

# Human Rights Update

de Volksbank - 2020



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# *Introduction*

## Introduction

This report is an update on our first standalone Human Right Report that we published in February 2019. Our 2019 Human Right Report provided an extensive overview of our organisation, our services, our sustainability framework (including our Human Rights Policy) and our sustainability governance<sup>1</sup>. In this report, we also explained in detail how we conduct human rights due diligence in our investments<sup>2</sup>. Since the publication of our 2019 Human Rights Report, no important or relevant changes have taken place that have impacted our approach to addressing human rights.

This Human Rights Update is, therefore, a concise report. The purpose of this report is to provide an update on the salient issues that we identified in the salience analysis in 2018. Although we carefully monitored our impact on human rights throughout 2019, we have not encountered any new issues that we would classify as a salient issue. In addition to this update, we also want to share some of the human rights dilemmas that we encounter in our day-to-day operations and the way in which we deal with these dilemmas based on our mission: Banking with a Human touch.

<sup>1</sup> <https://www.devolksbank.nl/assets/files/Mensenrechtenverslag-de-Volksbank.pdf>

<sup>2</sup> Our human rights due diligence is also explained in the Sustainability Guide of our sustainable brand ASN Bank (applicable to our entire organization); <https://www.asnbank.nl/over-asn-bank/duurzaamheid/beleidsdocumenten.html>



# Human rights at de Volksbank in 2019

## Human rights at de Volksbank in 2019

In 2019, de Volksbank was part of the Dutch Banking Agreement (DBA)<sup>3</sup> on Human Rights, together with other adhering banks, the Dutch Banking Association (NVB), trade unions, civil society organisations (CSOs) and the Dutch government. The DBA formally ended on 7 December 2019 after three years of collaboration. By signing the DBA, the banks agreed to respect human rights under the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Right (UNGPs). The NVB, CSOs, trade unions and government agencies agreed to support the banks in their efforts. The DBA mainly focused on two banking activities: corporate lending and project finance.

One of the key deliverables within the DBA for de Volksbank was the publication of a first stand-alone human rights report. We published this report in 2019, making us one of the first banks to do so. By publishing this report we committed to another deliverable, namely conducting and publishing a so-called salience analysis of our most important human rights risks. And, last but not least, we then adhered to the requirement of taking mitigating action towards any possible negative impact on human rights in The Netherlands and abroad. Further details can be found in last years' report in which we describe the salient issues within the investment funds of our entity ASN Beleggingsfondsen and within our own operations.

Apart from these more formal requirements within the stakeholder settings of the NVB and the DBA facilitator (Social Economic Council (SER)), we also hosted a 'human rights lunch session' at de Volksbank in Utrecht on the 31 October 2019. The aim of this session was to inform all interested colleagues about our work in the field of human rights, and how we can all make a social impact. And also about how stakeholders, such as governments and trade unions, are demanding more and more evidence from financial organisations in this regard. In other words, it is not enough to just state that we follow the OECD guidelines and UNGPs, but we have to prove how we do that. For de Volksbank and its entities, it is not too hard to meet these requirements, as 'banking with a human touch' is part and parcel of our way of doing business.

It was our pleasure that Marijn de Haas, an external consultant, acted as moderator for the lunch session and presented her views on banking with human rights in mind. In interactive sessions, colleagues from across the organisation shared human rights dilemma's encountered by them in their work. The discussion showed that human rights are actually very relevant in many disciplines, even in a country such as the Netherlands where many human rights are strongly protected by law.

On 5 November 2019, we participated in the 'Banking and human rights' conference at EYE Film museum Amsterdam. This was another opportunity to present our work within the context of the DBA. We organised a side event on labour rights in the garment sector, in collaboration with ABN Amro and the Fair Wear Foundation. A pre-recorded video of Maurice Oostendorp, our CEO, was shown during that conference. On 25 November, we presented our work on human rights during the UN Forum on Business and Human rights in Geneva. Earlier in the year we had the pleasure to be part of a panel with financial organisations at the OECD Forum on Due Diligence in the Garment sector.

### NVB Working group

Parallel to the wrapping up of the DBA, we contributed to discussions on the follow-up of a collaborative approach on human rights

<sup>3</sup> <https://www.imvoconvenanten.nl/en/banking/signatories>



within the NVB Working group on international Responsible Business Conduct (IMVO Werkgroep). We value a joint approach where this is useful, but within a freer format than the DBA. A good example is the Platform Living Wage Financials (PLWF) where 12 financial organisations teamed up around a specific salient risk. The many Friends of the Platform, such as Fair Wear Foundation, Erasmus University and Rainforest Alliance show that civil organisations trust and stimulate our work.

Within the IMVO Werkgroep, we also advocated for EU-legislation on mandatory human rights due diligence. In our view, adding hard law to the smart policy mix can help lift the floor and create a level playing field between investee companies and ourselves.

#### [Complaints mechanism](#)

For internal or external stakeholders who feel that his or her human rights have been adversely impacted by de Volksbank, we have a complaints mechanism in place in accordance with the DBA. This mechanism is available on our website. In 2019, we did not receive any complaints in relation to human rights.

# *Salient issues*

## Salient issues

In 2018, we conducted a salience analysis with the help of consultancy firm Sustainalize. The analysis was based on extensive desk research, interviews and validation sessions with both internal and external stakeholders.<sup>4</sup> In this analysis, we identified five salient issues: living wage in the garment industry and in the agri-food industry, consumer protection and clinical trials in the pharmaceutical industry and workplace health and safety in the garment industry. We are linked to these issues through our shareholding positions in companies operating in the aforementioned sectors. We focused our efforts on mitigating negative impacts on these issues. This section provides an update on these efforts.

## Living wage

### Garment industry

Living wage in the garment industry has been a priority issue for our sustainable brand ASN Bank and ASN Beleggingsfondsen since 2015. A living wage is an enabling human right, enabling workers to afford basic needs such as health care and education for their children. It prevents working excessive work overtime and has a positive effect on workers' health. Nevertheless, wages in many garment-producing countries are below what experts in benchmarks have calculated as a living wage. ASN Bank's work focuses on four pillars: measuring, engaging, supporting and monitoring. We will explain them separately below.



## Measuring

ASN Bank assesses the performance of the garment companies in the investment universe of ASN Beleggingsfondsen every year. The methodology we use to do this was developed with the help of Mazars.<sup>5</sup> These assessments were again conducted in 2019 and the results were published in a Living Wage Report in September 2019.<sup>6</sup>

The main finding was that most companies showed (moderate) progress, reflected in slightly higher scores. A major improvement was that some companies were able to privately disclose the wages paid in their supply chain, and how these wages relate to living wage benchmarks. This is a form of transparency that most garment companies do not yet disclose and that ASN Bank is pushing for. Another step to be made by the industry is to provide more transparency on their purchasing practices. Almost all companies have outsourced manufacturing. Their purchasing practices have a significant impact on a supplier's ability to pay a living wage. Knowing the impact, mitigating and reporting on this impact is a necessary step towards living wages in global garment supply chains.<sup>7</sup>

## Engaging

Our assessments are a means to an end and provide a starting point for our engagement conversations with the garment companies in our investment universe. At least once a year, we talk to each company to discuss progress and to encourage change. A key element of ASN Bank's engagement approach on living wage is the PLWF. This platform was co-founded by ASN Bank, MN and Triodos Investment Management with the goal to create a collective engagement effort. There has been considerable interest in the

<sup>4</sup> Please read our 2019 Human Rights Report for an elaborate explanation of our salience analysis: <https://www.devолksbank.nl/assets/files/Mensenrechtenverslag-de-Volksbank.pdf>

<sup>5</sup> Please refer to our website for our methodology: <https://www.asnbank.nl/over-asn-bank/duurzaamheid/mensenrechten/asn-bank-working-towards-a-living-wage-in-the-garment-industry.html>

<sup>6</sup> <https://www.livingwage.nl/wp-content/uploads/2019/12/2019-Living-Wage-Report-of-ASN-Bank.pdf>

<sup>7</sup> For all findings refer to the 2019 ASN Bank Living Wage Report.



PLWF from other investors and stakeholders working on promoting living wages. In 2019, the platform has grown to twelve investors with a total of €2.5 trillion assets under management. All investors have their own investment criteria, which means that some investors have investments in more garment companies than others. In total, the PLWF engages with 32 companies in the garment industry. All companies are assessed by investors within the PLWF using the same methodology.

For the PLWF collaboration with civil society, trade unions and governments is essential in creating change. To formalise the relationships with these external stakeholders somewhat, the PLWF has created the Friends of the Platform.<sup>8</sup> This is a group of organisations that endorses and supports our work on living wages and that provide us with input during our PLWF meetings. The input of these organisations is very valuable, as they provide us with different perspectives, as well as on-the-ground information on factories and specific countries.

The PLWF was recognised for its work by the United Nations Principles for Responsible Investment (UN PRI), which awarded the PLWF with the 'Award for the Best Active Ownership Initiative of 2019'.<sup>9</sup>

### Supporting

As a sustainable banking brand, ASN Bank not only wants to conduct assessments and enter into engagements; it also wants to act. For this reason, ASN Bank has engaged with civil society organisations and has supported many of these organisations for many years. Since living wage became a priority within the broader work on human rights, these partnerships have increasingly focused on living wage in particular.

ASN Bank currently has partnerships with the Fair Wear Foundation and Solidaridad. These organisations receive financial support to develop tools that garment companies can use to improve wage management systems and wage data collection for example. FWF recently finished the work on its new wage ladder<sup>10</sup> and it has endorsed Action, Collaboration and Transformation (ACT), a leading multi-stakeholder initiative on living wage in the garment industry<sup>11</sup>. On top of these partnerships, it also collaborated with the Fair Labor Association (FLA) and with Mondiaal FNV, the international branch of the Dutch trade union FNV. The first collaborative project consisted of the development of a dashboard, helping which helps companies in getting insight into the wage levels of their suppliers. This dashboard should make the topic of living wage more tangible by producing photo and video materials that illustrate the impact of wages below a living wage.

Collaborating with and supporting civil society is a key element of ASN Bank's approach to human rights. ASN Bank will continue its partnership with the FWF in 2020, the partnership with Solidaridad will come to an end. In 2020, ASN Bank will also explore new potential partnership to continuously support the garment sector in finding solutions for wages that are in violations of international human rights frameworks.

### Monitoring

A long-term goal formulated by ASN Bank is: 'by 2030 the garment sector has implemented all necessary processes to enable a living

<sup>8</sup> <https://www.livingwage.nl/friends-of-the-platform/>

<sup>9</sup> <https://www.unpri.org/pri-awards-2019-case-study-platform-living-wage-financials/4841.article>

<sup>10</sup> <https://fairwear.org/resources-and-tools/wage-ladder>

<sup>11</sup> <https://actonlivingwages.com/>

*"Engagement can be an effective tool for the financial sector to nudge investee companies into the right direction. Particularly when it comes to grey areas such as trying to uphold labour rights in long supply chains. It sounds easy but in reality companies cannot do this alone, there are governments, trade unions and other stakeholders involved. With the Platform Living Wage Financials we created 'meaningful engagement' by conducting our own research, deep diving into one topic (living wage) and one sector (garments), increasing leverage on companies by joining forces, annually monitoring progress and communicating results publicly."*

**Irina van der Sluijs, Senior Advisor Human Rights ASN Bank**



wage for workers in their supply chain'. Although 2030 still seems far away, it is crucial that companies not only make progression on this, but also speed up progression. It is therefore essential for our brand ASN Bank to formulate milestones to monitor progress and to communicate the necessity of progressing on this issue. The ultimate consequence of not making progress could be divestment. Wages below a living wage are a pressing and urgent issue. Not recognising this and not acting towards solutions by a sustainable investor is no longer acceptable.

### Agri-food industry

Low pay is also a major issue in the agri-food and food retail industries<sup>12</sup>. Cocoa farmers, coffee farmers and many farmers in other commodity markets earn a wage that is too low to live on. The exposure of ASN Beleggingsfondsen to companies in the agri-food market is smaller than the exposure to garment companies. Hence, the work of ASN Bank initially focused on the latter. Another reason to do so was that ASN Bank believed it was necessary to create a meaningful engagement stream. To create such a stream, it was necessary to deep dive on one human right in one industry.

The establishment of the PLWF provided the opportunity to share the workload and start new workstreams. A couple of investors within the PLWF took the initiative to expand the work on living wage into the agri-food and food retail sectors. Methodologies used for the garment methodology were adapted for use in both sectors. ASN Bank helped developing them by sharing its experience in developing the garment methodology, a process that took almost six months in 2018.

### Consumer protection and clinical trials in the pharmaceutical industry

ASN Bank has been engaging with pharmaceutical companies since 2015, after commissioning Sustainalytics to develop the 'From Policy to Practice' report<sup>13</sup>. The reason for starting engagement was that although pharmaceutical companies in the investment universe of ASN Beleggingsfondsen had sound policies on consumer safety, they were frequently involved in controversies on various customer safety-related issues, such as off-label marketing and clinical trials. Rather than opting for divestment, ASN Beleggingsfondsen choose to engage with these pharmaceutical companies hoping this would lead to an improved performance. The engagement was performed by the sustainability team at ASN Bank on behalf of ASN Beleggingsfondsen. The focus of engagement was on the implementation of policies on consumer protection in the R&D stage, the manufacturing and distribution stage and the marketing & sales stage. The initial batch of pharmaceutical companies engaged by ASN Bank consisted of ten companies. With four of these, AstraZeneca, GlaxoSmithKline, Novartis and Novo Nordisk, ASN Bank held intensive dialogues.

To assess the progress of these pharmaceutical companies, ASN Bank developed scorecards on an annual basis. These scorecards formed the basis for engagement talks with pharmaceutical companies. These talks consisted of phone calls and visits to the companies' annual general meetings (AGM). At these meetings, ASN Bank raised questions and encouraged companies to progress on specific issues such as off-label marketing and the disclosure of test results of clinical trials.



*"Although the pharmaceutical industry still has to make progress on issues such as off-label marketing and disclosure of test results, our engagement with some of the leading companies in this sector has led to some important steps. A good example is AstraZeneca case. After I raised questions at the company's AGM, AstraZeneca committed to full transparency regarding payments to health care professionals in all countries in which it operates; not just in the countries where this is legally required. As far as I know, this makes AstraZeneca the first pharmaceutical company in the world. It is extraordinary that we, as a relatively small investor in these companies, were able to realise such changes."*

**Jonna Tjapkes, Senior Sustainability Advisor  
ASN Bank**

<sup>12</sup> Many farmers earn an income rather than a wage. We use the term living wage, which in this context includes living income.

<sup>13</sup> <https://www.asnbank.nl/over-asn-bank/duurzaamheid/mensenrechten/eerlijke-farma.html>

### Main results of ASN Bank's engagement trajectory

In March 2019, Sustainalytics published an evaluation of ASN Bank's engagement trajectory in the pharmaceutical industry<sup>14</sup>. The principal conclusions of this report are set out below.

First of all, consumer safety-related controversies are still widespread in the pharmaceutical industry. Although this subject caught the attention of investors and governments, the issues remain far from resolved. There is still a discrepancy between what companies commit to in their policies and the way in which they conduct their day-to-day operations.

Secondly, in its 2019 report, Sustainalytics concluded that many pharmaceutical companies still do not have solid programmes on product and service safety in the different stages analysed by them. Also, programmes that do meet regulatory requirements may not be sufficient to mitigate adverse impacts on consumers.

And lastly, the four companies with which we held intensive dialogues overall showed more progress than the other six companies. Even though ASN Beleggingsfondsen is only a small investor in these companies, it was able to achieve some concrete accomplishments through its engagement. AstraZeneca, for example, decided to become fully transparent about its payments to health care professionals. It already did so in countries where this is a legal requirement, but after ASN Bank raised questions on the company's AGM, the company decided to expand the scope of this disclosure. Novo Nordisk is another company that was responsive to ASN Bank's engagement. After ASN Bank raised the issue of disclosing the results of clinical trials irrespective of the result, the company promised to improve its disclosure as well as its explanation of the test results on its website.

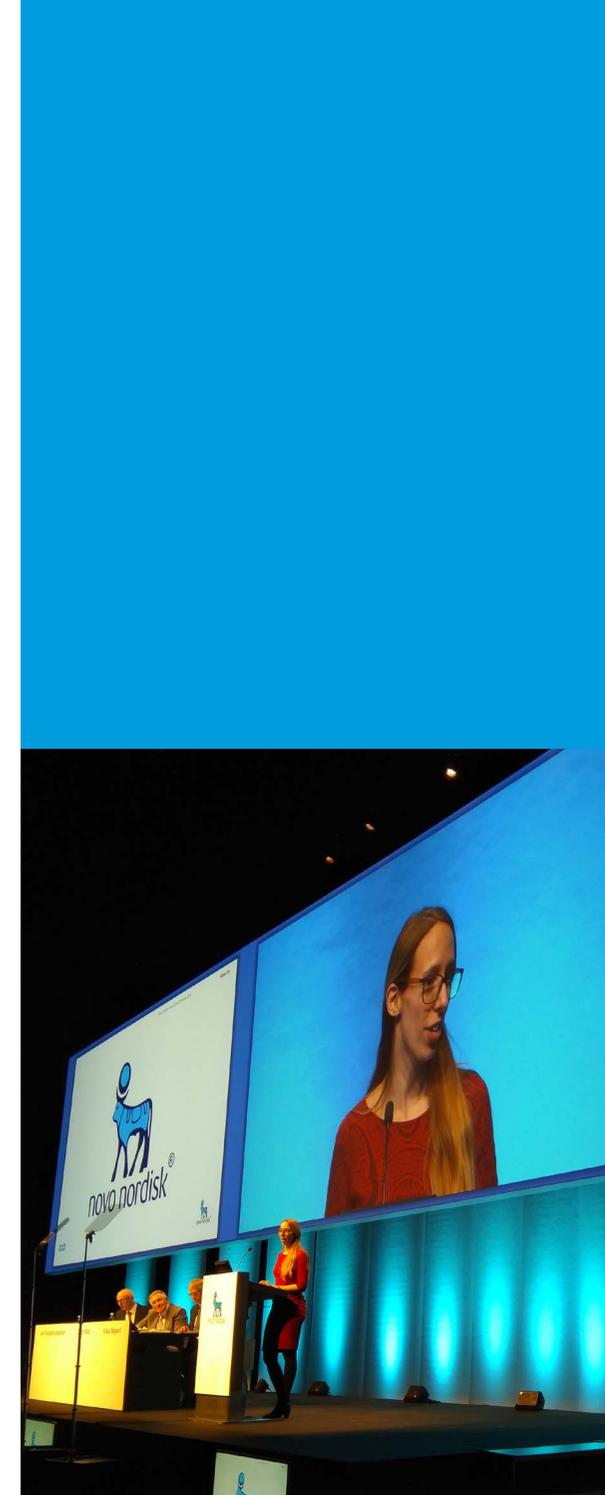
### Looking forward

Based on the evaluation of Sustainalytics and on ASN Bank's experience in engaging with pharmaceutical companies, ASN Beleggingsfondsen decided to divest from some of the ten companies that ASN Bank initially engaged with. Five were removed from the investment universe of ASN Beleggingsfondsen in 2019 due to a lack of progress on the issues discussed with them.

Most of the pharmaceutical companies still included in the investment universe of ASN Beleggingsfondsen still need to make progress on specific elements of consumer safety. Only GlaxoSmithKline scores sufficiently on all elements. AstraZeneca and Novo Nordisk, which score sufficiently overall, are still involved in (serious) controversies. This emphasises the perceived gap between solid policies and inadequate performance. This also applies to GlaxoSmithKline. Astellas Pharma and Orion also remain included in the investment universe. Although these companies score insufficiently on the criteria that ASN Bank engaged them on, they are willing to engage. And more importantly, these two companies are not involved in serious controversies. As most companies should still make progress on the elements and/or are involved in controversies, the engagement trajectory with these companies was extended by four years. Besides these five companies, one new pharmaceutical company was added to the investment universe and the engagement trajectory: Merck KGaA. This company has sufficient policies to meet the sustainability criteria and is not involved in any serious controversies.

ASN Bank will continue to engage into dialogue with the companies, although less intensively compared to the previous four years. Rather than conducting an annual assessment, ASN Bank will conduct a bi-annual assessment of these companies, i.e. in 2020 and

<sup>14</sup> See link on: <https://www.asnbank.nl/over-asn-bank/duurzaamheid/mensenrechten/eerlijke-farma.html>



in 2022. The bank will also continue to continuously monitor the companies closely for misconduct and take action if this is deemed necessary.

### Workplace health and safety in the garment industry

Workplace health and safety is a critical issue in the garment industry. Even though the events at Rana Plaza in Bangladesh are a few years behind us, factories in many garment producing countries are still unsafe.

Workplace health and safety in the garment industry consist of several elements: the prevention of accidents, injuries and occupational diseases, safety inspections, preventing excessive working hours and the right to have a break, days off and holidays. It also includes the prevention of exposure to hazardous chemicals and the prevention of discrimination, humiliation and harassment in all forms. Making sure that the workplace is healthy and safe is important as the realisation of a safe workplace reduces possible employee stress and anxiety, which might lead to higher productivity.

ASN Beleggingsfondsen has integrated workplace health and safety into its investment decision-making process and garment companies should have a policy that includes the different elements of workplace health and safety to be eligible for the investment universe. ASN Bank monitors the garment companies in its investment universe for involvement in controversies related to workplace health and safety. If such an issue occurs, it can be addressed within the engagement stream on living wage. This has happened several times in 2019. Major controversies could also be a reason for disapproving a company for the ASN investment universe<sup>15</sup>.

Many companies in this industry have outsourced manufacturing and do not own and control their own production facilities. ASN Bank will therefore look into adding workplace health and safety as an explicit element to the social supply chain standards that we apply to our investments in 2020. This will create a more stringent approach to the garment companies in which ASN Beleggingsfondsen invests.



<sup>15</sup> Refer to our 2019 Human Rights Report for an elaborate explanation of our due diligence: <https://www.devolsbank.nl/assets/files/Mensenrechtenverslag-de-Volksbank.pdf>

# Human rights dilemmas

## Human rights dilemmas

Besides the salient human rights issues discussed in the previous chapter, we also find it important to be transparent on some of the human rights dilemmas that we encounter in our day-to-day operations. Although we have not prioritised these issues based on our salience analysis, they do provide insight into our organisation and how we deal with such dilemmas starting from our mission, Banking with a Human touch, and our Human Rights Policy. We do not always have a solution to these dilemmas, but by discussing them in this report, we want to demonstrate that we are aware of these issues and working on solutions.

## Data protection versus duty of care

Privacy is a human right that dates back to the United Nations Declaration of Human Rights (1948). It has been elaborated upon in many international frameworks, and over 130 countries worldwide have included the protection of privacy in their constitutions<sup>16</sup>. With the rise of the internet in recent decades, data protection has become an increasingly important element of privacy. Many people make more and more purchases online, using online and mobile payment services that have become the standard in retail banking. In contrast to traditional cash payments, these services create data which provide insight into peoples' tastes and preferences. This information may be valuable for banks that want to exploit this data.

Improper use of data may be a breach of privacy and data protection norms as laid down in many countries' frameworks and laws and regulations. In a European context, the two key regulations with regard to data protection in the financial sector are the General Data Protection Regulation (GDPR)<sup>17</sup> and PSD2<sup>18</sup>. The first lays down the rules for processing a person's personal data and is explicitly focused on how data can and should be protected. PSD2 gives third parties access to peoples' bank accounts, provided they have given consent to do so.

A third important and relevant law in this context is the Dutch Financial Supervision Act (Wet Financieel Toezicht (Wft)). This law states that financial institutions have a duty of care with respect to their customers. If their customers are expected to get into financial trouble, a bank has the duty to help its customers. To offer this help, that bank needs access to the customer's data, and this is exactly where the friction with the GDPR occurs.

As a Dutch bank, we comply with the above-mentioned regulations. But apart from compliance with the law, we have also taken a clear stance on privacy and data protection. The key element of our approach, which is in line with our mission, Banking with a Human touch, and our Shared Value strategy, is that customers are in charge of their data. It is their data, not ours. We will never sell data to third parties and we will only access and use data upon the explicit consent of our customers. Customers can give or withdraw consent through a simple switch that we have integrated into the mobile apps of our brands. It is, therefore, our customers who decide how much access to their data we get to provide them with assistance in their financial difficulties.

Another important element of our mission is financial resilience. Ever since we were founded in 1817 it has been our mission to help our customers in becoming financially resilient and in helping them in financially challenging times. The dilemma therefore is: How can we let

<sup>16</sup> <https://privacyinternational.org/explainer/56/what-privacy>

<sup>17</sup> <https://gdpr-info.eu/art-1-gdpr/>

<sup>18</sup> <https://www.dnb.nl/betalingsverkeer/psd2/index.jsp>



customers be in charge of their data on the one hand and help them in becoming and staying financially resilient on the other hand? To overcome this dilemma, there is one key element: trust. We consider the responsible use of our customers' data as a precondition for creating and maintaining trust in our organisation. To live up to our customers' expectations and the trust they have in our organisation, we want to be fully transparent and accountable. That is why we currently elaborating our so-called Data vision. This document explains how we deal with the tensions between privacy and our duty of care. By taking a banker-customer relationship based on trust customers as a starting point, we hope to convince our customers to consent to sharing their data with us, allowing us to exercise our duty of care.

### Human rights due diligence versus leverage of small-sized entrepreneurs

Although our main activities as a bank focus on providing basic financial services to private customers, we also provide loans to small-sized businesses. Customers we serve operate in various sectors. They have in common that they employ no, or only a very small number of, employees and have very little leverage over their suppliers due to their limited size. Florists and clothes shops are but two examples. Many of our customers are located in smaller communities in the Netherlands or in areas that depopulated over the past decades. In these areas and communities, these entrepreneurs have an important social role as maintaining the availability of certain services is important for the viability and quality of living in these areas. This is where we as a bank feel a responsibility to serve these customers and an opportunity to contribute to the livelihood of certain areas.

According to the UNGPs, we also have a responsibility to respect human rights and to conduct due diligence in all our activities. The first step of our due diligence process in our loan provision process is to apply our exclusion list. This list includes sectors such as oil & gas, tobacco and weapons<sup>19</sup>. In the context of small-sized businesses, this means that we do not provide loans to businesses such as fuel stations, livestock farming and kiosks or small shops that derive a large percentage of their revenues from the sale of tobacco products.

Meaningful due diligence, however, entails more than only applying an exclusion list and this is where the dilemma presents itself. Because what criteria can we apply, and what questions can we ask (potential) customers in our loan provision process? In our experience, human rights due diligence at customer level is very challenging given all the practical constraints of these entrepreneurs. At portfolio level, however, it is an opportunity to avoid human rights violations. Therefore, we are looking for ways in which we can bridge this gap in such a way that it allows us to conduct proper due diligence and our customers to obtain a loan in a workable manner.

### How to use our leverage in sustainable procurement?

Although the biggest impact for financial institutions is not caused by their procurement, this is an area in which we apply our sustainability policy and want to avoid contributing, or being linked to, human rights violations<sup>20</sup>. This too, is an area in which we may encounter dilemmas as to how we can most effectively procure with respect for human rights.

Our current supplier base comprises 900 suppliers. We divided these suppliers into different product categories and we made an impact assessment for each of these categories based on the three pillars of our sustainability framework: human rights, climate and biodiversity. The outcome for a product category can be that we categorise it as high risk, based on the impact score on one of the three pillars. Examples of product categories that we have classified as high risk are coffee, office supplies and catering.

*“One day, I entered a shop in a small street in a mid-sized town in the Netherlands. It was my first visit after providing a small loan to a divorced mother of two. She has her own clothes shop, providing income for herself and her children, thus fulfilling a lifelong dream of becoming a small entrepreneur. To keep things small she has no staff and she only sells clothes made from natural materials. Has she done her due diligence concerning human rights in her supply chain? This is a big question for a very small company. Global supply chain due diligence? She finds it difficult to respond to a problem that is so much bigger than her own world. In the end, we did discuss her suppliers and how she decides where to buy. This discussion might well be the first step towards a better world. A world that is too complex and far away to understand for most of us. Let's close the gap by talking about it.”*

**David ten Hoonte, Product & Change manager Service Center Zakelijke Financieringen**

<sup>19</sup> See our sustainability policy for the full list (applicable to de Volksbank): <https://www.asnbank.nl/over-asn-bank/duurzaamheid/beleidsdocumenten.html>  
<sup>20</sup> For more information see: <https://www.devolsbank.nl/verantwoord-ondernemen/duurzaamheid/duurzame-bedrijfsvoering>

We then address human rights issues in two different ways: with potential suppliers in tenders as well as through contract negotiations and with existing suppliers through our contract management. In negotiations with potential new suppliers, we can increasingly apply stricter standards on human rights. Examples of new standards include supplier commitments to diversity their workforce, or the creation of employment opportunities for people with poor job prospects. In our relationships with existing suppliers we continuously try to encourage them to raise the bar on sustainability and human rights. Suppliers are obligated to sign our code of conduct on sustainability. We also encourage our suppliers to be transparent about their sustainability policies and achievements, preferably by having a third party verifying their performance. For suppliers in high-risk product categories, we ask that they register themselves in the CSR Register (MVO-register<sup>21</sup>). This is a CSR platform that helps small and medium-sized enterprises (SMEs) design and implement sustainability measures and reporting tools to report on these initiatives. Participating in this platform increases transparency on sustainability, which makes it easier for customers of these businesses to assess their sustainability risks and performance.

The procurement dilemma that we face is comparable to the dilemma that we face in our loan provision processes to small entrepreneurs: how far we can go in our human rights due diligence, especially if it concerns small suppliers? The reality is that many of our suppliers qualify as an SME and they have, in a very practical sense, very little resources available for sustainability. At the same time, these companies are an important part of our economy. SMEs provide 62% of total employment in the Netherlands, and they are responsible for 71% of the gross added value in the Dutch economy<sup>22</sup>. We do not simply want to cut ties with our suppliers because they face challenges in improving their sustainability performance; we want to help them.

### How to measure and determine diversity?

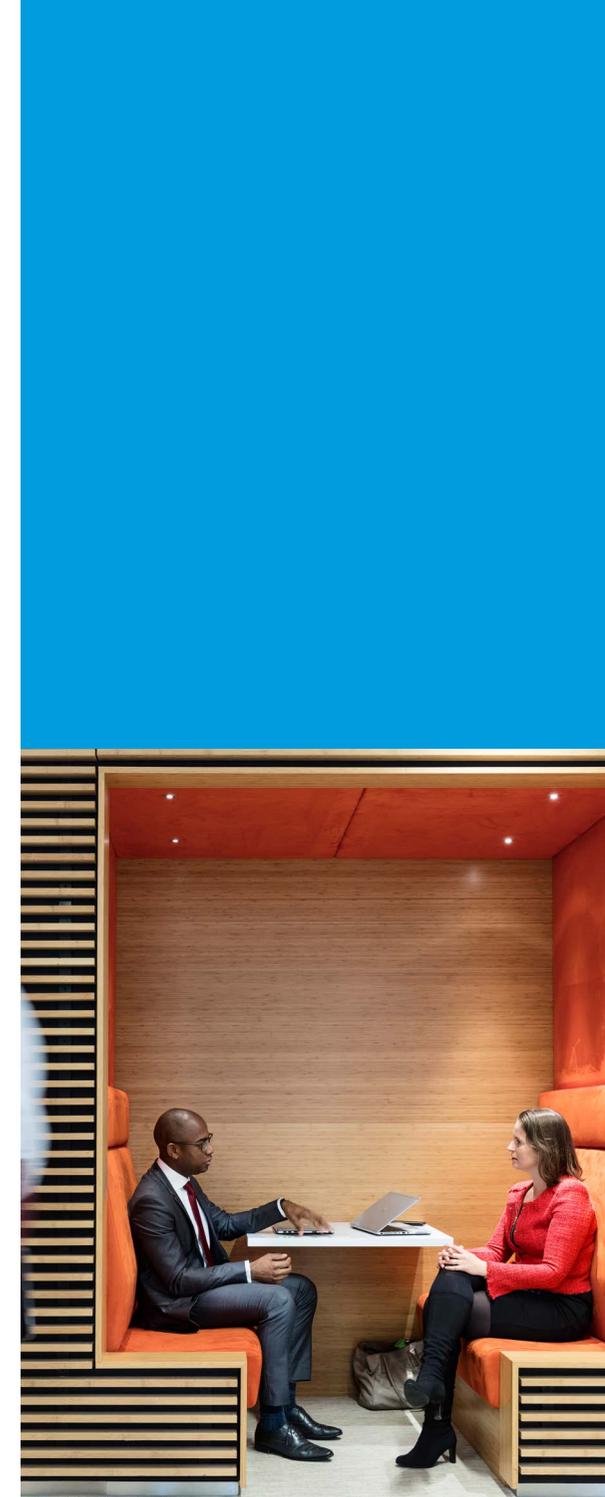
De Volksbank embraces diversity and inclusiveness. We are convinced that a diverse and inclusive organisation results in a better performance as it brings people with different backgrounds and perspectives together. The challenge, however, is how to define and measure diversity and inclusiveness precisely. We have, for example, formulated gender balance targets for all levels of our organisation as we believe this improves decision making and is a reflection of society and of our customers.

Inclusiveness, however, encompasses more than just gender. Our inclusiveness policy states that employees may differ in personality, gender, age, sexual orientation, background, education and (professional) experience, nationality and vitality. This creates some challenges. The first challenge is the registration of all these aspects. Although Dutch law permits us to register a person's cultural background, we have decided to focus on an inclusive working environment where everybody who endorses our values feels at home. The second challenge is how to measure and compare all these aspects. Quantification and measurement of these elements would perhaps allow for better diversity management, but this is not always possible nor desirable. The third challenge is that our organisation needs people with specific sets of skills as well as sets of values that fit in with our purpose and our mission. How can we compare and weigh these skills and values with the different aspects of diversity listed above? And how do we manage this at all the different levels of our organisation?

Diversity and inclusion are also influenced by the characteristics of our organisation. De Volksbank is the parent company of four banking brands that each focuses on their own specific customer segment. Consequently, our banking brands also attract people on the labour

<sup>21</sup> <https://www.mvo-register.nl/>

<sup>22</sup> <https://www.mvo-register.nl/over-ons>



market whose values correspond with the values of these four brands. ASN Bank, for example, explicitly looks for people that endorse the sustainable mission and are intrinsically motivated to work for the bank. BLG Wonen focuses on enabling living and providing practical solutions to its clients and RegioBank strongly focuses on personal attention. RegioBank has an extensive network of financial advisers so that its customers can drop by and have a comfortable face-to-face conversation about their personal financial situation. SNS's values are bold, human, decisive and smart. Our organisation therefore exists of four distinct brands, each employing people with distinct values. Our aim is to bring these people and these values together and to unite them under the flag of de Volksbank, while aiming for a diverse and inclusive organisation.



# 2020 and beyond

## 2020 and beyond

In 2020, we will continue our effort to mitigate negative impacts on human rights as well as making a positive on specific topics such as living wage. The focus will lie on the topics that we have identified as salient issues in our analysis last year.

We will also continue to cooperate with other financial institutions in the Netherlands as well as with civil society. Although the DBA formally ended in 2019, we will continue to be involved in peer learning and sharing on banking and human rights issues. We will attend the periodic meetings of the coordinating NVB Working Group and in this setting respond to the changing policy environment and thinking around our responsibility to respect universal human rights. At this point, it is not yet clear which specific theme will be chosen to work together on with other banks. During the course of 2020 we will discuss which salient issues overlap and how we can increase leverage and impact by a collaborative approach.

In addition to focussing on our salient human rights issues and cooperating with our stakeholders, we will continue to enhance our human rights due diligence throughout our operations and investments. Regarding our own supply chain, we aim to discuss with our suppliers their performance and possible improvements and are looking to implement contractual targets based on sustainability for a small number of suppliers in 2020. With regard to the loans that we provide to small entrepreneurs, we will examine how the existing sustainability policy can be made applicable for these SMEs. For example, we will investigate the possibilities of adding simple questions for entrepreneurs during their mortgage application in order to quickly gain insight into whether the entrepreneur is in line with our own sustainability policy.



**De Volksbank** values your opinion on this report.  
We invite all stakeholders to ask questions, express complaints  
and share tips and feedback via [communicatie@devolksbank.nl](mailto:communicatie@devolksbank.nl).

**Reporting period: 1 January 2019 – 31 December 2019**

**Colophon**

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