



A LOOK AT THE POLICIES OF SELECTED BANKS IN TERMS OF THEIR HUMAN RIGHTS POLICIES, WITH A SPECIAL FOCUS ON THEIR INTEGRATION OF POLICIES ON FORCED LABOUR AND OTHER ILO STANDARDS.

A DIRTY PROFITS 4 SUPPLEMENT

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BACKGROUND INFO

All of the banks discussed below are members of the UN Global Compact, which means they agree to respect Principles 3 through 6 relating to labour issues. However, without concrete policies by each bank showing how these principles will be applied in practice – especially in business relationships and with clients - the real commitment to human rights and forced labour is questionable. Therefore evidence of implementation of own policies and own systems of integrating the principles is critical. In this regard, Ideally one would see a policy which includes the identification of risk factors (or red flags) for forced labour as well as a clear policy requiring companies it invests in to demonstrate what they are doing to combat forced labour in their supply chain. Finally it should include criteria for exclusion on the basis of forced labour.

NOTE TO THE METHODOLOGY

Methodology for above analysis: The methodology for the analysis consisted of researching information publically available on the Financial Institution website. Where relevant, submissions to PRI or other voluntary principles were also assessed. This is not considered to be a robust or in depth assessment but provides an overview of publically available information from selected banks in relation to human rights and specifically, forced labour. It does not assess the quality of existing policies and simply notes whether the topic is covered by a policy available on the banks website.

This is a brief look at publically available policies of selected banks. Banks included are the 3 largest German banks and the 4 largest European banks (1), as included in the Dirty Profits 4 Report. This reviews their publically available policies on human rights and specifically forced labour. This does not provide an in-depth analysis, nor a ranking methodology, this simply evaluates the extent of information available on a bank's website in relation to labour rights and forced labour. It provides supporting documentation for the Dirty Profits 4 Report, released by Facing Finance.

BARCLAYS BANK

Barclays have a specific human rights policy statement (17) in which they state “When assessing customers financial propositions generally, and providing financial advice, relationship management should consider any material human rights aspects as part of their due diligence. In particular, it is important that all substantial loans to finance public or private sector projects, corporations or governments are reviewed for potential human rights impacts as part of the assessment/ sanctioning process. The undertaking of appropriate human rights due diligence is important in demonstrating adherence to the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises”

It also includes a clear method for escalation of issues related to human rights up the chain of command.

Barclays do have sectoral policies but these are not available on their website and need to be requested.

Barclays on their website also include an environmental and social risk assessment policy statement which relies heavily on the Equator Principles.(18) This means that this is only related to project finance and not general investment in companies.



BARCLAYS BANK PUBLIC POLICIES



Barclays has an overall human rights policy but it does not reference the ILO standards, however the policy applies to business relationships.



Barclays has no forced labour policy and does not reference risk factors or red flags associated with forced labour.No specific exclusion policy.



Do have sectoral policies however these are not available on the website, only on request.



BNP PARIBAS

BNP Paribas makes a commitment to Human Rights, in part through its Declaration of Human Rights (8) in which they specifically note the International Bill of Human Rights, as well as the ILO labour Standards. BNP Paribas acknowledges responsibility as a provider of financial services to upholding human rights. They note that this should be delivered through all business relationships. It also signifies that it expects its clients to operate with respect to Human Rights.

They are signatories to the Equator Principles, UN Global Compact, and UNPRI. They include policies on sensitive sectors including palm oil, defence, wood pulp, coal power, agriculture, mining, etc (9). Their Palm oil policy briefly mentions labour conditions, as well as their agricultural policy which specifically mentions child labour and forced labour, and their mining policy mentions the ILO standards.

Overall, specific policy mention of forced labour only applies to specific sectors. Their human rights declaration, although admitting the importance of human rights and the ILO standards, does not appear to be followed through by any implementable steps. There is no evidence of how the declaration of human rights is applied to business relationships – although they note that it is.

BNP PARIBAS PUBLIC POLICIES



BNP Paribas has an overall human rights policy which references the ILO standards and the policy applies to business relationships.



BNP Paribas has no forced labour policy and does not reference risk factors or red flags associated with forced labour. No specific exclusion policy.



Do have sectoral policies and their palm oil and Agricultural policy references forced and child labour.

COMMERZBANK

Commerzbank includes a policy on Human Rights, which includes a definition of Human Rights. It notes that companies and banks play a part in ensuring human rights. It refers out to the UN Global Compact of which it is a member. It also specifically mentions the ILO standards (19). The importance of human rights is also included in the Commerzbank corporate values statement.

Commerzbank has a number of specific position statements referring to fossil fuels, mining, agricultural commodities, etc. Within the Land and Forestry policy it specifically refers to labour violations but this is specific to the forestry and palm oil sector. It is commendable to see it refer to forced labour in the cotton industry. Commerzbank mentions the ILO standards within their sector policy on Mining.

It notes that Human Rights are treated as reputational risk and therefore dealt with by the reputational risk management team (20). Noting that the reputational risk management team will research and investigate topics of interest and ensure other units of the bank are kept informed. They also note: “ Transactions and business relationships in which aspects of sustainability play a material role are extensively researched, analysed and subjected to wide-ranging evaluation. In extreme this may lead to a rejection of a transaction or termination of a business relationship.”(21) On their reputational risk management webpage the word Human Rights or ILO is not mentioned and specifics of important issues are not highlighted.

COMMERZBANK PUBLIC POLICIES



Commerzbank has an overall human rights policy that references the ILO standards and applies to business relationships.



Commerzbank has no forced labour policy and does not reference risk factors or red flags associated with forced labour. No specific exclusion policy.



Do have sectoral policies some of which reference forced and child labour.

Commerzbank shows limited public commitment to the eradication of forced labour as its policy approach is limited and specific policies in relation to ILO standards relate only to particular sectors. The information provided by the reputational risk management team on what it considers reputation risk is also considered to be limited.

CREDIT AGRICÓLE SA GROUP

In 2009 Credit Agricóle developed and signed their RESPECT Human Rights Charter. This notes that the responsibility for human rights lies not only with governments but also with corporate entities (10). This charter notes that the bank will undertake due diligence in relation to customers, suppliers and service providers to ensure that the bank is not unwittingly involved in human rights violations. This does specifically mention the ILO standards as well as the Universal Declaration of Human Rights.

Credit Agricóle has signed up to the UN Global Compact. Credit Agricóle CIB (investment arm) has signed up to the Equator Principles. Credit Agricóle CIB relies heavily on the Equator Principles. This means that they in their investment decisions in non-designated countries must apply the IFC standards on environmental and social sustainability. Performance Standard 2 relates to labour and working conditions and, forced labour (11). However the Equator Principles only relate to project finance.

Credit Agricóle CIB has sectoral policies related to issues such as mining, transport, oil and gas, shale gas, nuclear energy, coal and hydropower.(12) Within some of these sectoral policies, such as mining, they refer to the ILO standards. Amundi is the asset management subsidiary of Credit Agricóle and they have signed up to the UNPRI. The Equator Principles themselves, and others, admit to

CREDIT AGRICÓLE PUBLIC POLICIES



Credit Agricóle has an overall human rights policy which references the ILO standards and the policy applies to business relationships.



Credit Agricóle has no forced labour policy and does not reference risk factors or red flags associated with forced labour.No specific exclusion policy.



Do have sectoral policies some of which reference forced and child labour.

‘being a baseline measure for developing individual, internal environmental and social policies, procedures and practices’. Credit Agricóle, although clearly emphasising the importance of ESG, does not internalise respect for human rights or forced labour within its policies for business relationships.

Credit Agricóle’s commitment to human rights and in particular forced labour is limited to investments in projects and while the group takes a stance on human rights and forced labour the implementation process is lacking.

DEUTSCHE BANK

Deutsche Bank has a statement on Human Rights within which they define (this definition is somewhat limited) human rights and they note that they have included human rights in their due diligence processes (13). Their definition of human rights violations includes references to forced labour and child labour. However, even though Deutsche Bank takes forced and child labour into account in its screening processes, this does not signify a definite exclusion unless the investor explicitly requires it.

Within the Deutsche Bank Code of Business Conduct and Ethics (this applies to employees) and within their policies they note that they commit to a wide range of external standards, principles and initiatives – UN Global Compact, UNGP, UNPRI, UNEP FI, IFC standards, OECD guidelines, etc and the ILO International Labour Organisation (15). Deutsche Bank has a Social and Environmental Risk Framework (16) within which it notes particular risk sectors. Yet, a sector approach will not identify all Human Rights violations sufficiently, especially not forced labour considerations. None of these sectors are analysed in the framework of labour violations and forced labour or indeed human rights violations – there are no risk factors or sectors which specifically include reference to forced labour.

Therefore it can be seen that although Deutsche Bank makes reference to human rights concerns, and claims to internalise them, the evidence of implementation is lacking. The sector approach does not identify forced labour as an issue. There is no specific policy to enable the exclusion/ identification of companies at risk of forced labour practices in their supply chain.

DEUTSCHE BANK PUBLIC POLICIES



Deutsche Bank has an overall human rights policy which references the ILO standards and the policy applies to business relationships.



Deutsche Bank has no forced labour policy and does not reference risk factors or red flags associated with forced labour. No specific exclusion policy.



Do have sectoral policies some of which reference forced and child labour.

HSBC PUBLIC POLICIES



HSBC has no overall human rights policy. HSBC Global Asset Management has an insufficient human rights policy



HSBC has no forced labour policy and does not reference the ILO standards in business relationships. No forced labour risk factors or red flags identified. No specific exclusion policy.



Do have sectoral policies and their agricultural commodities policy references forced and child labour.

HSBC within its Strategic Report 2014 notes that “we apply human rights considerations directly through our employees and indirectly through our suppliers and customers, in the latter case in particular through our project finance lending and sustainability risk policies” but no further information is provided as to how this is achieved or what the definition of human rights includes. HSBC Holdings are signatories to the UN Global Compact, the Universal Declaration of Human Rights and the Global Sullivan Principles (2). HSBC in September 2015 released a Human Rights policy (3). This simply refers to their sector specific policies and provides no overarching strategy as such and provides limited acknowledgement of due diligence and risk processes.

They do have sectoral policies in relation to sensitive topics. Within their policy on agricultural commodities (4) they note that they will not ‘knowingly’ finance growers or mills, which use harmful or exploitative child labour of forced labour. This is industry specific and applies to palm oil, soy, cattle ranching and rubber wood. Neither their mining nor their chemicals policies make mention of forced labour. HSBC acknowledges that ESG issues are a reputational risk and should be considered by the Group Reputational Risk Policy Committee (5). Further information as to their responsible investment is provided on their ‘HSBC Global Asset Management’ site where they report annually to the PRI-this appears to be four sentences.(6)

They are members of UNPRI, UNEP FI, and Institutional Investors Group on Climate Change. They also have a specific policy on cluster munitions and anti-personnel mines – this is one sentence. (7)

KFW

The KFW bank has a clear policy on Human Rights,(22) which includes clear references to labour violations and ILO standards. It includes a commitment to compliance with the core labour standards. In all their business relationships they claim to include an analysis of human rights.

They note as their minimum requirement the adherence to a country's laws when undertaking projects. The KFW bank group also uses the various external guidance available from the IFC, World Bank and others to ensure sustainable investments.

KfW specifically note that companies linked to KfW must comply with labour laws and ensure fair employment. They do not specifically note how they implement the policy but it is considered clear that they will not engage with companies who profit from forced labour or who disregard the ILO standards.

KFW PUBLIC POLICIES



KfW has an overall human rights policy that references the ILO standards and applies to business relationships.



KfW has a specific exclusion policy in relation to forced labour.



Significant acknowledgement of human rights issues.

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