

The logo for EerlijkeBankwijzer, featuring the text "EerlijkeBankwijzer" in white, with "Eerlijke" in a regular font and "Bankwijzer" in a bold font, set against a red, speech-bubble-like background.

EerlijkeBankwijzer®

Dutch Banking groups and Labour Rights

Living Wage and Freedom of Association in the Garment and Electronics Sector

**A case study prepared for the Dutch Fair
Bank Guide by**



Dutch Banking groups and Labour Rights

Living Wage and Freedom of Association in the Garment and Electronics Sector

**A case study prepared for the Dutch Fair
Bank Guide**

**Margreet Simons
Hassel Kroes
Ward Warmerdam**

2 June 2016



**Naritaweg 10
1043 BX Amsterdam
The Netherlands
Tel: +31-20-8208320
E-mail: profundo@profundo.nl
Website: www.profundo.nl**

Contents

Glossary	i
Samenvatting	ii
Summary	xiii
Introduction.....	1
Chapter 1 Methodology	3
1.1 Selected banking groups.....	3
1.2 Research activities.....	3
1.3 Data collection	4
1.4 Financial research and selection of companies	4
1.5 Investment categories	5
1.6 Questionnaire.....	6
1.7 Assessment.....	10
1.8 Planning.....	14
Chapter 2 Labour conditions in the garment and electronics sector	15
2.1 Globalisation trends in the garment and electronics sector	15
2.2 Race to the bottom.....	17
2.3 Supply chain responsibility.....	18
2.4 International standards.....	18
2.5 SER Agreements on International Responsible Business Conduct....	21
2.6 Freedom of Association and Collective Bargaining	22
2.7 Living Wage.....	27
2.8 Operationalization of the concept of 'living wage'	27
2.9 How to achieve a living wage?.....	29
2.10 Living wage and collective bargaining	30
2.11 Best practices	31
2.12 Company profiles of selected companies.....	34
Chapter 3 Profiles and assessments of ten Dutch banking groups.....	38
3.1 Overview of financing and investment relations	38
3.2 ABN Amro.....	43
3.3 Aegon.....	58
3.4 ASN Bank	64
3.5 Delta Lloyd.....	72
3.6 ING	78
3.7 Rabobank	85
3.8 SNS Bank.....	91
3.9 Triodos Bank	100
3.10 Van Lanschot	107
Chapter 4 Analysis of the research findings	115
4.1 Asset management	115

4.2	Corporate credits and loans.....	122
Chapter 5	Conclusions and recommendations.....	125
5.1	Freedom of association and collective bargaining.....	126
5.2	UNGPs	127
5.3	Summary table	129
5.4	Recommendations	131
Appendix 1	List of selected companies	134
Appendix 2	Overview of investments of Dutch banking groups in the apparel and electronics sector	138
References	145

Glossary

ASEAN	Association of Southeast Asian Nations
BSCI	Business Social Compliance Initiative
CSR	Corporate Social Responsibility
EICC	Electronic Industry Citizenship Coalition
EPZ	Export Processing Zone
ESG	Environmental, Social, Governance
ETI	Ethical Trading Initiative
FBG	Fair Bank Guide
FWF	Fair Wear Foundation
GDP	Gross Domestic Product
ICT	Information and Communications Technology
ILO	International Labour Organisation
ITUC	International Trade Union Confederation
MNC	Multinational Corporation
MNE	Multinational Enterprise
MSCI	Morgan Stanley Capital International
n.a.	not applicable
NCP	National Contact Point
NGO	Non-governmental Organisation
ODM	Original Design Manufacturer
OECD	Organisation for Economic Co-operation and Development
OEM	Original Equipment Manufacturer
OESO	Organisatie voor Economische Samenwerking en Ontwikkeling
SAI	Social Accountability International
SER	Sociaal-Economische Raad (Social and Economic Council)
UNGC	United Nations Global Compact
UNGP	United Nations Guidance Principles on Business and Human Rights

Samenvatting

Dit “Praktijkonderzoek Arbeidsrechten: Leefbaar Loon en Vakbondsvrijheid in de elektronicasector en kledingsector” is uitgevoerd door onderzoeksbureau Profundo, in opdracht van de Eerlijke Bankwijzer. Initiatiefnemer van het onderzoek is de vakbond FNV, lid van de coalitie achter de Eerlijke Bankwijzer, die verder bestaat uit Amnesty International, Dierenbescherming, Milieudefensie, Oxfam Novib en PAX.

Het merendeel van de internationale elektronicamerken en kledingmerken produceren hun producten niet zelf, maar laten die maken door toeleveranciers in landen waar de productie- en loonkosten laag zijn.

De afgelopen decennia heeft het verplaatsen van de productie van kleding en consumentenelektronica naar goedkope productielanden, gezorgd voor een toestroom van betaalbare producten die in het bereik komen van grote groepen consumenten. Voor verschillende opkomende markten en ontwikkelingslanden zorgde deze trend voor werkgelegenheid, economische ontwikkeling en industrialisatie. China is wereldwijd het belangrijkste productieland voor de fabricage van consumentenelektronica, zowel kant-en-klare producten als onderdelen. Andere belangrijke productielanden zijn de Verenigde Staten, Japan en Duitsland. China neemt ook een derde van de wereldwijde kledingproductie voor haar rekening, gevolgd door Turkije, Bangladesh en India.

De keerzijde van uitbesteding naar goedkope productielanden is dat de werknemers van de fabrieken en werkplaatsen waar de producten worden gemaakt te maken hebben met slechte arbeidsomstandigheden en blootstaan aan ontoelaatbare risico's op het gebied van gezondheid en veiligheid. Veel voorkomende problemen zijn lange werktijden, een gebrek aan vakbondsvrijheid en lage lonen.

In het recente verleden kregen ernstige misstanden wereldwijd de aandacht. In Bangladesh stortte in april 2013 de Rana Plaza kledingfabriek in, waarbij honderden mensen omkwamen en duizenden gewond raakten. Vele internationale kledingmerken waren afnemer van deze fabriek. Elektronikamerk Apple kwam vanaf 2010 in opspraak na een serie zelfmoorden onder werknemers bij haar belangrijkste leverancier Foxconn, in China, mede als gevolg van de hoge werkdruk. In Turkije, gastland van meer dan 2 miljoen Syrische vluchtelingen, wordt vandaag de dag door kledingbedrijven misbruik gemaakt van de kwetsbare positie van vluchtelingen en is sprake van onderbetaling en kinderarbeid. Ook hier betreft het toeleveranciers van internationale kledingmerken.

Dit onderzoek richt zich op de vraag in hoeverre de tien grootste bankgroepen in Nederland in hun relaties met klanten of bij de keuze van hun investeringen aandacht besteden aan de risico's op schending van mensenrechten en arbeidsrechten in de toeleveringsketens van bedrijven in de elektronicasector en kledingsector. En of zij actie ondernemen wanneer bedrijven onvoldoende kunnen aantonen dat zij deze risico's beheersen of wanneer blijkt dat zij betrokken zijn bij misstanden. Het onderzoek richt zich daarbij specifiek op betaling van een leefbaar loon en vrijheid van organisatie, twee thema's die ook een centrale rol hebben binnen het SER Convenant Duurzame Kleding en Textiel (maart 2016).

Voor het onderzoek zijn de volgende bankgroepen geselecteerd:

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

- NIBC
- Rabobank
- SNS Bank (excl. ASN Bank)
- Triodos
- Van Lanschot

Beoordelingskader

Overheden zijn verantwoordelijk voor de handhaving van wetgeving op het gebied van mensenrechten, arbeidsomstandigheden en arbeidsvoorwaarden. Dat ontslaat bedrijven in de elektronica- en kledingindustrie, evenals in andere sectoren, echter niet van hun verantwoordelijkheid voor naleving van arbeidsnormen in hun internationale productie- en toeleveringsketens. De discussie over ketenverantwoordelijkheid wordt aangewakkerd door de openbaarmaking van misstanden door de internationale arbeidsorganisatie ILO, internationale en lokale vakbondsorganisaties, en internationale campagneorganisaties die zich richten op verbetering van arbeidsomstandigheden in de elektronica- en kledingindustrie.

Deze verantwoordelijkheden zijn sinds juni 2011 verder uitgewerkt in de *UN Guiding Principles on Business and Human Rights*, opgesteld door professor John Ruggie voor de Mensenrechtenraad van de Verenigde Naties. De *UN Guiding Principles on Business and Human Rights (UNGPs)* zijn de toonaangevende standaard voor de preventie, de aanpak en beheersing van het risico op het ontstaan van mensenrechtenschendingen als gevolg van bedrijfsactiviteiten, ook als die voortvloeien uit relaties met toeleveranciers, onderaannemers en overheden.

De UNGP's verwachten van bedrijven dat zij:

- In beeld brengen wat de huidige en potentiële effecten van hun onderneming op mensenrechten zijn, en beleid en systemen ontwikkelen om mensenrechtenschendingen te voorkomen, de zogenaamde “due diligence”;
- Actie ondernemen bij het ontstaan van mensenrechtenschendingen en nagaan of die acties tot resultaat leiden;
- Verantwoording afleggen hoe de effecten worden aangepakt door middel van duurzaamheidsrapportages;
- Procedures ontwikkelen voor genoegdoening van slachtoffers van mensenrechtenschendingen die door hen zijn veroorzaakt of waaraan ze hebben bijgedragen.

De UNGP's hebben ook een centrale plaats in de zogenoemde IMVO-convenanten, waarbij IMVO staat voor Internationaal Maatschappelijk Verantwoord Ondernemen, die onder begeleiding van de Sociaal-Economische Raad (SER) worden afgesloten tussen de Nederlandse overheid, vakbonden, het bedrijfsleven en maatschappelijke organisaties, om te beginnen met de kleding- en textielsector en de bancaire sector (ten tijde van dit onderzoek nog in ontwikkeling).

Het SER Convenant Duurzame Kleding en Textiel kwam in maart 2016 tot stand. De UNGP's dienen in het convenant als leidraad voor deelnemende bedrijven om de risico's op schending van arbeidsrechten in hun internationale toeleveringsketens in kaart te brengen en te nemen maatregelen die aansluiten bij de inzichten die hun due diligence proces oplevert. Het convenant streeft naar de opzet van twee collectieve projecten: één op het gebied van leefbaar loon en één op het gebied van vakbondsvrijheid. Het recht op vakbondsvrijheid is van cruciaal belang omdat verbetering van de rechtspositie van werknemers een positief effect heeft op verbetering van hun werkomstandigheden. Een

leefbaar loon zorgt ervoor dat werknemers in hun eigen onderhoud en dat van hun gezin kunnen voorzien en speelt een belangrijke rol in de uitbanning van kinderarbeid.

Ook de Eerlijke Bankwijzer neemt de UNGP's als belangrijk uitgangspunt bij de beoordeling van toepassing van het verantwoord krediet- en beleggingsbeleid van de bankensector en in de hiernavolgende aanbevelingen aan Nederlandse bankgroepen.

Onderzoeksopzet

Dit praktijkonderzoek beoordeelt hoe het verantwoord beleggings- en kredietbeleid van bankgroepen wordt toegepast op individuele bedrijven in de elektronica- en kledingsector. De methodologie van de Eerlijke Bankwijzer hecht er belang aan dat het beleid en de criteria die worden gebruikt voor de beoordeling van bedrijven openbaar zijn en toegankelijk via de websites van de bankgroepen. Echter, om te kunnen toetsen hoe het beleid op papier in de praktijk wordt toegepast is het voor het onderzoeksproces van belang dat bankgroepen bereid zijn om naast publieke bronnen ook interne informatie te delen die niet wordt gepubliceerd door de bank. Om recht te doen aan de vertrouwelijkheid van de informatie, zijn verwijzingen en bronvermelding afgestemd met banken. In sommige gevallen zijn bedrijfsnamen op verzoek geanonimiseerd.

Naast het delen van vertrouwelijke informatie maakte ook een interview met de duurzaamheidsafdeling van de bankgroep deel uit van het onderzoek, en voor vermogensbeheer met de asset manager van de bankgroep. Een gestructureerde vragenlijst, tevoren met de bankgroepen gedeeld, vormde de leidraad voor het gesprek. Alle bankgroepen, behalve Aegon, gingen in op het verzoek tot een gesprek. Aegon gaf er de voorkeur aan om de vragen schriftelijk te beantwoorden.

Het onderzoek richt zich op enerzijds de verstrekking van kredieten en leningen aan bedrijven in de elektronica- en kledingsector, en anderzijds beleggingen in bedrijven binnen deze sectoren, in de vorm van aandelen en obligaties. Het verantwoord kredietbeleid en het verantwoord beleggingsbeleid is apart beoordeeld. Bankgroepen die in beide categorieën actief zijn krijgen derhalve twee eindscores, één voor het kredietbeleid en één voor het beleggingsbeleid. Dit is alleen het geval bij ABN Amro.

- Drie banken, ABN Amro, ING en Rabobank, zijn beoordeeld op hun verantwoord kredietbeleid. De overige bankgroepen verstrekken geen leningen of kredieten aan bedrijven in de elektronica- en kledingsector.
- Zeven bankgroepen zijn beoordeeld op hun verantwoord beleggingsbeleid of dat van hun vermogensbeheerder: ABN Amro, Aegon, ASN Bank, Delta Lloyd, SNS Bank, Triodos en Van Lanschot.
- NIBC verstrekt geen kredieten aan en heeft geen beleggingen in bedrijven in de elektronica- en kledingsector en is daarom in de scoretabel op n.a. (niet actief) gezet.

Bevindingen kledingsector

Volgens een risicoanalyse uitgevoerd door KPMG, in opdracht van het Ministerie van Economische Zaken en het Ministerie van Buitenlandse Zaken, gelden de sectoren die onderwerp zijn van dit praktijkonderzoek - de elektronica- en kledingsector - beide als risicosectoren met betrekking tot naleving van arbeidsrechten en mensenrechten, vanwege productielocaties en toeleveringsbedrijven in lagelonenlanden. Veel voorkomende misstanden zijn onderbetaling, excessieve werktijden, gebrek aan vakbondsvrijheid en ongezonde en onveilige werkomstandigheden.

Uit het onderzoek blijkt dat de bankgroepen veel meer aandacht hebben voor de aanpak van misstanden in de kledingsector dan in de elektronicasector. Een logische verklaring hiervoor is het schokeffect dat werd teweeggebracht door de ineenstorting van de Rana Plaza fabriek in Bangladesh, in 2013, wat licht wierp op de schrijnende en voortdurende misstanden in de kledingindustrie in Bangladesh waar vakbonden en organisaties als de Schone Kleren Campagne al jarenlang aandacht voor vragen. Door gebrek aan handhaving van elementaire veiligheidsvoorschriften, breken met regelmaat branden uit in fabrieken, als gevolg van kortsluiting. Nooduitgangen zijn vaak versperd waardoor werknemers niet op tijd kunnen vluchten, met doden en gewonden als gevolg. Het aantal doden en gewonden bij Rana Plaza was dusdanig groot dat politiek en samenleving zich er niet voor konden afsluiten. Vooral toen bekend werd dat grote internationale kledingmerken en ook Nederlandse kledingmerken en kledingwinkels afnemer waren van de fabriek.

De Nederlandse overheid speelde hierop in door een dringende oproep aan Nederlandse kledingbedrijven zich aan te sluiten bij het *Bangladesh Accord for Fire and Building Safety*, en bij te dragen aan een fonds ter compensatie van slachtoffers en hun families. Het Bangladesh Veiligheidsakkoord moet zorgen voor structurele verbeteringen op het gebied van veiligheid in kledingfabrieken in Bangladesh. Het is een bindend contract tussen kledingmerken, internationale en Bengaalse vakbonden en NGOs. Er vallen nu zo'n 1600 fabrieken onder het veiligheidsakkoord. Dit is een derde van de bijna 5000 fabrieken in Bangladesh.

De aandacht voor misstanden in de Bengaalse kledingindustrie had ook impact op de internationale beleggingswereld vanwege het groot aantal beursgenoteerde kledingbedrijven dat kleding laat maken in Bangladesh. Het Amerikaanse investeerdersplatform Interfaith Center on Corporate Responsibility (ICCR) heeft in een publieke verklaring in scherpe bewoordingen het businessmodel waarop de wereldwijde kledingindustrie drijft veroordeeld, met een oproep aan kledingbedrijven zich aan te sluiten bij het Bangladesh Akkoord, financieel bij te dragen aan de compensatie van slachtoffers en hun families, en zich in te spannen voor versterking van vakbonden en het garanderen van een leefbaar loon. 206 vermogensbeheerders en individuele beleggers hebben deze verklaring medeondertekend, waaronder een drietal bankgroepen, of hun vermogensbeheerders die onderzocht zijn in dit praktijkonderzoek: ASN Bank, SNS Bank (Actiam) en Triodos.

Naast ondertekening van de investeerdersverklaring, hebben de bankgroepen ook op andere manieren aandacht voor arbeidsomstandigheden en arbeidsrechten in de kledingindustrie. Ze wijzen bedrijven in hun beleggingsuniversum op het belang van beleid ter voorkoming van misstanden en roepen hen op verantwoording te nemen voor de arbeidsomstandigheden in hun toeleveringsketen door duurzame relaties aan te gaan met toeleveringsbedrijven en zich aan te sluiten bij multi-stakeholderinitiatieven gericht op verbetering van arbeidsrechten en arbeidsomstandigheden.

De invloed van Rana Plaza geldt niet alleen voor vermogensbeheerders en aandeelhouders maar heeft ook invloed op het beleid van banken ten aanzien van kredietverstrekking aan klanten in de kledingsector. De drie bankgroepen met klantrelaties in de kledingsector – ABN Amro, ING en Rabobank – stellen in gesprekken met klanten vragen over de herkomst van kleding, brengen in kaart of zij verantwoordelijkheid nemen voor de arbeidsomstandigheden bij hun toeleveranciers en moedigen hen aan hun beleid te verbeteren wanneer dit onvoldoende is, of wanneer de bedrijven negatief in het nieuws zijn gekomen vanwege misstanden. Aansluiting bij multi-stakeholderinitiatieven en certificeringssystemen is een pré maar geen bindende voorwaarde of doelstelling op termijn voor deze banken. De ramp in de Rana Plaza fabriek vormde wel aanleiding om het belang van verantwoord ketenbeleid extra te onderstrepen bij hun klanten. Voor ABN Amro is ondertekening van het Bangladesh Akkoord een voorwaarde voor kledingbedrijven met toeleveranciers in Bangladesh.

Bevindingen elektronicasector

Voor de elektronicasector bestaan niet zulke sterke investeerdersinitiatieven als in de kledingsector. Er zijn maar enkele bankgroepen die systematisch aandacht hebben voor arbeidsomstandigheden in de productie- en toeleveringsketens in de elektronicasector. De productie van eindproducten en halffabricaten van consumentenelektronica is een technisch complexer en kapitaalintensiever productieproces dan kleding. Toeleveringsbedrijven in de elektronicasector zijn vaak grote multinationale ondernemingen met wereldwijde vestigingen, geconcentreerd in lagelonenlanden. Dit is anders dan bij de productie van kleding, waar sprake is van grote en kleine toeleveringsbedrijven en onderaanneming in (illegale) sweatshops.

Dit onderscheid tussen de kledingsector en elektronicasector neemt niet weg dat er vergelijkbare problemen zijn wat betreft een gebrek aan naleving van internationale arbeidsnormen, zoals aangegeven in het eerdergenoemde KPMG-rapport.

Wat betreft investeringen in elektronicabedrijven gaven ASN Bank, SNS Bank (Actiam) Triodos en Van Lanschot's asset manager Kempen blijk van actieve betrokkenheid door bedrijven aan te spreken op vermeende misstanden in eigen productiebedrijven en toeleveranciers.

Vanuit investeerders ligt de focus meer nadruk op problemen die spelen in de grondstoffenketens van elektronicabedrijven, vanwege het risico dat voor elektronica onmisbare metalen als coltan, goud en tin afkomstig zijn uit conflictgebieden en de partijen in het conflict de inkomsten uit de winning en handel gebruiken voor de financiering van wapens. In het kader van Amerikaanse en Europese wetgeving dienen elektronicabedrijven te garanderen dat er geen conflictmineralen worden gebruikt in hun producten. Investeerders lopen beleggersrisico wanneer bedrijven waarin ze beleggen zich niet houden aan wetgeving. Triodos onder andere, heeft zich hard gemaakt voor verbetering van Europese wetgeving ter voorkoming van handel in conflictgrondstoffen binnen de toeleveringsketens van elektronicabedrijven.

Vakbondsvrijheid en leefbaar loon

In algemene zin kan worden geconstateerd dat bankgroepen de screening van bedrijven baseren op een adequate analyse van risicosectoren, risicolanden en de daarmee samenhangende risicofactoren op het gebied van mensenrechten en arbeidsrechten. Op basis van deze analyse wordt in meer of mindere mate proactief ingespeeld op de potentieel negatieve effecten van bedrijfsactiviteiten op mensenrechten en arbeidsrechten als gereageerd wanneer er sprake is van controverses.

De hoofdthema's van dit onderzoek – het recht op vakbondsvrijheid en het recht op een leefbaar loon – komen bij vrijwel alle bankgroepen aan bod in de screening en beoordeling van bedrijven. Via eigen onderzoek of via onderzoek van hun dataproviders zijn ze op de hoogte van misstanden en spreken bedrijven daar op aan. Bankgroepen zouden echter in hun communicatie naar bedrijven meer dan nu het geval is hun invloed kunnen gebruiken om deze rechten, individueel, of in samenwerking met andere financiële instellingen of maatschappelijke actoren op een systematische manier onder de aandacht te brengen, aan de hand van concrete doelstellingen en tijdslijnen. Hierbij is het van belang dat bankgroepen onderkennen dat deze beide arbeidsrechten in risicosectoren als de elektronica- en kledingindustrie niet als vanzelfsprekend kunnen worden beschouwd maar dienen te worden bevocht. Gebrek aan naleving van internationale arbeidsnormen is inherent aan het bedrijfsmodel waarop beide sectoren zijn gebaseerd: uit kostenoverwegingen de productie van eindproducten en halffabricaten uitbesteden aan lagelonenlanden, in eigen productielocaties of bij toeleveringsbedrijven. Om aantrekkelijk te blijven voor buitenlandse

afnemers hebben de overheden er belang bij om de lonen laag te houden en de rechten van werknemers in te perken, wat ten koste van de belangen van werknemers. Bankgroepen kunnen in hun rol als kredietverstrekker en belegger ertoe bijdragen de rechtspositie van werknemers te verbeteren door bedrijven op hun verantwoordelijkheid te wijzen dat kostenefficiëntie niet ten koste mag gaan van naleving van fundamentele arbeidsrechten en mensenrechten. Dit betekent dat beide rechten - vakbondsvrijheid en betaling van een leefbaar loon - integraal onderdeel dienen te zijn van het verantwoord kredietbeleid en verantwoord beleggingsbeleid, en niet pas de aandacht krijgen bij controverses.

Vakbondsvrijheid is een van de vier fundamentele arbeidsrechten van de internationale arbeidsorganisatie ILO en een universeel mensenrecht in het nastreven van individuele en collectieve belangen. Het recht op een leefbaar loon is geen onderdeel van de vier fundamentele arbeidsrechten maar wel onderdeel van de overige conventies van de internationale arbeidsorganisatie, en ook erkend als mensenrecht binnen de Universele Verklaring van de Rechten van de Mens. Dat het recht op een leefbaar loon niet tot de vier basisrechten wordt gerekend wordt niet zozeer ingegeven door het feit dat het van minder groot belang wordt geacht. Vakbondsvrijheid is een essentiële voorwaarde voor betaling van een leefbaar loon opdat lonen tot stand komen op basis van vrije en constructieve loononderhandelingen tussen werknemers en werkgevers, en dit wordt ondersteund door overheidswetgeving om deze rechten te borgen.

Internationale vakbondsorganisaties als IndustriALL en ITUC spannen zich in om afspraken te maken met bedrijven die via eigen productielocaties of toeleveranciers opereren in landen waar vakbondsvrijheid ontbreekt of zwak is. Zij roepen deze bedrijven op om zich ten overstaan van overheden en werkgevers in die landen hard te maken voor het recht op vakbondsvrijheid en werknemersvertegenwoordiging in fabrieken. Financiële instellingen kunnen de strategie van vakbondsorganisaties ondersteunen door bedrijven te wijzen op hun verantwoordelijkheid om bij te dragen aan verbetering van de rechtspositie van werknemers in landen waar zij actief zijn.

Financieel onderzoek

Het praktijkonderzoek richt zich op kredietverlening door bankgroepen en investeringen in de vorm van aandelen en bedrijfsobligaties die worden beheerd door de vermogensbeheerders van de bankgroepen.

- **Kredietverlening**

Tussen 2011 en februari 2016, verstrekten drie bankgroepen – ABN Amro, ING en Rabobank – leningen en kredieten aan 7 bedrijven in de kledingsector en 13 in de elektronica-sector. De totale omvang van de kredietverlening aan bedrijven in de kledingsector bedraagt USD 937 miljoen en aan bedrijven in de elektronica-sector USD 3.556 miljoen, in totaal USD 4.493 miljoen. ING neemt hiervan het grootste deel voor haar rekening: 84% van leningen en kredieten aan kledingbedrijven en 66% van de leningen en kredieten aan elektronica-bedrijven. Daarnaast waren ING en Rabobank betrokken bij de uitgifte van aandelen en bedrijfsobligaties, USD 227 miljoen in kledingbedrijven en USD 1.182 miljoen in elektronica-bedrijven, in totaal USD 1.409 miljoen.

- **Vermogensbeheer**

Zeven bankgroepen - ABN Amro, Aegon, ASN Bank, Delta Lloyd, SNS Bank via haar vermogensbeheerder Actiam, Triodos en Van Lanschot via vermogensbeheerder Kempen hebben aandelen en bedrijfsobligaties in beheer in 26 kledingbedrijven en 83 elektronica-bedrijven. De omvang van de investeringen in de kledingsector bedraagt USD 1.277 miljoen en in de elektronica-sector USD 3.555 miljoen, in totaal USD 4.832 miljoen. Het grootste deel van deze beleggingen komt voor rekening van Aegon, 69% van de investeringen in de kledingsector en 75% van de investeringen in de elektronica-sector.

NIBC belegt niet in kleding- en elektronicabedrijven en heeft ook geen kredieten uitstaan aan deze sectoren, en is derhalve buiten beschouwing gelaten in dit onderzoek.

Beoordeling

De beoordeling van de bankgroepen valt uiteen in scores voor kredieten en leningen en voor beleggingen.

- **Kredietverlening**

Wat betreft kredietverlening aan bedrijven in de kledingsector, stimuleren ABN Amro en ING hun klanten aantoonbaar tot verbeteringen in de ontwikkeling en uitvoering van beleid op het gebied van maatschappelijk verantwoord ondernemen. Ook Rabobank gaat de dialoog aan met klanten over verantwoord ondernemen, mede naar aanleiding van het fabrieksongeluk in Bangladesh maar dit werd minder dan bij ABN Amro en ING onderbouwd met concrete voorbeelden. Leefbaar loon krijgt bij ABN Amro en ING aandacht in de screening van bedrijven maar is niet expliciet onderdeel van engagementtrajecten met bedrijven. Bij Rabobank is leefbaar loon weliswaar onderdeel van het beleid maar de bank kon onvoldoende aantonen dat dit ook onderdeel is van screening en dialoog met bedrijven. Een sterk punt van de bankgroepen is dat zij hun klanten aanmoedigen deel te nemen aan multi-stakeholdersinitiatieven en certificeringssystemen, waarbij ABN Amro en Rabobank hun klanten uitgebreid informeren over de verschillende mogelijkheden die hen daarvoor ter beschikking staan. ABN Amro en ING lieten aan de hand van voorbeelden zien dat verantwoord ondernemen onderdeel is van afspraken die worden gemaakt in het kader van kredietverlening en klantrelaties, waarbij vooral ABN Amro concrete en tijdgebonden doelstellingen formuleert.

Alle drie bankgroepen gaan ervan uit dat er een verband bestaat tussen de financiële risico's van kredietverstrekking en het duurzaamheidsbeleid van hun klanten en delen hun bedrijven in risicocategorieën. Het is de bedoeling dat dit op den duur leidt tot een voorkeursbehandeling in financiële dienstverlening aan voorlopers op het gebied van duurzaamheid. Rabobank verstrekt al gunstige leningen aan voorlopers op het gebied van maatschappelijk verantwoord ondernemen.

ABN Amro, ING en Rabobank scoren alle een 6 in het kader van dit praktijkonderzoek. De score van voldoende hangt samen met het feit dat in dit onderzoek de arbeidsrechten vakbondsvrijheid en leefbaar loon centraal staan en de banken niet konden aantonen dat dit een specifieke focus is van engagement met bedrijven. ABN Amro beoordeelt bedrijven op alle vier fundamentele arbeidsrechten. De uitsluitingscriteria zijn beperkt tot de volgens ABN Amro meest ernstige arbeidsrechtenschendingen: kinderarbeid en dwangarbeid. Bedrijven die zich hieraan schuldig maken komen bij voorbaat niet in aanmerking voor financiering. Rabobank gaf inzage in haar risicomanagementsysteem en de vragen die ze aan klanten stelt over hun toeleveringsketens en verantwoord ketenbeleid maar deelde geen concrete voorbeelden van klantbeoordelingen.

- **Vermogensbeheer**

In de beoordeling van het verantwoord beleggingsbeleid van de (vermogensbeheerders) van bankgroepen kan onderscheid worden gemaakt tussen drie categorieën:

- **Voorlopers:** ASN Bank, de vermogensbeheerder van SNS Bank (Actiam) en Triodos Investment Management zijn koploper onder de bankgroepen wat betreft de uitvoering van hun verantwoord beleggingsbeleid met betrekking tot bedrijven in de kleding- en elektronicasector. Arbeidsrechten krijgen volop de aandacht in de beoordeling van bedrijven en in engagementprocessen met bedrijven, waaronder de in dit praktijkonderzoek centrale thema's vakbondsvrijheid en betaling van een leefbaar loon. De bankgroepen hebben zich intensief beziggehouden met naleving van het Bangladesh Akkoord door bedrijven op te roepen het akkoord te ondertekenen en financieel bij te dragen aan compensatieregelingen voor slachtoffers van de Rana Plaza fabrieksramp. Voor Actiam vormde de fabrieksramp aanleiding om kledingbedrijven waarin ze belegt te wijzen op hun verantwoordelijkheid voor hun toeleveringsketen. De UN Guiding Principles on Business and Human Rights worden daarvoor als leidraad gebruikt. Ook ASN Bank en Triodos namen contact op met individuele bedrijven in de kledingsector om het belang van verantwoord ketenbeleid te onderstrepen. Voor ASN Bank was onvoldoende beleid op het gebied van vakbondsvrijheid en andere arbeidsrechten reden om kledingbedrijven (waaronder Footlocker) en elektronicabedrijven (waaronder Panasonic en TDK) uit te sluiten van investeringen.

ASN Bank en Triodos scoren een 10, mede te danken aan een extra punt omdat zij een toezegging hebben gedaan in het kader van dit praktijkonderzoek. SNS Bank (Actiam) scoort een 9.

- **Middenmoters:** De vermogensbeheerders van ABN Amro en Van Lanschot Groep (Kempen Capital Management) behoren tot de middenmoters. Kempen was zeer coöperatief in het kader van dit onderzoek en verstrekke een schat aan informatie over de beoordeling van bedrijven en sectoranalyses van de kleding- en elektronicasector. Bedrijven in het beleggingsuniversum worden intensief gemonitord door middel van kwartaalrapportages en er vindt engagement plaats in het geval van controverses. Wat Van Lanschot onderscheidt van de koplopers is dat de engagementprocessen minder getuigen van een langetermijnstrategie voor verbetering van arbeidsrechten en wat meer gericht waren op controverses. Dit resulteert in een 7.

ABN Amro heeft een goed risicomanagementsysteem voor de beoordeling van duurzaamheidsbeleid van bedrijven en hun toeleveringsbeleid. De beoordeling omvat een scala aan internationale arbeidsnormen, waaronder de voor dit praktijkonderzoek belangrijke arbeidsrechten vakbondsvrijheid en leefbaar loon. ABN Amro liet echter weinig concrete voorbeelden zien van engagementprocessen ten aanzien van kledingbedrijven en elektronicabedrijven. Dit resulteert in een 6.

- **Achterblijvers:** Aegon (eindscore 2) en Delta Lloyd (eindscore 3) vormen de achterhoede in het kader van dit praktijkonderzoek. Aegon heeft laten zien dat het gebruik maakt van duurzaamheidsanalyses een externe dataprovider maar de informatie was niet gedetailleerd genoeg voor een goede beoordeling. Aegon volstond met verwijzingen naar het beleid zonder aan te tonen hoe risico's van bedrijven op het gebied van internationale arbeidsnormen worden beoordeeld en wat er met de beoordeling wordt gedaan. Ook Delta Lloyd bleef achter in transparantie over de uitvoering van het verantwoord beleggingsbeleid. Ook zij laat bedrijven screenen door een gespecialiseerd onderzoeksbureau (Sustainalytics) maar verstrekke niet op detailniveau informatie over de reikwijdte van de beoordeling en het gebruik van beleggingsinstrumenten om het beleid van bedrijven op het gebied van maatschappelijk verantwoord ondernemen te beïnvloeden.

Opvallend is dat de vermogensbeheerders van alle bankgroepen met beleggingen in de elektronica- en kledingsector niet of nauwelijks gebruik maken van stembeleid als instrument om het beleid van bedrijven op het gebied van arbeidsrechten en mensenrechten onder de aandacht te brengen en te verbeteren. Slechts drie bankgroepen – Delta Lloyd, SNS Bank (via vermogensbeheerder Actiam) en Triodos - hebben een *voting record* op onderwerpen die samenhangen met arbeidsrechten en mensenrechten. Diverse bankgroepen gaven aan dat beursgenoteerde bedrijven deze onderwerpen niet agenderen op hun aandeelhoudersvergaderingen. Het zelf of in groepsverband inbrengen van aandeelhoudersresoluties die verband houden met internationale arbeidsnormen wordt nauwelijks als optie overwogen en als ongebruikelijk beschouwd. Activistisch aandeelhouderschap op sociale onderwerpen is meer een gewoonte in de Verenigde Staten, merkte een van de bankgroepen op.

Toezeggingen

Twee bankgroepen hebben een toezegging gedaan naar aanleiding van dit praktijkonderzoek om hun beleid of de toepassing ervan binnen een jaar na publicatie te verbeteren. ASN Bank ontwikkelt momenteel een methode om vooruitgang ten aanzien van betaling van een leefbaar loon door bedrijven in hun beleggingsuniversum meetbaar te maken en een doelstelling te formuleren in de vorm van streefcijfers ten aanzien van betaling van een leefbaar loon. Triodos Bank is van plan om in het laatste kwartaal van 2016 betaling van leefbaar loon als focus op te nemen in haar engagementbeleid. Naar aanleiding van deze toezeggingen werd de eindscore van deze bankgroepen met 1 punt verhoogd.

De volgende tabel geeft een overzicht van de scores van de bankgroepen.

Overzicht scores van de tien bankgroepen										
Bankgroep	ABN Amro	Aegon	ASN Bank	Delta Lloyd	ING	NIBC	Rabobank	SNS Bank	Triodos Bank	Van Lanschot
Kredietverlening	6	n.a.	n.a.	n.a.	6	n.a.	6	n.a.	n.a.	n.a.
Asset management	6	2	10	3	n.a.	n.a.	n.a.	9	10	7
Legenda: n.a. = niet actief 1 = erg slecht 3 = ruim onvoldoende 5 = twijfelachtig 7 = ruim voldoende 9 = zeer goed 2 = slecht 4 = onvoldoende 6 = voldoende 8 = goed 10 = uitstekend										
# bedrijven kredietverlening en investeringen										
Aandelen en bedrijfsobligaties kledingbedrijven	20	22	5	24				12	5	1
Aandelen en bedrijfsobligaties elektronica-bedrijven	48	81	5	52				34	3	5
Kredietverlening kledingbedrijven	2				6		1			
Kredietverlening elektronica-bedrijven	2				10		5			
Eindscores arbeidsrechten 15e beleidsupdate Eerlijke Bankwijzer										
Arbeidsrechten	9	8	10	7	9	9	9	10	10	9

Aanbevelingen

In het kader van dit praktijkonderzoek, uitgevoerd door Profundo, heeft de Eerlijke Bankwijzer de volgende aanbevelingen aan Nederlandse bankgroepen:

1. Banken hebben een publiek beleid op het gebied van arbeidsrechten en mensenrechten, gebaseerd op tenminste onderstaande internationale standaarden:
 - Verdragen van de internationale arbeidsorganisatie ILO;
 - OESO-richtlijnen voor multinationale ondernemingen;
 - UN Global Compact;
 - UN Guiding Principles on Business and Human Rights (“Ruggie Framework”);
 - Universele Verklaring van de Rechten van de Mens.
2. Banken brengen de risico’s in kaart ten aanzien van de mogelijke betrokkenheid bij schending van arbeidsrechten en mensenrechten van bedrijven in hun krediet- en beleggingsportefeuilles. Hierbij wordt rekening gehouden met de volgende risicofactoren:
 - Complexiteit van productie- en toeleveringsketens;
 - Eigen productielocaties of toeleveringsbedrijven in risicolanden ten aanzien van naleving van mensenrechten en internationale arbeidsnormen;
 - Trackrecord van bedrijven ten aanzien van betrokkenheid bij schendingen van mensenrechten en arbeidsrechten, in eigen productielocaties en die van toeleveranciers;
 - Aanwezigheid van beleid en managementsystemen om risico’s van betrokkenheid bij mensenrechtenschendingen of gebrek aan naleving van internationale arbeidsnormen nu of in de toekomst te voorkomen.
3. Banken dienen hun krediet- en investeringsportefeuilles actief te beheren en niet pas in actie te komen wanneer zich een misstand bij een bedrijf of in diens toeleveringsketen heeft voorgedaan.

Actief beheer houdt in dat bedrijven - op basis van hun risicoprofiel – worden gestimuleerd om hun beleid en de toepassing ervan stapsgewijs te verbeteren, aan de hand van concrete doelstellingen, meetbare resultaten en tijdpaden, door middel van:

- Engagement en dialoog;
- Stembeleid en stemgedrag op algemene aandeelhoudersvergaderingen.

Om hun invloed te versterken kunnen banken hiertoe samenwerken met andere financiële instellingen en maatschappelijke stakeholders.

4. Wanneer bedrijven onvoldoende beleid hebben om betrokkenheid bij schendingen van arbeidsrechten en mensenrechten nu en in de toekomst te voorkomen, dringen banken aan op verbetering, aan de hand van meetbare en tijdgebonden doelstellingen.
5. Wanneer bedrijven betrokken zijn bij misstanden op het gebied van arbeidsomstandigheden en mensenrechten, in eigen productiebedrijven of in hun

toeleveringsketen, dringen banken aan op verbetering, aan de hand van tijdgebonden en meetbare doelstellingen.

6. Beleid en verbeterplannen ter voorkoming van en voor de aanpak van misstanden omvatten, afhankelijk van de aard en omvang van de onderneming:
 - Inzicht in de eigen toeleveringsketen en die van toeleveranciers;
 - Beleid en managementsystemen ter voorkoming en beheersing van risico's op schending van arbeidsrechten en mensenrechten in productie- en toeleveringsketens;
 - Te nemen acties bij het ontstaan van mensenrechtenschendingen en nagaan of die acties tot resultaat leiden;
 - Verantwoording over hoe de effecten worden aangepakt door middel van duurzaamheidsrapportages;
 - Procedures voor genoegdoening van slachtoffers van mensenrechtenschendingen die door hen zijn veroorzaakt of waaraan ze hebben bijgedragen;
 - Aansluiting bij multi-stakeholderinitiatieven gericht op stapsgewijze verbetering van arbeidsrechten en arbeidsomstandigheden in de toeleveringsketen, waaronder:
 - SER-convenant Duurzame Kleding en Textiel
 - Fair Wear Foundation
 - Fair Labour Association
 - Sustainable Apparel Coalition
 - EICC Code of Conduct

De Eerlijke Bankwijzer doet een beroep op bankgroepen om hun klanten in de kledingsector op te roepen het SER Convenant Duurzame Kleding en textiel te ondertekenen.

7. Wanneer engagement en dialoog niet binnen een redelijke termijn tot het beoogde resultaat leiden en mensenrechtenschendingen en misstanden op het gebied van arbeidsomstandigheden in eigen productielocaties of die van toeleveranciers voortduren, zonder zicht op verbetering, dienen banken de krediet- of investeringsrelaties te verbreken.
8. Banken leggen verantwoording af over hun investeringskeuzes en rapporteren publiekelijk over toepassing van hun mensenrechtenbeleid, volgens het principe 'show, don't tell'.
9. Banken treden in contact met maatschappelijke stakeholders met het oog op continue verbetering van hun beleid en de toepassing ervan.

Summary

This case study "Labour Rights: Living Wage and Freedom of Association in the Garment and Electronics Sector" - hereinafter referred to as Case Study Labour Rights - was conducted by research bureau Profundo and commissioned by the Fair Bank Guide. On behalf of the Fair Bank Guide, the Dutch trade union FNV has initiated this case study. Other coalition partners of the Dutch Fair Bank Guide are Amnesty International, the Dutch Association for the Protection of Animals 'Dierenbescherming', Friends of the Earth Netherlands, Oxfam Novib and PAX.

Most of the international electronics brands and clothing brands outsource product manufacturing to production sites and suppliers to countries with low labour and products costs, in order to cut operating expenses.

In recent decades, shifting the manufacturing of clothing and consumer electronics to low-cost countries, led to an increase of products affordable to larger numbers of consumers. For emerging markets and developing countries this trend has led to employment, economic development and industrialization. China is the world's most important production country for the manufacture of consumer electronics, both ready-made products and components. Other major production countries are the United States, Japan and Germany. China also account for a third of global garment production, followed by Turkey, Bangladesh and India.

The downside of outsourcing to low-cost countries is that workers in factories and workshops where the products are made are exposed to poor working conditions. Labour issues concern long working hours, lack of freedom of association, low wages and health and safety risks.

Over the past years, serious abuses got worldwide attention. In April 2013, hundreds of people died and thousands were injured after the collapse of the Rana Plaza garment factory in Bangladesh, supplier of a large number of international garment brands. Since 2010, Taiwanese electronics' producer Foxconn (Hon Hai Precision), major supplier of Apple products, got media attention due to reports about high suicide rates among young Chinese workers in production plants in mainland China, caused by depression and stress over long working days, high work pressure and low wages. Today, in Turkey, hosting over 2 million Syrian refugees, garment factories exploit the vulnerable position of refugees, which involves underpayment and child labour. Again, these factories are suppliers of international garment brands.

This case study focuses on the ten largest banking groups in the Netherlands and how they address the potential risk of violation of human rights and labour rights in the production and supply chains of corporate clients and investments under management in the garment and electronics sector; and whether they take action when companies do not adequately manage these risks or involved in controversies. The case study is specifically focused on payment of a living wage and freedom of association.

The following Dutch banking groups have been selected for the case study:

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

- SNS Bank (excl. ASN Bank)
- Triodos
- Van Lanschot

Assessment framework

Governments are responsible for the enforcement of legislation in the field of human rights and labour rights, labour conditions and terms of employment. However, that does not relieve companies in the garment and electronics sector, as well as in other sectors, of their responsibility for complying with international labour standards in their production and supply chains. The discussion on supply chain responsibility is fueled by reporting of abuses by the International Labour Organisation, local and international trade union organisations, and international campaign organisations aimed at improving working conditions in the garment and electronics sector.

Most prominently, the emerging understanding of the downside of globalisation trends and increasing consensus on the importance of supply chain responsibility has resulted in the UN “Protect, Respect and Remedy” Framework on human rights and business, which was elaborated by the Special Representative of the UN Secretary-General on the issue of human rights and transnational corporations and other business enterprises, building on major research and extensive consultations with all relevant stakeholders, including States, civil society and the business community. On 16 June 2011, the UN Human Rights Council endorsed Guiding Principles on Business and Human Rights for implementing the UN “Protect, Respect and Remedy” Framework, providing – for the first time – a global standard for preventing and addressing the risk of adverse impacts on human rights linked to business activity.

The UNGPs expect companies to:

- Develop a policy commitment to meet their responsibility to respect human rights;
- Carry out a human rights due diligence process to identify, prevent, mitigate and account for how they address their impacts on human rights;
- Account how the effects are addressed through sustainability reports;
- Implement processes to enable the remediation of any adverse human rights impacts they cause or to which they contribute.

The UNGPs also have a central position in the Dutch Covenant Sustainable Garments and Textiles, signed between the Dutch government, trade unions, the garment industry and retailers in March 2016. Within the covenant, the UNGPs serve as a guidance to participating companies to identify the risks of violations of labour rights in their international supply chains and to take action according to the risk assessment, in line with the UNGPs. The agreement aims to establish two projects for concerted action: one on living wage and one on freedom of association. The right to freedom of association is considered crucial because improvement of the legal status of workers has a positive effect on their bargaining power to improve their working conditions. A living wage shall enable workers to support themselves and their family and plays a vital role in the elimination of child labour.

Also for the Fair Bank Guide takes the UNGPs play a key role in the assessment of the application of the responsible lending and investment policies of the banking sector and in the recommendations to Dutch banking groups in the context of this case study.

Research process

This case study assesses how the responsible investment and lending policies of banking groups are applied to individual companies in the garment and electronics sector. The Fair Bank Guide methodology used for the evaluation of responsible lending and investment policies of banking groups is based on publicly accessible information on the websites of the banking groups. However, for a case study it is important to verify how public policies are put into practice. Therefore, it is important that banking groups, in addition to public sources, are prepared to also share internal information that is not published. The references used in the report were agreed with the banking groups before publication. In some cases, company names have been anonymized on request.

Also an interview with the banking group was part of the research, with their sustainability department or the asset manager of the banking group. A structured questionnaire, sent to the banking groups beforehand, served as a guidance for the interview. All banking groups, except Aegon, accepted the invitation for an interview. Aegon preferred to provide a written response to the questionnaire.

Scope of the case study

The case study on the one hand focuses on the provision of credit and loans to companies in the garment and electronics sector, and on the other hand on investments to companies within these sectors, in the form of shareholdings and bond holdings. The responsible lending policies and responsible investment policies are assessed separately. Banking groups that operate in both categories thus have two final scores, one for responsible lending policies and one for responsible investment policies. This is only the case with ABN Amro.

- Three banking groups, ABN Amro, ING and Rabobank are assessed on their responsible lending policies. The other banking groups do not provide loans or credits to companies in the electronics and clothing sector.
- Seven banking groups are assessed on their responsible investment policies or that of their investment manager: ABN AMRO, Aegon, ASN Bank, Delta Lloyd, SNS Bank, Triodos and Van Lanschot.
- NIBC does not provide loans and has no investments in companies in the garment and electronics sector therefore is put on N.A. in the scoring table (not active).

Research findings garment sector

According to a risk analysis carried out by the Dutch accountancy firm KPMG, commissioned by the Dutch Ministry of Economic Affairs and the Dutch Ministry of Foreign Affairs, both the garment and electronics sector are regarded high risk sectors due to potential and effective violation of human rights and labour rights in production sites and suppliers' sites in low-wage countries. Common abuses include low pay, excessive working hours, lack of freedom of association and unhealthy and unsafe working conditions.

The case study shows that the banking groups selected for this case study have more attention for violation of human rights and labour rights in the garment sector than in the electronics sector. A logical explanation for this difference in addressing human rights and labour rights with regard to companies in both sectors, is the shock effect that was triggered by the collapse of the Rana Plaza factory in Bangladesh, in April 2013, which threw light on the glaring and ongoing abuses in the garment industry in Bangladesh, which, for many years, trade unions and organisations like the Clean Clothes Campaign have pressed to

acknowledge and take action accordingly. Due to lack of enforcement of elemental safety measures, fires break out regularly in factories, as a result of short circuit. Emergency exits are often blocked with boxes of goods and therefore employees cannot escape in time, with death casualties and injuries as a result. The number of death and injured casualties at Rana Plaza deaths and injuries was so great that politics and society there could not close. Especially when it became known that large international clothing brands and Dutch clothing brands and clothing consumer goods from the factory. The Dutch government responded to this by an urgent appeal to Dutch clothing companies to join in the Bangladesh Accord for Fire and Building Safety, and to contribute to a fund to compensate victims and their families. The Bangladesh Security Agreement should provide structural improvements in the field of safety in garment factories in Bangladesh. It is a binding contract between garment brands, international and Bangladeshi unions and NGOs. There are now some 1,600 factories under the security agreement. This is a third of the nearly 5,000 factories in Bangladesh.

The catastrophes in the Bangladeshi garment industry also had an impact on the international investment community because of the large number of stock-listed apparel companies that outsource their production to Bangladesh. In a public statement, the US-based investors' platform Interfaith Center on Corporate Responsibility (ICCR), in clear terms criticized the business model of the global garment industry with an appeal to garment companies to join the Bangladesh Accord and financially contribute to the compensation of victims and their families, and to make efforts to strengthen trade unions and ensuring payment of a living wage. 206 asset managers and individual investors co-signed this declaration, including three banking groups, or their asset managers that are part of this case study: ASN Bank, SNS Bank (Actiam) and Triodos.

Apart from signing the investors' declaration, the three banking groups broadened their attention to labour conditions and labour rights by emphasizing the importance of policies and actions to address potential risks and actual controversies to their corporate clients and to companies in their investment universe. They called on them to take responsibility for labour conditions in their supply chains by establishing lasting relationships with suppliers and to join multi-stakeholder initiatives aimed at improving labour rights and working conditions.

The three banking groups with corporate clients in the garment sector - ABN Amro, ING and Rabobank – have started a dialogue with their clients about the sourcing of their products, mapping their supply chains and taking responsibility for the working conditions in their supply chains, and encouraging them to improve their policies in case these are insufficient, or in case companies got negative media attention due to controversies. Joining multi-stakeholder initiatives and certification systems is regarded an advantage but not set as a binding condition or time-bound target. The disaster in the Rana Plaza factory was reason to stress the importance of responsible supply chain management to their clients. For ABN Amro signing the Bangladesh Accord is a requirement for garment companies with suppliers in Bangladesh.

Research findings electronics sector

Without strong investor initiatives other financial institutions may join, only a few banking groups pay systematic attention to working conditions in the production and supply chains in the electronics industry. The production of end-products or components in the consumer electronics industry is technically more complex and more capital-intensive than clothing manufacturing. Suppliers in the electronics sector are often large multinational companies with global operations, concentrated in low-wage countries. This is different from the garment industry, with a mix of large, medium and small suppliers and subcontractors in (illegal)

sweatshops. This distinction between the garment and electronics sector does not change the fact that there are similar labour issues, as has been pointed out in the aforementioned KPMG report.

Concerning investments in electronics companies, ASN Bank, SNS Bank (Actiam), Triodos and Van Lanschot's asset manager Kempen showed examples of active involvement by engaging with companies on alleged abuses in their own production sites or d suppliers' sites.

From the side of the investors' community there is more emphasis on issues in the commodity chains of electronics companies, because of the risk that metals and minerals that are essential for electronics such as coltan, gold, tin and tungsten originate from conflict countries and the conflict parties use revenues from extraction and trade to finance weapons. In the context of US and European legislation, electronic manufacturers must guarantee that no conflict minerals are used in their products. Investors run investor risk in case companies they invest in do not comply with this legislation.

Freedom of association and payment of a living wage

In general, it can be observed that banking groups have screening systems based on a proper analysis of risk sectors, country risk and related risk factors with regard to human rights and labour rights. Based on this analysis, they anticipate pro-actively on the potential negative impacts of business operations of garment and electronics companies on human rights and labour rights and some of them respond adequately in case of controversies.

Almost all the banking groups pay attention to the main themes of this case study - the right to freedom of association and the right to a living wage - in the screening and evaluation of companies. Based on their own research or their data providers they are aware of controversies and act upon these.

Banking groups, however, in their communications with companies more than currently is the case, could more systematically use their influence to address these rights, individually or in concerted action with other financial institutions or social stakeholders, on the basis of time-bound and concrete targets and timelines. It is important that banking groups acknowledge that both labour rights cannot be taken for granted in risk sectors like the garment and electronics sector but must be achieved. Lack of compliance with international labour standards is inherent to the business model of companies in these sectors: cost-efficiency considerations to outsource the production of finished and semi-finished products to low-wage countries. In order to remain attractive for foreign buyers, it is in the interest of the governments of these countries to keep wages low and to limit the rights of workers to exercise freedom of association and to negotiate on wages. Banking groups, in their role as lenders and investors could help improving the legal status of workers by emphasizing that cost-efficiency considerations of companies may not be a trade-off with core labour rights and universal human rights. This means that both rights - freedom of association and payment of a living wage - should be an integral part of responsible lending and responsible investment policies, and not only get the attention in case of controversies.

Freedom of association is one of the four core labour standards of the International Labour Organisation (ILO) and a universal human right in the pursuit of individual and collective interests. Though not considered one of the core labour standards, payment of a living wage is laid down in other ILO conventions and is part of the Universal Declaration of Human Rights. The reason that living wage is not one of the core labour standards is not because it is considered of less importance, but because freedom of association is an essential prerequisite for the payment of a living wage, to ensure that wage levels are established on

the basis of free and constructive wage negotiations between employers and employees, and is supported by government legislation to guarantee these rights.

International trade union organizations as IndustriALL and ITUC endeavour to make arrangements with multinational companies with operations in countries where freedom of association is lacking or weak. They call on these companies to press governments and employers in those countries to respect freedom of association and workers' representation in factories. Financial institutions can support the strategy of trade unions by highlighting the responsibility of companies to contribute to improvement of the legal status of workers in countries they operate.

Financial research

The case study focuses both on credits and loans and on investments under management of the banking groups in shareholdings and bond holdings.

- **Corporate credits and loans**

During the period 2011 - 2016, three banking groups - ABN Amro, ING and Rabobank - provided revolving credits and corporate loans to 7 companies in the garment sector and 13 companies in the electronics sector. Total credits and loans to companies in the garment sector amount to USD 973 million and to companies in the electronics sector USD 3,556 million, in total USD 4,493 million. ING is by far the major provider of credits and loans: 84% of total credits and loans to garment companies and 66% of total credits and loans to companies in the electronics sector. On top of that, ING and Rabobank were involved in the issuance of shares and bonds, USD 227 million in garment companies and USD 1,182 million in electronics companies, in total USD 1,409 million.

- **Asset management**

Seven banking groups - ABN Amro, Aegon, ASN Bank, Delta Lloyd, SNS Bank or rather its asset manager Actiam, Triodos and Van Lanschot's asset manager Kempen have shareholdings and bond holdings under management in 26 garment companies and 83 electronics companies. Total investments in the garment sector amount USD 1,277 million and in the electronics sector USD 3,555 million, in total USD 4,832 million. Aegon is far out the largest investor and accounts for 69% of total investments in the garment sector and 75% of investments in the electronics sector.

NIBC does not invest in the garment and electronics sector nor does it provide credits and loans to companies in these sector. Therefore, the banking group was outside the scope of this case study.

Rating

The assessment of the banking groups is divided into at the one hand scores for credits and loans and at the other hand shareholdings and bond holdings under management of the banking groups.

- **Corporate credits and loans**

ABN Amro and ING actively encourage improvements in the development and implementation of corporate social responsibility policies of their corporate clients. Rabobank also enters into dialogue with corporate clients on corporate responsibility, also in response to the Rana Plaza catastrophe, but, in comparison with ABN Amro and ING, this was less underpinned by concrete examples of communications with companies. Payment of a living wage is part of the screening of companies by ABN Amro and ING but not explicitly part of the engagement processes with companies. Although payment of a living wage is part of Rabobank's responsible lending policy, the bank did not sufficiently

demonstrate that this is part of the assessment and dialogue with companies. A strong point of all three banking groups is that they encourage their corporate clients to participate in multi-stakeholder initiatives and certification systems. ABN Amro and Rabobank provide comprehensive information to their clients about the different options available. ABN Amro and ING showed examples that corporate responsibility is part of agreements made in the context of client relationships and transactions which, in case of ABN Amro, involved concrete and time-bound targets.

All three banking groups assume that there is a link between the financial risk of lending transactions and the sustainability risks of their corporate clients and divide their clients in categories according to their risk profile. The banking groups expect that this will eventually lead to preferred banking for sustainable frontrunners. Rabobank already provides favourable loans to sector leaders with regard to CSR.

ABN Amro, ING and Rabobank all score 6 points – sufficient - in a range from 1 to 10. All banking groups take into account human rights and labour rights in lending decisions and in monitoring their corporate clients. However, the two themes of this case study are not a specific focus of the engagement with companies. ABN Amro takes into account the four core ILO conventions. However, the exclusion criteria are limited to what ABN Amro considers the most severe labour rights violations: child labour and forced labour. Companies that are in breach of these standards do not qualify for financing. Rabobank showed its risk management system and their questions to clients about their supply chains and management systems but did not share examples of client assessments.

- **Asset management**

The assessment of the responsible investment policies of the (asset managers) of the banking groups can be divided into three categories:

- **Frontrunners:** ASN Bank, the asset manager of SNS Bank (Actiam) and Triodos Investment Management take the lead in the implementation of their responsible investment policies with regard to companies in the garment and electronics sectors. Labour issues get serious attention in the evaluation of companies and in engagement processes with companies, including the central themes of this case study: freedom of association and payment of a living wage. The banking groups have put much effort in calling on companies to sign the Bangladesh Accord on Fire and Building Safety and to financially contribute to the fund for the compensation of victims of the Rana Plaza factory disaster. Actiam, ASN Bank and Triodos took the initiative or co-signed letters to individual companies in the garment sector to stress the importance of responsible supply chain management. For Actiam, the UN Guiding Principles on Business and Human Rights are used as a guidance for the engagement with garment companies.

ASN Bank and Triodos score 10 points (excellent) and SNS Bank (Actiam) 9 points (very good). For ASN Bank and Triodos this is including a bonus point for a commitment made.

- **Average performers:** The asset managers of ABN Amro and Van Lanschot Group (Kempen Capital Management) are among the average performers. Kempen has been very cooperative in the context of this case study and provided plenty of information on its evaluation of companies in the garment and electronics sectors. Companies in its investment universe are intensively monitored through quarterly reports and engagement takes place in case of controversies. What Van Lanschot (Kempen) differentiates from the frontrunners in the context of this case study, is that the engagement processes are less convincing in terms of a long-term strategy for improving labour rights and seem to be more focused on controversies. This results in a final score of 7 points (ample).

ABN Amro has a good risk management system for the assessment of the CSR policies and supply chain management of companies in the garment and electronics sectors. The assessment includes a range of international labour standards, including the two themes of this case study: freedom of association and payment of a living wage. ABN Amro showed some examples of engagement processes regarding garment companies and electronics companies. The exclusion policy of ABN Amro is rather limited in terms of criteria on labour issues. This results in a final score of 6 points (sufficient).

- **Laggards:** Aegon (final score 2 - poor) and Delta Lloyd (final score 3 - very insufficient) are laggards in the context of this case study. Aegon showed CSR ratings of its external data provider but did not share details of how supply chain risks of companies in the garment and electronics sector are reviewed and whether follow-up actions are taken based on this review. Also Delta Lloyd stayed behind in transparency on the implementation of its responsible investment policies. Companies are screened by data provider Sustainalytics and some information was provided about the scope of the assessment and the use of investment instruments to influence the policies of companies in the field of corporate social responsibility but the information was not detailed enough for a proper assessment.

It is interesting to note that the asset managers of all banking groups with shareholdings and bond holdings under management in garment and electronics companies hardly use voting as an instrument to address and improve human rights and labour rights in their production and supply chains. Only three banking groups - Delta Lloyd, SNS Bank (through asset manager Actiam) and Triodos have a voting record on issues related to human rights and labour rights. Several banking groups argued that listed companies do not address these issues at shareholder meetings. Shareholder resolutions, individually or in joint cooperation with other financial institutions is considered unusual. Initiatives from shareholders on social issues is more common in the United States, one of the banking groups observed.

Commitments

Two banking groups have made a commitment to improve their policies or the implementation thereof within one year after publication of this case study. ASN Bank is busy developing a methodology to measure the impact of payment of a living wage by companies in its investment universe which will also include long-term targets with regard to payment of a living wage. With this plan, ASN Bank is far beyond other financial institutions, as they previously did by measuring the impact of climate policies and disclose the CO² emissions of companies in their investment funds. Triodos Bank has plans to further expand payment of a living wage as a focus of its engagement policy, by the final quarter of 2016. The two banking groups were awarded a bonus points for these commitments.

The table below gives an overview of the final scores of the banking groups.

Overview of scores of the ten banking groups

Banking group	ABN Amro	Aegon	ASN Bank	Delta Lloyd	ING	NIBC	Rabobank	SNS Bank	Triodos Bank	Van Lanschot
Credits and loans	6	n.a.	n.a.	n.a.	6	n.a.	6	n.a.	n.a.	n.a.
Shares and bonds	6	2	10	3	n.a.	n.a.	n.a.	9	10	7
Legend: n.a. = not active 1 = very poor 3 = very insufficient 5 = doubtful 7 = ample 9 = very good 2 = poor 4 = insufficient 6 = sufficient 8 = good 10 = excellent										
# of companies										
Shareholdings and bond holdings in garment companies	20	22	5	24				12	5	1
Shareholdings and bond holdings in electronics companies	48	81	5	52				34	3	5
Credits and loans to garment companies	2				6		1			
Credits and loans to electronics companies	2				10		5			
Score labour rights theme 15th policy update Fair Bank Guide										
Labour rights	9	8	10	7	9	9	9	10	10	9

Recommendations

The Fair Bank Guide gives the following recommendations to Dutch banking groups:

- Banking groups have a public policy in the area of labor rights and human rights, based on at least the following international standards:
 - Conventions of the International Labour Organization;
 - OECD Guidelines for Multinational Enterprises;
 - UN Global Compact;
 - UN Guiding Principles on Business and Human Rights ('Ruggie Framework');
 - Universal Declaration of Human Rights.
- Banking groups address the potential risk of involvement in violations of human rights and labour rights in their responsible lending and investment policies and in their contacts with corporate clients and companies that are part of their investments under management.

The assessment takes into account the following risk factors:

- Complexity of production and supply chains;
- Presence of own production sites or suppliers in risk countries with regard to human rights and international labour standards;

- Track record of companies in terms of controversies due to violation of human rights and labour rights in its own production sites and suppliers' sites;
 - Presence of policies and management systems in order to prevent the risk of involvement in human rights violations or non-compliance with international labour standards in current and future operations.
3. Banks must actively manage their lending portfolios and investments under management and not only take action in case of controversies in a company's production or supply chain.

Active management means that companies - based on their risk profile - are encouraged to continuously improve their policies and the implementation thereof, based on concrete, measurable targets and timelines. Possible instruments used are:

- Engagement and dialogue;
- Voting policies and voting at annual general meetings.

To strengthen their influence banks can use these instruments together with other financial institutions and civil society stakeholders.

4. In case companies do not have policies to prevent potential involvement in violations of human rights and labour rights, in current and future operations, banking groups urge them to improve, on the basis of measurable and time-bound targets.
5. In case companies are involved in violations of human rights and labour rights in their own production sites or in their supply chains, banking groups insist on improvement, on the basis of time-bound and measurable targets.
6. Policies to prevent and improvement plans to correct abuses, may contain, depending on the nature and size of the company:
- Mapping own supply chains and that of suppliers;
 - Policy and management systems to prevent and manage potential risks of violation of human rights and labour rights in production and supply chains;
 - Actions to be taken in case human rights and labour rights violations occur and monitor whether those actions have been effective;
 - Accountability and sustainability reporting on negative impacts of their operations on human rights and labour rights;
 - Processes to enable the remediation of any adverse human rights impacts they cause or to which they contribute.
 - Participation in multi-stakeholder initiatives aimed at gradually improving labour rights and working conditions in their supply chains, including:
 - SER Covenant Sustainable Garments and Textiles
 - Fair Wear Foundation
 - Fair Labour Association
 - Sustainable Apparel Coalition
 - EICC Code of Conduct

The Dutch Fair Bank Guide does an appeal to Dutch banking groups to urge their clients in the garment sector to sign the SER Covenant Sustainable Garments and Textiles.

7. In case engagement and dialogue does not lead to the intended results within a reasonable time and violations of human rights and labour rights continue, without signs of improvement, banking groups should consider to put an end to credit or investment relations.
8. Banking groups are accountable for their investment decisions and report publicly on the implementation of their human rights policies.
9. Banking groups engage with social stakeholders to encourage a process of continuous improvement of their policies and their implementation.

Introduction

This case study was commissioned by the Fair Bank Guide (FBG), on initiative of the trade union FNV, one of the coalition partners of the FBG. The case study focuses on the integration of international labour standards in the investment and financing decisions of ten Dutch banking groups (see selection in section 1.1). More in particular, the research concentrates on financing and investment relations of these banking groups with companies in the garment and electronics sector.

Both sectors are identified as risk sectors in a sector risk analysis carried out by KMPG in September 2014, commissioned by the Dutch Minister for Foreign Trade and Development Cooperation and the Minister of Economic Affairs. Critical issues with regard to human rights and labour standards are, among others: underpayment, excessive working hours, violation of freedom of association and unsafe and unhealthy labour conditions.¹

To further specify the focus of the case study, the FBG follows the agenda of the Dutch Social and Economic Council, which put 'living wage' forward as one of the major topics of its international corporate social responsibility programme.² A living wage is an important human right and enables a worker to support him or herself and his or her family members to fulfil basic needs and enables further development. However, the situation for many workers worldwide is very different. They do not earn a living wage for different reasons, such as not being allowed to join a trade union, and therefore not having enough bargaining power to negotiate with employers and the state on wage levels, only working on temporary contracts or because they face discrimination at their work place.³ The legal minimum wage in emerging markets and developing countries is often much lower than a living wage. For many workers, the only way to earn sufficient income requires excessive working hours, jeopardizing their physical, mental and social well-being. Low wages can be a poverty trap for workers, and often lead to child labour.⁴ Moreover, living wage is one of the focus points of the Social and Economic Council Covenant Sustainable Garments and Textiles, an agreement between the Dutch government, Dutch businesses and civil society organisations.⁵

Paying a living wage is also an important element of the OECD Guidelines for Multinational Enterprises. This means that companies are expected to address this in their (international) supply chains.⁶

Financial institutions can contribute to a socially just and sustainable world by promoting Corporate Social Responsibility (CSR) amongst companies they invest in. According to the Fair Bank Guide, financial institutions should expect companies to whom they provide capital, as well as their suppliers, to comply with international standards on CSR, implement best practices and join multi-stakeholder initiatives.

The present case study is focused on the following research questions:

- To what extent do Dutch banking groups encourage and monitor companies they finance and invest in, to comply with international labour standards in their production and supply chains, especially with regard to payment of a living wage?
- To what extent do Dutch banking groups encourage an enabling environment for decent wage jobs by emphasizing the right of freedom of association and collective bargaining in their responsible investment and responsible lending policies?

- To what extent do Dutch banking groups take into account payment of living wage and the right of freedom of association and collective bargaining in their assessment of CSR risks?
- To what extent do Dutch banking groups pay special attention to risk sectors such as the garment and electronics sector in the implementation of their responsible investment and responsible lending policies?

Chapter 1 Methodology

This chapter provides information about the selection of the ten banking group groups, the companies selected for the case study, the research activities, the scoring model and the planning of the research.

1.1 Selected banking groups

The Dutch Fair Bank Guide has selected ten banking groups with the largest market share in the Dutch market in retail banking (current and savings accounts):

- ABN Amro
- Aegon
- ASN Bank
- Delta Lloyd
- ING
- NIBC
- Rabobank
- SNS Bank (excl. ASN Bank)
- Triodos
- Van Lanschot

All credits to, and investments in the selected companies, including credits and investments by subsidiaries of the banking group at home and abroad, are relevant to this study.

1.2 Research activities

The research for the case study consists of the following activities:

- Research into financing and investment relations of Dutch banking groups with companies in the garment and electronics sector;
- An analysis of globalisation trends in the production and supply chains of the garment and electronics sector, and more in general the manufacturing sector;
- An analysis of controversies with regard to the implementation of the right to a living wage and freedom of association and collective bargaining;
- An overview of (multi-stakeholder) initiatives in the garment and electronics sector focused on improvement of working conditions, payment of a living wage and respect for the right to organise and collective bargaining;
- An analysis of the implementation of the responsible financing and responsible investment policies with regard to labour rights in general, and more in particular living wage and freedom of association and collective bargaining in the financing and investment portfolios in the garment and electronics sector;
- A profile for each banking group, including:
 - an overview of activities and services;
 - an overview of the financing and investment portfolio for the selected companies in the garment and electronics sector;
 - the banking group policies with regard to labour standards; and
 - an explanation of the score table.

- Before publishing this report, Profundo sent the draft profiles and draft scores to the banking groups that are included in this study in order to obtain feedback. Relevant feedback has been incorporated in the final report;
- Based on the research findings, conclusions and recommendations will be drawn. Also a Dutch and English summary will be part of the report.

1.3 Data collection

For the data collection, the following research techniques have been used:

- Desk research and internet search:
 - annual reports, websites and publicly available publications of the selected banking groups;
 - reports and websites of NGOs and trade unions;
 - international standards and multi-stakeholder initiatives with regard to labour rights;
- Consultation of NGOs, trade unions, branch organisations and multi-stakeholder initiatives in the garment and electronics sector;
- Consultation of financial data-bases; and
- Interviews with representatives of the ten banking groups with use of a structured questionnaire and open questions.

1.4 Financial research and selection of companies

The data collection for the overview of credit and investment relations of ten Dutch banks included in this study is based on a list of 53 companies in the apparel sector and 93 international companies in the electronics sector (see Appendix 1). The selection of garment and electronic companies is based on the relevance for the Dutch consumer market, either for the end-market as well as major suppliers for end-products sold at the Dutch consumer market.

For the apparel sector, the selected companies are both garment brands and garment retailers with private labels. For the electronics sector, the selected companies are international brands as well as manufacturers, including Original Design Manufacturers and Original Equipment Manufacturers. Table 1 gives an overview of the sectors and sub-sectors used for the data collection. An overview of selected companies can be found in Appendix 1.

Table 1 Overview of sectors and sub-sectors

Sector	Apparel	Electronics
Sub-sector	Apparel/Accessories	Computer hardware
	Apparel Retail	Computer storage devices
	Apparel/Footwear Retail	Consumer electronics
		Electronics
		Semiconductors

Based on the list of selected companies, for each individual banking group an overview of its financial positions is composed, broken down in first, corporate credits and loans, and second, in investments under management of the asset manager of the banking, and as a next step in sectors and sub-sectors. In doing so, data have been gathered from data source providers such as Bloomberg and Thomson Reuters Eikon, for the period 2011 to February 2016, under the industry codes relevant for the apparel and electronics sector and industries. The findings have been submitted to the banking groups for verification.

ABN Amro, ASN Bank, ING, SNS Bank, Triodos and Van Lanschot provided feedback on the financial data, which have been adapted accordingly. Delta Lloyd has decided not to respond to the request to verify the data. Rabobank did not want to confirm names and figures on revolving credits and corporate loans. Also Aegon did not provide feedback on the financial data.

It is important to note that the overview of loans and credits for a large part concern syndicated loans and underwritings which have been traded on international financial markets. The financial research did not include research into the corporate client relations of individual banking groups with companies in the garment and electronics sector. Asking banks to be transparent on their corporate clients and deals with clients in the garment and electronics sector was not part of this case study.

1.5 Investment categories

To assess the scope of the responsible investment and financing policies of a financial institution, the Fair Bank Guide usually considers the following categories of investments (or financial services):

- **Corporate credits:** loans and other forms of credits provided by a financial institution to (listed and unlisted) companies, which allow the company to finance short-term expenses and/or long-term investments. Corporate credits usually carry an interest rate and are secured by specific assets (as in the case of mortgage loans) or by the entire balance sheet of the company. This category also includes the underwriting of share and bond issuances, but does not include loans and credits to private customers. It also includes revolving credits, which are a sort of stand-by facilities which are only disbursed when the company urgently needs financing.
- **Project finance:** a specific form of corporate credits to finance infrastructure or industrial projects, whereby the loan is secured by the projected cash flows of the project rather than by the balance sheet(s) of its sponsor(s).
- **Investments for own account:** investments in (sovereign and corporate) bonds, shares and other types of securities for the account of the financial institution, listed on the financial institution's balance sheet.
- **Asset management for the account of third parties:** the management of a client's investments in all types of securities by a financial services company, such as an investment bank, a private bank, an investment manager or an asset manager. These investments are usually not listed on the balance sheet of the financial institution. This category includes all funds and mandates which are managed actively or passively for clients. The definition of asset management used here does not apply to trading platforms managed by financial institutions, where financial institutions do not provide investment services.

This case study focuses on the two investment categories "Corporate credits" and "Asset management". The investment categories "Project finance" and "Investments for own account" are not very relevant in relation to the garment and electronics sectors.

1.6 Questionnaire

The following questions were used to structure the interviews with banking groups in February and March 2016 on their responsible investment and financing policies and their implementation with regard to companies in the garment and electronics sector (see Table 2 for the questionnaire matrix):

- Investment categories: corporate credits and loans or asset management;
- Questions regarding risk management in the screening and selection process of companies by sector (garment and electronics);
- Questions regarding risk management with regard to the existing corporate credits and asset management portfolios by sector (garment and electronics);
- Influence used as a financier/investor to improve the performance of companies in the garment and electronics sector with regard to compliance with international labour standards.

Table 2 Questionnaire matrix

Investment category	Instruments for responsible financing and investment		Sectors	
Corporate credits	Selection process	A. Screening	Apparel	Electronics
	Existing portfolio	B. Monitoring		
		C. Engagement/dialogue		
Asset management	Selection process	A. Screening	Apparel	Electronics
	Existing portfolio	B. Monitoring		
		C. Engagement/dialogue		

Separate questionnaires were developed for financing and investments. It is important to highlight that most of the questions apply to both financing and investments, except those questions that do apply to only one of the two categories, such as voting for investments.

1.6.1 Questionnaire corporate credits and loans

Below, the questions are listed for the interviews with banking groups about their corporate credits, following the structure presented in Table 2:

A. Risk management policies in the screening and selection process for corporate credits by sector (garment and electronics)

- In the implementation of its responsible lending policies and risk management procedures in financing decisions, does the banking group analyse and differentiate risks in terms of:
 - Identification of risk sectors with regard to the intended financing?
 - Identification of risk countries with regard to violation of labour rights in relation to the intended financing?

The banking groups were asked to differentiate between risk management procedures for corporate loans, credits, issuance of shares and bonds.

- In the implementation of its responsible lending policies and risk management procedures in financing decisions, does the banking group require companies in the garment and electronics sector to adhere to the following international standards:
 - ILO Fundamental Labour Rights;
 - ILO Tripartite Declaration;
 - OECD Guidelines for Multinational Enterprises;
 - UN Global Compact; and
 - UN Guiding Principles on Business and Human Rights.

The banking groups were asked to differentiate between risk management procedures for corporate loans, credits, issuance of shares and bonds.

- In the implementation of its responsible lending policies and risk management procedures in financing decisions, does the banking group require that:
 - Companies do have or develop a policy statement in which the company commits itself to respect labour rights in their production and supply chains?
 - Companies have a labour rights due diligence process to identify, prevent, mitigate and account for how they address their impact on labour rights? and
 - Companies have processes to enable the remediation of any adverse labour rights impact to which they cause or to which they contribute?

B. Risk management with regard to corporate clients, by sector

- In checking and monitoring the Environmental, Social and Governance (ESG) performance of companies, does the banking group require due diligence procedures regarding whether:
 - Companies uphold the freedom of association and the effective recognition of the right to collective bargaining?
 - Companies pay a living wage to their employees?
 - Companies have a clear management system to monitor and, if needed, correct compliance with international labour standards?
 - Companies establish procedures on how to deal and process employee complaints and to solve violations and conflicts, preferably in consultation with the relevant trade union?
 - Companies integrate labour rights criteria in their procurement and operational policies? and
 - Companies include clauses on the compliance with criteria on labour rights in their contracts with subcontractors and suppliers?

C. Engagement/dialogue/incentives with regard to corporate clients, by sector

- Does the banking group have a time bound and result-oriented engagement process with one or more companies in the garment and electronics sector in order to improve the CSR performance on compliance with international labour standards?
- Does the banking group have a time bound and result-oriented engagement process with one or more companies in the garment and electronics sector in order to improve the CSR performance on payment of a living wage?

- Does the banking group have a time bound and result-oriented engagement process with one or more companies in the garment and electronics sector in order to improve the CSR performance on freedom of organisation and collective bargaining?
- Does the banking group actively promote membership of multi-stakeholder initiatives and certification systems aimed at improving labour conditions in the garment sector or electronics sector (the Better Cotton Initiative, Business Social Compliance Initiative (BSCI), Electronic Industry Citizenship Coalition (EICC), the Ethical Trading Initiative (ETI), Fair Wear Foundation, the Fair Labour Association or Social Accountability International (SAI)? and
- Does the banking group have a policy to support front-runners in the garment and/or the electronics sector, and give them priority and advantages in terms of finance and services?

1.6.2 Questionnaire investment portfolio

Below, the questions are listed for the interviews with the asset management divisions of the banking groups about the implementation of responsible investment policies with regard to companies in the garment and electronics sector, following the structure presented in Table 2:

A. Risk management in the screening and selection process of investments by sector

- In the implementation of its responsible investment policies and risk management procedures in investment decisions, does the asset manager analyse and differentiate risks in terms of:
 - Identification of risk sectors with regard to the planned investment?
 - Identification of risk countries with regard to violation of labour rights in relation to the planned investment?

The banking groups were asked to differentiate between risk management procedures for shareholdings and bond holdings?

- In the implementation of its responsible investment policies and risk management procedures in investment decisions, does the asset manager require companies in the garment and electronics sector to adhere to the following international standards:
 - ILO Fundamental Labour Rights;
 - ILO Tripartite Declaration;
 - OECD Guidelines for Multinational Enterprises;
 - UN Global Compact; and
 - UN Guiding Principles on Business and Human Rights?

The asset managers of the banking groups were asked to differentiate between risk management procedures for shareholdings and bond holdings.

- In the implementation of its responsible investment policies and risk management procedures in investment decisions, does the asset manager require that:
 - Companies do have or develop a policy statement in which the company commits itself to respect labour rights in their production and supply chains?

- Companies have a labour rights due diligence process to identify, prevent, mitigate and account for how they address their impact on labour rights?
- Companies have processes to enable the remediation of any adverse labour rights impact to which they cause or to which they contribute?

B. Risk management with regard to investments under management, by sector

- In checking and monitoring the Environmental, Social and Governance (ESG) performance of companies, does the asset manager require due diligence procedures regarding whether:
 - Companies uphold the freedom of association and the effective recognition of the right to collective bargaining?
 - Companies pay a living wage to their employees?
 - Companies have a clear management system to monitor and, if needed, correct compliance with international labour standards?
 - Companies establish procedures on how to deal and process employee complaints and to solve violations and conflicts, preferably in consultation with the relevant trade union?
 - Companies integrate labour rights criteria in their procurement and operational policies? and;
 - Companies include clauses on the compliance with criteria on labour rights in their contracts with subcontractors and suppliers.

C. Engagement/dialogue/voting with regard to investments under management, by sector

- Does the asset manager have a time bound and result-oriented engagement process with one or more companies in the garment and electronics sector in order to improve the CSR performance on compliance with international labour standards?
- Does the asset manager have a time bound and result-oriented engagement process with one or more companies in in the garment and electronics sector in order to improve the CSR performance on payment of a living wage?
- Does the asset manager have a time bound and result-oriented engagement process with one or more companies in in the garment and electronics sector in order to improve the CSR performance on freedom of organisation and collective bargaining?
- Does the asset manager actively promote membership of multi-stakeholder initiatives and certification systems aimed at improving labour conditions in the garment sector or electronics sector (the Better Cotton Initiative, Business Social Compliance Initiative (BSCI), Electronic Industry Citizenship Coalition (EICC), the Ethical Trading Initiative (ETI), Fair Wear Foundation, the Fair Labour Association or Social Accountability International (SAI)?
- Does the asset manager have a voting policy and voting record with regard to one or more companies in the garment and electronics sector in order to improve the CSR performance on compliance with international labour standards?
- Does the asset manager have a voting policy and voting record with regard to one or more companies in the garment and electronics sector in order to improve the CSR performance on payment of a living wage? and

- Does the asset manager have a voting policy and voting record with regard to one or more companies in the garment and electronics sector in order to improve the CSR performance on freedom of organisation and collective bargaining?

1.7 Assessment

The banking groups are assessed on the quality and implementation of responsible lending and investment instruments with regard to their financing and investment portfolios. Per banking group scores are granted for the quality and implementation of these instruments:

- Responsible Investment policies for financing and investments;
- Screening and selection;
- Engagement;
- Clauses in credit contracts;
- Voting; and
- Exclusion.

Moreover, the assessment has been broken down in three types of categories:

- A. Risk management processes with regard to the screening and selection of companies;
- B. Risk management processes with regard to existing portfolios;
- C. Influence used to improve the policies and performance of companies in the financing and investment portfolio: engagement/dialogue/voting/incentives.

For category A and B the possible points granted range from 0 - 20. For category C, total possible points range from 0 - 22. The final score will range from 1-10. See Table 3 for converting total points in final score.

Table 3 Scoring table

Assessment category	Corporate credits and loans	Asset management
	Possible points	Possible points
A	20	20
B	20	20
C	22	22
Total	62	62
Subtotal	Total points / 6.2	Total points / 6.2
Grace point when subtotal = 0	1	1
Commitment	1	1
Total	1 - 10	1 - 10

On top of the final score, banking groups can get a bonus point in case they make a commitment to improve their policies or the implementation thereof, within one year after publication. In case the final score is zero, banking groups will get a grace point.

The assessment will result in two scores:

- one score for the implementation of responsible lending policies regarding corporate credits and loans;

- one score for the implementation of responsible investment policies regarding shareholdings and bold holdings under management of the asset manager of banking group.

In case no financial or investment relations were found in one of the portfolios, the banking group scores “not applicable” (n.a.) for this portfolio. In Table 4 the scoring model is presented.

Table 4 Scoring model

Indicator	Possible scores	Type of proof needed from banking group
A. Risk management as part of the screening and selection process		
Identification of risk sectors and risk countries		
Identification of risk sectors with regard to labour standards is part of the bank’s RI risk management system.	Score based on amount of sectors (garment (A) and electronics (E) identified as risk sectors: 0 - no risk sectors identified 1 - manufacturing industry identified as risk sector 2 - A or E identified as risk sector 3 - A and E identified as risk sector	Policy document / example of investment sheet / snap shot of risk management system
The bank has a risk management system in place to identify risk countries with regard to international labour standards in the production and supply chains of companies it finances or invests in.	Score based on scope of a risk management system to identify risk countries: 0 - no identification of risk countries 1 - risk countries in manufacturing sector 2 - risk countries in A or E sector 3 - risk countries in A and E sector	Policy document / examples of benchmark used / example of investment sheet / snap shot of risk management system
Banks require companies in the garment and electronics sector to adhere to international standards regarding:		
Freedom of association and the right to collective bargaining ¹	Score based on scope of requirements with regard to freedom of association and the right to collective bargaining: 0 - not required 1 - required for A or E sector 2 - required for A and E sector	Policy document / examples of application in screening process / snap shot of screening system / example of investment sheet
The right to a living wage ²	Score based on scope of requirements with regard to the right to a living wage (focus of case study): 0 - not required 2 - required for A or E sector 4 - required for A and E sector	
UN Guiding Principles on Business and Human Rights (UNGPs) ³	4 Points in case companies are required to and/or adhere to the UNGPs	
Exclusion		
	Score based on scope of exclusion policy:	

¹ In case companies are required to adhere to the ILO fundamental labour rights and/or the UN Global Compact and/or the OECD guidelines, the bank also gets a score as freedom of association and collective bargaining is integrated in the ILO fundamental labour rights, the UN Global Compact principles and the OECD guidelines for MNEs.

² In case companies are required to adhere to the ILO Tripartite Declaration and/or the OECD guidelines for MNEs, the bank also gets a score as the right to a living wage is integrated in the ILO Tripartite Declaration and the OECD guidelines for MNEs.

³ In case companies are required to and/or adhere to the OECD guidelines for MNEs, the bank also gets a score as the “Ruggie Framework” is integrated in the OECD guidelines for MNEs.

Indicator	Possible scores	Type of proof needed from banking group
Companies are excluded in case they do not meet selection criteria	0 - no exclusion policy 2 - exclusion policy for some relevant labour issues 4 - exclusion policy for one of the core issues addressed in this case study: freedom of association and payment of a living wage	Policy document / list of excluded companies
Subtotal A	0-20	

B. Risk management regarding the existing financing and investment portfolios

Banks monitor and assess due diligence practices of companies

Companies uphold the freedom of association and the effective recognition of the right to collective bargaining	Score based on scope of monitoring and assessment: 0 - no monitoring 1 - bank explains monitoring system for A or E sector 2 - bank gives example / shows and explains monitoring system for A and E sector	Policy document / snap shot of monitoring system / example of investment sheet regarding freedom of association
Companies pay a living wage to their employees	Score based on scope and evidence of monitoring and assessment (focus of case study): 0 - no monitoring 2 - bank provides example / shows and explains monitoring system for A or E sector 4 - bank provides example / shows and explains monitoring system for A and E sector	Policy document / snap shot of monitoring system / example of investment sheet regarding living wage
Companies have a clear management system to monitor and, if needed, correct compliance with regard to international labour standards	Score based on scope of monitoring and assessment: 0 - no monitoring 2 - bank gives example / shows and explains monitoring system for A or E sector 4 - bank gives example / shows and explains monitoring system for A and E sector	Policy document / snap shot of monitoring system / example of investment sheet
Companies establish procedures on how to deal and process employee complaints and to solve violations and conflicts, preferably in consultation with the relevant trade union	Score based on scope of monitoring and assessment: 0 - no monitoring 2 - bank gives example / shows and explains monitoring system for A or E sector 4 - bank gives example / shows and explains monitoring system for A and E sector	Policy document / snap shot of monitoring system / example of investment sheet
Companies integrate labour rights criteria in their procurement and operational policies.	Score based on scope of monitoring and assessment: 0 - no monitoring 1 - bank gives example / shows and explains monitoring system for A or E sector 2 - bank gives example / shows and explains monitoring system for A and E sector	Policy document / snap shot of monitoring system / example of investment sheet
Companies include clauses on the compliance with criteria on labour rights in their contracts with subcontractors and suppliers.	Score based on scope of monitoring and assessment: 0 - no monitoring 2 - bank gives example / shows and explains monitoring system for A or E sector 4 - bank gives example / shows and explains monitoring system for A and E sector	Policy document / snap shot of monitoring system / example of investment sheet
Subtotal B	0 – 20	

C. Engagement/dialogue/voting/incentives to improve

Indicator	Possible scores	Type of proof needed from banking group
Engagement		
The bank has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on compliance with international labour standards.	Score based on scope of engagement processes: 0 - no engagement 2 - engagement with companies in for A or E portfolio 4 - engagement with companies in for A and E portfolio	For a score, a bank needs to give examples of one or more engagement processes
The bank has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on payment of a living wage.	Score based on scope of engagement processes: 0 - no engagement 2 - engagement with companies in for A or E portfolio 4 - engagement with companies in for A and E portfolio	For a score, a bank needs to give examples of one or more engagement processes.
The bank has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on freedom of organisation and collective bargaining.	Score based on scope of engagement processes: 0 - no engagement 2 - engagement with companies in for A or E portfolio 4 - engagement with companies in for A and E portfolio	For a score, a bank needs to give examples of one or more engagement processes.
Promotion of multi-stakeholder initiatives		
The bank actively promotes membership of multi-stakeholder initiatives and certification systems.	Score based on number of stakeholder initiatives that are promoted: 0 - no promotion 1 - promotion of 1 initiative 2 - promotion of 2 initiatives 3 - promotion of 3 or more initiatives	Bank needs to show examples of promotion of multi-stakeholder initiatives with companies in its portfolio
Voting policies		
Only relevant for asset management, not for corporate credits and loans		
The bank has a voting policy that includes regarding human rights and international labour standards.	Score based on scope of voting policy: 0 - no voting policies on human rights and labour standards 1 - voting policies on human rights and labour standards	The bank needs to give information about voting policy and show (public) voting records
The bank has a voting record with regard to one or more companies in the A and E sector on human rights and international labour standards.	Score based on voting record: 0 – no voting record 1 - voting record with regard to companies in A or E portfolio 2 - voting record with companies in A and E portfolio	The bank needs to give information about voting policy and show (public) voting records
Exclusion		
Companies are excluded in case they do not meet engagement/voting targets	0 - no exclusion policy 2 - exclusion policy for some relevant labour issues 4 - exclusion policy for one of the core issues addressed in this case study: freedom of association and payment of a living wage	Policy document / list of excluded companies
Incentives		
Only relevant for corporate credits and loans, not for asset management		
The bank has a policy to support front-runners in the A and E sector and gives them priority and advantages in terms of finance and services.	0 – 3	The bank needs to give information about policy and show examples of deals with one or more company

Indicator	Possible scores	Type of proof needed from banking group
Subtotal C	0 - 22	
Total points A - C	0 - 62	
Total score A - C = total points A - C / 6.2	1 - 10	
Commitment to improve (bonus point)	1 point if the bank commits to improve its policies or the implementation thereof within one year after publication of the case study.	Written statement
Grace point	1 point if the FI scores 0 points in categories A - C	
Total	Final score ranges from 1 to 10 or n.a.	

1.8 Planning

The planning followed for this case study is summarized in Table 5.

Table 5 Planning

Planning	Activity
27 January 2016	Outline case study to banking groups
5 February 2016	Deadline response banking groups on outline case study
12 February 2016	Overview of financing and investment relations with companies in garment and electronics sector to banking groups
19 February 2016	Deadline response banking groups on overview of financing and investment relations
22 February 2016	Questionnaire and score model to banking group groups
29 February - 24 March 2016	Interviews with banking groups
17 – 31 March 2016	Draft scores and explanation to banking groups
31 March – 4 April 2016	Deadline response banking groups on draft scores
25 April 2016	Draft report to banking groups
9 May 2016	Deadline response banking groups on draft report
18 May 2016	Final report to banking groups
31 May 2016	Publication date

Chapter 2 **Labour conditions in the garment and electronics sector**

Over the past years, both the garment and electronics industry attracted negative media attention, due to a series of serious calamities and fatal accidents in production sites of international electronics' and fashion brands. In April 2013, the collapse of the Rana Plaza building in Bangladesh caused the death of more than 1100 people and left 2500 injured.⁷ A few months before, in November 2012, 112 workers got killed and 100 injured due to a fire in the Tazreen Fashions factory in Bangladesh. Fire exits were locked or blocked with goods, so the only way to escape the fire was jumping from the third or fourth floor, with no chance to survive or in case of survival with serious injuries as a consequence.⁸ Since 2010, Taiwanese electronics' producer Foxconn (Hon Hai Precision), major supplier of Apple products, got media attention due to reports about high suicide rates among young Chinese workers in production plants in mainland China, caused by depression and stress over long working days, high work pressure and low wages.⁹

2.1 Globalisation trends in the garment and electronics sector

Due to increasing globalisation of production and trade, there has been a shift in the manufacturing of consumer goods from highly industrialised countries to low-cost production countries. In The Netherlands, in the 18th century, one third of the labour force was employed in the textile sector. In 2014, employment in the textile, garment and leather industry had decreased to 14,000 employees.¹⁰ Globally, the garment industry has been one of the driving forces behind economic development. Over the past four decades, the garment industry has shifted from Europe and the USA to Asia. Today, four countries, in order of market share China (29.5%), Turkey (12.2%), Bangladesh (11.2%) and India (6.8%) are responsible for 60% of the world trade in garments. Other important production countries are Cambodia, Sri Lanka, Malaysia and Indonesia. In Asia alone, over 15 million people are employed in the garment industry.¹¹

Today's garment industry is truly global: the chains connecting consumer to producer stretch around the world. The complexity of the supply chains is often used as an excuse by brands and suppliers for having no control over the payment of a living wage.

Over the last few decades, control over this production system has shifted away from manufacturers and towards brands and retailers. They outsource nearly all labour-intensive production towards third parties operating in low-wage countries. With an ever-increasing focus on international 'fast fashion' brands, which respond to customer preferences by delivering new fashion trends in increasingly short cycles, fashion collections can change almost monthly.

This fast fashion creates a system of just-in-time-delivery. Instead of seasonal orders planned long time in advance, brands put pressure on their suppliers as they want faster turnarounds on more orders. In order to beat the deadlines, set by the buyers, excessive working hours and forced overtime are common practices for employees in the garment factories and manufacturing sites for other consumer products in low-wage production countries. For many suppliers the reality is that one or two global brands will be the majority of their business and therefore the suppliers are extremely dependent on them.¹²

Globally, over 15 million employees work in the electronics sector, with China as the major production country. Other leading countries in the electronics sector are the United States, Japan and Germany. Other major production countries are Brazil, India, Malaysia, South Korea, Taiwan and Thailand.¹³

The core business of multinational companies in the manufacturing industry is product development, marketing and sales. To reduce costs and maximize sales and profits, the actual production is outsourced to production plants and suppliers in low-wage countries. According to a recent study of the International Trade Union Confederation (ITUC), a number of 50 multinationals rely on a work force of 116 million workers in their global supply chains.¹⁴

Table 6 provides examples of the global workforce of 12 multinational companies in the garment and electronics industry. The selection of companies are international fashion and electronics brands, except Foxconn, a major supplier of electronic goods.

Table 6 Estimated global workforce of electronics and garment companies

Name of company	Sector	Employed by company	Estimated workforce in supply chains
Apple	Electronics	98,000	2,300,000
Gap	Apparel	150,000	1,000,000
H&M	Apparel	132,000	1,600,000
Hewlett-Packard	Electronics	302,000	661,400
Hon Hai Precision Industry (Foxconn)	Electronics	1,290,000	510,000
Inditex	Apparel	137,000	1,776,650
Intel	Electronics	106,700	1,600,000
Nike	Apparel	48,000	2,500,000
Panasonic	Electronics	271,789	750,000
Samsung Electronics	Electronics	286,284	1,500,000
Sony	Electronics	40,900	750,000
VF	Apparel	59,000	1,312,500
		2,921,673	16,260,550

ITUC (2016), *Scandal: Inside the global supply chains of 50 top companies*, p. 7, 41-42.

The production and supply chain of global electronics' brands like Apple and Samsung is dominated by so-called Original Design Manufacturers (ODMs) that are in itself multinational corporations, with a workforce far out exceeding that of their major buyers. Apple's major supplier Foxconn, employs world-wide over 1 million employees, more than tenfold the number of employees of Apple, see Table 6 and Table 7.

In terms of profit margins, the business power balance between brand names and ODMs is unequal, as reflected in a comparison between the ODMs margins and brands' margins, published by GoodElectronics,¹⁵ see Table 7.

Table 7 Comparison gross margins electronics' brands and manufacturers

	Company	Country (HQ)	Employees	Gross Margin 2013 in %
ODM	Jabil	USA	177,000	7.4
	Celestica	Canada	29,000	6.7
	Foxconn	Taiwan	1,290,000	6.4
	Flextronics	USA	149,000	5.8

	Company	Country (HQ)	Employees	Gross Margin 2013 in %
Brand	Apple	USA	80,300	37.6
	HP	USA	317,500	23.1
	Dell	USA	108,000	21.4

Source: GoodElectronics, *Dragging out the best deal*, Amsterdam, The Netherlands, p. 3.

2.2 Race to the bottom

In order to attract foreign investments, encourage economic growth and promote export production, governments in developing countries and emerging markets often establish special export processing zones, with flexible tax rules and weak environmental and labour regulations. Companies always look for opportunities to reduce costs. In many countries there is an abundant supply of cheap, unskilled labour. In order to be and remain competitive, this puts considerable pressure on wages and working conditions, particularly in labour-intensive sectors, with companies shifting operations from higher-to-lower wage countries creating a “race to the bottom”.¹⁶

Figure 1 presents a testimony of a young female worker in a garment factory in Cambodia, a rising low-wage country because of it has one of the lowest salary levels in the region. The factory supplies international garment brands like Benetton.

Figure 1 Testimony of a textile worker



Try Soknim, 32 years old, Kandal Province, Cambodia

I have worked at the Great Honour Textile Factory Ltd. since 11 February 2004. I began with a three-month probation contract and in May 2004 I started an Undetermined Duration Contract. Before Great Honour, I worked at the Yang Wah I Factory for one week, but left because they made me work 12 hours a day. My salary is \$128 per month before overtime. I also earn a transportation allowance of \$7 per month and an attendance bonus of \$10 per month. I have a seniority bonus of \$11 per month – one dollar for every year I have been at Great Honour. A proportionate amount of money is deducted from my salary and attendance bonus when I take leave with permission. My regular working hours are Monday through Saturday, 7.00a.m. until 4:30 p.m., with a lunch break between and 12:30. In December 2013, my supervisor told me I could no longer work overtime because there was not enough work to do. My salary does not cover my basic necessities. I will need to make \$177 to be able to afford food and rent for each month.

My job is to knit separate parts of clothing together. I am supposed to complete 12 whole pieces of clothing per day. Some pieces of clothing are more complicated than others and take longer to complete. Whenever I cannot complete 12 pieces in eight hours, my supervisors insult me.

I have been electrocuted three times after touching the machine I work with, but I did not complain to management. I am not allowed to take any breaks during working hours. I have seen supervisors physically abuse a worker on two occasions. The first time, the manager pushed a worker for talking too much. The second time, the manager punched someone for leaving early, but it was after regular working hours. I have been a member of CCAWDU since 2010, and the Secretary of CCAWDU since 2011. Before I joined CCAWDU, my supervisor threatened that I would be fired if I joined. Management continues to harass me for being a member. At the end of 2010, 247 workers were fired for signing a petition demanding that the factory pay them the legal minimum wage. CCAWDU was able to get them all reinstated. I have seen a labour inspector come about once a year since I began work in 2004. At least two times I know that they worked for the brands. Some of the brands made at the factory are GU, United Colours of Benetton, New Look, Alia and Bershka. The inspectors never talk to workers.¹⁷

Source: ITUC (2016), *Scandal: Inside the global supply chains of 50 top companies*, Brussels, Belgium, p. 37.

2.3 Supply chain responsibility

Since the nineties of the last century, civil society organisations started to bring the dark side of the increasing availability of cheap consumer products to the light, criticising producers and retailers that outsource production to low-cost labour countries for taking advantage of poor labour standards in suppliers' factories. Due to international campaigns of the Clean Clothes Campaign, trade unions and other NGOs, respect for international labour standards in low-cost production countries and the concept of corporate social responsibility has been put on the agenda of businesses and politics.

2.4 International standards

Several international standards regarding human rights and labour rights serve as a base for the development and implementation of corporate responsibility policies: labour standards of the International Labour Organisation (ILO), UN Global Compact, the United Nations' Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

2.4.1 ILO

The United Nations International Labour Organisation (ILO) is a tripartite organisation consisting of governments, employers and employees.

With the adoption of the ILO Declaration on Fundamental Principles and Rights at Work in 1998, the ILO identified eight of its conventions as "fundamental" or "core" conventions. The conventions cover four topics that are considered as the fundamental principles and rights at work:

- The freedom of association and the effective recognition of the right to collective bargaining;¹⁸
- The elimination of all forms of forced and compulsory labour;¹⁹
- The effective abolition of child labour;²⁰
- The elimination of discrimination in respect of employment and occupation.²¹

Another leading ILO document is the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, adopted in 1977. In March 2006, the fourth revised edition was published. The Tripartite Declaration complements the ILO Fundamental Principles and focuses on responsibilities of companies that are not covered in the core ILO conventions, for instance offering a wage that is sufficient to fulfil basic needs.

The Tripartite Declaration requires companies to:

- Improve working conditions and development opportunities, preferably hiring people from the local population, and the use of local materials and local production and processing capacity.
- Improve equal chances and treatment, by basing hiring procedures on qualifications, skills and experience, and to offer staff training on all levels and to avoid discrimination of employees (based on ethnicity, gender or social background).
- To protect employees and to avoid arbitrary dismissal. Whenever changes with major employment effects occur, these are to be disclosed in advance to labour unions and government authorities.
- To offer relevant education on all levels, for employees and management.
- To offer the best possible wages and fringe benefits for employees, in any case not considerably less than other local employers. The labour remuneration has to be linked to the economic position of the company and should at least provide in the basic needs of employees and their families.
- To achieve and preserve the highest standards of health and safety and to report any hazards to government authorities and employee organisations.
- To establish a procedure for regular consultation between employees and employers.
- To establish a procedure to handle complaints.

2.4.2 UN Global Compact

The United Nations Global Compact is a United Nations initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies. The UN Global Compact (UNGC) has integrated the four fundamental ILO principles and rights at work in its ten principles of responsible business. Reference to wages is not part of the UNGC.²²

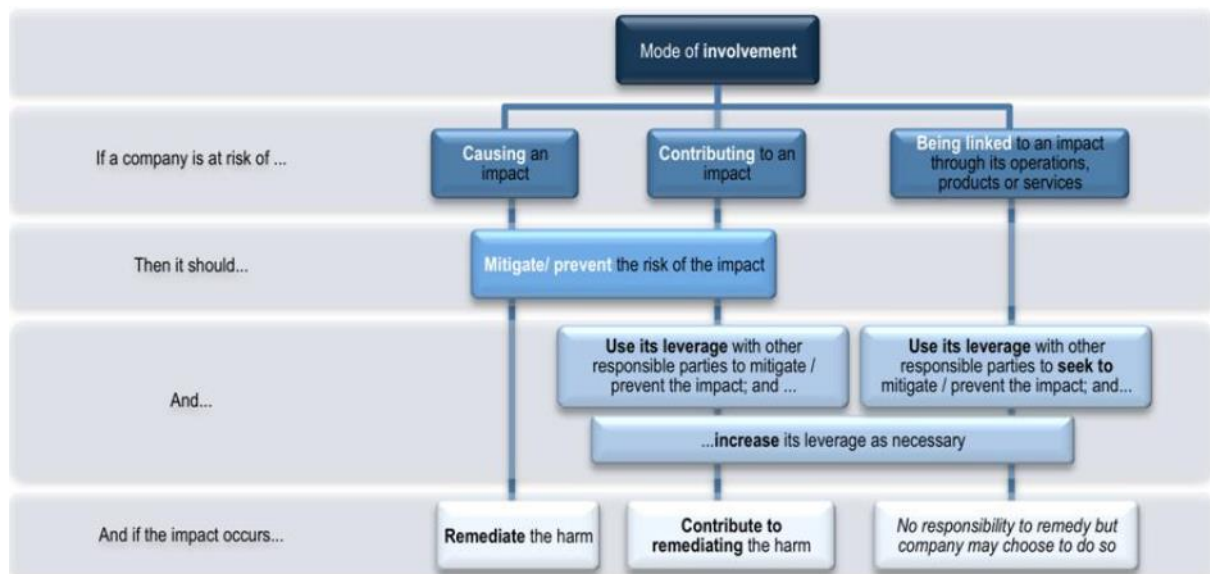
2.4.3 UN Guiding Principles on Business and Human Rights

In 2011, the United Nations Human Rights Council endorsed the UN Guiding Principles on Business and Human Rights (UNGPs), which were developed on the issue of human rights and transnational corporations and other business enterprises. The framework is widely supported by states, civil society organisations and the private sector as a basis for corporate citizenship and protection of human rights and labour rights in global production and supply chains.

The UNGPs state that all corporations – “regardless of their size, sector, operational context, ownership and structure” – should “avoid causing or contributing to adverse human rights impacts through their own activities, and address such impacts where they occur”. In

addition, corporations should “seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts”. See also Figure 2.

Figure 2 UN Guiding Principles on Business and Human Rights



Source: Original design: Shift, in: SER (2016, March), *Covenant Sustainable Garments and Textiles*, p. 59.

According to the UNGPs, “in order to meet their responsibility to respect human rights, business enterprises should have in place policies and processes appropriate to their size and circumstances, including:

- A policy commitment to meet their responsibility to respect human rights;
- A human rights due diligence process to identify, prevent, mitigate and account for how they address their impacts on human rights;
- Processes to enable the remediation of any adverse human rights impacts they cause or to which they contribute.”²³

2.4.4 OECD Guidelines for Multinational Enterprises

The OECD Guidelines for Multinational Enterprises are recommendations addressed by governments to multinational enterprises operating in or from adhering countries. They provide principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognised standards, such as the ILO labour standards and the previously mentioned UNGPs.²⁴

The OECD Guidelines are supported by an implementation mechanism of National Contact Points (NCPs), agencies established by adhering governments to promote and implement the Guidelines. The NCPs assist enterprises and their stakeholders to take appropriate measures to further the implementation of the Guidelines. They also provide a complaint, mediation and conciliation platform for resolving concerns and issues that may arise.

2.5 SER Agreements on International Responsible Business Conduct

In The Netherlands, the Social and Economic Council advises the Dutch Government and Parliament on key points of social and economic policy. It also serves as a platform for discussions on social and economic issues.

The Council is a tripartite organisation, consisting of:

- Independent Crown-appointed members which are experts in their field;
- Representatives of employers; and
- Representatives of employees (trade unions).²⁵

Since 2008, the SER has put International Responsible Business Conduct (IRBC) - on the agenda. In 2014 the SER advocated that sectors and businesses take the initiative to put IRBC agreements in place with the government and civil society organisations. According to the SER, “this creates a new tool to address risks of human rights violations and environmental harm” in the supply chains of international businesses. “Workers and international communities will be better protected against negative impacts. And companies will be supported with problems they cannot solve alone.”²⁶

The Dutch government endorsed the SER advice on IRBC agreements. In its response, the government stated that it expects companies to take concrete steps in implementing their ‘responsibility to respect’ with regard to the environment, labour rights and human rights, conform to the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.²⁷

In the period 2014-2015, the overarching theme for the programme was ‘opportunities in global sustainable development’. One of the issues addressed was ‘living wage’.²⁸

2.5.1 Social and Economic Council Covenant Sustainable Garments and Textiles

March 2016, a coalition of industry organisations, trade unions, civil-society organisations and the Dutch government presented an agreement on international responsible business conduct in the garment and textile sector. The covenant has been drafted under the guidance of the Social and Economic Council of the Netherlands (SER). The coalition consists of industry organisations VGT, Modint and Inretail, trade unions FNV and CNV, the Dutch government and civil-society organisations: Solidaridad, UNICEF Nederland, India Committee of the Netherlands, the Dutch Stop Child Labour Coalition and Four Paws Netherlands, an animal welfare organisation. They have agreed to work together on the following issues in garment and textile production in countries such as Bangladesh, India, Pakistan and Turkey:

- protection from discrimination
- protection from child labour
- protection from forced labour
- meaningful dialogue with independent employee representatives
- achieving a living wage
- safe conditions and a healthier environment for employees
- reducing adverse environmental impact by saving on raw materials and creating a circular economy
- reducing the amount of water, energy and chemicals used; reducing chemical waste and waste water
- prevention of animal suffering

The next steps in this process will be to secure funding of the agreement and have it signed – in June 2016 – by at least 35 companies in the sector, who together represent at least 30 percent of sales in the Netherlands.²⁹

The covenant has a time span of five years after signing the agreement. It aims to address corporate social responsibility risks in the production and supply chains of garments and textiles and to take substantial improvement steps within a period of three to five years. Companies that sign the agreement are expected to carry out due diligence research into their production and supply chains in order to address CSR risks, take measures to mitigate these risks in cooperation with stakeholders and report about risks, correction plans and improvement.³⁰ The covenant also strives to setup two joint projects, one on the issue of payment of a living wage and another on freedom of association. Freedom of association is considered of vital importance as improvement of the bargaining power of workers is a first step in improvement of labour conditions. With a living wage workers can support themselves and their families, which has a positive impact on eradication of child labour.

The covenant creates an interesting opportunity for banking groups to encourage their clients in the garment sector to subscribe and sign the covenant and to support and encourage them to improve CSR standards in their production and supply chains.

2.6 Freedom of Association and Collective Bargaining

Freedom of association is the right to join groups of a person's own choosing, such as a trade unions, and for the group to take collective action to pursue the interests of members, such as collective bargaining on labour conditions with employers and states. It is both an individual right and a collective right, guaranteed by democratic legal systems, including the United States Bill of Rights, article 11 of the European Convention on Human Rights, international law, including articles 20 and 23 of the Universal Declaration of Human Rights, and Conventions 87 and 98 of the International Labour Organization.³¹

Collective bargaining and collective representation of workers in trade unions are essential for effectively improving the living and working conditions of workers through constructive negotiations. It provides a counterbalance to the inherent asymmetric power balance between employers and individual workers. In order to freely exercise their right to freedom of association, workers need to be protected against discrimination from employers and against repercussions such as dismissal or suspension, due to trade union membership or activities.

However, according to a periodic survey carried out by the International Trade Union Confederation (ITUC), workers worldwide face strong opposition in case they are active in trade unions or trade unions are forbidden at all. According to the ITUC Global Rights Index 2015, in 84 out of 141 countries, employers and governments refuse to bargain with representative trade unions or delay negotiations to such an extent that they become almost meaningless. Workers in 73 out of 141 countries face discrimination such as dismissals and suspension or pay cuts and demotions.³²

Violations of labour rights occur in virtually all countries, even where labour laws and institutions are strong and there is a genuine effort to give them effect by governments and employers. According to ITUC, in five countries only - Austria, Finland, Norway, Netherlands and Uruguay -, labour issues are addressed peacefully through negotiations without any form of negative impact against workers raising them.³³

The Middle East and North Africa can be regarded as the world's worst region when it comes to fundamental rights at work. In the oil-producing Gulf countries, a vast majority of workers are migrant workers from countries like Bangladesh, India, Pakistan and the Philippines. They are excluded from protection under the labour laws and exposed to forced labour.

European countries are best in guaranteeing rights effectively, though also in this region labour rights are under attack due to the severe measures taken in countries such as Greece and Portugal to beat the economic crisis. Governments of for instance Spain and Russia have been targeting workers with criminal sanctions and detentions for opposing economic reforms through strikes and protests.³⁴

In many countries in the Asia and Pacific region, labour laws and their implementation are weak. Workers and unions face anti-union actions from employers and governments. In many countries, it is difficult to call a strike and strike repression often leads to violence. The widespread use of short-term contracts and subcontracting undermines the bargaining position of workers. Without fixed contracts, the position of workers remains weak. Governments facilitate these practices by failing to properly enforce laws or amending laws to facilitate the expansion of precarious, e.g. poorly paid, insecure and unprotected work. In other countries, export processing zone (EPZs) pose a serious challenge to unions; employers often harass workers who try to join a union and refuse to recognise unions once established. In Indonesia, demonstrations and strikes are prohibited in the EPZs. Military and the police can directly take action to guard companies and industrial location when workers go on strike. In Bangladesh, unions are prohibited by law. Only the establishment of worker welfare associations is allowed – which do not have the same rights as unions. In most EPZs, labour inspection is rare to non-existent, or under the purview of a special EPZ inspection which does little to enforce the law. According to the ITUC, serious violations of trade union rights occur in EPZs in countries throughout Asia, including Sri Lanka, Malaysia, Cambodia and the Philippines.³⁵

2.6.1 Freedom of association in the garment and electronics sector

ITUC uses six categories to evaluate the status of exercising and protecting workers' rights in 141 countries around the world:

1. Irregular violation of right
Workers can freely associate and defend their rights collectively with the government and/or companies and can improve their working conditions through collective bargaining.
2. Repeated violation of rights
Countries with a rating of 2 have slightly weaker collective labour rights than those with the rating 1. Certain rights have come under repeated attacks by governments and/or companies and have undermined the struggle for better working conditions.
3. Regular violation of rights
Governments and/or companies are regularly interfering in collective labour rights or are failing to fully guarantee important aspects of these rights. There are deficiencies in laws and/or certain practices which make frequent violations possible.
4. Systematic violation of rights
Workers in countries with the rating 4 have reported systematic violations. The government and/or companies are engaged in serious efforts to crush the collective voice of workers putting fundamental rights under threat.

5. No guarantee of rights

Countries with the rating of 5 are the worst countries in the world to work in. While the legislation may spell out certain rights workers have effectively no access to these rights and are therefore exposed to autocratic regimes and unfair labour practices.

5+. No guarantee of rights due to the breakdown of the rule of law.

Workers in countries with the rating 5+ have equally limited rights as countries with the rating 5. However, in countries with the rating 5+ this is linked to dysfunctional institutions as a result of internal conflict and/or military occupation.

Table 8 gives a break-down of the amount and names of countries according to the six categories mentioned above. The focus is on countries that are relevant for this case study: production and supply chains of the garment and electronics sector. The table shows that major countries in garment manufacturing (see 2.1) as China, Turkey, Bangladesh, India, Cambodia and Malaysia are category 5 countries, where freedom of association and the right to collective bargaining is not guaranteed, category 4 countries with systematic violation of rights (Indonesia) or category 3 countries (Sri Lanka) with regular violation of rights.

Also major electronics manufacturing countries are among the category of countries where freedom of association is not guaranteed (China, India, Malaysia and South Korea), where these rights are systematically (Thailand, USA), or regularly violated (Taiwan). Major electronics manufacturing countries like Japan and Brazil score better in protecting workers' rights and Germany is among the countries where violation of labour rights is rare.³⁶

Below, some cases are described of obstruction of the right to organise in the production and supply chains of garment and electronics manufacturers, derived from reports of global trade unions ITUC and IndustriALL:

- **Bangladesh**

In Bangladesh, physical force, sexual intimidation and threats of physical assault and dismissal are often used to stop workers in the garment sector, the majority women, from organising. Some factory owners have also used local gangsters to threaten or attack workers, including in their own homes. One worker reported that when workers in her factory presented their union registration forms to the company owner, he threw it in the rubbish bin and then threatened them, saying that he would never allow union membership. At another factory, a supervisor said any woman joining the union would be stripped of her clothes and thrown onto the street.³⁷

- **China**

Founded on May 1, 1925, the All-China Federation of Trade Unions (ACFTU) is a body under the leadership of the Secretariat of the Central Committee of the Communist Party of China (CCCPC). ACFTU acts as the leading body of the federations of trade unions in different regions and industries. ACFTU is China's sole union federation. Under China's Trade Union Law, workers have no freedom of association and cannot simply join a trade union of their choice. To be a legally recognized union, all trade unions must be affiliated to the ACFTU; all independent trade unions and other workers' organisation are prohibited. By the end of 2009, total ACFTU membership had reached 226 million, which included 79.8 million rural migrant workers.

In spite of efforts made to get more legitimacy from workers by organising trade union elections at enterprise level, it is still common practice that even where direct elections have been implemented, managers push themselves forward and are being elected as trade union chairs. In a large number of cases, trade union officials will simply be appointed and no genuine election will take place.

Without a union that represent their interests, workers often bypass or simply not consider the ACFTU when involved in labour disputes with employers. Instead, they have either gone straight to petitioning the government or their employers or organise spontaneous strikes, holding demonstrations, and blocking roads. The right to strike is not protected under Chinese law, and violence and mass deployment of riot police have often been used to disperse strikes and protests, with criminal charges being brought against strikers.³⁸

- **Malaysia**

October 2014, workers in Malaysia voted for union representation by the Electronic Industry Employees Union (EIEU) at electronics manufacturer Infineon Technologies, despite strong pressure and union busting tactics by management. Workers asked the company management for recognition of their union in April 2014. However, Infineon rejected the union's demands and refused to enter a constructive dialogue with workers. EIEU was subsequently forced to pursue a long bureaucratic recognition procedure, while the company tried to destroy the workers' efforts at organising. In a bid to prevent union presence, the company tried to claim the factory was not producing electronic components. Eventually, Infineon agreed to a secret ballot of the entire workforce. In the run-up to the vote, the company regularly provided negative briefings against EIEU and threatened workers. Nonetheless, more than half of the workers voted in favour of having the union at the plant.³⁹

- **Turkey**

Dozens of trade union activists are still in detention in Turkey, as Turkish unions continue being deprived of their right to strike and to undertake peaceful protest action. Garment brand Hugo Boss faces significant concerns related to freedom of association and collective bargaining. In March 2015, global trade unions IndustriALL and ITUC alleged that the management at the Hugo Boss factory in the Turkish Izmir was continuing to sack union members and supporters. According to reporting by a local trade union, the company dismissed at least 31 trade union supporters between 2011 and 2015. The cases were brought to court, and while the High Court of Appeals ordered for the reinstatement of the workers, IndustriALL alleged that the company only paid the affected workers extra compensation instead of reinstating them. Lastly, IndustriALL also claimed that workers were underpaid, do not receive social benefits, and were forced to work long hours.⁴⁰

Table 8 Freedom of association and collective bargaining in countries worldwide

	Category	Description	# of countries	Examples of countries
1	Irregular violation of right	Collective labour rights are generally guaranteed. Workers can freely associate and defend their rights collectively with the government and/or companies and can improve their working conditions through collective bargaining. Violations against workers are not absent but do not occur on a regular basis.	16	Finland, France, Germany, Italy, Netherlands, Slovakia, Uruguay
2	Repeated violation of rights	Countries with a rating of 2 have slightly weaker collective labour rights than those with the rating 1. Certain rights have come under repeated attacks by governments and/or companies and have undermined the struggle for better working conditions.	26	Brazil, Bulgaria, Czech Republic, Croatia, Ireland, Japan, South Africa
3	Regular violation of rights	Governments and/or companies are regularly interfering in collective labour rights or are failing to fully guarantee important aspects of these rights. There are deficiencies in laws and/or certain practices which make frequent violations possible.	36	Ethiopia, Hungary, Morocco, Portugal, Singapore, Spain, Sri Lanka, Taiwan, UK
4	Systematic violation of rights	Workers in countries with the rating 4 have reported systematic violations. The government and/or companies are engaged in serious efforts to crush the collective voice of workers putting fundamental rights under threat.	27	Indonesia, Mexico, Romania, Thailand Tunisia, USA
5	No guarantee of rights	Countries with the rating of 5 are the worst countries in the world to work in. While the legislation may spell out certain rights workers have effectively no access to these rights and are therefore exposed to autocratic regimes and unfair labour practices.	27	Bangladesh, Cambodia, China, Hong Kong, India, South Korea, Laos, Malaysia, Pakistan, Philippines, Turkey
5+	No guarantee of rights due to the breakdown of the rule of law	Workers in countries with the rating 5+ have equally limited rights as countries with the rating 5. However, in countries with the rating 5+ this is linked to dysfunctional institutions as a result of internal conflict and/or military occupation. In such cases, the country is assigned the rating of 5+ by default.	9	Central African Republic, Eritrea, Iraq, Libya, Palestine, Somalia, Sudan, South Sudan, Syria
Total			141	

2.7 Living Wage

The United Nations' Universal Declaration of Human Rights (1948) states that "everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity". The OECD Guidelines recommend paying a wage that "should be at least adequate to satisfy the basic needs of the workers and their families". The ILO describes a living wage as "the level of wages sufficient to meet the basic living needs of an average-sized family in a particular economy."⁴¹

The common ground of the above definitions is that a 'living wage' is regarded a family income and serves the basic needs of a family, such as housing, food, clothing, health care, education and transport.

Workers in many producing countries are not paid enough to support themselves and their families. Some of these countries do have a legal minimum wage. However, even if a minimum wage has been enacted into law, it is often much lower than a living wage. See Table 9 for examples of difference between minimum wage and living wage in Asian countries.

Table 9 Difference between minimum wage and living wage in Asian countries

Country	Minimum wage per month in €	Living wage per month in €	Minimum wage as % of living wage
Bangladesh	50	260	19
Cambodia	73	286	25
China	175	376	46
India	52	195	26
Indonesia	82	267	31
Malaysia	196	361	54
Sri Lanka	50	259	19

Source: Asia Floor Wage (n.d.), "Minimum Wage versus Living Wage", online: <http://asia.floorwage.org/living-wage-versus-minimum-wage>, viewed in February 2016.

2.8 Operationalization of the concept of 'living wage'

There are several initiatives to operationalize the concept of a living wage.

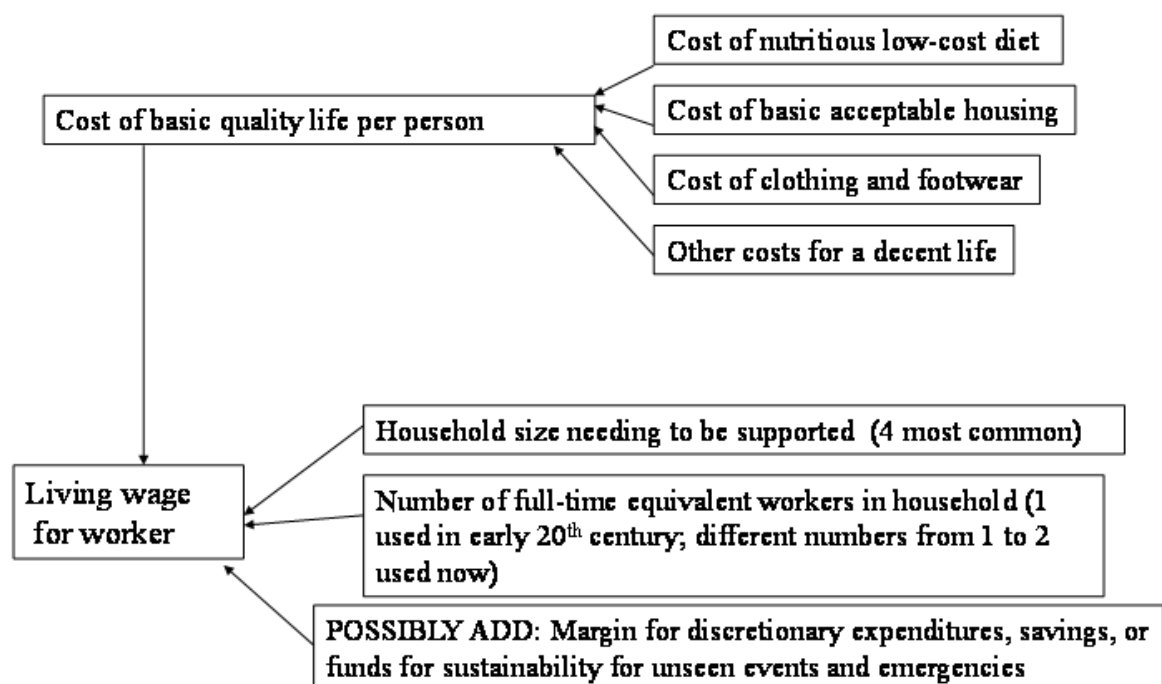
- Social Accountability International (SAI) gives the following definition of a living wage: "The remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs including provision for unexpected events." A living wage may therefore differ from one country, region or even one city to the next.

Social Accountability International uses the so-called Anker method to calculate a living wage. This method is based on the principle that a living wage should be sufficient to meet the basic needs of a family of average size in a given economy. SA8000 certified companies need to comply with this definition and method.

The Anker method is named after Richard Anker, a retired senior economist at the ILO. In sum, living wage is estimated by adding up the cost of a low cost nutritious diet that is appropriate for food preferences and development level of a country, plus the cost of decent housing in the area, plus other costs for essential needs, which are assessed through a method of extrapolation. A small margin above the total cost is then added to help provide for unforeseen events such as illnesses and accidents to help ensure that these events do not easily throw workers into poverty. This total per capita cost is scaled up to arrive at the cost of a decent standard of living for a typical family and then defrayed over a typical number of full-time equivalent workers per household. There is no consensus among methodologies regarding what family size should be supported by a living wage for either high-income countries or developing countries. On the other hand, four persons is clearly the most common family size used. A family of four has considerable intuitive appeal, as it represents approximate population reproduction.⁴²

See Figure 3 for a flow chart on how to estimate a living wage.

Figure 3 Flow chart on how to estimate a living wage



Source: R. Anker (2011), *Estimating a living wage: A methodological review*, Geneva, Switzerland: ILO, p. 6.

- The Clean Clothes Campaign, Asia Floor Wage Campaign and other organizations engaged in improving working conditions in supply chains of electronics companies and clothing companies have further operationalized the concept of a living wage as family income by defining "family" as a household consisting of three adults, 2 adults and 2 children or 1 adult and 4 children. In other words, a living wage should be sufficient to support the worker and two other "consumption units" (one unit of consumption = one adult or two children). The level of a living wage varies from country to country and region to region. This also applies to the definition of basic needs (housing, food, power supply, etc.). The method uses purchasing power parity to estimate what a living wage is for garment workers in various countries across Asia.⁴³

- The Fair Wear Foundation (FWF) has developed a method that gives guidance for gradual introduction of a living wage. The so-called Wage Ladder on local level gives insight in the difference between actual income levels and legal minimum wage, the poverty line and different definitions of living wage. Also differences in income between men and women and between departments within a company are indicated. It also provides information on wages in comparable companies within the same region known as a model factory with regard to the income levels of their employees.⁴⁴
- Finnwatch, a Finnish non-profit organisation that studies the responsibility of global Business has developed a model to calculate a living wage, similar to the methodology of the Asia Floor Wage Campaign and uses the following formula:

$$\frac{C}{W} + S$$

C = monthly living costs of a household at the level of basic, acceptable quality of life (household = family of 2 adults and 2 children or more if typical)

W = number of full-time workers in a household (typical number: w = equivalent 1.x or simplified assumption: w = 1.5 or w = 1.0 in which case c = living costs-childcare expenses)

S = share of salary set aside for savings (10 %).⁴⁵

- The Wage Indicator Foundation has developed a calculation tool and provides an overview per country on the following indicators:
 - World bank Poverty Line
 - National Poverty Line
 - Statutory Minimum Wage
 - Living Wage
 - Low Skilled Wage
 - Medium Skilled Wage
 - High Skilled Wage

The calculation tool also provides information about minimum and maximum costs for housing, food and transport and differentiation of wages and costs of living per region. Up till now, calculations have been carried out for over 80 countries.⁴⁶

2.9 How to achieve a living wage?

According to the SER Committee on International Corporate Social Responsibility, the gap between what workers in a specific country actually earn and the estimated living wage may be so huge that introducing a living wage all at once would be disruptive to the national economy. It is partly for that reason that a gradual introduction might be a better option, for example using the Wage Ladder developed by the Fair Wear Foundation (FWF).

International trade often involves problems that businesses cannot solve on their own. For example, many sectors do not work with margins expressed in absolute numbers, but in percentages. If a business raises a worker's wages, then it will also increase its prices, for example for leasing or transport, by the same percentage. Paying a few cents more for a T-shirt at the start of the chain often means that the same T-shirt sells for several euros more at the end of the chain. Businesses that want to take steps towards a living wage can often achieve more by joining an alliance in their sector or supply chain. Such initiatives often have the support of NGOs or multi-stakeholder initiatives such as the Fair Wear Foundation.

According to the SER, a business can work towards a living wage by increasing the workers' wages directly. The first step is to estimate what a living wage is in the region in which its factory is located. Without an intermediary, it is difficult to guarantee that the money actually ends up in the factory workers' pockets. Major brands can conduct their own audits, but even smaller businesses can work with a trade union or NGO that will perform the audit for them.

The business may only be one of many enterprises that contract out work to a manufacturer, or it may only contract out work for part of the year. If that is the case, it may be difficult to persuade the other contractors to pay a higher price as well. But it can at least pay a living wage for its share of the work. It should start by estimating what the piece rate would be for a living wage. That means dividing the actual living wage by the maximum number of items that a worker can produce in the time available. It can then pay out the additional sum to the workers as a bonus. Switcher, a Swiss fashion and promotional wear company that accounts for only a small portion of its factory's production, deposits the entire bonus amount into a worker managed fund so that the workers can decide for themselves how to spend it.⁴⁷

2.10 Living wage and collective bargaining

Living wage should be a result of a bargaining process between employers and workers. Workers participation is key. Collective bargaining with support from trade unions is only possible if workers have the right to join a trade union, which in a lot of countries is not the case. Workers that are employed through third party agencies and labour contractors face particular challenges because of the triangular employment relationship that is created. In a recent report, global trade union IndustriALL exposes how lack of job security and no direct relationship with the employer undermines worker rights. The trade union also gives examples of how collective bargaining strategies can be used to overcome the obstacles to protecting the rights of workers in triangular employment relationships.⁴⁸

In 2013, IndustriALL set up a steering committee on ICT Electrical and Electronics to lead the work in the sector and discuss strategies on multinational corporations, trade union networks, organizing, union rights, precarious work and specific industrial policy. In 2014, a five-year project supported by the European Commission was launched in cooperation with the GoodElectronics network. It focuses on organizing electronics workers in the ASEAN region, of which 30 per cent are women, including outsourced workers, temporary workers, migrants and students. Last year, over 600 trade unionists from IndustriALL affiliates in Indonesia, Malaysia, Thailand, Vietnam and Taiwan were trained in organizing.⁴⁹

According to the ILO, since 1990, the share of GDP (gross domestic product) from wages has fallen steadily across the world. The ILO links the widening gap between productivity and wage growth to a decline in collective bargaining.

According to IndustriALL, particularly in supply chain industries like garments and electronics, “bargaining at the level of individual factories will never be enough to drive up pay and conditions when demands by multinational corporations (MNCs) for ever lower labour costs suppress wages and conditions in a race to the bottom. There are limits to how far an individual factory or business can step ahead of its competitors and unscrupulous MNCs will simply move to suppliers with lower standards and lower labour costs. Likewise, efforts by individual MNCs to raise standards, particularly when these do not include reform of purchasing practices, will meet with opposition in their supplier factories which have to compete with other factories on labour costs. Industry-wide agreements, particularly those with extension provisions, make it very difficult for employers to escape their obligations. They effectively take labour costs out of competition by creating a level playing field that enables conditions to improve for all workers in an industry, regardless of who they work for.”⁵⁰

2.10.1 Cambodia campaign on living wage

In Cambodia, a coalition of unions joined together to demand that major brands such as H&M, GAP, Levi's and Inditex make sure that a minimum wage of US \$177 is paid in their Cambodian suppliers and negotiate directly with Cambodian unions a binding agreement to achieve living wages, decent purchasing practices, stable employment, and union rights for the long-term. Since late 2013 Cambodian workers have been demanding an increase in the minimum wage to a fairer wage of \$177 in order to take crucial steps towards the payment of a living wage. The trade unions also generated media attention on mass faintings in garment factories. In August 2015, nearly 400 workers fainted in four factories across Cambodia. On July 2 alone, 38 workers lost consciousness in a factory in Phnom Penh. In 2014, the Ministry of Labour recorded that more than 1,800 workers collapsed in 24 factories. Mass faintings have been linked to malnutrition, high targets and long working hours, as a consequence to low wages and the need to survive.⁵¹

Following the conclusion of the strike, clothing companies, including H&M, wrote a letter to the Cambodian prime minister, urging the government, the garment sector and labour unions to engage in talks to review the workers' demands and to determine measures to avoid similar strikes in the future. The companies mentioned that they would support fair living wages for Cambodian garment workers and were prepared to factor such wages into their pricing.⁵²

2.11 Best practices

In this section, best practices are listed, with regard to improvement of labour standards in the garment and electronics sector. First, several multi-stakeholder initiatives are presented, followed by sector initiatives and best practices of individual companies.

2.11.1 Multi-stakeholder initiatives

The following multi-stakeholder initiatives are relevant for working together on improving labour conditions in the garment and electronics sector:

- **Ethical Trading Initiative**

The Ethical Trading Initiative (ETI) is an alliance of companies, trade unions and NGOs that promotes respect for workers' rights around the globe. Payment of a living wage is part of the ETI Base Code. The Dutch office of the Clean Clothes Campaign however, criticizes ETI for not clearly defining living wage as family income.⁵³

- **Fair Labor Association**

The Fair Labor Association (FLA) is an US-based initiative from universities, civil society organisations and socially responsible companies dedicated to protecting workers' rights e world-wide. Companies that join the FLA commit to ten Principles of Fair Labor and Responsible Sourcing (and/or Production) and agree to uphold the FLA Workplace Code of Conduct in their supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and seeks to protect the workers who manufacture the clothing, footwear, electronics, agricultural products and consumer products. Transparent and independent assessments are published online. FLA also has established complaint mechanisms to address labour rights violations through a third party complaint process.

Fair wages are part of the Code of Conduct but not a living wage in terms of a family income. The FLA Workplace Code of Conduct includes the right to compensation for a regular work week that is sufficient to meet the worker's basic needs and provide some discretionary income. Employers are required to pay at least the minimum wage or the appropriate prevailing wage, whichever is higher, comply with all legal requirements on wages, and provide any fringe benefits required by law or contract. Where compensation does not meet workers' basic needs and provide some discretionary income, each employer shall work with the FLA to take appropriate actions that seek to progressively realize a level of compensation that does.⁵⁴

- **Fair Wear Foundation**

The Fair Wear Foundation (FWF) is a non-profit organisation that works with companies and factories to improve labour conditions for garment workers. FWF is a multi-stakeholder initiative consisting of NGOs, employer organisations and trade unions.

FWF's 80 member companies represent over 120 brands, and are based in seven European countries; member products are sold in over 20,000 retail outlets in more than 80 countries around the world. FWF is active in 11 production countries in Asia, Europe and Africa.

FWF keeps track of the improvements made by the companies it works with. And through sharing expertise, social dialogue and strengthening industrial relations, FWF increases the effectiveness of the efforts made by companies. By joining the Fair Wear Foundation, garment companies commit themselves to undergo regular audits and verification processes and to embrace the concept of a living wage.⁵⁵

- **SA 8000**

Social Accountability International (SAI) is a non-governmental, multi-stakeholder organisation that launched the SA8000 (Social Accountability 8000) standard – a voluntary corporate social responsibility standard for workplaces, based on ILO and UN conventions. The standards also include payment of a living wage, defined as a family income. Furthermore, SAI is member of the Global Living Wage Coalition, in order share work on the methodology, promotion and implementation of a living wage for workers in the production and supply chains of companies that commit to the SA 8000 standard. SAI accredits auditors, provides training and technical assistance, and assists corporations in improving social compliance in their supply chains. The organisation partners with trade unions and NGOs to carry out research, training and capacity-building programs.⁵⁶

- **Sustainable Apparel Coalition**

The Sustainable Apparel Coalition (SAC) is an industry-wide group of apparel and footwear brands, retailers and manufacturers in apparel, footwear and home textiles, in cooperation with non-governmental organisations, academic experts and the U.S. Environmental Protection Agency, working to reduce the environmental and social impacts of their operations. All SAC members commit to using the Higg Index, a suite of self-assessment tools to measure their environmental, social and labour impacts and to identify areas for improvement.⁵⁷

2.11.2 Sector initiatives

Companies can also work together with sector peers:

- **EICC**

The Electronic Industry Citizenship Coalition (EICC) supports electronics companies with managing their corporate social responsibility towards workers and communities worldwide affected by the global electronics supply chain. EICC members commit and are held accountable to a common Code of Conduct (CoC). The concept of a living wage is not yet included in the CoC. The EICC utilizes a range of EICC training and assessment tools to support improvement in the social, environmental and ethical responsibility of their supply chains.

The EICC regularly engages in dialogue and collaborations with workers, governments, civil society, investors and academia to gather the necessary range of perspectives and expertise to support and drive its members toward achieving the EICC mission and values of a responsible global electronics supply chain.

Today the EICC is comprised of more than 100 electronics companies with combined annual revenue of over \$3 trillion, directly employing more than 5.5 million people. In addition to EICC members, thousands of companies that are Tier 1 suppliers to those members are required to implement the EICC Code of Conduct.⁵⁸

2.11.3 Best practices companies

Some examples of companies which have implemented best practices:

- **The Joint Turkey Programme (JTP)**

The Joint Turkey Programme (JTP) is a partnership between Next, Inditex, Topshop/Topman and the global IndustriALL union whose purpose is to introduce the freedom of negotiation and association, thereby fostering sustainable working practices in the suppliers' factories. JTP organises workshops to remind both employers and workers of their rights and responsibilities and to explain the opportunities created by corporate social responsibility.⁵⁹

- **Nudie Jeans**

In 2013, the Swedish clothing company Nudie Jeans decided to pay a living wage in its factory in India, and to pay it directly to the factory workers. Nudie Jeans is a relatively small brand. The company does not own its own factories, nor is it a major contractor in any one factory. That means it was unable to ensure that the factory workers received a living wage. Instead, it has estimated what the living wage should be per garment and sees that the factory workers receive this by paying them a bonus on top of their wages. However, unless worker only produces garments for Nudie Jeans, he or she will still not earn a living wage.

Nudie Jeans works with the Fair Wear Foundation (FWF) to ensure that the money is actually paid out to the factory workers. The FWF checks whether Nudie Jeans' share of living wage is reported on the workers' payslips.⁶⁰

- **H&M**

Some companies have taken steps to encourage governments to increase the minimum wage. One example is garment retailer H&M, which has asked the governments of Bangladesh and Cambodia to review their minimum wage annually and indicated that it would adjust wages accordingly. A statement of this kind shows a government that the company will not abandon the country if it raises the minimum wage.⁶¹

Brands or businesses that are big enough to be a sole contractor or factory owner have a good chance of introducing a living wage there. Some businesses have carried out pilots with model factories that pay a living wage and maintain good working conditions. H&M is one of the companies in the garment industry that works with ethical model factories. H&M does not own any factories, but works with factory owners to build lasting relationships of trust. Nevertheless, it proved difficult for H&M to introduce a living wage in those factories. For example, raising a factory seamstress's pay put her wages on par with that of a teacher outside the factory, which in turn put the country's wage structure at risk. The factory also had to increase the wages of other employees, since the difference between a seamstress and a manager would be too small otherwise.⁶²

In order to address the issue of a fair living wage in the textile industry, H&M has developed the Fair Living Wage Roadmap, using a holistic approach that covers H&M, factory owners, factory employees and governments. One of the goals is to support factory owners to develop pay structures that enable a fair living wage and train their employees into a skilled workforce that can negotiate and annually review their wages. In parallel, the company reviews how to improve its own purchasing practices to ensure they cover the true cost of labour, and encourages governments to set a mechanism to annually increase minimum wage levels. H&M aims to scale up pay structures to cover certain strategic supplier factories by 2018 and affect around 850,000 workers.⁶³

2.12 Company profiles of selected companies

The banking groups finance or invest in 26 garment companies and 83 electronics companies. It is not possible to give detailed company profiles of all companies, and therefore, a few are highlighted. Below, CSR profiles are presented of six international garment and electronics brands that are, which are among the leaders in their sector, in terms of turn-over. The original source of this information is the report "Scandal: Inside the global supply chains of 50 top companies. Frontlines Report 2016", of the International Trade Union Confederation.⁶⁴

- **Apple**

With its business producing high-end gadgets such as the iPhone, iPad, Mac, iPod and the Apple Watch, Apple Inc is the world's largest publicly traded corporation by market capitalisation and the world's second-largest information technology company by revenue. The first Apple computer was devised in a Californian garage in 1976 and put together by hand. During the 2000s, Apple outsourced almost all of its manufacturing and assembly to Asia, in particular China. Today Apple and its suppliers have moved to source parts and components from lower-wage countries in Asia, such as Cambodia and Indonesia.

Despite its brand position, Apple has received criticism for working conditions in its supply chain, with reports of 60-hour working weeks, worker suicides, child labour, pay being withheld, discrimination against women and minorities, beatings and harassment. Apple has addressed some of these issues, but both internal and external evaluations consistently reveal insufficient wages, excessive working hours, forced labour and migrant worker vulnerability and the lack of worker presence on health and safety committees.

Apple sources most of its products from China. It uses giant supplier firms across the country – most notably Foxconn – and these employ millions of workers. Despite their well-publicised commitment to ethical production, NGO and academic research reveals a litany of labour violations at Apple's Chinese supplier factories. These violations include forced overtime, underpayment of social or medical insurance, illegal and unreported use of student workers, regular managerial intimidation, an inability to resign with entitlements paid, and no real opportunity for workers to find redress for their concerns. At Foxconn factories in Chengdu, workers polishing the iPad's aluminium case have been documented doing so without appropriate safety-equipment, exposing them to a daily smog of aluminium dust. In 2011, the accumulation of that dust in one factory's air vent caused an explosion killing four people.

A major factor in creating these conditions is the squeeze that Apple puts on its suppliers. Those suppliers depend on Apple contracts for their existence, meaning that Apple can and will call the shots. In order to win its battle with rivals like Samsung, Apple dictates price-setting and the timing of product delivery. At times, this results in intense pressures for supplier firms like Foxconn, which are then passed on to workers in terms of overtime and health and safety hazards. This is in a context where for every \$499 a US consumer pays for an iPad, Apple takes \$150, its mega-suppliers \$75, and the average Chinese worker only \$8.

- **Gap**

Global retailer Gap Inc. offers garment and accessories under the Gap, Banana Republic and Old Navy brands. The company designs products which are manufactured by independent vendors and sold at more than 3,700 stores around the world. Although directly employing 140,000 employees, Gap Inc.'s supply chain covers many more through 1,000 contractors across 40 countries – almost half of these are in Asia. Up to 98 per cent of the company's purchases is from factories outside the US, in places such as China, Bangladesh, Cambodia, Indonesia and Burma.

Despite developing a "framework for laying the foundation to increase wages", the company's commitment to workers' rights within its supply chains is deficient. In Bangladesh, the brand refused to join the multi-stakeholder Bangladesh Accord following the Rana Plaza disaster; however, Gap joined a corporate-led initiative, which is not legally binding. Gap has also not developed internal benchmarks to monitor living wages. Gap's supplier factory audits consistently point to deficiencies in wage payments and working hours. There is also evidence of precarious work at the site of Gap sub-contractors in Cambodia. The company has provided "personal advancement" training to more than 20,000 women in 60 factories, in countries such as Bangladesh, Cambodia, China and Indonesia, but this program does not help the majority of workers move up the pay scale.

- **H&M**

H&M is the world's second largest clothing retailer with a supply chain encompassing 1.6 million workers. The company's main business is retailing, with 132,000 staff at 3,500 stores in 55 countries, the vast majority of which are controlled by H&M.

Although the multinational is Swedish-based, its clothing production is outsourced to around 900 suppliers across almost 2,000 factories. Most of these are in Asia, with operations in China, Bangladesh, Myanmar, Cambodia, Hong Kong and Indonesia.

The company has made progress in supply chain transparency and multi-stakeholder initiatives but has been under pressure to show progress on living wages after making commitments on this front.

Over the years the company has attracted criticism for conditions in its supply chain, but it has made efforts to address these. It has signed the Bangladesh Accord and joined a project to increase collective bargaining in Cambodia. It has also committed to paying a living wage to suppliers by 2018, which would affect 850,000 workers. A recent report found H&M lagged behind in compliance with remediation under the Accord.

The company's living wage promises have received criticism for a lack of concrete evidence for actual improvements for workers on the ground. A Global Framework Agreement signed in November 2015 between H&M and Global Union Federation IndustriALL and its Swedish affiliate IF Metall has set H&M on a path towards a sustainable garment industry with a unionised workforce, living wages, safe work and collective bargaining.

- **Hewlett Packard**

Hewlett-Packard is the world's largest vendor of personal computers and one of the leading providers of printers, hardware, software and finance and business services.

From its origins in a one-car garage in Silicon Valley, it now boasts a supply chain of outsourced manufacturing suppliers with more than 525,000 workers. This supply chain includes 63 factories in 16 countries, with almost two-thirds in Asian countries such as Indonesia, Malaysia and the Philippines. HP's major suppliers include Foxconn and Flextronics (which have a dubious labour rights record) along with Intel and ADM.

The company has taken important steps to protect workers' rights – in 2014 it became the first company in the electronics industry to require direct employment of foreign migrant workers at suppliers' work sites. This effectively ends the practice of workers employed by labour agents and reduces the risk of forced labour. But it is not known if this is effectively carried out in practice.

However, HP continues to face complaints of excessive overtime and insufficient wages in its supply chain. For instance, 17 per cent of workers at HP's final assembly suppliers work more than 60 hours per week on average. Hours worked at its components suppliers are unknown. Also concerning is that almost a third of audits revealed serious violations regarding minimum wages and overtime compensation.

- **Nike**

From first selling shoes out of a car boot, Nike, Inc. has grown to be the largest seller of footwear and athletic apparel in the world. The US-based multinational designs, develops and markets Nike, Jordan, Converse and Hurley products and has outsourced production to 709 factories in 44 countries, almost entirely in Asia.

Nike contracted factories employ more than one million workers in Vietnam, China and Indonesia and more than 40 other countries. There are more than 2.5 million workers across its supply chain including in Bangladesh, Cambodia, Indonesia, Hong Kong and the Philippines.

Over the years the corporation's reputation has been tainted by accusations of sweatshops and child labour at Nike supplier factories in the 1990s and early 2000s. In 2005, Nike published the list of its manufacturing supplier factories – the first company in the industry to do so.

In 2011, female workers at one of Nike's supplier factories in Indonesia told media they were slapped, kicked and abused while making Converse shoes for 50 cents an hour. Last year, one of the biggest strikes in mainland Chinese history occurred at a Yue Yuen factory employing 70,000 people making shoes for Nike among others. However, the company has committed to freedom of association in Indonesia and capped its use of short-term contracts among suppliers at 15 per cent, which no other brand has done. In Nike's audits of its suppliers, wages and excessive overtime hours constitute eight in ten of all recorded violations. The company refused to join the Bangladesh Accord.

- **Samsung Electronics**

Samsung Electronics is the world's second largest tech company by revenue and the world's largest smartphone maker. The corporation employs more than 285,000 in making smartphones, home appliances and electronic components. Operations are spread across 220 global sites with almost two thirds of its labour in Asia.

More than 90 per cent of its production is made in house, unlike most competitors that outsource manufacturing; however, it's estimated Samsung's annual supplier spend of \$135 billion impacts at least 1.5 million workers through subcontractors.

Samsung has attracted criticism for opposing the unionisation of its workers, and has an explicit no-union policy. In 2011, two Samsung Electronics workers committed suicide by jumping off company dormitories. In 2014, the company agreed to compensate former semiconductor workers who suffered cancers linked to chemical exposure, but appears not to have followed through on compensation in all cases.

Samsung also relies on suppliers in Asian countries like China, South Korea and Indonesia. In South Korea, it was estimated to employ 8,000 workers through in-house sub-contractors to lower costs. That practice was found to be illegal at another Korean manufacturer, Hyundai. At Samsung's Indonesian sites, there have been cases of worker deaths and allegations of union busting. At its suppliers' sites in Indonesia, there has been union busting and cases of wages paid below the mandated minimum.

Chapter 3 Profiles and assessments of ten Dutch banking groups

This chapter provides an overview of the financing and investment relations of Dutch banking groups in a selection of companies in the garment and electronics sector. Furthermore, this chapter gives an analysis of the responsible lending and responsible investment policies of Dutch banking groups with regard to human rights and labour standards and how they are applied to companies in the garment and electronics sector.

3.1 Overview of financing and investment relations

To provide an overview of the financing and investment relations of the ten Dutch banking groups with the garment sector and electronics sector, the following financial links were researched:

- Credits and loans: corporate loans and revolving credit facilities; underwriting of share and bond issuances during the period 2011 - February 2016;
- Asset management: shareholdings and bond holdings in stock-listed companies, per most recent filing date, as of February 2016.

Most banking groups that are part of the selection for the Fair Bank Guide, or their asset managers on behalf of them, have shareholdings and bond holdings in the selected companies: ABN Amro, Aegon, ASN Bank, Delta Lloyd, SNS Bank, Triodos and Van Lanschot. Three banking groups have outstanding corporate loans and revolving credit facilities, or are involved in the underwriting of share and bond issuances: ABN Amro, ING and Rabobank. For one of the ten banking groups - NIBC - no financial or investment relations with companies in the garment and electronics sector were found.

It is important to note that the financial research does not give a complete overview of corporate credits and loans to companies in the garment and electronics sector. The research involves syndicated corporate credits and loans which are traded on international financial markets. Asking banking groups to disclose information about corporate clients and transactions was not part of the research.

The results of the financial research for all banking groups is presented in subsections 3.1.1, 3.1.2, 3.1.3 and 3.1.4.

3.1.1 Corporate credits and loans to companies in the garment sector

During the period 2011 - 2016, three banking groups - ABN Amro, ING and Rabobank – have provided revolving credit facilities and corporate loans to seven companies in the garment sector. The total volume of revolving credits and corporate loans amounts to USD 936.8 million. ING has far out the largest volume of outstanding credits and loans, 84% of total. Fashion house Kering is the major holder of credits and loans from the three banking groups (33%; USD 308.2 million). ING is the only banking group involved in underwriting of share and bond issuances, USD 227.1 million in total. See also Table 10.

Table 10 Financing relations of Dutch banking groups with companies in the garment sector in USD million

Banking group		ABN Amro			ING				Rabobank					
Group name	Type of financing	Revolving credits	Corporate Loan	Total ABN Amro	Revolving credits	Bond issuance	Share issuance	Total ING	Revolving credits	Total Rabobank	Subtotal credits/loans	% Subtotal credits/loans	Total	%
1	Groupe Arnault (Christian Dior)				69.2	106.8		176.0			69.2	7	176.0	15
2	Hanesbrands				60.0			60.0			60.0	6	60.0	5
3	Kering				308.2	78.9		387.1			308.2	33	387.1	33
4	Lion Capital (Hema)	20.0		20.0							20.0	2	20.0	2
5	Macintosh Retail Group	43.8	39.1	82.9	43.8		26.4	70.2	43.8	43.8	170.5	18	196.9	17
6	Nike				140.0	15.0		155.0			140.0	15	155.0	13
7	VF Corporation				168.9			168.9			168.9	18	168.9	15
Subtotal credits and loans		63.8	39.1	102.9	790.1			790.1	43.8	43.8	936.8	100		
%				11				84		5				100
Subtotal bond and share issuance						200.7	26.4	227.1			227.1			
Total				102.9				1,017.2		43.8	1,163.9		1,163.9	

Source: Bloomberg, Thomson Reuters Eikon, February 2016

3.1.2 Corporate credits and loans to companies in the electronics sector

During the period 2011 - 2016, ABN Amro, ING and Rabobank, provided revolving credit facilities and corporate loans to seven companies in the garment sector. Financing relationships have been found between three banking groups - ABN Amro, ING and Rabobank – and thirteen companies in the electronics sector. The total volume of revolving credits and corporate loans amounts to USD 3,556 million. ING has far out the largest volume of outstanding credits and loans, 61% of total. Electronics companies ASML (20%), Hewlett Packard Corporation (18%) and NXP Semiconductors (17%) are the major holder of credits and loans from the three banking groups. ING (82%) and to a lesser extent Rabobank (18%) are also involved in underwriting of share and bond issuances, USD 1,182.1 million in total. See Table 11 for more details about the financing portfolio of ABN Amro, ING and Rabobank.

Table 11 Financing relations of Dutch banking groups with companies in the electronics sector in USD million

Banking group		ABN Amro		ING					Rabobank														
Company		Type of financing	Revolving credits	Subtotal	Revolving credits	Corporate loan	Share issuance	Bond issuance	Subtotal	Revolving credits	Corporate loan	Bond issuance	Subtotal	Subtotal credits/loans	% Subtotal credits/loans	Total	%						
1	Arrow		83.2	83.2	72.5		20.4	249.4	72.5	83.2			83.2	72.5	2	72.5	2						
2	ASMI				41.1				41.1					83.2	83.2	207.4	6	207.4	4				
3	ASML				237.9				237.9					237.9	237.9	713.7	20	963	20				
4	AU Optronics																	20.4	0.5				
5	HP Ent								175.0							175.0	5	175.0	3				
6	HP Inc								650.2						254.6	904.7	18	904.7	19				
7	Huawei								236.1					122.1	122.1	358.2	7	358.2	7				
8	Ingram Micro								60.0							60.0	2	60.0	1				
9	Microchip T															48.8	1	48.8	1				
10	Micron T								262.5					59.0		81.7	9	403.2	8				
11	NXP															50.0	550.0	208,3	808.3	600.0	17	808.3	17
12	Rexel								253.5							367.7	7	621.1	13				
13	Sharp																48.6	46.9	95.4	95.4	3	95.4	2
Subtotal credits and loans		321.0	321.0	1,988.6	181.1			2,169.8	468.3	596.9		1,065.2	3,556.0	100									
%			9					61				30				100							
Subtotal bond and share issuances						20.4	953.4	973.7			208,3	208.3	1,182.1										
%			0					82				18				100							
Total			321.0					3,143.5				1,273.5			4,738.1								

Source: Bloomberg, Thomson Reuters Eikon, February 2016

3.1.3 Asset management garment sector

In total, the asset management subsidiaries of seven banking groups have USD 1,277 million under management in 26 garment companies. Aegon (USD 881.4 million) is far out the largest investor in the selected companies. Aegon investments represent 69% of total investments. The top three of investees are Nike (17%), TJX Cos (13%) and VF Corp (12%). See Table 12 for an overview of the top 15 of investments in the garment sector, representing 95% of total investments by Dutch banking groups selected for the Fair Bank Guide. For an overview of investment relations with all companies in the garment sector see Appendix 2 .

Table 12 Investments by the asset managers of Dutch banking groups in companies in the garment sector in USD million

Banking group		ABN Amro		Aegon		ASN Bank	Delta Lloyd		SNS	Triodos		Van Lanschot			
Company	Type of investment	Shareholdings	Bond holdings	Shareholdings	Bond holdings	Shareholdings	Shareholdings	Bond holdings		Shareholdings	Bond holdings	Shareholdings	Bond holdings	Total	%
1 Nike		0.2		150.4	1.6	28.9	17.9		0,9	12.0				211.9	17
2 TJX Cos		3.5		156.7			3.7		0,6					164.5	13
3 VF Corporation		0.1		48.9	68.7		30.5			8.6				157.7	12
4 Industria de Diseño Textil (Inditex)		36.8		38.7		18.6	13.7		4,3	9.9				122.1	9
5 Michael Kors Holdings		0.0		70.8			0.6							71.5	6
6 Ross Stores		0.1		65.5	0.5		1.4							68.0	6
7 Under Armour		0.8		58.4			1.1		0.5					60.4	5
8 Adidas		45.2		5.7		6.6	1.5							59.4	5
9 H&M (Hennes & Mauritz)		20.4		14.9		7.2	9.9		0.4	6.9				59.4	5
10 Gap		9.6		42.9	0.1	2.0	0.5							55.0	5
11 PVH (Phillips-Van Heusen Corporation)		0.0		50.1	0.1		0.5							50.7	4
12 Kering		0.3	16.4	4.2			1.0	4.7	0.1		7.5			35.9	4
13 Nordstrom		0.0		15.7	17.6		0.7		0.1					34.1	2
14 Christian Dior		6.9	7.4	3.4			0.8		0.5				14.0	32.6	2
15 Foot Locker		0.0		28.3			0.7		0.1					29.1	1
Subtotal shares		123.9		756.5		63.3	84.5		7.6	37.4				1,074.4	95
Subtotal bonds			23.9		88.6			4.7			7.5		14.0	138.7	
Subtotal shares and bonds		147.8		845.1		63.3	89.2		7.6	44.9				1,213.1	
No. other companies		0		10		0	9		8	0		0			
Subtotal Shares		127.7		790.5			108.9		8,5	44.9				1,140.4	
Subtotal bonds			23.9		90.9			4.7					14.0	140.9	
Total		151.6		881.4		63.3	113.6		8.5	44.9		14.0		1,277.3	

Banking group		ABN Amro		Aegon		ASN Bank	Delta Lloyd		SNS	Triodos		Van Lanschot			
Company	Type of investment	Shareholdings	Bond holdings	Shareholdings	Bond holdings	Shareholdings	Shareholdings	Bond holdings		Shareholdings	Bond holdings	Shareholdings	Bond holdings	Total	%
% of total		12		69		5	9		0.5	3.5		1		100	

Source: Bloomberg, Thomson Reuters Eikon, February 2016

3.1.4 Asset management electronics sector

In total, the asset management subsidiaries of seven banking groups have USD 1,281.3 million USD 3,555 million investments under management in 83 electronics companies. Aegon (USD 2,696.7 million) is far out the largest investor in the selected companies. Aegon investments represent 75% of total investments. The top three of investees are Apple (27%), ARM Holdings (5%) and Intel. See Table 13 for an overview of the top 15 of investments in the electronics sector, representing 69% of total investments by Dutch banking groups selected for the Fair Bank Guide. For an overview of investment relations with all companies in the electronics sector see Appendix 2

Table 13 Investments by the asset managers of Dutch banking groups in companies in the electronics sector in USD million

Banking group		ABN Amro		Aegon		ASN Bank	Delta Lloyd		SNS	Triodos		Van Lanschot		
Company	Type of investment	Shareholdings	Bond holdings	Shareholdings	Bond holdings	Shareholdings	Shareholdings	Bond holdings	Shareholdings	Shareholdings	Bond holdings	Shareholdings	Total	%
1	Apple	27.4		684.9	136.5		79.4	18.3	6.1				956.2	27
2	ARM Holdings			170.2			1.6		0.8				172.5	5
3	Intel	12.9	4.9	30.7	99.7		18.8		1.0				170.5	5
4	HP Inc	3.5		9.6	123.3		3.6		0.1				140.0	4
5	Taiwan Semiconductor Manufacturing	45.8		61.2	3.9		9.4		0.9	10.3		6.3	137.8	4
6	ASML Holding	41.0		21.2	5.1	11.6	2.6	11.8	12.8		5.9		112.9	3

Banking group		ABN Amro		Aegon		ASN Bank	Delta Lloyd		SNS	Triodos		Van Lanschot		
Company	Type of investment	Shareholdings	Bond holdings	Shareholdings	Bond holdings	Shareholdings	Shareholdings	Bond holdings	Shareholdings	Shareholdings	Bond holdings	Shareholdings	Total	%
7	Samsung Electronics	37.8		69.0	0.5				0.2				107.3	3
8	Texas Instruments	22.9		54.6	18.9		3.6		0.1				100.2	3
9	Seagate Technology	17.4		11.9	28.0		18.7		0.6	4.1		13.3	93.9	3
10	KLA-Tencor			25.3	61.6		0.6		0.0				87.5	2
11	Qualcomm	12.2		29.4	3.5		6.3		1.7			29.4	82.6	2
12	Western Digital	6.4		70.8			1.5		0.4				79.1	2
13	Arrow Electronics	1.1		27.3	38.5		0.5		0.0				67.3	2
14	BE Semiconductor Industries					3.2			6.1			63.4	66.7	2
15	Linear Technology	1.3		38.8			17.0		0.8				57.1	2
No. other companies		33		69		3	38		19	0		1		69
Subtotal shares		332.3		1,946.4			207.8		34.0	14.4		112.7	2,715.7	
Subtotal bonds			53.0		750.2			30.1			5.9		840.3	
Total		385.3		2,696.7		68.4	237.9		34.0	20.3		112.7	3,555.3	
% of total		11		75		2	6.5		1	0.5		3.5	100	

Source: Bloomberg, Thomson Reuters Eikon, February 2016

3.2 ABN Amro

3.2.1 Company profile

ABN AMRO (ABN) is a global banking group of Dutch origin offering retail, private and corporate banking services, mainly in the Netherlands, but with selective operations internationally.⁶⁵ It has global presence on all of the five continents, in countries such as Belgium, France, Germany, Hong Kong and the United States, serving approximately 6.8 million customers worldwide.⁶⁶ In the Netherlands, ABN AMRO operates under the following brand names: ABN, DEFAM, Alpha Credit Nederland, Credivance, Florius, Greenloans, International Card Services, and MoneYou.⁶⁷ At the end of 2015, ABN had 22,048 employees worldwide (full time equivalent basis), of which 17,908 were located in the Netherlands.⁶⁸ Following the IPO in November 2015, a total of 23% of ABN's depositary receipts representing ordinary shares were listed on the Euronext Amsterdam exchange. The remaining 77% of the shares are held by NLFI ("Stichting administratiekantoor beheer

financiële instellingen”) on behalf of the Dutch Government.⁶⁹ Operating income for the year 2015 was € 8.5 billion, 80% (€ 6.8 billion) of which came from the Netherlands.⁷⁰ Customer deposits totalled € 230.3 billion, of which € 70.6 billion originated from the Netherlands.⁷¹

3.2.2 Overview

Table 14 gives an overview of financing relations with companies in the garment and electronics sectors and investments in companies in these sectors that are under management of the asset management division of ABN Amro. The total volume of corporate credits and loans to and investments under management amounts to USD 988.5 million. A break-down of corporate credits and loans, and investments is given in the subsections 3.2.2 and 3.2.5.

Table 14 Overview in USD million

Sector	Credits and loans			Investments			Total
	Subtotal	Corporate loans	Subtotal	Shareholdings	Bond holdings	Subtotal	
Apparel	63.8	39.1	102.9	127.7	23.9	151.6	
Electronics	321.0		321.0	332.3	53.0	385.3	
Subtotal	384.8	39.1	423.9	460.0	76.9	536.8	
Total			423.9			536.8	960.7

Source: Bloomberg, Thomson-Eikon-Reuters, filing dates, 2016, February 1-2; ABN Amro (2016, March 7 and April 1), *Internal Communications*.

3.2.3 Corporate credits and loans

Table 15 gives a break-down of financing relations with companies in the garment and electronics sector. Corporate credits and loans to companies in the garment sector concern Lion Capital, the parent company of HEMA (USD 20 million) and Macintosh Retail Group (USD 82.9 million), that went bankrupt by the end of 2015.⁷² Corporate credits and loans to companies in the electronics sector concern ASML Holding (USD 237.9 million) and ASMI (USD 83.2 million).

Table 15 Corporate credits and loans to companies in the garment and electronics sector

Company name	Type of financing in USD million		
	Revolving credits	Corporate loans	Total
Apparel			
Lion Capital (Hema)	20.0		20.0
Macintosh Retail Group	43.8	39.1	82.9
Total apparel	63.8	39.1	102.9
Electronics			
ASML Holding	237.9		237.9

Company name	Type of financing in USD million		
	Revolving credits	Corporate loans	Total
ASM International	83.2		83.2
Total electronics	321.0		321.0
End total	384.8	39.1	423.9

Source: Bloomberg, Thomson-Eikon-Reuters, filing dates, 2016, February 1-2; ABN Amro (2016, March 7), *Internal Email Communications*.

3.2.4 Assessment and overview scores credits and loans

The assessment below is based on an interview and email contacts with the Sustainable Banking Department of ABN Amro, public policy documents and internal documents shared by ABN Amro.⁷³

A. Screening and selection of companies

- Identification of risk sectors
As part of client acceptance and lending decisions, companies are screened according to the following steps:
 - compliance with the ABN Amro exclusion list;
 - compliance with sector-specific policies; and
 - human rights due diligence.

ABN Amro has implemented an internally developed GRSI-tool (Global Sustainability Risk Index), aimed 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.

According to ABN's manufacturing policy, the electronics and garment sector are considered risk sectors as "companies may face a breach of the fundamental labour rights and principles including the freedom of collective bargaining, forced- and child labour, work hours and discrimination at the manufacturing facilities in their value chain."

Companies in high-risk sectors are reviewed every year and on an event-driven basis. Sustainability requirements are part of the general terms and conditions and laid-down in bilateral contracts.

On a confidential basis, ABN Amro shared information about its internal risk management tool in order to assess the sustainability policies and performance of their clients, based on the following core indicators:

- compliance with social and environmental policies;
- awareness about the relevancy of sustainability standards and the commitment to improve;
- management systems to address supply chains risks;
- transparency and reporting;
- track record regarding reputation risks.

The risk management tool applies to clients in retail and manufacturing, including the garment and electronics sector. On a confidential basis, ABN Amro provided inside information how a sustainability review regarding a client in the garment sector looks like. According to the review, the company is active in a high-risk sector from a sustainability perspective. The client is accepted under the following conditions:

- the client develops a supplier code-of-conduct, which should be in place within 12 months; and
- ABN Amro performs an annual review on the sustainability performance of the client.

As the garment and electronics sector are identified as risk sectors, ABN Amro scores 3 points.⁷⁴

- Identification of risk countries

According to ABN Amro's manufacturing policy, "clients are expected to know where, by whom and in which countries its products are manufactured". In order to identify risk countries, ABN Amro Sustainable Banking has developed the Global Sustainability Country Index, dividing countries in low, medium and high risk countries. The index is based on external benchmarks such as Freedom House, Transparency International, CIA World Factbook and Business & Human Rights Resource Centre, and external service providers (RepRisk and Sustainalytics). ABN Amro scores 3 points for explaining its procedures regarding risk countries.⁷⁵

- Freedom of association

ABN Amro differentiates between buyers and producers in the manufacturing sector. Both buyers and producers need to have a code of conduct "for their own operations and for their suppliers specifying how they address at least the following human and labour rights: working hours, forced- and child labour and the right to collective bargaining". On a confidential basis ABN Amro shared information about its internal risk management tool, showing that clients in the garment and electronics sector are assessed on having a supplier code of conduct including the right to collective bargaining and collective labour agreements. On a confidential basis, ABN Amro also shared a review of a garment company, which was required to develop a supplier code of conduct including freedom of association. Furthermore, ABN Amro shared a review of a company in the electronics sector, which also concerned their policies regarding freedom of association.⁷⁶ Based on the information provided, ABN Amro is granted 2 points.

- Living wage

Living wage is not a specific focus of ABN Amro's policies with regard to the garment and electronics sector. However, it is part of the screening carried out by external data provider Sustainalytics and scope of the assessment of supply chain standards. On a confidential basis, ABN Amro showed a snapshot of a review of a company in the electronics sector, based on the same methodology used for companies in the garment sector. Therefore, ABN Amro gets 4 points for this element.⁷⁷

- UN Guiding Principles for Business and Human Rights (UNGPR)

According to its human rights statement, ABN Amro supports the 'Protect, Respect and Remedy' Framework including the Guiding Principles on Business and Human Rights and expects companies to take responsibility in respecting human rights "across all business activities and through relationships with third parties associated with those activities, such as in the supply chain" and (...) commitment to "robust human rights due diligence. Such due diligence should include the assessment of actual and potential human rights impacts, and acting upon findings (...). ABN Amro shared internal information showing

that, in case companies do not have clear human rights policies, they are expected to make them, in due time.⁷⁸ ABN Amro scores 4 points for screening companies on having human rights policies.

- **Exclusion**
According to its sustainability policy, "ABN AMRO strives for an inclusive approach rather than excluding business relations on the grounds of lagging sustainability performance." ABN Amro considers involvement in child labour and forced and bonded labour reason for exclusion. The banking group will not engage in activities that do not meet its Ecological Social and Ethical (ESE) standards. Based on the sustainability risk of an activity, ABN Amro will take appropriate measures to manage these risks. If the banking group concludes that the sustainability risks cannot be adequately managed or that the business relation is not committed to a sufficiently high level of sustainability performance, the banking group will not engage with the client, transaction or activity. According to ABN Amro's exclusion criteria, controversies with regard to child labour and forced and bonded labour may lead to exclusion. The labour standards that are the focus of this case study – freedom of association and living wage – are not part of ABN Amro's exclusion criteria. Currently, no companies in the garment and electronics sector are excluded as a result as screening and selection due to controversies with regard to labour standards.⁷⁹ ABN Amro scores 2 points because some relevant labour standards are part of its exclusion policy.

B. Risk management corporate clients

- **Freedom of association**
Companies in high-risk sectors are reviewed every year and on an event-driven basis, using the risk management system that has been described under **A. Screening and selection of companies**. This also involves assessment on having a supplier code of conduct including the right to collective bargaining and collective labour agreements.⁸⁰ Therefore, ABN Amro gets 2 points for this element.
- **Living wage**
Companies in high-risk sectors are reviewed every year and on an event-driven basis, using the risk management system that has been described under **A. Screening and selection of companies**. Though living wage is not a specific focus of ABN Amro's policies with regard to the garment and electronics sector, it is part of the screening carried out by external data provider Sustainalytics and scope of the assessment of supply chain standards.⁸¹ On a confidential basis, ABN Amro showed a snapshot of a review of a company in the electronics sector which confirmed that payment of a living wage is an indicator for the assessment. This review is also exemplary for screening companies in the garment sector. Therefore, ABN Amro gets 4 points for this element.
- **Management systems**
According to its human rights policies, ABN Amro assesses the client's human rights due diligence processes and the monitoring of its human rights performance. Companies need to commit commitment to robust human rights due diligence, include the assessment of actual and potential human rights impacts, and acting upon findings. This implies that companies are expected to have a management system such as SA8000 and OHSAS 18001 to monitor and if needed correct compliance with international labour standards. ABN Amro shared internal information about its internal risk management system that also includes the assessment of having or the commitment to develop supply chain policies and risk management systems.⁸² Therefore, 4 points are granted.⁸³

- **Employee complaint mechanisms and procedures**
According to its manufacturing policy, ABN Amro compares the sustainability performance of clients in the manufacturing sector with the most relevant international best practices in their client group in order to benchmark their development and progress. The banking group uses scorecards for this and expects 'continuous improvement' to be the outcome of the benchmarks for the entire client portfolio. The benchmark criteria include establishment of a complaint mechanism for all employees in the production chain. On a confidential basis, ABN Amro shared information on how it monitors a client in the garment sector on supply chain risks, and that in case of inadequate policies, the company is requested to improve its policies. This also includes the establishment of complaint mechanisms and procedures.⁸⁴ ABN Amro showed that it sets clear targets towards companies in the garment sector, based on a similar risk assessment tool as is used for companies in the electronics sector. Therefore, 4 points are granted. The wording though, is in terms of non-binding suggestions, and no time frame set for a follow-up. There is room for improvement in target-setting in terms of binding and time-bound follow-up actions.
- **Integration of labour rights criteria in procurement and operational policies.**
Clients are expected to have a code of conduct in place for their own operations and for their suppliers specifying how they address at least the following human and labour rights: working hours, forced- and child labour and the right to collective bargaining. ABN Amro is requested to send documented proof. Supply chain management is also part of the reporting of external data providers: RepRisk and Sustainalytics. ABN Amro shared internal information about its internal risk management system that also includes the assessment of having or the commitment to develop supply chain policies and risk management systems.⁸⁵ Therefore, the banking group gets 2 points for monitoring and assessment of companies on their supply chain management.
- **Clauses in contracts with suppliers**
Clients are not required to include human rights clauses in supplier contracts. ABN Amro did not provide details of monitoring companies in the investment portfolio on contract agreements.

C. Engagement and dialogue

- **Engagement on labour standards**
ABN Amro screens and assesses their clients on legal compliance, commitment to sustainability policies and strategies and having the management capacity to act accordingly and implement correction measures if necessary. Drivers for sustainability risks are activities in risk sectors and risk countries and reputation risks due to negative media attention. Based on the assessment, companies are divided in three categories: below par, on par and above par.

ABN Amro chooses to enter into dialogue on the steps and responsibilities needed to achieve improvement and carries out pro-active engagement, especially with clients in the garment sector. ABN Amro has developed a self-assessment tool for garment producers and retailers to rate and rank their sustainability policies and practices in a frontrunner position, average performer and laggard position. Furthermore, on a confidential basis, ABN Amro showed that laggards in the garment sector are encouraged to improve their policies and sets targets on relevant issues, such as developing a code of conduct, implementing a supply chain risk management system, mapping their suppliers and sustainability reporting. In case garment companies source from Bangladesh, they are required to sign the Bangladesh Accord on Fire and Building Safety. ABN Amro also made it very clear that the company should practice what they preach and avoid window-dressing by claiming that it acts responsibly but in fact does not adequately address supply chain risks. However, the targets are non-binding.⁸⁶ ABN Amro gets 2 points for its

engagement with clients in the garment sector, not for engagement with companies in the electronics sector. However, there is room for improvement in setting binding and time-bound targets.

- **Promotion of multi-stakeholder initiatives**

According to ABN Amro, cooperation with stakeholders is key in the implementation of ESG policies. This applies to both ABN Amro as a financier and investor, as well as the companies it finances and invests in. For clients in the garment sector, ABN Amro Fashion Desk has made a brochure with a checklist that helps clients to rank themselves as frontrunners or laggards in their CSR performance and provides examples of multi-stakeholder initiatives and certification systems. For this case study, relevant initiatives promoted by ABN Amro are BSCI, FWF, SA8000, ETI and Fair Labour Association. Furthermore, clients in the garment sector are expected to be a signatory of the Bangladesh Accord on Fire and Safety. On a confidential basis, ABN Amro shared their communications with a company in the garment sector, referring to and requiring to sign the Bangladesh Accord.⁸⁷ Based on the information provided, ABN Amro scores 3 point for this indicator.

- **Incentives**

According to ABN Amro, a positive outcome of the implementation of the GRSI-tool is data collection about the sustainability policies and performance of their clients. After three years, the banking group will evaluate whether there is causal relation between a company's CSR performance and credit risk. If that turn out to be the case, ABN Amro will take into consideration differentiation in pricing.⁸⁸

- **Exclusion**

In case of controversies, ABN Amro carries out a target-driven engagement of maximum two years, according to SMART criteria. According to ABN Amro, up till now there was no reason for engagement with companies in the lending portfolio due to controversies. According to ABN Amro's Exclusion list, controversies with regard to child labour and forced and bonded labour may lead to exclusion. The labour standards that are the focus of this case study – freedom of association and living wage – are not part of ABN Amro's exclusion criteria.⁸⁹ ABN Amro is granted 2 point for taking into account some relevant issues – child labour and forced and bonded labour – in its exclusion policies.

D. Commitment

ABN Amro did not make a commitment to improve its policies or its implementation within one year after publication.

- **Final score**

The final score of ABN Amro is 6 points. ABN Amro has a comprehensive risk management system in place for the assessment of the CSR policies and companies in risk sectors, such as the garment and electronics sector. The banking group showed that it encourages companies in the garment sector to develop and implement supply chain policies and risk management systems and sets clear targets as part of contracts and dialogue with companies, such as expecting their clients to sign the Bangladesh Accord on Fire and Safety. ABN Amro's strong risk assessment systems are reflected in relatively high scores for risk management as part of screening and selection, and high scores for monitoring the CSR performance of their clients.

Over the past years, the garment sector, including garment retailers in the Netherlands, has been involved in controversies with regard to health and safety, due to a series of incidents at suppliers' sites in Bangladesh: factory fires and the collapse of the Rana Plaza factory building. As a consequence, the engagement agenda of ABN Amro was focused on their clients in the garment sector and not on clients in the electronics sector.

Based on the internal information provided, it is possible to conclude that ABN Amro sets clear targets for companies in the garment sector, aimed at improving their supply policies and risk management system. There is still room for improvement in setting binding and time-bound targets and to further integrate supply chain issues like freedom of association and payment of a living wage in its engagement strategies. An overview of the assessment of the responsible lending policies of ABN Amro is presented in Table 16.

Table 16 Scoring table ABN Amro corporate credits and loans

Scoring table ABN Amro corporate credits and loans	
A. Risk management as part of the screening and selection process	
Identification of risk countries and risk sectors	
Indicator	Scores
Identification of risk sectors with regard to labour standards is part of the banking group's RI risk management system.	3
The banking group has a risk management system in place to identify risk countries with regard to international labour standards in the production and supply chains of companies it finances or invests in.	3
Companies in the garment and electronics sector are required to adhere to international labour standards:	
Freedom of association and the right to collective bargaining.	2
The right to a living wage.	4
UN Guiding Principles for Business and Human Rights (UNGPR)	4
Exclusion	
Companies are excluded in case they do not meet selection criteria	2
Subtotal A	18
B. Risk management regarding the existing investment portfolios	
Banking groups monitor and assess due diligence practices of companies	
Companies uphold the freedom of association and the effective recognition of the right to collective bargaining.	2
Companies pay a living wage to their employees.	4
Companies have a clear management system to monitor and, if needed, correct compliance with regard to international labour standards.	4
Companies establish procedures on how to deal and process employee complaints and to solve violations and conflicts, preferably in consultation with the relevant trade union	4
Companies integrate labour rights criteria in their procurement and operational policies.	2
Companies include clauses on the compliance with criteria on labour rights in their contracts with subcontractors and suppliers.	0
Subtotal B	14
C. Engagement/dialogue/incentives to improve	
Engagement	
The banking group has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on compliance with international labour standards.	2

Scoring table ABN Amro corporate credits and loans	
The banking group has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on payment of a living wage.	0
The banking group has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on freedom of organisation and collective bargaining.	0
Promotion of multi-stakeholder initiatives	
The banking group actively promotes membership of multi-stakeholder initiatives and certification systems.	3
Exclusion	
Companies are excluded in case they do not meet engagement targets	2
Incentives	
The banking group has a policy to support front-runners in the A and E sector and gives them priority and advantages in terms of finance and services.	
Subtotal C	7
Total points A – C	39
Total A - C / 6.2	6
Commitment to improve (bonus point)	0
Grace point	n.a.
Total	6

3.2.5 Asset management

Table 17 gives an overview of shareholdings and bond holdings in garment companies that are under management of ABN Amro's asset management division. The top three investees are Adidas (USD 49.6 million), Inditex (Zara) (USD 43.3 million) and Hennes & Mauritz (USD 20.4 million). Total investments in the garment sector under management of ABN Amro amounts to USD 165.7 million.

Table 17 Shareholdings and bond holdings of ABN Amro in companies in the garment sector

	Company name	Type of finance in USD million		
		Share holdings	Bond holdings	Total
1	Adidas	45.2		45.2
2	Industria de Diseño Textil (Inditex)	36.8		36.8
3	H&M (Hennes & Mauritz)	20.4		20.4
4	Kering	0.3	16.4	16.7
5	Christian Dior	6.9	7.4	14.3
6	Gap	9.6		9.6
7	TJX Cos	3.5		3.5
8	Coach	2.4		2.4

	Company name	Type of finance in USD million		
		Share holdings	Bond holdings	Total
9	Hanesbrands	1.2		1.2
10	Under Armour	0.8		0.8
	Subtotal	120.0	23.8	150.9
	10 other companies - see Appendix 3	0.7	0	0.7
	Total	127.7	23.8	151.6

Source: Bloomberg, Thomson-Eikon-Reuters, filing dates, 2016, February 1-2; ABN Amro (2016, April 1), *Internal Email Communications*.

Table 18 gives an overview of shareholdings and bond holdings in electronics companies that are under management of ABN Amro's asset management division. The top three investees are ASML (USD 46.3 million), Taiwan Semiconductor Manufacturing (USD 45.8 million) and Samsung Electronics (USD 37.8 million). Total investments in the electronics sector under management of ABN Amro amounts to USD 397.3 million.

Table 18 Shareholdings and bond holdings under management of ABN Amro in companies in the electronics sector

	Company	Type of finance in USD million		
		Share holdings	Bond holdings	Total
1	Taiwan Semiconductor Manufacturing	45.8		45.8
2	ASML Holding	41.0		41.0
3	Samsung Electronics	37.8		37.8
4	Apple	27.4		27.4
5	STMicroelectronics	17.1	5.9	23.0
6	Texas Instruments	22.9		22.9
7	Infineon Technologies	18.1	4.1	22.2
8	Rexel	19.3	0.3	19.6
9	Intel	12.9	4.8	17.7
10	Seagate Technology	17.4		17.4
	Subtotal	240.8	34.2	274.9
	38 other companies - see Appendix 2	97.7	14.1	110.4
	Total	338.5	48.3	385.3

Source: Bloomberg, Thomson-Eikon-Reuters, filing dates, 2016, February 1-2; ABN Amro (2016, April 1), *Internal Email Communications*.

3.2.6 Assessment and overview scores asset management

The assessment below is based on public documents and internal documents shared by ABN Amro. ABN Amro differentiates between responsible and sustainable investing. ABN Amro has developed a screening tool used to classify companies according to their sustainability policies and performance. The output of the screening is used for different purposes:

- Advisory to private and retail clients on sustainable investment products;
- Exclusion of companies that are involved in the production of controversial weapons or controversial weapons trade;
- Engagement with companies that are in breach of the UN Global Compact principles.⁹⁰

A. Screening and selection of companies

- Identification of risk sectors
According to ABN Amro's Manufacturing Policy, the garment and electronics sector are risk sectors due to the high risk of violation of human rights and labour rights. On a confidential basis, ABN Amro shared its internal sustainability guidelines for investments, which confirmed that the identification of risk sectors is taken account in the environmental, social and governance (ESG) screening of companies.⁹¹ ABN Amro scores 3 points for the identification of risk sectors.
- Identification of risk countries
According to ABN Amro's Manufacturing Policy, "clients are expected to know where, by whom and in which countries its products are manufactured." On a confidential basis, ABN Amro shared its internal sustainability guidelines for investments, which confirmed that ABN Amro's risk management system for screening ESG risks, takes into account the "exposure of companies to controversies and lack of relevant policies in certain countries and/or geographies."⁹² ABN Amro scores 3 points for taking into account risk countries in its risk management policies.
- Freedom of association
ABN Amro differentiates between buyers and producers in the manufacturing sector. Both buyers and producers need to have a code of conduct "for their own operations and for their suppliers specifying how they address at least the following human and labour rights: working hours, forced- and child labour and the right to collective bargaining". According to ABN Amro's sustainability guidelines, freedom of association is part of the assessment for risk sectors. On a confidential basis, ABN Amro shared a review of a company in the electronics sector, carried out by data provider Sustainalytics. The same methodology is used for screening companies in the garment sector.⁹³ ABN Amro is granted 2 points.
- Living wage
Living wage is not a specific focus of ABN Amro's policies with regard to the garment and electronics sector. However, according to its internal sustainability principles, "minimum living wage" is part of the ESG screening for sustainable investing carried out by external data provider Sustainalytics and scope of the assessment of supply chain standards. On a confidential basis, ABN Amro showed a snapshot of a review of a company in the electronics sector which is also used for screening companies in the garment sector.⁹⁴ Therefore, ABN Amro gets 4 points for this element.

- **UN Guiding Principles for Business and Human Rights (UNGPR)**
According to its human rights statement, ABN Amro supports the 'Protect, Respect and Remedy' Framework including the Guiding Principles on Business and Human Rights and expects companies to take responsibility in respecting human rights "across all business activities and through relationships with third parties associated with those activities, such as in the supply chain" and (...) commitment to "robust human rights due diligence. Such due diligence should include the assessment of actual and potential human rights impacts, and acting upon findings (...). According to its internal sustainability guidelines, the ESG screening is primarily focused on compliance with the UN Global Compact principles and not on the assessment of due diligence policies of companies in order to address, avoid, mitigate and compensate the negative impact of companies' operations on human rights. ABN Amro shared detailed information about the assessment criteria of the ESG screening, which includes relevant elements as mapping supply chain risks and policies and management systems in place. However, the 'remedy' aspect of the UNGPR Framework, which involves processes to enable the remediation of any adverse human rights impacts caused by companies or to which they contribute, is underexposed in ABN Amro's ESG criteria. Therefore, 3 points are granted. It is recommended that the asset management division of ABN Amro further integrates the UNGPR in its ESG assessment.⁹⁵
- **Exclusion**
According to ABN Amro's exclusion criteria, controversies with regard to child labour and forced and bonded labour may lead to exclusion. The labour standards that are the focus of this case study – freedom of association and living wage – are not part of ABN Amro's exclusion criteria. These exclusion criteria are also part of the internal sustainability principles for investment. If a company is in breach of ABN Amro's exclusion standards, the asset management division of ABN Amro will start an engagement process with the company. ABN Amro does not exclude companies prior to investments, as an outcome of screening and selection. This is only the case when companies are involved in the production of controversial weapons or controversial arms trade.⁹⁶ Based on the findings, no points are granted.

B. Risk management investments

- **Freedom of association**
For ABN AMRO, a company's corporate responsibility to respect human rights means: "Recognising the rights of employees to freedom of association and collective bargaining." Companies in the investment portfolio of ABN Amro managed by own and external fund managers are screened on compliance with UN Global Compact Principles which also include freedom of association and collective bargaining.⁹⁷ Therefore, 2 points are granted.
- **Living wage**
Though living wage is not a specific focus of ABN Amro's policies with regard to the garment and electronics sector, it is part of the assessment carried out by external data provider Sustainalytics and scope of the assessment of supply chain standards. On a confidential basis, ABN Amro showed a snapshot of a review of a company in the electronics sector based on the same methodology used for the assessment of companies in the garment sector.⁹⁸ Therefore, ABN Amro gets 4 points for this element.

- **Management systems**
According to its human rights policies, ABN Amro assesses the client's human rights due diligence processes and the monitoring of its human rights performance. Companies need to commit commitment to robust human rights due diligence. include the assessment of actual and potential human rights impacts, and acting upon findings. This implies that companies are expected to have a management system such as SA8000 and OHSAS 18001 to monitor and if needed correct compliance with international labour standards. Amro shared confidential information about the ESG analysis carried out by data provider Sustainalytics, which, among others, includes supply chain standards, management systems and disclosure of suppliers.⁹⁹ ABN Amro scores 4 points for assessing companies on managing supply chain risks.
- **Employee complaint mechanisms and procedures**
Companies in the investment portfolio of ABN Amro managed by own and external fund managers are screened on compliance with UN Global Compact principles, which also involves the assessment of supply chain standards and supply chain management systems of companies. It is not fully clear whether the assessment also includes the establishment of complaint mechanisms. Therefore, no points could be granted.
- **Integration of labour rights criteria in procurement and operational policies.**
Amro shared internal information about the ESG analysis carried out by data provider Sustainalytics, which, among others, includes supply chain standards, management systems and disclosure of suppliers.¹⁰⁰ Therefore, the banking group gets 4 points for this element.
- **Clauses in contracts with suppliers**
Clients are not required to include human rights clauses in supplier contracts. ABN Amro did not provide details of monitoring companies on contract agreements.

C. Engagement and voting

- **Engagement on labour standards**
When it comes to responsible behaviour of companies ABN AMRO believes in exerting its influence to improve ESG related controversies through engagement rather than exclusion. The objective of any engagement is an improvement in company behaviour. The criteria for entering into an engagement process is when a company is severely breaching the Global Compact Principles. On a confidential basis, ABN Amro shared an engagement report concerning a company that opposes freedom of association and collective bargaining. The company concerned is a retailer in food and non-food.¹⁰¹ Therefore, 2 points could be granted, also for engagement on one of the themes addressed in this case study: freedom of association.
- **Promotion of multi-stakeholder initiatives**
Membership of the Electronics Industry Citizenship Coalition (EICC) is part of the ESG screening for companies in the electronics sector. EICC members commit and implement a common Code of Conduct and utilize a range of EICC training and assessment tools to support continuous improvement in the social, environmental and ethical responsibility of their supply chains.¹⁰² ABN Amro scores 1 point for promoting membership of EICC.
- **Voting**
ABN Amro has voting policies that also include human rights and labour standards. ABN Amro has shared voting reports of internal asset manager Neufelize but these primarily concern primarily governance issues and not human rights and labour standards. A point is granted for the voting policies, no points are granted for a voting record.

- **Exclusion**
According to ABN Amro's exclusion criteria, controversies with regard to child labour and forced and bonded labour may lead to exclusion. These exclusion criteria are also part of the internal sustainability principles for investment. The labour standards that are the focus of this case study – freedom of association and living wage – are not part of ABN Amro's exclusion criteria. If a company is in breach of ABN Amro's exclusion standards, the asset management division of ABN Amro will start an engagement process with the company. When an engagement process is unsuccessful, an internal engagement committee may decide to put the company on a soft-exclusion list, which means that exclusion is advised to clients and not mandatory.¹⁰³

D. Commitment

ABN Amro did not make a commitment to improve its policies within one year after publication.

- **Final score**

The final score for the assessment of the responsible investment policies carried out by the asset management division of ABN Amro is 6 points. ABN Amro has a comprehensive risk management system in place for the assessment of the CSR policies and companies in risk sectors, such as the garment and electronics sector. In spite of serious controversies in the supply chains of companies in the garment and electronics sector, the banking group did not show any engagement processes with regard to companies in the garment and electronics sector, or joining investors initiatives such as the investor statement on the Bangladesh Accord. Furthermore, there is room for improvement in further integrating the UNGP 'Protect, Respect and Remedy' framework in the ESG assessment of companies, especially the establishment of processes to enable the remediation of any adverse human rights impacts caused by companies or to which they contribute. An overview of the assessment of the responsible investment policies of the asset management division of ABN Amro is presented in Table 19.

Table 19 Scoring table ABN Amro asset management

Scoring table ABN Amro asset management	
A. Risk management as part of the screening and selection process	
Identification of risk countries and risk sectors	
Indicator	Scores
Identification of risk sectors with regard to labour standards is part of the bank's RI risk management system.	3
The bank has a risk management system in place to identify risk countries with regard to international labour standards in the production and supply chains of companies it finances or invests in.	3
Companies in the garment and electronics sector are required to adhere to international labour standards:	
Freedom of association and the right to collective bargaining.	2
The right to a living wage.	4
UN Guiding Principles for Business and Human Rights (UNGPs)	3
Exclusion	
Companies are excluded in case they do not meet selection criteria	0
Subtotal A	15
B. Risk management regarding the existing investment portfolios	

Scoring table ABN Amro asset management	
Banks monitor and assess due diligence practices of companies	
Companies uphold the freedom of association and the effective recognition of the right to collective bargaining.	2
Companies pay a living wage to their employees.	4
Companies have a clear management system to monitor and, if needed, correct compliance with regard to international labour standards.	4
Companies establish procedures on how to deal and process employee complaints and to solve violations and conflicts, preferably in consultation with the relevant trade union	0
Companies integrate labour rights criteria in their procurement and operational policies.	2
Companies include clauses on the compliance with criteria on labour rights in their contracts with subcontractors and suppliers.	0
Subtotal B	12
C. Engagement/dialogue/incentives to improve	
Engagement	
The banking group has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on compliance with international labour standards.	2
The banking group has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on payment of a living wage.	0
The banking group has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on freedom of organisation and collective bargaining.	2
Promotion of multi-stakeholder initiatives	
The banking group actively promotes membership of multi-stakeholder initiatives and certification systems.	1
Voting policies	
The banking group has a voting policy that includes regarding human rights and international labour standards.	1
The banking group has a voting record with regard to one or more companies in the A and E sector on human rights and international labour standards.	0
Exclusion	
Companies are excluded in case they do not meet engagement targets	0
Subtotal C	6
Total points A – C	35
Total A - C / 6.2	6
Commitment to improve (bonus point)	0
Grace point	n.a.
Total	6

3.3 Aegon

3.3.1 Company profile

Aegon is a leading insurance and banking group with origins in the Netherlands.¹⁰⁴ Aegon has life insurance and pensions operations in over 25 countries in the Americas, Europe and Asia and is also active in savings and asset management operations, accident and health insurance, general insurance and to a limited extent banking operations.¹⁰⁵ The group serves approximately 30 million customers in Europe, Asia, and the Americas, including the Netherlands, United Kingdom, Singapore, Hong Kong, and the United States.¹⁰⁶ Their main global brands are Aegon and Transamerica, together with Blue Square Re and ADAMS (Aegon Direct & Affinity Marketing Services).¹⁰⁷ Brands used in the Netherlands are Aegon, Onna Onna, Eye Open Hypotheek Advies, Kroodle, Cappital, Knab, TKP, Pelargos, Saemor Capital, Nedasco Verzekeringen, Ensupport, Be Suitable, UMG, HR Financials Group, Kröller Assurantiën, Meeus, IAK Verzekeringen, Wannet Sports & Entertainment Insurance, Sperwer Assurantiën, and HM.¹⁰⁸ Aegon's common shares are listed on the Amsterdam and New York stock exchanges.¹⁰⁹ More than three-quarters of shareholders are located in Aegon's three main markets, the Netherlands, United States and the United Kingdom. Aegon's largest shareholder is Vereniging Aegon, a Dutch association with a special purpose to protect the broader interests of the Aegon Group.¹¹⁰ At the end of December 2015, Aegon had over 31,530 employees worldwide, of which 4,503 in the Netherlands.¹¹¹ The total revenues of Aegon over the financial year 2015 amounted to € 31.3 billion, of which € 5.6 billion originated from the Netherlands.¹¹² Deposits from customers worldwide stood at € 77.2 billion, of which € 5.1 billion originated from the Netherlands, merely related to the activities of the Knab Bank.¹¹³ Insurance premium income over the financial year 2015 added up to € 20.3 billion, of which € 2.9 billion originated from the Netherlands.¹¹⁴

3.3.2 Overview

Table 20 gives an overview of investments in companies in the garment and electronics sectors that are under management of the asset management division of Aegon. The total volume of shareholdings and bond holdings in garment and electronics companies amounts to USD 3,578.1 million. Aegon Bank has no outstanding corporate credits and loans to companies in the garment and electronics sector. A break-down of investments is given in subsection 3.3.4.

Table 20 Overview of shareholdings and bond holdings in USD million

Sector	Financing				Investments		Total
	Revolving credits	Corporate loans	Share issuance	Bond issuance	Shareholdings	Bond holdings	
Apparel	n.a.	n.a.	n.a.	n.a.	790.5	90.9	881.4
Electronics	n.a.	n.a.	n.a.	n.a.	1,946.4	750.2	2,696.7
Total					2,736.9	841.1	3,578.1

Source: Bloomberg, Thomson Reuters Eikon, February 2016

3.3.3 Corporate credits and loans

Aegon has no outstanding corporate credits and loans to companies in the garment and electronics sector.

3.3.4 Asset management

Table 21 gives an overview of shareholdings and bond holdings in 25 garment companies that are under management of Aegon Asset Management. The top three investees are TJX Cos (USD 156.7 million), Nike (USD 152 million) and VF Corporation (USD 20.4 million). Total investments in the garment sector under management of Aegon Group amounts to USD 881.4 million.

Table 21 Shareholdings and bond holdings of Aegon in companies in the garment sector

	Company name	Type of financing in USD million		
		Share holdings	Bond holdings	Total
1	TJX Cos	156.7		156.7
2	Nike	150.4	1.6	152.0
3	VF Corporation	48.9	68.7	117.5
4	Michael Kors Holdings	70.8		70.8
5	Ross Stores	65.5	0.5	66.0
6	Under Armour	58.4		58.4
7	PVH (Phillips-Van Heusen Corporation)	50.1	0.1	50.2
8	Gap	42.9	0.1	43.0
9	Industria de Diseño Textil (Inditex)	38.7		38.7
10	Nordstrom	15.7	17.6	33.3
	Subtotal	698.2	88.6	786.8
	15 other companies - see Appendix 2	92.3	2.3	94.6
	Total	790.5	90.9	881.4

Source: Bloomberg, Thomson Reuters Eikon, February 2016

Table 22 gives an overview of shareholdings and bond holdings in 81 electronics companies that are under management of Aegon Asset Management. The top three investees are Apple (USD 821.4 million), ARM Holdings (USD 170.2 million) and HP (USD 132.9 million). Total investments in the electronics sector under management of Aegon Group amounts to USD 2.7 billion.

Table 22 Shareholdings and bond holdings of Aegon in companies in the electronics sector

	Company name	Type of financing in USD million		
		Share holdings	Bond holdings	Total
1	Apple	684.9	136.5	82.4
2	ARM Holdings	170.2		170.2
3	HP Inc	9.6	123.3	132.9
4	Intel	30.7	99.7	130.4
5	KLA-Tencor	25.3	61.6	86.9
6	Texas Instruments	54.6	18.9	73.5
7	Western Digital	70.8		70.8
8	Samsung Electronics	69.0	0.5	69.4
9	Arrow Electronics	27.3	38.5	65.7
10	Taiwan Semiconductor Manufacturing	61.2	3.9	65.1
	Subtotal	1,203.6	482.8	1,686.4
	71 other companies - see Appendix 2	743.8	267.4	1,010.3
	Total	1,946.4	750.2	2,696.7

Source: Bloomberg, Thomson Reuters Eikon, February 2016

3.3.5 Assessment and overview scores asset management

Aegon Group decided not to participate in an interview session that was part of the methodology used for this case study, but instead has given a written response to the questionnaire that served as a basis for the interviews. Aegon Group also shared snap shots of company assessments that could serve as documented proof of how Aegon's responsible investment policies are implemented in the assessment of companies in the garment and electronics sector.

According to Aegon, Aegon Asset Management's investments in equities are very limited and almost exclusively done on behalf of clients. The large majority of these equity investments follow a passive index strategy. The majority of its investment is in fixed income. The large majority of these bond investments are done internally and are actively managed.¹¹⁵

A. Screening and selection of companies

- Identification of risk sectors

According to Aegon, based on the ESG ratings and controversy (industry) reports it has access to, it knows which sectors are exposed to what type of risks. Aegon did not provided the details of the management system used to identify risk sectors. Based on the information provided, a grace point is granted.

- Identification of risk countries

According to Aegon, identification of risk countries is with regard to violation of labour rights are assessed by the ESG ratings and controversy monitoring tools used by Aegon. Aegon did not share the details of its how it identifies risk countries with regard to the location of production and suppliers' sites of companies in the garment and electronics sector. Based on the information provided, a grace point is granted.

- Freedom of association

According to Aegon, in the implementation of its responsible investment policies it requires companies in the garment and electronics sector to adhere to the following international standards:

- ILO Fundamental Labour Rights;
- OECD Guidelines for Multinational Enterprises; and
- UN Global Compact.

These standards include the right to freedom of association and collective bargaining. Aegon shared details of screening companies in the garment and electronics sector on freedom of association. Therefore, 2 points are granted.

- Living wage

Currently, payment of a living wage is not covered in the company screening carried out on behalf of Aegon Group. Therefore, no points are granted.

- UN Guiding Principles for Business and Human Rights (UNGP)

According to Aegon Group, companies are required to:

- Have or develop a policy statement in which the company commits itself to respect labour rights in their production and supply chains;
- Have a labour rights due diligence process to identify, prevent, mitigate and account for how they address their impact on labour rights; and
- Have processes to enable the remediation of any adverse labour rights impact to which they cause or to which they contribute.

However, in contrast to the annual policy updates of the Fair Bank Guide, that assesses the public responsible lending and investment policies of banking group, a case study assesses how these policies are implemented in screening and monitoring companies that are part of the investments under management of the banking group. Aegon did not share documented proof of how it assesses companies on implementation of the UNGP. Therefore, based on the information provided, a grace point is granted, and not the maximum score for this assessment element.

- Exclusion

Aegon Group did not share information on exclusion policies, as part of the selection process. However, based on the fact that Aegon's equity funds follow a passive index strategy, apparently companies are not excluded as part of the selection process.

B. Risk management investments

According to Aegon Group, compliance is continuously monitored by using its controversy monitoring tool. Based on the controversies found, their severity and whether they are structural or not, each company is given a rating from 0 to 10 which is translated in a green, yellow or red flag. All red-flagged companies Aegon invests in are monitored and assessed whether additional action is needed, for example engagement.

- **Freedom of association**
According to Aegon Group, companies are assessed on compliance with, among others, the UN Global Compact Principles, which also include freedom of association. Aegon Group shared a company profile that shows that freedom of association is taken to account in company screening. Therefore, based on the information provided, 2 points can be granted.
- **Living wage**
According to Aegon Group, currently, payment of a living wage is not separately and actively monitored. Therefore, no points are granted.
- **Management systems**
According to Aegon Group, companies are required to have a clear management system to monitor and, if needed, correct compliance with international labour standards, which is part of the monitoring system. However, as Aegon did not share details of company assessments, a grace point is granted and not the maximum score for this element.
- **Employee complaint mechanisms and procedures**
According to Aegon, this is part of the labour management relations assessment and supply chain labour standards assessment. However, as Aegon did not share details of company assessments, a grace point is granted and not the maximum score for this element.
- **Integration of labour rights criteria in procurement and operational policies**
According to Aegon, this is part of the supply chain labour standards assessment. However, as Aegon did not share details of company assessments, a grace point is granted and not the maximum score for this element.
- **Clauses in contracts with suppliers**
According to Aegon, this is part of the supply chain labour standards assessment. However, Aegon did not share details of company assessments. Therefore, no points are granted.

C. Engagement and voting

- **Engagement on labour standards**
According to Aegon, currently it has no engagement processes with companies in the garment and electronics sector, since there are no red-flagged companies in this area it invests in. Given the number of investees in the garment and electronics sector that are under management of Aegon Group, it is not very likely that engagement and dialogue would not be an appropriate instrument used to improve the policies and performance of companies in managing supply chain risks.
- **Promotion of multi-stakeholder initiatives**
Aegon does not promote any multi-stakeholder initiatives in the garment or electronics sector. Therefore, no points are granted.
- **Voting**
Aegon Group has voting policies that include human rights and labour standards. However, it does not have a voting record with regard to labour rights and human rights. Therefore, a point is granted for its voting policies, not for its voting record.
- **Exclusion**
Aegon Group did not provide information about its exclusion policy.

D. Commitment

Aegon Group did not commit to improve its policies or the implementation thereof, within one year after publication.

- **Final score**

Aegon Bank decided not to participate in an interview session that was planned in the context of this case study and also did not share information that could serve as a proof how Aegon Asset Management assesses the supply chain risks involved in the garment and electronics sector. This lack of transparency is reflected in the application of the scoring mode. The final score results in one point.

An overview of the assessment of the responsible investment policies of the asset management division of Aegon is presented in Table 23.

Table 23 Scoring table Aegon

Scoring table Aegon asset management	
A. Risk management as part of the screening and selection process	
Identification of risk countries and risk sectors	
Indicator	Scores
Identification of risk sectors with regard to labour standards is part of the banking group's RI risk management system.	1
The banking group has a risk management system in place to identify risk countries with regard to international labour standards in the production and supply chains of companies it finances or invests in.	1
Companies in the garment and electronics sector are required to adhere to international labour standards:	
Freedom of association and the right to collective bargaining.	2
The right to a living wage.	0
UN Guiding Principles for Business and Human Rights (UNGPR)	1
Exclusion	
Companies are excluded in case they do not meet selection criteria	0
Subtotal A	5
B. Risk management regarding the existing investment portfolios	
Banking groups monitor and assess due diligence practices of companies	
Companies uphold the freedom of association and the effective recognition of the right to collective bargaining.	2
Companies pay a living wage to their employees.	0
Companies have a clear management system to monitor and, if needed, correct compliance with regard to international labour standards.	1
Companies establish procedures on how to deal and process employee complaints and to solve violations and conflicts, preferably in consultation with the relevant trade union	0
Companies integrate labour rights criteria in their procurement and operational policies.	1
Companies include clauses on the compliance with criteria on labour rights in their contracts with subcontractors and suppliers.	0

Scoring table Aegon asset management	
Subtotal B	4
C. Engagement/dialogue/incentives to improve	
Engagement	
The banking group has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on compliance with international labour standards.	0
The banking group has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on payment of a living wage.	0
The banking group has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on freedom of organisation and collective bargaining.	0
Promotion of multi-stakeholder initiatives	
The banking group actively promotes membership of multi-stakeholder initiatives and certification systems.	0
Voting policies	
The banking group has a voting policy that includes regarding human rights and international labour standards.	1
The banking group has a voting record with regard to one or more companies in the A and E sector on human rights and international labour standards.	0
Exclusion	
Companies are excluded in case they do not meet engagement targets	0
Subtotal C	1
Total points A – C	10
Total A - C / 6.2	2
Commitment to improve (bonus point)	0
Grace point	n.a.
Total	2

3.4 ASN Bank

3.4.1 Company profile

ASN Bank is a Dutch bank specialized in sustainable financial services, serving 628,910 private, retail and corporate customers by the end of December 2015.¹¹⁶ ASN Bank offers retail customers and self-employed persons payment, savings, investment and asset management services. Institutions and companies are offered savings, investment and asset management services. The bank also provides green loans and SME loans for sustainable projects of € 1 million and more.¹¹⁷ ASN Bank is part of SNS Bank N.V. (SNS), the only shareholder of ASN Bank, and as such ASN Bank is one of the 5 brand names under which SNS operates.¹¹⁸ At the end of December 2015, ASN Bank had 156 employees (144.7 on full time equivalent basis), all based in the Netherlands.¹¹⁹ Turnover over the financial year 2015 was € 151.6 million.¹²⁰ Customer deposits stood at € 9.9 billion, whereas other debts to customers stood at € 730.8 million.¹²¹

3.4.2 Overview

Table 24 gives an overview of the shareholdings under management of ASN Bank in the garment and electronics sector. Total shareholdings amount to USD 131.7 million. A breakdown of investments is given in subsection 3.4.4. ASN Bank has no outstanding credits and loans in both sectors.

Table 24 Overview in USD million

Sector	Credits and loans				Investments	
	Subtotal	Corporate loans	Bond issuances	Bond Issuances	Shareholdings	Bond holdings
Apparel	n.a.	n.a.	n.a.	n.a.	63.3	n.a.
Electronics	n.a.	n.a.	n.a.	n.a.	68.4	n.a.
Total					131.7	

Source: Bloomberg, Thomson Reuters Eikon, February 2016

3.4.3 Corporate credits and loans

ASN Bank has no outstanding credits or loans in the apparel and electronics sector.

3.4.4 Asset management

Table 25 gives an overview of shareholdings in five garment companies that are under management of ASN Bank. The top three investees are Nike (USD 28.9 million), Inditex (Zara) (USD 18.6 million) and Hennes & Mauritz (USD 7.2 million). Total investments in the garment sector amount to USD 63.3 million.

Table 25 Shareholdings of ASN Bank in companies in the garment sector

	Company name	Shareholdings in USD million
1	Nike	28.9
2	Industria de Diseño Textil (Inditex)	18.6
3	H&M (Hennes & Mauritz)	7.2
4	Adidas	6.6
5	Gap	2.0
	Total	63.3

Source: Bloomberg, Thomson Reuters Eikon, February 2016

Table 26 gives an overview of shareholdings in five electronics companies that are under management of ASN Bank. The top three investees are Murata Manufacturing (USD 27.8 million), Infineon Technologies (USD 19.6 million) and ASML Holding (USD 11.6 million). Panasonic is yet excluded from ASN Bank's investment universe. Total investments in the garment sector amount to USD 68.4 million.

Table 26 Shareholdings of ASN Bank in companies in the electronics sector

	Company name	Shareholdings in USD million
1	Murata Manufacturing	27.8
2	Infineon Technologies	19.6
3	ASML Holding	11.6
4	OMRON	6.2
5	BE Semiconductor Industries	3.2
	Total	68.4

Source: Bloomberg, Thomson Reuters Eikon, February 2016

3.4.5 Assessment and overview scores asset management

The investments in the garment and electronics sector concern shareholdings that are part of the sustainable equity fund 'ASN Duurzaam Aandelenfonds'. ASN Bank has shared company profiles of one company in the garment sector (H&M) and one company in the electronics sector (Infineon Technologies) and therefore it was possible to verify how it screens and monitors companies in the garment and electronics sector on policies and compliance with regard to human rights and international labour standards. Furthermore, ASN Bank shared engagement letters and snapshots of engagement processes with regard to companies in the garment and electronics sector.¹²²

A. Screening and selection of companies

- Identification of risk sectors

In the screening of companies, ASN Bank applies a sector risk profile. ASN Bank estimates the risks of negative impacts of investments in the garment and electronics sector on human rights and labour rights as an average risk. Before analysing a company, the analyst of the research department assesses the risk category of the company. First, the analyst maps the risk of the sector the company is active in and puts the information in a sector profile. For the division of sectors, ASN Bank uses the MSCI classification. An average sector risk means that there is a real chance that the sector has a negative impact on human rights. This concerns the garment, software, IT and retail sector.¹²³ Because of the identification of both the garment and electronics sector as risk sectors, ASN Bank scores 3 points for this indicator.

- Identification of risk countries

ASN Bank has a risk management system that involves the identification of risk countries with regard to the production and supply chains of companies in their investment portfolio. Violation of core labour rights, including freedom of association are indicators in mapping risk countries. The list of risk countries is updated each year. External sources used are, among others, Freedom House, Global Peace Index, ILO and MapleCroit.¹²⁴ ASN Bank scores 3 points for explaining its risk management system for the identification of risk countries in relation to labour rights in the garment and electronics sector.

- Freedom of association and collective bargaining

ASN Bank screens companies on having policies regarding freedom of association. Freedom of association is an exclusion criterion. If a company does not have a policy regarding freedom of association or is involved in controversies with regard to freedom of association, ASN Bank will not invest in this company. This concerns all companies, also companies in the garment and electronics sector. In February 2015, the status of Infineon has been upgraded from "disapproved" to "approved". Previously Infineon was disapproved because of insufficient social (human rights and labour rights) policies. Based on a screening of Infineon's policies, ASN Bank concluded that Infineon has a policy regarding freedom of association for its own production facilities and for suppliers' sites.¹²⁵ Due to having policies on freedom of association and the right to collective bargaining and showing that this is part of the company screening, ASN Bank scores 2 points for this indicator.

- Living wage

ASN Bank expects companies not to be involved in serious controversies regarding payment of a living wage. A living wage is defined as a wage that is sufficient to meet the basic needs of a family of average size in a particular economy, similar to the definition used by the ILO. Based on an analysis of the company, ASN Bank concluded that H&M has a policy on the right to a living wage and is also active in multi-stakeholder initiatives with regard to improvement of labour standards in the garment sector (Sustainable Garment Coalition/Higgs Index). At the same time, ASN Bank is aware of controversies in suppliers' sites, such as payment of low wages and has followed up on this (see engagement). ASN Bank also analysed the policies of Infineon Technologies regarding payment of a living wage and concluded that the company has a policy on payment of legal minimum wage, not in particular payment of a living wage. As there are no reported controversies regarding wages, in spite of lack of clear policies regarding payment of a living wage, Infineon has been approved.¹²⁶ ASN Bank scores 4 points for implementing payment of a living wage in the screening and selection process of companies in the garment and electronics sector.

- UN Guiding Principles for Business and Human Rights (UNGP)

The UN Guiding Principles for Business and Human Rights are part of the human rights policy of ASN Bank. After the launch of its (new) human rights policy, in 2012, ASN Bank actively promoted the UN Guiding Principles as a guidance for the human rights policies of companies by sending letters to all companies in its investment universe.¹²⁷ ASN Bank scores 4 points for screening companies on having human rights policies.

- Exclusion

In case companies do not meet ASN Bank's acceptance criteria on human rights and labour rights, they are not selected for investments. Examples of companies that are disapproved because of non-compliance with human rights and labour standards are Applied Materials, Intel, Panasonic and TDK (electronics sector). Garment companies American Eagle Outfitters, Pacific Brands and Footlocker are not approved due to lack of policies regarding freedom of association and supply chain management.¹²⁸ ASN Bank scores 4 points for its exclusion policies.

B. Risk management investments

- **Freedom of association and collective bargaining**
Companies that are part of the investment universe/portfolio of ASN Bank are fully assessed every four years. Furthermore, companies are continuously monitored on controversies and negative media attention. In case of controversies that are in violation of ASN Bank's responsible investment standards, ASN Bank gets in contact with the company involved and asks for more background information on how the company has acted in order to address and solve the situation. In case the company shows that it takes the issue serious and has plans to correct or improve the situation, the investment relation will be continued. In case of no or inadequate response, ASN Bank will disinvest from the company. Based on the information provided about monitoring and assessing due diligence processes of companies regarding freedom of association, ASN Bank scores 2 points for this indicator.
- **Living wage**
ASN Bank expects companies not to be involved in serious controversies regarding payment of a living wage. Screening of the investment universe is repeated every four years and in case of reported controversies.¹²⁹ Based on the information provided about monitoring companies on wage issues, ASN Bank scores 4 points for this indicator.
- **Management systems**
ASN Bank expects companies to carry out due diligence procedures and checks whether companies do so. They need to analyse and manage the potential risk of involvement in violation of human rights or international labour standards.¹³⁰ ASN Bank scores 4 points for monitoring companies on having management systems in place to monitor and, if needed, correct compliance with regard to international labour standards.
- **Employee complaint mechanisms and procedures**
In line with the UNGP, ASN Bank expects companies to have an effective employee complaint procedure in place that also include compensation mechanisms in case of violation of human rights. ASN Bank shared internal company profiles which confirms that this is part of the company screening.¹³¹ ASN Bank scores 4 points for monitoring companies on having procedures in place on how to deal with employee complaints.
- **Integration of labour rights criteria in procurement and operational policies.**
ASN Bank expects companies to have a policy in place for their supply chains in risk countries. If the risk of potential human rights violations (serious or otherwise) is high, they have to take appropriate measures throughout the entire supply chain.¹³² ASN Bank scores 2 points on expecting companies to have a supply chain management system including labour standards.
- **Clauses in contracts with suppliers**
ASN Bank expects companies to have supply chain policies in order to prevent violation of human rights and violation of core labour standards: freedom of association, no forced and bonded labour, no child labour and non-discrimination. Companies need to have procedures to implement these policies, such as suppliers' questionnaires and contracts with suppliers.¹³³ ASN Bank showed that it monitors supply chain management policies and management systems of companies in the garment and electronics sector, but there is no convincing proof that these requirements need to be included in contracts with suppliers. Therefore, no points are granted.

C. Engagement and voting

- Engagement on labour standards
ASN bank is aware of the fact that H&M is regularly involved in controversies with regard to labour conditions and labour rights in, among others, Bangladesh and Ethiopia, such as payment of decent wages, and raised questions. According to ASN Bank, H&M responded adequately and explained that in every case that was mentioned by ASN Bank, the company has taken action to solve the issues raised. In some cases, H&M ended the relationship with the supplier. ASN Bank shared its communications with H&M. ASN Bank also engaged with a company in the electronics sector. TDK lacked policies with regard to upholding ILO core labour standards in their supply chains. It also lacked labour standards for their own employees, such as freedom of association. ASN Bank contacted the company but did not get a response within the one-year time frame set for engagement. The lack of response finally led to exclusion of TDK Corp in September 2014.¹³⁴ ASN Bank scores 4 points for having time bound and resulted-oriented engagement processes with regard to companies in the garment and electronics sector.
- Engagement on living wage
Ensuring living wage is part of the appeal from investors to companies in the Bangladesh Accord, which was co-signed by ASN Bank, and is also part of the engagement with H&M and Asics.¹³⁵ After the Rana Plaza disaster ASN Bank did engage with all garment companies and other companies selling clothing in its investment universe. This engagement included urging the companies to take further action on worker safety, regular reporting on the progress made regarding the working conditions of employees in their supply chain, and to support the victims of the Rana Plaza disaster by contributing to the Rana Plaza Donors Trust Fund.¹³⁶ This results in a score of 2 points.
- Engagement on freedom of association
ASN Bank showed examples of engagement on freedom of association with regard to companies in the garment and electronics sector. TDK was excluded due to inadequate response. Strengthening trade unions is part of the appeal from investors to companies in the Bangladesh Accord.¹³⁷ ASN Bank scores 4 points for engagement on freedom of association with companies in the garment sector and electronics sector.
- Promotion of multi-stakeholder initiatives
In its human rights policies, ASN Bank promotes participation in the Asian Floor Wage Alliance, a multi-stakeholder initiative promoting payment of a living wage. In public documents, ASN Bank does not specify other relevant initiatives with regard to improvement of labour standards in the garment or electronics sector. However, the internal company profile of H&M shows that ASN Bank indeed verifies membership of multi-stakeholder and sector initiatives, in the case of H&M the Sustainable Apparel Coalition. ASN Bank also actively promotes membership of multi-stakeholder initiatives by signing the Bangladesh Accord. On April 21, 2016, an ICCR Investor Statement on 3rd Anniversary of Rana Plaza was launched, which was also signed by ASN Bank. The statement is a renewed appeal from investors to garment brands and retailers to use the full measure of their influence to respect and protect the human rights of workers in the garment sector of Bangladesh and throughout their global supply chains, and to provide remedy when those rights have been violated.¹³⁸ This results in a score of 3 points.
- Voting
ASN Bank has voting policies and guidelines for issues that are relevant for this case study, such as human rights, supply chain management and labour rights. ASN Bank publishes voting records that also include companies in the garment and electronics sector. The topics concern governance issues such as remuneration of the board and

male/female ratio in board and management positions. No voting records were found on compliance with international labour standards. A point is granted for the voting policies, no points are granted for a voting record.

- **Exclusion**
In case engagement processes are not successful, ASN Bank disinvests from the company. For examples of excluded companies, see **A.Screening and selection of companies.**

D. Commitment

In its Annual Report 2015, ASN Bank announced that it has chosen payment of a living wage as a long-term focus point of its human rights policy, to start with the garment sector. Currently, ASN Bank is busy developing a methodology to measure payment of a living wage in the garment sector, in cooperation with Erasmus School of Economics, planned to be ready in the course of 2016. After that, ASN Bank will carry out a baseline measurement with regard to the performance of companies in the ASN Bank investment universe with regard to payment of a living wage. Based on the findings, ASN Bank will set a specific long-term target with regard to living wage.¹³⁹ This commitment results in a bonus point.

An overview of the assessment of the responsible investment policies of ASN Bank is presented in Table 27.

Table 27 Scoring table ASN Bank

Scoring table ASN Bank	
A. Risk management as part of the screening and selection process	
Identification of risk countries and risk sectors	
Indicator	Scores
Identification of risk sectors with regard to labour standards is part of the bank's RI risk management system.	3
The bank has a risk management system in place to identify risk countries with regard to international labour standards in the production and supply chains of companies it finances or invests in.	3
Companies in the garment and electronics sector are required to adhere to international labour standards:	
Freedom of association and the right to collective bargaining.	2
The right to a living wage.	4
UN Guiding Principles for Business and Human Rights (UNGPR)	4
Exclusion	
Companies are excluded in case they do not meet selection criteria	4
Subtotal A	20
B. Risk management regarding the existing investment portfolios	
Banks monitor and assess due diligence practices of companies	
Companies uphold the freedom of association and the effective recognition of the right to collective bargaining.	2
Companies pay a living wage to their employees.	4

Scoring table ASN Bank	
Companies have a clear management system to monitor and, if needed, correct compliance with regard to international labour standards.	4
Companies establish procedures on how to deal and process employee complaints and to solve violations and conflicts, preferably in consultation with the relevant trade union	4
Companies integrate labour rights criteria in their procurement and operational policies.	2
Companies include clauses on the compliance with criteria on labour rights in their contracts with subcontractors and suppliers.	0
Subtotal B	16
C. Engagement/dialogue/incentives to improve	
Engagement	
The bank has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on compliance with international labour standards.	4
The bank has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on payment of a living wage.	3
The bank has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on freedom of organisation and collective bargaining.	4
Promotion of multi-stakeholder initiatives	
The bank actively promotes membership of multi-stakeholder initiatives and certification systems.	3
Voting policies	
The bank has a voting policy that includes regarding human rights and international labour standards.	1
The bank has a voting record with regard to one or more companies in the A and E sector on human rights and international labour standards.	0
Exclusion	
Companies are excluded in case they do not meet engagement targets	4
Subtotal C	19
Total points A – C	55
Total A - C / 6.2	9
Commitment to improve (bonus point)	1
Grace point	n.a.
Total	10

3.5 Delta Lloyd

3.5.1 Company profile

Delta Lloyd is an insurance and banking group from Dutch origin, which provides life insurance, pensions, general insurance, asset management and banking products and services to 4.2 million private, retail and corporate customers in the Netherlands and Belgium.¹⁴⁰ The group has four brands in the Netherlands, namely Delta Lloyd, ABN AMRO Verzekeringen, BeFrank and Ohra.¹⁴¹ The group's ordinary shares are listed on the stock exchanges in Amsterdam and Brussels.¹⁴² Delta Lloyd has 4,130 full-time employees, of which 3,647 are located in the Netherlands and the rest in Belgium.¹⁴³ Gross written premiums over the year 2015 were € 4.0 billion, of which € 3.2 billion originated from the Netherlands.¹⁴⁴ Total income stood at € 6.1 billion, of which approximately € 4.7 billion came from the Netherlands.¹⁴⁵ Customer savings and deposits were € 5.1 billion, all of which originated from the Netherlands (the Belgian banking activities were sold to the Chinese insurer Anbang).¹⁴⁶

3.5.2 Overview

Table 28 gives an overview of shareholdings and bond holdings in the garment and electronics sector that are under management of Delta Lloyd. The total volume of shareholdings and bond holdings amount to USD 351.4 million. For a break-down of investments, see 3.5.4. Delta Lloyd group has no outstanding credits and loans to companies in the garment and electronics sector.

Table 28 Overview shareholdings and bond holdings in USD million

Sector	Credits and loans				Investments		Total
	Revolving credits	Corporate loans	Share issuances	Bond issuances	Shareholdings	Bond holdings	
Apparel					108.9	4.7	113.5
Electronics					207.8	30.1	237.9
Total					316.7	34.7	351.4

Source: Bloomberg, Thomson Reuters Eikon, February 2016

3.5.3 Corporate credits and loans

Delta Lloyd has no outstanding loans or credits in the garment and electronics sector.

3.5.4 Asset management

Table 29 gives an overview of shareholdings and bond holdings in 24 garment companies that are under management of Delta Lloyd asset management. The top three investees are VF Corporation (USD 30.5 million), Nike (USD 17.9 million) and Inditex (USD 13.7 million). Total investments in the garment sector amount to USD 113.5 million.

Table 29 Shareholdings and bond holdings of Delta Lloyd in companies in the garment sector

	Company name	Type of financing in USD million		
		Share holdings	Bond holdings	Total
1	VF Corporation	30.5		30.5
2	Nike	17.9		17.9
3	Industria de Diseño Textil (Inditex)	13.7		13.7
4	Macintosh Retail Group	10.2		10.2
5	H&M (Hennes & Mauritz)	9.9		9.9
6	Hugo Boss	7.7		7.7
7	Kering	1.0	4.7	5.6
8	TJX Cos	3.7		3.7
9	Fast Retailing	1.6		1.6
10	L Brands	1.6		1.6
	VF Corporation	30.5		30.5
	Subtotal	97.7	4.7	102.3
	14 other companies - see Appendix 2	11.2		11.2
	Total	108.9	4.7	113.5

Source: Bloomberg, Thomson Reuters Eikon, February 2016

Table 30 gives an overview of shareholdings and bond holdings in 52 electronics companies under management of Delta Lloyd Asset Management. The top three investees are Apple (USD 97.7 million), Intel (USD 18.8 million) and Seagate Technology (USD 18.7 million). Total investments in the electronics sector amount to USD 237.9 million.

Table 30 Shareholdings and bond holdings of Delta Lloyd in companies in the electronics sector

	Company name	Type of financing in USD million		
		Share holdings	Bond holdings	Total
1	Apple	79.4	18.3	97.7
2	Intel	18.8		18.8
3	Seagate Technology	18.7		18.7
4	Linear Technology	17.0		17.0
5	ASML Holding	2.6	11.8	14.5
6	Taiwan Semiconductor Manufacturing	9.4		9.4
7	WPG Holdings	6.7		6.7

	Company name	Type of financing in USD million		
		Share holdings	Bond holdings	Total
8	Qualcomm	6.3		6.3
9	Texas Instruments	3.6		3.6
10	HP Inc	3.6		3.6
	subtotal	166.0	30.1	196.1
	42 other companies - see Appendix 2	41.8		41.8
		207.8	30.1	237.9

Source: Bloomberg, Thomson Reuters Eikon, February 2016

3.5.5 Assessment and overview scores asset management

The assessment of Delta Lloyd is based on an interview with staff of the Responsible Investment division of Delta Lloyd Asset Management, public documents and snapshots of CSR policies of companies.¹⁴⁷

A. Screening and selection of companies

- Identification of risk sectors
Delta Lloyd has a sector policy on consumer goods that also specifically mentions the garment sector as a risk sector regarding labour rights; no specific reference to the electronics sector. Delta Lloyd's external data provider uses the UN Global Compact (UNGC) principles to identify sector risks of violation human rights and labour rights.¹⁴⁸ 3 points are granted for the identification of risk sectors.
- Identification of risk countries
Delta Lloyd does not pay specific attention to risk countries with regard to international labour standards in the production and supply chains of companies Delta Lloyd invests in. Therefore, no points are granted.
- Freedom of association and collective bargaining
Risk analysis on freedom of association is part of the risk analysis of the garment and electronics sector. However, companies are not screened prior to investments. Therefore, no points are granted as part of screening and selection. Delta Lloyd scores 0 points for this element.
- Living wage
The screening is focused on compliance with UNGC, which does not include payment of a living wage. The Delta ESG board has recently approved that it will endorse the OECD guidelines as a guidance for assessment and has start a process of integrating the OECD guidelines in the ESG screening. The OECD Guidelines also include payment of a living wage. Delta Lloyd scores 0 points for this indicator because currently living wage is not part of the screening and risk analysis.
- UN Guiding Principles for Business and Human Rights (UNGP)
The screening is focused on compliance with UNGC, not on the UN Guiding Principles (UNGP). The Delta ESG board has recently approved that it will endorse the OECD guidelines as a guidance for assessment and has start a process of integrating the OECD

guidelines in the ESG screening. The OECD Guidelines also include the UN Guiding Principles. Delta Lloyd scores 0 points for this indicator because currently the UNGP nor OECD guidelines are a framework for screening and risk analysis.

- **Exclusion**
Delta publishes an Exclusion List based on violation of UN Global Compact Principles. Delta Lloyd does not exclude companies as part of the screening and selection process.¹⁴⁹

B. Risk management investments

- **Freedom of association**
Delta Lloyd's external data provider uses the UN Global Compact (UNGC) principles which includes freedom of association, to assess policies and controversies regarding human rights and labour rights.¹⁵⁰ Therefore, 2 points are granted for this assessment element.
- **Living wage**
See assessment under **A. Screening and selection of companies.**
- **Management systems**
Assessing companies on having policies and management systems in place, is part of the UNGC company screening by Sustainalytics. Therefore, 4 points are granted.
- **Employee complaint mechanisms and procedures**
It is not fully clear whether Delta Lloyd monitors companies on establishing complaint mechanisms. Therefore, no points are granted.
- **Integration of labour rights criteria in procurement and operational policies.**
Supply chain management is part of the company screening by data provider Sustainalytics. Therefore, 2 points are granted.
- **Clauses in contracts with suppliers**
Delta Lloyd expects companies in which it invests to use criteria on human rights and labour rights in their contracts with subcontractors and suppliers but did not share details of how these policies are implemented in the assessment of companies. Therefore, no points are granted.

C. Engagement and voting

- **Engagement on labour standards**
Delta Lloyd is member of the institutional investor's engagement partner Eumedion. It does not have its own engagement policies. Though no ESG driven engagement, Delta Lloyd carries out engagement with regard to labour rights and human rights issues, as part of regular contacts with companies. Delta Lloyd did not provide further details of engagement trajectories with companies in the garment and electronics sector. Therefore, no points are granted.
- **Promotion of multi-stakeholder initiatives**
Delta Lloyd did not share information on promotion of multi-stakeholder initiatives.
- **Voting**
Delta Lloyd's voting policies are based on engagement manager ISS and local practices. Delta Lloyd uses the ESG proxy voting policy of ISS. Therefore, Delta Lloyd gets a score for its voting policy. At the latest annual general meeting of shareholders of Apple,

February 2016, Delta Lloyd, in line with the company's advice, voted against a shareholders' proposal asking the board of Apple to review the guidelines for selecting countries or regions for its operations as part of its human rights policy.¹⁵¹

- **Exclusion**
Delta Lloyd publishes an Exclusion List based on violation of UN Global Compact Principles. Delta Lloyd has excluded the American supermarket chain/department store Wal-Mart, due to violation of fundamental labour rights (lack of freedom of association).¹⁵² This results in 4 points. Delta Lloyd has not excluded companies in the garment and electronics sector.

D. Commitment

Delta Lloyd did not make a commitment to improve its policies or the implementation thereof, within one year after publication of this case study.

- **Final score**

Delta Lloyd uses the EU Global Compact screening of data provider Sustainalytics, which includes policies and controversies regarding freedom of association and the analyse of supply chain policies and management systems of companies in the garment and electronics sector. In case of non-compliance, companies may be excluded. Delta Lloyd Asset Management did not convincingly demonstrate that it has active ownership over the investments in the garment and electronics sector, such as engagement processes to improve the policies and performance of company in managing supply chain risks with regard human rights and labour rights. This results in a final score of 3 points. An overview of the assessment of the responsible investment policies of Delta Lloyd Asset Management is presented in Table 31.

Table 31 Scoring table Delta Lloyd

Scoring table Delta Lloyd	
A. Risk management as part of the screening and selection process	
Identification of risk countries and risk sectors	
Indicator	Scores
Identification of risk sectors with regard to labour standards is part of the bank's RI risk management system.	3
The bank has a risk management system in place to identify risk countries with regard to international labour standards in the production and supply chains of companies it finances or invests in.	0
Companies in the garment and electronics sector are required to adhere to international labour standards:	
Freedom of association and the right to collective bargaining.	0
The right to a living wage.	0
UN Guiding Principles for Business and Human Rights (UNGPR)	0
Exclusion	
Companies are excluded in case they do not meet selection criteria	0
Subtotal A	3
B. Risk management regarding the existing investment portfolios	
Banks monitor and assess due diligence practices of companies	

Scoring table Delta Lloyd	
Companies uphold the freedom of association and the effective recognition of the right to collective bargaining.	2
Companies pay a living wage to their employees.	0
Companies have a clear management system to monitor and, if needed, correct compliance with regard to international labour standards.	4
Companies establish procedures on how to deal and process employee complaints and to solve violations and conflicts, preferably in consultation with the relevant trade union	0
Companies integrate labour rights criteria in their procurement and operational policies.	2
Companies include clauses on the compliance with criteria on labour rights in their contracts with subcontractors and suppliers.	0
Subtotal B	8
C. Engagement/dialogue/incentives to improve	
Engagement	
The bank has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on compliance with international labour standards.	0
The bank has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on payment of a living wage.	0
The bank has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on freedom of organisation and collective bargaining.	0
Promotion of multi-stakeholder initiatives	
The bank actively promotes membership of multi-stakeholder initiatives and certification systems.	0
Voting policies	
The bank has a voting policy that includes regarding human rights and international labour standards.	1
The bank has a voting record with regard to one or more companies in the A and E sector on human rights and international labour standards.	0
Exclusion	
Companies are excluded in case they do not meet engagement targets	4
Subtotal C	5
Total points A – C	16
Total A - C / 6.2	3
Commitment to improve (bonus point)	0
Grace point	n.a.
Total	3

3.6 ING

3.6.1 Company profile

ING Group (ING) is a global banking group of Dutch origin offering retail and wholesale banking services.¹⁵³ ING's ordinary shares are listed on the stock exchanges of Amsterdam, Brussels and New York. The group services 34.4 million clients in more than 40 countries in Europe, North America, South America, the Middle East, Asia and Australia: private, corporate and institutional investors. In Belgium, Luxembourg and the Netherlands ING has a leading position in the retail and wholesale banking segments.¹⁵⁴ ING operates its banking activities on the Dutch market under the ING and Bank Mendes Gans brands.¹⁵⁵ At the end of 2015, ING had 57,553 employees worldwide (full time equivalent basis, including 4,833 from discontinued operations) and 17,238 employees in the Netherlands (full time equivalent basis, includes 2,652 from discontinued operations).¹⁵⁶ The total turnover of ING over the financial year 2015 amounted to € 16,845 million, of which € 5,185 million originated from the Netherlands.¹⁵⁷ At the end of December 2015, ING's customer deposits totalled € 500.8 billion, of which 159.8 billion originated from the Netherlands.¹⁵⁸

3.6.2 Overview

Table 32 gives an overview of corporate credits and loans of ING to companies in the garment and electronics sector, in total USD 4,316.8 million. A break-down is given in subsection 3.6.3. There are no shareholdings or bond holdings under management of ING in the garment and electronics sector.

Table 32 Overview of credits and loans in USD million

Sector	Credits and loans				Total	Investments	
	Subtotal	Corporate loans	Share issuances	Bond issuances		Shareholdings	Bond holdings
Apparel	790.1		26.4	200.7	1,017.3	n.a.	n.a.
Electronics	1,988.6	181.1	20.4	953.4	3,143.5	n.a.	n.a.
Total	2,778.7	181.1	46.8	1,154.1	4,160.8		

Source: Bloomberg, Thomson Reuters Eikon, February 2016

3.6.3 Corporate credits and loans

Table 33 gives a break-down of corporate credits and loans to companies in the garment and electronics sector. The three companies in the garment sector that receive the largest volume of corporate credits and loans are Kering (USD 308.2 million), VF Corporation (USD 168.9 million) and Nike (USD 140 million). The total volume of corporate credits and loans to the garment sector amounts USD 790 million. The three companies in the electronics sector that receive the largest volume of corporate credits and loans are HP (USD 650.2), Huawei Technology (USD 358.2 million) and Micron Technology (USD 321.5 million). The total volume of corporate credits and loans to the electronics sector amounts USD 2,170 million. On top of that, ING was involved in the issuance of shares and bonds with regard to companies in the apparel (USD 227.3 million) and electronics sector (USD 973.8 million).

Table 33 Corporate credits and loans to companies in the garment and electronics sector in USD million

	Company name	Revolving credits	Corporate loans	Subtotal credits and loans	Bond issuances	Share issuances	Sub-total	Total
1	Kering	308.2		308.2	78.9		78.9	387.1
2	Groupe Arnault (Christian Dior)	69.2		69.2	106.8		106.8	176.0
3	VF Corporation	168.9		168.9				168.9
4	Nike	140.0		140.0	15.0		15.0	155.0
5	Macintosh Retail Group	43.8		43.8		26.5	26.5	70.3
6	Hanesbrands	60.0		60.0				60.0
	Subtotal apparel	790.1		790.1	200.7	26.5	227.3	1,017.3
1	HP Inc	650.2		650.2	254.6		254.6	904.7
2	Rexel	253.5		253.5	367.7		367.7	621.1
3	ASML Holding	237.9		237.9	249.4		249.4	487.3
4	Micron Technology	262.5	59.0	321.5	81.7		81.7	403.2
5	Huawei Technology	236.1	122.1	358.2				358.2
6	Hewlett-Packard Enterprises	175.0		175.0				175.0
7	Arrow Electronics	72.5		72.5				72.5
8	Ingram Micro	60.0		60.0				60.0
9	ASM International (ASMI)	41.1		41.1				41.1
10	AU Optronics					20.4	20.4	20.4
	Subtotal electronics	1,988.6	181.1	2169.7	953.4	20.4	973.8	3,143.5
	Total	2,778.7	181.1	2959,8	1,154.1	46.8	1200.9	4,160.8

Source: Bloomberg, Thomson Reuters Eikon, February 2016

3.6.4 Assessment and overview scores corporate credits and loans

For this case study, the assessment concerns the implementation of ING's responsible lending policy on screening and monitoring the CSR policies and performance of corporate clients in the apparel and electronics sector. The assessment is based on an interview with staff members of ING Sustainability, public documents and information shared by ING.¹⁵⁹

- **Screening and selection of companies**

- Identification of risk sectors

According to ING's ESR Framework, the manufacturing sector, including the garment and electronics sector, due to supply risks such as "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." ING has internal reference guides and other procedural guidance for client assessment and transaction assessment. These assessments are a mandatory part of Know Your Client (KYC) procedures as well as deal approval processes. ING has a global client data base which, according to ING, covers nearly 100% of ING's credit risk information. The due diligence varies depending on the nature of the business engagement. In general, the higher the level of engagement the more comprehensive and detailed the assessment. For risk analysis of corporate clients, ING uses sector risk profiles, applying the NAICS classification of industries (NAICS = North American Industry Classification System). ING maps NAICS codes to a responsible lending policy, in case of the garment and electronics sector (semiconductors) the manufacturing sector policy of the ESE framework applies. ING shared internal company profiles showing that the garment and electronics sector are regarded as high-risk sectors due to supply chain risks with regard to human rights and labour standards. In addition to information provided by external data provider Sustainalytics or own research, ING fills out the questionnaires and will approach the company if certain information is not available or leads to questions and depending on the type of finance get feedback from ING on the quality of their CSR policies and if necessary, terms for improvement. Based on the results of the screening process, companies are divided in four categories: sustainable, low-, medium-, increased and unacceptable risk companies.¹⁶⁰ Disclosing information about its risk management system including the identification of risk sectors results in 3 points.

- Identification of risk countries

ING uses a country list divided in low, medium, high risk and ultra-high risk countries to assess the risks of countries in which clients (potentially) operate, in terms of social and environmental risks and other risks like, terrorist financing, bribery and money laundering. ING showed how they assess the potential risk of activities in risk countries. Risk profiles of companies in the garment sector contain questions related to production locations in high-risk countries. For client assessment, ING maps where the client is producing. For transaction assessment, on top of that in case of EP deals (and project related corporate loans), companies are screened on supply chain management. In case more than 50% of outsourcing takes place in high-risk Southeast Asian countries, further level of due diligence takes place.¹⁶¹ ING scores 3 points for the identification of risk countries in the supply chains of garment and electronics companies.

- Freedom of association and collective bargaining

ING provided internal information about their screening systems which include screening companies on freedom of association and collective bargaining.¹⁶² Therefore, 2 points are granted.

- Living wage

Under the Manufacturing Policy, ING has developed tools to identify the most significant risks that may be associated with the manufacturing sector. These risks refer to, among others, non-living wages. ING showed that the internal reference guide includes best practices regarding industry standards that include payment of a living wage, such as SA8000, which is part of the company screening.¹⁶³ This results in 4 points.

- **UN Guiding Principles for Business and Human Rights (UNGP)**
ING assessment tools also take into consideration general and internationally recognized sustainability standards. These include ILO Fundamental Labour Standards, UN Global Compact Principles and the UN Guiding Principles on Business and Human Rights (UNGP). On request, ING provided details of how data provider Sustainalytics integrates the UNGP explicitly and implicitly in its ESG profiles.
According to Sustainalytics, in case of risk sectors regarding human rights, companies are screened on indicators based on the human rights policies as described in the UNGP, which also includes the assessment to what extent companies have implemented the 'protect, respect and remedy framework' that is part of the UNGP and carry out human rights due diligence research. If a company is involved in controversies and obviously its operations have a negative impact on human rights, Sustainalytics assesses whether the company takes the responsibility to address these impacts, including a provision for remedies.¹⁶⁴ ING scores 4 points for screening companies on having human rights policies in spirit or letter of the UNGP.
- **Exclusion**
The ESR policy on Human Rights is covered by the Client assessment during client acceptance procedure. In case of breach with the policy, clients are considered "unacceptable". In addition, some of the exclusion policies entail the risks of human rights (defence/pornography) and labour issues (shipbreaking) in some, not all sectors. Those policies are also assessed during client acceptance procedure. In case of a poor track record and lack of willingness to improve their social performance, according to ING, non-acceptance is one of the possible outcomes of the client acceptance process, also for companies in the garment and electronics sector.¹⁶⁵ According to ING, currently no companies are on the exclusion list for not meeting the abovementioned standards. As ING showed that some relevant labour issues are taken into account as part of client acceptance and transaction acceptance procedures. Therefore, 2 points are granted.
- **Risk management corporate clients**
- **Freedom of association and collective bargaining**
Client assessments take place once a year up to once in three years, depending on the risk profile of a company. The risk profile is based on location of production countries, outsourcing to risk countries with regard to human rights and labour standards, supply chain management and involvement in controversies regarding human rights and labour standards. In case of (lending) transactions with clients, clients are reviewed every year, no matter the risk profile. In case there have been material changes, such as mergers or take-overs, a new ESG assessment takes place. Review also takes place in case of controversies raised. Freedom of association and collective bargaining is part of the assessment procedures.¹⁶⁶ Therefore, 2 points are granted.
- **Living wage**
ING showed that payment of a living wage is part of the company assessment procedures and provided an example of a controversy based on annual review of an electronics company with production sites in mainland China. The Asia desk of the corporate risk department of ING Group, had an email correspondence with a company, asking questions what the company intended to do to solve complaints from workers that had gone on strike because of excessive working hours and low pay. The company responded by saying that the employees like to work overtime because of the higher pay. This, in a nutshell, is exemplary for the problems workers face in the electronics sector. Standard industry wages do not guarantee a decent income, (forced) overtime and long working days. ING responded that it expects the company to solve these issues 'otherwise, next year we will have this conversation again. Due to the controversies, the company concerned has been put on the list of increased risk companies, which means intensified

reviews.¹⁶⁷ Taking into account sector risks of long working hours, (forced) overtime work and low wages, which are indicators of controversies regarding payment of a living wage, results in 2 points for the electronics sector.

- **Management systems**
Companies in high-risk sectors as the garment and electronics sector are reviewed every year, more often if need be, for instance, in case of controversies. The review of the social policies of companies includes the assessment of management procedures to mitigate social risks relevant to its business activities and reporting on their social performance (sustainability report, website or equivalent). ING showed that, in case of controversies, monitoring of companies is intensified and companies are required to report on corrective actions. The client is required to solve the issue.¹⁶⁸ Therefore, 4 points are granted.
- **Employee complaint mechanisms and procedures**
In case of project finance, ING requires its clients to have effective consultation and complaint mechanisms in line with IFC performance standards. Project finance is outside the scope of this research, therefore no points are granted.
- **Integration of labour rights criteria in procurement and operational policies**
Monitoring companies on having supply chain policies with regard to international labour standards is part of the assessment of companies in the garment and electronics sector that are part of the financing portfolio.¹⁶⁹ This results in 2 points.
- **Clauses in contracts with suppliers**
For every deal that is subject to Equator Principles, the borrower should extend the IFC Performance Standards to their (sub)contractors/suppliers. Project finance is outside the scope of this research, therefore no points are granted.
- **Engagement and dialogue**
- **Engagement on labour standards**
ING showed and explained that in case of controversies, the communications with companies is intensified and companies are required to clarify how they remedy these controversies. Triggers for intensified communications, i.e. engagement trajectories with companies in the garment and electronics sector, are negative media attention and results of regular assessment processes. In the garment sector, companies' responses to the Rana Plaza accident in Bangladesh has been a trigger for intensified communications, as well as controversies reported by NGOs with regard to working hours, freedom of association, companies' response on strikes or low wages. With regard to the electronics sector, over the past years, poor labour standards and suicides among workers in factories of major suppliers of Apple, was reason for intensified communications with companies in the electronics sector. In that case, the sustainability team and the corporate risk division of ING, contacts the companies involved and requests for increasing transparency, information about the controversies, action plans and remediation plans, stakeholder engagement plans and pro-active actions to make sure that the controversies will not happen again in another facility.¹⁷⁰ This results in 4 points.

ING did not provide examples of engagement processes, particularly focused on payment of a living wage and freedom of association. Therefore, no points are granted for these assessment elements.

- **Promotion of multi-stakeholder initiatives**
Participation in multi-stakeholder initiatives and certification schemes is part of the client assessment. ING actively promotes the following initiatives: OHSAS 18001 and SA8000.¹⁷¹ Therefore, 2 points are granted.
- **Exclusion**
A qualification of being unacceptable is one of the possible outcomes of reviewing existing clients and/or transaction assessment. This refers to clients that have no management procedures in place to mitigate social impacts, do not report on their social performance or are involved in controversies, such as violation of ILO standards such as freedom of association. According to ING, “engagement with these clients is not permitted unless there is concrete evidence that the client is taking adequate steps to improve their social performance.” According to ING, currently no companies are on the exclusion list for not meeting the abovementioned standards. Since ING showed that one of the core issues addressed in this case study, freedom of association, is taken into account as part of client review and transaction acceptance procedures. Therefore, 4 points are granted.¹⁷²
- **Incentives**
Based on the information on CSR policies and performance of companies, the ING sustainable finance team looks for the best performers in any industry. According to ING, companies with an above average CSR performance are also less risky in terms of credit risk. Currently, the main focus is outperformance with regard to environmental policies and best practices. ING has plans to also focus on social outperformers. The advantages for clients are support from experts in deal-making and the availability of budget for expert consultation.¹⁷³ Therefore, ING scores 1 point with regard to this assessment element.
- **Commitment**
ING did not make a commitment to improve the human rights and labour rights policies or the implementation thereof within one year of publication.
- **Final score**
The final score of ING is 6 points. The banking group screens and monitors their corporate clients in the garment and electronics sector on how they address supply chain risks with regard to human rights and labour standards. Clients need to provide information about their supply chain policies and risk management systems. ING provided examples of how they approach and review clients in case of inadequate policies or controversies faced by the company. In that case, ING expects that the company solves the controversies concerned and is transparent about corrective measures and results. Furthermore, clients in the manufacturing sector are encouraged to join industry standards such as OHSAS 18001 and SA8000. There is room for improvement in further integrating the periodical review of companies with clear engagement strategies that are relevant for the garment and electronics sector and providing clear terms for improvement in case companies face controversies. Freedom of association and collective bargaining and payment of a living wage could be promoted as a means to address and resolve labour issues like low wages, long working hours and (forced) overtime work. An overview of the assessment of the responsible lending policies of ING is presented in Table 34.

Table 34 Scoring table ING

Scoring table ING

A. Risk management as part of the screening and selection process

Identification of risk countries and risk sectors

Indicator	Scores
Identification of risk sectors with regard to labour standards is part of the banking group's RI risk management system.	3
The banking group has a risk management system in place to identify risk countries with regard to international labour standards in the production and supply chains of companies it finances or invests in.	3

Companies in the garment and electronics sector are required to adhere to international labour standards:

Freedom of association and the right to collective bargaining.	2
The right to a living wage.	4
UN Guiding Principles for Business and Human Rights (UNGP)	4

Exclusion

Companies are excluded in case they do not meet selection criteria	2
--	---

Subtotal A

18

B. Risk management regarding the existing investment portfolios

Banking groups monitor and assess due diligence practices of companies

Companies uphold the freedom of association and the effective recognition of the right to collective bargaining.	2
Companies pay a living wage to their employees.	2
Companies have a clear management system to monitor and, if needed, correct compliance with regard to international labour standards.	4
Companies establish procedures on how to deal and process employee complaints and to solve violations and conflicts, preferably in consultation with the relevant trade union	0
Companies integrate labour rights criteria in their procurement and operational policies.	2
Companies include clauses on the compliance with criteria on labour rights in their contracts with subcontractors and suppliers.	0
Subtotal B	10

C. Engagement/dialogue/incentives to improve

Engagement

The banking group has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on compliance with international labour standards.	4
The banking group has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on payment of a living wage.	0
The banking group has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on freedom of organisation and collective bargaining.	0

Promotion of multi-stakeholder initiatives

Scoring table ING

The banking group actively promotes membership of multi-stakeholder initiatives and certification systems.	2
Exclusion	
Companies are excluded in case they do not meet engagement targets	4
Incentives	
The banking group has a policy to support front-runners in the A and E sector and gives them priority and advantages in terms of finance and services.	1
Subtotal C	9
Total points A - C	39
Total A – C / 6.2	6
Commitment to improve (bonus point)	0
Grace point	n.a.
Total	6

3.6.5 Asset management

ING Group has no shareholdings and bond holdings in companies in the garment and electronics sector.

3.7 Rabobank

3.7.1 Company profile

The Rabobank Group (Rabobank) is an international financial services provider with cooperative principles, originating from the Netherlands, and offering products and services in the area of banking, capital management, leasing, insurance and real estate.¹⁷⁴ Rabobank is active in 40 countries, serving over 8.6 million clients in Europe (mainly in the Netherlands, Belgium, Germany and Ireland), North America, Australia and New Zealand, Latin America and Asia.¹⁷⁵ At the end of the financial year 2015, Rabobank had 51,859 employees worldwide (full time equivalent basis), including 24,341 in the Netherlands.¹⁷⁶ Rabobank's Certificates are listed on the Euronext Amsterdam.¹⁷⁷ Rabobank operates under the brands Rabobank, ACC Loan Management, MyOrder, Obvion, Rembrandt, DLL, BPD Europe, Bouwfonds IM, and FGH Bank.¹⁷⁸ Total amounts due to customers were € 337.6 billion at the end of December 2015, of which € 140.5 billion was related to private savings.¹⁷⁹ Of these total amounts due to customers, € 212.4 billion came from domestic retail banking in the Netherlands.¹⁸⁰ Total income for the financial year 2015 stood at € 13.0 billion, of which € 8.9 billion originated from the Netherlands.¹⁸¹

3.7.2 Overview

Table 35 gives an overview of corporate credits and loans of Rabobank to companies in the garment and electronics sector, in total USD 1,317.4 million. A break-down is given in subsection 3.7.3. There are no shareholdings or bond holdings under management of Rabobank Group.

Table 35 Corporate credits and loans to companies in the garment and electronics sector in USD million

	Credits and loans				Total	Investments		Total
Sector	Subtotal	Corporate loans	Share issuances	Bond issuance	Total	Shareholdings	Bond holdings	
Apparel	43.8				43.8	n.a.	n.a.	
Electronics	468.3	596.9		208.3	1,273.5	n.a.	n.a.	
Total	512.2	596.9		208.3	1,317.4			1,317.4

Source: Bloomberg, Thomson Reuters Eikon, February 2016

3.7.3 Corporate credits and loans

Table 36 gives a break-down of corporate credits and loans to companies in the garment and electronics sector. Corporate credits and loans to companies in the garment sector concern primarily Macintosh Retail Group (USD 43.8 million), that went bankrupt by the end of 2015.¹⁸² The major part of corporate credits and loans to companies in the electronics sector concern NXP Semiconductors (USD 600 million) and ASML Holding (USD 237.9 million). The total volume of corporate credits and loans to the electronics sector amounts USD 1,065.4 million. On top of that, Rabobank was involved in the issuance of bonds to NXP Semiconductors (USD 208.3 million).

Table 36 Corporate credits and loans Rabobank

	Type of financing in USD million				
Company name	Corporate loans	Revolving credits	Subtotal credits/loans	Bond issuance	Total
Macintosh Retail Group		43.8	43.8		43.8
Apparel		43.8	43.8		43.8
NXP Semiconductors	550.0	50.0	600.0	208.3	808.3
ASML Holding		237.9	237.9		237.9
Sharp	46.9	48.6	95.5		95.4
ASM International (ASMI)		83.2	83.2		83.2
Microchip Technology		48.8	48.8		48.8
Electronics	596.9	468.3	1065.4	208.3	1,273.5
Total	596.9	512.3		208.3	1,317.4

Source: Bloomberg, Thomson Reuters Eikon, February 2016

3.7.4 Assessment and overview scores corporate credits and loans

For this case study, the assessment concerns the implementation of Rabobank Group's responsible lending policy on screening and monitoring CSR policies and performance of corporate clients in the garment and electronics sector. The assessment is based on an interview with staff members of 'Rabobank Duurzaamheid', the sustainability department of Rabobank Group, public documents and internal information shared by Rabobank Group.¹⁸³

- **Screening and selection of companies**

- Identification of risk sectors

Sustainability aspects are integrated in Rabobank's risk management system for client acceptance. Rabobank has an internal branch information system that also maps sustainability aspects of sectors, such as the origin of products, the knowledge of companies about the origin of products and their competitive positioning with regard to policies and performance concerning corporate social responsibility. Clients in the garment sector and electronics sector are requested to provide information about their supply chain policies and risk management with regard to suppliers in low-wage production countries. This also includes questions about labour conditions and whether parts of the assortment have CSR certification. Depending on their CSR risk profile, clients are divided into four categories: frontrunners, medium performers, laggards and not-accepted.¹⁸⁴

Disclosing information about its risk management system including the identification of risk sectors results in 3 points.

- Identification of risk countries

Rabobank has an internal management system to identify risk countries, based on own research and external sources such as Maplecroft, Freedom House, ILO and Transparency International. The system also makes cross references between risk countries, CSR risks and sectors, for example Bangladesh with regard to the garment sector and China with regard to the electronics sector.¹⁸⁵ Rabobank scores 3 points for the identification of risk countries in the supply chains of garment and electronics companies.

- Freedom of association and collective bargaining

Questions about supply chain management is part of Rabobank's risk management system for client acceptance. The questionnaire also includes freedom of association. The risk country analysis of Rabobank also maps risks with regard to freedom of association and collective bargaining.¹⁸⁶ Therefore, 2 points are granted.

- Living wage

Living wage is part of the ILO Tripartite Declaration and the OECD-Guidelines, which have been endorsed by Rabobank and are part of its sustainability policies.¹⁸⁷ Rabobank screens companies on policies and performance regarding labour conditions in their production and supply chains. Based on the information provided, it was not possible to assess whether payment of a living wage is a particular focus area in the screening system of Rabobank for corporate credits and loans. Therefore, no points are granted.

- UN Guiding Principles for Business and Human Rights (UNGP)

The UN Guiding Principles are part of Rabobank's human rights policy and integrated in the client acceptance and monitoring system. Companies are expected to take into account that their business activities may have a negative impact on human rights and labour rights in their supply chains and need to have policies and management systems in place to mitigate these impacts.¹⁸⁸ Rabobank scores 4 points for screening companies on having human rights policies.

- **Exclusion**
Non-acceptance is one of the possible outcomes of the client acceptance process. Information about the number and names of companies that are not accepted because they do not meet Rabobank's acceptance standards on human rights and labour rights is regarded confidential. Therefore, it has not been possible to assess whether non-acceptance based on responsible lending standards is a possible outcome for clients in the garment and electronics sector. 4 Points are granted because violation of international labour standards is taken into account in lending decisions.
- **Risk management corporate clients**
- **Freedom of association and collective bargaining**
Information about clients' CSR policies and performance is updated minimum once a year, and more frequent in case of high-risk categories, new services or substantial expansion of existing services by the client and changes in the organisational structure (e.g. merger or take-overs), or external signals of controversies. Monitoring and re-assessment of clients also includes the issue of freedom of association.¹⁸⁹ Therefore, 2 points are granted.
- **Living wage**
Living wage is not a particular focus of the screening and monitoring system of Rabobank. Therefore, no points are granted.
- **Management systems**
The UN Guiding Principles are part of Rabobank's human rights policy and integrated in the client acceptance and monitoring system. Companies are expected to take into account that their business activities may have a negative impact on human rights and to have policies and management systems in place to mitigate these impacts. Therefore, 4 points are granted.
- **Employee complaint mechanisms and procedures**
Rabobank shared internal information about its screening and monitoring system which provided insight on how it addresses supply chain risks in the assessment of clients. Based on the information provided, it was not possible to assess whether this also concerns employee complaint mechanisms and procedures in place. Therefore, no points are granted for this assessment element.
- **Integration of labour rights criteria in procurement and operational policies.**
Rabobank maps clients in the garment sector and electronics sector on their supply chain policies and asks questions about labour conditions in their supply chain. This results in 2 points.
- **Clauses in contracts with suppliers**
According to its human rights policies, Rabobank Group expects its own customers, suppliers and other business partners to uphold the human rights commitment set out in this policy. A contractual clause to this effect may be inserted into relevant contracts or letters for prospects. Requiring clients to put contractual clauses about labour standards in contracts with their suppliers is not part of Rabobank's human rights and labour rights policies.¹⁹⁰

- **Engagement and dialogue**

- Engagement on labour standards

In case clients do not live up to Rabobank's sustainability standards or do not make enough progress in integrating sustainability standards, Rabobank starts a dialogue with these companies. Clients need to make an improvement plan with specific and time-bound targets. Rabobank has developed an engagement tool to discuss the ESG performance of companies in the credit portfolio and intends to discuss with a growing number of business customers in 2016 the sustainability issues and opportunities relevant to them.¹⁹¹ After the Rana Plaza catastrophe in Bangladesh, 2013, Rabobank engaged with all Dutch clients in the garment (retail) sector.¹⁹² The engagement is focused on promoting participation in multi-stakeholder initiatives and certification schemes, such as the Fair Wear Foundation and Made-By. For Rabobank, it serves as a means to check whether clients in risk sectors are aware of these risks and are prepared to address and mitigate these risks. In 2015, Rabobank started an engagement process with a client in cotton production, due to controversies regarding child labour. This engagement is ongoing. For its engagement with companies in the garment sector, Rabobank scores 2 points. Freedom of association is also a focus area for engagement with clients. The examples provided did not concern companies in the garment or electronics sector.¹⁹³ Therefore, no points are granted for the assessment of engagement regarding freedom of association and living wage.

- Promotion of multi-stakeholder initiatives

Participation in multi-stakeholder initiatives and certification schemes is part of client assessment. Rabobank actively promotes the following initiatives: Fair Wear Foundation, BSCI, OHSAS 18001, ISO 26000, Made-By and the Worldwide Responsible Apparel Production Principles (WRAP). Rabobank also promotes the use of client self-assessment tools, such as Rank-a-Brand, a website tool to compare brands and retailers on their CSR policies and performance.¹⁹⁴ Based on the information provided, 3 points are granted.

- Exclusion

Exclusion is one of the possible outcomes of monitoring client's performance on compliance with international labour standards, in case violation of international labour standards cannot be solved through engagement with clients. Information about the number and names of companies that are excluded because they do not meet Rabobank's acceptance standards on human rights and labour rights are regarded confidential.¹⁹⁵ 4 Points are granted because some relevant issues concerning human rights and labour rights are taken into account in lending decisions.

- Incentives

Clients in risk sectors with regard upholding human rights and labour standards that do not adequately manage these risks, not only impose reputation risks but also financial risks to Rabobank. In the long run, Rabobank will prioritize frontrunners in risk sectors, in their lending decisions. Furthermore, Rabobank introduced a loan with an interest rate discount from the European Investment Bank (EIB) for sustainable frontrunners in the Dutch SME sector in November 2015. Therefore, 3 points are granted.

- **Commitment**

No commitment has been made to improve the human rights and labour rights policies or the implementation thereof within one year of publication.

- **Final score**

The final score of Rabobank is 5 points. The banking group screens and monitors their corporate clients in the garment and electronics sector on how they address supply chain risks with regard to human rights and labour standards. Clients need to provide information about their supply chain policies and risk management systems. Furthermore, clients in the garment sector are encouraged to join multi-stakeholder initiatives aimed at improving human rights and labour standards in their supply chains. Rabobank carries out engagement processes on labour issues such as child labour, forced labour, working hours, wages and freedom of association. Based on the information provided, this did not concern companies in the garment and electronics sector. There is room for improvement in further integrating the UNGP 'Protect, Respect and Remedy' framework in the ESG assessment of companies, especially the establishment of processes to enable the remediation of any adverse human rights impacts caused by companies or to which they contribute. An overview of the assessment of the responsible lending policies of Rabobank Group is presented in Table 37.

Table 37 Scoring table Rabobank

Scoring table Rabobank	
A. Risk management as part of the screening and selection process	
Identification of risk countries and risk sectors	
Indicator	Scores
Identification of risk sectors with regard to labour standards is part of the banking group's RI risk management system.	3
The banking group has a risk management system in place to identify risk countries with regard to international labour standards in the production and supply chains of companies it finances or invests in.	3
Companies in the garment and electronics sector are required to adhere to international labour standards:	
Freedom of association and the right to collective bargaining.	2
The right to a living wage.	0
UN Guiding Principles for Business and Human Rights (UNGPR)	4
Exclusion	
Companies are excluded in case they do not meet selection criteria	4
Subtotal A	16
B. Risk management regarding the existing investment portfolios	
Banking groups monitor and assess due diligence practices of companies	
Companies uphold the freedom of association and the effective recognition of the right to collective bargaining.	2
Companies pay a living wage to their employees.	0
Companies have a clear management system to monitor and, if needed, correct compliance with regard to international labour standards.	4
Companies establish procedures on how to deal and process employee complaints and to solve violations and conflicts, preferably in consultation with the relevant trade union	0
Companies integrate labour rights criteria in their procurement and operational policies.	2

Scoring table Rabobank	
Companies include clauses on the compliance with criteria on labour rights in their contracts with subcontractors and suppliers.	0
Subtotal B	8
C. Engagement/dialogue/incentives to improve	
Engagement	
The banking group has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on compliance with international labour standards.	2
The banking group has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on payment of a living wage.	0
The banking group has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on freedom of organisation and collective bargaining.	0
Promotion of multi-stakeholder initiatives	
The banking group actively promotes membership of multi-stakeholder initiatives and certification systems.	3
Exclusion	
Companies are excluded in case they do not meet engagement targets	4
Incentives	
The banking group has a policy to support front-runners in the A and E sector and gives them priority and advantages in terms of finance and services.	3
Subtotal C	10
Total points A - C	36
Total A – C / 6.2	6
Commitment to improve (bonus point)	0
Grace point	n.a.
Total	6

3.7.5 Asset management

There are no shareholdings and bond holdings in the garment and electronics sector that are under management of Rabobank Group.

3.8 SNS Bank

3.8.1 Company profile

SNS Bank N.V. (SNS Bank) is a Dutch banking group with a focus on mortgage, payment and savings products for the retail market.¹⁹⁶ It operates five brands: ASN Bank, BLG Wonen, RegioBank, SNS and ZwitserlevenBank.¹⁹⁷ SNS Bank has a mostly Dutch customer base with over 3 million customers in 2015.¹⁹⁸ In addition to the Netherlands, SNS Bank also has some customers in the United Kingdom, Switzerland and the rest of the European Union.¹⁹⁹ The company was part of SNS Reaal, which was listed at the stock exchange until 2013, when it was nationalised. In that year, the Dutch State became the sole shareholder of SNS Reaal. As part of the restructuring plan drafted for SNS Reaal, Property Finance was

split off from SNS Bank and transferred to NLF I at the end of 2013. The disentanglement of the banking and insurance activities of SRH NV (formerly SNS Reaal) was completed in 2015. On 26 July 2015, SRH finalised the sale of the insurance activities to the Anbang Group (China). Subsequently, on 30 September 2015, the final step in the disentanglement process was taken: SNS Bank's transfer to the Dutch state. As a result, SNS Bank started operating as an entirely stand-alone company.²⁰⁰ At the end of December 2015, SNS Bank had 3,340 employees (full time equivalent basis).²⁰¹ SNS Bank had € 47.4 billion in amounts due to customers, of which € 36.9 billion in savings in 2015.²⁰² Total income stood at € 1.1 billion.²⁰³

3.8.2 Overview

Table 38 gives an overview of shareholdings under management of Actiam, asset manager of SNS Bank. The total volume of shareholdings in the garment and electronics sector amounts to USD 42.5 million. A break-down of shareholdings is given in subsection 3.8.4. SNS Bank has no outstanding corporate credits and loans to companies in the garment and electronics sector.

Table 38 Overview of shareholdings in garment and electronics sector in USD million

Sector	Credits and loans				Investments	
	Subtotal	Corporate loans	Issuance of shares	Issuance of bonds	Shareholdings	Bond holdings
Apparel					8.5	
Electronics					34.0	
Total					42.5	

Source: Bloomberg, Thomson Reuters Eikon, February 2016

3.8.3 Corporate credits and loans

SNS Bank has no outstanding credits and loans to companies in the garment and electronics sector. The loan portfolio is < € 1 billion, mainly mortgages to individual households and Dutch small and medium-size enterprises

3.8.4 Asset management

Table 39 gives an overview of shareholdings in 12 companies in the garment sector that are under management of Actiam, the asset manager of SNS Bank. The top three investees are Inditex (USD 4.3 million), Nike (USD 0.9 million) and TJX Cos (USD 0.6 million). Total investments in the garment sector amount to USD 8.5 million.

Table 39 Shareholdings in companies in the garment sector

	Company name	Shareholdings in USD million
1	Industria de Diseño Textil (Inditex)	4.3
2	Nike	0.9
3	TJX Cos	0.6
4	Ross Stores	0.5
5	Adidas	0.5
6	L Brands	0.4
7	Hanesbrands	0.4
8	Fast Retailing	0.2
9	Under Armour	0.1
10	H&M (Hennes & Mauritz)	0.1
	Subtotal	8.3
	2 other companies - see Appendix 2	0.2
	Total	8.5

Source: Bloomberg, Thomson Reuters Eikon, February 2016

Table 40 gives an overview of shareholdings in 34 companies in the electronics sector that are under management of Actiam, the asset manager of SNS Bank. The top three investees are ASML (USD 12.8 million), Apple (USD 6.1 million) and Qualcomm (USD 1.7 million). Total investments in the electronics garment sector amount to USD 34 million.

Table 40 Shareholdings in companies in the electronics sector

	Company name	Shareholdings in USD million
1	ASML Holding	12.8
2	Apple	6.1
3	Qualcomm	1.7
4	Rexel	1.1
5	Keyence	1.0
6	Murata Manufacturing	1.0
7	Intel	1.0
8	Taiwan Semiconductor Manufacturing	0.9
9	Broadcom	0.8
10	ARM Holdings	0.8
	Subtotal	27.2
	24 other companies - see Appendix 2	6.8
		34.0

Source: Bloomberg, Thomson Reuters Eikon, February 2016

3.8.5 Assessment and overview scores asset management

For this case study, the assessment applies to the responsible investment policies of Actiam, the asset manager of funds offered by SNS Bank. Actiam is mainly a passive investor and invests in > 2000 entities. The external ESG data provider of Actiam screens the entire investment portfolio on a quarterly basis. The data provider advises which companies qualify for exclusion and/or an engagement process. The in-house team uses this and their own research as input to advice on engagement, exclusion or inclusion. The official decision is made by the Actiam Selection committee. Actiam has joint engagement trajectories in the context of PRI and with other international investment partners.

The assessment is based on an interview with staff members of SNS Bank and Actiam, internal information shared by Actiam, and public documents and sources.²⁰⁴

A. Screening and selection of companies

- Identification of risk sectors

Identification of risk factors related to investments in the garment and electronics sector is part of the screening methodology. Social supply chain management is considered a key ESG issue. According to internal information provided by SNS Bank, the garment sector is identified as a risk sector because an important part of its supply chain is located in Asia and is faced with issues such as forced and child labour, health and safety violations and poor working conditions. The electronics sector is identified as a risk sector because of potential risk of sourcing conflict minerals from DR Congo and sourcing from countries where employee human rights are not well protected. SNS Bank score 3 points for the identification of risk sectors.²⁰⁵

- Identification of risk countries

In the application of the Fundamental Investment Principles, Actiam, the asset manager of SNS investment funds, uses a sector risk analysis with cross references to risk countries with regard to human rights and labour standards. Companies are screened on an individual basis. According to internal information provided by Actiam, the screening systems include indicators concerning the level of outsourcing to regions and countries faced with issues such as forced and child labour, health and safety violations and poor working conditions. Companies are screened on having policies, management and audit systems regarding compliance with international (ILO) labour standards. The screening takes into account supply chain risks involved due to outsourcing to risk regions/countries such as Asia, Bangladesh and China. SNS Bank scores 3 points for the identification of risk countries in the supply chains of garment and electronics companies.²⁰⁶

- Freedom of association and collective bargaining

According to the Fundamental Investment Principles, Actiam is guided by international norms on fundamental labour rights, including freedom of association and collective bargaining. Actiam regards violation of fundamental labour rights by entities or their key suppliers to be in violation of their investment principles. All companies in the investment portfolios are screened in advance in this respect. Actiam showed how they assess companies in the garment and electronics sector to respect the right to freedom of association and collective bargaining. Due to having policies on freedom of association and the right to collective bargaining and showing that this is part of the company screening, SNS Bank scores 2 points for this indicator.²⁰⁷

- Living wage

The Fundamental Investment Principles addresses payment of a living wage, in terms of reference to the Universal Declaration of Human Rights definition that “everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of

social protection." All companies in the investment portfolios are screened in advance in this respect. Actiam showed how they assess companies in the garment sector to have policies regarding payment of a living wage. The wording is different though: fair wages. For the electronics sector, Actiam showed that one of the concerns taken into account in the assessment of companies is the gap between a living wage and minimum wages. SNS Bank scores 4 points for this indicator.²⁰⁸

- **UN Guiding Principles for Business and Human Rights (UNGP)**
According to the Fundamental Investment Principles, Actiam supports the views on the corporate responsibility to respect human rights laid down in the UN Guiding Principles on Business and Human Rights and considers violations of these international mechanisms to be in violation of these principles. On a confidential basis, Actiam provided information on how they assess companies in the electronics sector on applying the UN Guiding Principles, more in particular due diligence on conflict minerals. Furthermore, Actiam disclosed its communications with several garment companies, as part of an engagement strategy started in September 2014, together with other investors. The purpose of the engagement was to encourage implementation of the "Protect, Respect & Remedy" Framework of the United Nation's Guiding Principles on Business & Human Rights. Furthermore, the purpose of the engagement was to encourage more transparency regarding the structure, locations and importance of their suppliers as percentage of total turnover, to encourage long-term relationships with suppliers and participation in multi-stakeholder initiatives. The incentive for the engagement was the pattern of human rights violations and poor working conditions in manufacturers factories, suppliers and subcontractors which became even more visible by the Rana Plaza tragedy in Bangladesh April 2013. SNS Bank scores 4 points for screening companies on having human rights policies.²⁰⁹
- **Exclusion**
Actiam does not exclude companies as part of the screening and selection process: "As responsible investors, we will evaluate whether to exclude entities only once it becomes clear we will not be able to persuade them to change their behaviour. Thus, prior to exclusion, we assess whether engagement may be a helpful tool in remedying any real or potential violation. Where engagement is either not an option or not successful, the ultimate consequence may be exclusion from our investment universe."²¹⁰ Actiam excludes companies in case an engagement process turns out not to be successful. Actiam does not exclude companies in the selection process. Therefore, no points are granted.

B. Risk management investments

- **Freedom of association and collective bargaining**
Companies are screened on a quarterly basis. Actiam showed how they monitor companies in the garment and electronics sector to respect the right to freedom of association and collective bargaining. The focus is on controversies with regard to freedom of association and on presence of a workers' council or worker representative in the board. Based on the information provided about monitoring and assessing due diligence processes of companies regarding freedom of association, SNS Bank scores 2 points for this indicator.²¹¹
- **Living wage**
The Fundamental Investment Principles addresses payment of a living wage, in terms of reference to the Universal Declaration of Human Rights definition that "everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection." Actiam showed how they assess companies in the garment sector to have policies regarding payment of a living wage. The wording is different though: fair

wages. For the electronics sector, Actiam showed that one of the concerns taken into account in the assessment of companies is the gap between a living wage and minimum wages. SNS Bank scores 4 points for this indicator.²¹²

- **Management systems**

According to the Fundamental Investment Principles, companies need to have an operational policy through which these principles are implemented, adequate procedures to assess, mitigate and address risks, systems for monitoring and tracking risks and risk management steps, as well as implementation of the operational policy. Sufficient training and education to help staff, subcontractors and suppliers in the adequate implementation and execution of the policies. Actiam showed how they assess companies in the garment and electronics sector to have a management system and compliance mechanisms. SNS Bank scores 4 points for monitoring companies on having management systems in place to monitor and, if needed, correct compliance with regard to international labour standards.²¹³

- **Employee complaint mechanisms and procedures**

In line with the UNGP, Actiam expects companies to have an effective employee complaint procedure in place that also include compensations mechanisms in case of violation of human rights. Actiam showed that in case of controversies, it takes follow-up actions and gets in contact with the company. SNS Bank gets 4 points for monitoring companies on having procedures in place on how to deal with employee complaints.²¹⁴

- **Integration of labour rights criteria in procurement and operational policies.**

According to the Fundamental Investment Principles, with respect to their procurement, Actiam expects companies in which it invests to use criteria on human rights and labour rights in their contracts with subcontractors and suppliers. Actiam showed how they assess companies in the garment and electronics sector to integrate labour rights criteria in their procurement and operational policies. This results in 2 points.²¹⁵

- **Clauses in contracts with suppliers**

Actiam showed that they assess companies in the garment sector to have clauses in contracts with suppliers, that they are in breach of the contract in case they do not comply with international labour standards and do not succeed to correct this. For the electronics sector Actiam showed that they monitor companies to use procurement contracts to influence the social and environmental production conditions of electronic items that bear their brand names.²¹⁶ This results in 4 points.

C. Engagement and voting

- **Engagement on labour standards**

Actiam conducts engagement in two ways: "Responsive engagement: This is where we engage with a company after specific problems, such as serious environmental damage or human rights violations, have been observed. After collecting and analysing the relevant information, we work with the company towards long-term policy changes to minimise the risk of a similar incident happening in the future. Proactive engagement: In the case of proactive engagement, we engage with a company before problems arise. It often concerns companies that face certain risks due to the nature of their business, but have limited or no policies in place or have yet to implement them effectively. Here we seek to give companies an extra boost to develop policies and management systems in order to prevent such incidents from happening in the first place." In 2014, Actiam started an engagement process with Samsung, to address international labour standards. Actiam showed the targets and results of this engagement trajectory.

Furthermore, Actiam disclosed its communications with several garment companies, as part of an engagement strategy started in September 2014, together with other investors. The purpose of the engagement was to encourage implementation of the “Protect, Respect & Remedy” Framework of the United Nation’s Guiding Principles on Business & Human Rights. Furthermore, the purpose of the engagement was to encourage more transparency regarding the structure, locations and importance of their suppliers as percentage of total turnover, to encourage long-term relationships with suppliers and participation in multi-stakeholder initiatives. The incentive for the engagement was the pattern of human rights violations and poor working conditions in manufacturers factories, suppliers and subcontractors which became even more visible by the Rana Plaza tragedy in Bangladesh April 2013. The engagement is ongoing. Letters were sent in September 2014 and 2015 which appreciated progress made with regard to disclosing the locations and improving the working conditions in suppliers site and encouraged further improvement and specified targets.

The ongoing engagement with companies in the garment sector also includes investors’ interest in how the Higg Index has made an impact on the company’s supply chain. The Higg Index, developed by the Sustainable Apparel, is a self-assessment tool for companies to measure their environmental and social and labour impacts and identify areas for improvement.²¹⁷ SNS Bank scores 4 points for having time bound and resulted-oriented engagement processes with regard to companies in the garment and electronics sector.

- Engagement on living wage
Ensuring living wage is part of the investors’ appeal to companies in the Bangladesh Accord which has been signed by Actiam, previously known as SNS Asset Management. SNS Bank scores 2 points for engagement on living wage with companies in the garment sector.²¹⁸
- Engagement on freedom of association
Strengthening trade unions is part of the investors’ appeal to companies in the Bangladesh Accord. SNS Bank scores 2 points for engagement on freedom of association with companies in the garment sector.²¹⁹
- Promotion of multi-stakeholder initiatives
Actiam has undersigned the Bangladesh Accord investors’ statement and promotes participation in the Ethical Trading Initiative, the Fair Labour Association and the Sustainable Apparel Coalition.²²⁰ This results in 3 points.
- Voting
SNS Bank has voting policies and guidelines for issues that are relevant for this case study, such as human rights, supply chain management and labour rights and also has a voting record on labour standards. At the latest annual general meeting of Apple, February 2016, the National Center for Public Policy Research, a communications and research foundation in the USA, submitted a proposal stating that the company’s operations in high-risk regions with poor human rights records “risk damage to Apple’s reputation and shareholder value.” The foundation requests the board of Apple to review the guidelines for selecting countries or regions for its operations and issue a report to shareholders by December 2016. The report should identify Apple’s criteria for investing in, operating in and withdrawing from high-risk regions. Apple responded that report on Apple’s guidelines for selecting countries for its operations would not be a productive use of company resources, arguing that “Apple’s commitment to protecting and promoting human rights has already been demonstrated by both effective action and transparency about our work.” According to Apple, “the requested report is unnecessary and would not

provide meaningful information to shareholders." Apple advised to vote against this proposal. Actiam voted in favour of this proposal. SNS Banks gets 1 point for the voting policies of asset manager Actiam, and 1 point for its voting record.²²¹

- **Exclusion**

Actiam showed that in case an engagement is not successful, the ultimate consequence may be exclusion from its investment universe. Actiam has excluded the American supermarket chain/department store Wal-Mart, due to violation of fundamental labour rights, more in particular with regard to freedom of association. Therefore, Actiam gets 4 points. Yet, no companies selected for this case study have been excluded

D. Commitment

No commitment has been made.

- **Final score**

The final score for the assessment of the responsible investment policies of the asset manager of SNS Bank is 9 points. Actiam gets high scores for the quality of its monitoring system and its engagement strategies. Actiam shows that it has active ownership with regard to the shareholdings under management and develops and implements strategies aimed at improving the CSR policies and performance of companies in the garment and electronics sector. An overview of the assessment of the responsible investment policies and its implementation of Actiam, asset manager of equity funds of SNS Bank, is presented in Table 41.

Table 41 Scoring table SNS Bank

Scoring table SNS Bank	
A. Risk management as part of the screening and selection process	
Identification of risk countries and risk sectors	
Indicator	Scores
Identification of risk sectors with regard to labour standards is part of the bank's RI risk management system.	3
The bank has a risk management system in place to identify risk countries with regard to international labour standards in the production and supply chains of companies it finances or invests in.	3
Companies in the garment and electronics sector are required to adhere to international labour standards:	
Freedom of association and the right to collective bargaining.	2
The right to a living wage.	4
UN Guiding Principles for Business and Human Rights (UNGP)	4
Exclusion	
Companies are excluded in case they do not meet selection criteria	0
Subtotal A	16
B. Risk management regarding the existing investment portfolios	
Banks monitor and assess due diligence practices of companies	
Companies uphold the freedom of association and the effective recognition of the right to collective bargaining.	2
Companies pay a living wage to their employees.	4

Scoring table SNS Bank	
Companies have a clear management system to monitor and, if needed, correct compliance with regard to international labour standards.	4
Companies establish procedures on how to deal and process employee complaints and to solve violations and conflicts, preferably in consultation with the relevant trade union	4
Companies integrate labour rights criteria in their procurement and operational policies.	2
Companies include clauses on the compliance with criteria on labour rights in their contracts with subcontractors and suppliers.	4
Subtotal B	20
C. Engagement/dialogue/incentives to improve	
Engagement	
The bank has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on compliance with international labour standards.	4
The bank has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on payment of a living wage.	2
The bank has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on freedom of organisation and collective bargaining.	2
Promotion of multi-stakeholder initiatives	
The bank actively promotes membership of multi-stakeholder initiatives and certification systems.	3
Voting policies	
The bank has a voting policy that includes regarding human rights and international labour standards.	1
The bank has a voting record with regard to one or more companies in the A and E sector on human rights and international labour standards.	1
Exclusion	
Companies are excluded in case they do not meet engagement targets	4
Subtotal C	17
Total points A – C	53
Total A - C / 6.2	9
Commitment to improve (bonus point)	0
Grace point	n.a.
Total	9

3.9 Triodos Bank

3.9.1 Company profile

Triodos Bank N.V. (Triodos) is a European sustainable bank of Dutch origin with branches and in the Netherlands (Zeist), Belgium (Brussels), the United Kingdom (Bristol), Spain (Madrid) and Germany (Frankfurt).²²² Triodos' activities are split between banking (personal and business), investment management and private banking, serving 607,000 customers.²²³ All Triodos' shares are held in trust by SAAT, the Foundation for the Administration of Triodos Bank Shares. SAAT issues depository receipts for Triodos Bank shares to the public and institutions.²²⁴ Triodos operates under its own Triodos brand. Total income over the year 2015 was € 211.6 million, of which € 100.0 million originated from the Netherlands.²²⁵ Total funds entrusted were € 7.3 billion (of which savings: € 4.8 billion), of which € 2.7 billion in funds entrusted in the Netherlands.²²⁶ Triodos had 1,021 employees (full-time equivalent basis) at the end of December 2015, of which 487.8 were based in the Netherlands.²²⁷

3.9.2 Overview

Table 42 gives an overview of shareholdings under management of Triodos Investment Management. Total investments in the garment and electronics sector amount to USD 62.9 million. A break-down of investments is given in subsection 3.9.4

Table 42 Shareholdings under management of Triodos in USD million

Sector	Credits and loans				Investments		Total asset management
	Subtotal	Corporate loans	Issuance of shares	Issuance of bonds	Shareholdings	Bond holdings	
Apparel	n.a.	n.a.	n.a.	n.a.	37.4	7.5	44.9
Electronics	n.a.	n.a.	n.a.	n.a.	14.4	5.9	
Total					51.8	13.4	65.2

Source: Bloomberg, Thomson Reuters Eikon, February 2016

3.9.3 Corporate credits and loans

Triodos has no outstanding credits or loans in the garment and electronics sector. Triodos prioritizes loans and credits to companies that are front-runners with regard to their social, cultural and sustainability activities and performance. The garment and electronics sector is no focus area in that respect.

3.9.4 Asset Management

Investments in the garment and electronics sector concern shareholdings and bond holdings in the SRI funds' portfolios managed by Triodos Investment Management (Triodos Sustainable Pioneer Fund, Triodos Sustainable Equity Fund, Triodos Sustainable Mixed Fund and Triodos Sustainable Bond Fund). Table 43 gives an overview of investments in the garment sector, on behalf of Triodos. The top three investees are Nike (USD 12 million), Inditex (Zara) (USD 9.9 million) and VF Corporation (USD 8.6 million). Total investments in the garment sector amount to 42.5 million.

Table 43 Investments of Triodos Group in the garment sector

	Company name	Type of financing in USD million		
		Share holdings	Bond holdings	Total
1	Nike	12.0		12.0
2	Industria de Diseño Textil (Inditex)	9.9		9.9
3	VF Corporation	8.6		8.6
4	Kering		7.5	7.5
5	H&M (Hennes & Mauritz)	6.9		6.9
	Total	37.4	7.5	44.9

Source: Triodos Investment Management (2015, May 9), Email communications. Bond holdings per Dec 2015

Table 44 gives an overview of investments in the electronics sector, on behalf Triodos. The investments concern Taiwan Semiconductor (USD 10.3 million), ASML (USD 6 million) and Seagate (USD 4.1 million). Total investments in the electronics sector amount to 20.4 million.

Table 44 Shareholdings of Triodos Group in the electronics sector

	Company name	Type of financing in USD million		
		Share holdings	Bond holdings	Total
1	Taiwan Semiconductor Manufacturing	10.3		10.3
2	ASML Holding		5.9	5.9
3	Seagate Technology	4.1		4,1
	Total	14.4	5.9	20.3

Source: Bloomberg, Thomson Reuters Eikon, February 2016

3.9.5 Assessment and overview scores asset management

The assessment is based on an interview with staff members of Triodos Investment Management, public documents and internal information shared by Triodos.²²⁸ In addition to own research, Triodos uses the research of data provider Sustainalytics.

A. Screening and selection of companies

- Identification of risk sectors

The garment and electronics sector are regarded risk sectors due to the high risk of non-compliance with human rights and international labour standards in the supply chains. The risks are related to the high level of outsourcing of the production of the private labels of

garment and electronics companies.²²⁹ Due to the identification of the risks involved with regard to violation of human rights and international labour standards, Triodos scores 3 points for this indicator.

- **Identification of risk countries**
Triodos does not differentiate between high, medium or low-risk countries. The same (strict) standards apply to all countries. Triodos decided to do so because potential risks with regard to violation of international core labour standards are relevant for any country, non-regarding their human rights situation. For instance, freedom of association is a critical issue in the USA as well as in China. Triodos requires the appropriate labour rights policies from companies in the electronics and garment sectors, no matter where they operate.²³⁰ Due to the identification of country specific risks involved with regard to human rights and labour standards, Triodos scores 3 points for this indicator.
- **Freedom of association and collective bargaining**
Companies are screened on having policies on and implementing the ILO fundamental labour standards, which include freedom of association and collective bargaining, and having supply chain policies and/or a supplier code of conduct that include compliance with human rights and labour standards. In case of production or suppliers' sites in China, a country that restricts the establishment of free trade unions, Triodos expects companies to make the effort to have manager-employee consultation that is allowed within Chinese legislation.²³¹ Due to having policies on freedom of association and the right to collective bargaining and showing that this is part of the company screening, Triodos scores 2 points for this indicator.
- **Living wage**
Living wage is part of the analysis of supply chain standards of the company screening by external service provider Sustainalytics.²³² Due to having policies on living wage and showing that this is part of the company screening, Triodos scores 4 points for this indicator.
- **UN Guiding Principles for Business and Human Rights (UNGP)**
Triodos explained that, as part of the screening and selection procedures, companies are assessed on adhering to international human rights standards. Companies are expected to either adhere to the Universal Declaration of Human Rights, UN Guiding Principles for Business and Human Rights (UNGP), UN Global Compact and/or OECD guidelines.²³³ Triodos scores 4 points for screening companies on having human rights policies.
- **Exclusion**
Triodos uses a best-in-class approach in selecting companies in their investment portfolio. Companies are assessed to Triodos Bank's minimum standards. Companies that comply with these standards and are considered 'best-in-class' within their industry are included in the investment universe. Companies that do not meet these standards and are not considered 'best-in-class' within their industry are not eligible for investment (excluded). Triodos showed that, as a result, a decision takes place that companies from the garment and electronics sector that do not meet the selection standards are listed as 'not selected'. Each quarter, Triodos updates the list of eligible companies and which companies have been removed from this list for sustainability reasons.²³⁴ Triodos scores 4 points for having selection procedures in place that differentiate selected and not-selected companies, based on sustainability policies and performance.

B. Risk management investments

- **Freedom of association and collective bargaining**
Companies that are part of the investment universe/portfolio of Triodos are fully assessed every three years and on an event-driven basis, in case of controversies. Every two weeks, external data provider Sustainalytics provides an update of controversies related to companies that are part of the investment universe/portfolio of Triodos. In case of controversies that are in violation of Triodos' minimum requirements, Triodos gets in contact with the company involved and asks for more background information on how the company has acted in order to address and solve the situation. In case the company shows that it takes the issue serious and has plans to correct or improve the situation, the investment relation will be continued. In case of no or inadequate response, or systematic violation of human rights and international standards, Triodos will divest from the company.²³⁵ Based on the information provided about monitoring and assessing due diligence processes of companies regarding freedom of association, Triodos scores 2 points for this indicator.
- **Living wage**
Screening companies on living wage policies is part of the selection process. Triodos assesses companies in its portfolio once in three years. On top of that, Triodos continuously monitors all companies in its investment universe on possible controversies, using a range of media sources and a fortnightly update of controversies from its ESG data provider. Triodos showed that these reports also address issues or complaints on low wages and lack of living wages, and the bank responds to controversies if it learns about such.²³⁶ Based on the information provided about monitoring companies on wage issues, Triodos scores 4 points for this indicator.
- **Management systems**
Companies that are part of the investment universe/portfolio of Triodos are fully assessed every three years and on an event-driven basis, in case of controversies. Having a management and monitoring system, and correction mechanism in place is part of the minimum requirements. In case of controversies, Triodos gets in contact with companies, asks for more background information on how the company addresses and solves the situation. In case the company shows that it takes the issue serious and has plans to correct or improve the situation, the investment relation will be continued. In case of no or inadequate response, or systematic violation of human rights and international standards, Triodos will divest from the company.²³⁷ Triodos scores 4 points for monitoring companies on having management systems in place to monitor and, if needed, correct compliance with regard to international labour standards.
- **Employee complaint mechanisms and procedures**
Companies are assessed once in three years and in case of controversies. Companies are screened on having policies on and implementing the ILO fundamental labour standards, of which freedom of association and collective bargaining and having supply chain policies and/or a supplier code of conduct that include compliance with human rights and labour standards. In case of production or suppliers' sites in China, a country with no freedom of association, Triodos requires that companies make the effort to have manager-employee consultation that is allowed within Chinese legislation.²³⁸ In case of controversies, Triodos has a dialogue with companies, also on procedures on how to deal and process employee complaints and to solve violations and conflicts. Triodos scores 4 points for monitoring companies on having procedures in place on how to deal with employee complaints.

- Integration of labour rights criteria in procurement and operational policies.
Companies are assessed once in three years and in case of controversies. Companies are expected to have a supply chain management system with regard to human rights and international labour standards.²³⁹ Triodos scores 2 points on expecting companies to have a supply chain management system including labour standards.
- Clauses in contracts with suppliers
Triodos showed that, for the garment sector, its monitoring system checks whether companies integrate compliance with labour standards in binding agreements with their suppliers.²⁴⁰ Therefore, Triodos gets 2 points for this indicator.

C. Engagement and voting

- Engagement
Triodos has undersigned the investors' declaration of the Bangladesh Accord and in 2013/2014 participated in conference calls with garment companies organised by the initiator of this investors' initiative, The Interfaith Center on Corporate Responsibility (ICCR). This investor initiative was launched in response to the collapse of the Rana Plaza factory in Bangladesh, April 2013, that killed 1,138 garment workers and injured over 2,000 others. Triodos also sent a letter to Inditex, to ask questions about implementing the Bangladesh Accord.

Triodos reports about the targets and results of engagement processes with companies. In the Engagement Report 2014, Triodos reported that "investors are calling for stronger financial compensation for the victims of the Rana Plaza disaster. The statement was undersigned by 134 institutional investor groups with a total of over USD 4.1 trillion in assets under management."²⁴¹ One year later Triodos reported that "thanks to growing pressure from numerous stakeholders, including Triodos Investment Management, the Rana Plaza Donors Trust Fund has finally reached its goal of USD 30 million in June 2015." This fund was set up in January 2014 by the International Labour Organisation to compensate the victims of the Rana Plaza disaster in Bangladesh in April 2013. As participant in the Bangladesh Investor project, coordinated by the Interfaith Center on Corporate Responsibility, Triodos co-signed follow-up letters sent to seven companies that were involved in the Rana Plaza accident in 2013. One letter called for assurance that suppliers and factory owners have the financial capacity to address remediation requirements and that they fully participate in the formation and functioning of democratically elected occupational safety and health committees. A second letter called upon companies to donate to the Rana Plaza Fund. This fund was set up to compensate victims and their families to the collapse of Rana Plaza. Letters were sent to Adidas, Carrefour, Gap Inc., H&M, Inditex, Marks & Spencer and VF Corp. Among others, H&M, VF Corporation and Inditex contributed to the relief fund.

Triodos Research led the engagement on this subject with Inditex. In its Company Engagement Report 2015, Triodos reports that in response, the company replied that "it had donated to the donor fund and wrote a separate letter with an update on the efforts it has taken as a result of the Bangladesh Accord. For instance, the company is working on a pilot project concerning a number of factories, where it is setting up health and safety committees. Furthermore, it cooperates with the Federation of Trade Unions to ensure that the rights of workers in Bangladesh to freedom of association are fully respected."²⁴²

On April 21, 2016, an ICCR Investor Statement on 3rd Anniversary of Rana Plaza was launched, which was also signed by Triodos Investment Management. The statement is a renewed appeal from investors to garment brands and retailers to use the full measure of their influence to respect and protect the human rights of workers in the garment sector of Bangladesh and throughout their global supply chains, and to provide remedy when those rights have been violated.²⁴³

In 2014/15 Triodos took the initiative to address the issue of conflict minerals in the supply chains of the electronics sector. In its engagement report 2015, Triodos reports that it continued its engagement efforts on conflict minerals. These minerals include tantalum, tin, tungsten and gold originating from the Democratic Republic of Congo and its adjoining countries. Following the investor statement to the European Commission, the European Council and the European Parliament initiated by Triodos in 2014, calling for a more stringent EU policy on conflict minerals, "Triodos Research was invited to speak at a public hearing in the first half of 2015 organised by the Dutch Parliament. We also took part in the Forum on responsible mineral supply chains organised by the OECD International Conference on the Great Lakes Region. On May 13, 2015, just ahead of the vote on the issue in the European Parliament, we published another investor statement, again in conjunction with a group of US and European investors, calling on the European Parliament to strengthen its position. Triodos Bank was pleased to see that the European Parliament did indeed vote in favour of extending mandatory supply chain due diligence to companies that use conflict minerals in their products, as requested in the statement. The European regulation, however, will only be completed after a final round of negotiations ('trialogue') between the European Commission, the European Council and the European Parliament."²⁴⁴

Triodos scores 4 points for having time bound and resulted-oriented engagement processes with regard to companies in the garment and electronics sector.

- Engagement on living wage
Ensuring living wage is part of the investors' appeal to companies in the Bangladesh Accord.²⁴⁵ This results in 2 points.
- Engagement on freedom association
Strengthening trade unions is part of the investors' appeal to companies in the Bangladesh Accord.²⁴⁶ This results in 2 points.
- Promotion of multi-stakeholder initiatives
Triodos is signatory of the Bangladesh Accord and actively promotes multi-stakeholder initiatives in the field of responsible mineral sourcing. This results in a score of 2 points.
- Voting
The voting policies of Triodos Bank include an ESG paragraph. In reality, proxy voting is mainly focused on governance issues. Over the past five years, from 2012 until to date, there has been one proposal regarding CSR, at the AGMs of companies in the garment and electronics sector, Triodos invests in. 1 July 2015, Triodos voted in favour of a company's proposal to discharge the board for being involved in several scandals regarding working conditions: "2. Receive the Group Annual Report Disclosure is adequate and the auditors did not qualify their opinion. The Company has proposed board discharge within this item on the agenda. The Inditex group of companies has been involved in several scandals regarding working conditions within its supply chain, the last in 2014 with alleged underage labour workforce in a factory in Argentina. However, the Company has reported to have increased audits since 2013, has co-signed the Bangladesh Accord on Fire and Building Safety (where another scandal was unveiled in recent years) and the Enabling Principles in 2014, as well as the application of the Framework Agreement with the IndustriALL Global Union. On this basis, it is considered that the board and management should be given the benefit of doubt. Acceptable proposal."²⁴⁷ Triodos gets 1 point for its voting policies and 1 point for its voting record.

D. Commitment

For the last quarter of 2016, Triodos has planned to carry out an engagement project on living wage with several companies in most likely the textiles and garment (retail) industry. Concrete plans need to be further developed. Including the selection of target companies. Because of the commitment made, Triodos gets a bonus of 1 point.

An overview of the assessment of the responsible investment policies and its implementation of Triodos Investment Management is presented in Table 45.

Table 45 Scoring table Triodos

Scoring table Triodos	
A. Risk management as part of the screening and selection process	
Identification of risk countries and risk sectors	
Indicator	Scores
Identification of risk sectors with regard to labour standards is part of the bank's RI risk management system.	3
The bank has a risk management system in place to identify risk countries with regard to international labour standards in the production and supply chains of companies it finances or invests in.	3
Companies in the garment and electronics sector are required to adhere to international labour standards:	
Freedom of association and the right to collective bargaining.	2
The right to a living wage.	4
UN Guiding Principles for Business and Human Rights (UNGPR)	4
Exclusion	
Companies are excluded in case they do not meet selection criteria	4
Subtotal A	20
B. Risk management regarding the existing investment portfolios	
Banks monitor and assess due diligence practices of companies	
Companies uphold the freedom of association and the effective recognition of the right to collective bargaining.	2
Companies pay a living wage to their employees.	4
Companies have a clear management system to monitor and, if needed, correct compliance with regard to international labour standards.	4
Companies establish procedures on how to deal and process employee complaints and to solve violations and conflicts, preferably in consultation with the relevant trade union	4
Companies integrate labour rights criteria in their procurement and operational policies.	2
Companies include clauses on the compliance with criteria on labour rights in their contracts with subcontractors and suppliers.	2
Subtotal B	18
C. Engagement/dialogue/incentives to improve	
Engagement	

Scoring table Triodos	
The bank has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on compliance with international labour standards.	4
The bank has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on payment of a living wage.	2
The bank has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on freedom of organisation and collective bargaining.	2
Promotion of multi-stakeholder initiatives	
The bank actively promotes membership of multi-stakeholder initiatives and certification systems.	2
Voting policies	
The bank has a voting policy that includes regarding human rights and international labour standards.	1
The bank has a voting record with regard to one or more companies in the A and E sector on human rights and international labour standards.	1
Exclusion	
Companies are excluded in case they do not meet engagement targets	4
Subtotal C	16
Total points A – C	54
Total A - C / 6.2	9
Commitment to improve (bonus point)	1
Grace point	n.a.
Total	10

3.10 Van Lanschot

3.10.1 Company profile

Van Lanschot NV (Van Lanschot) is a Dutch banking group active in private banking, asset management and merchant banking.²⁴⁸ The group's ordinary shares are for 99.9% held by a trust, which has issued depository receipts for these shares. These depository shares are listed on the Euronext Amsterdam Stock Market.²⁴⁹ The group provides services to clients in six countries, amongst which are the Netherlands, Belgium (Dutch and Belgian clients based in) Switzerland, the United Kingdom and the United States. Van Lanschot serves a private, corporate and institutional client base.²⁵⁰ It operates on the Dutch market under the brands Hypotruster, Van Lanschot and Kempen & Co.²⁵¹ At the end of 2015, Van Lanschot had 1,666 employees (on full-time equivalent basis), of which 1,499 were based in the Netherlands.²⁵² The total turnover of Van Lanschot over the financial year 2015 amounted to € 561.1 million, with € 510.4 million originating from the Netherlands.²⁵³ Total deposits from customers totalled € 9.6 billion at the end of December 2015, of which almost all of it originated from the Netherlands.²⁵⁴

3.10.2 Overview

Table 46 gives an overview of total shareholdings and bond holdings in the garment and electronics sector under management of Kempen Capital Management, the asset manager of Van Lanschot. Total investments amount to USD 140.9 million. See 3.10.4 for a breakdown of investments in the garment and electronics sector. Van Lanschot does not have credits and loans in the garment and electronics sector.

Table 46 Overview of shareholdings and bond holdings in USD million

Sector	Credits and loans				Investments		Total
	Subtotal	Corporate loans	Share issuances	Bond issuances	Shareholdings	Bond holdings	
Apparel					2.5	14.0	16.5
Electronics					112.6		112.6
Total					115.1	14.0	129.1

Source: Bloomberg, Thomson Reuters Eikon, February 2016

3.10.3 Corporate credits and loans

Van Lanschot has no outstanding loans or credits in the garment and electronics sector.

3.10.4 Asset management

Table 47 gives an overview of shareholdings and bond holdings under management of Kempen & Co in one company in the garment sector, USD 14 million in Christian Dior.

Table 47 Shareholdings and bond holdings under management of Kempen in companies in the garment sector

	Company name	Type of financing in USD million		
		Share holdings	Bond holdings	Total
1	Christian Dior		14.0	14.0
	Total		14.0	14.0

Source: Bloomberg, Thomson Reuters Eikon, February 2016

Table 48 gives an overview of shareholdings and bond holdings under management of Kempen in 5 companies in the electronics sector. The top three investees are BE Semiconductor Industries (USD 63.4 million), Qualcomm (USD 29.4 million) and Seagate Technology (USD 13.3 million)

Table 48 Shareholdings and bond holdings under management of Kempen in companies in the electronics sector

	Company name	Type of financing in USD million		
		Share holdings	Bond holdings	Total
1	BE Semiconductor Industries	63.4		63.4
2	Qualcomm	29.4		29.4
3	Seagate Technology	13.3		13.3
4	Taiwan Semiconductor Manufacturing	6.3		6.3
5	Jabil Circuit	0.3		0.3
	Total	112.7		112.7

Source: Bloomberg, Thomson Reuters Eikon, February 2016

3.10.5 Assessment and overview scores asset management

For the analysis of the CSR policies and performance of companies under management of Kempen Capital Management, in short Kempen, the asset manager uses the methodology of MSCI ESG Research.²⁵⁵ Kempen shared sector and company profiles (H&M, Inditex and Jabil) in the context of this case study. The assessment is based on an interview with the director Responsible Investment of Kempen Capital Management, public information and internal information shared by the asset manager of Van Lanschot.

A. Screening and selection of companies

- **Identification of risk sectors**
A sector/industry approach is part of the MSCI ESG Research methodology. The company profiles provided by Kempen show that the risk assessment is based on the portion of the company's revenues derived from lines of business that takes place in countries with high risk of breaching international labour standards.²⁵⁶ Both the garment and electronics sector are considered risk sectors. Therefore, Van Lanschot (Kempen) scores 3 points for this element.
- **Identification of risk countries**
MSCI ESG Research takes into account risk countries in the production and supply chains of companies in the garment and electronics sector. The assessment takes into account the portion of company's revenues derived from countries or regions that are considered high, medium or low risks with regard to labour rights and labour standards. Both the garment and electronics sector face supply risks due to the high level of outsourcing to high-risk countries with respect to international labour standards.²⁵⁷ Van Lanschot (Kempen) gets 3 points for identification of risk countries in the supply chains of the garment and electronics sector.
- **Freedom of association and collective bargaining**
Van Lanschot (Kempen) expects companies to uphold freedom of association and collective bargaining. The MSCI ESG Research methodology assesses the level of compliance with the UN Global Compact principles, which also include the right to

organise and collective bargaining. Based on the research findings, companies are divided in three categories: fail, watch list and pass. Therefore, 2 points are granted here.

- **Living wage**
Van Lanschot (Kempen) expects companies to subscribe ILO convention 131 on wage fixing. Wages should be appropriate to fulfil the needs of workers and their families, taking into account the general level of wages in the country and the cost of living. The MSCI ESG Research sector screenings for both the garment and electronics sector address payment of a living wage and observe that in the supply chains of companies in the garment and electronics sector, wages are often lower than a living wage, also the legal minimum wage. For taking into account payment of a living wage in the company screenings, 4 points are granted.
- **UN Guiding Principles for Business and Human Rights (UNGP)**
The UN Guiding Principles for Business and Human Rights (UNGP) are part of Van Lanschot's (Kempen) responsible investment criteria. The MSCI ESG Research methodology does not explicitly mention the UNGP. The research is primarily focused on compliance with the UN Global Compact Principles. However, from the internal reports shared by Van Lanschot (Kempen), it became clear that due diligence procedures and correction and remediation plans are part of the company screening, in line with the UNGP.²⁵⁸ Van Lanschot (Kempen) gets 4 points for screening companies in the garment and electronics sector on application of the UNGP.
- **Exclusion**
ESG criteria are taken into account in investment decisions. The MSCI ESG Research methodology assesses the level of compliance with the UN Global Compact principles, which also include the right to organise and collective bargaining. Based on the research findings, companies are divided in three categories: fail, watch list and pass. Companies that do not meet the UN Global Compact Principles may be excluded, which currently is the case with for example Wal-Mart, due to controversies with regard to freedom of association and other core labour standards.²⁵⁹ Therefore, 4 points are granted.

B. Risk management investments

- **Freedom of association and collective bargaining**
Van Lanschot (Kempen) monitors companies on upholding the right to organise and collective bargaining. Companies are monitored on a quarterly basis. The MSCI ESG Research assessment is based on civil society reports - trade unions, human rights organisations and other NGOs –, reporting of companies in the garment and electronics sector and responds to questions. The MSCI ESG Research profiles of electronics company Jabil serves as an example of how companies are screened on respecting fundamental labour rights such as freedom association. As the MSCI ESG Research assessment is regarded confidential information, the controversies described below, are based on public sources.²⁶⁰
- **Jabil**
According to New York-based NGO China Labor Watch (CLW), in 2013, at Jabil Circuit's plant in Wuxi, China, which manufactures Apple iPhones, working hours and overtime exceeded legal limits. It also claimed insufficient rest days, poor safety training, and mandated and unpaid overtime. In addition, it allegedly found incidents of discriminatory hiring and harsh punishment. According to the Financial Times, Apple acknowledged that its own audit found instances of employees working more than six days consecutively without a rest day. Jabil Circuit stated that it was looking into the allegations and has been applying "corrective action". Overall, the company's employee management performance is considered weak and indicates weak efforts to mitigate controversies and risks.²⁶¹

Kempen monitors and assesses companies in the garment and electronics sector on upholding freedom of association and takes action in case of controversies. Therefore, Van Lanschot (Kempen) scores 2 point for this indicator.

- Living wage

Van Lanschot (Kempen) monitors companies on payment of a living wage. Hugo Boss was involved in controversies with poor labour conditions of Syrian refugees, which also involved low wages, below minimum wage level, and unpaid overtime, which was assessed as a serious concern by data provider MSCI ESG Research. According to recent reporting, also suppliers of Marks & Spencer and H&M in Turkey face controversies with regard to poor labour standards of Syrian refugees and child labour of Syrian refugees in Turkish garment factories. H&M responded by taking corrective actions.²⁶²

Van Lanschot (Kempen) monitors and assesses companies in the garment and electronics sector on wage issues and is aware of controversies and reputation risks. Controversies are balanced against best practices. It is not fully clear how controversies are weighed. Companies can get a triple A rating, even though they face controversies in their supply chains. Apparently, controversies are accepted in case companies are committed to manage supply chain risks in a process of continuous improvement. Van Lanschot (Kempen) scores 4 points for monitoring and assessing companies on wage issues.

- Management systems

Van Lanschot (Kempen) shows how they monitor and assess due diligence practices of companies in the garment and electronics sector with regard to compliance with regard to international labour standards and whether companies take corrective actions. In case companies' labour management practices are considered weak, asset manager Kempen starts an engagement process with the company.²⁶³ Van Lanschot (Kempen) scores 4 points for monitoring and assessing companies on having management, monitoring and correction mechanisms and taking follow-up actions in case of controversies and/or weak management systems.

- Employee complaint mechanisms and procedures

Van Lanschot (Kempen) shows that they monitor and assess due diligence practices of companies in the garment sector on employee complaint mechanisms. In case of controversies, such as complaints of workers at the Hugo Boss factory in Turkey, asset manager Kempen does not take concrete action. Hugo Boss has joined the Fair Labour Association (FLA), and as such is transparent about the corrective actions needed, based on FLA monitoring and recommendations.²⁶⁴ For monitoring companies on dealing with employee complaints, Van Lanschot (Kempen) scores 4 points.

- Integration of labour rights criteria in procurement and operational policies.

Monitoring companies in the garment and electronics sector on integration of labour rights criteria in their procurement and supply chain policies is part of the MSCI ESG Research methodology. Companies are monitored on potential controversies, and in case controversies occur, Kempen assesses how companies respond to these controversies. Therefore, Van Lanschot (Kempen) scores 2 points for this indicator.

- **Clauses in contracts with suppliers**
It is not fully clear whether Van Lanschot (Kempen) expects companies to include clauses with regard to labour rights in contracts with subcontractors and suppliers. Therefore, Van Lanschot (Kempen) scores 0 points for this indicator.

C. Engagement and voting

- **Engagement**
The engagement of Van Lanschot's asset manager Kempen is focused on laggards with regard to compliance with the UN Global Compact Principles.²⁶⁵ External fund manager Robeco Boston Partners has engaged Hugo Boss on the controversies with regard to the labour conditions of Syrian refugees at its factory in Turkey. Kempen shared internal email communications with the Communications & Investor Relations Department of the US based electronic manufacturer Jabil, in response to reporting on poor labour standards in a suppliers' factory in China. The ongoing engagement is rather a hearing instead of a targeted and time-bound engagement.²⁶⁶ Kempen does not have engagement trajectories that specifically focus on payment of a living wage or freedom of association. Van Lanschot (Kempen) scores 4 points for engagement on labour standards with regard to companies in the garment and electronics sector. There is room for improvement though in setting clear targets and specifying the expected results.
- **Promotion of multi-stakeholder initiatives**
The Bangladesh Accord is part of Kempen's Convention Library. However, the asset manager has not undersigned the Bangladesh Accord investor's statement. Therefore, it is not fully clear how Kempen promotes membership and participation in the Bangladesh Accord. Based on the internal information shared, it is possible to conclude that companies are encouraged to join multi-stakeholder initiatives, such as the Fair Labour Association. Therefore, 1 point is granted.
- **Voting**
Kempen has contracted proxy voting platform ISS to screen its investments on Environmental, Social and Governance (ESG) criteria.²⁶⁷ ISS performs a screening on the holdings of investment companies, reports the results to the portfolio managers and may advise on voting issues. The screening is based on the framework of the UN Global Compact and the interpretations of international conventions on environment, human rights and business ethics. In case of > 10% shareholder value, Kempen intends to take own initiatives in putting ESG issues on the AGM agendas of companies in its investment portfolio. Kempen shared shareholders' resolutions regarding living wage but these did not include companies in the garment and electronics sector and did not concern companies in Kempen's investment portfolio. A point is granted for the voting policies, no points are granted for a voting record.
- **Exclusion**
Companies and fund managers where engagement efforts have led to insufficient results can be excluded from any investment portfolio.²⁶⁸ The exclusion criteria include core labour standards, such as violation of the right to organise and collective bargaining. Therefore, 4 points are granted. Currently, there are no exclusions of companies in the garment and electronics sector.
- **Final score**
Kempen, asset manager of Van Lanschot, shared sector and company profiles of companies in the garment and electronics sector, which convincingly shows that Kempen is well aware of supply chain risks in both sectors with regard to human rights and labour standards. Furthermore, Kempen closely monitors involvement in controversies of

companies in these sectors that are part of its investment universe. Kempen also carries out engagement processes, in case of controversies. In case companies join multi-stakeholder initiatives, such as the Fair Labour Association, this is regarded as a commitment to improve labour conditions in their supply chains. There is room for improvement in carrying out more pro-active engagement processes towards companies in the garment and electronics sector including policies and awareness-raising about the importance of freedom of association and payment of a living wage. The final score results in 7 points. An overview of the assessment of the responsible investment policies of the asset management division of Van Lanschot (Kempen) is presented in Table 49.

Table 49 Scoring table Van Lanschot

Scoring table Van Lanschot	
A. Risk management as part of the screening and selection process	
Identification of risk countries and risk sectors	
Indicator	Scores
Identification of risk sectors with regard to labour standards is part of the bank's RI risk management system.	3
The bank has a risk management system in place to identify risk countries with regard to international labour standards in the production and supply chains of companies it finances or invests in.	3
Companies in the garment and electronics sector are required to adhere to international labour standards:	
Freedom of association and the right to collective bargaining.	2
The right to a living wage.	4
UN Guiding Principles for Business and Human Rights (UNGP)	4
Exclusion	
Companies are excluded in case they do not meet selection criteria	4
Subtotal A	20
B. Risk management regarding the existing investment portfolios	
Banks monitor and assess due diligence practices of companies	
Companies uphold the freedom of association and the effective recognition of the right to collective bargaining.	2
Companies pay a living wage to their employees.	4
Companies have a clear management system to monitor and, if needed, correct compliance with regard to international labour standards.	4
Companies establish procedures on how to deal and process employee complaints and to solve violations and conflicts, preferably in consultation with the relevant trade union	4
Companies integrate labour rights criteria in their procurement and operational policies.	2
Companies include clauses on the compliance with criteria on labour rights in their contracts with subcontractors and suppliers.	0
Subtotal B	16
C. Engagement/dialogue/incentives to improve	
Engagement	

Scoring table Van Lanschot	
The bank has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on compliance with international labour standards.	4
The bank has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on payment of a living wage.	0
The bank has a time bound and result-oriented engagement process with one or more companies in the A and E sector in order to improve the CSR performance on freedom of organisation and collective bargaining.	0
Promotion of multi-stakeholder initiatives	
The bank actively promotes membership of multi-stakeholder initiatives and certification systems.	1
Voting policies	
The bank has a voting policy that includes regarding human rights and international labour standards.	1
The bank has a voting record with regard to one or more companies in the A and E sector on human rights and international labour standards.	0
Exclusion	
Companies are excluded in case they do not meet engagement targets	4
Subtotal C	10
Total points A – C	46
Total A - C / 6.2	7
Commitment to improve (bonus point)	0
Grace point	n.a.
Total	7

Chapter 4 Analysis of the research findings

The conclusions differentiate between the responsible lending and responsible investment policies of the banks that are part of this case study.

4.1 Asset management

Seven banks - ABN Amro, Aegon, ASN Bank, Delta Lloyd, SNS Bank or rather its asset manager Actiam, Triodos and Van Lanschot (Kempen Capital Management) - invest in total USD 1,277 million in 26 garment companies and USD 3,555 million in 83 electronics companies, in total USD 4,832 million. Aegon is far out the largest investor and accounts for 69% of total investments in the garment sector and 75% of investments in the electronics sector.

4.1.1 General observations

Responsible investment implies that involvement in companies that violate human rights and labour rights should be avoided. Investors can use their influence to improve the CSR performance of companies and in case this influence does not lead to results, they can decide to disinvest from these companies. There is a strong difference between banks that apply best-in-class policies in the selection of companies in their investment portfolio and passive investors in index funds. Index investors only apply ex ante screening procedures with regard to legally binding criteria such as the ban on cluster munitions and other controversial weapon systems.

ASN Bank and Triodos Bank use a best-in-class approach and apply minimum standards in the selection of companies. After the screening and selection of companies a distinction is made between companies that are selected and that are not selected as part of the investment universe. Van Lanschot's asset manager Kempen also makes its own selection. The majority of other banks follow the MSCI index. In case of changes made on the index, they can choose to screen these companies before investment.

The majority of banks make use of ESG data provider Sustainalytics and use this information as the only source or in addition to their own research. Aegon and Van Lanschot's asset manager Kempen Capital Management use the MSCI ESG Research methodology.

The assessment of Sustainalytics is mainly focused on compliance with the UN Global Compact Principles. Companies are categorized as compliant (pass) and non-compliant. Depending on the level of non-compliance, companies are put on a watch list or 'fail'.

The assessment of companies by Sustainalytics is based on the evaluation of companies' policies, reports, websites, and on reported controversies. For the assessment of the companies CSR performance, data providers rely heavily on information from trade unions, NGOs and other civil society organisations. This results in the fact that companies that are in the spotlight of campaigns and research also get most attention in the information of data providers. On the one hand this emphasizes the importance of campaigns and publications in influencing the agenda's and decision-making of financial institutions. At the other hand, companies that are neglected in campaign strategies or research activities, are considered 'safe' investments, no matter their actual CSR performance.

The way the information is structured and used, is in the first place focused on reputation risks, and to a less extent part of a strategy to systematically improve the CSR performance of companies in their investment portfolios. Though they rely on the same or similar information, banks differ in how they deal with this information. For instance, there were striking differences in response to controversies regarding health and safety in the production and supply chains of Samsung. Though several banks have shares and/or bond holdings in Samsung, only Actiam, asset manager of SNS investment funds, took the effort to start an engagement process with the company.

With regard to the garment sector, it was remarkable how much attention is given in sector and company analyses to the Rana Plaza tragedy in Bangladesh, in 2013. A factory building collapsed and hundreds of people died and thousands got seriously wounded. Especially the fund manager of SNS Bank, Actiam, Triodos Bank and ASN Bank take serious efforts to press companies to compensate the victims of the tragedy, stress the importance of improving labour standards in their supply chains and require more transparency on how they manage the supply chain risks.

The case study also showed how the human rights situation of Syrian refugees also has impact on the supply chains of garment brands in Turkey, world-wide one of the major garment production countries. Turkey not only hosts almost two million Syrian refugees. In order to earn a living, Syrian refugees work in sweatshops and factories that supply garments to international brands like Hugo Boss, Inditex (Zara), H&M and others.²⁶⁹

In the next sections the analysis follows the structure of the scoring model used for this case study:

- Risk management systems used for screening and selection of companies;
- Monitoring and assessment of policies in place with regard to human rights and international labour standards;
- Engagement and dialogue to improve the policies and performance of companies.

4.1.2 Risk management systems used for screening and selection of companies

Though the assessment methodology makes a clear distinction between selection and monitoring policies, also index investors were granted scores, in case they apply risk management systems mentioned here.

All banks take into account that manufacturers of consumer goods, such as clothing and electronics, face risks concerning human rights and labour standards in their production and supply chains. How companies in the manufacturing manage these risks and deal with controversies, is addressed in internal company profiles or sector reports. Banks differ in quality and detail of sector risk assessment, at least in what they wanted to share in the context of this case study. SNS Bank and Van Lanschot (Kempen) are positive examples of sharing detailed risk assessments on sector and company level and how these risks are quantified and weighed.

Next to identifying the risk factors related to the manufacturing sector, most banks also have a management system to identify country-specific risks in terms of human rights and labour standards. Differentiating countries in low, medium and high-risk countries is either used as a cross reference in the assessment of sector risks or serves as a filter in order to determine the scope and depth of the company assessment. ASN Bank and Rabobank are positive examples of sharing the details of their internal country risk identification system. In order to assess country risks external sources that are often used are Freedom House, Global Peace Index, IFC, ILO and MapleCroft.

4.1.3 Monitoring human rights and labour standards

Due to the focus of the case study, banks were asked to show whether they screen companies on having policies regarding freedom of association and living wage. Upholding the freedom of association and the effective recognition of the right to collective bargaining is one of the UN Global Compact principles, and therefore is covered in the service provided by data provider Sustainalytics. For ASN Bank and Triodos Bank, freedom of association is a minimum requirement. In case of lack of policies or controversies, the two banks will either carry out additional research as part of the decision-making process or not include the company in the investment universe.

Most banks could demonstrate with internal documents that the concept of living wage is taken into account in company and/or sector screenings. It is rather a matter of reporting news facts based on media attention or campaigns and reports from NGOs and trade unions. The concept of living wage is not thoroughly analysed in the context of outsourcing, delivery conditions and price-setting between buyers and suppliers. However, company and sector screenings clearly note that outsourcing production to low-wage countries implies that workers are not paid enough to support themselves and their families and that the minimum wage level is far below a living wage.

ASN Bank has chosen payment of a living wage as a long-term focus point of its human rights policy, to start with the garment sector. In its Annual Report 2015, ASN Bank announced that it is busy developing a methodology to measure payment of a living wage in the garment sector, in cooperation with Erasmus School of Economics, planned to be ready in the course of 2016. After that, ASN Bank will carry out a baseline measurement with regard to the performance of companies in the ASN Bank investment universe with regard to payment of a living wage. Based on the findings, ASN Bank will set a specific long-term target with regard to payment of living wage.²⁷⁰ With this initiative, ASN Bank takes the lead in setting the standard on further integration of human rights and labour standards in the due diligence processes of financial institutions.

4.1.4 UNGP

In 2011, the United Nations Human Rights Council endorsed the Guiding Principles on Business and Human Rights (UNGPs), which were developed on the issue of human rights and transnational corporations and other business enterprises. The “Ruggie” framework is widely supported by states, civil society organisations and the private sector as a basis for corporate citizenship and protection of human rights and labour rights in global production and supply chains.

Banks were asked whether they screen companies on having human rights policies in letter or spirit of the UN Guiding Principles for Businesses and Human Rights (UNGP). The UNGPs state that all corporations should “avoid causing or contributing to adverse human rights impacts through their own activities, and address such impacts where they occur”. In addition, corporations should “seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts”. According to the UNGPs, “in order to meet their responsibility to respect human rights, business enterprises should have in place policies and processes appropriate to their size and circumstances, including:

- A policy commitment to meet their responsibility to respect human rights;
- A human rights due diligence process to identify, prevent, mitigate and account for how they address their impacts on human rights;
- Processes to enable the remediation of any adverse human rights impacts they cause or to which they contribute.”

All banks were able to show and clarify internal screening and reporting systems and, some more detailed than the other, that this also addresses human rights policies and if relevant, controversies companies in their investment portfolios are involved in. On top of that, ASN Bank decided to promote the UN Guiding Principles in a letter sent to all companies in its investment universe, to announce ASN Bank's adapted human rights policies.²⁷¹ Also SNS Bank and Triodos showed that the UN Guiding Principles structure their role as responsible investors.

4.1.5 Engagement and dialogue

Banks differ in how they use their role as investors to influence the CSR policies and performance of companies in their investment portfolio. SNS Bank, particularly its asset manager Actiam, Triodos Bank and ASN Bank, showed convincing examples of a target-driven, time bound engagement which can serve as a model for active share ownership by other investors. Active ownership implies the development and implementation of strategies targeted at improving the CSR policies and performance of companies in investment portfolios.

Actiam conducts engagement in two ways: proactive engagement and responsive engagement.²⁷² Proactive engagement is focused on laggards in risk sectors such as the garment and electronics sector. In engagement letters and meetings, Actiam uses the UN Guiding Principles on Business and Human Rights as a starting-point, identifies the supply chains risks involved and specifies the pillars of a responsible supply chain policy:

- Transparency about the geographic locations of suppliers and identification of key suppliers in percentage of turn-over;
- Mapping social risks in their supply chains;
- Long-term relations with suppliers; and
- Participation of multi-stakeholder initiatives.

The engagement strategy, to a high extent, follows the agenda and campaign strategy of leading civil society organisations campaigning for improvement of labour standards in the garment sector, such as the Clean Clothes Campaign, and is also in line with the due diligence research and reporting recommended in the SER Covenant Sustainable Garments and Textiles. The Actiam strategy shows that the asset manager is abreast with the social forces at play with regard to the companies in their portfolios and uses its role as investor to give them a boost. Moreover, Actiam increases the impact of its engagement strategy through cooperation with other investors, thus enlarging the shareholder value involved and as such strengthening the effectivity of the engagement.

The UN Guiding Principles on Business and Human Rights were also the baseline of the investors initiative (May 2013) calling on industry leaders "to implement systemic reforms that will ensure worker safety and welfare, and to adopt zero tolerance policies on global supply chain abuses", after a series of incidents in garment factories in Bangladesh in 2012-13: deadly fires in two factories and the collapse of the Rana Plaza factory building, April 2013.

In very clear terms the investors' statement, undersigned by over 200 financial institutions, organisations and private investors, criticizes the business model of garment companies, arguing that "the current model, which assures customers in North America and Europe will have a ready supply of inexpensive and up-to-the-minute fashion, incentivizes corruption and lax oversight as low-cost producing nations compete in a race to the bottom for garment manufacturing contracts." The investors also criticize the role of local governments which "can turn a blind eye to audit irregularities in an attempt to attract investment to their struggling economies."

Actiam, under its previous name SNS Asset Management, ASN Bank and Triodos Investment Management, the asset manager of Triodos Bank, are three of the signatories. The investors call on brands and retailers “to collectively pledge to implement the internationally recognized labour standards of the International Labour Organization and also expect companies to acknowledge their human rights responsibilities as delineated in the protect, respect and remedy framework of the UN Guiding Principles on Business and Human Rights.”

The investors appeal companies to contribute to remediation and compensation plans and commit to payment of decent wages in negotiation with local trade unions:

- Join the multi-stakeholder initiative - the Accord on Fire and Building Safety- that includes the International Labour Organisation, non-governmental organizations, trade unions and companies to implement plans with measurable goals to address all aspects of fire and building safety in a timely manner;
- Commit to strengthening local trade unions and to ensuring a living wage for all workers;
- Publicly disclose all their suppliers including those from Bangladesh, the programs they have in place to ensure the safety and health of all their workers and their performance against these goals including any corrective action;
- Ensure that appropriate grievance mechanisms and effective remedies for affected workers and families, including compensation, are in place. These principles affirm the duty of governments to protect the human rights of their citizenry and the responsibility of companies to respect human rights regardless of where they do business, and further, to provide remedy in the case of human rights abuse.²⁷³

Triodos Investment Management carried out follow-up actions by participating in conference calls with ICCR and signatory investors and co-signing letters to push garment brands to donate to the Rana Plaza Donors Trust Fund, set up to compensate victims and their families to the collapse of Rana Plaza. Among others, letters were sent to Adidas, Carrefour, Gap, H&M, Inditex, Marks & Spencer and VF Corporation. Triodos also sent a letter to Inditex, to ask questions about implementing the Bangladesh Accord. As a result, the Rana Plaza Donors Trust Fund reached its goal of USD 30 million in June 2015.²⁷⁴

4.1.6 Multi-stakeholder initiatives

The previous examples of engagement trajectories, emphasize the importance of participation in multi-stakeholder initiatives as a strategy and means to improve labour standards in the production and supply chains of garment and electronics companies. As has been already mentioned before, by undersigning the Investor Statement on Bangladesh, ASN Bank, SNS Bank, rather Actiam, and Triodos Bank actively promote the Bangladesh Accord on Fire and Building Safety in Bangladesh, an independent, legally binding agreement between brands and trade unions designed to work towards a safe and healthy “Bangladeshi Ready-Made Garment Industry”, set-up after factory fires and the Rana Plaza building collapse in 2012-13. The purpose of the Accord is to enable a working environment in which “no worker needs to fear fires, building collapses, or other accidents that could be prevented with reasonable health and safety measures.” The Accord has been signed by over 200 garment brands, retailers and importers from over 20 countries in Europe, North America, Asia and Australia; two global trade unions; and eight Bangladesh trade unions and four NGO witnesses.²⁷⁵

The electronics sector faces similar patterns of poor labour standards and lax maintenance of labour legislation, which over the past years was illustrated by the news of a series of suicides among employees in China, working for Apple supplier Foxconn. However, this has not been taken up by investors as an incentive for joint action. With regard to the electronics sector, the investors' community is more focused on supply chain issues related to sourcing of metals and minerals due to reputation risks involved with the use of conflict minerals like coltan and tin from DR Congo and less on supply risks involved in the assembly of electronic goods and the manufacturing of its components.

In 2014, Triodos Investment Management, the asset manager of Triodos Bank, as part of a group of European and US investors, among other Eurosif, sent a joint statement to the European Commission, the European Parliament, and the European Council, calling for a more stringent EU policy on conflict minerals, and to ensure more compatibility between the proposed EU conflict minerals regulation and the United States "Dodd-Frank Act", which aims to prevent mineral sourcing revenues from fuelling the armed conflict in the Democratic Republic of Congo (DRC). Following the investor statement, Triodos Research was invited to speak at a public hearing in the first half of 2015 organised by the Dutch Parliament and took part in the Forum on responsible mineral supply chains organised by the OECD International Conference on the Great Lakes Region. On May 13, 2015, just ahead of the vote on the issue in the European Parliament, a second investor statement was sent, calling on the European Parliament to strengthen its position. In the end, the European Parliament voted in favour of extending mandatory supply chain due diligence to companies that use conflict minerals in their products, as requested in the statement and overruled the European Commission's proposal for a voluntary system of self-certification for European smelters only.²⁷⁶

4.1.7 Voting

The majority of banks – Aegon, ASN Bank, Delta Lloyd, SNS Bank (Actiam), Triodos Bank and Van Lanschot (Kempen) have voting policies that also include Environmental, Social and Governance (ESG) criteria, which, in the context of this case study, also concern human rights and labour standards.²⁷⁷ The UN Global Compact Principles are often used as a framework for voting policies (Actiam, Delta Lloyd, Kempen).²⁷⁸

Some of the fund managers of banks outsource the implementation of the voting policies to proxy voting service providers, such as GES (Actiam), ISS (Delta Lloyd and Van Lanschot (Kempen)).²⁷⁹

In reality, the voting record of banks or rather their asset, fund or investment managers, concern governance issues and not environmental and social issues, as corporate governance dominates the agenda of the annual shareholders' meetings of stock-listed companies. Proposals submitted by companies' executive and supervisory boards primarily concern remuneration and the appointment or resignation of board members. From the side of shareholders, it is quite rare that they submit proposals concerning environmental and social issues. Moreover, the banks that are part of this case study, rather their asset, fund or investment managers - or service providers on behalf of them - do not have a track record of submitting shareholder proposals themselves. They vote in favour or against the proposals that are on the agenda of the shareholders' meetings but do not take own or joint initiatives.

For the companies selected for this case study, over the past five years, from 2012 until to date, two shareholders' proposals concerning human rights and labour standards popped up in the voting records of Delta Lloyd, SNS Bank, or rather Actiam, and Triodos Bank: one with regard to a company in the garment sector and another with regard to a company in the electronics sector.²⁸⁰

At the latest annual general meeting of Apple, February 2016, the National Center for Public Policy Research, a communications and research foundation in the USA, submitted a proposal stating that the company's operations in high-risk regions with poor human rights records "risk damage to Apple's reputation and shareholder value." The research centre is concerned that Apple has shown interest in opening business relations with Iran, considered "a state sponsor of terrorism with an abysmal human rights record." Other concerns are presence in Middle East states and Nigeria that have "questionable human rights records as it relates to suffrage, women's rights and gay rights." The foundation requests the board of Apple to review the guidelines for selecting countries or regions for its operations and issue a report to shareholders by December 2016. The report should identify Apple's criteria for investing in, operating in and withdrawing from high-risk regions. Apple responded that report on Apple's guidelines for selecting countries for its operations would not be a productive use of company resources, arguing that "Apple's commitment to protecting and promoting human rights has already been demonstrated by both effective action and transparency about our work." According to Apple, "the requested report is unnecessary and would not provide meaningful information to shareholders." Apple advised to vote against this proposal. Actiam voted in favour of this proposal. ISS, proxy service provider of Delta Lloyd, followed the advice of Apple and voted against.²⁸¹

A second example of using the instrument of voting concerned garment company Inditex (Zara). 1 July 2015, Triodos Bank voted in favour of a company's proposal to approve the annual report, but used it as an opportunity to send an accompanying letter in order to emphasize that Inditex has been involved in several scandals regarding working conditions within its supply chain. However, as the company reported to have increased audits since 2013, has signed the Bangladesh Accord on Fire and Building Safety and is also involved in other multi-stakeholder initiatives, "it is considered that the board and management should be given the benefit of doubt."²⁸²

4.1.8 Exclusion

In case of controversies or inadequate policies to manage supply chain risks with regard to human rights and labour standards, most banks or rather their fund managers, get in contact with the company involved and start an engagement process or dialogue with the company. ASN Bank and Triodos Bank have a best-in-class approach in the selection of companies. In case companies in the investment universe are involved in controversies and show inadequate response to solve labour issues and improve labour standards in their supply chains, they disinvest from these companies. Over the past years ASN Bank decided to disapprove investments and as a consequence disinvested from the garment companies VF Corp (November 2014) and Tom Tailor (December 2015) due to insufficient human rights and supply chain policies, and lack of policies regarding freedom of association and collective bargaining. Excluded companies in the electronics sector are Applied Materials (June 2013), due to lack of policies regarding freedom of association for their own employees, and TDK Corp. (September 2014), due to lack of policies on core ILO Labour standards and no adequate response during engagement processes. Also Panasonic has recently been excluded. Garment company Footlocker is not approved due to lack of policies regarding freedom of association and supply chain management.²⁸³

According to Triodos, over the past five years, the research period of this case study, no garment or electronics companies were removed from the investment universe because of controversies with regards to human rights and labour standards.

ABN Amro considers involvement in child labour and forced and bonded labour reason for exclusion. Currently, no companies in the garment and electronics sector are excluded

As we can see from Table 50 five other banks, ABN Amro, Aegon Bank, Delta Lloyd and Triodos Bank have shareholdings/bond holdings in VF Corporation. Four banks, Aegon, Delta Lloyd, and SNS Bank (Actiam) have shareholdings/bond holdings in Applied Materials, Panasonic and TDK and, apparently, have more tolerance with the controversies ASN Bank observed. ABN Amro, Aegon Bank and Delta Lloyd also have investments under management in Footlocker. This case study to a high extent relies on internal/confidential information, shared by the banks that participate in the research. Unfortunately, the information shared by the five banks involved does not include (internal) information about Applied Materials, TDK and VF Corporation and therefore it is not possible to cross-check their research findings and considerations in comparison with the outcome of the decision-making process within ASN Bank. However, apparently, ASN Bank sets high demands on companies in its investment universe in comparison with other banks.

Table 50 Cross-reference excluded companies

Excluded by ASN Bank	Sector	Investments under management				
		ABN Amro	Aegon	Delta Lloyd	SNS (Actiam)	Triodos
Applied Materials	Electronics	yes	yes	yes	yes	no
Footlocker	Apparel	yes	yes	yes	no	no
Panasonic	Electronics	yes	yes	yes	yes	no
TDK	Electronics	yes	yes	yes	yes	no
VF Corp.	Apparel	yes	yes	yes	no	yes

4.1.9 Commitments

Poor labour standards and the issue of living wage gets serious attention from various banks.

ASN Bank has chosen payment of a living wage as a long-term focus point of its human rights policy, to start with the garment sector, which was announced in its Annual Report 2015. ASN Bank will develop a tool to measure the performance of companies in its investment portfolio with regard to payment of a living wage in their production and supply chains.²⁸⁴

For the last quarter of 2016, Triodos has planned to carry out an engagement project on living wage with several companies in most likely the textiles and garment (retail) industry. Concrete plans need to be further developed. Including the selection of target companies.

Because of the commitments made, ASN Bank and Triodos get a bonus of 1 point.

4.2 Corporate credits and loans

During the period 2011 – 2016, three banking groups - ABN Amro, ING and Rabobank – provided revolving credits and corporate loans to 7 companies in the garment sector and 13 companies in the electronics sector. Total credits and loans to companies in the garment sector amount to USD 973 million and to companies in the electronics sector USD 3,556 million, USD 4,493 million in total. ING is by far the major provider of credits and loans: 84% of total credits and loans to garment companies and 66% of total credits and loans to companies in the electronics sector. On top of that, ING and Rabobank were involved in the issuance of shares and bonds, USD 227 million in garment companies and USD 1,182 million in electronics companies, in total USD 1,409 million.

In the next sections the analysis follows the structure of the scoring model used for this case study:

- Risk management systems used for screening and selection of companies;
- Monitoring and assessment of policies in place with regard to human rights and international labour standards;
- Engagement and dialogue to improve the policies and performance of companies.

4.2.1 Screening and selection

For all three banking groups an ESG screening is part of the client acceptance process, based on an analysis of the risk level involved with regard to potential violations of human rights and labour standards. Both the garment and electronics sector are considered risk sectors due to the high risk of breaching fundamental labour rights in the production and supply chains of companies in these sector, which is related to the high level of outsourcing to risk countries with weak implementation of international labour standards. The CSR performance of companies is assessed through desk research, external data providers, questionnaires and self-assessment by companies.

All banks provided details of their screening system and how they deal with risk clients. On top of that ABN Amro and ING also shared company profiles and their communications with clients. For ABN Amro, clients that do not adequately manage supply chain risks are accepted under the conditions that they develop a suppliers' code of conduct. ABN Amro clearly stipulates the issues that need to be covered, such as maximum working hours, freedom of association, child labour, forced labour and occupational health and safety.

Both ABN Amro and ING on top of their own research use information of data provider Sustainalytics, which in the first place uses the UN Global Compact as a framework for analysis. On request, Sustainalytics explained that also the UN Guiding Principles on Business and Human Rights are taken into account in the company screening.

Up till now, it has not happened that customers or transactions were refused on the ground of inadequate human rights policies or labour standards. According to the banks, in theory, non-acceptance is possible. According to ABN Amro's exclusion criteria, controversies with regard to child labour and forced and bonded labour may lead to exclusion, not other fundamental ILO labour standards, such as freedom of association. Also for ING and Rabobank, non-acceptance because of a poor record in upholding human rights and labour standards is a possible outcome of client acceptance procedures.

4.2.2 Risk management

Monitoring corporate clients on corporate social responsibility depends on the risk profile of clients. Companies in high-risk sectors are reviewed every year and in case of controversies (ABN Amro, ING). This includes a review of contract agreements, such as the development of a suppliers' code of conduct, including fundamental labour standards. Living wage is not a particular focus but is taken into account in company screenings by ABN Amro and ING. Both banks expect companies to implement management systems on health and safety (OHSAS 18001) and a full range of labour standards, such as SA8000, which also includes payment of a living wage. Living wage is also part of the responsible lending policies of Rabobank. However, due to the fact that Rabobank did not share company profiles, it was not possible to verify that this is taken into account in company screenings.

4.2.1 Engagement and dialogue

All banks enter into dialogue with companies on the outcome of the risk analysis carried out by the banks and in case of controversies. ABN Amro and ING showed clear examples of follow-up actions in case of controversies. Just like what is the case with regard to investments in the garment sector, the aftermath of the Rana Plaza catastrophe in Bangladesh had impact on the engagement agenda of the three banking groups. ABN Amro requires that garment companies with suppliers in Bangladesh sign the Bangladesh Accord on Fire and Building Safety. All banks, including Rabobank, intensified their communications with garment companies in order to encourage improvement of poor labour standards.

ING also showed examples of follow-up actions with regard to companies in the electronics sector, in case of controversies with regard to excessive working hours and low pay. This does not result in binding targets. The pressure ING puts on companies, is in terms of intensified communications, follow-up questions and monitoring.

The three banking groups assume that there is a connection between the financial and CSR performance of banks, and that lack of adequate CSR policies also imposes financial risks, which may in the long run have consequences in prioritizing financing and services to frontrunners on CSR. Currently, only Rabobank has special financial services (discounts in interest rates) for sustainable frontrunners.

4.2.2 Commitments

The banking groups were invited to make a commitment in the context of this case study, such as encouraging their client in the garment sector to sign the SER Covenant Sustainable Garments and Textiles. No banking group made use of this opportunity.

Chapter 5 Conclusions and recommendations

The Fair Bank Guide methodology used for the evaluation of responsible lending and investment policies of banking groups is based on publicly accessible information on the websites of the banking groups. However, for a case study it is important to be able to verify how public policies are put into practice. Therefore, it is important that banking groups, in addition to public sources, are prepared to also share internal information, such as internal risk management systems, reviews of individual companies, communications between the banking groups and companies on their policies and performance with regard to corporate social responsibility, and conditions imposed by banking groups to corporate clients and investees to qualify for a loan or investment. The assessment therefore, to a great extent relies on the level of transparency and the quality of internal information shared by the ten banking groups.

Due to the fact that the case study is based on the principle of 'show, don't tell', the policies of the banking groups have not been taken for granted, but needed to be supported with adequate proof of how these policies are implemented in the selection, screening and monitoring of garment and electronics companies. Also the use of responsible lending and investment instruments like engagement, dialogue and voting were not assessed on the quality of the policies alone but needed to be supported with clear examples.

Based on the findings of the case study and the assessment of the banking groups based on the methodology explain above, it is possible to draw conclusions on the level of consistency between the evaluation of the policies of banking groups and how these policies are implemented.

All banking groups that are part of this case study had a final score varying from 7 (very sufficient), 8 (good), 9 (very good) and 10 (excellent) for their labour rights policies in the 15th update of the Fair Bank Guide, see Table 51.

- For ASN Bank, SNS Bank, or rather its asset manager Actiam, and Triodos Investment Management, the fund manager of Triodos Bank, the assessment of the implementation of their labour rights policies is consistent with the results of this case study. ASN Bank and Triodos score 10 points (excellent) for both their labour rights policies and the implementation thereof in the garment and electronics sector. SNS Bank (Actiam) got a 'very good' score in this case study, which is in line with their policies ('very good').
- For ABN Amro, ING Group, Rabobank and Van Lanschot's asset manager Kempen Capital Management, there are slight differences between the assessment of their labour rights policies and the assessment as part of this case study. All four banking groups had a 'very good' (9) score for their labour rights policies but sufficient (6), in case of ABN Amro, ING and Rabobank and ample (7), in case of Van Lanschot.
- In case of Aegon and Delta Lloyd, the final scores in the context of this case study are quite the opposite from the assessment of their labour rights policies. Delta Lloyd has 'very sufficient' (7) labour rights policies but did not share adequate details for a proper analysis of the application of these policies, which resulted in score of 'very insufficient' (3) in the context of this case study. The difference was even more striking in case of Aegon: 'good' (8) policies but 'poor' (2) in the level of transparency on the application of these policies.

5.1 Freedom of association and collective bargaining

Freedom of association is one of the four core labour standards of the International Labour Organisation (ILO) and a universal human right in the pursuit of individual and collective interests. Though not considered one of the core labour standards, payment of a living wage is laid down in other ILO conventions and one of the universal human rights. The reason that living wage is not one of the core labour standards is not because it is considered of less importance, but because freedom of association is an essential prerequisite for the payment of a living wage, to ensure that wage levels are established on the basis of free and constructive wage negotiations between employers and employees, and is supported by government legislation to guarantee these rights.

In general, it can be observed that banking groups have screening systems based on a proper analysis of risk sectors, country risk and related risk factors with regard to human rights and labour rights. Based on this analysis, they anticipate pro-actively on the potential negative impacts of business operations of garment and electronics companies on human rights and labour rights and some of them respond adequately in case of controversies.

Almost all the banking groups pay attention to the main themes of this case study - the right to freedom of association and the right to a living wage - in the screening and evaluation of companies. Based on their own research or their data providers they are aware of controversies and act upon these.

Banking groups, however, in their communications with companies more than currently is the case, could more systematically use their influence to address these rights, individually or in concerted action with other financial institutions, on the basis of time-bound and concrete targets and timelines. It is important that banking groups acknowledge that both labour rights cannot be taken for granted in risk sectors like the garment and electronics sector but must be achieved. Lack of compliance with international labour standards is inherent to the business model of companies in these sectors: cost-efficiency considerations to outsource the production of finished and semi-finished products to low-wage countries. In order to remain attractive for foreign buyers, it is in the interest of the governments of these countries to keep wages low and to limit the rights of workers to exercise freedom of association and to negotiate on wages. Banking groups, in their role as lenders and investors could help improving the legal status of workers by emphasizing that cost-efficiency considerations of companies may not be a trade-off with core labour rights and universal human rights. This means that both rights - freedom of association and payment of a living wage - should be an integral part of responsible lending and responsible investment policies, and not only get the attention in case of controversies.

International trade union organizations as IndustriALL and ITUC endeavour to make arrangements with multinational companies with operations in countries where freedom of association is lacking or weak. They call on these companies to press governments and employers in those countries to respect freedom of association and workers' representation in factories. Financial institutions can support the strategy of trade unions by highlighting the responsibility of companies to contribute to improvement of the legal status of workers in countries they operate.

5.2 UNGPs

The case study clearly shows the importance of clear and widely accepted standards that can serve as a framework for companies with operations in global production and supply chains in order to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts.

The collapse of the Rana Plaza factory in Bangladesh, in April 2016, which killed hundreds of people and left thousands seriously injured, also had a strong impact on the international investment community because of the large number of stock-listed apparel companies that outsource their production to Bangladesh, and among them buyers of the factory. In a public statement, the US-based investors' platform Interfaith Center on Corporate Responsibility (ICCR), in clear terms criticized the business model of the global garment industry with an appeal to garment companies to join the Bangladesh Accord and financially contribute to the compensation of victims and their families, and to make efforts to strengthen trade unions and ensuring payment of a living wage. 206 asset managers and individual investors co-signed this declaration, including three banking groups, or their asset managers that are part of this case study: ASN Bank, SNS Bank (Actiam) and Triodos.

For the three banking groups with corporate clients in the garment sector - ABN Amro, ING and Rabobank –, the disaster in the Rana Plaza factory was reason to stress the importance of responsible supply chain management to their clients. For ABN Amro signing the Bangladesh Accord is a requirement for garment companies with suppliers in Bangladesh.

The ICCR investor statement and follow-up actions taken by this investor platform, supported by ASN Bank, SNS Bank (Actiam) and Triodos, are in line with the UNGPs, in terms of improvement of policies, enhanced supply chain responsibility, improvement plans and corrective action, and remediation of victims.

The case study also made clear that the engagement agenda of financial institutions is very much influenced by strong investment leaders, such as ICCR. Though workers in the supply chains of electronics companies face similar issues as workers in the garment sector - low pay, excessive working hours, lack of freedom of association and unhealthy and unsafe working conditions.

It was quite remarkable that serious controversies in the production and supply chain of electronics companies like Apple, Samsung and others did not get the necessary attention from the banking groups. Only Actiam, showed long-term engagement strategies with companies in the electronics sector, due to serious health issues (work-related cancer) in the production and supply chains of Samsung.

Rating

The assessment of the banking groups is divided into at the one hand scores for credits and loans and at the other hand shareholdings and bond holdings under management of the banking groups.

Corporate credits and loans

ABN Amro and ING actively promote possible improvements in the development and implementation of corporate social responsibility policies of their corporate clients. Rabobank also enters into dialogue with corporate clients on corporate responsibility, also in response to the Rana Plaza catastrophe, but, in comparison with ABN Amro and ING, this was less underpinned by concrete examples of communications with companies. Payment of a living wage is part of the screening of companies by ABN Amro and ING but not explicitly part of the engagement processes with companies. Although payment of a living wage is part of Rabobank's responsible lending policy, the bank did not sufficiently demonstrate that this is

part of the assessment and dialogue with companies. A strong point of all three banking groups is that they encourage their corporate clients to participate in multi-stakeholder initiatives and certification systems. ABN Amro and Rabobank provide comprehensive information to their clients about the different options available. ABN Amro and ING showed examples that corporate responsibility is part of agreements made in the context of client relationships and transactions which, in case of ABN Amro involved concrete and time-bound targets.

All three banking groups assume that there is a link between the financial risk of lending transactions and the sustainability risks of their corporate clients and divide their clients in categories according to their risk profile. The banking groups expect that this will eventually lead to preferred banking for sustainable frontrunners. Rabobank already provides favourable loans to sector leaders with regard to CSR.

ABN Amro, ING and Rabobank score 6 points – sufficient - in a range from 1 to 10. All banking groups take into account human rights and labour rights in lending decisions and in monitoring their corporate clients. However, the two themes of this case study are not a specific focus of the engagement with companies. For ABN Amro, not all fundamental core labour rights are integrated in their exclusion policies. Its exclusion criteria concerning labour standards are limited to child labour and forced labour. ING also has a limited exclusion policy. ING got a bonus point because of a commitment made in the context of this case study.

Asset management

The assessment of the responsible investment policies of the (asset managers) of the banking groups can be divided into three categories:

- **Frontrunners:** ASN Bank, the asset manager of SNS Bank (Actiam) and Triodos Investment Management take the lead in the implementation of their responsible investment policies with regard to companies in the garment and electronics sectors. Labour issues get serious attention in the evaluation of companies and in engagement processes with companies, including the central themes of this case study: freedom of association and payment of a living wage. The banking groups have put much effort in calling on companies to sign the Bangladesh Accord on Fire and Building Safety and to financially contribute to the fund for the compensation of victims of the Rana Plaza factory disaster. Actiam, ASN Bank and Triodos took the initiative or co-signed letters to individual companies in the garment sector to stress the importance of responsible supply chain management. For Actiam, the UN Guiding Principles on Business and Human Rights are used as a guidance for the engagement with garment companies.

ASN Bank and Triodos score 10 points (excellent) and SNS Bank (Actiam) 9 points (very good). For ASN Bank and Triodos this is including a bonus point for a commitment made.

- **Average performers:** The asset managers of ABN Amro and Van Lanschot Group (Kempen Capital Management) are among the average performers. Kempen has been very cooperative in the context of this case study and provided plenty of information on its evaluation of companies in the garment and electronics sectors. Companies in its investment universe are intensively monitored through quarterly reports and engagement takes place in case of controversies. What Van Lanschot (Kempen) differentiates from the frontrunners in the context of this case study, is that the engagement processes are less convincing in terms of a long-term strategy for improving labour rights and seem to be more focused on controversies. This results in a final score of 7 points (ample).

ABN Amro has a good risk management system for the assessment of the CSR policies and supply chain management of companies in the garment and electronics sectors. The assessment includes a range of international labour standards, including the two themes of this case study: freedom of association and payment of a living wage. ABN Amro showed some examples of engagement processes regarding garment companies and electronics companies. The exclusion policy of ABN Amro is rather limited in terms of criteria on labour issues. This results in a final score of 6 points (sufficient).

- **Laggards:** Aegon (final score 2 - poor) and Delta Lloyd (final score 3 – very insufficient) are laggards in the context of this case study. Aegon showed CSR ratings of its external data provider but did not share details of how supply chain risks of companies in the garment and electronics sector are reviewed and whether follow-up actions are taken based on this review. Also Delta Lloyd stayed behind in transparency on the implementation of its responsible investment policies. Companies are screened by data provider Sustainalytics and some information was provided about the scope of the assessment and the use of investment instruments to influence the policies of companies in the field of corporate social responsibility but the information was not detailed enough for a proper assessment.

It is interesting to note that the asset managers of all banking groups with shareholdings and bond holdings under management in garment and electronics companies hardly use voting as an instrument to address and improve human rights and labour rights in their production and supply chains. Only three banking groups - Delta Lloyd, SNS Bank (through asset manager Actiam) and Triodos have a voting record on issues related to human rights and labour rights. A much heard argument is that listed companies do not address these issues at shareholder meetings. Shareholder resolutions, individually or in joint cooperation with other financial institutions is considered unusual. Initiatives from shareholders on social issues is more common in the United States, one of the banking groups observed.

Commitments

Three banking groups have made a commitment to improve their policies or the implementation thereof within one year after publication of this case study. ASN Bank is busy developing a methodology to measure the impact of payment of a living wage by companies in its investment universe which will also include long-term targets with regard to payment of a living wage. Triodos Bank has plans to further expand payment of a living wage as a focus of its engagement policy, by the final quarter of 2016. Both banking groups were awarded a bonus point for these commitments.

5.3 Summary table

Table 51 gives an overview of the final scores of Dutch banking groups for the implementation of their responsible lending and investment policies with regard to companies in the garment and electronics sector. The table also gives an overview of the policy scores of the 15th Fair Bank Policy update on the theme Labour Rights, as well as for assessment elements on labour rights that are addressed in the scoring table for assessment and/or are mentioned in the assessment of the banking groups.

Table 51 Overview of scores

Banking group	ABN Amro	Aegon	ASN Bank	Delta Lloyd	ING	NIBC	Rabobank	SNS Bank	Triodos Bank	Van Lanschot
Credits and loans	6	n.a.	n.a.	n.a.	6	n.a.	6	n.a.	n.a.	n.a.
Shareholdings and bond holdings	6	2	10	3	n.a.	n.a.	n.a.	9	10	7
Legend: n.a. = not active 1 = very poor 3 = very insufficient 5 = doubtful 7 = ample 9 = very good 2 = poor 4 = insufficient 6 = sufficient 8 = good 10 = excellent										
# of companies										
Shareholdings and bond holdings in garment companies	20	22	5	24				12	5	1
Shareholdings and bond holdings in electronics companies	48	81	5	52				34	3	5
Credits and loans to garment companies	2				6		1			
Credits and loans to electronics companies	2				10		5			
Theme score Labour Rights 15th update Fair Bank Guide										
Labour rights	9	8	10	7	9	9	9	10	10	9
Legend: see final scores case study										
Assessment elements: Labour Rights 15th update Fair Bank Guide										
Companies uphold the freedom of association and the effective recognition of the right to collective bargaining.	1	1	1	1	1	1	1	1	1	1
All forms of forced and compulsory labour are unacceptable.	1	1	1	1	1	1	1	1	1	1
Child labour is unacceptable.	1	1	1	1	1	1	1	1	1	1
Discrimination in respect of employment and occupation is unacceptable.	1	1	1	1	1	1	1	1	1	1
Companies pay a living wage to their employees.	1	1	1	1	1	1	1	1	1	1
Companies apply maximum working hours.	1	1	1	1	1	1	1	1	1	1

Banking group	ABN Amro	Aegon	ASN Bank	Delta Lloyd	ING	NIBC	Rabobank	SNS Bank	Triodos Bank	Van Lanschot
Companies have a solid health and safety policy.	1	1	1	0	1	1	1	1	1	1
Companies ensure equal treatment and working conditions for migrant workers.	1	0	1	0	1	1	1	1	1	1
Companies have a clear management system to monitor and, if needed, correct compliance with norms on labour law.	1	0	1	0	1	1	1	1	1	1
Companies establish procedures on how to deal and process employee complaints and to solve violations and conflicts, preferably in consultation with the relevant trade union.	1	1	1	0	1	1	1	1	1	1
Companies integrate labour rights criteria in their procurement and operational policies.	1	1	1	1	1	1	1	1	1	1
Companies include clauses on the compliance with criteria on labour rights in their contracts with subcontractors and suppliers.	0	0	1	1	0	0	0	1	1	0

Legend: 0 = no policies; 1 = policies in place

5.4 Recommendations

The Fair Bank Guide gives the following recommendations to Dutch banking groups:

1. Banking groups have a public policy in the area of labor rights and human rights, based on at least the following international standards:

- Conventions of the International Labour Organization;
- OECD Guidelines for Multinational Enterprises;
- UN Global Compact;
- UN Guiding Principles on Business and Human Rights ('Ruggie Framework');

- Universal Declaration of Human Rights.
2. Banking groups address the potential risk of involvement in violations of human rights and labour rights in their responsible lending and investment policies and in their contacts with corporate clients and companies that are part of their investments under management.

The assessment takes into account the following risk factors:

- Complexity of production and supply chains;
 - Presence of own production sites or suppliers in risk countries with regard to human rights and international labour standards;
 - Track record of companies in terms of controversies due to violation of human rights and labour rights in its own production sites and suppliers' sites;
 - Presence of policies and management systems in order to prevent the risk of involvement in human rights violations or non-compliance with international labour standards in current and future operations.
3. Banks must actively manage their lending portfolios and investments under management and not only take action in case of controversies in a company's production or supply chain.

Active management means that companies - based on their risk profile - are encouraged to continuously improve their policies and the implementation thereof, based on concrete, measurable targets and timelines. Possible instruments used are:

- Engagement and dialogue;
- Voting policies and voting at annual general meetings.

To strengthen their influence banks can use these instruments together with other financial institutions and civil society stakeholders.

4. In case companies do not have policies to prevent potential involvement in violations of human rights and labour rights, in current and future operations, banking groups urge them to improve, on the basis of measurable and time-bound targets.
5. In case companies are involved in violations of human rights and labour rights in their own production sites or in their supply chains, banking groups insist on improvement, on the basis of time-bound and measurable targets.
6. Policies to prevent and improvement plans to correct abuses, may contain, depending on the nature and size of the company:
 - Mapping own supply chains and that of suppliers;
 - Policy and management systems to prevent and manage potential risks of violation of human rights and labour rights in production and supply chains;
 - Actions to be taken in case human rights and labour rights violations occur and monitor whether those actions have been effective;
 - Accountability and sustainability reporting on negative impacts of their operations on human rights and labour rights;
 - Processes to enable the remediation of any adverse human rights impacts they cause or to which they contribute.
 - Participation in multi-stakeholder initiatives aimed at gradually improving labour rights and working conditions in their supply chains, including:

- SER Covenant Sustainable Garments and Textiles
- Fair Wear Foundation
- Fair Labour Association
- Sustainable Apparel Coalition
- EICC Code of Conduct.

The Dutch Fair Bank Guide does an urgent appeal to Dutch banking groups to urge their clients in the garment sector to sign the SER Covenant Sustainable Garments and Textiles.

7. In case engagement and dialogue does not lead to the intended results within a reasonable time and violations of human rights and labour rights continue, without signs of improvement, banking groups should consider to put an end to credit or investment relations.
8. Banking groups are accountable for their investment decisions and report publicly on the implementation of their human rights policies.
9. Banking groups engage with social stakeholders to encourage a process of continuous improvement of their policies and their implementation.

Appendix 1 List of selected companies

Table 52 gives an overview of companies that were selected for the collection of financial data in the context of this case study.

Table 52 Overview of companies selected for the case study

	Company name	Sub-sector	Country
Apparel sector			
1	Adi Taizi Clothing	Apparel/Accessories	China
2	Adidas	Apparel/Accessories	Germany
3	Belle International Holdings	Apparel/Footwear Retail	China
4	Bombay Rayon Fashions	Apparel/Accessories	India
5	Burberry Group	Apparel/Accessories	United Kingdom
6	C&A	Apparel Retail	Netherlands
7	Charles Vögele Holding	Apparel Retail	Switzerland
8	Claudia Sträter	Apparel/Accessories	Netherlands
9	Coach	Apparel/Footwear Retail	United States
10	De Bijenkorf	Apparel Retail	Netherlands
11	Etam Developpement	Apparel Retail	France
12	Fast Retailing	Apparel/Footwear Retail	Japan
13	Foot Locker	Apparel/Footwear Retail	United States
14	Gap	Apparel/Footwear Retail	United States
15	Groupe Arnault (Christian Dior)	Apparel/Accessories	France
16	H&M (Hennes & Mauritz)	Apparel/Footwear Retail	Sweden
17	Hanesbrands	Apparel/Accessories	United States
18	Heilan Home	Apparel/Footwear Retail	China
19	Hermès International	Apparel/Accessories	France
20	Hop Lun	Apparel/Accessories	China
21	Hugo Boss	Apparel/Footwear Retail	Germany
22	Industria de Diseño Textil (Inditex)	Apparel/Footwear Retail	Spain
23	Jack Wolfskin	Apparel Retail	Germany
24	Kering	Apparel/Accessories	France
25	L Brands	Apparel/Footwear Retail	United States
26	Lion Capital (Hema)	Apparel Retail	Netherlands
27	Macintosh Retail Group	Apparel Retail	Netherlands
28	Mammut Sports Group	Apparel/Accessories	Switzerland
29	Masai Clothing	Apparel/Accessories	Denmark
30	McGregor Fashion Group	Apparel/Accessories	Netherlands
31	Michael Kors Holdings	Apparel/Accessories	China

	Company name	Sub-sector	Country
32	Nike	Apparel/Accessories	United States
33	Nordstrom	Apparel/Footwear Retail	United States
34	Patagonia Inc	Apparel Retail	United States
35	Peek & Cloppenburg	Apparel Retail	Germany
36	Phillips-Van Heusen Corporation	Apparel/Accessories	United States
37	Prada	Apparel/Accessories	Italy
38	Primark	Apparel Retail	Ireland
39	Ralph Lauren	Apparel/Accessories	United States
40	Ross Stores	Apparel/Footwear Retail	United States
41	Sissy-Boy	Apparel Retail	Netherlands
42	Suit Supply BV	Apparel Retail	Netherlands
43	Takko Fashion	Apparel Retail	Germany
44	TJX Cos	Apparel/Footwear Retail	United States
45	Under Armour	Apparel/Accessories	United States
46	V&D (Vroom & Dreesman)	Apparel Retail	Netherlands
47	Valentino Fashion Group	Apparel/Accessories	Italy
48	Vaude	Apparel/Accessories	Germany
49	VF Corporation	Apparel/Accessories	United States
50	WE Fashion	Apparel Retail	Netherlands
51	Wehkamp	Apparel Retail	Netherlands
52	Zhejiang Shuangjia Garment	Apparel/Accessories	China
53	Zhejiang Xingyunma Clothing	Apparel/Accessories	China
Electronics sector			
1	Acer	Computer hardware	Taiwan
2	Advanced Semiconductor	Semiconductors	Taiwan
3	Agilent Technologies	Electronics	United States
4	Altera	Semiconductors	United States
5	Amphenol	Electronics	United States
6	Analog Devices	Semiconductors	United States
7	Apple	Computer hardware	United States
8	Applied Materials	Semiconductors	United States
9	ARM Holdings	Semiconductors	United Kingdom
10	Arrow Electronics	Electronics	United States
11	ASM International (ASMI)	Semiconductors	Netherlands
12	ASML Holding	Semiconductors	Netherlands
13	Asustek Computer (Asus)	Computer hardware	Taiwan
14	AU Optronics	Electronics	Taiwan
15	Avago Technologies	Semiconductors	Singapore
16	Avnet	Electronics	United States

	Company name	Sub-sector	Country
17	BE Semiconductor Industries	Semiconductors	Netherlands
18	BOE Technology Group	Electronics	China
19	Broadcom	Semiconductors	United States
20	Compal Electronics	Computer hardware	Taiwan
21	Dell	Electronics	United States
22	Delta Electronics	Electronics	Taiwan
23	Flextronics International	Electronics	Singapore
24	Freescale Semiconductor	Semiconductors	United States
25	Fujifilm Holdings	Consumer electronics	Japan
26	Fujitsu	Computer hardware	Japan
27	Harman International	Consumer electronics	United States
28	Hewlett-Packard Enterprises	Computer hardware	United States
29	Hikvision	Electronics	China
30	Hitachi	Electronics	Japan
31	Hon Hai Precision (Foxconn)	Electronics	Taiwan
32	Hoya	Electronics	Japan
33	HP Inc	Computer hardware	United States
34	HTC	Electronics	Taiwan
35	Huawei Technologies	Electronics	China
36	Infineon Technologies	Semiconductors	Germany
37	Ingram Micro	Electronics	United States
38	Innolux	Computer hardware	Taiwan
39	Inotera Memories	Semiconductors	Taiwan
40	Intel	Semiconductors	United States
41	Inventec	Computer hardware	Taiwan
42	Jabil Circuit	Electronics	United States
43	Keyence	Electronics	Japan
44	KLA-Tencor	Semiconductors	United States
45	Konica Minolta	Consumer electronics	Japan
46	Kyocera	Electronics	Japan
47	Lam Research	Semiconductors	United States
48	Lenovo Group	Computer hardware	China
49	Lens Technology	Electronics	China
50	LG Display	Electronics	Japan
51	LG Electronics	Consumer electronics	South Korea
52	Linear Technology	Semiconductors	United States
53	Mediatek	Semiconductors	Taiwan
54	Microchip Technology	Semiconductors	United States
55	Micron Technology	Semiconductors	United States

	Company name	Sub-sector	Country
56	Murata Manufacturing	Electronics	Japan
57	Nanya Technology	Semiconductors	Taiwan
58	NEC	Electronics	Japan
59	NVIDIA	Semiconductors	United States
60	NXP Semiconductors	Semiconductors	Netherlands
61	Olympus	Consumer electronics	Japan
62	OMRON	Electronics	Japan
63	Panasonic	Consumer electronics	Japan
64	Pegatron	Electronics	Taiwan
65	Qualcomm	Semiconductors	United States
66	Quanta Computer	Computer hardware	Taiwan
67	Renesas Electronics	Semiconductors	Japan
68	Rexel	Electronics	France
69	Rohm	Semiconductors	Japan
70	Samsung Electro-Mechanics	Electronics	South Korea
71	Samsung Electronics	Semiconductors	South Korea
72	Samsung SDI	Electronics	South Korea
73	SanDisk	Computer storage devices	United States
74	Seagate Technology	Computer storage devices	Ireland
75	Sharp	Consumer electronics	Japan
76	SK Hynix	Semiconductors	South Korea
77	Skyworks Solutions	Semiconductors	United States
78	Sony	Consumer electronics	Japan
79	STMicroelectronics	Semiconductors	Switzerland
80	Taiwan Semiconductor Manufacturing	Semiconductors	Taiwan
81	TCL Corp	Consumer electronics	China
82	TDK	Electronics	Japan
83	TE Connectivity	Electronics	Switzerland
84	Tech Data Corporation	Electronics	United States
85	Texas Instruments	Semiconductors	United States
86	Tokyo Electron	Semiconductors	Japan
87	Toshiba	Electronics	Japan
88	TPV Technology	Computer storage devices	China
89	Western Digital	Computer storage devices	United States
90	Wistron	Computer hardware	Taiwan
91	WPG Holdings	Electronics	Taiwan
92	Xilinx	Semiconductors	United States
93	ZTE	Electronics	China

Appendix 2 Overview of investments of Dutch banking groups in the apparel and electronics sector

Table 53 and Table 54 provide an overview of all shareholdings and bond holdings in the apparel and electronics sector.

Table 53 Overview of investments of Dutch banking groups in the apparel sector

	Banking Group	ABN Amro			Aegon			ASN Bank		Delta Lloyd			Van Lanschot			SNS Bank		Triodos Bank			Total
	Company name	Bondholding	Shareholding	Total	Bondholding	Shareholding	Total	Shareholding	Total	Bondholding	Shareholding	Total	Bondholding	Shareholding	Total	Shareholding	Total	Bondholding	Shareholding	Total	
1	Adidas		45.2	45.2		5.7	5.7	6.6	6.6		1.5	1.5				0.5	0.5				59.4
2	Belle International Holdings					1.2	1.2														1.2
3	Burberry Group		0.1	0.1		3.0	3.0				0.6	0.6				0.0	0.0				3.8
4	Christian Dior	7.4	6.9	14.3		3.4	3.4				0.8	0.8	14.0	14.0		0.0	0.0				32.6
5	Coach		2.4	2.4	2.3	3.4	5.7				0.6	0.6				0.1	0.1				8.8
6	Fast Retailing					6.9	6.9				1.6	1.6				0.2	0.2				8.7
7	Foot Locker		0.0	0.0		28.3	28.3				0.7	0.7				0.0	0.0				29.1
8	Gap		9.6	9.6	0.1	42.9	43.0	2.0	2.0		0.5	0.5				0.0	0.0				55.0
9	H&M (Hennes & Mauritz)		20.4	20.4		14.9	14.9	7.2	7.2		9.9	9.9				0.1	0.1		6.9	6.9	59.4
10	Hanesbrands		1.2	1.2		1.6	1.6				0.8	0.8				0.4	0.4				4.0
11	Hermès International					3.0	3.0				0.8	0.8				0.0	0.0				3.8
12	Hugo Boss		0.1	0.1		2.6	2.6				7.7	7.7				0.0	0.0				10.4
13	Industria de Diseño Textil (Inditex)		36.8	36.8		38.7	38.7	18.6	18.6		13.7	13.7				4.3	4.3		9.9	9.9	122.1
14	Kering	16.4	0.3	16.7		4.2	4.2			4.7	1.0	5.6				0.1	0.1	7.5		7.5	35.9
15	L Brands					5.3	5.3				1.6	1.6				0.4	0.4				7.3
16	Macintosh Retail Group										10.2	10.2									10.8
17	Michael Kors Holdings		0.0	0.0		70.8	70.8				0.6	0.6				0.0	0.0				71.5

	Banking Group	ABN Amro			Aegon			ASN Bank		Delta Lloyd			Van Lanschot			SNS Bank		Triodos Bank			Total
	Company name	Bondholding	Shareholding	Total	Bondholding	Shareholding	Total	Shareholding	Total	Bondholding	Shareholding	Total	Bondholding	Shareholding	Total	Shareholding	Total	Bondholding	Shareholding	Total	
18	Nike		0.2	0.2	1.6	150.4	152.0	28.9	28.9		17.9	17.9				0.9	0.9		12.0	12.0	211.9
19	Nordstrom		0.0	0.0	17.6	15.7	33.3				0.7	0.7				0.0	0.0				34.1
20	Prada					5.8	5.8														5.8
21	PVH (Phillips-Van Heusen Corporation)		0.0	0.0	0.1	50.1	50.2				0.5	0.5				0.0	0.0				50.7
22	Ralph Lauren		0.0	0.0		3.1	3.1				0.5	0.5				0.0	0.0				3.6
23	Ross Stores		0.1	0.1	0.5	65.5	66.0				1.4	1.4				0.5	0.5				68.0
24	TJX Cos		3.5	3.5		156.7	156.7				3.7	3.7				0.6	0.6				164.5
25	Under Armour		0.8	0.8		58.4	58.4				1.1	1.1				0.1	0.1				60.4
26	VF Corporation		0.1	0.1	68.7	48.9	117.5				30.5	30.5				0.0	0.0		8.6	8.6	158.5
	Total	23.9	127.7	151.6	90.9	790.5	881.4	63.3	63.3	4.7	108.9	113.5	14.0		14.0	8.5	8.5	7.5	37.4	44.9	1,277.3

Table 54 Overview of investments of Dutch banking groups in the electronics sector

Banking Group		ABN Amro			Aegon			ASN Bank		Delta Lloyd			Van Lanschot			SNS Bank		Triodos Bank			Total
Company name		Bondholding	Shareholding	Total	Bondholding	Shareholding	Total	Shareholding	Total	Bondholding	Shareholding	Total	Bondholding	Shareholding	Total	Shareholding	Total	Bondholding	Shareholding	Total	
1	Acer					0.3	0.3														0.3
2	Advanced Semiconductor Engineering	1.9	3.1	5.0		1.8	1.8														6.9
3	Agilent Technologies		1.2	1.2	5.5	2.3	7.8				0.8	0.8				0.3	0.3				10.2
4	Amphenol		1.1	1.1	2.4	49.1	51.5				1.1	1.1				0.3	0.3				54.0
5	Analog Devices		1.1	1.1		17.7	17.7				1.2	1.2				0.0	0.0				20.0
6	Apple		27.4	27.4	136.5	684.9	821.4			18.3	79.4	97.7				6.1	6.1				956.2
7	Applied Materials		8.2	8.2	0.7	40.7	41.4				1.2	1.2				0.7	0.7				51.5
8	ARM Holdings					170.2	170.2				1.6	1.6				0.8	0.8				172.5
9	Arrow Electronics		1.1	1.1	38.5	27.3	65.7				0.5	0.5				0.0	0.0				67.3
10	ASM International (ASMI)		2.3	2.3																	6.3
11	ASML Holding		41.0	41.0	5.1	21.2	26.3	11.6	11.6	11.8	2.6	14.5				12.8	12.8	5.9		5.9	112.9
12	Asustek Computer (Asus)					1.6	1.6														1.6
13	AU Optronics					0.7	0.7														0.7
14	Avago Technologies					30.5	30.5				2.5	2.5				0.6	0.6				33.6
15	Avnet		9.9	9.9	20.2	1.5	21.7				0.4	0.4				0.0	0.0				32.0
16	BE Semiconductor Industries							3.2	3.2				63.4	63.4							66.7
17	Broadcom		5.4	5.4	3.0	25.5	28.5				2.2	2.2				0.8	0.8				36.9
18	Compal Electronics					1.8	1.8														1.8
19	Dell				56.6		56.6														56.6

	Banking Group	ABN Amro			Aegon			ASN Bank		Delta Lloyd			Van Lanschot			SNS Bank		Triodos Bank			Total
	Company name	Bondholding	Shareholding	Total	Bondholding	Shareholding	Total	Shareholding	Total	Bondholding	Shareholding	Total	Bondholding	Shareholding	Total	Shareholding	Total	Bondholding	Shareholding	Total	
20	Delta Electronics		1.8	1.8		2.3	2.3									0.5	0.5				4.6
21	Flextronics International		0.9	0.9		28.6	28.6				0.4	0.4				0.0	0.0				29.9
22	Fujifilm Holdings					26.5	26.5				1.4	1.4				0.1	0.1				27.9
23	Fujitsu		1.7	1.7		1.6	1.6				0.6	0.6				0.0	0.0				4.0
24	Harman International				10.0	7.9	17.9				0.5	0.5				0.0	0.0				18.4
25	Hewlett-Packard Enterprises				28.4		28.4														28.4
26	Hitachi		1.9	1.9		28.1	28.1				1.9	1.9				0.2	0.2				32.1
27	Hon Hai Precision (Foxconn)					10.2	10.2														10.2
28	Hoya		1.1	1.1		21.9	21.9				1.1	1.1				0.2	0.2				24.2
29	HP Inc		3.5	3.5	123.3	9.6	132.9				3.6	3.6				0.1	0.1				140.0
30	HTC					0.4	0.4														0.4
31	Infineon Technologies	4.1	18.1	22.2	1.1	4.3	5.4	19.6	19.6		1.0	1.0				0.1	0.1				48.3
32	Ingram Micro		0.9	0.9	1.5	4.8	6.3														7.5
33	Innolux					0.7	0.7														0.7
34	Inotera Memories					0.3	0.3														0.3
35	Intel	4.9	12.9	17.7	99.7	30.7	130.4				18.8	18.8				1.0	1.0				170.5
36	Inventec		0.1	0.1		0.4	0.4														0.5
37	Jabil Circuit				10.1	7.8	17.9							0.3	0.3						18.2
38	Keyence		3.0	3.0		8.7	8.7				1.5	1.5				1.0	1.0				14.3
39	KLA-Tencor				61.6	25.3	86.9				0.6	0.6				0.0	0.0				87.5
40	Konica Minolta					1.5	1.5				0.3	0.3				0.0	0.0				1.9

	Banking Group	ABN Amro			Aegon			ASN Bank		Delta Lloyd			Van Lanschot			SNS Bank		Triodos Bank			Total
	Company name	Bondholding	Shareholding	Total	Bondholding	Shareholding	Total	Shareholding	Total	Bondholding	Shareholding	Total	Bondholding	Shareholding	Total	Shareholding	Total	Bondholding	Shareholding	Total	
41	Kyocera					14.4	14.4				1.2	1.2				0.0	0.0				15.6
42	Lam Research	2.0	0.0	2.1	13.1	3.2	16.3				0.7	0.7				0.7	0.7				19.8
43	Lenovo Group					1.8	1.8									0.5	0.5				2.2
44	LG Display					1.2	1.2														1.2
45	LG Electronics					0.9	0.9														0.9
46	Linear Technology		1.3	1.3		38.8	38.8				17.0	17.0				0.0	0.0				57.1
47	MediaTek					4.0	4.0														4.0
48	Microchip Technology	1.5	3.0	4.5		3.6	3.6				0.6	0.6				0.1	0.1				8.8
49	Micron Technology	3.6	0.0	3.6	19.5	5.2	24.6				1.1	1.1				0.4	0.4				29.7
50	Murata Manufacturing		3.2	3.2		10.6	10.6	27.8	27.8		2.0	2.0				1.0	1.0				44.7
51	NEC					32.8	32.8				0.6	0.6				0.0	0.0				33.4
52	NVIDIA	1.6	0.1	1.7		39.9	39.9				1.0	1.0				0.0	0.0				42.6
53	NXP Semiconductors	1.5		1.5	14.1	31.2	45.2									0.0	0.0				46.8
54	Olympus					2.4	2.4				0.6	0.6				0.0	0.0				3.1
55	OMRON		3.9	3.9		2.1	2.1	6.2	6.2		0.4	0.4				0.0	0.0				12.7
56	Panasonic		0.7	0.7		4.5	4.5				1.6	1.6				0.1	0.1				6.9
57	Pegatron					11.6	11.6														11.6
58	Qualcomm		12.2	12.2	3.5	29.4	32.9				6.3	6.3	29.4	29.4		1.7	1.7				82.6
59	Quanta Computer					1.4	1.4														1.4
60	Rexel	19.3	0.3	19.6		23.7	23.7				0.2	0.2				1.1	1.1				44.9
61	Rohm		0.6	0.6		2.0	2.0				0.3	0.3				0.1	0.1				2.9

	Banking Group	ABN Amro			Aegon			ASN Bank		Delta Lloyd			Van Lanschot			SNS Bank		Triodos Bank			Total
	Company name	Bondholding	Shareholding	Total	Bondholding	Shareholding	Total	Shareholding	Total	Bondholding	Shareholding	Total	Bondholding	Shareholding	Total	Shareholding	Total	Bondholding	Shareholding	Total	
62	Samsung Electro-Mechanics					0.7	0.7														0.7
63	Samsung Electronics		37.8	37.8	0.5	69.0	69.4									0.2	0.2				107.3
64	Samsung SDI					1.0	1.0														1.0
65	SanDisk	4.1	0.0	4.1	41.2	3.6	44.8				0.8	0.8				0.1	0.1				49.9
66	Seagate Technology		17.4	17.4	28.0	11.9	39.9				18.7	18.7	13.3	13.3	0.6	0.6		4.1	4.1		93.9
67	Sharp					0.5	0.5				0.1	0.1				0.0	0.0				0.7
68	SK Hynix		5.8	5.8		3.2	3.2														9.1
69	Skyworks Solutions		1.6	1.6		36.2	36.2				1.1	1.1				0.0	0.0				38.9
70	Sony	2.6	1.9	4.5		25.0	25.0				2.3	2.3				0.1	0.1				32.0
71	STMicroelectronics	5.9	17.1	23.0		1.6	1.6	0.0	0.0		0.4	0.4				0.0	0.0				25.0
72	Taiwan Semiconductor Manufacturing		45.8	45.8	3.9	61.2	65.1				9.4	9.4	6.3	6.3	0.9	0.9		10.3	10.3		137.8
73	TDK		0.3	0.3		2.3	2.3				0.5	0.5				0.1	0.1				3.9
74	TE Connectivity		0.1	0.1		13.1	13.1				1.7	1.7				0.1	0.1				14.9
75	Tech Data Corporation					1.6	1.6														1.6
76	Texas Instruments		22.9	22.9	18.9	54.6	73.5				3.6	3.6				0.1	0.1				100.2
77	Tokyo Electron		2.0	2.0		2.5	2.5				0.6	0.6				0.0	0.0				5.1
78	Toshiba					2.0	2.0				0.8	0.8				0.0	0.0				2.9
79	Western Digital		6.4	6.4		70.8	70.8				1.5	1.5				0.4	0.4				79.1
80	Wistron					0.4	0.4														0.4
81	WPG Holdings					0.4	0.4				6.7	6.7									7.1
82	Xilinx		0.0	0.0	3.5	20.8	24.3				0.8	0.8				0.0	0.0				25.2

	Banking Group	ABN Amro			Aegon			ASN Bank		Delta Lloyd			Van Lanschot			SNS Bank		Triodos Bank			Total
	Company name	Bondholding	Shareholding	Total	Bondholding	Shareholding	Total	Shareholding	Total	Bondholding	Shareholding	Total	Bondholding	Shareholding	Total	Shareholding	Total	Bondholding	Shareholding	Total	
83	ZTE					0.4	0.4														0.4
	Total	53.0	332.3	385.3	750.2	1,946.4	2,696.7	68.5	68.5	30.1	207.8	237.9		112.7	112.7	34.0	34.0	5.9	14.4	20.3	3,555.3

References

- 1 KPMG Advisory N.V. (2014, September), *CSR Sector Risk Assessment. Considerations for Dialogue*.
- 2 SER (n.d.), "Werkplan IMVO", online: <https://www.ser.nl/nl/themas/imvo.aspx>, viewed in February 2016.
- 3 National Contact Point OECD Guidelines (2015), "27/10/2015-NCP Conference on 'Achieving a living wage in the agriculture/food & electronics/technological manufacturing supply chain'", online: <http://www.oecdguidelines.nl/events/contents/ncp-conference-on-living-wages>, viewed in February 2016.
- 4 SER Committee on International Corporate Social Responsibility (2015, October), *Living Wage brochure*, p. 2.
- 5 Sociaal-Economische Raad (SER) (2016, March), *Convenant Duurzame Kleding en Textiel*.
- 6 National Contact Point OECD Guidelines (2015), "27/10/2015-NCP Conference on 'Achieving a living wage in the agriculture/food & electronics/technological manufacturing supply chain'", online: <http://www.oecdguidelines.nl/events/contents/ncp-conference-on-living-wages>, viewed in February 2016.
- 7 French National Contact Point for Implementation of the OECD Guidelines for Multinational Enterprises (2013, December 2), *NCP Report on Implementation of the OECD Guidelines in the Textile and Clothing Sector*.
- 8 Schone Kleren Campagne (2015, November), "Schadevergoeding fabrieksbrand Bangladesh langzaam op gang", online: <http://www.schonekleren.nl/nieuws/2015/11/schadevergoeding-fabrieksbrand-langzaam-op-gang>, viewed in February 2016.
- 9 Libcom.org (2015, February 5 2015), "Four years later, still a graveyard of Chinese youth. Foxconn suicides continue", Posted by Nao, online: <https://libcom.org/blog/four-years-later-still-graveyard-chinese-youth>, viewed in February 2016; Chakraborty, A. (2013, August 5), "The woman who nearly died making your iPad", *The Guardian*, online: <http://www.theguardian.com/commentisfree/2013/aug/05/woman-nearly-died-making-ipad>, viewed in February 2016.
- 10 TextielNet (n.d.), "Nederlandse Textielindustrie", online: <http://www.textielnet.nl/>, viewed in February 2016; Centraal Bureau voor de Statistiek (2016, February 12), "Banen van werknemers; bedrijfsgrootte en economische activiteit (SBI2008)", online: <http://statline.cbs.nl/Statweb/publication/?DM=SLNL&PA=81497ned&D1=a&D2=18&D3=a&VW=T>, viewed in February 2016.
- 11 Merk, J. (2014), *Living wage in Asia 2014*, Amsterdam, The Netherlands: Asia Floor Wage Alliance/Clean Clothes Campaign, p. 5 & 10; Schone Kleren Campagne (n.d.), "Kledingindustrie", online: <http://www.schonekleren.nl/informatie/de-kledingindustrie/kledingindustrie>, viewed in February 2016.
- 12 Merk, J. (2014), *Living wage in Asia 2014*, Amsterdam, The Netherlands: Asia Floor Wage Alliance/Clean Clothes Campaign, p. 12.
- 13 Statista (n.d.), "Leading countries in the electronics industry in 2012, based on market size (in billion euros)", online: <http://www.statista.com/statistics/268398/market-size-of-the-global-electronics-industry-by-country/>, viewed in May 2016; Electronics Industry Market and Knowledge Network (2014, November 10), "Growth in Electronics Production by Country", online: <https://www.electronics.ca/growth-in-electronics-production-by-country.html>.
- 14 International Trade Union Confederation (2016), *Scandal: Inside the global supply chains of 50 top companies. Frontlines Report 2016*, Brussels, Belgium, p. 9.
- 15 Harris, A. (2014, October), *Dragging out the best deal. How billion dollar margins are played out on the backs of electronics workers*, Amsterdam, The Netherlands: GoodElectronics, p. 3.
- 16 International Trade Union Confederation (2016), *Scandal: Inside the global supply chains of 50 top companies. Frontlines Report 2016*, Brussels, Belgium, p. 9.
- 17 International Trade Union Confederation (2016), *Scandal: Inside the global supply chains of 50 top companies. Frontlines Report 2016*, Brussels, Belgium, p. 37.
- 18 International Labour Organization (1948, July), *Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87)*; International Labour Organization (1949, July), *Right to Organise and Collective Bargaining Convention, 1949 (No. 98)*.
- 19 International Labour Organization (1930, June), *Forced Labour Convention, 1930 (No. 29)*; International Labour Organization (1957, June), *Abolition of Forced Labour Convention (No. 105)*.
- 20 International Labour Organization (1973, June), *Minimum Age Convention, 1973 (No. 138)*; International Labour Organization (1999, June), *Worst Forms of Child Labour Convention, 1999 (No. 182)*.
- 21 International Labour Organization (1958, June), *Discrimination (Employment and Occupation) Convention, 1958 (No. 111)*; International Labour Organization (1951, June), *Equal Remuneration Convention, 1951*.

(No. 100).

- 22 United Nations Global Compact (n.d.), *The Ten Principles of the UN Global Compact*, online: <https://www.unglobalcompact.org/what-is-gc/mission/principles>, viewed in February 2016.
- 23 United Nations (2011), *Guiding Principles on Business and Human Rights. Implementing the United Nations "Protect, Respect and Remedy" Framework*, New York and Geneva: USA and Switzerland, p. 15-16; Ruggie, J. (2011, March 21), *United Nations Guiding Principles on Business and Human Rights*.
- 24 OECD (2011), *OECD Guidelines for Multinational Enterprises*.
- 25 SER (n.d.), "Members of the SER", online: https://www.ser.nl/en/about_the_ser/members.aspx, viewed in February 2016.
- 26 SER (n.d.), "Internationaal Maatschappelijk Verantwoord Ondernemen (IMVO)", online: <https://www.ser.nl/nl/themas/imvo.aspx>, viewed in February 2016; SER (2014, April), *IMVO-convenanten. Uitgebracht aan de Minister van Buitenlandse Handel en Ontwikkelingssamenwerking en de Minister van Economische zaken. NR.4 - April 2014*, The Hague: The Netherlands, p. 19; SER (n.d.), "Agreements on International Responsible Business Conduct", online: <https://www.ser.nl/en/publications/publications/2014/international-responsible-business-conduct.aspx>, viewed in April 2016.
- 27 (SER), (2014, November 24), "Kabinet neemt advies IMVO-convenanten over", online: <https://www.ser.nl/nl/actueel/nieuws/2010-2019/2014/20141124-kabinetsreactie.aspx>, viewed in February 2016.
- 28 SER (n.d.), "Werkplan IMVO", online: <https://www.ser.nl/nl/themas/imvo.aspx>, viewed in February 2016.
- 29 SER (2016, March 9), "Broad coalition supports agreement on sustainable garment and textile production", online: <https://www.ser.nl/en/publications/news/2016309-coalition-agreement-sustainable-garment-textile.aspx>, viewed in April 2016.
- 30 Sociaal-Economische Raad (SER) (2016, March), *Convenant Duurzame Kleding en Textiel*, p. 4-5.
- 31 ILO (n.d.), "International Labour Standards on Freedom of association", online: <http://www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/freedom-of-association/lang--en/index.htm>, viewed in May 2016; United Nations (n.d.), "The Universal Declaration of Human Rights", online: <http://www.un.org/en/universal-declaration-human-rights/>, viewed in May 2016; Council of Europe (2014, July), *European Convention on Human Rights*, p. 11;
- 32 ITUC (2015 June), *The 2015 ITUC Global Rights Index*, p. 25-26.
- 33 ITUC (2015 June), *The 2015 ITUC Global Rights Index*, p. 30.
- 34 ITUC (2015 June), *The 2015 ITUC Global Rights Index*, p. 21.
- 35 ITUC (2015 June), *The 2015 ITUC Global Rights Index*, p. 68.
- 36 Statista (n.d.), "Leading countries in the electronics industry in 2012, based on market size (in billion euros)", online: <http://www.statista.com/statistics/268398/market-size-of-the-global-electronics-industry-by-country/>, viewed in May 2016; Electronics Industry Market and Knowledge Network (2014, November 10), "Growth in Electronics Production by Country", online: <https://www.electronics.ca/growth-in-electronics-production-by-country.html>.
- 37 ITUC (2015 June), *The 2015 ITUC Global Rights Index*, p. 75.
- 38 ITUC (2015 June), *The 2015 ITUC Global Rights Index*, p. 71; China CSR Map (n.d.), "All-China Federation of Trade Unions (ACFTU)", Online: Http://Www.Chinacsrmap.Org/Org_Show_EN.Asp?ID=705; Bai, R. (2011, March), "The Role of the All-China Federation of Trade Unions: Implications for Chinese Workers Today", *WorkingUSA: The Journal of Labor and Society. Volume 14*, p. 19-39.
- 39 ITUC (2015 June), *The 2015 ITUC Global Rights Index*, p. 75.
- 40 Business and Human Rights (n.d.), "Hugo Boss", online: <http://business-humanrights.org/en/hugo-boss>, viewed in April 2016; IndustriALL (2015, March 2), "Hugo Boss: Luxury brand, garbage employer", online: <http://www.industriall-union.org/hugo-boss-luxury-brand-garbage-employer>, viewed in April 2016; ITUC (n.d.), "Turkey - Hugo Boss factory continues attacks on textile union", online: <http://survey.ituc-csi.org/Hugo-Boss-factory-continues.html?lang=en>, viewed in April 2016; Hendriksz, V. (2016, February 2), "Next and H&M address Syrian refugee children working in Turkish factories", online: <https://fashionunited.uk/news/fashion/next-and-h-m-take-action-against-syrian-refugee-children-working-in-turkish-factories/2016020219256>, viewed in April 2016.
- 41 SER Committee on International Corporate Social Responsibility (2015, October), *Living Wage brochure*, p. 4.

- 42 Social Accountability International (n.d.), "Living Wage. Work to mainstream a ground-breaking methodology to advance the payment of the living wage", online: <http://sa-intl.org/index.cfm?fuseaction=Page.ViewPage&pageId=1584>, viewed in February 2016; Anker, R. (2011), *Estimating a living wage: A methodological review*, Geneva, Switzerland: International Labour Office, p. 51.
- 43 Schone Kleren Campagne (2014, May), *Loon naar werken? Wat kledingmerken doen (en laten) voor een leefbaar loon*, p. 6.
- 44 Fair Wear Foundation (2011, November), Wage Ladder background study; Fair Wear Foundation (n.d.), "FWF Wage Ladder", online: <http://www.fairwear.org/563/wage-ladder/>, viewed in February 2016.
- 45 Finnwatch (2015, June), "A living wage, a human right. A model for calculating a living wage and related recommendations", online: <http://www.finnwatch.org/images/pdf/LivingWage.pdf>, p. 60, viewed in March 2016.
- 46 WageIndicator (n.d.), "Data Policy", online: <http://www.wageindicator.org/main/Wageindicatorfoundation/researchlab/datapolicy>; WageIndicator (n.d.), "Living Wage Map", online: <http://www.wageindicator.org/main/salary/living-wage/living-wage-map>, viewed in April 2016.
- 47 SER Committee on International Corporate Social Responsibility (2015, October), *Living Wage brochure*, p. 4, 6, 9.
- 48 IndustriAll (2012, October), *The triangular trap. Unions take action against agency labour*.
- 49 IndustriAll, (n.d.), "Organizing in the electronics industry", online: <http://www.industrialunion.org/report-electronics-industry-organizing-and-fighting-against-precarious-work>, viewed in February 2016.
- 50 Holdcroft, J. (2015, May 18), "Special Report: Industry bargaining is an essential tool in the fight for living wages", IndustriAll, online: <http://www.industrialunion.org/special-report-industry-bargaining-is-an-essential-tool-in-the-fight-for-living-wages>, viewed in February 2016.
- 51 Clean Clothes Campaign (2015, December 10), "Global brands leave Cambodian workers fainting over fashion", online: <http://www.cleanclothes.org/news/press-releases/2015/12/10/global-brands-leave-cambodian-workers-fainting-over-fashion>, viewed in February 2016.
- 52 Kourabas, M. (2014, September 16), "In Wake of New Protests, H&M and Others Commit to Living Wages in Cambodia", *Triple Pundit*, online: <http://www.triplepundit.com/2014/09/hm-others-commit-living-wages-cambodia-wake-new-protests/>, viewed in April 2016.
- 53 Ethical Trading Initiative (2014, April), "ETI Base Code", online: <http://s3-eu-west-1.amazonaws.com/www.ethicaltrade.org/files/resources/ETI%20Base%20Code%2C%20English.pdf>, viewed in February 2016; Schone Kleren Campagne (2014, May), *Loon naar werken? Wat kledingmerken doen (en laten) voor een leefbaar loon*, p. 13.
- 54 Fair Labor Association (n.d.), "About Us", online: <http://www.fairlabor.org/about-us>; Fair Labor Association (n.d.), "Code of Conduct", online: <http://www.fairlabor.org/our-work/labor-standards>, viewed in May 2016;
- 55 Fair Wear Foundation (n.d.), "About" online: <http://www.fairwear.org/22/about/>, viewed in February 2016.
- 56 SAI (n.d.), "Living Wage", online: <http://sa-intl.org/index.cfm?fuseaction=Page.ViewPage&pageId=1584>, viewed in May 2016.
- 57 Sustainable Apparel Coalition (n.d.), "The Higgs Index", online: <http://apparelcoalition.org/the-higg-index/>, viewed in April 2016.
- 58 EICC (n.d.), "About the EICC", online: <http://www.eiccoalition.org/about/EICC>; (2016), *Electronic Industry Citizenship Coalition Code of Conduct*, online: http://www.eiccoalition.org/media/docs/EICCCodeofConduct5_1_English.pdf, viewed in February 2016.
- 59 SER Committee on International Corporate Social Responsibility (2015, October), *Living Wage brochure*, p. 5.
- 60 SER Committee on International Corporate Social Responsibility (2015, October), *Living Wage brochure*, p. 6.
- 61 SER Committee on International Corporate Social Responsibility (2015, October), *Living Wage brochure*, p. 7.
- 62 SER Committee on International Corporate Social Responsibility (2015, October), *Living Wage brochure*, p. 8.
- 63 UN Global Compact Office and BSR (2015), *Supply Chain Sustainability. A Practical Guide for Continuous Improvement. Second Edition*, p. 46.
- 64 International Trade Union Confederation (2016), *Scandal: Inside the global supply chains of 50 top*

companies. Frontlines Report 2016, Brussels, Belgium, p. 17, 20-22, 25, 27 & 35.

- 65 ABN Amro (2016, March), *Annual Report 2015*, p. 21.
- 66 Banks Around the World (n.d.), "ABN Amro Bank N.V.", online: <http://www.relbanks.com/europe/netherlands/abn-amro>, viewed in April 2016; ABN Amro (n.d.), "Worldwide presence", online: <https://www.abnamro.com/en/about-abnamro/our-company/worldwide-presence/index.html>, viewed in April 2016.
- 67 ABN Amro (n.d.), "Belangrijkste dochterondernemingen", online: <https://www.abnamro.com/nl/over-abnamro/organisatie/dochterondernemingen/index.html>, viewed in April 2016.
- 68 ABN Amro (2016, March), *Annual Report 2015*, p. 107.
- 69 ABN Amro (2016, March), *Annual Report 2015*, p. 13.
- 70 ABN Amro (2016, March), *Annual Report 2015*, p. 5.
- 71 ABN Amro (2016, March), *Annual Report 2015*, p. 54-55, 93.
- 72 Macintosh Retail Group (n.d.), "Persberichten", online: http://www.macintosh.nl/informatie_faillissement/persberichten/, viewed in April 2016.
- 73 ABN Amro (2016, March 7), *Interview with L. Zeemans, Stakeholder & Issue Manager & G. Nadaud, Senior Advisor ESE Risk, Advisory & Monitoring*.
- 74 ABN Amro (2015, January), *Manufacturing Policy*, p. 1,2; ABN Amro – Sustainable Banking (2016, February), *Internal sources: Confidential review of garment company by Central Sustainability Department ABN Amro*; ABN Amro (2015, October), *Sectorpack Technologie, Media & Telecom. Duurzaamheidsontwikkelingen en klantvragen*; ABN Amro (2015, October), *Sectorpack Retail. Duurzaamheidsontwikkelingen en klantvragen*.
- 75 ABN Amro – Sustainable Banking (2016, March 2016), *Information provided by e-mail on risk country analysis*; ABN Amro (2015, January), *Manufacturing Policy*, p. 2.
- 76 ABN Amro (2015, February 9), *Confidential company profile Sustainability Risk Management*; ABN Amro (2015, January), *Manufacturing Policy*, p. 1,2; Sustainalytics (2016, March 30), *Email with snap shot company profile electronics sector*.
- 77 Sustainalytics (2016, March 30), *Email with snap shot company profile electronics sector*.
- 78 ABN Amro (2012, June), *Human Rights Statement*, p. 1-2; ABN Amro – Sustainable Banking (2016, February), *Internal sources: Confidential review of garment company by Central Sustainability Department ABN Amro*; ABN Amro (2015), *Sectorpack Technologie, Media & Telecom. Duurzaamheidsontwikkelingen en klantvragen*; ABN Amro (2015), *Sectorpack Retail. Duurzaamheidsontwikkelingen en klantvragen*.
- 79 ABN Amro (2012, June), *Sustainability Risk Policy*; ABN Amro (2013, April), *Exclusion List*.
- 80 ABN Amro (2015, January), *Manufacturing Policy*, p. 1,2; ABN Amro – Sustainable Banking (2016, February), *Internal sources: Confidential review of garment company by Central Sustainability Department ABN Amro*; ABN Amro (2015, October), *Sectorpack Technologie, Media & Telecom. Duurzaamheidsontwikkelingen en klantvragen*; ABN Amro (2015, October), *Sectorpack Retail. Duurzaamheidsontwikkelingen en klantvragen*.
- 81 Sustainalytics (2016, March 30), *Email with snap shot company profile electronics sector*.
- 82 ABN Amro – Sustainable Banking (2016, February), *Internal sources: Confidential review of garment company by Central Sustainability Department ABN Amro*; ABN Amro (2015), *Sectorpack Technologie, Media & Telecom. Duurzaamheidsontwikkelingen en klantvragen*; ABN Amro (2015), *Sectorpack Retail. Duurzaamheidsontwikkelingen en klantvragen*.
- 83 ABN Amro (2015, October), *Sectorpack Technologie, Media & Telecom. Duurzaamheidsontwikkelingen en klantvragen*; ABN Amro (2015, October), *Sectorpack Retail. Duurzaamheidsontwikkelingen en klantvragen*.
- 84 ABN Amro – Sustainable Banking (2014, June 13), "February Call Report Sustainability & <confidential>; ABN Amro (2015), *Sectorpack Technologie, Media & Telecom. Duurzaamheidsontwikkelingen en klantvragen*; ABN Amro (2015), *Sectorpack Retail. Duurzaamheidsontwikkelingen en klantvragen*.
- 85 ABN Amro – Sustainable Banking (2016, February), *Internal sources: Confidential review of garment company by Central Sustainability Department ABN Amro*; ABN Amro (2015), *Sectorpack Technologie, Media & Telecom. Duurzaamheidsontwikkelingen en klantvragen*; ABN Amro (2015), *Sectorpack Retail. Duurzaamheidsontwikkelingen en klantvragen*.
- 86 ABN Amro – Sustainable Banking (2016, February), *Internal sources: Confidential review of garment company by Central Sustainability Department ABN Amro*; ABN Amro (2015), *Sectorpack Technologie, Media & Telecom. Duurzaamheidsontwikkelingen en klantvragen*; ABN Amro (2015), *Sectorpack Retail. Duurzaamheidsontwikkelingen en klantvragen*.

Duurzaamheidsontwikkelingen en klantvragen; ABN Amro (n.d.), Sustainable Fashion Guide.

- 87 ABN Amro (2015, January), *Manufacturing Policy*, p. 4; ABN Amro – Sustainable Banking (2014, June 13), “February Call Report Sustainability & <confidential>.
- 88 ABN Amro – Sustainable Banking (2016, March 31), *Email correspondence*.
- 89 ABN Amro (2013, April), *Exclusion List*.
- 90 ABN Amro (2016), *Sustainability Principles for Investments for Retail & Private Banking*. Confidential – for internal use only.
- 91 ABN Amro (2016), *Sustainability Principles for Investments for Retail & Private Banking*. Confidential – for internal use only; ABN Amro (2015, January), *Manufacturing Policy*.
- 92 ABN Amro (2016), *Sustainability Principles for Investments for Retail & Private Banking*. Confidential – for internal use only; ABN Amro (2015, January), *Manufacturing Policy*, p.2
- 93 ABN Amro (2015, January), *Manufacturing Policy*, p. 2; Sustainalytics (2016, March 30), *Email with snap shot company profile electronics sector*; ABN Amro (2016), *Sustainability Principles for Investments for Retail & Private Banking*. Confidential – for internal use only.
- 94 ABN Amro (2016), *Sustainability Principles for Investments for Retail & Private Banking*. Confidential – for internal use only; Sustainalytics (2016, March 30), *Email with snap shot company profile electronics sector*.
- 95 ABN Amro (2016), *Sustainability Principles for Investments for Retail & Private Banking*. Confidential – for internal use only.
- 96 ABN Amro (2012, June), *Sustainability Risk Policy*; ABN Amro (2013, April, *Exclusion List*; ABN Amro (2016), *Sustainability Principles for Investments for Retail & Private Banking*. Confidential – for internal use only.
- 97 ABN Amro (2016), *Sustainability Principles for Investments for Retail & Private Banking*. Confidential – for internal use only; ABN Amro (2015, January), *Manufacturing Policy*, p. 1,2; ABN Amro (2012, June), *Human Rights Statement*, p. 1-2.
- 98 ABN Amro (2016), *Sustainability Principles for Investments for Retail & Private Banking*. Confidential – for internal use only; Sustainalytics (2016, March 30), *Email with snap shot company profile electronics sector*.
- 99 ABN Amro (2016), *Sustainability Principles for Investments for Retail & Private Banking*. Confidential – for internal use only; ABN Amro (2012, June), *Human Rights Statement*, p. 1-2.
- 100 ABN Amro (2016), *Sustainability Principles for Investments for Retail & Private Banking*. Confidential – for internal use only.
- 101 ABN Amro (2016), *Sustainability Principles for Investments for Retail & Private Banking*. Confidential – for internal use only; ABN Amro (2016, March 31), *Anonymous Engagement Report Investment*.
- 102 EICC (n.d.), “About”, online: <http://www.eiccoalition.org/about/>.
- 103 ABN Amro (2012, June), *Sustainability Risk Policy*; ABN Amro (2013, April, *Exclusion List*; ABN Amro (2016), *Sustainability Principles for Investments for Retail & Private Banking*. Confidential – for internal use only.
- 104 Aegon (n.d.), “At a glance”, online: <http://www.aegon.com/en/Home/About/At-a-glance/>, viewed in April 2016.
- 105 Aegon (2016, March), *Annual Report 2015*, p. 296.
- 106 Aegon (n.d.), “At a glance”, online: <http://www.aegon.com/en/Home/About/At-a-glance/>, viewed in April 2016.
- 107 Aegon (n.d.), “At a glance”, online: <http://www.aegon.com/en/Home/About/At-a-glance/>, viewed in April 2016.
- 108 Aegon (n.d.), “Brands & markets”, online: <http://www.aegon.com/en/Home/About/Brands-markets/?region=europe>, viewed in April 2016.
- 109 Aegon (n.d.), “At a glance”, online: <http://www.aegon.com/en/Home/About/At-a-glance/>, viewed in April 2016.
- 110 Aegon (2016, March), *Annual Report 2015*, p. 116.
- 111 Aegon (2016, April), *An introduction to Aegon*, p. 12, 19, 22; Aegon (2016, April), *About Aegon the Netherlands*, p.1.
- 112 Aegon (2016, March), *Annual Report 2015*, p. 19.

- 113 Aegon (2016, March), *Annual Report 2015*, p. 19, 43.
- 114 Aegon (2016, March), *Annual Report 2015*, p. 130, 193.
- 115 Aegon Group (2016, April 7), *Email R. Wildeboer Schut: Onderzoek Praktijkonderzoek Eerlijke Bankwijzer: Arbeid - Leefbaar Loon en Vrijheid van Vereniging & Collectieve Loononderhandelingen*.
- 116 ASN Bank (2016, March), *ASN Bank Verslag 2015*, p. 61.
- 117 SNS Bank (2016, March), *Annual Report 2015*, p. 67.
- 118 ASN Bank (2016, March), *ASN Bank Verslag 2015*, p. 47.
- 119 ASN Bank (2016, March), *ASN Bank Verslag 2015*, p. 56, 97.
- 120 ASN Bank (2016, March), *ASN Bank Verslag 2015*, p. 56.
- 121 ASN Bank (2016, March), *ASN Bank Verslag 2015*, p. 88-89.
- 122 ASN Bank (2016, February 29), *Interview with staff 'Duurzaamheidsbeleid & Onderzoek' J.J. Tjapkes and H. van der Zwaan-Plagman*.
- 123 ASN Bank (2012, January), *Issue paper mensenrechten*, p. 9; ASN Bank (2015, December), *Handleiding ASN Bank Duurzaamheidscriteria*, p. 4; ASN Bank (2015, August 31), internal document: *company profile H&M*; ASN Bank (2015, February 18), internal document: *company profile Infineon Technologies*; ASN Bank (2015, January 16), internal document: *Sectorprofiel Semiconductors Wereldwijd*; ASN Bank (2015, September 30), internal document: *Sectorprofiel Retailing US en Brazilië*.
- 124 ASN Bank (2011, May), *ASN Issue Paper Riscolanden*, p. 67; ASN Bank (2015, December 16), Internal sources: *Landenlijst t.b.v. 2016*; ASN Bank (2015, August 31), internal document: *company profile H&M*; ASN Bank (2015, February 18), internal document: *company profile Infineon Technologies*.
- 125 ASN Bank (2015, December), *Handleiding ASN Bank Duurzaamheidscriteria*, p. 20; ASN Bank (2015, August 31), internal document: *company profile H&M*; ASN Bank (2015, February 18), internal document: *company profile Infineon Technologies*; ASN Bank (2016, February), "Beleggingsuniversum ASN Duurzaam Aandelenfonds. Universum per februari 2016", online: <https://www.asnbank.nl/particulier/beleggen/duurzame-keuzes/beleggingsuniversum/universum-asn-duurzaam-aandelenfonds.html#Infineon>, viewed in April 2016.
- 126 Sustainable apparel coalition (n.d.), "The Higg Index", online: <http://apparelcoalition.org/the-higg-index/>, viewed in April 2016; ASN Bank (2015, August 31), internal document: *company profile H&M*; ASN Bank (2015, February 18), internal document: *company profile Infineon Technologies*.
- 127 ASN Bank (2012, January), *Human Rights policy* p. 5, 11; ASN Bank (2012, February 10), Internal source: *Template promotion letter Ruggie investment universe ASN*, The Hague, the Netherlands.
- 128 ASN Bank (2016, February), "Beleggingsuniversum ASN Duurzaam Aandelenfonds. Afgekeurd sinds 1 januari 2014, online: <https://www.asnbank.nl/particulier/beleggen/duurzame-keuzes/beleggingsuniversum/universum-asn-duurzaam-aandelenfonds.html#Infineon>, viewed in April 2016.
- 129 ASN Bank (2012, January), *Human Rights policy*, p. 18-19; ASN Bank (2015, December), *Handleiding ASN Bank Duurzaamheidscriteria*, p. 20-21.
- 130 ASN Bank (2012, January), *Human Rights policy*, p. 4-5, 9-11.
- 131 ASN Bank (2012, January), *Human Rights policy*, p. 1, 5-6, 13; ASN Bank (2015, December), *Handleiding ASN Bank Duurzaamheidscriteria*, p. 13; ASN Bank (2015, August 31), internal document: *company profile H&M*.
- 132 ASN Bank (2012, January), *Human Rights policy*, p. 10; ASN Bank (2015, December), *Handleiding ASN Bank Duurzaamheidscriteria*, p. 15.
- 133 ASN Bank (2015, December), *Handleiding ASN Bank Duurzaamheidscriteria*, p. 15, 24; ASN Bank (2012, January), *Human Rights policy*, p. 12.
- 134 ASN Bank (2015, December 2 & 28), Internal sources: *Communications between ASN Advisor Sustainability & Human rights and Global Social Sustainability Manager H&M*; ASN Bank (2016, February), "Beleggingsuniversum ASN Duurzaam Aandelenfonds. Afgekeurd sinds 1 januari 2014, online: <https://www.asnbank.nl/particulier/beleggen/duurzame-keuzes/beleggingsuniversum/universum-asn-duurzaam-aandelenfonds.html#TDK>.

- 135 ICCR (2013, May 14), *Investor Statement on Bangladesh*; ICCR (2013, September 6), *Signatories to the Bangladesh Investor Statement as of September 6, 2013*; ICCR (2015), "Investor Letters Urging Further Action on Worker Safety in Bangladesh", online: <http://www.iccr.org/our-issues/human-rights/worker-rights-and-global-supply-chain/investor-letters-urging-further-action>, viewed in April 2016; ICCR (2016, April 24), "Investor Statement on the 3rd Anniversary of the Rana Plaza Tragedy - April 24, 2016", online: http://www.iccr.org/sites/default/files/resources_attachments/statement-signatories04.22.16.pdf, viewed in May 2016.
- 136 ICCR (2013, May 14), *Investor Statement on Bangladesh*; ICCR (2013, September 6), *Signatories to the Bangladesh Investor Statement as of September 6, 2013*; ICCR (2015), "Investor Letters Urging Further Action on Worker Safety in Bangladesh", online: <http://www.iccr.org/our-issues/human-rights/worker-rights-and-global-supply-chain/investor-letters-urging-further-action>, viewed in April 2016; ICCR (2016, April 24), "Investor Statement on the 3rd Anniversary of the Rana Plaza Tragedy - April 24, 2016", online: http://www.iccr.org/sites/default/files/resources_attachments/statement-signatories04.22.16.pdf, viewed in May 2016.
- 137 ICCR (2013, May 14), *Investor Statement on Bangladesh*; ICCR (2013, September 6), *Signatories to the Bangladesh Investor Statement as of September 6, 2013*; ASN Bank (2016, February), "Beleggingsuniversum ASN Duurzaam Aandelenfonds. Afgekeurd sinds 1 januari 2014, online: <https://www.asnbank.nl/particulier/beleggen/duurzame-keuzes/beleggingsuniversum/universum-asn-duurzaam-aandelenfonds.html#TDK>.
- 138 ASN Bank (2012, January), *Human Rights policy*, p. 12 & 18; ASN Bank (2015, August 31), internal document: *company profile H&M; Bangladesh*; ICCR (2013, September 6), *Signatories to the Bangladesh Investor Statement as of September 6, 2013*; ICCR (2016, April 24), "Investor Statement on the 3rd Anniversary of the Rana Plaza Tragedy - April 24, 2016", online: http://www.iccr.org/sites/default/files/resources_attachments/statement-signatories04.22.16.pdf, viewed in May 2016.
- 139 ASN Bank (2016, April), *ASN Bank Verslag 2015*, p. 21.
- 140 Delta Lloyd N.V. (n.d.), "Profiel", online: <https://www.deltalloyd.com/nl/over-delta-lloyd/profiel/>, viewed in April 2016; Delta Lloyd N.V. (2016, February), *Annual Report 2015*, p. 2.
- 141 Delta Lloyd N.V. (n.d.), "Onze merken", online: <https://www.deltalloyd.com/nl/over-delta-lloyd/onze-merken/>, viewed in April 2016.
- 142 Delta Lloyd N.V. (n.d.), "Aandeel", online: <https://www.deltalloyd.com/nl/investor-relations/aandeel/>, viewed in April 2016.
- 143 Delta Lloyd N.V. (2016, February), *Annual Report 2015*, p. 2.
- 144 Delta Lloyd N.V. (2016, February), *Annual Report 2015*, p. 68, 118.
- 145 Delta Lloyd N.V. (2016, February), *Annual Report 2015*, p. 68, 118.
- 146 Delta Lloyd N.V. (2016, February), *Annual Report 2015*, p. 67, 10.
- 147 Delta Lloyd Asset Management (2016, March 10), *Interview with responsible investment officers H. Boerma and W. Bosschaart*.
- 148 Delta Lloyd (2015, January), *Sectordivisie consumptiegoederen*; Delta Lloyd (2015, April, *Sectordivisie mensenrechten*; Delta Lloyd Asset Management (2015, July), *Beleid Verantwoord Beleggen*.
- 149 Delta Lloyd (2016, January), *Global Compact Uitsluitingslijst Q1 2016*.
- 150 Delta Lloyd Asset Management (2015, July), *Beleid Verantwoord Beleggen*.
- 151 Delta Lloyd Asset Management (n.d.), "Stembeleid documenten. Proxy Voting Records: Apple", online: <http://www.deltalloydassetmanagement.nl/nl-nl/over-ons/mvo/stembeleid/>.
- 152 Delta Lloyd (2016, January), *Global Compact Uitsluitingslijst Q1 2016*.
- 153 ING Group (n.d.), "About Us – Profile", online: <http://www.ing.com/About-us/Profile-Fast-facts/Profile.htm>, viewed in April 2016.
- 154 ING Group (2016, March), *Annual Report 2015*, p. 4 (before actual page numbering starts).
- 155 ING Bank (2016, March), *Annual Report 2015*, p. 134.
- 156 ING Group (2016, March), *Annual Report 2015*, p. 179.
- 157 ING Group (2016, March), *Annual Report 2015*, p. 197.
- 158 ING Group (2016, March), *Annual Report 2015*, p. 170, 171.
- 159 ING (2016, March 10), *Interview with ING Sustainability staff J.E. de Boer, A. Scott and R. van Zalingen*.

- 160 ING (2013, February), *ING Environmental and Social Risk Framework*, p. 21, 29, 31 & 35; ING (2015, March), *Sustainable Lending*; ING (2016, March 10), *Interview with ING Sustainability staff J.E. de Boer, R. van Zalingen*; ING (n.d.), Internal information: *Company profile of company in apparel and electronics sector*; ING (n.d.), Internal information: *Snapshots internal reference guide*.
- 161 ING (2013, February), *ING Environmental and Social Risk Framework*, p. 21, 27, 30 & 32; ING (2015, March), *Sustainable Lending*; ING (2016, March 10), *Interview with ING Sustainability staff J.E. de Boer, R. van Zalingen*; ING (n.d.), Internal information: *Company profile of company in apparel and electronics sector*; ING (n.d.), Internal information: *Snapshots internal reference guide*.
- 162 ING (2013, February), *ING Environmental and Social Risk Framework*, p. 21, 27, 30 & 32; ING (2015, March), *Sustainable Lending*; ING (2016, March 10), *Interview with ING Sustainability staff J.E. de Boer, R. van Zalingen*; ING (n.d.), Internal information: *Company profile of company in apparel and electronics sector*; ING (n.d.), Internal information: *Snapshots internal reference guide*.
- 163 ING (2013, February), *ING Environmental and Social Risk Framework*, p. 21; ING (n.d.), Internal information: *Snapshots internal reference guide*; Social Accountability International (2014, June), *Social Accountability 8000 International Standard*, p. 6&12.
- 164 ING Group (2007, March), *Human Rights Statement*; ING (2013, February), *ING Environmental and Social Risk Framework*, p. 26; ING (n.d.), Internal information: *Snapshots internal reference guide*; ING (2016, April 28), *Email ING Sustainability staff member R. van Zalingen: information about Sustainalytics methodology*.
- 165 ING (2013, February), *ING Environmental and Social Risk Framework*, p. 4, 7, 10, 29, 21-22, 31, 34-35.
- 166 ING (2013, February), *ING Environmental and Social Risk Framework*, p. 21, 27, 30 & 32; ING (2015, March), *Sustainable Lending*; ING (2016, March 10), *Interview with ING Sustainability staff J.E. de Boer, R. van Zalingen*; ING (n.d.), Internal information: *Company profile of company in apparel and electronics sector*; ING (n.d.), Internal information: *Snapshots internal reference guide*.
- 167 ING (2013, February), *ING Environmental and Social Risk Framework*, p. 21; ING (n.d.), Internal information: *Snapshots internal reference guide*; Social Accountability International (2014, June), *Social Accountability 8000 International Standard*, p. 6&12; ING Group (2015, April), Internal information: *Email correspondence of Asia desk corporate risk department with company in the electronics sector*.
- 168 ING (2013, February), *ING Environmental and Social Risk Framework*, p. 4-6, 21-22; ING Group (2015, April), Internal information: *Email correspondence of Asia desk corporate risk department with company in the electronics sector*.
- 169 ING (2013, February), *ING Environmental and Social Risk Framework*, p. 21; ING (n.d.), Internal information: *Snapshots internal reference guide*.
- 170 ING (n.d.), Internal information: *Snapshots internal reference guide*; ING Group (2015, April, September; 2016, March), Internal information: *Email correspondence of corporate risk desk and sustainability desk with companies in the apparel and electronics sector*.
- 171 ING (2013, February), *ING Environmental and Social Risk Framework*, p. 22; ING (n.d.), Internal information: *Snapshots internal reference guide*.
- 172 ING (2013, February), *ING Environmental and Social Risk Framework*, p. 26-31.
- 173 ING (2015, March), *ING Sustainable Lending Approach and Methodology*.
- 174 Rabobank Group (n.d.), "Products & services", online: <https://www.rabobank.com/en/products-services/index.html>, viewed in April 2016.
- 175 Rabobank Group (2016, April), *Annual Report 2015*, p. 38.
- 176 Rabobank Group (n.d.), "Rabobank at a glance", online: <https://www.rabobank.com/en/about-rabobank/profile/who-we-are/index.html>, viewed in April 2016.
- 177 Rabobank Group (2016, April), *Investor Presentation FY 2015*, p. 54.
- 178 Rabobank Group (2016, April), *Annual Report 2015*, p. 11.
- 179 Rabobank Group (2016, April), *Annual Report 2015*, p. 19.
- 180 Rabobank Group (2016, April), *Annual Report 2015*, p. 19.
- 181 Rabobank Group (2016, April), *Annual Report 2015*, p. 117, 214.
- 182 Macintosh Retail Group (n.d.), "Persberichten", online: http://www.macintosh.nl/informatie_faillissement/persberichten/, viewed in April 2016.
- 183 Rabobank Duurzaamheid (2016, March 2), *Interview with team leader 'Beleid & Dialoog' O. Brugman and 'Adviseur Duurzaamheidsbeleid' J. Boerma*.

- 184 Rabobank Group (n.d.), *Internal sources: Rabobank branch information system: Detailhandel en mode & Groothandel in kleding*; Rabobank Group (2015, July), *Internal sources: IKT kenniskaart Duurzaamheid Industrie Machine- en Apparatenbouw*; Rabobank Group (2015, July), *Internal sources: IKT kenniskaart Duurzaamheid Groothandel & Detailhandel*; Rabobank Group (2015, July), *Internal sources: IKT kenniskaart Detailhandel Non-Food*.
- 185 Rabobank Group (n.d.), *Internal sources: CSR-scan 2013 Bangladesh & China*.
- 186 Rabobank Group (n.d.), *Internal sources: CSR-scan 2013 Bangladesh & China*; Rabobank Group (2015, July), *Internal sources: IKT kenniskaart Duurzaamheid Industrie Machine- en Apparatenbouw*; Rabobank Group (2015, July), *Internal sources: IKT kenniskaart Duurzaamheid Groothandel & Detailhandel*; Rabobank Group (2015, July), *Internal sources: IKT kenniskaart Detailhandel Non-Food*.
- 187 Rabobank Group (2016, March), *Beleidskader Duurzaamheid*, p. 33.
- 188 Rabobank Group (2012, February), *Human Rights Policy*; Rabobank Group (2015, July), *Internal sources: IKT kenniskaart Duurzaamheid Industrie Machine- en Apparatenbouw*; Rabobank Group (2015, July), *Internal sources: IKT kenniskaart Duurzaamheid Groothandel & Detailhandel*; Rabobank Group (2015, July), *Internal sources: IKT kenniskaart Detailhandel Non-Food*.
- 189 Rabobank Duurzaamheid (2016, March 2), *Interview with team leader 'Beleid & Dialoog' O. Brugman and 'Adviseur Duurzaamheidsbeleid' J. Boerma*.
- 190 Rabobank Group (2016, March), *Beleidskader Duurzaamheid*, p. 30-35.
- 191 Rabobank (2015), "Rabobank discusses sustainability with a growing number of customers", online: <https://www.rabobank.com/en/about-rabobank/in-society/sustainability/articles/2016/rabobank-discusses-sustainability-with-a-growing-number-of-customers.html>, viewed in April 2016; Rabobank Group (2016, March), *Beleidskader Duurzaamheid*, p. 14.
- 192 Rabobank Group (2015, March), *Maatschappelijke Verslaglegging 2014 Rabobank Groep, Bijlage 4: Overzicht Duurzaamheidskeurmerken en – initiatieven*, p. 59.
- 193 Rabobank Group (2016, March), *Annual Report 2015*, p. 129.
- 194 Rank a brand (n.d.), "Rank a Brand", online: <http://rankabrand.nl>, viewed in April 2016; Rabobank Group (2015, July), *Internal sources: IKT kenniskaart Detailhandel Non-Food*.
- 195 Rabobank Group (2016, March), *Beleidskader Duurzaamheid*, p. 11.
- 196 SNS Bank (2016, March), *Annual Report 2015*, p. 8.
- 197 SNS Bank (n.d.), "Brands", online: <https://www.snsbanknv.nl/en/about-us/brands>, viewed in April 2016.
- 198 SNS Bank (n.d.), "SNS Bank posts 2015 net profit of € 348 million", online: <https://www.snsbanknv.nl/en/news/2016/3/3/sns-bank-posts-2015-net-profit-of-348-million>, viewed in April 2016.
- 199 SNS Bank (2016, March), *Annual Report 2015*, p. 122.
- 200 SNS Bank (2016, March), *Annual Report 2015*, p. 10.
- 201 SNS Bank (2016, March), *Annual Report 2015*, p. 7.
- 202 SNS Bank (n.d.), "Figures", online: <https://www.snsbanknv.nl/en/numbers>, viewed in April 2016.
- 203 SNS Bank (2016, March), *Annual Report 2015*, p. 51.
- 204 Actiam/SNS Bank (2016, March 15), *Interview with L. van Heeswijk, Adviseur Verslaglegging & Verantwoord Ondernemen SNS Bank N.V., and S.J. Giezeman, ESG Research Analyst Actiam*.
- 205 Actiam (2015, February), *Internal sources: 3P REVIEW Consumer Durables & Apparel*; SNS Asset Management (2014, February), *3P Review for the Technology Hardware & Equipment sector*; Actiam, (2015, June), *3P REVIEW Semiconductors and Semiconductors Equipment*.
- 206 Actiam (2015, February), *Internal sources: 3P REVIEW Consumer Durables & Apparel*.
- 207 Actiam (2014, October), *Fundamental Investment Principles*, p.6; Actiam (2015, February), *Internal sources: 3P REVIEW Consumer Durables & Apparel*; SNS Asset Management (2014, February), *3P Review for the Technology Hardware & Equipment sector*; Actiam, (2015, June), *3P REVIEW Semiconductors and Semiconductors Equipment*.
- 208 Actiam (2014, October), *Fundamental Investment Principles*, p.6; Actiam (2015, February), *Internal sources: 3P REVIEW Consumer Durables & Apparel*; SNS Asset Management (2014, February), *3P Review for the Technology Hardware & Equipment sector*; Actiam, (2015, June), *3P REVIEW Semiconductors and Semiconductors Equipment*.
- 209 Actiam (2014, October), *Fundamental Investment Principles*, p.6; Actiam (2015, February), *Internal sources:*

- 3P REVIEW Consumer Durables & Apparel; SNS Asset Management (2014, February), *3P Review for the Technology Hardware & Equipment sector*; Actiam, (2015, June), *3P REVIEW Semiconductors and Semiconductors Equipment*; Actiam (2014, September 24), *Engagement Letters Adidas, H&M, Inditex*
- 210 Actiam (2014, October), *Fundamental Investment Principles*, p.2.
- 211 Actiam (2015, February), *Internal sources: 3P REVIEW Consumer Durables & Apparel*; SNS Asset Management (2014, February), *3P Review for the Technology Hardware & Equipment sector*; Actiam, (2015, June), *3P REVIEW Semiconductors and Semiconductors Equipment*.
- 212 Actiam (2014, October), *Fundamental Investment Principles*, p.6; Actiam (2015, February), *Internal sources: 3P REVIEW Consumer Durables & Apparel*; SNS Asset Management (2014, February), *3P Review for the Technology Hardware & Equipment sector*; Actiam, (2015, June), *3P REVIEW Semiconductors and Semiconductors Equipment*.
- 213 Actiam (2015, February), *Internal sources: 3P REVIEW Consumer Durables & Apparel*; SNS Asset Management (2014, February), *3P Review for the Technology Hardware & Equipment sector*; Actiam, (2015, June), *3P REVIEW Semiconductors and Semiconductors Equipment*.
- 214 Actiam (2014, September 24), *Engagement Letters Adidas, H&M, Inditex*.
- 215 Actiam (2014, October), *Fundamental Investment Principles*, p.4; Actiam (2015, February), *Internal sources: 3P REVIEW Consumer Durables & Apparel*; SNS Asset Management (2014, February), *3P Review for the Technology Hardware & Equipment sector*; Actiam, (2015, June), *3P REVIEW Semiconductors and Semiconductors Equipment*.
- 216 Actiam (2014, October), *Fundamental Investment Principles*, p.4; Actiam (2015, February), *Internal sources: 3P REVIEW Consumer Durables & Apparel*; SNS Asset Management (2014, February), *3P Review for the Technology Hardware & Equipment sector*;
- 217 Actiam (2014, October), *Fundamental Investment Principles*, p.2; Samsung (2015, June), *Sustainability Report 2015*, p. 54; Sustainalytics (2015, October 26), *Samsung Electronics Co - Engagement Report*; Actiam (2014, September 24), *Engagement Letters Adidas, H&M, Inditex*; Sustainable Apparel Coalition (n.d.), "Sustainable Apparel Coalition. The Higg Index", online: <http://apparelcoalition.org/the-higg-index/>, viewed in April 2016.
- 218 Actiam (2014, September 24), *Engagement Letters Adidas, H&M, Inditex*; ICCR (2013, May 14), *Investor Statement on Bangladesh*; ICCR (2013, September 6), *Signatories to the Bangladesh Investor Statement as of September 6, 2013*.
- 219 ICCR (2013, May 14), *Investor Statement on Bangladesh*; ICCR (2013, September 6), *Signatories to the Bangladesh Investor Statement as of September 6, 2013*.
- 220 Actiam (2014, September 24), *Engagement Letters H&M and Inditex*; ICCR (2013, May 14), *Investor Statement on Bangladesh*; ICCR (2013, September 6), *Signatories to the Bangladesh Investor Statement as of September 6, 2013*.
- 221 Actiam (2015, December), "Voting Policy", p. 2&12, online: https://www.actiam.nl/nl/duurzaamheid/Documents/Voting_Policy.pdf; GES (2016, March 16), "E-mail of GES engagement manager to Actiam - Voting behaviour labour rights".
- 222 Triodos Bank (n.d.), "Organisation", online: <https://www.triodos.com/en/about-triodos-bank/who-we-are/organisation/>, viewed in April 2016.
- 223 Triodos Bank (n.d.), "Core Activities", online: <https://www.triodos.com/en/about-triodos-bank/what-we-do/core-activities-business-lines/>, viewed in April 2016; Triodos Bank N.V. (2016, February), *Annual Report 2015*, p. 25.
- 224 Triodos Bank (2016, February), *Annual Report 2015*, p. 39.
- 225 Triodos Bank (2016, February), *Annual Report 2015*, p. 96.
- 226 Triodos Bank (2016, February), *Annual Report 2015*, p. 74, 92-93
- 227 Triodos Bank (2016, February), *Annual Report 2015*, p. 96, 186.
- 228 Triodos Investment Management (2016), *Interview with A. van Mansvelt, staff member of Triodos Investment Advisory & Services, and T. Steiner, Head of Corporate Communications of Triodos Bank*.
- 229 Triodos Bank (2015, August), *Triodos Minimum Standards and Exclusions*; Triodos Bank (n.d.), Confidential: *snapshot of CSR assessment company in the apparel sector*.
- 230 Triodos Bank (2015, August), *Triodos Minimum Standards and Exclusions*; Triodos Bank (n.d.), Confidential: *snapshot of CSR assessment company in the apparel sector*.
- 231 Triodos Bank (2015, August), *Triodos Minimum Standards and Exclusions*; Triodos Bank (2016, April 18),

- Confidential: *snapshots of CSR assessment company in the apparel sector and two companies in the electronics sector.*
- 232 Triodos Bank (2015, August), *Triodos Minimum Standards and Exclusions*; Triodos Bank (2016, April 18), Confidential: *snapshots of CSR assessment company in the apparel sector and two companies in the electronics sector.*
- 233 Triodos Bank (2015, August), *Triodos Minimum Standards and Exclusions.*
- 234 Triodos Bank (n.d.), "Investment Universe" and " , online: <https://www.triodos.com/en/investment-management/socially-responsible-investment/sustainable-investment-universe/recent-results/>, viewed in April 2016; Triodos Bank (2016, March), "Changes in the Triodos Sustainable Investment Universe March 2016, online: <https://www.triodos.com/en/investment-management/socially-responsible-investment/sustainable-investment-universe/recent-results/>, viewed in April 2016.
- 235 Triodos Bank (2015, August), *Triodos Minimum Standards and Exclusions.*
- 236 Triodos Bank (2015, August), *Triodos Minimum Standards and Exclusions*; Triodos Bank (2016, April 18), Confidential: *snapshots of CSR assessment company in the apparel sector and two companies in the electronics sector.*
- 237 Triodos Bank (2015, August), *Triodos Minimum Standards and Exclusions*; Triodos Bank (2016, April 18), Confidential: *snapshots of CSR assessment company in the apparel sector and two companies in the electronics sector.*
- 238 Triodos Bank (2015, August), *Triodos Minimum Standards and Exclusions*; Triodos Bank (2016, April 18), Confidential: *snapshots of CSR assessment company in the apparel sector and two companies in the electronics sector.*
- 239 Triodos Bank (2015, August), *Triodos Minimum Standards and Exclusions*; Triodos Bank (2016, April 18), Confidential: *snapshots of CSR assessment company in the apparel sector and two companies in the electronics sector.*
- 240 Triodos Bank (2016, April 18), Confidential: *snapshot H&M of CSR assessment.*
- 241 Triodos Bank (2015, May), *Company Engagement Report 2014*, p. 9-10.
- 242 Triodos Bank (2014, February), *Company Engagement Report 2013*, 1, 3, 6; Triodos Bank (2016, February), *Company Engagement Report 2015*, p. 6-7, 9-10, 12, 14-17; ICCR (2013, May 14), *Investor Statement on Bangladesh*; ICCR (2013, September 6), *Signatories to the Bangladesh Investor Statement as of September 6, 2013.*
- 243 ICCR (2016, April 24), "Investor Statement on the 3rd Anniversary of the Rana Plaza Tragedy - April 24, 2016", online: http://www.iccr.org/sites/default/files/resources_attachments/statement-signatories04.22.16.pdf, viewed in May 2016.
- 244 Triodos Bank (2016, February), *Company Engagement Report 2015*, p. 11.
- 245 ICCR (2013, May 14), *Investor Statement on Bangladesh*; ICCR (2013, September 6), *Signatories to the Bangladesh Investor Statement as of September 6, 2013.*
- 246 ICCR (2013, May 14), *Investor Statement on Bangladesh*; ICCR (2013, September 6), *Signatories to the Bangladesh Investor Statement as of September 6, 2013.*
- 247 Triodos Investment Management (2015, July 14), Inditex (Industrias de Diseño Textil). AGM Meeting date 14 July 2015, online: <https://www.triodos.com/downloads/investment-management/research/proxy-voting-downloads/2015/inditex-agm-2015.pdf>, viewed in April 2016; Triodos Bank (2015, August), "Onze benadering van beleggen op de beurs", p.3, online: <https://www.triodos.nl/downloads/beleggen/onze-benadering-van-beleggen-op-de-beurs.pdf>, viewed in April 2016.
- 248 Van Lanschot (n.d.), "Over Ons", online: <https://www.vanlanschot.nl/over-van-lanschot>, viewed in April 2016.
- 249 Van Lanschot (n.d.), "Corporate", online: <https://corporate.vanlanschot.nl/>, viewed in April 2016; Van Lanschot (n.d.), "Share Information", online: <https://corporate.vanlanschot.nl/share-information>, viewed in April 2016.
- 250 Van Lanschot (2016, March), *Jaarverslag 2015*, p. 217.
- 251 Van Lanschot (n.d.), "Our Strategy", online: <https://corporate.vanlanschot.nl/strategy>, viewed in April 2016.
- 252 Van Lanschot (2016, March), *Financial Report 2015*, p. 8, 49, 198.
- 253 Van Lanschot (2016, March), *Jaarverslag 2015*, p. 215.
- 254 Van Lanschot (2016, March), *Financial Report 2015*, p. 20; Van Lanschot (2016, April), *Annual Report 2015*, p. 24.

- 255 MSCI ESG Research (2015, May), *ESG Ratings Methodology. Executive Summary*; Kempen Capital Management (March 10), Interview with M. de Leede, Director Responsible Investment.
- 256 MSCI ESG Research (2016, February), Industry Report | Non-Precious Metals Mining and Steel; MSCI ESG Research (2015, November), Industry Report | Retail – Food & Staples.
- 257 MSCI ESG Research (2016, February), Industry Report | Non-Precious Metals Mining and Steel; MSCI ESG Research (2015, November), Industry Report | Retail – Food & Staples; MSCI ESG Research (2015, November 4), Hugo Boss Ag (Boss) Textiles, Apparel & Luxury Goods; MSCI ESG Research (2016, February 25), Jabil Circuit, Inc. Electronic Equipment, Instruments & Components | Us ESG Rating.
- 258 MSCI ESG Research (2015, May), *ESG Ratings Methodology. Executive Summary*; MSCI ESG Research (2016, March 10), *Impact Monitor Industria de Diseño Textil, S.A.*
- 259 Kempen Capital Management (2015, December 4), Internal information: *Memo - 'Avoidance List' To: ESG Council. From: EWG*, p. 3-4, 7-8.
- 260 MSCI ESG Research (2015, November 4), Hugo Boss Ag (Boss) Textiles, Apparel & Luxury Goods; MSCI ESG Research (2016, February 25), Jabil Circuit, Inc. Electronic Equipment, Instruments & Components | Us ESG Rating; MSCI ESG Research (2016, February 23), *Impact Monitor Hugo Boss AG*.
- 261 China Labor Watch (2013, September 5), *Chinese Workers Exploited by U.S.-owned iPhone Supplier. An investigation of Labor conditions at Jabil Green Point in Wuxi, China*; China Labor Watch (2014, September 25), "Worker Exploitation Continues at Apple Supplier Plant Jabil Circuit", online: <http://www.chinalaborwatch.org/newscast/392>, viewed in April 2016; Bradshaw, T. (2013, September 5), "Apple probes work conditions at China factory", *Financial Times*, online: http://www.ft.com/intl/cms/s/e4a0f624-165a-11e3-856f-00144feabdc0,Authorised=false.html?siteedition=intl&_i_location=http%3A%2F%2Fwww.ft.com%2Fcms%2Fs%2F0%2F4a0f624-165a-11e3-856f-00144feabdc0.html%3Fsiteedition%3Dintl&_i_referer=https%3A%2F%2Fwww.google.nl%2Fd41d8cd98f00b204e9800998ecf8427e&classification=conditional_standard&iab=barrier-app#axzz467mflWvW; Bradshaw, T. (2015, February 11), "Apple says overtime by employees at suppliers rose in 2014", *Financial Times*, online: <http://www.ft.com/intl/cms/s/0/a6808a70-b23b-11e4-80af-00144feab7de.html#axzz467mflWvW>, viewed in April 2016;
- 262 Hendriks, V. (2016, February 2), "Next and H&M address Syrian refugee children working in Turkish factories", online: <https://fashionunited.uk/news/fashion/next-and-h-m-take-action-against-syrian-refugee-children-working-in-turkish-factories/2016020219256>, viewed in April 2016; MSCI ESG Research (2015, November 4), Hugo Boss Ag (Boss) Textiles, Apparel & Luxury Goods.
- 263 MSCI ESG Research (2014, November 13), *Impact Monitor Jabil Circuit*; MSCI ESG Research (2015, November 4), Hugo Boss Ag (Boss) Textiles, Apparel & Luxury Goods; MSCI ESG Research (2016, February 25), Jabil Circuit, Inc. Electronic Equipment, Instruments & Components | Us ESG Rating; MSCI ESG Research (2016, February 23), *Impact Monitor Hugo Boss AG*; MSCI ESG Research (2016, March 10), *Impact Monitor Industria de Diseño Textil, S.A.*; MSCI ESG Research (2016, February), Industry Report | Non-Precious Metals Mining And Steel; MSCI ESG Research (2015, November), Industry Report | Retail – Food & Staples.
- 264 Fair Labour Association (2015, August 15), *Independent External Assessment. Hugo Boss AG. Turkey*.
- 265 Kempen Capital Management (n.d.), "Stembeleid en stemproces", online: http://www.kempen.nl/asset_management.aspx?id=27962, viewed in April 2016.
- 266 Kempen Capital Management (n.d.), "Engagement", online: http://www.kempen.nl/uploadedFiles/Kempen/01_Asset_Management/Producten_en_diensten/VerantwoordBeleggen/Engagement/Engagement%20policy%20KCM_%202015.pdf, p. 1, viewed in March 2016; Kempen Capital Management (n.d.), Internal information: *Questions for garment brands re Syrian refugees in Turkey*; Kempen Capital Management / GES (2014, October 23 and November 12), *Engagement letters Jabil*; Robeco Boston Partners (n.d.), Internal information: *Hugo Boss Statement Syrian refugees*.
- 267 ISS (n.d.), "Proxy Voting Services", online: <https://www.issgovernance.com/governance-solutions/proxy-voting-services/>, viewed in May 2016.
- 268 Kempen Capital Management (n.d.), "Uitsluitingen", online: http://www.kempen.nl/asset_management.aspx?id=25154, viewed in April 2016.
- 269 UNHCR (2016), "UNHCR: aantal Syrische vluchtelingen bereikt een record van 4 miljoen", online: <http://www.unhcr.nl/home/artikel/24dd0a6fdd63d87160ebdde85a059d9d/unhcr-aantal-syrische-vluchtelingen.html>, viewed in April 2016.
- 270 ASN Bank (2016, April), *ASN Bank Verslag 2015*, p. 21.
- 271 ASN Bank (2012, February 10), *Concerning: New Human Rights Policy ASN Bank*.

- 272 Actiam (2014, October), *Fundamental Investment Principles*, p. 2.
- 273 ICCR (2013, May 14), *Investor Statement on Bangladesh*; ICCR (2013, September 6), *Signatories to the Bangladesh Investor Statement as of September 6, 2013*.
- 274 ICCR (2015), "Investor Letters Urging Further Action on Worker Safety in Bangladesh", online: <http://www.iccr.org/our-issues/human-rights/worker-rights-and-global-supply-chain/investor-letters-urging-further-action>, viewed in April 2016; Rana Plaza Arrangement (2015, June 8), "Rana Plaza Arrangement. Update: RPCC announce that sufficient funds now available to complete payments under the Rana Plaza arrangement", online: <http://www.ranaplaza-arrangement.org/>, viewed in April 2016.
- 275 Bangladesh Accord (n.d.), "Signatories", online: <http://bangladeshaccord.org/signatories/>; "Welcome to the Accord", online: <http://bangladeshaccord.org/>, viewed in April 2016.
- 276 Triodos Bank (2014, July 7), "Conflict minerals and the Atlantic divide", online: <https://www.triodos.com/en/investment-management/who-we-are/news/newsletter-research/conflict-minerals-and-the-atlantic-divide/>, viewed in April 2016; Triodos Bank (2014, October 22) "Investors urge European Union to adopt stronger conflict minerals legislation", online: <https://www.triodos.com/en/investment-management/who-we-are/news/articles/investors-urge-european-union-to-adopt-stronger-conflict-minerals-legislation/>, viewed in April 2016; Triodos Bank (2015, June 19), "Breaking the link between mineral sourcing and armed conflict", online: <https://www.triodos.com/en/investment-management/who-we-are/news/newsletter-research/conflict-minerals/>, viewed in April 2016.
- 277 Aegon Nederland N.V. (2015, February), *Voting Policy*, p. 19; Aegon Investment Management B.V. (2016, April), *Vote Summary Report 2016 Q1*; Aegon Investment Management B.V. (2016), *Vote Summary Report 2015*; Aegon Investment Management B.V. (2015), *Vote Summary Report 2014*; Aegon Investment Management B.V. (2014), *Vote Summary Report 2013*; Aegon Investment Management B.V. (2013), *Vote Summary Report 2012*; Aegon Investment Management B.V. (2012), *Vote Summary Report 2011*; ASN Bank (2014, July), *Handleiding stembeleid van ASN Beleggingsfondsen N.V.*, p. 3-4.
- 278 Aegon Nederland N.V. (2015, February), *Voting Policy*, p. 19; Aegon Investment Management B.V. (2016, April), *Vote Summary Report 2016 Q1*; Aegon Investment Management B.V. (2016), *Vote Summary Report 2015*; Aegon Investment Management B.V. (2015), *Vote Summary Report 2014*; Aegon Investment Management B.V. (2014), *Vote Summary Report 2013*; Aegon Investment Management B.V. (2013), *Vote Summary Report 2012*; Aegon Investment Management B.V. (2012), *Vote Summary Report 2011*; ASN Bank (2014, July), *Handleiding stembeleid van ASN Beleggingsfondsen N.V.*, p. 3-4; Kempen en Co (n.d.), "Stembeleid en Stemproces", online: http://www.kempen.nl/asset_management.aspx?id=27962, viewed in April 2016.
- 279 GES (n.d.), "Global Engagement Services", online: <http://www.globalengagementservices.ch/>, viewed in April 2016; ISS (n.d.), "Proxy Voting Services", online: <https://www.issgovernance.com/governance-solutions/proxy-voting-services/>, viewed in April 2016.
- 280 Delta Lloyd (n.d.), "Proxy Voting Records: Apple Inc", online: <file:///Z:/Projects/2015-130%20FBG%20Case%20Study%20Living%20Wage/Research/beleid%20bedrijven/DL/Delta%20Lloyd%20Asset%20Management%20-%20Stembeleid%20documenten%20-%20Apple.htm>; Apple Inc. (2016, January), "Notice of 2016 Annual Meeting of Shareholders and Proxy Statement", p. 62, online: http://files.shareholder.com/downloads/AAPL/1182687123x0x867005/8A183688-4A15-42C7-A3F7-6E05B2B82976/Apple_2016_Proxy_Statement.pdf, viewed in April 2016.
- 281 Delta Lloyd (n.d.), "Proxy Voting Records: Apple Inc", online: <file:///Z:/Projects/2015-130%20FBG%20Case%20Study%20Living%20Wage/Research/beleid%20bedrijven/DL/Delta%20Lloyd%20Asset%20Management%20-%20Stembeleid%20documenten%20-%20Apple.htm>; Apple Inc. (2016, January), "Notice of 2016 Annual Meeting of Shareholders and Proxy Statement", p. 62, online: http://files.shareholder.com/downloads/AAPL/1182687123x0x867005/8A183688-4A15-42C7-A3F7-6E05B2B82976/Apple_2016_Proxy_Statement.pdf, viewed in April 2016; Actiam (2015, December), "Voting Policy", p. 2&12, online: https://www.actiam.nl/nl/duurzaamheid/Documents/Voting_Policy.pdf; GES (2016, March 16), "E-mail of GES engagement manager to Actiam - Voting behaviour labour rights".
- 282 Triodos Investment Management (2015, July 14), Inditex (Industrias de Diseño Textil). AGM Meeting date 14 July 2015, online: <https://www.triodos.com/downloads/investment-management/research/proxy-voting-downloads/2015/inditex-agm-2015.pdf>, viewed in April 2016.
- 283 ASN Bank (2016), "Beleggingsuniversum ASN Duurzaam Aandelenfonds. Universum per februari 2016", online: <https://www.asnbank.nl/particulier/beleggen/duurzame-keuzes/beleggingsuniversum/universum-asn-duurzaam-aandelenfonds.html>, viewed in April 2016.
- 284 ASN Bank (2016, April), *ASN Bank Verslag 2015*, p. 21.