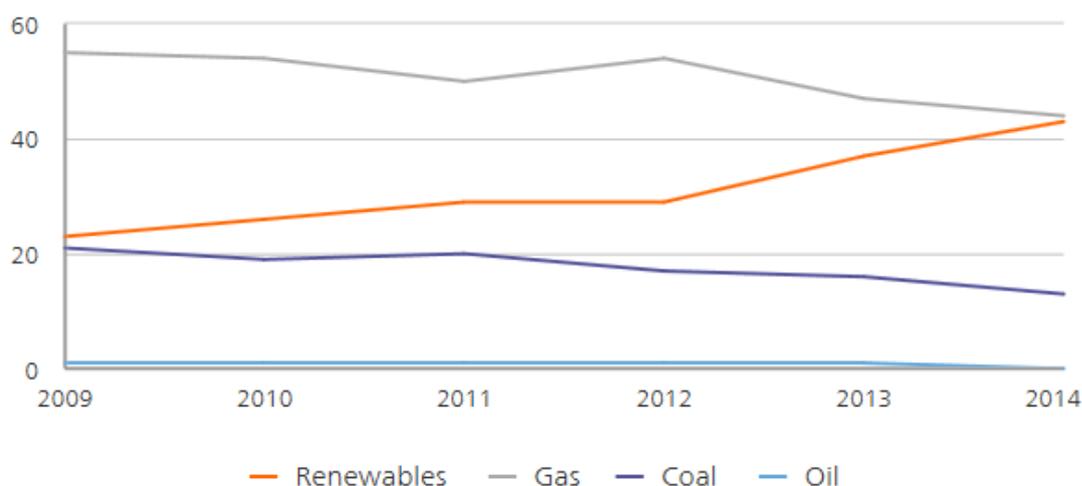
According to the first case study *Dutch banks' investments in renewable power generation* (2010), in the period 2007-2009, 25 % of total ING investments in the electricity sector consisted of renewable power generation, which was raised to 72% in the period 2010-2011, the research period of the second case study. However, in absolute terms investments in renewable power generation had decreased in comparison with the first case study, from € 901 million in the period 2007-2009 to € 538 million in the period 2010-2011.¹⁴⁷ The scope of the case study was limited to loans and investments for their own account and risk. Asset management was outside the scope of the case study, as were investments in the oil and gas sector and in coal mines.

According to ING, sustainable transitions financed covers several business areas of Commercial Banking (renewable energy in the areas of wind, solar, geothermal, hydro and biomass) and Retail Banking (ING Groenbank).

- ING has a Sustainable Lending Team that focusses on companies that are environmental outperformers.¹⁴⁸ ING, for example, finances a geothermal power financed by ING in Indonesia.¹⁴⁹
- Within Structured Finance ING also has a growing portfolio in renewables. ING wants to support key clients in the utilities sector in their strategic transition towards a lower carbon footprint. In 2014, ING financed wind, solar, hydro and geothermal energy projects worldwide. The share of renewables (wind, solar, geothermal, hydro and biomass) amongst the electricity-generating projects in the Structured Finance Power portfolio continued to rise from 23 percent in 2009 to 43 percent in 2014. Continuing the downward trend of recent years, the share of coal-fired projects has almost halved over the past five years, from 21 percent in 2009 to 13 percent in 2014.

Figure 1 ING investments in renewables

Structured finance utilities, power and renewables portfolio evolution⁽¹⁾



(1) Due to a deal reclassification, numbers reported previously have been slightly changed.

Source: ING Annual report 2014, p. 40

- According to ING, ING Groenbank has been and will continue investing in renewables. For example, the bank provided a 100 million Euro loan to energy provider Eneco.¹⁵⁰

The claim of doubling finance of power generation from renewable sources concerns structured finance, not corporate finance and other investments. The data of the research in the context of the two case studies were based on other methods. Therefore, we cannot assess whether total ING investments in renewable power generation have increased since the latest case study.

3.5.4 Labour rights in the garment sector

ING bank scored 4 out of 5 points in the case study *Dutch Banks in the Garments Sector* (2010).

The results and final score of ING could have been higher as ING did not provide reports or other documents to support the statements that it applies monitoring and engagement processes to garment manufacturers. Though no implicit or explicit commitment was made, we took the opportunity to ask for more details about this engagement process.

ING was requested to provide new information about the monitoring and engagement process with regard to garment manufacturers. ING did not provide information about contacts with clients in the garment sector. The financial institution however provided information about general policies with regard to the manufacturing sector, including supply chain management. According to ING, the increasing practice of outsourcing and/or subcontracting to operations in emerging markets further complicate supply chains, making it more difficult to appreciate the extent of a particular company's liability for environmental and social impacts. Maintaining responsible operations and supply chains is therefore a challenge for the manufacturing sector, and more particularly for those whose products are manufactured in developing countries, where regulations may be weak or not enforced. Meeting this challenge means that the environmental and social impacts associated with the manufacturing sector must be closely managed. Under the Manufacturing Policy, ING has developed tools to identify the most significant risks that may be associated with the manufacturing sector.¹⁵¹

Among others, these risks refer to human rights abuses, including forced and child labour, unsafe working conditions, non-living wages, forced relocation, denial of freedom of expression, violence, and other abuses, use of immigrant and migrant labour with minimal or no benefits or protection under labour regulation.

In order to manage the risks identified in the manufacturing sector, ING has developed assessment tools that take into consideration environmental and social industry standards and best practice guidance. ING encourages clients in the manufacturing sector to seek continuous improvement in environmental, health and safety management and supports them to move towards best practices, which include:

- Standards for Environmental Management System (ISO 14001 & 29001);
- Standards for Health and Safety Management System (OHSAS 18001);
- Social Accountability 8000 (SA8000) Standard.

ING provided documented information about the engagement procedure with new and existing clients. In case these clients do not take action to counteract the controversies they are involved with, they are not eligible to become ING clients and in case of existing clients, ING will discuss a time bound action plan to solve the issue, and if the client does not meet the expectations, ING will not provide new facilities and the existing ones will be winded down.¹⁵²

3.5.5 Human rights and extractive industries

The case study *Dutch banks and human rights* (2011) showed that ING invests in three companies that are involved with human rights violations: Barrick Gold Corporation, Royal Dutch Shell and Vedanta Resources. According to ING, they carry out engagement activities with the companies. However, ING did not provide information about the format, themes and frequency of the engagement process, nor about the results. Though no implicit or explicit commitment was made, we took the opportunity to ask for more details about the engagement process and results.

During the research process of the second case study on the extractives sector, *Case study: Extractives and human rights* (2013), ING promised to use more instruments within one year to prevent the provision of services to extractive companies that do not take their responsibility to respect human rights seriously enough. Because of the restructuring of ING, this commitment only applies to ING banking services.¹⁵³

To verify whether the financial institution has fulfilled this commitment, and whether the bank took further steps in their engagement activities with the aforementioned companies, ING Bank was requested to provide an answer to the following questions, see Table 9.

Table 9 Questions to ING on the extractives sector

| Question | Answer |
|---|---|
| Could ING highlight the engagement activities with regard to the companies selected in the case study <i>Dutch banks and human rights</i> (2011) - Barrick Gold Corporation, Royal Dutch Shell and Vedanta Resources -, in terms of policies, strategies and results? | ING Voya has been sold and since July 2014, ING Insurance (currently Nationale Nederlanden) is not part of ING Group anymore. Therefore, the investments in the three companies are no longer owned by ING. The general policy of ING is that the content and results of engagement processes are regarded as confidential. |
| Since the publication of the case study <i>Extractives and human rights</i> (2013), has your organisation improved the use of instruments to address the ESG risks observed in this case study, such as screening, engagement and exclusion? | <p>The ESR assessment is an integral part of ING's risk management framework and hence follows the 'three lines of defence' governance model for risk management. ING strengthened integration in 2014 by incorporating systematic and automated ESR assessments into mainstream data systems for client information and lending data.</p> <p>According to ING Bank, a systematic and automated ESR assessment process improves the consistency and accessibility of information throughout the organisation. For ING clients, automation provides a more transparent and streamlined assessment process within existing Know Your Customer procedures. In the medium term, this data will allow ING to assess each corporate client's environmental and sustainability performance and ESR exposure in specific sectors. This will improve the ability to manage ESR risks for individual clients and transactions – irrespective of the product or service ING offers – and improve strategic decision making in sectors that, for example, are more exposed to fossil fuels or have poor labour and safety standards through their supply chain.</p> |
| What have been the results of the improved human rights policy with regard to the extractives sector, in terms of ESG screening, dialogue, engagement and exclusion? | According to ING, due to the assessment process, it can provide insight into screening of the Equator Principle Deals. ING screens all deals that fall under its EP/ESR framework. |

ING scored 'insufficient' in the first case study because it did not show a systematic and structural approach in engaging companies that are involved in controversies regarding the protection of human rights. ING indicates that it has implemented a more systematic screening process after the second case study but still does not provide information about engagement with extractives companies. The general policy of ING is that the content and results of engagement processes are regarded as confidential. Furthermore, the shares in the three extractives companies selected for the first case study are not owned by ING Group anymore after the sale of NN Group and ING Voya.¹⁵⁴

3.5.6 Animal welfare

Two case studies were published in regard to animal welfare: *Pig farming, a study on animal welfare* (2011) and *Dutch banking groups and cattle transport* (2013). ING did not have specific exclusion criteria on livestock farming, and therefore scored 'poor' to 'moderate'. In June 2011, ING published a market study on pig husbandry, including an overview of labelling systems with regard to more sustainable meat production, but lacks policies to integrate animal welfare standards in its screening and engagement processes.¹⁵⁵

ING did not and still does not have specific standards and criteria with regard to companies involved in pig husbandry and livestock transport.

3.5.7 Transparency of Dutch banks

After publication of the first case study *Transparency of Dutch banks* (2011), in October 2011, Fair Bank Guide organised a meeting to discuss the results and conclusions of the case study. All banks that were present at this meeting, including ING, stated that they would consider upgrading the transparency level regarding investments and loans to, for example, SBI level 2 (double digits).¹⁵⁶ The bank also started publishing its sustainability policies.

To verify whether the financial institution has fulfilled these commitments, ING was requested to provide an answer to the following questions, see Table 10.

Table 10 Questions to ING on transparency

| Question | Answer |
|--|--|
| Could ING show and explain how they have upgraded and improved the transparency level regarding investments and loans to, for instance, SBI level 2? | ING provides information on the asset classes, geographical region and to some extent industrial sectors. ¹⁵⁷ |
| Could ING show and explain how and when they have fulfilled the commitment of publishing their sustainability policies? | Since 2013, ING publishes its sustainability policies on the corporate website. ¹⁵⁸ ING has issued an integrated annual report which combines financial and non-financial information. This provides more transparency on the way ING integrates sustainability into its business activities. Furthermore, ING provides information about its credit portfolio on its website. ¹⁵⁹ |

Since the publication of the case study *Transparency of Dutch banks II* (2013), there have been positive changes in the disclosure of information by ING Bank, such as publication of its sustainability policies. However ING did not follow-up the recommendations in the case study and the meeting of the Fair Bank Guide, by increasing the transparency level to second level of the Standaard Bedrijfs Indeling (SBI) used by the Dutch statistical agency or a comparative standard such as NAICS with the same level of detail on sectors and sub-sectors. ING also does not publish an exclusion list.

3.5.8 Land acquisition

ING scored 'moderate' in the case study *Land Acquisition (2012)*, because it could make clear that the policies for bank investments also apply to asset management. During the research process and after publication of this case study, the financial institution did not make any commitments to improve the policies and practices related to relevant issues and topics.

ING applies the free, prior and informed consent principle (FPIC) for indigenous communities to its banking services.¹⁶⁰ The FPIC principles is limited to indigenous people and not applied to local communities in general, as recommended in the case study. The bank did not provide more detailed information about the implementation process.

3.5.9 Labour rights and shipbreaking

The case study *Labour Rights and Shipbreaking (2012)* showed that ING invested in shipping companies that break ships in Asia, in spite of the fact that the bank has a policy to avoid involvement in shipbreaking in Asia. ING did not provide sufficient documentation to show that it engages with shipping companies about the conditions for shipbreaking when they build new ships or about a policy for their entire fleet. During the research in 2012, the financial institution started an internal investigation into the practices of the companies invested in that are involved with shipbreaking in Asia. ING announced that screening and a dialogue with companies involved with shipbreaking will be adopted as a standard procedure and in one year be integrated in the ING ESG instruments.¹⁶¹

To verify whether the financial institution has fulfilled these commitments, ING was requested to provide an update.

First of all, ING bank further investigated its credit portfolio on involvement with shipbreaking in Asia, and concluded the following:

- ING is directly involved in financing shipping companies. The fleet of these companies is on average six years old;
- ING clients often also have older ships in their fleet, which are sometimes sold or dismantled;
- As of 2013, ING engages with its customers on their ship recycling practices;
- ING is a member of the International Ship Recycling Association;
- With other Dutch Banks, ING seeks to take the debate further and to launch Responsible Ship Recycling Standards. ING is in the process of contacting other ship financing banks to see if they will join the coordinated approach to this issue.

With regard to the latter, according to ING Bank, it got in contact with experts in the field and other banks to take its responsibilities a step forward. Currently ING runs pilots to check potential hurdles and where necessary improve. Furthermore, ING is already trying to get the major shipping banks on board. According to ING Bank, it is a time consuming process which is pending and to be continued. Since the project is still in a pilot and testing phase, the bank is not able to share documentation yet.

In sum, according to ING, it fulfilled its commitment changing internal procedures to facilitate engagement with its shipping customers about their ship recycling policy. However, two and a half years after publication of the case study, ING Bank has not published its policies on shipbreaking yet.

3.6 NIBC

3.6.1 Company profile

NIBC Bank was founded in 1945 by the Dutch government with the objective to provide financing for the reconstruction of the Netherlands after World War II. In 2005, a consortium of international financial institutions and investors organised by J.C. Flowers & Co. purchased all the outstanding equity interests of the NIBC bank, giving birth to NIBC in its current form: an enterprising bank offering corporate and consumer banking services. For companies, NIBC offers advice, financing and co-investing in a number of chosen sectors: food, agri & retail; commercial real estate; industries & manufacturing; infrastructure & renewables; oil & gas services; shipping & intermodal; and technology, media & services. For consumers, NIBC offers savings in the Netherlands, Germany and Belgium, mortgages in the Netherlands and brokerage services in Germany under the NIBC Direct label.¹⁶²

At the end of 2014, NIBC Bank had 637 employees (FTEs).¹⁶³ The total assets of the bank amounted to € 23.1 billion, of which € 10.2 billion was originating from funds deposited by customers.¹⁶⁴ At the end of 2014, the total assets were invested as follows:¹⁶⁵

- Mortgage loans to private customers: € 8.1 billion (35.1%)
- Loans to companies: € 7.6 billion (32.9%)
- Investments in shares, bonds and derivatives: € 4.5 billion (19.5%)
- Loans to banks: € 2.3 billion (10.0%)
- Cash: € 0.5 billion (2.2%)
- Other: € 0.1 billion (0.3%)

In addition to the assets on NIBC Bank's own balance sheet, the bank managed € 1.7 billion worth of assets for third party clients in 2014.¹⁶⁶

3.6.2 Controversial weapons and arms trade

NIBC was not included in the case study *Banks and arms: the practice* (2009). The case study *Dutch bank groups and nuclear weapons* (2013) concluded that NIBC did not invest in or grant credits to the selected nuclear weapon producers. Since the publication of the case study, NIBC has not changed its policies and still states that it does not invest in nuclear weapon producers.

3.6.3 Renewable power generation

NIBC was not included in the list of banks under study *Dutch banks' investments in renewable power generation* (2010). The case study *Renewable power generation II* (2012) concluded that in the period 2010-11, NIBC investments in sustainable energy generation were 100%. The scope of the case study was limited to loans and investments for their own account and risk. Asset management was outside the scope of the case study, as were investments in the oil and gas sector and in coal mines.

Since the publication of the case study, NIBC did not change its policies. Renewable energy remains one of the focus sectors for NIBC.

3.6.4 Labour rights in the garment sector

NIBC was not included in the list of banks under study.

3.6.5 Human rights and extractive industries

NIBC was not included in the list of banks for the case study *Dutch banks and human rights* (2011). The *Case study: Extractives and human rights* (2013) concluded that NIBC did not invest in or granted credits to the selected companies and therefore received a not active score. NIBC is still not active in the extractives sector, not because of its human rights policies but for other (strategic) reasons.

3.6.6 Animal welfare

NIBC was not included in the list of banks in the case study *Pig farming, a study on animal welfare* (2011). The case study *Animal welfare and cattle transport* (2013) concluded that NIBC did not invest in or grant credits to the selected companies. That has not changed since the publication of this case study, NIBC still does not finance cattle transport.

3.6.7 Transparency of Dutch banks

After publication of the first case study *Transparency of Dutch banks*, in October 2011, Fair Bank Guide organised a meeting to discuss the results and conclusions of the case study. All banks present at this meeting, including NIBC, stated that they would consider upgrading the transparency level regarding investments and loans to, for example, SBI level 2 (double digits).¹⁶⁷

Since the case study, NIBC has started to publish an overview of companies they exchanged information with about social and environmental issues (GRI Financial Services Supplement 10). Furthermore, NIBC has started to publish a complaint mechanism that is also open to non-clients and last, NIBC is more transparent regarding their asset management activities.

We asked NIBC to provide an answer to the following questions, see Table 11.

Table 11 Questions to NIBC on transparency

| Question | Response |
|--|---|
| Could NIBC show and explain how they have upgraded and improved the transparency level regarding investments and loans according to SBI 2008 level 2, or another standard? | No response |
| Could NIBC show and explain how they have implemented the commitment to prepared to publish an overview of companies they exchanged information with about social and environmental issues? | No response |
| Could NIBC provide information whether they have published and provided a complaint mechanism open for non-clients? | No response |
| Could NIBC show and explain how and when they have fulfilled the commitment of being more transparent publishing on their asset management activities? | No response |
| Since the publication of the case study, has your organisation made any changes to its investment policy and the implementation thereof in order to improve decision-making in the investment process? | Since 2011 NIBC has been reporting in line with the GRI reporting guidelines; the 2014 annual report being in line with the GRI G4 guidelines. Since 2012, an external accountant provides assurance on the |

| Question | Response |
|----------|---|
| | non-financial indicators of NIBC's annual report. |

NIBC breaks down its corporate loan portfolios in relevant regions and sectors, according to SBI level 2 or a comparative standard. NIBC does not publish a list of excluded companies.

3.6.8 Land acquisition

The case study *Land Acquisition (2012)* concluded that NIBC did not provide credits and investments for own account, nor for third parties to companies in the primary production process of the agricultural, forestry and biomass sectors, and therefore received the qualification 'not active'.

We asked NIBC to provide an answer to the following question, see Table 12.

Table 12 Questions to NIBC on land acquisition

| Question | Response |
|---|-------------|
| Is NIBC still not active in the agricultural, forestry and biomass sectors? | No response |

3.6.9 Labour rights and shipbreaking

After publication of the case study *Labour Rights and Shipbreaking (2012)*, the Fair Bank Guide organised a meeting with the financial institutions to discuss the results and conclusions of the case study. The financial institutions attending the meeting, including NIBC, promised to develop an improvement plan with regard to labour conditions in shipbreaking, ultimately by the summer of 2013.¹⁶⁸

We asked NIBC to provide an answer to the following questions, see Table 13.

Table 13 Questions to NIBC on shipbreaking

| Question | Response |
|---|---|
| Could NIBC provide documented information about the improved policy with regard to shipbreaking? | According to NIBC, after the meeting, the bank got in contact with experts in the field and other banks to take its responsibilities to mitigate risks of involvement in shipbreaking a step forward. Though NIBC does not directly finance shipbreaking, the bank has been discussing and drafting a covenant in which it commits itself (and any other bank signing up to this covenant) to implement the so-called responsible ship recycling standard (RSRS) into each of its internal Environmental & Social policies, procedures and standards for the financing of shipping assets; and to promote the RSRS within the financial sector. |
| Could NIBC provide information about the implementation of the policies, in terms of ESG screening, dialogue, engagement and exclusion? | Currently NIBC runs pilots within its businesses to check potential hurdles and where necessary improve the screening policies, or implementation or clients' policies. Furthermore, NIBC is trying to get a number of other major shipping banks on board. |
| Since the publication of the case study, has your organisation made any changes to its investment policy and the | NIBC has updated its policies. However, the bank is not able to share documentation yet as it is still in the pilot phase. NIBC is still testing the standards, any potential hurdles and where necessary adapt the |

| Question | Response |
|---|---|
| implementation thereof in order to improve decision-making in the investment process? | covenant or practical implementation thereof. |

NIBC invests in the shipping sector and is in the process of developing sector policies which have not been published yet.

3.7 Rabobank

3.7.1 Company profile

The Rabobank Group is an international financial services provider operating on the basis of cooperative principles. It offers retail banking, wholesale banking, private banking, leasing and real estate services. Rabobank Group is composed of autonomous local Rabobanks in the Netherlands and the centralised organisation, the Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) and its subsidiaries and associates in and outside the Netherlands. The Rabobank organisation encompassed 113 local Rabobanks at the end of 2014, which had 547 branches. The local Rabobanks have a total of more than 7.4 million customers and the number of members amounted to 2 million. Rabobank has approximately 39,000 employees in the Netherlands and approximately 13,000 employees working outside the Netherlands. The Rabobank Group has international branches in forty countries.¹⁶⁹

At the end of 2014, Rabobank Group's total assets amounted to € 681.1 billion, of which € 326.5 billion originates from funds deposited by customers.¹⁷⁰ At the end of 2014, the total assets of the Rabobank Group were invested as follows:¹⁷¹

- Mortgage loans to private customers: € 218.5 billion (32.1%)
- Loans to companies: € 175.8 billion (25.9%)
- Investments in shares, bonds and derivatives: € 104.9 billion (15.4%)
- Other loans to private customers: € 74.1 billion (10.9%)
- Loans to banks: € 45.3 billion (6.7%)
- Cash: € 43.4 billion (6.4%)
- Other: € 16.5 billion (2.2%)
- Loans to governments: € 2.1 billion (0.3%)
- Real estate: € 0.5 billion (0.1%)

Rabobank and Schretlen & Co are to combine the services provided to high net worth customers.¹⁷² Assets under management for these services are not specified.

Rabobank has developed a vision and strategy document 'Sustainably successful together' with its sustainability spearheads to 2020:

- Supporting retail and business clients to achieve greater sustainability;
- Accelerating the sustainable development of agriculture and the food supply;
- Strengthening local communities.
 'We play an active role in the communities of which we are a part by connecting people and sharing knowledge. The emphasis in the Netherlands is on sustainability, economic vitality and ensuring quality in healthcare and housing. The focus in developing countries is on establishing and professionalising farming organisations and access to local financial infrastructures for everyone.'¹⁷³

In the strategy document, Rabobank provides measurable targets, such as the percentage of the annual profit in social initiatives on a not-for-profit basis, the number of local community initiatives in care, housing, and the food and agri sector that will be supported by Rabobank, and client satisfaction rates.¹⁷⁴

3.7.2 Controversial weapons and arms trade

In the July 2009 case study *Banks and arms: the practice* Rabobank was listed for an outstanding loan to the Indian company Larsen & Toubro. As this company was listed for involvement in the production of nuclear weapons, this loan was in conflict with Rabobank's weapon policy.¹⁷⁵ Furthermore, as part of its asset management activities, Rabobank held shares in 18 companies that were considered to be involved with the production of controversial weapons (including cluster munitions and anti-personal mines), and companies involved in controversial arms trade.¹⁷⁶ Almost all of these investments involved asset management activities of Robeco, at the time a fully owned subsidiary of Rabobank. Since July 2013, Robeco is no longer part of Rabobank.¹⁷⁷

In addition to the investments by its then-subsiary Robeco, Rabobank itself owned shares in one company, Rolls-Royce. This British company plays an important role in the development of a new British nuclear submarine, able to deploy nuclear weapons.¹⁷⁸ Rabobank and the Fair Bank Guide disagreed on whether the company should be considered to be involved in nuclear weapons.

In September 2009, Rabobank promised that it would improve its screening process. In case of non-compliance with the Rabobank Armaments Industry Policy¹⁷⁹, Rabobank will start a dialogue and engagement process with the purpose of changing the company's policy and, as a final step, exclusion of the company.¹⁸⁰

The case study *Dutch bank groups and nuclear weapons* (2013, February) showed that Rabobank owned or managed shares and bonds of fifteen of the 20 selected companies, valued at € 85.2 million euro. Furthermore, Rabobank had an outstanding loan for an estimated value of € 6.3 million to one nuclear weapon producer. This investment was not in line with Rabobank's policy at the time. However, the loan in question was granted before that policy entered into force. The loan expired in March 2013.

During the research phase of the case study *Dutch bank groups and nuclear weapons* (2013), Rabobank indicated that according to its own information and criteria it did not consider four of the selected companies as producers of nuclear arms or as involved in the trade of these weapons.¹⁸¹

After publication of the case study (13 February 2013), Rabobank publicly announced that it would improve its weapons' policies. Rabobank added that it also does not want to be involved with weapon trade in controversial regimes.¹⁸²

According to the most recent update of Rabobank's Armaments Industry Policy, dated June 2013, Rabobank deems the following armaments to be controversial:

- anti-personnel mines
- biological weapons
- chemical weapons
- cluster munitions
- nuclear weapons.

The policy should preclude Rabobank to ‘provide financial services to companies that are involved in controversial armaments or are involved in armaments that can be used for controversial purposes. Furthermore, Rabobank will not invest its own funds in any activity that is connected with controversial weapons. The policy is also applicable to direct investments within the framework of their investment services (including asset management and associated advisory services)’.¹⁸³

Rabobank was requested to answer the following questions, see Table 14.

Table 14 Questions to Rabobank on weapons

| Questions | Answers |
|---|--|
| Could Rabobank provide documented information about the improvement of the screening process in order to manage the risk of non-compliance with regard to the weapon policy? | In 2013, Rabobank has added criteria to its armaments industry policy to avoid being linked to arms trade to (countries of) disputed regimes as to avoid becoming linked to arms trade to conflict areas. Also, over the recent years, Rabobank has introduced a mandatory armaments exclusion policy for investments funds it distributes. PAX has categorized the Rabobank policy in the category ‘runner up’. |
| Could Rabobank please explain the current position towards Larsen & Toubro? | The loans to Larsen & Toubro provided in 2007 have been repaid and Rabobank has not provided new loans. |
| According to the Rabobank Armaments Industry Policy of June 2013, apart from excluding companies involved in the production and/or trade in controversial weapons finance for the own account and risk of Rabobank, the policy also applies to their own funds and asset management activities. | As a consequence, Rabobank has started an engagement process with fund managers on their weapons exclusion policy. In some cases, client relationships were terminated as a consequence of the policy. In others, engagement took place to help companies be aware of the risks of being linked to arms trade, to encourage them to take appropriate risk management and transparency measures. And third, in some cases the shares were sold. |
| To what extent have the renewed policies led to updates of the exclusion list regarding production and trade of nuclear weapons? In your response, could you please also name and refer to the four companies Rabobank does not consider as producers in nuclear arms? | According to Rabobank, it has a clear and rigorous policy on controversial armaments and does not provide services to companies that are involved in them. The policy is based on independent third-party research on involved companies. Rabobank does not disclose its exclusion list and also does not publicly comment on companies. |

The loans to Larsen & Toubro have been repaid. Rabobank does not have outstanding loans to companies involved with the production of controversial weapons that were on the list of companies selected for the first case study. Rabobank also does no longer have shares in Rolls-Royce. As Robeco is no longer part of Rabobank, we did not further investigate the relationship of Robeco with the companies they invested in at the time of the case studies. Rabobank does not publish a list of excluded companies and also does not publicly comment on companies. In order to be more transparent about the results of its weapon policies, Rabobank is recommended to publish an exclusion list.

3.7.3 Renewable power generation

In May 2010, the EB published the first case study on *Investments in renewable power generation*.

The case study resulted in the conclusion that 82% of total investments in the electricity sector were in power generation from renewable sources.

According to Rabobank, since the publication of the study in 2012, project finance and direct investments in the electricity sector is still 100 percent into power generation from renewable sources. However, this could be verified with documented information. Rabobank provides attractive loans for the finance of solar panels on farm roofs and participates in the *Nationaal Fonds Energiebesparing*. The bank also finances local community renewable energy initiatives.

3.7.4 Labour rights in the garment sector

The case study *Dutch banks in the garments sector (2010)* concluded that since March 2010, account managers of Rabobank have the opportunity to make binding agreements about compliance with core labour rights in credit agreements with clients in the garment sector. At the time of the case study these kinds of arrangements had not been used.

Since the publication of the case study, Rabobank has developed an engagement tool to discuss the ESG performance of companies in the investment and credit portfolio. After the Rana Plaza catastrophe in Bangladesh, 2013, Rabobank engaged with all Dutch clients in the garment (retail) sector, of which some in-depth dialogues. In 2014, Rabobank introduced an assessment tool to analyse the sustainability profile of its clients, including clients that use certification schemes related to the garment sector, such as the Fair Wear Foundation and Made-By.¹⁸⁴ Rabobank has adopted a policy to support front-runners in a sector, and give them priority in terms of finance and services. This is not quantified per sector.¹⁸⁵

Judging from the provided update, Rabobank did not make progress with regard to the gaps noted in the case study: binding agreements about meeting core labour standards in contract with clients in the garment sector. Rabobank shows consistency in its policy to join collective initiatives towards the garment industry. Compared with the time of the case study, Rabobank made an improvement in supporting front-runners in the sector by giving them preferential treatment.

3.7.5 Human rights and extractive industries

Since the publication of the case studies on the extractive sector *Dutch banks and human rights (2011)* and *Extractives and human rights (2013)*, Rabobank has published a position paper on mining and also a policy on the extraction of non-conventional fossil energy sources.¹⁸⁶ Rabobank applies clients' assessment and client engagement to clients in the mining sector.

The assessments address relevant issues, such as:

- Labour conditions
- Rights of Indigenous People and local communities
- Biodiversity
- Pollution of ground and surface water, air, soil and solid waste
- GHG emissions
- Accountability and transparency about mining revenues.

Rabobank did not provide details about the topics and results of the engagement processes with regard to the focus companies of the two case studies. The update of policies will be assessed in the 15th update of the Fair Bank Guide.

3.7.6 Animal welfare

Since the publication of the case studies *Pig farming, a study on animal welfare* (2011) and *Dutch banking groups and cattle transport* (2013), Rabobank has investigated the issue in practice, involving clients, and is in the process of adapting its animal welfare policy in the context of live-stock farming to the latest state of affairs. According to Rabobank, in 2015, the policy will be adapted to the updated (2014) IFC Practical Guidance note on animal husbandry in livestock farming, will endorse the criteria of the World Organisation for Animal Health (OIE) regarding animal husbandry and provide specific guidance per animal type (pigs, cows, poultry e.g.). The development of the new policy is work in progress. It has not been published yet.

Currently, Rabobank's animal welfare policy is based on the following codes and conventions:

- OIE Terrestrial Animal Health Code (the Terrestrial Code)
- IFC Good Practice Note on animal husbandry in livestock farming
- European Convention for the Protection of Animals kept for Farming Purposes
- Council Directive concerning the protection of animals
- Good Practice Note: Improving Animal Welfare in Livestock Operations
- Five Freedoms of FAWC¹⁸⁷

The Rabobank policy includes appropriate housing systems for farm animals, including pigs.

The current Rabobank policy includes avoidance of long-distance transport of livestock, but does not provide maximum distances/hours.¹⁸⁸

3.7.7 Transparency of Dutch banks

Two case studies on *Transparency of Dutch banks* were published in 2011 and 2013. After publication of the case study *Transparency of Dutch banks* (2011), in October 2011, Fair Bank Guide organised a meeting to discuss the results and conclusions of the case study. All banks that were present at this meeting, including Rabobank, stated that they would consider upgrading the transparency level regarding investments and loans to SBI level 2 (double digits).¹⁸⁹

Rabobank was requested to answer to the following questions, see Table 15.

Table 15 Questions to Rabobank on transparency

| Questions | Answers |
|--|---|
| Could Rabobank show and explain how they have upgraded and improved the transparency level of investments and loans according to SBI level 2? | According to Rabobank, using SBI codes has been considered. However, Rabobank decided not to change the system in place, based on other (standard) industry coding systems that are in line with the credit lending process and credit portfolio. Rabobank did not meet the commitment to provide more information about industries and sectors of investments and loans. |
| Since the publication of the case study, has your organisation made any changes to its investment policy and the implementation thereof in order to improve decision-making in the investment process? | Since the publication of the case study, Rabobank has made improvement with regard to publishing the results of its ESG policies, in terms of engagement results, material issues, lobby activities, stakeholder engagement and remuneration. Moreover, transparency of business is actively encouraged in engagement, in risk analysis, in activities to improve sustainability in supply chains. Also, in 2014, Rabobank has committed to recording structured evaluations of the client's sustainability performance. Rabobank published the percentage of companies not meeting Rabobank policy requirements. |

The level of transparency of investments and loans does not meet SBI level 2 or a comparative standard. Furthermore, Rabobank does not publish a list of excluded companies and therefore does not provide insight in the implementation of its exclusion policies.

3.7.8 Land acquisition

Rabobank scored 'moderate' in the Case study *Land acquisition* (2012). According to Rabobank, since the publication of the case study, it has internally increased awareness on land-related issues, has set up a draft policy for good land governance, with consultancy from Oxfam Novib and Landesa (USA)¹⁹⁰, which (according to Rabobank) is planned for approval in 2015, more than three years after the publication of the case study. The bank also engaged with NGOs, international banks and companies to increase land governance policies and knowledge in an event organised by Rabobank and USAID, and is actively participating in multi-stakeholder initiatives to improve land governance, such as the Dutch national stakeholder consultation on land governance and the VGGT¹⁹¹, the Interlaken Group (with IFC), and the round table standards on palm oil (Palm Oil-RSPO), soy (Soy-RTRS) and beef (*Global Roundtable for Sustainable Beef* (GRSB)). Rabobank aims that, by 2020, it has fully implemented the round table standards in its lending policies.

Rabobank is active member of several multistakeholder-initiatives, and as such has access to relevant information about policies and implementation standards. However, three years after publication of the case study, Rabobank has not published concrete policies to avoid the risks of investments and loans to companies that are involved in controversies with regard to land-grabbing. It has stated that it will publish a policy on land-grabbing in the course of 2015.

3.7.9 Labour rights and shipbreaking

The case study *Labour rights and shipbreaking* (2012) showed that Rabobank did not have a sector-specific public policy or agreements with companies in their portfolio that are involved with shipbreaking. However, the bank was aware of the risks involved with shipbreaking and concluded that sector trends demand improvement of the bank policy. During the research process, Rabobank promised to strengthen its policy with regard to shipbreaking, within one year after publication of the research. The adapted policies and strategies will include the assessment of loan applications, screening and engagement, according to the following standards and criteria: compliance with relevant ILO standards, membership of the International Ship Recycling Association (ISRA) and organisation, logistics and handling of shipbreaking (country, location, selection criteria scrapyards, policies, strategies and implementation).¹⁹²

Rabobank has fulfilled its commitment by publishing a policy on ship recycling (April 2014), including investment criteria with regard to responsible ship recycling and application of best practices with regard to ship recycling. The policy aims to reduce the negative health, safety and environmental impacts of shipbreaking. The policy does not include the requirement of membership of the International Ship Recycling Association (ISRA), though this was specified in the commitment made.¹⁹³ According to Rabobank, membership of ISRA is only relevant for ship recycling companies. The bank does not finance this type of companies, unless they are fully certified and risk-managed.

3.8 SNS Reaal

3.8.1 Company profile

SNS Reaal is a Dutch banking and insurance company. Significant steps were taken in 2014 to disentangle the holding, banking and insurance activities as part of the restructuring plan for SNS Reaal which was initiated after the nationalisation and approved by the European Commission on 19 December 2013.¹⁹⁴

In 2014, SNS Asset Management, the asset/fund manager of SNS Bank, changed its name in Actiam.

On 1 January 2015, SNS Reaal's banking and insurance activities demerged. The bank brands were placed under SNS Bank NV and the insurance brands under Reaal NV (trading under the name VIVAT Verzekeringen). SNS Reaal is now a financial holding.¹⁹⁵

In July 2014 SNS Reaal initiated the sales process of VIVAT's insurance activities. At the end of 2014 this process was on track and on 16 February 2015 SNS Reaal announced the sale of VIVAT to Anbang Insurance Group (China). Completion of the sale, expected in the third quarter of 2015, is still subject to several conditions, including regulatory approval. After the sale, SNS Bank will remain as SNS Reaal's only material subsidiary. Subsequently, in consultation with the Dutch State, SNS Bank will be transferred to the Dutch State. The plan is to privatise SNS Bank in due course. Eventually, SNS Reaal as a holding company will be dismantled and cease to exist.¹⁹⁶

SNS Bank, the fourth largest bank of the Netherlands, operates in the Dutch retail market with a focus on mortgages, savings and payments. The company has five bank brands – ASN Bank, BLG Wonen, RegioBank, SNS and Zwitserleven Bank.¹⁹⁷

At the end of 2014, SNS Bank owned total assets of € 68.2 billion, from which € 46.2 billion originated from funds deposits by customers. SNS Bank's total assets were invested in the following investment categories:¹⁹⁸

- Loans to banks: € 2.6 billion (3.9%)
- Loans to governments: € 3.3 billion (4.9%)
- Loans to companies: € 2.0 billion (3.0%)
- Mortgage and other loans to private and SME customers: € 48.0 billion (70.4%)
- Investments in bonds and derivatives: € 9.7 billion (14.3%)
- Cash: € 1.1 billion (1.7%)
- Other: € 1.5 billion (1.8%)

Apart from the investments on the balance sheet of the bank, at the end of 2013 SNS Bank managed € 5.4 billion of assets for clients through its investment funds.¹⁹⁹

3.8.2 Controversial weapons and arms trade

The research *Banks and arms: the Practice* (2009) concluded that investment funds of SNS Bank and SNS Regio Bank (subsidiaries of SNS Reaal) invested in nine producers of controversial weapons (nuclear weapons) and companies active in controversial arms trade.²⁰⁰ At the time, a spokeswoman of SNS Reaal²⁰¹ indicated that seven of these companies had already been excluded from investments in 2008. However, according to SNS, there might be a time difference between the moment of exclusion and the actual removal of shares from the investment portfolio.²⁰²

The remaining two companies in which SNS had investments were Rolls-Royce (listed in the report for involvement with nuclear weapons) and ThyssenKrupp (listed for involvement with controversial arms trade). SNS stated that Rolls-Royce was not excluded from investment because SNS considered it to be involved in production of dual use good that could be used for military or civilian purposes. However, as the case study showed, Rolls-Royce was also involved with the development of a new British nuclear submarine.

After publication of the research report, in September 2009, SNS Bank officially confirmed its policy of excluding companies that produce controversial weapons, or sell weapons to high-risk countries with respect to human rights violations. Furthermore, SNS Bank committed to exclude and sell the shares in Rolls-Royce and further investigate ThyssenKrupp.²⁰³

Due to the nationalisation and restructuring of SNS Reaal, the banking group has been split into banking and insurance companies. Currently, the investment funds of SNS Bank are managed by Actiam.

The case study *Dutch Bank Groups and Nuclear Weapons* (2013) showed SNS invested € 0,3 million in one nuclear weapon producer (Fluor). This appeared to be in breach of SNS Reaal's exclusion policy with regard to nuclear weapon producers. Following the publication, SNS Reaal announced that it would further examine the company in question. To follow-up on this commitment, SNS Asset Management (SNS AM, currently Actiam), the fund manager of SNS Reaal, did more research into the activities of Fluor. In a newspaper article in March 2014, SNS AM publicly provided more details about the research process and final conclusions. SNS AM elaborated on its dilemma: Fluor's core business consists of, for example, cleaning nuclear waste remaining from the Cold War period while it also supplies nuclear material used for nuclear weapon production on behalf of the US government. As such, SNS AM weighed the benefits of cleaning nuclear waste against the company's involvement in nuclear weapon production, albeit minimal. After dialogue with the company that revealed that Fluor had no intention to change its activities and would continue the supply of nuclear material to the US government, SNS AM decided to exclude the company.²⁰⁴ As a result, Fluor has been added to the Actiam List of excluded companies.²⁰⁵

Verification of the commitments shows that Rolls-Royce has indeed been added to Actiam's list of excluded companies.²⁰⁶ Fluor also has been excluded. However, ThyssenKrupp has not been added to the exclusion list because, according to Actiam, the company is not involved in controversial arms trade. However, according to the latest case study on Controversial Arms Trade (2015, June), ThyssenKrupp was identified as one of fifteen companies involved in arms trade with controversial countries or regimes.²⁰⁷

Actiam was requested to answer the following questions, see Table 16.

Table 16 Questions to Actiam on weapons

| Questions | Answers |
|--|--|
| <p>Could SNS Reaal provide documented evidence in what year/month Rolls-Royce has been added to the exclusion list?</p> | <p>Rolls-Royce was excluded in September 2009 because of involvement in the production of controversial weapon systems. Given the fact that Rolls-Royce is the sole contractor for essential, non-dual use elements for nuclear ballistic missile submarines, the company is in violation of the Fundamental Investment Principles of SNS AM. SNS provided relevant documents to support this information.²⁰⁸</p> |
| <p>Could Actiam provide documented evidence that the investments in General Dynamics, Honeywell International, Lockheed Martin, McDermott International,</p> | <p>General Dynamics, Honeywell International, Lockheed Martin, Northrop Grumman and Raytheon were excluded in April 2008, because of involvement in nuclear weapons and (Raytheon) cluster bombs.</p> |

| Questions | Answers |
|---|---|
| Northrop Grumman, Raytheon and United Technologies have been sold? | United Technologies was excluded in December 2008, because of involvement in the production of nuclear weapons. Actiam provided relevant documents to support this information. ²⁰⁹ |
| Could Actiam explain why McDermott International and United Technologies, excluded in 2008, are not mentioned in the exclusion list of January 2015? | <p>March 200, McDermott was excluded on the involvement in the development/production of nuclear weapons. According to Actiam, this involvement was conducted through its subsidiaries, Babcock & Wilcox Nuclear Operations Group, Inc. and Babcock & Wilcox Technical Services Group, Inc. In 2010, Babcock & Wilcox Company became a standalone company. McDermott was therefore not involved in the production/development of controversial weapons and consequently included again in our investment universe. The spinoff Babcock & Wilcox is currently excluded.²¹⁰</p> <p>Currently, United Technologies is not excluded anymore because, according to Actiam, the company is not involved anymore in the production of controversial weapons or controversial weapons trade. However, according to recent research conducted by the Fair Bank Guide, United Technologies was involved in controversial arms trade.²¹¹</p> |
| Could Actiam explain its position on ThyssenKrupp? | <p>Actiam has defined an extensive weapons policy and is based on international treaties, conventions and 'best practices'. Actiam excludes investments in entities involved in controversial arms trade. This concerns the trade of conventional weapons, including the provision of related services, with countries and non-state actors against which arms embargoes are imposed by the Security Council of the United Nations, or the Council of the European Union. According to Actiam, ThyssenKrupp is not involved in such trade and is therefore not excluded from Actiam's investment universe. However, according to recent research conducted by the Dutch Fair Insurance Guide, ThyssenKrupp was involved in controversial arms trade (with Colombia, Israel and Saudi Arabia).²¹²</p> |
| Since the publication of the case study, has your organisation made any changes to its investment policy and the implementation thereof in order to improve decision-making in the investment process with regard to the specific topic of this case study? | <p>Since the publication of the case study, Actiam has made its weapon policy stricter. Based on the previous policy, companies were excluded that produce, develop, sell or distribute controversial weapons and/or essential and specialised components or services. The current policy excludes companies that produce, develop, sell or distribute controversial weapons and/or essential and/or specialised components or services. Previously production of components that were essential and specialised led to exclusion. According to the new policy, production of components that are essential or specialised leads to exclusion. For instance, this recently led to exclusion of Rockwell Collins, manufacturer of navigation instruments and GPS receivers, essential for controversial weapons but not specialised. Under the previous policies, this company would not have been excluded. Actiam also added conventional weapons equipped with white phosphorus or depleted uranium to the list of weapons that are considered controversial. Furthermore, Actiam excludes production of non-military firearms and the sale of (hand) guns to consumers. This stricter policy led to new exclusions, such as Compagnie Financière Richemont, Daicel Corporation</p> |

| Questions | Answers |
|--|---|
| To what extent did the Fluor case lead to any changes in policies, strategies and implementation of the nuclear weapons' policy? | and Dick's Sporting Goods. The policy was revised during that period. Not specifically because of the Fluor case, but it has contributed to the new policy. |
| Could SNS Reaal provide documented evidence in what year/month Fluor has been added to the exclusion list? | Fluor was excluded in December 2013, because of involvement in the production of nuclear weapons. SNS provided relevant documents to support this information. ²¹³ |
| Have all Fluor shares been removed from the investment portfolio? | According to Actiam, all Fluor shares have been sold. |

Actiam has taken follow-up actions after publication of the two case studies and divested from companies involved in the production of controversial arms and controversial arms trade. However, it still has investments in companies active in controversial arms trade.

3.8.3 Renewable power generation

The two case studies on *Renewable power generation* were published in 2010 and 2012. SNS Bank was not active in the electricity sector.

SNS Bank/Actiam updated its energy and climate policy in 2014.²¹⁴ Actiam has adopted an energy transition policy in order to secure energy supply in the long term and to protect the environment. Actiam wants to stimulate the development of renewables, for example by specifically selecting renewable energy companies for investment, investing in green bonds that finance renewable energy projects, and participating in initiatives that stimulate renewable energy (for example the EU 2030 Climate & Energy declaration to EU leaders).

The update of the energy and climate policy will be assessed in the 15th update of the Fair Bank Guide.

3.8.4 Labour rights in the garment sector

The case study *Banks and garments* (2010) concluded that SNS Bank did not provide information about whether they had and implemented responsible investment standards with regard to their clients in the garment sector. The bank did not want to cooperate with the case study and therefore scored 'poor'.

According to the financial institution, it continuously strives to improve its policies with regard to human rights and labour rights as key elements in the Fundamental Investment Principles. This applies to all sectors, including the garment sector. Besides exclusion, engagement and voting, asset manager Actiam implements its policy by participating in sector initiatives. For instance, Actiam has participated in initiatives to address the garment sector in Bangladesh. Actiam is a signatory of the Bangladesh Accord.²¹⁵

SNS Bank does not provide specific information about screening, engagement and integration of labour standards in contracts with their clients in the garment sector. In comparison with the low score in the case study, demonstrable progress has been made with regard to joining collective actions towards the garment sector, which was one of the indicators of the assessment criteria in the case study. The update of the general policies will be assessed in the 15th update of the Fair Bank Guide.

3.8.5 Human rights and extractive industries

The second *Case study: Extractives and human rights (2013)* resulted in a commitment of SNS Reaal to use more instruments within one year to prevent financial services and investment in extractive companies that do not take their responsibility to respect human rights seriously enough. In particular, SNS Reaal promised to integrate the issue of remedy on a more structural basis into the engagement process with extracting companies, starting in 2014.²¹⁶

In order to verify compliance with this commitment, Actiam was asked to provide information what has been done to integrate compensation of victims in its engagement policies, see also Table 17. According to Actiam, compensation of victims had not been the most important issue in the engagements with the extractive companies it invests in. Actiam provided information about its engagement with Shell. At the time of the case study, Actiam had investments in Shell. Over the years, Shell has been requested by several NGO's to compensate victims of, for instance, pollution by oils spills in Nigeria.²¹⁷ In March 2014, as part of its engagement with Shell, Actiam asked the company to disclose its internal guidelines for resettlement and compensation by publishing a full policy on indigenous peoples and land rights.²¹⁸

With regard to its human rights policies, according to Actiam, it continuously strives to improve its policies. Human rights, and specifically in the extractives sector, is an important topic / issue. Violation of its policy is a reason to exclude or engage a company. The policy on human rights is explained in the Fundamental Investment Principles and further laid down in the policy paper on natural resources.²¹⁹ In recent years Actiam has also integrated the Ruggie Principles into its policies. The update of the general and sector policies will be assessed in the 15th update of the Fair Bank Guide.

Table 17 Questions to Actiam on Human Rights

| Questions | Answers |
|---|--|
| Could SNS Reaal provide documented information that compensation of victims has been integrated into the engagement process with mining companies? | According to Actiam, this has not been the most important issue in the engagements with companies it invested in. At the time of the case study, Actiam had investments in Shell. In March 2014, as part of its engagement with Shell, Actiam asked the company to disclose its internal guidelines for resettlement and compensation by publishing a full policy on indigenous peoples and land rights. |
| Could SNS Reaal provide documented information that more instruments have been used to secure that SNS Reaal does not invest in companies that do not take their responsibility to respect human rights seriously enough? | Besides the instruments of screening, exclusion, engagement and voting, Actiam is active as an alternate board member in the Extractive industries Transparency Initiative. ²²⁰ |
| Could SNS Reaal provide documented information about the result of the engagement and screening processes, in terms of changes in policies, cases of non-compliance and exclusion/de-investment? | Actiam starts an engagement process with companies if they do not comply with the bank's investment policies. If this dialogue is not fruitful (the company is not willing to cooperate) and the company continues to violate its policy, Actiam will exclude the company. Voting is always used as an active ownership instrument. |

3.8.6 Animal welfare

During the research process and after publication of this case study, *Pig farming, a study on animal welfare (2011)*, the financial institution did not make any commitments to improve the policies and practices related to relevant issues and topics.

Updates of the animal welfare policies of SNS Bank will be assessed in the 15th update of the Fair Bank Guide.²²¹

3.8.7 Transparency of Dutch banks

After publication of the case study *Transparency of Dutch banks* (2011), SNS Bank has started publishing an overview of companies they exchanged information with about social and environmental issues (GRI Financial Services Supplement 10). Furthermore, the bank improved the publication of its sustainability policies.

We asked SNS Bank to answer the following questions, see Table 18.

Table 18 Question to Actiam on transparency

| Questions | Answers |
|--|--|
| Could SNS Bank show and explain how and when they have fulfilled the commitment of publishing their sustainability policies? | <p>SNS Bank discloses several policies online:</p> <ul style="list-style-type: none"> • Responsible investment policy (updated March 2014);²²² • CSR-basis principles and all treaties/conventions that it adheres to;²²³ • Vision on sustainable living (making the mortgages more sustainable).²²⁴ |
| Could SNS Bank show and explain how they have implemented the commitment to publish an overview of companies they exchanged information with about social and environmental issues? | <p>Information about engagement, exclusions, voting and other policies regarding environmental and social issues can be found on Actiam's website:²²⁵ Concerning engagement, this information concerns investor platform initiatives:</p> <ul style="list-style-type: none"> • Investor Statement on EU Proposed Conflict Mineral Regulation;²²⁶ • Global Investor Statement on Climate Change: Reducing Risks, Seizing Opportunities & Closing the Climate Investment Gap;²²⁷ • Investor Statement re: Green Bonds & Climate Bonds.²²⁸ <p>SNS gives an overview of the partnerships with regard to engagement and voting and publishes a list of companies it is engaged with.²²⁹ The Actiam Fundamental Investment Principles were updated. In addition, Actiam started publishing ESG quarterly reports, which contain information about the implementation of policies, engagements, voting, etcetera.²³⁰</p> |
| Since the publication of the case study, has your organisation made any changes to its investment policy and the implementation thereof in order to improve decision-making in the investment process? | <p>SNS Bank does not provide new corporate credits. The existing corporate credits portfolio consists of mortgages. The SNS Bank N.V. annual report 2014 provides an overview of loans and advances to customers by industry and regions.²³¹ SNS Bank N.V. reports on GRI G4-level in over 2014. Special attention was given to 'material' topics for the bank, how the bank performs on these topics, and dialogues with stakeholders.</p> |

The level of transparency of investments and loans is not comparative to SBI level 2. SNS Bank does not publish a list of excluded companies. Actiam, the fund/asset manager of SNS Bank does publish an exclusion list.

3.8.8 Land acquisition

The case study *Land acquisition* (2012) concluded that, at the time, SNS Reaal did not provide credits and investments for own account to companies in the primary production process of the agricultural, forestry and biomass sectors, and therefore received the qualification ‘not active’. SNS Reaal has investments on behalf of third parties in companies that are active in the acquirement of land. Furthermore, SNS Reaal is manager of the SNS African Agricultural Fund (SAAF). At the time of the study, SAAF was not yet active and therefore not included in the study. However, the report provided information about the SAAF policies.

SNS AM promised to finalize relevant sector and issue papers on land-grabbing, derived from the Tirana Declaration. SNS Reaal presented a draft position paper in November 2012. In July 2014, SNS Reaal improved its position paper and included the FPIC principle for all local communities, with reference to the Tirana Declaration.²³² Limited data are provided, however, which impact this position paper has on the investment decisions of SNS Reaal. See Table 19 table for an overview of questions and answer to follow-up the commitment made.

Table 19 Question to Actiam on land-grabbing

| Questions | Answers |
|--|--|
| <p>Could SNS Reaal provide documented information about the results and developments of the UN PRI engagement process with regard to land rights and rights of indigenous people and their own engagement with three other companies, in terms of policies, strategies and used instruments in case of non-compliance, such as dialogue, voting and de-investment?</p> | <p>The results of the UN PRI engagement process are not disclosed publicly. Actiam will start engagement with companies if they do not comply with its policies. If this dialogue is not fruitful (the company is not willing to cooperate) and the company continues to violate our policy, we will exclude the company. Voting is always used as an active ownership instrument. As an example, Actiam disclosed the minutes of a dialogue a copper mining group, which illustrates that Actiam addresses issues like disclosure and implementation of policies regarding governance, female ratio in the board of directors and the social and environmental impact of mining activities.²³³</p> |
| <p>Could SNS Reaal provide documented information about the results and developments of the SAAF engagement and monitoring and evaluation process, in terms of policies, strategies and used instruments in case of non-compliance?</p> | <p>SAAF was not launched.</p> |
| <p>Since the publication of the case study, has your organisation made any changes to its investment policy and the implementation thereof in order to improve decision-making in the investment process with regard to the specific topic of this case study?</p> | <p>Actiam is involved in the Multi Stakeholder Dialogue on Land Governance. This is an initiative launched by the Dutch Ministry of Foreign Affairs which includes financial institutions, pension funds, companies, NGOs, knowledge institutes and the government. The initiative focuses on preventing land-grabbing in developing countries.²³⁴ Actiam also has published a position paper on land-grabbing, July 2014.²³⁵</p> |

3.8.9 Labour rights and shipbreaking

As SNS Bank does not provide new corporate credits, it is still 'not active' in this sector. With regard to asset management, at the time of the case study, SNS Asset Management had shares in BosKalis, which after the case study announced that it would stop having its demolished on beaches in India. SNS Asset Management scored 'poor' in the case study *Labour rights and shipbreaking* (2012). Actiam, the asset manager of SNS Reaal, did not provide an update of its policies with regard to the shipping sector.

3.9 Triodos Bank

3.9.1 Company profile

Triodos Bank is active in financing companies, organizations and projects with an additional value in the social, environmental and cultural fields. The bank's three main segments are: Retail and Business Banking (Netherlands, Belgium, Germany, Spain, UK), Investment Management (Europe and emerging markets) and Private Banking (Netherlands and Belgium).²³⁶

At the end of 2014, Triodos Bank had 1,017 employees and 530,000 clients.²³⁷ At the end of 2014, the bank's total assets amounted to € 7.2 billion, of which € 6.3 billion were comprised of funds entrusted by clients.²³⁸ The total assets were invested as follows:²³⁹

- Loans to companies and organizations: € 3.9 billion (54.2%)
- Loans to banks: € 0.6 billion (8.4%)
- Loans to private customers: € 0.4 billion (5.6%)
- Investments in government bonds: € 1.2 billion (16.7%)
- Investments in other bonds: € 0.7 billion (9.8%)
- Cash: € 0.2 billion (2.8%)
- Other: € 0.2 billion (2.5%)

In addition to the assets on the bank's balance sheet, Triodos Investment Management managed assets for clients, in the form of collective investment schemes and private banking mandates, with a total value of € 3.5 billion.²⁴⁰

3.9.2 Controversial weapons and arms trade

The investment policy of Triodos Bank is not to invest in the arms industry. The case studies *Banks and arms: the practice* (2009) and *Dutch banks groups and nuclear weapons* (2013) concluded that Triodos Bank did indeed not invest in the selected weapons companies. Triodos Bank's investment policy has not changed since the publication of the case studies.

3.9.3 Renewable power generation

The case studies *Dutch banks' investments in renewable power generation* (2010 and 2012) concluded that the investments of Triodos Bank in renewable energy generation concern 100 percent of the total investments in power generation. The investments of Triodos Bank in 2010-2011 were even higher (€ 709.9 million) than those of ING (€ 538 million) and ABN Amro (€ 161.6 million).²⁴¹

Since the publication of the case studies, Triodos Bank has renewed its policies on climate change. Triodos Bank Sustainable Investment funds exclude companies that have revenues from the extraction of oil and gas (threshold 5%), companies that are involved in building and/or operating new coal fired power plants and companies involved in the extraction and/or production of unconventional oil or gas.²⁴² Furthermore, the Triodos Sustainable Pioneer fund selects companies that contribute to the theme Climate Protection: “Companies focusing on this theme are active in the field of sustainable energy production by using natural resources, such as the sun, wind, waves and geothermal energy.”²⁴³

The update of the climate policy will be assessed in the 15th update of the Fair Bank Guide.

3.9.4 Labour rights in the garment sector

Triodos Bank scored ‘good’ in the case study *Banks and garments* (2010). The bank’s policies have remained the same. The Triodos Sustainable Investment funds will not invest in companies in the garment industry that are involved in serious and/or frequent controversies on basic labour rights in their supply chain.

Furthermore, the minimum standard on basic labour rights requires companies in the industry to have:

- a policy on health and safety and the four labour rights that are covered in the basic ILO conventions (unionisation, forced labour, discrimination, and child labour) AND
- a management programme including clear targets, monitoring and annual evaluation and corrective measures.

Without a sufficient policy and programme, companies are excluded from investment.

3.9.5 Human rights and extractive industries

The case studies *Dutch banks and human rights* (2011) and *Extractives and human rights* (2013) concluded that Triodos Bank did not invest in the selected companies because they do not meet its environmental and social criteria.

In practice Triodos Bank still does not finance the extractive industry. The Triodos Sustainable Investment funds do not strictly exclude companies in the extractive industry from investment. However, due to the strict minimum standards, including policy and programme requirements with regard to the environment, human rights and transparency, in practice Triodos does not invest in the extractive industry.

3.9.6 Animal welfare

Two case studies were published in regard to animal welfare: *Pig farming, a study on animal welfare* (2011) and *Dutch banking groups and cattle transport* (2013) concluded that Triodos Bank had policies in place that exclude investments in pig farming with poor housing and/or transport conditions.

3.9.7 Transparency of Dutch banks

Triodos Bank is transparent about its investments: names of companies and countries it invests in. Since the publication of the case studies *Transparency of Dutch banks* (2011 and 2013), Triodos Bank has improved the transparency level of investments and loans. In the annual report 2014 of Triodos Bank and in the online report Triodos Bank has provided more details on the non-financial impacts of its loan portfolio and has strengthened this information by auditing it for the first time.

3.9.8 Land acquisition

The case study *Land acquisition* (2012) concluded that Triodos Bank did not provide credits and investments for own account, nor for third parties to companies in the primary production process of the agricultural, forestry and biomass sectors, and therefore received the qualification 'not active'.

Triodos Bank does not have specific policies on land-grabbing. According to Triodos Bank the issue on land-grabbing is covered in its minimum standards. However, in the human rights policies there is no reference to for instance, treaties regarding the rights neither of indigenous people and other vulnerable communities nor to the principle of free, prior and informed consent.²⁴⁴ However, Triodos Bank makes a clear statement that companies that invest in conflict or occupied areas, are screened on involvement in human rights violations. Furthermore, company activities need to have a positive impact on the indigenous people.²⁴⁵

3.9.9 Labour rights and shipbreaking

The financial institution has received the qualification 'not active' in the case study *Labour rights and shipbreaking* (2012) because the research did not identify investments by Triodos Bank in this sector.

3.10 Van Lanschot

3.10.1 Company profile

Van Lanschot is the oldest independent bank in the Netherlands, dating back to 1737. It has three core activities: Private Banking, Asset Management and Merchant Banking.²⁴⁶

In 2014, Van Lanschot had 1,712 employees (FTEs) and 36 offices. Its activities service clients in the Netherlands, Belgium, Switzerland and Scotland.²⁴⁷

In 2014, total assets amounted to € 17.3 billion, of which € 10.5 billion were originating from savings and deposits entrusted by private and business clients.²⁴⁸ Total assets were invested as follows:²⁴⁹

- Loans to banks: € 0.4 billion (2.4%)
- Mortgage and other loans to private customers: € 7.5 billion (43.4%)
- Loans to companies: € 3.7 billion (21.4%)
- Investments in shares, bonds and derivatives: € 4.1 billion (23.7%)
- Cash: € 1.2 billion (7.0%)
- Other: € 0.4 billion (2.1%)

Van Lanschot's subsidiary Kempen & Co provides asset management and merchant banking services. In addition to the investments on the bank's balance sheet, Van Lanschot at the end of 2014 managed total assets of € 46.9 billion for clients, of which € 35.7 billion was managed in a discretionary way.²⁵⁰

3.10.2 Controversial weapons and arms trade

Van Lanschot was not included in the case study *Banks and arms: the practice* (2009). The case study *Dutch bank groups and nuclear weapons* (2013) showed that Van Lanschot Group (as part of its asset management activities) had invested € 0.5 million in one nuclear weapon producer, Safran. This investment did not run counter to the policy of Kempen & Co, Van Lanschot's asset manager, on controversial weapons, as the company concerned was involved in the construction of a nuclear missile but does not produce the nuclear warhead. Kempen & Co's policy only excludes companies if they are involved in the production of essential components of nuclear weapons and not if they are involved in the production of other crucial components.

According to its policies, Van Lanschot does not finance companies that are involved in the production and/or trade of controversial weapons, defined as anti-personnel mines, cluster munitions, nuclear, biological and chemical weapons. The policy also applies to states with high risks of involvement in trade and/or use of controversial weapons.²⁵¹ Kempen & Co, subsidiary and asset manager of Van Lanschot, publishes a list of excluded companies because of their involvement in the production of controversial weapons and/or controversial arms trade. Safran is not included in the list of excluded companies.²⁵²

3.10.3 Renewable power generation

Van Lanschot did not cooperate with the research *Dutch banks' investments in renewable power generation* (2010). According to the bank, (sustainable) power generation is of low relevance for a private bank. During the research process for the case study *Renewable power generation II* (2012), Van Lanschot was not active in the electricity sector. Van Lanschot confirmed that it still has no outstanding loans in this sector.

3.10.4 Labour rights in the garment sector

Van Lanschot scored 'insufficient' in the *Banks and garments* (2010). The financial institution had policies with regard to the garment sector but could not demonstrate concrete actions.

According to Van Lanschot, since the publication of the case study, Van Lanschot has improved its policies with regard to the protection of labour rights in the garment sector. Companies involved in high-risk sectors with regard to violations of core labour rights, such as the garment sector, need to prove that they are not involved with violation of labour rights and need to take preventive action, such as clear labour standards and the implementation of risk management systems. In case of lack of information or non-compliance with core labour standards, Van Lanschot can decide to start an engagement process.²⁵³

In its sustainability reports 2011 and 2012, Van Lanschot provided information about its screening process with regard to garment companies. In 2012, a garment retailer was considered a high risk client due to imports from risk countries with regard to labour rights (Turkey, Morocco, Romania and China). Further investigation learned that the retailer had a clear policy on labour rights and only cooperates with garment factories that are member of BSCI (Business Social Compliance Initiative) and comply with ILO standards. However, the scope of its policy was limited to its private label, not to the other brands sold by the retailer.²⁵⁴

In 2011, Hennes & Mauritz (H&M) was involved in serious labour issues. In February 2010, a factory of one of its suppliers got fire, caused by short circuit which resulted in fatal accidents (21 employees) and injuries (50 employees). The fire exits were closed. Two months later, the factory had another fire accident, this time only injuries, no fatal accidents. Kempen & Co, asset manager of Van Lanschot, together with GES Investment Services, consultant, started an engagement process with H&M to discuss the two incidents. According to H&M, the fire exits had not been closed and according to its own audit reports, there were no signals of any controversies with regard to fire safety. According to Van Lanschot, H&M has offered compensation to the families of the victims. It also set up a special Fire Safety Program, including instruction material. Van Lanschot concluded that H&M requires its suppliers to comply with safety standards and actively improves its policies in case of accidents. Therefore, H&M was maintained in the Van Lanschot investment universe.²⁵⁵

The update of the investment policies with regard to the manufacturing sector and the garment sector in particular will be assessed in the 15th update of the Fair Bank Guide.

3.10.5 Human rights and extractive industries

Since the publication of the case study *Dutch banks and human rights* (2011) and *Extractives and human rights* (2013), Van Lanschot has improved its policies with regard to human rights in the mining sector. Companies involved in sectors with a high risk of violations of human rights and core labour rights, such as the mining sector, need to prove that they are not involved with violations of human rights and need to take preventive action, such as clear human rights policy standards and the implementation of risk management systems. In case of lack of information or non-compliance standards, Van Lanschot can decide to start an engagement process.²⁵⁶

3.10.6 Animal welfare

The case studies *Pig farming, a study on animal welfare* (2011) and *Dutch banking groups and cattle transport* (2013) concluded that, at the time of the study, Van Lanschot did not provide credits and investments for own account to pig and other animal husbandry companies, nor investments on behalf of third parties. Van Lanschot confirmed that animal husbandry is still no focus area of the bank.

3.10.7 Transparency of Dutch banks

Two case studies were published on this topic: *Transparency of Dutch bank* (2011) and *Transparency of Dutch banks II* (2013). After publication of the first case study *Transparency of Dutch banks*, in October 2011, Fair Bank Guide organised a meeting to discuss the results and conclusions of the case study. All banks that were present at this meeting, including Van Lanschot, stated that they would consider to upgrade the transparency level regarding investments and loans to, for example, SBI level 2 (double digits).²⁵⁷

In response to the case study, Van Lanschot indicated that it will include information in its 2011 annual sustainability report on its engagement with clients in its credit portfolio.²⁵⁸

After publication of the case study, Van Lanschot started publishing an overview of companies they exchanged information with about social and environmental issues (GRI Financial Services Supplement 10).

To verify whether the financial institution has fulfilled these commitments, Van Lanschot was requested to answer the following questions, see Table 20:

Table 20 Questions to Van Lanschot on transparency

| Question | Answer |
|---|---|
| <p>Could Van Lanschot show and explain how they have upgraded and improved the transparency level regarding investments and loans according to, for example, SBI level 2?</p> | <p>In its annual report, Van Lanschot breaks down its investment portfolio in asset classes, sectors and regions. Van Lanschot complied with the commitment to provide more detailed information.</p> |
| <p>Could Van Lanschot show and explain how they have implemented the commitment to publish an overview of companies they exchanged information with about social and environmental issues?</p> | <p>Van Lanschot provides public information about engagement processes with companies that are involved in controversial practices. In the annual report 2014, it provides examples of engagement processes with companies involved with controversial palm oil plantations and a controversial dam project in Turkey, and reports about the results.</p> |
| <p>Could Van Lanschot show and explain how they have implemented the instrument of excluding companies in case of non-compliance with sustainability standards?</p> | <p>Van Lanschot excludes companies that do not comply with the Responsible Investment standards or lack improvement in engagement processes. Kempen & Co, subsidiary and asset manager of Van Lanschot publishes a list of excluded companies because of their involvement in CWA production and/or trade.²⁵⁹</p> |
| <p>Since the publication of the case study, has your organisation made any other changes to its investment policy and the implementation thereof in order to improve decision-making in the investment process?</p> | <p>Since the publication of the case study, Van Lanschot has gradually implemented the GRI4 reporting standards in its Sustainability report.</p> |

Van Lanschot has complied with the promise to provide more information on investments and loans, comparative with SBI level 2. Kempen & Co, the asset manager of Van Lanschot publishes a list of excluded companies.

3.10.8 Land acquisition

The case study *Land acquisition* (2012) concluded that the financial institution does not provide banking services to companies that are involved with land acquisition. For asset management, through Kempen & Co, subsidiary and asset manager of Van Lanschot, the financial institution was involved in companies that risk involvement in land-grabbing. Kempen & Co carries out a screening in order to check involvement with human rights violations. The screening is based on Kempen's 'Convention Library', which for instance subscribes the UN Declaration on the Rights of Indigenous People. It does not specifically refer to the risk of violating the rights of local communities in the process of land acquisition for agricultural or other purposes.

Since the publication of the case study, Kempen & Co, has not adjusted its policies on this specific matter. According to Van Lanschot, the principle of Free, Prior and Informed Consent applies to indigenous people and not also to local communities, as recommended in the case study.

3.10.9 Labour rights and shipbreaking

Since the publication of the case study *Labour rights and shipbreaking* (2012), Van Lanschot has improved its policies with regard to the protection of labour rights in high-risk sectors. Companies involved in high-risk sectors with regard to violations of core labour rights, need to prove that they are not involved with violation of labour rights and need to take preventive action, such as clear labour standards and the implementation of risk management systems. In case of lack of information or non-compliance with core labour standards, Van Lanschot can decide to start an engagement process.²⁶⁰ However, Van Lanschot does not have specific standards taking into account the full life cycle of ships, including reuse, dismantling and recycling.

Chapter 4 Analysis of findings per case study topic

4.1 Introduction

This case study focuses on commitments made by Dutch banking groups in the case studies that have been published by the Fair Bank Guide from 2009 until 2013:

- Banks and weapons (2009)
- Dutch banks' investments in renewable power generation (2010)
- Dutch banks in the garment sector (2010)
- Dutch banks and human rights (2011)
- Pig farming, a study on animal welfare (2011)
- Transparency (2011)
- Dutch banking groups and land acquisition in developing countries (2012)
- Dutch banks' investments in renewable power generation (2012)
- Dutch banking groups and shipbreaking (2012)
- Dutch banking groups and nuclear weapons (2013)
- Dutch banking groups and cattle transports (2013)
- Transparency and accountability (2013)
- Extractive industries and human rights (2013)

Table 21 provides an overview of which banking groups were included in the various case studies.

Table 21 Overview of the banking groups included in the case studies

| Case study | CWA 2009 | Sustainable Power I | Labour rights garment sector | Human rights & Extractives I | Animal welfare I | Transparency I | Land acquisition | Sustainable Power II | Labour rights shipbreaking | Nuclear Weapons | Animal welfare II | Transparency II | Human rights & Extractives II |
|----------------------|----------|---------------------|------------------------------|------------------------------|------------------|----------------|------------------|----------------------|----------------------------|-----------------|-------------------|-----------------|-------------------------------|
| Year | 2009 | 2010 | 2010 | 2011 | 2011 | 2011 | 2012 | 2012 | 2012 | 2013 | 2013 | 2013 | 2013 |
| ABN Amro Bank | x | x | x | x | x | x | x | x | x | x | x | x | x |
| Aegon Bank | x | x | x | x | x | x | x | x | x | x | x | x | x |
| ASN Bank | x | x | x | x | x | x | x | x | x | x | x | x | x |
| Delta Lloyd | | | | | x | x | x | x | x | x | x | x | x |
| DSB Bank | x | | | | | | | | | | | | |
| Fortis Bank | x | x | | | | | | | | | | | |
| Friesland Bank | x | x | x | x | x | x | x | x | x | | | | |
| ING Bank | x | x | x | x | x | x | x | x | x | x | x | x | x |
| NIBC | | | | | x | x | x | x | x | x | x | x | x |
| Rabobank | x | x | x | x | x | x | x | x | x | x | x | x | x |
| Robeco Direct | x | x | x | | | | | | | | | | |

| Case study | CWA 2009 | Sustainable Power I | Labour rights garment sector | Human rights & Extractives I | Animal welfare I | Transparency I | Land acquisition | Sustainable Power II | Labour rights shipbreaking | Nuclear Weapons | Animal welfare II | Transparency II | Human rights & Extractives II |
|---------------------------|----------|---------------------|------------------------------|------------------------------|------------------|----------------|------------------|----------------------|----------------------------|-----------------|-------------------|-----------------|-------------------------------|
| SNS Reaal/SNS Bank | x | x | x | x | x | x | x | x | x | x | x | x | x |
| SNS Regio Bank | x | x | x | | | | | | | | | | |
| Triodos Bank | x | x | x | x | x | x | x | x | x | x | x | x | x |
| Van Lanschot | | x | x | x | x | x | x | x | x | x | x | x | x |

Some of the banking groups have made commitments during or after publication of the various case studies. During the research process of some of the case studies, banks have been explicitly asked whether they were prepared to develop and use instruments in order to manage the ESG risks addressed in the case study. This was the case in the following case studies:

- Human Rights and extractive industries II
- Animal welfare and cattle transport
- Land acquisition
- Labour rights and shipbreaking

In other case studies banks made (implicit) commitments as well, without being asked explicitly to do so. For this “Commitments” case study, we have asked the ten banking groups shown in bold in Table 21 if they have lived up to their earlier commitments. In the context of this study we also asked for updates since the publication of the various reports, or followed-up data or information provided in the reports.

To analyse the findings of this “Commitments” case study, we have grouped some of the case studies together in the following sections. The analysis will differentiate between the following aspects:

- Commitments made (explicit and implicit);
- Updates given by the bank on relevant developments;
- Progress made by the banking groups, as much as possible assessed against the research criteria of the original case studies.

The analyses are summarized in tables in each section.

4.2 Controversial weapons and controversial arms trade

Seven out of the ten currently selected banks in the Fair Bank Guide were included in the case studies on controversial weapons and controversial arms trade (*Banks and arms: the practice* (2009)). All ten of the currently selected banks in the Fair Bank Guide were researched for the case study *Dutch bank groups and nuclear weapons* (2013), see Table 21.

ING and SNS Reaal communicated after the first case study (2009) that they would improve their weapons’ policies. Delta Lloyd, Rabobank and SNS Reaal also made commitments after publication of the second case study.

ABN Amro, Aegon and Van Lanschot provided an update of their controversial weapons policies, which will be assessed in the 15th update of the Fair Bank Guide. An overview of all commitments, updates and the progress made is given in Table 22.

Table 22 Overview of the case studies on Weapons

| Banking group | Case study scores | | | | Commitment made | Update | Progress made |
|---------------|-------------------|------|------|-----|--|--|--|
| | 2009 | | 2013 | | | | |
| | Bank | AM | Bank | AM | | | |
| ABN Amro | 5 | n.a. | no | yes | No | Since 2012, ABN Amro has a controversial weapons list. In case of third party investment funds, ABN Amro wants to have the guarantee that not more than 5 percent of the shares concern companies that produce, trade or distribute cluster ammunition. In case of non-compliance ABN Amro stops offering these funds to their clients. Since June 2013, the bank no longer provides investment advice on nuclear weapons if a company is based in a non-NATO-member state and if the country has not signed the non-proliferation treaty. | ABN Amro does not publish a list of excluded companies, which is recommended. The update of policies will be assessed in the 15th update of the Fair Bank Guide. |
| Aegon | 5 | 1 | no | yes | No | Since March 2014, Aegon Investment Management excludes investments in shares and bonds of companies that are involved in the production of controversial weapons. | In the context of this case study, we did not check whether Aegon still has shares in the list of companies selected for the case study. The update of policies will be assessed in the 15th update of the Fair Bank Guide. Aegon does have group-wide exclusion policies, but the application can differ locally and per division. The latest exclusion list of Aegon Netherlands of January 2015, for instance, does not include the companies that were part of the Aegon investment portfolio at the time of the case study. |
| ASN Bank | 5 | 5 | no | no | No | No change. | No change. |
| Delta Lloyd | - | - | no | yes | After publication of the second case study, Delta Lloyd announced to add nuclear weapons to the scope of its policy on controversial weapons and arms, to divest from the four companies (Boeing, Fluor, Northrop Grumman and Rolls-Royce) it was found investing in and to add 30 more companies to its exclusion list. | Delta Lloyd divested from Fluor and Northrop Grumman and put them on its exclusion list. The latest list of excluded controversial weapons producers (Q2 2015) includes 11 producers of nuclear weapons. This is, except from Finmeccanica, consistent with the fact that these companies are not on the exclusion list. Finmeccanica is on the UN Global Compact Exclusion list, due to controversies regarding corruption, and therefore excluded by Delta Lloyd. | Delta Lloyd fulfilled its promise to divest from Fluor and Northrop Grumman and to put them on its exclusion list. The banking group still has shares in Boeing. The latest list of excluded controversial weapons producers (Q2 2015) includes 11 producers of nuclear weapons, and not 30, as promised. Delta Lloyd still invests in companies involved in the production of nuclear weapons, such as Thales, Honeywell International, Jacobs Engineering and Lockheed Martin. |
| ING Bank | 2 | 1 | yes | yes | After publication of the first case study, ING publicly announced that it would improve its weapons' policies. | Within 3 months after publication of the first case study, ING published an updated policy on arms trade and controversial weapons. According to ING, most investments in the nuclear weapon producers selected for the case study were under management of Voya Financial and NN Group, which | Up to date, ING has outstanding loans in companies involved in the production or trade of controversial weapons and arms, including Airbus, Boeing, Fluor and Safran. NN Group (still 42.4% owned by ING Group) owns shares in Boeing, Fluor, Honeywell International, |

| Banking | Case study scores | | | | Commitment | Update | Progress made |
|--------------|-------------------|---|-----|-----|--|--|--|
| NIBC | - | - | no | no | No | are not part of ING Group anymore. No change. | Jacobs Engineering, Safran and ThyssenKrupp. ²⁶¹ No change. |
| Rabobank | 3 | 1 | yes | yes | After publication of the second case study, Rabobank publicly announced that it would improve its weapons' policies. In addition to the existing policy for Rabobank, Rabobank Group as a whole does not want to be involved with weapon trade with controversial regimes. This also concerns nuclear weapons. | To date, the loans to Larsen & Toubro have been repaid. Rabobank does not have outstanding loans to companies involved in the production of controversial weapons. Rabobank also does not have shares anymore in controversial weapons producers, as Robeco is no longer part of Rabobank. | Rabobank does not have outstanding loans to companies involved with the production of controversial weapons. Rabobank also does not hold shares anymore in these companies. Rabobank does not publish a list of excluded companies. |
| SNS Bank | 5 | 1 | no | yes | After the first case study, SNS Asset Management (Actiam) committed to exclude and sell the shares in Rolls-Royce and to further investigate ThyssenKrupp. After the second case study SNS Reaal promised to examine its investment in Fluor. | Rolls-Royce and Fluor have been added to Actiam's list of excluded companies. ²⁶² However, ThyssenKrupp has not been added to the exclusion list because, according to Actiam, the company is not involved in controversial weapons trade. | According to the latest Case Study: Controversial Arms Trade published by the Fair Insurance Guide in June 2015, ThyssenKrupp was one of the fifteen selected companies involved in arms trade with controversial countries or regimes. ²⁶³ |
| Triodos Bank | 5 | 5 | no | no | No | No change. | No change. |
| Van Lanschot | - | - | no | yes | | Van Lanschot has updated its weapons policy. | The policy will be assessed in the 15th update of the Fair Bank Guide. |

Legend:

- 1 = poor;
- 2 = insufficient;
- 3 = moderate;
- 4 = sufficient;
- 5 = good;
- n.a. = not active;
- = not in the selection of banks for this case study.

From the overview in Table 22 the following conclusions can be drawn:

- Rabobank complied with the commitment made and does not have loans or shares anymore in the companies selected for the two case studies;
- Delta Lloyd and SNS Reaal put some of the selected companies on their exclusion lists, followed by divestments. The two banking groups do still have investments in some of the selected weapons companies. Regarding SNS Reaal's investment in ThyssenKrupp, there is a difference of opinion with the Fair Bank Guide (FBG) about the definition of arms trade to controversial regimes. Actiam uses the UN and EU embargo list to define controversial weapon trade. The FBG also uses other indices, such as the Freedom House Index, the Democracy Index and the Global Peace Index,²⁶⁴
- In spite of the update of its weapons policy, ING still has loans outstanding to companies involved in the production of controversial arms and/or arms trade with controversial countries or regimes.

4.3 Renewable power generation

Eight out of the ten selected banks were included in the first case study *Dutch banks' investments in renewable power generation* (2010) and all ten were included in the second case study, *Renewable power generation II* (2012), see Table 21.

During or after publication of the case study, no commitments were made. When asked for an update, ING Bank provided information about its investments in renewable energy. Eight banks (ABN Amro, Aegon, ASN Bank, Delta Lloyd, ING, Rabobank, SNS Bank and Triodos Bank) provided an update of their climate and energy policies.

An overview of all commitments, updates and the progress made is given in Table 23.

Table 23 Overview of the case studies on Renewable Power Generation

| Banking group | Case study scores | | Update | Progress made |
|---------------|-------------------|------|---|--|
| | 2010 | 2012 | | |
| ABN Amro | x | 2 | Renewed energy and/or climate change policies. | The update of policies will be assessed in the 15th update of the FBG. |
| Aegon | x | 5 | Renewed energy and/or climate change policies. | The update of policies will be assessed in the 15th update of the FBG. |
| ASN Bank | x | 5 | Renewed energy and/or climate change policies. | The update of policies will be assessed in the 15th update of the FBG. |
| Delta Lloyd | | n.a. | Renewed energy and/or climate change policies. | The update of policies will be assessed in the 15th update of the FBG. |
| ING | x | 4 | ING Bank claims that structured finance for renewable energy doubled from 23 percent in 2009 to 43 percent in 2014. | The claim of ING concerns structured finance, not corporate finance and other investments. The data of the research were based on other methods than applied in the two case studies. The case studies focused on new investments, the ING data are based on the total energy portfolio. The case studies argued on the basis of EIA model studies that at least 67% of all investments in the electricity sector should be targeted towards renewable energy sources. |
| NIBC | | 5 | No change. | No change. |
| Rabobank | x | 5 | Rabobank provides information to retail customers on, among others, attractive loans for solar panels. | The case studies looked at investments in electricity companies. |
| SNS Bank | x | n.a. | Renewed energy and/or climate change policies. | The update of policies will be assessed in the 15th update of the FBG. |
| Triodos Bank | x | 5 | Renewed energy and/or climate change policies. | The update of policies will be assessed in the 15th update of the FBG. |
| Van Lanschot | x | n.a. | No change. | No change. |

Legend:

- 1 = poor;
- 2 = insufficient;
- 3 = moderate;
- 4 = sufficient;
- 5 = good;
- n.a. = not active;
- x = in the selection of banks for this case study.

As no explicit or implicit commitments were made, no conclusions can be drawn from Table 23 on commitments.

Both case studies argued on the basis of EIA model studies that at least 67% of all investments in the electricity sector should be targeted towards renewable energy sources. The bank which scored below this benchmark in the last update (ABN Amro) did not show that they have increased their investments in renewable power generation since then.

Most banks do not publish clear figures on how much they have invested in renewable energy, nor in absolute terms nor relative to their investments in non-renewable energy.

4.4 Labour rights in the garment sector

Eight out of the ten selected banks participated in this case study, see Table 21.

Six banks (ABN Amro, ASN Bank, ING, Rabobank, SNS Bank and Van Lanschot) provided an update of their policies with regard to the manufacturing and/or more in particular the garment sector.

Since the publication of the case study, banks have adopted some of the recommendations made in the case study. One of the recommendations was using multi-stakeholder initiatives and certification systems with regard to labour conditions in the garment sector as a reference in contacts with clients. ABN Amro and Rabobank have integrated these references in their contacts with clients in the garment sector and in their annual reporting. Several banks responded to the Rana Plaza catastrophe in Bangladesh and joined the investor coalition to promote the Bangladesh Accord and/or expect their clients to do so.

An overview of all commitments, updates and the progress made is given in Table 24.

Table 24 Overview case study on Labour Rights in the Garment Sector

| Banking group | Case study score | Commitment made | Update | Progress made |
|---------------|------------------|-----------------|---|---|
| ABN Amro | 3 | No | ABN Amro expects clients in the garment sector to be a signatory to the Bangladesh Accord or intend to become this. The bank encourages clients to become a member of the Fair Wear Foundation, the BSCI, the Ethical Trading Initiative, the Better Cotton Initiative or the Fair Labour Organization. | ABN Amro promotes membership of multi-stakeholder initiatives and certification systems aimed at improving labour conditions in the garment sector. It is not clear whether that is part of credit agreements as was recommended in the case study. |
| Aegon | 2 | No | In the case study, Aegon claimed to have plans for engagement with companies. According to Aegon, in 2013, Aegon Asset Management (AAM) US joined an investor coalition coordinated by the Interfaith Center on Corporate Responsibility (ICCR) to urge Bangladeshi garment factories to join the Accord on Fire and Building Safety in Bangladesh, in short the Bangladesh Accord. This information was not supported by evidence. Aegon or AAM US is not listed as one of the signatories of the Bangladesh Accord. | Aegon did not show that it has started a dialogue with individual garment companies. |
| ASN Bank | 5 | No | ASN Bank responded that it is a signatory of the Bangladesh Accord. | No change. |
| Delta Lloyd | - | No | No change. | No change. |
| ING | 4 | No | ING updated its policies with regard to the manufacturing sector in general. | The update of policies will be assessed in the 15th update of the Fair Bank Guide. |
| NIBC | - | No | No change. | No change. |

| Banking group | Case study score | Commitment made | Update | Progress made |
|---------------|------------------|-----------------|---|---|
| Rabobank | 3 | No | According to Rabobank, since the publication of the case study it has developed an engagement tool to discuss the ESG performance of companies in the investment and credit portfolio. After the Rana Plaza catastrophe in Bangladesh, 2013, Rabobank engaged with all Dutch clients in the garment (retail) sector, of which some in-depth dialogues. In 2014, Rabobank introduced an assessment tool to analyse the sustainability profile of its clients, including clients that use certification schemes related to the garment sector, such as the Fair Wear Foundation and Made-By. Rabobank has adopted a policy to support front-runners in a sector, and give them priority in terms of finance and services. | Rabobank promotes membership of multi-stakeholder initiatives and certification systems aimed at improving labour conditions in the garment sector. It is not clear whether that is part of credit agreements as was recommended in the case study. |
| SNS Bank | 1 | No | Actiam (the successor of SNS Asset Management) has participated in initiatives to address the garment sector in Bangladesh on the Bangladesh Accord. Furthermore, it has updated its responsible investment policies. | The update of the general policies will be assessed in the 15th update of the Fair Bank Guide. |
| Triodos Bank | 5 | No | No change. | No change. |
| Van Lanschot | 2 | No | According to Van Lanschot, since the publication of the case study, Van Lanschot has improved its policies with regard to the protection of labour rights in the garment sector. | The update of policies will be assessed in the 15th update of the Fair Bank Guide. |

Legend:
1 = poor;
2 = insufficient;
3 = moderate;
4 = sufficient;
5 = good;
n.a. = not active;
- = not in the selection of banks for this case study.

From the overview in Table 24 the following conclusions can be drawn:

- Aegon did not meet its implicit commitment to start engagement processes with individual garment companies;
- Some banks have started to promote the membership of multi-stakeholder initiatives and certification systems aimed at improving labour conditions in the garment sector;
- No significant progress is apparent with regard to the recommendation to integrate covenants about labour rights in credit agreements.

4.5 Human Rights and the Extractive Industries

Nine of the ten selected banks were included in the case study *Dutch banks and human rights* (2011) and all ten selected banks were included in the second case study *Extractives and human rights* (2013), see Table 21.

During the research process of the second case study, banks were asked to formally commit themselves to use more new instruments in order to prevent providing services to companies in the extractives sector that do not take their responsibility to respect human rights seriously enough, within one year after publication. Three banks made this type of commitment: ABN Amro, ING and SNS Reaal.

An overview of all commitments, updates and the progress made is given in Table 25.

Table 25 Overview of the case studies on Human Rights in the Extractive Industries

| Banking group | Case Study Scores | | | | | Commitment made | Update | Progress made |
|---------------|-------------------|-------|-------------------|------------------|------------------|---|---|---|
| | 2011 | | | 2013 | | | | |
| | Barrick Gold | Shell | Vedanta Resources | Banking services | Asset management | | | |
| ABN Amro | 1 | 1 | 1 | 6 | 1 | <p>After the first case study, ABN Amro claimed that, in future it will expand engagement activities with the three focus companies.</p> <p>After the second case study ABN Amro formally committed to apply more instruments, with one year after publication, in order to prevent providing services to companies in the extractives sector that do not take their responsibility to respect human rights, more in particular by implementing a new screening and assessment methodology.</p> | <p>According to ABN Amro, it has recently implemented a GRSI-tool (Global Sustainability Risk Index), an internally developed tool, aiming at classifying risk levels based on the type of activity and the location of the activity. This tool screens corporate loans on their ESG-risk. Depending on the indicated risk level the Sustainable Banking department needs to be involved. The screening on all risk levels (low, medium, high) is mandatory.</p> | <p>ABN Amro did not provide information about its engagement process with the three focus companies researched in the first case study. ABN Amro complied with the commitment to implement a new screening and assessment tool, made after the second case study. The bank publicly reports on the advice provided by the Sustainable Banking department, per sector, in terms of approvals and rejections. ABN Amro does not provide a detailed report on the themes and issues that are screened and the reason for rejection. Therefore it is difficult to assess whether ABN Amro's GRSI-tool has any impact on the ground.</p> |
| Aegon | 2 | 2 | 2 | n.a. | 6 | | <p>Since the publication of the first case study, Aegon has continued its engagement activities with the three focus companies and has been transparent in disclosing the details of issues discussed with the companies and the results. According to Aegon, the engagement has led to exclusion of Barrick Gold by Aegon-subsidiary TKP Investments. Aegon also stopped investments in Vedanta Resources, because the engagement process was regarded unsuccessful.</p> | <p>TKP Investments has excluded Barrick Gold and Vedanta Resources and added them to its exclusions list. The two companies are not excluded by Aegon Netherlands and Aegon N.V.²⁶⁵ There is therefore room for improvement in consistency of the company's exclusion policies.</p> |
| ASN Bank | 5 | 5 | 5 | n.a. | 10 | No | No change. | No change. |
| Delta Lloyd | - | - | - | n.a. | 1 | No | No change. | No change. |

| Banking | Case Study Scores | | | | | Commitment made | Update | Progress made |
|--------------|-------------------|---|------|------|------|--|---|---|
| | 2 | 2 | 2 | 7 | 3 | | | |
| ING | 2 | 2 | 2 | 7 | 3 | After the second case study ING formally committed to apply more instruments, with one year after publication, in order to prevent providing services to companies in the extractives sector that do not take their responsibility to respect human rights seriously enough. | According to ING, it has strengthened integration of ESG aspects in lending decisions in 2014 by incorporating systematic and automated ESR assessments into mainstream data systems for client information and lending data. According to ING Bank, a systematic and automated ESR assessment process improves the consistency and accessibility of information throughout the organisation, and improve strategic decision making, in terms of acceptable and unacceptable risks and necessary actions to mitigate risks. | The implementation of more systematic screening and assessment tools can be considered as an improvement of instruments. ING does not provide a detailed report on the themes and issues that are screened and the reason for rejection. Therefore it is difficult to assess whether automated ESR assessments have any impact on the ground. |
| NIBC | - | - | - | n.a. | n.a. | No | No change | No change |
| Rabobank | 3 | 3 | n.a. | 3 | n.a. | No | Rabobank has an ongoing engagement process with Barrick Gold and Shell. Rabobank did not provide information about the content and results. On top of the existing mining policy (2011), Rabobank has published a separate position paper on the extraction of non-conventional fossil energy sources. | There is room for improvement with regard to disclosure of the topics and results of the engagement processes with regard to the focus companies of the two case studies. The update of policies will be assessed in the 15th update of the Fair Bank Guide. |
| SNS Reaal | 5 | 3 | 5 | n.a. | 10 | After the second case study SNS Reaal (Actiam) formally promised to integrate the issue of remedy on a more structural basis into the engagement process with extracting companies, starting within one year after publication of the case study. | According to Actiam, remedy for human rights violations has not been the most important issue in the engagement processes with companies it invested in. SNS Bank has revised its human rights policies (March 2014). | Actiam provided information about the content of its engagement with Shell, one of the companies in the case studies. This included remedy as well. The update of policies will be assessed in the 15th update of the Fair Bank Guide. |
| Triodos Bank | 5 | 5 | 5 | n.a. | 10 | No | No change | No change |
| Van Lanschot | 3 | 3 | 3 | n.a. | 8 | No | Van Lanschot improved its human rights standards. | The update of policies will be assessed in the 15th update of the Fair Bank Guide. |

Legend 2011:

- 1 = poor;
- 2 = insufficient;
- 3 = moderate;
- 4 = sufficient;
- 5 = good;
- n.a. = not active;
- = not in the selection of banks for this case study.

Legend 2013:

- 1 = very poor;
- 2 = poor;
- 3 = ample insufficient
- 4 = insufficient;
- 5 = weak;
- 6 = sufficient;
- 7 = ample sufficient;
- 8 = good;
- 9 = very good;
- 10 = excellent;
- n.a. = not active;
- = not in the selection of banks for this case study.

From the overview in Table 25 the following conclusions can be drawn:

- ABN Amro and ING followed-up their commitments by implementing more systematic screening and assessment tools. ABN Amro also provides public information with regard to results, in terms of approvals and rejections, including related topics. But both banks do not provide a detailed report on the themes and issues that are screened and the reason for rejection. Therefore it is difficult to assess whether their tools have any impact on the ground.
- SNS Reaal promised to integrate the issue of compensation of victims of human rights violation more structurally in its engagement processes. Actiam provided information about the content of its engagement with Shell, one of the companies in the case studies. This included remedy as well.
- In general for all banks there is still room for improvement to highlight details of engagement cases, such as predetermined goals within a set time frame, and follow-up actions in the annual report or on the website.

4.6 Animal Welfare

All out of the ten selected banks were included in the two case studies on animal welfare, *Pig farming, a study on animal welfare* (2011) and *Dutch banking groups and cattle transport* (2013), see Table 21.

During the research process of the second case study on animal welfare and cattle transport, banks were asked to formally commit themselves to adopt new policies within one year, in order to improve animal welfare during transport. No bank made this kind of commitment.

The first case study focused on housing conditions in pig farms and whether banks have engagement policies and procedures to improve the housing of the animals on these farms, such as favourable financing conditions. The second case study focused on policies in place to improve animal welfare during transport and integration of these policies in credit agreements, monitoring and engagement processes.

An overview of all commitments, updates and the progress made is given in Table 26.

Table 26 Case studies on Animal Welfare

| Banking group | Scores Case Studies | | | | Update | Progress made |
|---------------|---------------------|------|------|------|--|--|
| | 2011 | | 2013 | | | |
| | Bank | AM | Bank | AM | | |
| ABN Amro | 3 | n.a. | 1 | n.a. | Update regarded as inapplicable. | No change. |
| Aegon | n.a. | 1 | n.a. | 1 | In the process of revising animal welfare standards. | The updated policies will be assessed in the 15th update of the Fair Bank Guide. |
| ASN Bank | 5 | 5 | n.a. | n.a. | Animal welfare policies updated. | The updated policies will be assessed in the 15th update of the Fair Bank Guide. |
| Delta Lloyd | 1 | 1 | n.a. | n.a. | Animal welfare policies updated (January 2015), including screening of existing and new investments that have a link with animal welfare. The new policies include criteria regarding issues addressed in the second case study: limit the duration of animal transport up to 8 hours. | The updated policies will be assessed in the 15th update of the Fair Bank Guide. |
| ING | 3 | 1 | 1 | 1 | ING shares market information about labelling systems regarding | No change. |

| Banking group | Scores Case Studies | | | | Update | Progress made |
|---------------|---------------------|------|------|------|--|--|
| NIBC | n.a. | n.a. | n.a. | n.a. | more sustainable meat production. No change. | No change. |
| Rabobank | 3 | 1 | 1 | n.a. | In the process of revising animal welfare standards. | The updated policies will be assessed in the 15th update of the Fair Bank Guide. |
| SNS Reaal | 1 | 1 | n.a. | 1 | Animal welfare policies updated (March, 2014). | The updated policies will be assessed in the 15th update of the Fair Bank Guide. |
| Triodos Bank | 5 | 5 | n.a. | n.a. | No change. | No change. |
| Van Lanschot | n.a. | n.a. | n.a. | n.a. | No change. | No change. |

Legend:
1 = poor;
2 = insufficient;
3 = moderate;
4 = sufficient;
5 = good;
n.a. = not active;
- = not in the selection of banks for this case study.

From the overview in Table 26 the following conclusions can be drawn:

- Banks with clients or investments in livestock farming did not provide concrete updates about the purposes and outcomes of engagement processes regarding animal housing conditions and transport of animals.
- ING and ABN Amro still not have specific policies on in livestock farming, animal transport and meat processing companies.
- Delta Lloyd set a measurable standard (maximum 8 hours) on the duration of animal transport, in its recently updated Animal Welfare policy (January, 2015).
- Banks may, according to the 2013 report of the Dutch Court of Audit, the 2013 audit of the NVWA (The Netherlands Food and Consumer Product Safety Authority) and the 2011 report of the European Commission, not assume that the government rules on animal transport are sufficient to safeguard the welfare of animals during transportation.²⁶⁶ Therefore, the Fair Bank Guide recommended in the case study *Dutch banking groups and cattle transport* (2013) that corporate responsibility with regard to guarantee animal welfare during transport goes beyond legal requirements.²⁶⁷ It is promising that Delta Lloyd has integrated maximum transport hours in its animal welfare policies (maximum 8 hours).

4.7 Transparency and Accountability

Two case studies were conducted on transparency and accountability: *Transparency of Dutch bank* (2011) and *Transparency of Dutch banks II* (2013). All out of the ten selected banks were included in both case studies, see Table 21.

In October 2011, the Fair Bank Guide organised a meeting to discuss the results and conclusions of the case study. All banks present (ABN Amro, Aegon, ASN Bank, Delta Lloyd, ING, NIBC, Rabobank and Van Lanschot) stated that they would consider upgrading the transparency level regarding investments and loans to, for example, SBI level 2 (double digits).²⁶⁸

In May 2015, the Fair Finance Guide International (FFGI) published an international report about the transparency level of banks in FFGI member states. The report provides an update of the topics addressed in the previous case studies.

On the topic of transparency and accountability the following conclusions can be drawn:

- ASN Bank and Triodos Bank are still the only two banks which publish the names of both companies and governments they invest in.
- Although many banks stated already in 2011 that they would consider upgrading the transparency level regarding investments and loans to, for example, SBI level 2 (double digits), most have still not done so. Positive exceptions are NIBC and Van Lanschot, which break down their corporate loan portfolios in relevant regions and sectors.
- ABN Amro, Aegon, ASN Bank, NIBC and Van Lanschot publish the number of companies with which there has been interaction on social and environment topics (GRI indicator FS10) and SNS Reaal, Triodos Bank and Van Lanschot also publish at least the names of a part of these companies.
- Most banking groups, namely Aegon, ASN Bank, Delta Lloyd, ING, SNS Reaal and Triodos Bank, publish their full and detailed voting record, while the rest publishes summaries of their votes cast;
- Aegon, ASN Bank, Delta Lloyd, SNS Reaal, and Van Lanschot publish lists of companies that are excluded from investment and financing. Often these lists include only weapon producing companies. Triodos Bank provides information about excluded companies, as part of its publications on engagement trajectories.²⁶⁹

4.8 Land acquisition

All out of the ten banking groups were included in the case study on Land Acquisition, see Table 21. The case study specifically looked at instruments used by the banking group to prevent land-grabbing.

During the research process banks were asked to formally commit themselves to adopt new instruments in order to prevent involvement in land-grabbing, within one year after publication. During the research process, ABN Amro and SNS Reaal made this type of commitment.

An overview of all commitments, updates and the progress made is given in Table 27.

Table 27 Overview case study on Land Acquisition

| Banking Group | Score Case Study | | Commitment made | Update | Progress made |
|---------------|------------------|----|--|---|--|
| | Bank | AM | | | |
| ABN Amro | 4 | 2 | ABN Amro committed to integrate the principle of free, prior and informed consent for all affected communities in its exclusion list for bank investments which will be implemented in the other responsible investment instruments within one year after publication. | ABN Amro has indeed integrated the principle of free, prior and informed consent as a criterion for its exclusion list, not within one year after publication (February 2012) but soon after (April 2013). The Exclusion List does not apply to assets managed by external parties for which, according to ABN Amro, it has developed a separate engagement strategy. | ABN Amro has met its commitment to integrate the principle of free, prior and informed consent of indigenous people and/or other vulnerable groups in its exclusion list, not within one year after publication (February 2012) but soon after (April 2013). No data are provided, however, which clarify which companies were excluded based on this criterion. |
| Aegon | 2 | 2 | No | Since the publication of the report, Aegon has developed sector policies on forestry, agriculture and fisheries (February 2014). In the acquisition of land for forestry or agriculture, the rights of indigenous people and other local communities need to be respected and the principle of free, prior and informed consent (FPIC) needs to be applied. | The updated policies will be assessed in the 15th update of the Fair Bank Guide. |
| ASN Bank | 5 | 5 | No | No change. | No change. |

| Banking Group | Score Case Study | | Commitment made | Update | Progress made |
|---------------|------------------|------|--|---|---|
| | | | | | |
| Delta Lloyd | n.a. | 3 | Delta Lloyd developed a policy on land-grabbing, which was finalised during the research process (October 2011). The policy includes relevant elements recommended in the case study, such as reference to the principle of free, prior and informed consent, and land rights of indigenous people and local communities. At the time of the case study, Delta Lloyd promised that it will more often apply a combination of various instruments, in case companies are involved in land rights violations, more in particular engagement and divestments. | No information provided. | With the publication of a policy on land-grabbing in October 2011, Delta Lloyd already made significant progress during the case study. Delta Lloyd did not provide information about any updates or improvement of the monitoring and engagement policies and strategies towards avoidance of land-grabbing practices. |
| ING | 3 | 3 | No | No change. | No change. |
| NIBC | n.a. | n.a. | No | No change. | No change. |
| Rabobank | 3 | 3 | No | Since the publication of the case study, Rabobank has set up a draft policy for good land governance which has not been published yet. The bank participates in round table initiatives and standards on, among others, palm oil, soy and beef. It is not fully clear whether Rabobank takes concrete steps to address the issue of land-grabbing within these initiatives. Rabobank aims that, by 2020, it has fully implemented the round table standards in its lending policies. Rabobank is involved in the Multi Stakeholder Dialogue on Land Governance. | If and when Rabobank's policy is published, it will be assessed in the 15th update of the Fair Bank Guide. |
| SNS Reaal | n.a. | 4 | SNS Reaal promised to finalize relevant sector and issue papers before the end of the year of publication (2012), based on the Tirana Declaration. | SNS Reaal presented a draft position paper in November 2012. The latest position paper (July 2014) is based on the Tirana Declaration. Actiam disclosed information about engagement activities with, for example, a mining company, about respect of the rights of indigenous people and local communities. Actiam is involved in the Multi Stakeholder Dialogue on Land Governance. | SNS Reaal met its commitment by publishing at position paper which includes the FPIC principle for all local communities, with reference to the Tirana Declaration. Limited data are provided, however, which impact this position paper has on the investment decisions of SNS Reaal. |
| Triodos Bank | n.a. | 3 | No | No change. | No change. |
| Van Lanschot | n.a. | 3 | No | No change . | No change. |

Legend:
1 = poor;
2 = insufficient;
3 = moderate;
4 = sufficient;
5 = good;
n.a. = not active;
- = not in the selection of banks for this case study.

From the overview in Table 27 the following conclusions can be drawn:

- Both ABN Amro and SNS Reaal met their commitment to adopt new instruments in order to prevent involvement in land-grabbing. Limited data is provided, however, what impact these new instruments have on the investment decisions of both financial institutions.
- Although Delta Lloyd promised that it would more often apply a combination of various instruments in case companies are involved in land rights violations, more in particular engagement and divestments, no information was provided to show that this commitment was met.
- Aegon and Rabobank also developed policies to avoid any involvement in land-grabbing practices, but Rabobank's policy is not published yet.

4.9 Labour Rights and Shipbreaking

All out of the ten selected banks were included in the case study on Labour Rights and Shipbreaking, see Table 21. The case study aimed to assess of banks were screening CSR policies of shipping companies with regard to the end-of-life and recycling of ships as part of investment decisions. And if shipping companies would not have such CSR policies, if the bank would start an engagement process with the company.

During the research process banks were asked to formally commit themselves to adopt new instruments in order to improve labour conditions in shipbreaking facilities, within one year after publication. Two banks made this type of commitment: ING and Rabobank.

An overview of all commitments, updates and the progress made is given in Table 28.

Table 28 Overview case study Labour Rights and Shipbreaking

| Banking Groups | Case study scores | | Commitment made | Update | Progress made |
|----------------|-------------------|------|---|---|--|
| | Bank | AM | | | |
| ABN Amro | 3 | 1 | No | The case study showed that ABN Amro participates in the Sustainable Shipping Initiative (SSI), and in a project group with the purpose of identifying sustainable shipbreaking parties. According to ABN Amro, the study resulted in the introduction of a client questionnaire that is sent to ABN Amro shipping clients, including a question relating to the responsible Ship Recycling Standards. The bank also updated its shipping policy, the newest version should be approved internally by mid-2015 (last version was of April 2013). | ABN Amro has better instruments to screen their shipping client with regard to their policies on shipbreaking. The bank's updated policy will be assessed in the 15th update of the Fair Bank Guide. |
| Aegon | n.a. | 1 | No | Aegon is in the process of revising its RI policy, which will be published in the first half of 2015. | The bank's updated policy will be assessed in the 15th update of the Fair Bank Guide. |
| ASN Bank | n.a. | n.a. | No | No change. | No change. |
| Delta Lloyd | n.a. | 1 | No | Delta Lloyd has improved its human rights policy, also including labour rights. | The bank's updated policy will be assessed in the 15th update of the Fair Bank Guide. |
| ING | 3 | 1 | During the research phase of the case study, ING stated that it will start a dialogue with shipping companies and within one year, for bank investments, formalise this as one of the | ING (and NIBC) are in the process of drafting a covenant in which they commit themselves (and other banks can join) to implement the Responsible Ship Recycling Standards into each of the internal Environmental & Social policies and procedures for the financing of | ING fulfilled its commitment to start a dialogue with the shipping companies in its portfolio but has not published a public policy yet. |

| Banking Groups | Case study scores | | Commitment made | Update | Progress made |
|----------------|-------------------|------|---|---|---|
| NIBC | 3 | n.a. | No | shipping assets. Currently, ING and NIBC run pilots to check potential hurdles and if necessary improve. See ING. | NIBC is working on a covenant with other banks. |
| Rabobank | 2 | 1 | During the case study, Rabobank promised to strengthen its policy within one year after publication of the case study (November 2012), with regard to screening and engagement, and with regard to the assessment of credit applications. | Rabobank has published a Ship Recycling Policy (April 2014). The policy requires clients in the shipping sector to comply with international standards and regulation with regard to environmental, health and safety standards with regard to ship recycling, and to adopt best practices for improving ship recycling and avoid involvement in hazardous ship recycling practices. The policy does not require membership of the International Ship Recycling Association (ISRA). | Rabobank fulfilled its commitment and has published a Ship Recycling Policy (April 2014), although without reference to the ISRA, as promised. According to the bank, membership is only relevant for ship recycling companies, not for shipping companies. The bank's updated policy will be assessed in the 15th update of the Fair Bank Guide. |
| SNS Reaal | n.a. | 1 | No | No change. | No change. |
| Triodos Bank | n.a. | n.a. | No | No change. | No change. |
| Van Lanschot | n.a. | 4 | No | Van Lanschot has improved its policies with regard to the protection of labour rights in high-risk sectors. | The bank's updated policy will be assessed in the 15th update of the Fair Bank Guide. |

Legend:
1 = poor;
2 = insufficient;
3 = moderate;
4 = sufficient;
5 = good;
n.a. = not active;
- = not in the selection of banks for this case study.

From the overview in Table 28 the following conclusions can be drawn:

- Rabobank complied with its commitment by adopting a ship recycling policy, not within one year after the publication of the case study but soon after. The policies refer to relevant international standards and best practices, though does not require membership of the International Ship Recycling Association (ISRA), as promised. According to the bank, membership is only relevant for ship recycling companies, not for shipping companies. Rabobank does not finance ship recycling companies.
- ING and NIBC are in the process of drafting a covenant in which they commit themselves (and other banks can join) to implement the Responsible Ship Recycling Standards into each of the internal Environmental & Social policies and procedures for the financing of shipping assets.
- ING met its commitment to start a dialogue with the shipping companies in its portfolio, but has not published a public policy yet;
- ABN Amro has taken further steps in the development and implementation of instruments to improve labour standards in ship recycling.

Chapter 5 Conclusions and recommendations

5.1 Introduction

The Eerlijke Bankwijzer (Dutch Fair Bank Guide) commissioned this case study to assess the follow-up of thirteen case studies undertaken in the past six years into the policies and practices of Dutch banks with regard to various sectors and topics. The aim of this “Commitments” case study is to check and analyse whether the banks in question have met the commitments they made during and after publication of the case studies, and/or made relevant and measurable steps in line with the recommendations given in the case studies.

The 13 case studies can be grouped as follows:

- Controversial arms and controversial arms trade (2009 and 2013)
- Renewable power generation (2010 and 2012)
- Labour rights in the garment sector (2010)
- Human rights and the extractive industries (2011 and 2013)
- Animal welfare (2011 and 2013)
- Transparency and accountability (2011 and 2013)
- Land acquisition (2012)
- Labour rights and shipbreaking (2012)

In four case studies banks were explicitly asked by the Fair Bank Guide to make commitments:

- Human Rights and extractive industries II (2013)
- Animal welfare and cattle transport (2013)
- Land acquisition (2012)
- Labour rights and shipbreaking (2012)

5.2 Conclusions

After an analysis of the (implicit and explicit) commitments made before and shortly after the previous 13 cases studies were published, and on the basis of the information gathered on follow-up steps taken by the banks, we can conclude the following:

- Various banks have taken important steps in response to the case studies;
- The practical results of the steps taken by banks are not always measurable, largely due to lack of transparency of the banks;
- In some cases commitments made by banks are not followed-up properly or completely;
- For most issues covered by the case studies the original recommendations made are still relevant for several banks.

The first three conclusions will be illustrated further in the following sub-sections, while the recommendations will be covered in section 5.3.

5.2.1 Banks have taken clear steps forward

This case study *Commitments* shows that case studies create awareness among financial institutions about specific and sectoral sustainability issues. We can conclude that banks have taken the issues addressed seriously, and in many cases have adopted new policies or further investigated potential risks and controversies. Banks also appeared to be prepared to start a dialogue with their clients and to encourage and support them to improve their corporate social responsibility policies. In some cases the banks undertook joint action to improve their policies and implementation standards.

When the case studies of the Fair Bank Guide highlight deficiencies in the policies of the banks or in the instruments they use to ensure that the companies they are investing in are meeting their criteria, various banks are prepared to commit to improvements. Such explicit commitments were asked for by the Fair Bank Guide in four case studies, which resulted in eight commitments across three case studies. Without being asked for explicitly, six other commitments were made in response to three other case studies. As Table 29 shows, a total of 14 explicit and implicit commitments were made by 6 banks in response to case studies on four different topics.

Table 29 Commitments made by banks in response to case studies

| Banking group | Human Rights and extractive industries | Weapons | Labour rights | Land acquisition |
|---------------|---|--|---|---|
| ABN Amro | 1. After the first case study, to expand engagement activities with the three focus companies and 2. After the second case study, to apply more instruments in order to prevent providing services to companies in the extractives sector that do not take their responsibility to respect human rights, more in particular by implementing a new screening and assessment methodology. | | | To integrate the principle of free, prior and informed consent for all affected communities in its exclusion list for bank investments which will be implemented in the other responsible investment instruments. |
| Delta Lloyd | | To add nuclear weapons to the scope of its policy on controversial weapons and arms, to divest from four companies and to add 30 more companies to its exclusion list. | | To more often apply a combination of various instruments, in case companies are involved in land rights violations, more in particular engagement and divestments. |
| ING | To apply more instruments in order to prevent providing services to companies in the extractives sector that do not take their responsibility to respect human rights seriously enough. | To improve its weapons' policies | To start a dialogue with shipping companies and formalise this as one of its ESG instruments. | |
| Rabobank | | To improve its weapons' policies to not be involved with weapon trade with controversial regimes and nuclear weapons. | To strengthen its policy with regard to screening and engagement, and with regard to the assessment of credit applications. | |
| SNS Reaal | To integrate the issue of remedy on a more structural basis into the engagement process with extracting companies. | 1. To exclude and sell the shares of Rolls-Royce and to further examine ThyssenKrupp and 2. To exclude Fluor. | | To finalize relevant sector and issue papers based on the Tirana Declaration. |

No bank made a commitment in response to more than four case studies and some banks did not make any commitment at all. That banks did not make a commitment is in a number of cases explained by the relatively high score of the bank in the case study: the need to commit to improvements was not felt strongly.

However, in some cases banks were still not willing to make a commitment despite the case study clearly highlighted strong deficiencies in their policies or instruments. In response to the four case studies in which banks were explicitly asked by the Fair Bank Guide to make commitments, the following banks did not make a commitment despite scoring very poorly:

- Delta Lloyd (AM) in response to the case study Human Rights and Extractive Industries;
- ABN Amro (Bank), Aegon (AM), ING (AM & Bank), Rabobank (Bank) and SNS Reaal (AM) in response to the case study Animal Welfare and Cattle Transport;
- Aegon (AM & Bank) in response to the case study Land Acquisition; and
- The asset management divisions of ABN Amro, Aegon, Delta Lloyd and SNS Reaal in response to the case study Labour Rights and Shipbreaking.

Various banks have taken clear steps forward in response to the 13 case studies analysed. Most commitments made by the banks in response to case studies have been followed up. But also when they had not been asked for a commitment, several banks followed up on the topics raised, because the case studies brought the urgency of the topic to the attention and highlighted how a bank could tackle the topic. As case studies are often accompanied by larger study meetings organised by the Fair Bank Guide and by bilateral meetings between banks and Fair Bank Guide coalition members, banks receive a lot of practical input on the impacts of a certain topic and on the standards and initiatives to deal with these impacts. This input helps them to strengthen their responsible investment policies and instruments.

Examples of clear steps forward are:

- Rabobank complied with the commitment made and does not have loans or shares anymore in the companies selected for the case studies *Banks and arms: the Practice* (2009) and the case study *Dutch bank groups and nuclear weapons* (2013);
- ABN Amro has fulfilled the commitment made in the case study *Land acquisition* (2012), to integrate the principle of free, prior and informed consent for all local communities in its exclusion list (April 2013);
- SNS Reaal complied with the commitment to finalize a position paper (updated July 2014) on land-grabbing, as a follow-up of the case study *Land acquisition* (2012), which includes all issues the Fair Bank Guide Netherlands deems relevant: gender issues, the FPIC principle for all local communities, transparency about contracts and reference to the Tirana Declaration;
- Rabobank fulfilled its commitment in the context of the case study *Labour rights and shipbreaking* (2012) and has published a Ship Recycling Policy in April 2014, although the policy does not require membership of the International Ship Recycling Association as was originally promised by Rabobank;
- Since the publication of the case study *Dutch banks and human rights* (2011), Aegon made significant steps by continuing its engagement with Barrick Gold and Vedanta Resources, which finally led to exclusion of the companies by TKP Investments, part of Aegon Asset Management, due to lack of results. This serves as an example of implementing engagement processes with measurable targets and clear procedures in case of non-compliance for other parts of Aegon and for other asset managers and banks;

- Aegon developed a policy on land acquisition, as part of its sector policies on forestry, agriculture and fisheries, with reference to the rights of indigenous peoples and local communities and the principle of free, prior and informed consent;
- Banks, especially ABN Amro and Rabobank, have implemented the recommendation in the case study *Labour Rights in the Garment Sector* (2010) by promoting multistakeholder-initiatives and certification system. Rabobank also makes sustainability profiles of their clients;
- Rabobank has recently adopted the policy to give preferential services to high profile clients in terms of corporate social responsibility standards;²⁷⁰
- In line with the recommendations in the case study *Labour Rights in the Garment Sector* (2010), ING provided documented information about the engagement procedure with new and existing clients, in case these companies attract negative media attention. In case these clients do not take action to counteract the controversies they are involved with, they are not eligible to become ING clients and in case of existing clients, ING will discuss a time bound action plan to solve the issue, and if the client does not meet the expectations, ING will not provide new facilities and the existing ones will be winded down;
- Delta Lloyd set a measurable standard (maximum 8 hours) on the duration of animal transport, in its recently updated Animal Welfare policy (January, 2015), and in this regard, has made a significant step in response to the recommendations in the case study *Dutch banking groups and cattle transport* (2013);
- All ten banks now report using GRI, including indicators from the Financial Services Sector Disclosure. NIBC and Van Lanschot improved their transparency by providing a more detailed break-down of their loan portfolio, according to the commitment made.

5.2.2 Practical results not always measurable

While this study identified clear steps forward made by various banks in response to case studies - both by meeting formal commitments and by other forms of follow-up - the practical results of the steps taken by banks are not always measurable. It remains for instance unclear if investments in companies involved in land-grabbing have decreased, if shipping companies are effectively pushed to look for responsible ways of shipbreaking and what have been the results of engagement processes with extractive companies on human rights.

One example is that in the *Case Study: Human Rights and Extractives* (2013) ABN Amro and ING promised to apply more instruments, within one year after publication, in order to prevent providing services to companies in the extractives sector that do not take their responsibility to respect human rights. Both banking groups have implemented new screening and assessment tools, including procedures about the decision-making process. ABN Amro provides information about the number of approvals and rejections, and the criteria used, but is not transparent about the results, as it does not publish a list of excluded companies. ING also does not publish an exclusion list. For most banks it is not clear how much they have invested in renewable energy, nor in absolute terms nor relative to their investments in non-renewable energy.

An important reason for the lack of measurable results is the lack of transparency of the banks on most indicators which could be used to measure the progress of banks in the fields of - for instance - labour rights, climate change and animal welfare:

- In which companies is the bank investing or - when the bank does not want to reveal names of clients - in which sectors, sub-sectors and countries is the bank investing in?
- With which companies has the bank started engagement processes, what were the results of these engagement processes and how are these results secured and monitored (e.g. by covenants in loan contracts)?
- Which companies have been excluded from investments by the bank?

As long as most banks are insufficiently transparent on these topics, the practical value of their commitments and the steps they have taken in response to case studies cannot be assessed properly.

5.2.3 Commitments not followed up properly or completely

While this study did not find that banks completely ignored the explicit commitments they had made, in some cases commitments made by banks were not followed-up properly or completely. Examples are:

- After publication of the case study *Dutch bank groups and nuclear weapons (2013)*, Delta Lloyd promised to divest from four nuclear weapons producers it had investments in. The banking group fulfilled its promise to divest from Fluor and Northrop Grumman and put them on its exclusion list, but the banking group still owns shares in Boeing;
- Although ING improved its defence policies since the first case study on weapons, the policies are still limited regarding nuclear arms producers (only excluding companies working for non-NATO members) and controversial arms trade. In the Case Study *Dutch Bank Groups and Nuclear Weapons (2013)*, ING Bank was found to have provided loans with a value of € 307.6 million to the selected weapons companies. The then-insurance division of ING Group, NN Group, had invested € 559.09 million in shares and € 109.21 million in bonds. Since 2014, NN Group is not majority-owned by ING Group anymore. Delta Lloyd also committed to improve its weapons policies but, according to the *Case Study Controversial Arms Trade (2015)*, still invests in controversial arms trade, € 13.1 million in shares and € 4.8 million in bonds;²⁷¹
- In the case study *Labour rights and shipbreaking, (2012)*, ING promised to continue a dialogue with the shipping companies in its portfolio. ING has developed internal procedures regarding shipbreaking and participates in sector initiatives. Two and a half years after publication of the case study, ING still has not published a public policy regarding shipbreaking.

5.2.4 Progress too limited

- Aegon did not do a commitment during or after publication of the case study on weapons. As part of the present case study, Aegon indicated that it has improved its weapons policies. According to the *Case Study Controversial Arms Trade (2015)*, Aegon still invests € 331.4 million in shares and € 474 million in bonds in controversial arms traders;²⁷²
- As a follow-up of the case studies on weapons and arms trade, SNS Reaal has excluded weapon producers and added them to its exclusion list, It still has investments in at least one company, ThyssenKrupp, that according to the Fair Bank Guide (FBG) is involved in controversial arms trade. Actiam uses the UN and EU embargo list to define controversial weapon trade. The FBG also uses other indices, such as the Freedom House Index, the Democracy Index and the Global Peace Index. According to the *Case Study Controversial Arms Trade (2015)*, SNS Reaal still invests € 3.2 million in companies active in controversial arms trade.²⁷³

5.3 Recommendations

Considering the previous conclusions drawn - some banks are willing to make commitments, but not all banks are willing to do so, the results of commitments are not always measurable and not all commitments have been followed-up properly - one final conclusion can be drawn: many of the recommendations made in the underlying case studies are still relevant for most banks. This certainly applies to banks that scored weak in some of the case studies, hardly made commitments and have shown little improvement in tackling their deficiencies. The most important conclusions of the previous case studies are therefore summarized below, grouped by topic:

- **Weapons**
 - Stop all investments in companies producing controversial weapons and/or trading arms to, among others, dictatorships and countries with significant human rights violations;
 - Implement the letter and the spirit of the Non-Proliferation Treaty in the weapons policy;
 - Expand the scope of exclusion criteria to all direct and indirect investments in all companies that are involved in production and development of (essential parts of) nuclear weapons.

- **Renewable power**
 - Ensure that at least 67% of all investments in the electricity sector are targeting renewable power generation;
 - Be transparent about the level of investments in renewable energy, also relatively to investments in non-renewable energy;
 - Significantly reduce investments in production, transport and processing of oil, gas and coal.

- **Garments**
 - Integrate covenants about labour standards in credit contracts, including monitoring and engagement;
 - Provide attractive services and conditions to clients in case of membership and participation in multistakeholder-initiatives and certification systems.
 - Do not wait until shocking incidents happen, such as the Rana Plaza tragedy in Bangladesh, before taking action, but apply the precautionary principle to avoid labour rights' risks.

- **Human rights and land rights**
 - When screening companies, pay attention to the impact of a company's activities on the human rights of affected communities and apply the principle of free, prior and informed consent (FPIC) for all local communities;
 - Set predetermined goals within a set time frame for engagement processes, which in case of lack of results, as a final step may lead to exclusion of the company concerned;
 - Membership of commodity round tables by banks and their clients is relevant; however because of current shortcomings in several round tables banks are encouraged to actively use their membership to improve standards on for example land rights.

- **Shipbreaking**
 - Develop a sector policy that takes into account the full lifecycle of ships, including reuse, dismantling and recycling referring to international regulations and voluntary standards in the shipping sector, such as the International Ship Recycling Association (ISRA) and the Sustainable Shipping Initiative;
 - Join multistakeholder-initiatives and cooperate in the development of screening and engagement policies with regard to sustainable ship recycling.

- **Animal welfare**
 - Include clear covenants in loan contracts with clients in the livestock farming sector to guarantee appropriate housing conditions;
 - Include clear covenants in loan contracts with clients in the transport and met sectors to avoid long-distance animal transport.

- **Transparency**
 - Be more transparent about investments and loans in terms of sectors, industries and companies;
 - Be more transparent about engagement processes with companies, about the results of these engagement processes and how these results are secured and monitored (e.g. by covenants in loan contracts);
 - Publish a list of companies which have been excluded from investments.

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