

Investment Funds

The untold story about the link between Dutch banks and industrial palm oil companies



Myriam Vander Stichele

October 2018

Colophon

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The Centre for Research on Multinational Corporations (SOMO) is an independent, not-for-profit research and network organisation working on social, ecological and economic issues related to sustainable development. Since 1973, the organisation investigates multinational corporations and the consequences of their activities for people and the environment around the world.



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SOMO

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Amsterdam, October 2018

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Glossary

Dividend - A dividend is a payment made by a corporation to its shareholders, usually as a part of the annual profits. The height of the dividend is decided upon by the company's board of directors. It requires the shareholders' approval. A company is not obliged to pay dividend.

ESG - Environmental, social and governance (ESG) are the three central factors when measuring the sustainability and ethical impact of an investment or a company.

ETF - An Exchange Traded Fund is a type of fund. It owns assets (bonds, stocks, gold bars, etc.) and divides ownership of itself into shares that are held by shareholders. The shareholders indirectly own the assets of the fund, and there will typically be an annual report. Furthermore, shareholders are entitled to a share of the profits (interest, dividends).

Index - A list of a fixed series of companies (the index can be designed by another financial service provider).

Index fund (or tracker) - An investment fund that invests in, or tracks the value of, the shares in the companies that are listed in the index.

Investment fund - See box in chapter 3.

Investment services - Are the services a bank offers to individual customers who want to invest. This report distinguishes three roles banks can play when providing these services: broker, advisor and manager.

Mutual fund - A mutual fund pools money from many investors in order to invest it in stocks, bonds, and short-term debt.

NGO - Non-governmental organisation.

PRIIPs - Complex investment products or "packaged retail and insurance based investment products".

Share (or stock) - Companies issue shares in order to raise (share) capital. Owners of shares are called shareholders, or stockholders. Shareholders receive income from their shares.

UCITS - Undertakings of Collective Investment in Tradeable Securities.

Market valuation - Adding up the market value of all the shares on a given day.

RSPO - Round table on Sustainable Palm Oil.

Summary

The environmental and social problems in industrial palm oil production are persistent as extensively documented over the last two decades by non-governmental organisations like Milieudefensie (Friends of the Earth Netherlands). In recent years, a growing body of research has also focussed on the way these palm oil companies are financed.

This report uncovers a financial stream that has so far received little attention, namely how industrial palm oil production is financially underpinned by investment funds. For this report, the Centre for Research on Multinational Corporations (SOMO) examined the specific links between three Dutch banks (ABN AMRO, ING and Rabobank) and a selection of 81 palm oil companies and conglomerates, through the investment funds that these banks offer to individual customers.

This is a link that the banks themselves are not monitoring or often not aware of, as this research discovered. Banks do not screen nor provide information about all the companies in the investment funds they offer. The research for this report also examined the existing sustainability policies and palm oil policies of the banks and found that these are hardly ever applied when it comes to investment services. Investment fund services are subject to much more limited sustainability policies. Investment funds cluster the shares of dozens, hundreds and sometimes even thousands of companies, and some investment funds include shares of palm oil companies and conglomerates.

The majority of the investment funds offered by the three Dutch banks are created by external fund managers such as BlackRock, Robeco and Vanguard. These investment funds managers select the company shares for each fund and are shareholders of these companies. They can influence the company with their voting rights as well as influence the value of the shares and the financial status of the company.

Individual customers who invest via the bank in investment funds are collectively putting money in the shares that are part of the investment fund. The bank is the intermediary for the customer and plays different roles: role as broker (selecting and offering investment funds, and buying into those investment funds as a customer specifies); role as advisor (playing a more active role in recommending certain investment funds); or role as investment manager to individual customers (making all necessary decisions for the customer). ABN AMRO is the only bank in this report that also creates funds itself.

This report reveals that ABN AMRO, ING and Rabobank offer investment funds that include shares in the selected palm oil companies. It also finds that the banks are not informing their customers about all the companies in the funds. Therefore individual customers can hardly ever be aware whether palm oil companies are part of a fund they're investing in.

The banks, however, have a responsibility towards their customers to inform them about the content and sustainability impact of the investment funds they offer. This research finds that banks inform their customers about the financial performance of their investments, but this contrasts with the zero reporting on the sustainability performance of (the companies in) these investment funds.

As intermediaries, the banks do not oblige the fund managers to only include shares of sustainably operating palm oil companies. The banks rely for the sustainability assessments of investment funds on commercial research companies.

Findings by bank

ABN AMRO

ABN AMRO offers 56 investment funds that include shares in industrial palm oil companies. This represents 10 per cent of the total investment funds the bank publicly offers. At least 23 of the selected palm oil companies are included in ABN AMRO's investment services, including companies with a track record of misconduct. The bank's customers are mostly not informed about whether the funds include palm oil company shares. The bank does not publish a full overview of which companies are included in each investment fund it offers, recommends and especially manages for its customers.

ABN AMRO's sustainability policies for *lending* are not applied to its investment services. Even though ABN AMRO offers a sustainability rating on its website, investment funds that have received a positive rating do include palm oil companies. Since 2018, the bank started to recommend investment funds that it claims to be sustainable. However, these claims are based on voluntary criteria and the sustainability impact assessment reports have not yet been published.

The bank also creates investment funds itself, meaning it is fully responsible for the composition of these funds. This report identified that 22 of the funds created by the bank include shares in palm oil companies.

ING

ING offers 85 investment funds that include shares of selected industrial palm oil companies. At least 21 of the 81 selected palm oil companies could be found in ING's investment services, including companies with a track record of misconduct. ING also offers investment services abroad. For example, one investment service of ING Australia includes 16 investment funds with shares of selected industrial palm oil companies.

None of ING's investment services are publicly transparent to potential investors about which investment funds are offered. Dutch customers of investment management services are not aware they are investing in shares of palm oil companies. ING itself relies on the fund managers (i.e. BlackRock, Vanguard) for information about individual companies involved in the funds. No evidence was found within the scope of this report of sustainability criteria in contracts with those external fund managers.

The bank's sustainability policies or environmental, social and governance (ESG) criteria applied to its investment management services are very limited in scope. The bank only has low-quality instruments and voluntary sustainability criteria when it comes to investment services.

Rabobank

Rabobank offers 61 investment funds with shares in palm oil companies, representing 12 percent of the investment funds the bank publicly offers. At least 22 of the 81 selected palm oil companies were identified in the funds offered by Rabobank, including companies with a track record of misconduct. Some of these companies were even included in the five investment funds that have a "sustainability" claim (e.g. "duurzaam", "sustainable", "ESG"). The bank does not publish information on all the companies in the investment funds on offer.

The bank has a detailed sector sustainability policy when it comes to lending to industrial palm oil companies, which is not applied to its investment services, in contrast to the bank's pledge to make the palm oil sector sustainable.

The bank has an active attitude towards external fund managers (like Robeco), in an attempt to select investment funds that screen companies on sustainability, but it does not make contractual requirements to that extent.

Fund managers

Within the scope of this report, two Dutch-based fund managers were screened. Robeco created twenty-three (23) investment funds with shares of palm oil companies. NN created five (5) funds with shares from the selected palm oil companies. All of the three banks in this report offer Robeco funds to their customers, and two banks offer NN investment funds.

The two fund managers have their own sustainability criteria and instruments to select companies and to measure the sustainability impact of their funds to a certain extent. For example, they engage with companies with proven misconduct, including palm oil companies, with disengagement as a last resort. As a result, twenty-two (22) palm oil companies selected for this report are in Robeco's investment products. Robeco reports to the banks how it engages with companies.

Regulation

There is currently a legal void regarding the responsibility of investment fund managers, banks and other intermediaries for preventing and avoiding the harmful social and environmental impacts of investment funds. There are no legal obligations for the funds to report on ESG/sustainability criteria and make ESG assessments.

Overall, the financial sector is operating in a context where there are no laws ensuring that financial flows achieve sustainable outcomes. Since the many voluntary measures by the financial sector have so far not achieved sufficient sustainability progress or dealt with urgent problems (e.g. tackle climate change), the EU is starting to close the legal gap, based on an Action Plan launched in March 2018. This plan builds on legal requirement to take into account ESG risks and ESG factors, which were already included in the EU law on occupational pension funds (IORP II).

The EU Action Plan includes several legislative proposals. One of the legislative proposals is currently (September 2018) in the decision-making process of the European Parliament and EU Ministers. The 'Regulation on disclosures relating to sustainable investments and sustainability risks' (issued on 24 May 2018) intends to make it legally binding for investment fund managers and investment service providers to describe how they integrate sustainability risks into their decision-making. This proposal imposes more stringent rules for investment funds that claim to be sustainable. It ultimately aims to impose actual sustainability assessments that need to be undertaken by investment funds.

Conclusions

The most important conclusion is that banks as intermediaries are responsible for knowing what they are offering to individual customers when they offer, advice or manage certain investment funds. The three banks in this report hardly offer any information to their customers about the sustainability risk of the funds on offer, specifically the social and environmental impact of investments in the palm oil sector via these funds. This means that customers, and banks, are (unknowingly) earning from the profits of the palm oil industry and its abusive practices.

This report calls on the banks to halt any financial relationships with the industrial palm oil sector, including through investment funds they offer. In addition, the report offers various recommendations that call for greater transparency and accountability about the sustainability impact of (the companies in) investment funds by the banks.

In order to address a legal void regarding investment funds, the report recommends that the Dutch Ministry of Finance and European parliamentarians should support and vote in favour of the legislative proposal for a 'Regulation on disclosures relating to sustainable investments and sustainability risks'. They should ensure that this law compels all investment funds to be legally obliged to report – as well as having effective, assessments of – ESG risks and ESG impacts, based on a standardised and effective sustainability/ESG criteria that avoid ESG risks and take social and environmental impacts into account.

The overall recommendation is that the financial sector should be regulated in order for all investment streams to have a positive social and environmental impact. Voluntary measures have shown to be ineffective to achieve that outcome, as the palm oil industry illustrates.

1 Introduction

The problems with industrial palm oil production are widespread and well documented.¹ These problems range from deforestation, climate change and environmental degradation to the exploitation of workers and the violation of human rights in countries that produce palm oil like Indonesia and Colombia. There is a voracious worldwide demand for palm oil, which is the most widely consumed vegetable oil on the planet.² International conglomerates have created vast palm oil plantations in tropical regions, often at the expense of pristine rainforests and the livelihoods of workers and local communities.

Non-governmental organisations (NGOs) like Milieudedefensie (Friends of the Earth Netherlands) have been campaigning against malpractices in the palm oil industry for the last two decades. Some public and private actors have launched sustainability initiatives (e.g. the Roundtable on Sustainable Palm Oil – RSPO³). Over the last few years, Dutch banks have slowly adopted voluntary guidelines and policies with regards to their direct financial relationships with industrial palm oil companies.

Unfortunately, these different voluntary initiatives have not led to a significant decrease in the environmental and human rights violations in the sector. The industrial palm oil companies remain fraught with structural problems throughout the production chain. The sector continues to expand in order to meet the demands for this cheap and multifunctional product. And because of the high profitability of the palm oil industry, it is a favourable investment target – and through these investments, in turn the industry can finance further growth.

A growing body of publications has focussed on the way the palm oil industry is financed.⁴ Conglomerates and companies involved in industrial palm oil production are primarily financed directly through loans (provided by banks) and bonds (issued through banks, and bought and sold by investors) and shares (issued through banks, mostly bought and sold on the stock market by investors, or used by conglomerates to maintain ownership of subsidiaries).⁵

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- 1 See for instance, reports published by Forest and Finance on their website <http://forestsandfinance.org> (last viewed 28 September 2018): “See the impacts”; and Milieudedefensie, *Draw The Line: Een zwartboek over duistere investeringen van Nederlandse banken in palmolie*, July 2018, <https://milieudedefensie.nl/actueel/draw-the-line.pdf> ; in English: Friends of the Earth Netherlands, *Draw The Line: A black book about the shady investments of Dutch banks into palm oil*, July 2018. <https://milieudedefensie.nl/actueel/draw-the-line-english.pdf> (last viewed 28 September 2018).
 - 2 See for instance: WWF, *Which Everyday Products Contain Palm Oil?*, <https://www.worldwildlife.org/pages/which-everyday-products-contain-palm-oil> (viewed 15 July 2018).
 - 3 For more information about the RSPO, see: <https://rspo.org/>.
 - 4 See for instance, Milieudedefensie, “Draw The Line”, *ibidem*; BankTrack, “Banks and palm oil”, 8 February 2018, https://www.banktrack.org/campaign/banks_and_palm_oil (last viewed 28 September 2018); <http://forestsandfinance.org>.
 - 5 See for more explanation: M. Vander Stichele, *The underbelly of the financial world – How it is not taking responsibility for abusive practices in palm oil production*, SOMO, November 2017, <https://www.somo.nl/wp-content/uploads/2017/11/The-underbelly-of-the-financial-world.pdf> (last viewed 28 September 2018).

This report is about a financial stream that has so far received very little attention – namely how palm oil companies are financially underpinned by investment funds (see Box 1). Because of their profitability, shares⁶ of palm oil companies are included in various investment funds. This has important impacts for these companies. Investment funds finance a company directly if the shares are bought at the time of issuing, and indirectly if the shares are bought from the stock market. The shares in the investment funds help to maintain the market value of the company shares, so that the palm oil companies continue to be considered as profitable ‘assets’ and are able to attract more capital for their operations: it helps them to sell new shares at a high price and attract favourable borrowing conditions. In addition, since the investment funds are shareholders of the palm oil companies, they can vote at annual general meetings and use their leverage to influence the company. This leads to a kind of vicious circle – the more profitable the company shares, the more profitable the investment fund; the more attractive the fund for investors, the more company shares the investment fund has to buy. In the meantime, no questions are being asked about the harmful practices behind the profits being made.

For this report, the Centre for Research on Multinational Corporations (SOMO) examined the specific links between Dutch banks and the industrial palm oil sector through investment funds offered to customers. SOMO researched the three biggest Dutch banks ABN AMRO, ING and Rabobank, the investment funds they offer through their investment services to individual customers, and which companies in the palm oil sector are included in the funds.

The banks’ investment services act as intermediaries between investment funds and individual investors. They do so in three different roles: offering a range of investment funds and executing customers’ orders to buy them (bank acts as broker); recommending which investment funds to invest in (bank acts as advisor); and selecting and taking care of investments that include investment funds (bank acts as investment manager for customers (see also Box 1). These different roles result in different responsibilities of the banks. For instance, as an investment manager the bank decides for the customer in which funds to invest. Also, in the case of ABN AMRO, a bank can create investment funds, meaning that the bank itself is responsible for selecting the companies whose shares go into a particular fund.

Given that Dutch banks claim to want to improve the practices in the palm oil industry through the voluntary policies they have developed, this report highlights whether the Dutch banks’ sustainability policies are reaching their investment services. It also looks at whether the banks are informing customers about which palm oil companies they invest in when deciding on investment funds and whether the customers are informed about the links of the palm oil companies with practices that destroy the environment, violate human rights and accelerate climate change.

In order to understand the behaviour and the context in which the banks offer their investment services, the report also assesses the role of regulation: Are there laws and rules that require the banks to disclose to their customers the composition of investment funds? Can investment funds hold shares in non-sustainable companies and are banks allowed to offer them to customers who

6 Investment funds can also contain bonds but have not been the subject of this research.

have little expertise in investments? Who is responsible for the social and environmental impact of the investment funds that banks offer to individual customers?

This report highlights the impact of the ever-expanding investment fund industry and the globalisation of capital in which investment funds play a critical role. It gives an insight into the reality and impact on the ground of so-called market-based finance (e.g. financing of companies through shares in companies that are distributed around the world through investment funds, and eventually to individual customers of Dutch banks). It sheds light on the fact that investment funds are operating in a context where there are no legal obligations to take responsibility for how these companies make their profits. Meanwhile intermediaries such as Dutch banks have taken little to no responsibility for doing so. At the same time, there is growing investor pressure for more sustainable investments that have positive social and environmental impacts. This provides a business case for banks to offer more investment funds with positive social and environmental impacts. Financial law-makers see the growing need to ensure that investment funds take into account so-called environmental, social and governance (ESG) aspects – for instance, by contributing to tackling climate change.

Based on the research results, this report makes recommendations to banks and policy makers to ensure the investment industry becomes more coherent in using sustainability criteria and to ensure that the impact of the investment funds promotes sustainable development in a way that climate change is tackled, biodiversity maintained, human rights respected and the whole of the palm oil industry transformed.

1.1 Structure of this report

Chapter 2 explains in detail the methodology used for the research for this report and its limitations for the report results. In Chapter 3, we provide some background explanation about the way the share market and investment funds work, and offer an explanation for frequently-used terms.

Chapter 4 zooms in on ABN AMRO, ING and Rabobank and shows, bank by bank, the research results about how their investment services include investment funds with palm oil companies and what their sustainability policies involve.

Chapter 5 provides a short insight into the sustainability policy of two Dutch fund managers Robeco and NN – which create some of the investment funds offered by the Dutch banks to their customers.

Chapter 6 gives the legal and regulatory context. The report ends with conclusions and recommendations to banks, the Dutch Ministry of Finance and parliamentarians, and individual investors.

2 Research methodology

SOMO was commissioned by Milieudefensie (Friends of the Earth Netherlands) to investigate the role three Dutch banks, ABN AMRO, ING and Rabobank, play in the link between palm oil companies and investment funds. It builds on research about these three banks published by Milieudefensie in “Draw The Line: A black book about the shady investments of Dutch banks into palm oil”⁷, and on research undertaken for the Forest and Finance database by a coalition of campaign and research organisations.⁸

2.1 Review process

In line with SOMO’s review process, the first findings of step 1 to 5 (described below) were presented to the three banks for review between 18 and 21 June 2018, and on 27 June 2018 regarding research results for links to Asian ‘palm oil banks’. The banks’ spokespeople for sustainability had two to three weeks to respond. SOMO incorporated the comments of the spokespeople to make the research results factually correct and complete; where necessary, follow-up questions from SOMO and answers from the spokespeople were gathered and integrated in the report. On 25 June, the fund managers of NN and Robeco were also contacted to review the first research results of step 1 to 5. Their responses were integrated after 9th July 2018.

2.2 Limitations of this report

The publicly available information from the banks was very limited vis-à-vis the purpose of the research for this report. While the hundreds of investment funds that include shares in selected palm oil companies could be found in the Thomson Reuters Eikon database, it was not possible to find out within the scope of this report which investment funds were part of each of the diverse investment services of the bank. This was especially the case when looking at the services where the banks manage the investment funds for their customers. Nor did the banks publish any information themselves about the full shareholdings of all the investment funds they offer.

For each bank, a different source of analysis was found on their websites or via internet searches, often related to what each bank offers to experienced customers. During the review process, it became clear that even the banks did not know all the company shares in each of the investment funds they offer (and some asked their fund managers). Nor did each bank seem to have an accessible overview of how many shares of these funds were sold to all their customers taken together. Based on the limited resources available, the research results did find how many investment funds the banks offer with shares in palm oil companies. The research findings could not expose how many Dutch customers in each bank invested how much money in which funds.

7 Milieudefensie, idem.

8 See: <http://forestsandfinance.org> ; see also: M. Vander Stichele, idem.

The scope of this research did not allow to calculate for each investment fund how much the shares in the palm oil companies were worth compared to the total value of the fund.

2.3 Step 1: Identifying the palm oil companies

First, SOMO selected a list of the palm oil companies in the industrial palm oil production sector (palm oil companies, conglomerates and their subsidiaries), based on the segment 'palm oil' in the Forest and Finance database (consulted at <http://forestsandfinance.org/>). The use of the Forest and Finance database was agreed with Milieudefensie. The methodology⁹ of the Forest and Finance database selects the major companies engaged in the upstream exploitation of palm oil in South East Asia. These palm oil companies were selected based on their planted area.

For this report, SOMO identified palm oil companies in the Forest and Finance database, that were financed through shares over the five-year period 2013-2017 (5 years). This resulted in a list of 81 companies and conglomerates involved in palm oil production, as summarised below. These 81 companies, conglomerates and subsidiaries will be referred to in the rest of this report as the "palm oil companies selected for this report" or "selected palm oil companies". For the purposes of this report, "palm oil companies" will be understood to be large industrial palm oil companies involved in the production of palm oil, conglomerates with subsidiaries or large shareholdings in companies involved in palm oil production, and subsidiaries involved in palm oil production.

List of palm oil companies from the Forest and Finance database

1	Anglo-Eastern	16	Dutaland
2	Astra Agro Lestari	17	Eagle High Plantations
3	Astra International	18	Equatorial Palm Oil
4	Austindo	19	Felda Global Ventures
5	Bakrie Sumatera	20	Financière de l'Odet
6	Bakrie & Brothers	21	First Pacific
7	Barito Pacific	22	First Resources
8	Batu Kawan	23	Fuji Oil Holdings
9	BLD Plantation	24	Genting Bhd
10	Bolllore SA	25	Genting Plantations
11	Boustead Holdings	26	Golden Agri-Resources
12	Boustead Plantations	27	Golden Land
13	Bumitama Agri	28	Gozco Plantations
14	Chin Teck	29	Hap Seng Consolidated
15	DSN Group	30	Hoang Anh Gia Lai

9 Profundo, Rainforest Network, TUK INDONESIA, "Forestsandfinance.org Methodology", 7 June 2017, p. 1-2 and 8-14, <http://forestsandfinance.org/wp-content/uploads/2017/06/Forestsandfinance.org-methodology-June-2017.pdf> (last viewed 15 June 2018): explains the method used to select and list the palm oil companies; bond and shareholdings were last updated in June 2017.

31	Hoang Anh Gia Lai Agricultural	57	Rimbunan Sawit
32	IJM Corporation	58	Salim Ivomas Pratama
33	IJM Plantations	59	Sampoerna Agro
34	Indo Agri Resources	60	Sarawak Oil Palms
35	Indofood Sukses Makmur	61	Sarawak Plantation
36	Innoprise Plantations	62	Sime Darby
37	IOI Corporation	63	Sime Darby Plantation
38	Itochu Corp	64	Sinar Mas Agro Resources
39	Jardine Matheson Holdings	65	Sipef
40	Jaya Tiasa Holdings	66	Socfinaf
41	Kencana Agri	67	Socfinasia
42	Kim Loong Resources	68	Ta Ann Holdings
43	Kretam Holdings	69	Tadmax Resources
44	Kuala Lumpur Kepong	70	TDM
45	Kwantas Corporation	71	TH Plantations
46	Lam Soon Thailand	72	Tiga Pila Sejahtera Food
47	MP Evans Group	73	TSH Resources
48	Noble Group	74	Tunas Baru Lampung
49	Olam International	75	United International Enterprise
50	Oriental Holdings	76	United Malacca
51	POSCO	77	United Plantations
52	POSCO Daewoo	78	Univanich Palm Oil
53	PP London Sumatra	79	Wah Seong
54	Puncak Niaga Holdings	80	Wilmar International
55	QL Resources	81	WTK Holdings
56	R.E.A. Holdings		

Although not all the 81 selected palm oil companies have similar social and environmentally abusive practices, the industrial palm oil industry as a whole remains rife with controversy and human rights violations in the production chain. These structural problems with industrial palm oil production were reaffirmed and explained in July 2018 by Milieudefensie's recent "Draw The Line" publication.¹⁰

This report highlights four (4) specific palm oil companies – out of the 81 ones listed – , which are included in the investment funds on offer by the banks. These four companies were highlighted to illustrate the links between the banks' investment services and companies that have a record of malpractices. These four palm oil companies (including conglomerates and their subsidiaries) are referred to in the rest of this report as the palm oil companies "highlighted" in this report. They are:

¹⁰ Milieudefensie, idem.

□ Wilmar International¹¹

□ The Salim Group¹²

The Salim Group has several subsidiaries that have been involved in practices that are abusive of human rights and harmful to the environment.¹³ It has different large subsidiaries that have issued shares, a minority of which are being traded on the stock exchange. The subsidiaries of the Salim Group whose shares are being incorporated in investment funds are:

- First Pacific
- Indofood Sukses Makmur
- Indofood Agri Resources¹⁴
- Salim Ivomas Pratama
- PT PP London Sumatra Indonesia

□ First Resources¹⁵

□ Golden Agri-Resources¹⁶

2.4 Step 2: Identifying investment funds

SOMO has identified which investment funds, including mutual funds and exchange traded funds (ETFs), hold shares in the selected 81 palm oil companies. Through database research – primarily using the Thomson Reuters Eikon database – SOMO found hundreds of investment funds that each include shares in one or more of the 81 selected palm oil companies.

These data were cross-referenced with a sample of those funds' annual reports, to verify the data found in Thomson Reuters Eikon. The database research was done between 5 and 19 April 2018. The composition of the investment funds in this report is based on data retrieved from Thomson Reuters Eikon during that period. The values of the shares of the selected companies in the investment funds and attached in the Annex of this report, are also those retrieved between 5 and 19 April 2018.

Investment funds with bond holdings of palm oil companies were not within the scope of this research.

11 See, for example: Milieudefensie, idem, p. 81-88; Amnesty International, The great palm oil scandal labour abuses behind big brand names, 30 November 2016, <https://www.amnesty.org/download/Documents/ASA2152432016ENGLISH.PDF>; Amnesty International, "Indonesia: Amnesty International response to Wilmar Action Plan", 28 September 2017, <https://www.amnesty.org/en/documents/asa21/7191/2017/en/> (last viewed 18 July 2018).

12 For more information about the structure of the Salim Group, see: M. Vander Stichele, idem, p.4.

13 See for a short overview of existing reports, M. Vander Stichele, idem, footnotes 10 and 11, and footnote 9; see also for new reports by NGOs: <http://forestandfinance.org>.

14 See: Milieudefensie, idem, p. 56-60.

15 <https://milieudefensie.nl/actueel/first-resources.pdf/view>.

16 See: Milieudefensie, idem, p. 48-52; A. Williams, "Golden Agri-Resources enters Dow Jones Sustainability Indices", The Straits Times, 18 September 2017, <https://www.straitstimes.com/business/companies-markets/golden-agri-resources-becomes-first-palm-oil-company-to-enter-dow-jones> (viewed 18 July 2018).

2.5 Step 3: Linking the Dutch banks

To identify which funds were part of investment services by the Dutch banks ABN AMRO, ING and Rabobank, SOMO undertook desk and database research, and researched the bank's websites. For each of the three banks, a list was found online of investment funds that the banks offer to their individual customers. These lists of investment funds were not from similar kinds of sources for each bank and the sources' nature is explained in each sub-section of this report where the findings are described by bank. It could not be verified whether each of these bank lists was exhaustive.

The lists of investment funds offered by each of the Dutch banks was then cross-checked manually by SOMO for those investment funds with shares in palm companies as identified in step 2. This resulted in a list of investment funds with shares in palm oil companies offered by each bank.

This research only focused on investment services to individual investors ("customers"). Note that the term "client" usually refers to *companies* banks are lending to.

Initially, ASN and SNS Bank (both now part of De Volksbank) were also included in the scope of the research. However, the research found no shares of industrial palm oil companies in the bank's investment funds. A few SNS investment funds are still mentioned in some databases and as part of the investment funds offered by the Dutch banks in this report, but these SNS funds have been taken over by Actiam, a fund and asset manager.^{17 18}

2.6 Step 4: Researching the banks sustainability policies

The research identified various investment services provided by the three Dutch banks to their customers. It attempted to distinguish between investment services whereby the identified investment funds with palm oil companies are offered to experienced customers and those offered to individual customers through advice and investment management services. This distinction relates to different responsibilities of the bank.

SOMO examined whether and which sustainability policy the banks have on selecting, advising and managing investment funds for their customers. This sustainability policy was compared with the overall sustainability policy of the bank, and its specific policy on palm oil production. SOMO searched whether the banks have instruments to assess the social and environmental impact of the investment funds on offer.

The research identified what information the banks made available to individual investors about investment funds with palm oil companies and their sustainability. The research analysed the banks' public websites for (potential) customers and sustainability policy papers. To a limited extent, research found information provided to customers who have their investments managed by bank.

17 For more information about Actiam, see: <https://www.actiam.nl/over-ons/> (viewed 18 July 2018).

18 P. Sprengers, Head Sustainability, ASN Bank, 20 June 2018, telephone call with M. Vander Stichele.

2.7 Exploring how investment funds are created

The investment funds offered by the three banks are not created by the banks themselves but by external asset and fund manager companies. Only ABN AMRO also creates a few funds itself, next to offering funds from other fund managers. With regards to ABN AMRO's role as fund creator, the research examines the bank's sustainability policies for this process.

As an illustration of Dutch based fund managers that offer investment funds covered by this report, the asset managers Robeco and NN were examined. Research first identified which investment funds with palm oil company shares were created by Robeco and NN. Then it explored their sustainability policies when selecting companies, with a specific focus on palm oil companies. It was not within the scope of this research to do an extensive examination of the sustainability policies, their implementation and impact.

Aegon was also examined for this report and contacted to review the first research results. However, since none of the AEGON investment funds with palm oil companies were part of those offered by the three banks, the research results were not included in this report. Besides, Aegon Netherlands decided to divest from the palm oil sector.¹⁹

2.8 The regulatory framework: legal obligations on sustainability?

The research examined the legal context within which the Dutch banks operate their investment services. It looked at the specific rules and laws with which they have to comply as intermediaries when they offer, advise and manage investment funds. The research investigated what, if any, sustainability requirements were imposed by legally binding rules.

In order to provide recommendations at the end of this report, the research focused on the current (September 2018) EU legislative proposals that will most influence what sustainability policies will be imposed on investment funds and their intermediaries.

19 Aegon, "Aegon Nederland stapt uit palmolie", 30 September 2018, <https://nieuws.aegon.nl/aegon-nederland-stapt-uit-palmolie/> (viewed 30 September 2018).

3 Some background information on shares, investment funds and investors

Conglomerates and large companies that engage in industrialised palm oil production and processing are financed in various ways, mainly through loans, corporate bonds and shares.²⁰ They often have a complex structure of subsidiaries that are in turn financed in various ways. This chapter gives some background information about how shares are important for companies that are involved in palm oil production. It also explains how different kinds of investment funds work in practice.

3.1 The value of shares and their integration in investment funds

By issuing shares, a palm oil company receives capital for the company and the shareholders then become co-owners in the palm oil company. When the shares are traded on the stock exchange, the company becomes a 'listed' or a 'public' company. As the shares are then sold and bought on the stock exchange, new owners of the shares do not finance the company directly anymore. However, shareholders technically own part of the company. They have voting rights at the company's annual general meeting. They receive dividends from the company's profits if the company and its shareholders decide to share profits with the shareholders.

The value of shares can fluctuate and this fluctuation is based on what the market deems the shares are worth. This in turn influenced by the company's reported financial or operational performance, and other external factors. If the company reports solid or expected financial results that are positive, the market reacts positively and the demand for the shares can increase. When investment funds include many shares in many different investment funds, the demand for the shares also increases. More demand for the shares pushes the value of the shares up higher. The demand for shares of a certain company or a whole industry is also subject to external factors. For example, if a hurricane destroys land where oil palm plantations are located, shares in that company might drop in value. This is when actively trading shareholders will try to quickly sell their shares as they think the damage caused by the storm will prevent the company from reporting solid financial results. In other words, simply by trading the shares on the stock exchange, the value of the shares can increase or decrease: The more demand, the more value they get, which makes the shares more attractive to individual and institutional investors, including investment funds whose buying of shares can increase the value of those shares.

This so-called 'market valuation' (adding up the value of all the shares on a given day) is important for all companies – including those involved in the palm oil sector– because a higher valuation makes them attractive when they want to issue new shares. Also, higher share value makes the company seem less risky to lenders, who then charge lower interest rates for the loans they issue.²¹

20 See also: M. Vander Stichele, *idem*, p. 5-10; Milieudéfensie, *idem*, p. 26-27.

21 Governments, also the European Union, stimulate this so-called market-based financing, i.e. financing companies through shares and bonds instead of loans. In the EU, this policy since September 2015, is called the "Capital Markets Union".

Box 1 What are investment funds?

This report covers investment funds that cluster shares in dozens, hundreds and sometimes even thousands of companies. Some of these companies are palm oil companies. Investors who buy a part of such an investment fund are investing money collectively in a lot of different company shares. Thus the financial risk for individual investors is significantly reduced when compared to investing in only one particular company. This is an investment principle often referred to as 'spreading risk'.

Investment funds are created by specialised financial companies, i.e. by asset and fund managers such as BlackRock, Robeco or Vanguard, or by banks (e.g. ABN AMRO in the Netherlands). There are different kinds of funds that are managed and offered in different ways. Exchange traded funds (ETFs) are offered through the stock exchange. Individual investors can invest in investment funds through brokers or other intermediaries, like banks. Individual investors can opt for investment management services by banks that select the investments best suited to them.

Experienced investors and investment service providers such as banks can choose the type of fund to invest in, but they have no control over the choice of individual companies whose shares make up the fund. The fund manager or asset manager selects the companies whose shares make up the fund and own those shares. The fund manager creates, manages and sells the investment funds via intermediaries. Only the fund manager has the right to vote at shareholder meetings of individual companies through the shares the fund manager owns. The intermediaries and the customers investing in the funds have no right to vote at the annual meetings of the companies that are included in the funds they invest in.

Fund managers have some legal obligations to disclose information about the general financial risks of the fund. Through complex financial reporting, they give a list of all the companies and the number of shares held by the fund. These lists can be hundreds of pages long, since funds can consist of (tens of) thousands of companies. There is no legal obligation for fund managers or intermediaries to report about the social and environmental impact of the companies whose shares are included in the fund.

The investment funds that have more publicly available information are Exchange Traded Funds – or ETFs – which themselves are issuing shares that are traded on the stock exchange.

The names of the funds often relate to the fund's composition and to its fund manager. For example, *iShares MSCI Emerging Asia Index ETF* includes shares of companies of so-called emerging economies in Asia, like China, Indonesia and India. MSCI stands for Morgan Stanley Capital International, the provider of the index that determines the composition of a fund's shares. 'iShares' indicates that it is a BlackRock fund. Intermediaries such as banks that offer investment funds have a contract with the fund managers, which is not publicly disclosed.

Investment fund managers and index providers charge a fee, which is included in the price of the investment funds. The banks and other intermediaries that offer the funds to individual investors also receive a fee for their services.

In order to increase their market value, palm oil companies are under pressure to maximise annual profits and shareholder returns. In their annual reports, listed palm oil companies are obliged to disclose their financial accounts but not how their profit making has impacted workers, communities, the environment and the climate.

3.2 Investment services to individual customers

Experienced individual investors can buy into investment funds directly via the bank (with the bank as broker), or follow advice from the bank based on the investment funds selected and offered by the bank (with the bank as advisor). For inexperienced investors, the bank can buy and manage the investment funds entirely (with the bank as investment manager).

These investment services provided by the banks are part of a move to a fee-based profit model. Indeed, many Dutch (and other European) banks are encouraging savers to invest more, given the low interest rate on the savings account (below 0.5 per cent ²²). The banks earn a fee for these investment services, but do not carry the financial risks of the investment itself, as this risk is carried by the individual investors.

The Dutch law foresees that the banks, as investment service providers, have to take into account how much money an individual customer is able, and willing, to risk. However, the intermediaries have no obligation to publish a full list of companies whose shares are included in the investment funds. It is common that only the 10 companies with the most shares in the fund are mentioned, the particular sector (e.g. agro-commodity sector can refer to palm oil) and the home countries of all the companies.

The bank, as an intermediary, does not have to ask whether the individual customer wants to avoid social and environmental risks. Even when offering 'sustainable funds' to choose from, the bank does not have to adhere to official sustainability criteria or reporting. As a consequence, individual investors are offered investment services and investment funds, and even investment funds that are labelled 'sustainable'. These investors are not aware how their investment could potentially have a negative impact on social and environmental rights through investment in the industrial palm oil sector, or without knowing what it means when a fund is labelled 'sustainable'.

22 See: <https://www.spaarrente.nl/> (viewed 18 September 2018): the interest rate on saving accounts has been very low for many years before this date.

4 The banks and their investment services

The following subsections of this chapter describe how each of the three Dutch banks – ABN AMRO, ING and Rabobank – provide investment services that include investment funds with shares in palm oil companies.

For each bank, the subsection starts with a description of the bank's investment services in order to provide an insight into how the investment funds identified in this study are being offered to customers (i.e. individual investors in this report). It explains the different ways in which the bank offers, recommends or manages the investment funds. These three ways of investment services are given different names and strategies by each bank, but are in essence similar regarding investment funds:

- ▣ The bank acts as **broker**: offering a choice of investment funds and executing orders to buy them for the customer,
- ▣ The bank acts as **advisor**: recommending and advising the customer about what investment funds to invest in,
- ▣ The bank acts as a **manager**: the bank chooses, buys and manages the investment funds for the customer.

Each subsection also describes how customers are informed about what they invest in. This clarifies the different knowledge and responsibilities of the bank and the customer about the composition of the investment funds, their marketing and buying.

The investing customers of ABN AMRO and ING are not only based in the Netherlands but also in these banks' subsidiaries abroad, as illustrated by ING Australia in this report. This shows that Dutch banks' investment services that include palm oil company shares can have a wider reach, beyond the Netherlands.

Each subsection illustrates how the bank offers investment funds with shares in four palm oil companies that have a record of well reported social and environmental problems (see Methodology). A list is provided of investment funds with shares in those four highlighted palm oil companies.

The report then provides the full list of all the investment funds with palm oil company shares identified through the research as being part of the bank's investment services (see also Methodology). Thereafter, a selection of that full list is offered to illustrate how particular investment funds include shares in the palm oil companies selected for this research.

For each bank, this report analyses which sustainability policies relate to its investment services. It compares these policies with general sustainability policies or particular palm oil policies by the bank. Although all Dutch banks offer a few investment funds that claim to have sustainable impacts, this report focuses on the policies regarding the mainstream investment funds that constitute the majority of the investment services.

Banks can also create investment funds, and this chapter includes how that was the case for ABN AMRO.

4.1 Investment services by ABN AMRO

This subsection covers investment services provided by ABN AMRO and ABN AMRO MeesPierson in the Netherlands, focusing on investment funds that include palm oil company shares. ABN AMRO MeesPierson is a private banking entity that tailors investment services exclusively for a richer clientele (individuals with wealth of € 500,000 or more). The same services are provided by the foreign subsidiaries of ABN AMRO and ABN AMRO MeesPierson (e.g. in Belgium, France, Germany and Guernsey).²³ These foreign subsidiaries are not covered in this report due to lack of information about investment funds covered in their investment services. The described sustainability policy for investment services applies to “all its subsidiaries, branches, representative offices and legal entities that are under its control”²⁴ including those outside the Netherlands.

ABN AMRO has itself created investment funds with shares of palm oil companies as this subsection reveals.

4.1.1 Investment services to individual customers

When individual and private banking customers come to ABN AMRO to invest, the bank provides investment services in different ways with various options. The different options per customer depend on the assessment, following questions by the bank, what level of financial risk the individual customer can, and wants to, take, in order to fulfil a legal obligation to prevent customers from losing all their money by investing.

Individual ABN AMRO customers have the following options when they want to invest:²⁵

- ▣ **Self-directed investing** (“Zelf Beleggen”)²⁶: After the bank has assessed the customer as being sufficiently experienced and able to bear financial losses, the customer gets a choice of 552²⁷ investment funds offered by ABN AMRO. The experienced customer decides which investment funds to invest in and orders the bank to execute the buying into particular funds.

23 ABN AMRO Private Banking, “Office locator”, <https://www.abnamroprivatebanking.com/en/contact/office-locator/index.html> (last viewed 14 September 2018).

24 ABN AMRO, “Summary – Investment products & services policy: Sustainable Banking / Summary Sustainability Sector Policy for Investment Products & Services”, no date, https://www.abnamro.com/en/images/Documents/040_Sustainable_banking/070_Sustainability_policy/ABN_AMRO_Summary_investment_policy.pdf (last viewed 14 September 2018).

25 ABN AMRO, “Keuze uit 7 actuele thema’s”, no date, <https://www.abnamro.nl/nl/prive/beleggen/thema-beleggen/index.html> (viewed 19 May 2018; the website changes over time).

26 ABN AMRO, “Self-directed Investing”, no date, <https://www.abnamro.nl/en/personal/investments/types-of-investing/self-directed-investing/index.html> (viewed 19 May 2018).

27 ABN AMRO, “Koers en documenten beleggingsfondsen”, 29 May 2018, <https://www.abnamro.nl/nl/prive/beleggen/koersinformatie/beleggingsfondsen.html> (viewed 29 May 2018): on 29 May 2018, the date for the analysis done for this report, 552 investment funds on offer were published online, but the number of investment funds on offer may vary over time.

The bank has taken the responsibility of selecting the range of 552 investment funds on offer. However, the bank has no responsibility in the final investment decision of these experienced customers as a broker it carries out the order to buy into particular funds.

The list of these investment funds is published on the bank's website and the basis of the analysis in below (see sections 4.1.3 and 4.1.4.).

- **Guided investing** ("Begeleid Beleggen")²⁸: The customer is advised to invest in one of the six ABN AMRO "multi-manager funds", the so-called "profile funds" that each have a different investment profile adapted to the financial risks the customers can or wants to take: from very financially risky or profitable ("very aggressive" with potentially high profits or losses) to very little financial risk ("very defensive").

These profile funds are created and managed by fund managers at ABN AMRO who take the responsibility of choosing the investment assets, some of which are shares in palm oil companies, as is explained below (see Investment funds created by ABN AMRO).

- **Investment management/"expertly invested"** ("Vermogensbeheer")²⁹: Customers who invests €50,000 or more choose not to make investment decisions themselves. Based on an assessment by the bank of the financial risks the customers want and can take (from very little risk to high risk), customers can choose between different objectives in investment.³⁰ The customer can opt for a sustainability objective through the "Duurzaam Fondsen Mandaat".³¹ For this investment service, ABN AMRO is responsible for choosing the investment assets, which can include those from the list of investment funds on offer (see above (1)) and the Profile Funds (see (2)).

Due to lack of transparency, it could not be identified within the scope of this report exactly which investment funds were part of each of the different investment management services.

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- 28 ABN AMRO, "Begeleid Beleggen", no date, <https://www.abnamro.nl/nl/privé/beleggen/beleggingsvormen/begeleid-beleggen/index.html> and <https://www.abnamro.nl/en/personal/investments/types-of-investing/guided-investing/index.html> ; <https://www.abnamro.nl/nl/privé/beleggen/beleggingsvormen/begeleid-beleggen/profielfondsen.html> (viewed 19 May 2018).
- 29 ABN AMRO, "Uw vermogensbeheer in juiste handen", no date, <https://www.abnamro.nl/en/personal/investments/types-of-investing/vermogensbeheer/index.html> ; "Portfolio Management", no date, <https://www.abnamro.nl/en/personal/investments/types-of-investing/vermogensbeheer/index.html> (viewed 19 May 2018).
- 30 The different objectives are included in ABN AMRO's: "Multi Manager Mandaat", no date, (<https://www.abnamro.nl/nl/privé/beleggen/beleggingsvormen/vermogensbeheer/multi-manager-mandaat/index.html>); "Comfort Inkomsten Mandaat", no date, (<https://www.abnamro.nl/nl/privé/beleggen/beleggingsvormen/vermogensbeheer/comfort-inkomsten-mandaat/index.html>); and "Duurzaam Fondsen Mandaat", no date, (<https://www.abnamro.nl/nl/privé/beleggen/beleggingsvormen/vermogensbeheer/duurzaam-fondsen-mandaat/index.html>) (viewed 19 May 2018).
- 31 ABN AMRO, "Duurzaam fondsen Mandaat", *ibidem*: there is a very general description about the investments that are done in this category, but it is not clear how much details are being provided.

The richer customers who are served by ABN AMRO MeesPierson private banking³² have a wider differentiation in the choice of investment services offered by the bank.

- The experienced private banking customers can opt to decide for themselves which investment fund(s) to invest in from the lists selected and offered by ABN AMRO MeesPierson (“Zelfstandig Beleggen”).³³ The options offered by ABN AMRO to its customers, according to their financial situation, include:
 - Investing independently without advice on the list of investment funds preselected by ABN AMRO MeesPierson.³⁴ This seems to be the same list as offered to ABN AMRO individual customers who opt for self-directed investing (see (1) above).
 - Investing with “guided advice”, where the customer chooses to invest in one of the above-mentioned Profile Funds³⁵ created by ABN AMRO (see (1) above).
 - Thematic investments,³⁶ which means that the bank provides information about investments in particular sectors that the customer can choose from.

Private banking customers who want ultimately to make the investment decisions themselves can request recommendations from the bank. These advisory investment services have different options – from active investment advice to sustainability advice.³⁷

This investment service means ABN AMRO MeesPierson takes the responsibility of recommending to its customers which investments they should choose.

On its website, ABN AMRO MeesPierson has published a separate list of investment funds that it recommends its customers should invest in. This list of recommended investment funds (dated 30 April 2018) is the one that is the subject of this research.³⁸

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- 32 ABN AMRO MeesPierson, “Vermogensbeheer”, no date, <https://www.abnamro.nl/nl/privatebanking/producten/beleggen/vermogensbeheer/index.html> (viewed 19 May 2018).
- 33 ABN AMRO MeesPierson, “Zelfstandig beleggen – Op eigen initiatief”, no date, <https://www.abnamro.nl/nl/privatebanking/producten/beleggen/zelfstandig/index.html> (viewed 19 May 2018).
- 34 ABN AMRO MeesPierson, “Zelf beleggen”, no date, <https://www.abnamro.nl/nl/privatebanking/producten/beleggen/zelfstandig/zelf-beleggen.html> and <https://www.abnamro.nl/nl/privatebanking/producten/beleggen/koersen/beleggingsfondsen.htm> (viewed 19 May 2018).
- 35 ABN AMRO MeesPierson, “Begeleid beleggen”, no date, <https://www.abnamro.nl/nl/privatebanking/producten/beleggen/zelfstandig/begeleid-beleggen.html> (viewed 19 May 2018).
- 36 ABN AMRO, “Thema beleggen”, no date, <https://www.abnamro.nl/nl/privatebanking/producten/beleggen/thema-beleggen/index.html> (viewed 19 May 2018).
- 37 ABN AMRO MeesPierson, “Beleggen met advies”, no date, <https://www.abnamro.nl/nl/privatebanking/producten/beleggen/met-advies/index.html> (viewed 18 June 2018; the information on the website was changed when last viewed on 14 September 2018).
- 38 ABN AMRO MeesPierson, “Beleggingsfondsen Fondslstijst overzicht – Financial focus”, 30 April 2018, https://www.abnamro.nl/nl/images/Generiek/PDFs/050_Private_Banking/Beleggen/Funds_-_Recommended.pdf (viewed May 2018) which can be accessed via the webpage: <https://www.abnamro.nl/nl/privatebanking/producten/beleggen/koersen/beleggingsfondsen.html> (viewed 18 June 2018).

- When the private banking customer opts for the bank's portfolio management services,³⁹ the customer does not want to actively choose which investment funds, or other assets, to invest in. The bank is given the responsibility of choosing and managing the investments, still based on the option taken by, and financial risk assessments of, its customers. The investment services offer the option of between six different objectives, called "investment mandates", including two related to sustainability.

Traditionally, for each category of investment services, ABN AMRO and its private banking entity have had a sustainable investment option, which customers could choose from if they so indicated. Since the beginning of 2018, the bank offers new customers of ABN AMRO, as the default option, sustainable investment services designed by the bank.⁴⁰ The bank's sustainability policies and rates used for its investment services are assessed later in this subsection as regards palm oil companies (see section 4.1.7.).

4.1.2 Information to individual customers

Can individual investors know what they are investing in when they choose investment funds? The information varies by investment service. However, in general, the bank does not publish and give all the information itself and is not fully transparent before the customer makes the choice. The investment services whereby the customer requires the bank to manage its investments, provides the least information before investments are made, which results in the bank taking responsibility for the choice of investment funds.

Those experienced investors who can, and do, opt to decide themselves which investment funds to choose from the list of 552 funds offered online⁴¹ by ABN AMRO and ABN AMRO MeesPierson, get information about the profitability of the fund and a sustainability rating (ranging between zero and five). An array of financial information is available when clicking on each of the listed funds. No explanation is provided about the sustainability rating except that the rating is provided by a commercial sustainability rating agency.⁴² An online list is provided about the 10 most important companies that have the most value in the fund, as well as about the economic sectors of the companies included in the investment fund. Further basic information about each fund is to be found in the key information document (KID), which is legally required and standardised through EU laws (see Chapter 6). Other documents to click on the bank's website per investment fund include the

39 ABN AMRO MeesPierson, "Vermogensbeheer", no date, <https://www.abnamro.nl/nl/privatebanking/producten/beleggen/vermogensbeheer/index.html> (viewed 18 June 2018).

40 ABN AMRO, "ABN AMRO makes its investment activities more sustainable", 8 November 2017, <https://www.abnamro.com/en/newsroom/press-releases/2017/abn-amro-makes-its-investment-activities-more-sustainable.html> (viewed 13 July 2018): the websites of ABN AMRO and ABN AMRO MeesPierson have therefore been changing in the course of the year and in the course of the research period for this report. It was not possible to update all research findings about the bank's investment services from August 2018 onwards.

41 ABN AMRO, "Koers en documenten beleggingsfondsen", *ibidem*: ABN AMRO offered 552 investment funds on 29 May 2018; viewed several times in May 2018 but this list changes over time.

42 ABN AMRO, *idem*: when clicking on the information button "duurzaamheid" the bank explains very briefly who does the sustainability rating ; see also: <https://www.sustainalytics.com/> (viewed 18 July 2018).

complex annual reports with detailed information about the management of the investment fund and which companies are included in the fund.⁴³

Private bank customers of ABN AMRO who look at the separate list of investment funds that the bank recommends to them, only get information about the financial risks and the past profitability of the funds.⁴⁴

ABN AMRO gives minimal public information about the investment composition to customers who want to opt for investment management service as they are assumed to have no capacity or are not interested in carrying out their own investment asset selection. The bank's information focuses on the profitability of the investment portfolio.

Private bank customers who opt for investment services with investment advice or management receive a comprehensive investment profiling about the financial risks beforehand, so that they get suitable investments with the right amount of financial risk. At the same time, the bank is not transparent about what investment funds are included in this investment management service, except when customers opt for the ABN AMRO profile funds. On the website, there is information that customers can opt for a sustainable investment mandate.⁴⁵

Once a customer makes an investment via the bank, the bank regularly reports information to the (private banking) customer about the investment portfolio through different channels. There is no information publicly available about these reports. However, in general, the focus is on the profitability of the return on investments, the investment strategy⁴⁶ of the bank and the resulting composition of the investment portfolio.⁴⁷

For each category of the above-mentioned investment services, the customers are informed beforehand about the costs of the investment services. Customers have to pay some minimum service and transaction fees or variable fees as a percentage of the money invested and according

43 ABN AMRO, "Essentiële-informatiedocument (Eid)", no date, <https://www.abnamro.nl/nl/prive/beleggen/eid.html> (19 May 2018): information about the KID ("essentielle informatiedocument"); each webpage of each fund has available documents ("Beschikbare documenten") with annual reports etc.

44 ABN AMRO MeesPierson, "Beleggingsfondsen Fondslijst overzicht – Financial focus", 30 April 2018, https://www.abnamro.nl/nl/images/Generiek/PDFs/050_Private_Banking/Beleggen/Funds_-_Recommended.pdf (viewed May 2018).

45 ABN AMRO MeesPierson, "Uw risicoprofiel onder de loep", no date, p. 13, https://www.abnamro.nl/nl/images/Generiek/PDFs/050_Private_Banking/Beleggen/Risicoprofielen_ABN_AMRO_MeesPierson.pdf (viewed 18 June 2018).

46 See for instance: ABN AMRO Investment Solutions, "Strategy & Quantitative Research", Weekly Brief, 18 June 2018, https://www.abnamroinvestmentsolutions.com/nl/images/500_Publicaties/010_Weekly_brief/Download/Weekly_Brief_06_18_2018.pdf (viewed 18 June 2018).

47 ABN AMRO MeesPierson, "Klassiek Mandaat", <https://www.abnamro.nl/nl/privatebanking/producten/beleggen/vermogens-beheer/klassiek-mandaat.html> (viewed 19 May 2018): item "informatievoorziening" and "informatiekaart klassiek mandaat", July 2013, https://www.abnamro.nl/nl/images/Generiek/PDFs/050_Private_Banking/Beleggen/Mandaten/Klassiek_Mandaat_-_informatiekaart_-_nl.pdf (viewed 19 May 2018).

to the financial riskiness of the investment (the riskier, the higher the fees).⁴⁸ The costs paid to the bank are independent of the profits made by the customer. These fees and other costs are a source of income for the bank.

4.1.3 Investment funds with four highlighted palm oil companies

ABN AMRO

As part of its investment services, ABN AMRO offers investment funds that include shares in four palm oil companies that are highlighted in this report (see Methodology). The four companies highlighted here (Wilmar International, subsidiaries of the Salim group, Golden Agri-Resources and First Resources) were identified as being part of the investment funds between 5 and 19 April 2018.⁴⁹

- ABN AMRO offered on its website⁵⁰ eight (8) investment funds with shares of Wilmar International.
- The Salim Group has several subsidiaries that issue shares included in investment funds: Indofood Sukses Makmur, Salim Ivomas Pratama and PT PP London Sumatra and ABN AMRO offers investment funds as follows:
 - Six (6) investment funds include shares in Indofood Sukses Makmur
 - One (1) investment fund includes shares in Salim Ivomas Pratama and
 - Two (2) investment funds include shares of PT PP London Sumatra:
- ABN AMRO offered two (2) investment funds with shares in First Resources
- ABN AMRO offers its customers nine (9) investment funds with shares in Golden Agri-Resources

48 See for instance the costs for managing the investments for the customer who opts for guided investment (“begeleid beleggen”): <https://www.abnamro.nl/nl/prive/beleggen/beleggingsvormen/begeleid-beleggen/kosten-begeleid-beleggen.html> (viewed last on 14 September 2018); the costs for the experienced investor (“zelf beleggen”) can be calculated from: <https://www.abnamro.nl/nl/prive/beleggen/beleggingsvormen/zelf-beleggen/kosten-zelf-beleggen.html> and [https://www.abnamro.nl/nl/images/Content/010_Prive/020_Producten_I_diensten/020_Beleggen/000_Documenten/pdf_Tarievenkaart_-_Zelf_Beleggen_\(Plus\).pdf](https://www.abnamro.nl/nl/images/Content/010_Prive/020_Producten_I_diensten/020_Beleggen/000_Documenten/pdf_Tarievenkaart_-_Zelf_Beleggen_(Plus).pdf) (viewed 28 September 2018).

49 The database analysis of the funds was done between 5 and 19 April 2018 and the lists of investment funds offered by ABN AMRO in May 2018, and investment funds recommended by ABN AMRO MeesPierson dated 30 April 2018: see also Methodology. Note that investment funds can change their composition during the course of the year.

50 ABN AMRO, “Koers en documenten beleggingsfondsen”, 29 May 2018, <https://www.abnamro.nl/nl/prive/beleggen/koers-informatie/beleggingsfondsen.html>.

Table 1 The investment funds ABN AMRO offers that include shares of highlighted palm oil companies

Wilmar	Salim	First Resources	Golden Agri-Resources
Amundi Index MSCI Pacific ex Japan	Indofood Sukses Makmur	Fidelity Funds – Asia Focus Fund	Amundi Index MSCI Pacific ex Japan
BlackRock Global Allocation Fund, Inc.	Fidelity Funds Indonesia Fund	Fidelity Funds Indonesia Fund	iShares Pacific ex Japan Equity Index Fund (LU)
iShares Pacific ex Japan Equity Index Fund (LU)	iShares Emerging Markets Equity Index Fund (LU)		iShares Pacific ex Japan Equity Index Fund (UK)
iShares Pacific ex Japan Equity Index Fund (UK)	iShares Emerging Markets Equity Index Fund (UK)		iShares World Equity Index Fund (LU)
iShares World Equity Index Fund (LU)	iShares MSCI Emerging Asia Index ETF		Northern Trust World Custom ESG Equity Index Fund
Northern Trust World Custom ESG Equity Index Fund	Vanguard Emerging Markets Stock Index Fund (US)		Robeco Asia-Pacific Equities
Old Mutual Global Equity Absolute Return Fund	Vanguard Emerging Markets Stock Index Fund-EUR		Robeco Emerging Markets Equities
Vanguard Global Stock Index Fund	Salim Ivomas Pratama		SPDR MSCI World Consumer Staples UCITS ETF
	Vanguard Emerging Markets Stock Index Fund (US)		Vanguard Global Stock Index Fund
	PT PP London Sumatra		
	iShares Core MSCI Emerging Markets IMI UCITS ETF		
	Vanguard Emerging Markets Stock Index Fund (US)		

ABN AMRO MeesPierson

In a list⁵¹ of investment funds that ABN AMRO MeesPierson recommended to its private banking customers:

- ▣ Three (3) investment including shares of Wilmar International.
- ▣ One (1) investment fund that included shares in Indofood Sukses Makmur and
- ▣ Three (3) investment funds that include shares in Golden Agri-Resources

51 ABN AMRO MeesPierson, "Beleggingsfondsen Fondsljst overzicht – Financial focus", 30 April 2018, https://www.abnamro.nl/nl/images/Generiek/PDFs/050_Private_Banking/Beleggen/Funds_-_Recommended.pdf .

Table 2 The investment funds ABN AMRO MeesPierson offers that include shares of highlighted palm oil companies

Wilmar	Salim	Golden Agri-Resources
Northern Trust World Custom ESG Equity Index Fund	Indofood Sukses Makmur	Northern Trust World Custom ESG Equity Index Fund
Vanguard FTSE All-World UCITS ETF	Vanguard FTSE All-World UCITS ETF	Vanguard FTSE All-World UCITS ETF
Vanguard Global Stock Index Fund		Vanguard Global Stock Index Fund

4.1.4 Full list of investment funds with shares in palm oil companies

Research shows that fifty six (56) investment funds published by the bank were identified as including shares in palm oil companies selected for this report⁵² (see below). This finding is based on comparing the above-mentioned online list of 552 investment funds that ABN AMRO selected for experienced customers⁵³ with investment funds with shares in one or more of the 81 palm oil companies selected for this report (see Methodology, step 1 and 2).

List of investment funds offered by ABN AMRO that include shares in palm oil companies

1	Aberdeen Emerging Markets Fund	19	Investec Emerging Markets Equity Fund
2	Aberdeen Emerging Markets Fund – US	20	iShares Core MSCI Emerging Markets IMI UCITS ETF
3	Aberdeen World Equity Fund	21	iShares Emerging Markets Dividend ETF
4	ABN AMRO Multi Manager Funds Profile 3	22	iShares Emerging Markets Equity Index Fund (LU)
5	ABN AMRO Multi Manager Funds Profile 5	23	iShares Emerging Markets Equity Index Fund (UK)
6	ABN AMRO Multi-Manager Funds Profile 6	24	iShares Europe Equity Index Fund (LU)
7	Amundi Index MSCI Japan	25	iShares Japan Equity Index Fund (LU)
8	Amundi Index MSCI Pacific ex Japan	26	iShares Japan Equity Index Fund (UK)
9	BlackRock Asian Dragon Fund	27	iShares Pacific ex Japan Equity Index Fund (UK)
10	BlackRock Emerging Markets Fund	28	iShares STOXX Europe 600 (DE)
11	BlackRock Emerging Markets Fund, Inc.	29	iShares World Equity Index Fund (LU)
12	BlackRock Global Allocation Fund, Inc.	30	JPM Emerging Markets Equity
13	BNP Paribas Asia Pacific High Income Equity Fund	31	JPMorgan Emerging Markets Equity Fund
14	Comgest Growth Emerging Markets	32	JPMorgan Funds – Global Dynamic Fund
15	db x-trackers Nikkei 225 UCITS ETF (DR)	33	Kempen (Lux) Global High Dividend
16	Fidelity Funds – Asia Focus Fund	34	Kempen Global High Dividend Fund N.V.R
17	Fidelity Funds Indonesia Fund	35	NN (L) Industrials
18	Goldman Sachs N-11 Equity Fund	36	Northern Trust World Custom ESG Equity Index Fund

52 The identification followed the research Methodology (see Chapter 2), using the list of 81 selected palm oil companies, and investment funds screened between 5 and 19 April 2018.

53 The list of offered by ABN AMRO, “Koers en documenten beleggingsfondsen”, ibidem.

37	Old Mutual Global Equity Absolute Return Fund	45	SPDR MSCI World Financials UCITS ETF
38	Robeco Asia-Pacific Equities	46	SPDR MSCI World Industrials UCITS ETF
39	Robeco Emerging Markets Equities	47	Vanguard Emerging Markets Stock Index Fund (US)
40	Robeco Emerging Stars Equities	48	Vanguard Emerging Markets Stock Index Fund – EUR
41	Robeco Global Conservative Equities Fund	49	Vanguard European Stock Index Fund – EUR
42	Schroder Intl Selection Fd – Emerging Asia	50	Vanguard European Stock Index Fund – USD
43	Skagen Kon-Tiki	51	Vanguard Eurozone Stock Index Fund
44	SPDR MSCI World Consumer Staples UCITS ETF	52	Vanguard Global Stock Index Fund

Each investment fund includes shares in the different palm oil companies and/or a different number of shares of palm oil companies, as is illustrated below (see section 4.1.6).

Some of the 56 investment funds are very likely to be included in the diverse investment services for advising and managing investments, as is the case for the so-called ABN AMRO Profile Funds, which are offered for the guided investing services.

4.1.5 Investment advice to ABN AMRO MeesPierson private bank customers

ABN AMRO MeesPierson published a separate list (dated 30 April 2018) of investment funds that it actively recommends to its private banking customers.⁵⁴ This list of recommended investment funds included sixteen (16) funds with shares in palm oil companies selected for this report:

List of investment funds actively recommended by ABN AMRO Mees Pierson that include shares in palm oil companies

1	Aberdeen Global Emerging Markets Equity Fund	9	iShares MSCI Japan ETF
2	Aberdeen World Equity B Acc	10	iShares MSCI World ETF
3	Aberdeen World Equity Fund	11	Kempen Global High Dividend Fund N.V.R
4	Amundi Index MSCI Japan	12	Northern Trust Europe Equity Index UCITS FGR Fund
5	Comgest Growth Emerging Markets	13	Northern Trust World Custom ESG Equity Index Fund
6	DB Platinum CROCI Sectors Fund	14	Robeco Global Conservative Equities Fund
7	Fidelity Emerging Markets Index Fund	15	Vanguard FTSE All-World UCITS ETF
8	iShares Emerging Markets Dividend ETF	16	Vanguard Global Stock Index Fund

54 ABN AMRO MeesPierson, “Beleggingsfondsen Fondslijst overzicht - Financial Focus”, ibidem, via the webpage <https://www.abnamro.nl/nl/privatebanking/producten/beleggen/koersen/beleggingsfondsen.html> : “lijst met aanbevolen beleggingsfondsen”.

4.1.6 Focus on some particular investment funds by ABN AMRO

The following examples illustrate which palm oil company shares were included in some of the 56 investment funds identified:

- ▣ ABN AMRO Multi Manager Funds Profile 3⁵⁵ includes shares in Astra International and POSCO.
- ▣ ABN AMRO Multi Manager Funds Profile 5⁵⁶ includes shares in Astra International, Bollore SA and POSCO.
- ▣ ABN AMRO Multi-Manager Funds Profile 6⁵⁷ also includes shares in Astra International, Bollore SA and POSCO.

The palm oil company shares are only a very small part of the total shares, assets and value of these investment funds.

Note that ABN AMRO created these funds (see below) and rated both the ABN AMRO Multi Manager Funds Profile 5 and ABN AMRO Multi Manager Funds Profile 6 as ‘moderately sustainable’ when viewed in May and July 2018.

Among the 16 investment funds with shares in palm oil companies that were recommended by ABN AMRO MeesPierson, the following example shows that a fund can include shares in many different palm oil companies selected for this report.

Vanguard FTSE All-World UCITS ETF: identified palm oil companies whose shares are included in the fund

1	Astra International	11	IOI Corporation
2	Bollore SA	12	Itochu Corp
3	Felda Global Ventures	13	Jardine Matheson Holdings
4	First Pacific	14	Kuala Lumpur Kepong
5	Fuji Oil Holdings	15	POSCO
6	Genting Bhd	16	POSCO Daewoo
7	Golden Agri-Resources	17	Sime Darby
8	Hap Seng Consolidated	18	Sime Darby Plantation
9	IJM Corporation	19	Wilmar International
10	Indofood Sukses Makmur		

55 The Fund invests its assets in bonds, equities, money-market instruments, derivatives, other funds and cash (Source: <https://www.bloomberg.com/quote/AAMPR3A:LX> (viewed 18 July 2018); see also: ABN AMRO, “Profiefonds 3, Begeleid Beleggen”, no date, <https://www.abnamro.nl/nl/privé/beleggen/beleggingsvormen/begeleid-beleggen/profielfonds3.html> (last viewed 9 September 2018).

56 ABN AMRO, “Profiefonds 5, Begeleid Beleggen”, no date, <https://www.abnamro.nl/nl/privé/beleggen/beleggingsvormen/begeleid-beleggen/profielfonds5.html> (last viewed 9 September 2018).

57 ABN AMRO, “Profiefonds 6, Begeleid Beleggen”, no date, <https://www.abnamro.nl/nl/privé/beleggen/beleggingsvormen/begeleid-beleggen/profielfonds6.html> (last viewed 9 September 2018).

4.1.7 Investment funds created by ABN AMRO

ABN AMRO does not only offer investment services that include investment funds created by outside fund managers. The bank also created investment funds, and (partly) manages these funds, for which it bears responsibility regarding the selection of shares or other assets included in the fund. Of the three banks discussed in this report ABN AMRO is the only bank that is involved in creating investment funds.

This report identifies twenty two (22) investment funds created by ABN AMRO, which include shares in on or more of the 81 selected palm oil companies.

1	ABN AMRO French Diversified
2	ABN AMRO French Equities
3	ABN AMRO MMF Blackrock Asia Pacific ex-Japan Equities
4	ABN AMRO MMF TCW US Equities A Cap EUR
5	ABN AMRO Multi Manager Defensive Profile Fund
6	ABN AMRO Multi Manager Funds Fund of Mandates Asia Pacific Equities
7	ABN AMRO Multi Manager Funds Profile 3
8	ABN AMRO Multi Manager Funds Profile 5
9	ABN AMRO Multi-Manager Funds Profile 6
10	ABN AMRO Multi-Manager Funds Fund of Mandates Emerging Market Equities
11	ABN AMRO Multi-Manager Funds Investec Emerging Market Equities
12	ABN AMRO Multi-Manager Funds Numeric Emerging Market Equities
13	ABN AMRO Multi-Manager Funds Pension Lifecycle 2020
14	ABN AMRO Multi-Manager Funds Pension Lifecycle 2025
15	ABN AMRO Multi-Manager Funds Pension Lifecycle 2030
16	ABN AMRO Multi-Manager Funds Pension Lifecycle 2035
17	ABN AMRO Multi-Manager Funds Pension Lifecycle 2040
18	ABN AMRO Multi-Manager Funds Pension Lifecycle 2045
19	ABN AMRO Multi-Manager Funds Pension Lifecycle 2050
20	ABN AMRO Multi-Manager Funds Pension Lifecycle 2055
21	ABN AMRO Multi-Manager Funds Prosperity Growth
22	ABN AMRO Multi-Manager Funds William Blair Emerging Market Equities

The bank does not publish whether and how these funds are incorporated in the investment management services of the bank, except for the ABN AMRO Multi Manager Profile funds.

4.1.8 Sustainable investment policy of ABN AMRO and ABN AMRO MeesPierson

General sustainability policy

In general, ABN AMRO states that it is “convinced that responsible finance and investment is becoming the norm” and it can make “an important contribution to society and the environment”. The bank is making its “finance and investment products increasingly sustainable” while always maintaining “a balance between society’s interests and financial returns”.⁵⁸

Regarding its overall social and environmental objectives, ABN AMRO’s focus areas are: accelerating the transition to a circular economy, combating climate change, and respecting human rights in everything the bank does, as well as supporting social entrepreneurship.⁵⁹ The sustainability policy is to have “a direct or indirect impact” on the bank’s ability to “create, preserve or erode economic, environmental and social value”, also for the bank’s stakeholders.⁶⁰ One focus point is specifically about environmental, social and governance (ESG) risk in lending and investment products and services.⁶¹ The sustainability policy and approaches of ABN AMRO are described in a wide range of papers.⁶²

Sustainability policy towards palm oil sector

The bank has various sectoral sustainability policies for its “clients” to which it provides “lending, non-lending services and investments”.⁶³ Clients are to be understood as being companies that borrow rather than individual investors. Specific requirements are applied to corporate clients in the agri-commodity sector. The palm oil sector is among the agri-commodities in which the bank submits clients to detailed requirements and benchmarks⁶⁴, e.g. to be (or soon become) member of the

58 ABN AMRO, “Finance and Investment”, no date, <https://www.abnamro.com/en/sustainable-banking/finance-and-investment/index.html> (viewed 18 June 2018).

59 ABN AMRO, Integrated Annual Review 2017, no date, p. 33, 51-53, https://www.abnamro.com/en/images/Documents/010_About_ABN_AMRO/Annual_Report/2017/ABN_AMRO_Integrated_Annual_Review_2017.pdf (viewed 18 June 2018).

60 Ibidem, p. 28.

61 ABN AMRO, “Our material topics”, no date (part of the Integrated Annual Review 2017), 1 p, https://www.abnamro.com/en/images/Documents/040_Sustainable_banking/080_Reporting/2017/ABN_AMRO_Materiality_Analysis_2017.pdf: See material topic #16.

62 The research consulted many webpages on the ABN AMRO and ABN AMRO MeesPierson websites, including: <https://www.abnamro.nl/nl/privatebanking/producten/beleggen/duurzaam/visie.html> ; <https://www.abnamro.com/nl/duurzaam-bankieren/index.html> ; <https://www.abnamro.nl/nl/prive/abnamro/duurzaamheid/index.html> ; <https://www.abnamro.com/nl/duurzaam-bankieren/financier-en-beleggen/index.html> ; (viewed 18 June 2018); see also: <https://www.abnamro.com/en/sustainable-banking/reporting-and-publications/publications/index.html> (viewed 20 June 2018).

63 ABN AMRO, “Summary - Agri-Commodities - Sustainable Banking / Summary Sustainability Requirements for Agri-Commodities”, September 2017, p. 1, https://www.abnamro.com/en/images/Documents/040_Sustainable_banking/070_Sustainability_policy/ABN_AMRO_Summary_agri-commodities_policy.pdf (viewed 18 June 2018).

64 ABN AMRO, “ABN AMRO’s approach and policy for companies in the palm oil sector”, 2 July 2018, <https://www.abnamro.com/en/newsroom/newsarticles/2018/abn-amro-approach-and-policy-for-companies-in-the-palm-oil-sector.html> (last viewed 26 September 2018).

RSPO⁶⁵. When adhering to these requirements, the bank declares that it does not *per se* exclude lending to palm oil companies. The Bank applies an exclusion list (April 2017) of sectors in which it “will not knowingly finance nor invest” itself, but this list does not apply for external fund and assets managers whose investment funds the bank offers to its customers.⁶⁶

These detailed sustainability requirements for corporate clients clearly do not apply to the bank’s investment services for individual customers.⁶⁷

Sustainability policy for investment funds

Until 2017, ABN AMRO stated that its investment services would “pursue sustainable growth and offer attractive returns based on a moderate risk profile”.⁶⁸ “Sustainable” in this context had to be interpreted, according to the bank, as “long term and not as ESG-risk related”.⁶⁹ Before 2018, the bank’s promotion of its different investment services, including its private banking services, claimed to provide the best possible investment transactions and the most profitable financial profit from the investment for the customer (see also below).

Since 2018, ABN AMRO’s declares its policy is to increase the possibility of investing in socially and environmentally sustainable assets and investment products, and is making its “standard investment products more sustainable”.⁷⁰ The bank states that “as part of new client take on processes, ABN AMRO offers Sustainable Investment services (no exposure to controversial palm oil production) as the default option. Clients have to ‘opt-out’ for traditional investment portfolios”.⁷¹ Existing customers are being asked whether they want to switch to investment funds that the bank considers ‘sustainable’. No public information was available regarding which palm oil companies are excluded when the banks claims to have “no exposure to controversial palm oil production”.⁷² The bank declares that the sustainable investments offer the same profitable returns as traditional invest-

65 ABN AMRO, “Sustainable Banking, Exclusion list”, April 2017, https://www.abnamro.com/en/images/Documents/040_Sustainable_banking/060_Strategy/ABN_AMRO_Exclusion_list.pdf (viewed 26 September 2018) : excluded is “Producing, processing and trading of palm oil by companies that are not member, or in the process of becoming member, of the Round Table for Sustainable Palm Oil (RSPO)”.

66 ABN AMRO, “ABN AMRO’s approach and policy for companies in the palm oil sector”, 2 July 2018: this also applies for excluding “Burning of natural occurring ecosystems, such as forests and savanna, for the purpose of land clearing for the establishment of large scale agricultural Plantations”.

67 L. Zeemans, ABN AMRO Stakeholder & Engagement Manager, ABN AMRO comment on review document with draft SOMO research results, email, 4 July 2018; see ABN AMRO, “Sustainability Risk Guide”, August 2016, https://www.abnamro.com/en/images/Documents/040_Sustainable_banking/Publications/ABN_AMRO_Sustainability_Risk_Guide.pdf (viewed 4 July 2018).

68 ABN AMRO Group N.V., “2017 Sustainability highlights”, no date (covering the year 2017), p. 8 - 9, https://www.abnamro.com/nl/images/Documents/010_Over_ABN_AMRO/Annual_Report/2017/ABN_AMRO_2017_Sustainability_Highlights.pdf (viewed 18 June 2018). The following was removed after the review process by ABN AMRO of the SOMO draft research results : “Whether you give ABN AMRO a sustainable investment mandate or take investment decisions yourself”.

69 L. Zeemans, ABN AMRO Stakeholder & Engagement Manager, ABN AMRO comment on review document with draft SOMO research results, email, 4 July 2018.

70 ABN AMRO, “ABN AMRO makes its investment activities more sustainable”, *ibidem*; and ABN AMRO, “Sustainable investment is the future”, no date, <https://www.abnamro.com/en/sustainable-banking/finance-and-investment/sustainable-investment/index.html> (viewed 18 June 2018).

71 L. Zeemans, *idem*; see ABN AMRO, “ABN AMRO makes its investment activities more sustainable”, *ibidem*.

72 L. Zeemans, *idem*, emails, 4 and 18 July 2018.

ments.⁷³ The bank also creates and offers different possibilities for investing in what it claims to be sustainable assets and funds, such as socially responsible investment funds.⁷⁴ As a result of this policy, part of the investment funds publicly offered by the bank online (and used for this report) have a sustainability rating based on social and environmental criteria from an outside sustainability research company.

This sustainability policy for investment services, however, is limited to only a few issues. According to the bank⁷⁵, no customer is allowed to invest in companies that are on the bank's controversial weapons⁷⁶ list. No customer is advised to invest in companies with whom engagement was unsuccessful (companies of the "soft exclusion list" are not public). ABN AMRO products (e.g. investment funds it creates) will not invest in companies on both lists.

When the bank includes investment funds from external investment fund managers in its investment services, the bank requires written confirmation that the funds should not exceed 5 percent exposure to companies that are (in)directly involved in cluster munition. Regarding ABN AMRO's policy towards palm oil companies, the bank stated on 2 July 2018 that "in the event that such external asset managers invest in unwanted companies, ABN AMRO seeks to speak to the external managers about their policies and about the possibilities they have to engage with the relevant company."⁷⁷ No other information about the contract and the interaction between the bank and the fund managers was available within the scope of this research.

This means that the bank does not exclude palm oil companies from the asset pool⁷⁸ for its investment services, except if these companies have been clients of the bank and engagement has been unsuccessful. The bank declares it undertakes screening, assessment, monitoring and engagement⁷⁹ of all the companies in ABN AMRO's "investment universe".⁸⁰ ABN AMRO stated about the 81 palm oil companies selected for this report that "none the palm oil companies are part of our Investment Universe".⁸¹ The spokesperson explained that "by 'the investment universe' we mean all companies that ABN AMRO provides investment advice on, in order to serve our Retail & Private Banking clients".⁸² This means that the bank's "investment universe" is limited

73 ABN AMRO, "ABN AMRO makes its investment activities more sustainable", *ibidem*.

74 ABN AMRO, "Sustainable investment is the future", *ibidem*; L. Zeemans, *idem*, email, 4 July 2018.

75 See: ABN AMRO, "Summary – Investment products & services policy", *ibidem*; and ABN AMRO, "Sustainability Risk Guide", *ibidem*.

76 ABN AMRO, "Publicly-listed companies ABN AMRO excludes because of involvement in controversial Weapons", 26 September 2018, https://www.abnamro.com/en/images/Documents/040_Sustainable_banking/060_Strategy/Listed_companies_excluded_by_ABN_AMRO.pdf (viewed 26 September 2018): "Dutch law forbids financial institutions to finance -, or invest in - corporations that produce, sell or distribute cluster munitions".

77 ABN AMRO, "ABN AMRO's approach and policy for companies in the palm oil sector", *ibidem*.

78 ABN AMRO, "Summary – Investment products & services policy", *ibidem*; the definition of investment universe is "the investments most frequently held by clients" according to: ABN AMRO, "Sustainability Risk Guide", *ibidem*, footnote 4.

79 ABN AMRO, "Engagement approach 2017", no date (covering the year 2017), https://www.abnamro.com/en/images/Documents/040_Sustainable_banking/080_Reporting/2017/ABN_AMRO_Engagement_approach_2017.pdf (viewed 19 July 2018): engagement occurs when companies in the banks "investment universe" breach the UN Global Compact.

80 ABN AMRO, "Summary – Investment products & services policy", *ibidem*.

81 L. Zeemans, *idem*, email, 4 July 2018.

82 L. Zeemans, *idem*, email, 18 July 2018.

to the companies whose shares customers can directly invest in⁸³ and not applied the mainstream investment funds that the bank offers to and manages for its customers. Indeed, as identified above (see section 4.1.4.), 56 of the investment funds that ABN AMRO is offering and (potentially) including in its investment management services, and 22 of the funds the bank is creating, include shares in palm oil companies selected for this report.

ABN AMRO provides a sustainability rating (“duurzaamheidsindicator” or “duurzaamheidsrating”)⁸⁴ about the companies in whose assets customers can directly invest,⁸⁵ and increasingly about the investment funds with shares the bank is offering.⁸⁶ This rating, in the form of green flags, is the only sustainability information provided to customers who do not choose to invest in investment funds or services that make explicit sustainability claims. The sustainability rating is delivered by a sustainability research company (Sustainalytics⁸⁷) and based on a range of sustainability and ESG risk criteria used by that company: environment, human rights, education and social entrepreneurship. The sustainability flagging per investment fund is an average sustainability rating of all the companies included in the fund.⁸⁸ This results in five sustainability categories⁸⁹, ranging from hardly sustainable to highly sustainable. Some funds have no sustainability indicator.⁹⁰ Not all funds identified in this report as containing shares in one or more of the 81 selected palm oil companies have received a sustainability rating.

The bank has declared that from 2018 onwards, it intends to provide impact reports that give investing customers an insight into the positive or negative impact of their investments on people and the planet.⁹¹

Investment funds created by ABN AMRO

Investment funds with a sustainability rating include ABN AMRO Multi Manager Funds Profile 5, and ABN AMRO Multi Manager Funds Profile 6. These funds, created by ABN AMRO, have received a medium sustainability rating even if they contain palm oil companies selected for this report.

83 L. Zeemans, idem, email, 18 July 2018.

84 ABN AMRO, “Koers en documenten beleggingsfondsen”, ibidem: click on the information button “duurzaamheid”. The list of companies and its indicators did not exist in English when clicked on the English version.

85 ABN AMRO, “Summary – Investment products & services policy”, ibidem.

86 ABN AMRO, “Koers en documenten beleggingsfondsen”, ibidem, information button “duurzaamheid”: Only for its funds with shares.

87 ABN AMRO, idem: the information button “duurzaamheid” gives a very short explanation who does the sustainability rating; see also: <https://www.sustainalytics.com/> (viewed 18 July 2018).



88 ABN AMRO, idem: see the information button “duurzaamheid”; see also: ABN AMRO, “Summary – Investment products & services policy”, ibidem.

89 Idem previous footnote.

90 Idem previous footnote.

91 ABN AMRO, “ABN AMRO makes its investment activities more sustainable”, ibidem: the impact assessment reports were not yet available on line by 18 July 2018.

Box 2 Sustainability rating of ABN AMRO funds on offer to clients with risky profiles

<p>ABN AMRO Profiefonds 5</p> <p>Duurzaamheidsrating </p> <p>Vermogenscategorie Overig</p>	<p>Koers €200,69</p> <p>Rendement 1,99%</p>	<p><input type="checkbox"/> Vergelijk</p> <p>Order</p>
<p>ABN AMRO Profiefonds 6</p> <p>Duurzaamheidsrating </p> <p>Vermogenscategorie Overig</p>	<p>Koers €194,23</p> <p>Rendement 2,25%</p>	<p><input type="checkbox"/> Vergelijk</p> <p>Order</p>

Source: <https://www.abnamro.nl/en/personal/investments/koersinformatie/koersinformatie.html> (viewed 23 July 2018).

When creating an investment fund, the bank also has to assess the financial risks. In principle, but rarely in practice, financial risks can also include socially and environmentally harmful activities that result in undermining the company's profitability (e.g. because of reputational loss or fines for breaching environmental regulations). According to the bank⁹², its sustainability policy for investment funds it creates, and other ABN AMRO products, excludes companies that are on the bank's controversial weapons⁹³ and its "soft exclusion list".

Overall, the bank is not transparent whether it monitors the companies that are included in the investment funds it offers, recommends or manages.

4.1.9 Conclusion

As part of its investment services, ABN AMRO offers fifty six (56) investment funds with shares in the palm oil companies selected for this report. This represents 10 percent of the total investment funds it publicly offers.⁹⁴ ABN AMRO MeesPierson even recommends to its private bank clients sixteen (16) investment funds that include one or more shares from the 81 selected palm oil companies. From a

92 ABN AMRO, "Summary – Investment products & services policy", *ibidem*; and ABN AMRO, "Sustainability Risk Guide", *ibidem*.

93 ABN AMRO, "Publically-listed companies ABN AMRO excludes because of involvement in controversial Weapons", *ibidem*.

94 ABN AMRO, "Koers en documenten beleggingsfondsen", *ibidem*: On 29 May 2018, 56 investments funds, or 10 percent, of the 552 investment funds ABN AMRO publicly offers as part of its investment services included shares in palm oil companies selected for this report.

sample of four palm oil companies that have a record of harmful social and environmental practices, ABN AMRO offered – and ABN AMRO MeesPierson recommended – at least thirteen (13) different investment funds that included shares in these four companies (Wilmar International, the Salim Group, First Resources and Golden Agri-resources). Analysis has identified that shares of at least twenty-two (22)⁹⁵ of the 81 selected palm oil companies are included in ABN AMRO's investment services: more research and especially more transparency by the bank would provide a full overview.

The bank does not publish all the companies that are part of the investment funds. This means that customers are not directly informed by the bank about whether the funds include palm oil company shares from which they profit. Neither does the bank give insights into the ESG performance of all the companies in these investment funds. Many but not all investment funds receive a sustainability flagging which is only based on the average of the commercial sustainability ratings of all the companies in the fund. This contrasts with the detailed information and updates about the (potential) financial profitability and risks of the funds. ABN AMRO has a responsibility for the selection and the impacts of the investment funds when it offers, advises or recommends, and especially when it manages and creates, investment funds.

This research has found that ABN AMRO's policy and sectoral social and environmental requirements towards the palm oil companies it lends to are not being applied for its investment services that include investment funds. The proclaimed sustainable policies for investment services by the bank do not apply to the mainstream investment funds that the bank offers and manages for its customers. The two lists of companies that the bank excludes in its investment services' policies, are extremely limited and mainly apply to companies for which customers can directly invest in shares, and to investment funds that the banks creates. The bank only explicitly requires the external fund managers of the funds it offers, to comply for 95 percent with its exclusion list of companies that are (in)directly involved in cluster munition.

In July 2018, the bank stated it will seek the possibilities for external fund managers to engage with "unwanted" palm oil companies.⁹⁶ This means that the quality of the sustainability policy and criteria for the investment funds that are part of its investment services have been traditionally poor, with no assessment of social or environmental impacts of companies' actual practices. Since 2018, ABN AMRO has declared a shift in its sustainability ambitions for its investment funds. By default, new individual customers are offered investment funds and services that are sustainable, according to the bank's own criteria. This sustainability policy is to be applied to the bank's individual customers and private banking customers in the Netherlands and abroad.

The investment funds that ABN AMRO considers sustainable are flagged on its website and provided by an external sustainability research company using a set of self-defined criteria, including human

95 Calculating companies mentioned in (1) the investment funds with companies that were highlighted as examples of having reported harmful practices, (2) the selected investment funds that illustrated which companies were included in the fund, and (3) the ABN AMRO multi-manager funds (while omitting double counting).

96 ABN AMRO, "ABN AMRO's approach and policy for companies in the palm oil", 2 July 2018, sector: <https://www.abnamro.com/en/newsroom/newsarticles/2018/abn-amro-approach-and-policy-for-companies-in-the-palm-oil-sector.html> (viewed 18 September 2018).

rights and environment. Nevertheless, this report exposes that even investment funds with a positive sustainability rating include palm oil companies selected for this report.

ABN AMRO also creates investment funds, meaning the bank has the responsibility for the composition of the fund. This report identified that twenty two (22) of the funds that the bank created include shares in palm oil companies selected for this report.

4.2 Investment services by ING

This subsection describes how ING offers diverse investment services to its Dutch customers that include investment funds with shares of palm oil companies selected for this report. Similar investment services that cover investment funds are also offered to customers of ING subsidiaries abroad. To illustrate this, this report briefly focuses on ING Australia. ING operates subsidiaries in many other countries outside the Netherlands in countries such as Germany,⁹⁷ Belgium⁹⁸ and Australia. ING policies have to be upheld in all countries where ING operates.⁹⁹

4.2.1 Investment services to ING customers in the Netherlands

ING offers two distinct investment services to its Dutch customers in relationship with investment funds:

- ▣ The bank acts as a **'broker'** ("zelf beleggen", "zelf op de beurs")¹⁰⁰ for experienced customers who can and want to make investment choices and decisions themselves¹⁰¹: they can select different kind of financial assets, including investment funds.

The many investment assets the bank is handling and offering for these experienced customers are reflected in a list of financial assets that ING does not put on its publicly available website but could be accessed for this research (see section 4.2.5).¹⁰²

97 See for instance: ING DiBa, "ETFs – Indexfonds", [https://wertpapiere.ing-diba.de/DE/Showpage.aspx?pageID=106&UseURL=Ja&Fondstyp=Alle&Fondsart=nur+ETFs+\(indexabbildend\)#BHP](https://wertpapiere.ing-diba.de/DE/Showpage.aspx?pageID=106&UseURL=Ja&Fondstyp=Alle&Fondsart=nur+ETFs+(indexabbildend)#BHP) (viewed 11 May 2018): offers to select a range of ETFs.

98 See for instance: ING, "De trackers van ING", <https://www.ing.be/nl/retail/investments/shares-and-bonds/etf-offering> (viewed 11 May 2018).

99 ING, "Our stance", no date, <https://www.ing.com/ING-in-Society/Sustainability/Our-Stance.htm> (viewed 15 June 2018); this webpage refers to the ESR management website: ING, "Environmental and social risk management", no date, <https://www.ing.com/ING-in-society/Sustainability/Sustainable-business/Environmental-and-social-risk-policies.htm> (viewed 15 June 2018).

100 ING, "Zelf op de beurs", no date, <https://www.ing.nl/particulier/beleggen/beginnen-met-beleggen/zelf-op-de-beurs/index.html> (viewed 15 June 2018).

101 ING, ibidem: see "De 3 voordelen van zelf op de beurs".

102 Below we explain the use of the list with investment assets called "ING_bevoorschotting-fondsen_tcm162-40834.pdf", 3 November 2017: the list could be viewed on internet at https://www.ing.nl/media/ING_bevoorschotting-fondsen_tcm162-40834.pdf until 15 May 2018 and was not available any more thereafter.

For those customers who start with making investment choices and decisions themselves (“zelfvermogensopbouw”), the bank offers them to order the bank to buy and sell, free of costs, more than 300 investment funds and index funds that the bank has preselected.¹⁰³ The bank has a responsibility in selecting these investment funds, which can be considered as an **indirect advisory role** by the bank.

The list of 300 investment funds was not available on line and could not be used for this research.

- The bank acts as a **direct advisor** and investment **‘manager’** (“beleggen met beheer”)¹⁰⁴: ING offers to advise and manage the investments of individual customers according to their choice of investing in different strategies. Dutch customers can make these choices online, or after an appointment with an ING advisor. When a customer wants to start investing (online or not), the bank’s advisory role is to require the customer to respond to a series of questions. This includes fulfilling the bank’s legal obligation to protect customers from excessive financial losses. The bank asks the customer to indicate:
 - the purpose of their investment (“beleggingsdoel”)¹⁰⁵;
 - the amount of money a customer wants to invest, and can invest (assessed according to available savings);
 - the risk profile (“risicobereidheid”): the amount of financial risk the customer wants to take, from very low risks to very high risks¹⁰⁶;
 - the investment profile (“beleggingsprofiel”): the kind of investment style the customer wants to choose, from low financial risk (“defensive”) to high financial risk (“very offensive”)¹⁰⁷;
 - the strategies the customer can choose from, namely:¹⁰⁸ low costs by tracking indexes (passive investments), in line with events and developments worldwide (“actueel”), getting dividend payments (“inkomen”) and sustainable investments (“Duurzaam”).

Based on the customer’s responses and choices, this ING investment service (“beleggen met beheer”) takes the responsibility for deciding what to invest in for each individual investor. The investment funds included in each managed investment choice might vary over time according to profitability and ING’s assessment.

103 ING, “Zelf Vermogensopbouw”, no date, <https://www.ing.nl/particulier/beleggen/beginnen-met-beleggen/zelf-vermogensopbouw/index.html> (viewed 15 June 2018); see also: ING, “Meer uit uw geld halen”, no date, <https://www.ing.nl/particulier/beleggen/beginnen-met-beleggen/wat-levert-beleggen-op/index.html> (viewed 15 June).

104 See for instance: ING, “Beleggen met Beheer”, no date, <https://www.ing.nl/particulier/beleggen/beginnen-met-beleggen/beleggen-met-beheer/index.html> (viewed 15 June 2018).

105 This information can only be viewed as an ING customer, see: <https://mijn.ing.nl/particulier/beleggen/#/online-intake/starting-points> (viewed 15 June 2018).

106 Information available for ING customers: <https://mijn.ing.nl/particulier/beleggen/#/online-intake/approach> (viewed 15 June 2018); in Dutch the risk profiles to choose from are: “zeer beperkt”, “beperkt”, “gemiddeld”, “groot”, “zeer groot”.

107 Information available for ING customers: <https://mijn.ing.nl/particulier/beleggen/#/online-intake/approach?step=profile> (viewed 15 June 2018) : “zeer defensief”, “defensief”, “Neutraal”, “offensief”, “zeer offensief”.

108 Information available for ING customers: <https://mijn.ing.nl/particulier/beleggen/#/online-intake/approach?step=strategy> (viewed 15 June 2018).

What investment funds the bank includes per customers' choice it manages is not publicly available and could therefore not be subject of the research for this report.

ING's customers who choose the 'sustainable investment' strategy, are offered a selection of 'sustainable investment funds' that are listed on the website.¹⁰⁹ Each of the funds provides financial information such as past profitability. Research did not find a palm oil company that was selected for this report in ING's selection of sustainable investment funds.

ING also has Dutch private banking customers¹¹⁰ who can outsource their investment management to ING's "vermogensbeheer". Based on their investment profile identified with an ING investment advisor (chosen from five financial risk profiles from very 'defensive' to very 'offensive'), the private banking customers can choose out of six investment strategies, including one called sustainable investment strategy ("Beleggingsstrategie Index", "Beleggingsstrategie Actueel", "Beleggingsstrategie Inkomen", "Beleggingsstrategie Dynamiek", "Beleggingsstrategie Comfort", "Beleggingsstrategie Duurzaam").

4.2.2 Information to individual customers

No list of investment funds, except for the sustainable funds, was available on ING's website to provide an insight into which investment funds ING chooses to invest in for its customers, and which ones are used for each to the various investment choices, strategies and risks profiles as described above. This means that a potential individual investor cannot screen the investment funds before entering into an investment relationship with ING in the Netherlands.

The information about the companies whose shares are in the so-called 'sustainable funds' is limited to 10 top investments by the fund, and an overview of the sectors of all companies in which the fund invests. There is no information about the concrete and measurable sustainability impact of the fund's investments.

Once a customer decides to invest through ING's investment services, the bank provides on request different financial and legal information documents about the investments, including the legally compulsory key information documents ("Essentiële Beleggersinformatie" (KID) regarding the investment funds and "het Essentiële-informatiedocument" (KIID) regarding the complex structured retail products that can include company shares and investment funds).¹¹¹

109 Information available for ING customers: <https://www.ing.nl/particulier/beleggen/duurzaam-beleggen/hoekunt-udeuurzaam-beleggen.html> (viewed 15 June 2018): see "Wilt u zelf beleggen in duurzame fondsen?".

110 ING Private Banking, "Beleggingsstrategieën", <https://www.ing.nl/privatebanking/producten-services/beleggen/beleggen-met-beheer/strategieen.html> (viewed 15 June 2018).

111 ING, "Algemene Voorwaarden Beleggen", January 2018, p. 18, https://www.ing.nl/media/pdf_Algemene%20Voorwaarden%20Beleggen%20januari%202018_tcm162-135104.pdf (viewed 15 June 2018).

Individual investors who are investing based on ING management investment services (“beheerd beleggen”) receive¹¹² a report at least once each quarter about the value and the composition of their investments.¹¹³ This report focuses particularly on information about the financial profitability of the investments, as well as comparisons with other investments (a “benchmark”).¹¹⁴ The regular reporting includes the “beleggingsaanbeveling”,¹¹⁵ i.e. the report with the list of all the different investment funds ING has selected according to the customer’s profile choice. This regular report does not include any information about the companies that the different investment funds are investing in. Nor does it provide information about ESG performance of (the companies in) these funds. ING investing customers also have access to the online ING monthly review (ING Maandbericht Beleggen) about investment news¹¹⁶, and information regarding sustainable investment in general¹¹⁷.

According to one ING advisor, ING does not have the information about, nor does it assess, all the companies that each of the investment funds offer for individual customers to invest in.¹¹⁸ The ING investment team relies on information from paid financial asset managers and information providers, including for sustainability aspects.¹¹⁹ No information is publicly available about sustainability criteria or the social and environmental impact of the mainstream investment funds chosen for customers by ING. This means that ING is responsible for selecting and managing investment funds for customers without having itself a full oversight of the composition of the funds and the financial, and ESG, risks of the companies included.

Individual customers are informed beforehand about the costs of the investment services that differ by option and strategy. Customers have to pay a minimum service fee and transaction fees or variable fees as a percentage of the money invested and according to the financial riskiness of the investment (the riskier, the higher the fees).¹²⁰ The costs paid to the bank are independent

112 ING, “Beleggen met Beheer”, *ibidem*: As mentioned in the document of the agreement for “beheerd beleggen” between ING and the retail customer: ING, “Overeenkomst Vermogensbeheer”, viewed 15 June 2018, (not available publicly online).

113 ING, “Overeenkomst Vermogen”, *ibidem*: “Wij verstrekken u minimaal één keer per kwartaal een overzicht van de waarde en de samenstelling van uw Vermogen.”

114 *Idem*: “Wij vergelijken de resultaten van het door ons gevoerde Vermogensbeheer met de resultaten van de benchmarks als opgenomen in uw Beleggingsplan.”

115 See for instance: ING Investment Office, “Beleggingsstrategie: Actueel – Offensief”, 30 April 2018 (not available online): the mentioned top 10 companies in which the portfolio is invested, constitute 16.44 percent of the portfolio.

116 It is published monthly on the website: ING, “Beursnieuws”, <https://www.ing.nl/particulier/beleggen/beursnieuws-en-actualiteit/index.html>.

117 ING, “Duurzaam beleggen”, (many dates), <https://www.ing.nl/particulier/beleggen/beursnieuws-en-actualiteit/duurzaam-beleggen/duurzaam-beleggen.html> (viewed 15 June).

118 Appointment with ING advisor N. Schmidt (Amsterdam), with M. Vander Stichele, on 4 June 2018.

119 ING Investment Office, “Het beleggingsbeleid van ING”, 2 January 2018, p. [3], https://www.ing.nl/media/ING_het-beleggingsbeleid-van-ING_02012018_tcm162-83156.pdf (viewed 15 June 2018): such as Thomson Reuters Datastream, Bloomberg and S&P Capital IQ (which provides access to many research reports such as those from BNP Paribas Investment Partners, NN IP, Robeco, Fidelity, BlackRock, Deutsche Bank, UBS, Morgan Stanley, J.P. Morgan, Citigroup and Goldman Sachs); for sustainability aspects, Sustainabilitytics.

120 See amongst others: ING, “Tarieven van beleggen”, <https://www.ing.nl/particulier/beleggen/kosten-van-beleggen/index.html>; “Wat kost beleggen?”, <https://www.ing.nl/particulier/beleggen/leren-beleggen/kosten-beleggen/index.html> (last viewed 30 September 2018).

of the profits made by the customer. These fees are covering costs by the bank and a source of income for the bank.¹²¹

4.2.3 Investment funds to Australian ING customers

As an illustration of how ING offers investment services worldwide through its subsidiaries abroad, this report looked at the investment services offered by ING Australia. The research for this report analysed the personal retirement provision (“superannuation” or “Living Super”) offered by ING Australia.¹²² When investing in the retirement provision (“superannuation” or “Living Super”) the customers of ING Australia can choose from a list of investment funds that is available on the bank’s website. None of the investment strategies and investment information made available relates to sustainability strategies. Nor was there information about the risks from these funds related to impacts on the environment, climate or society.

The online list of investment funds for the retirement provision, was used for analysis for this report (see section 4.2.6.).

4.2.4 Investment funds with four highlighted palm oil companies

The investment services offered by ING in the Netherlands¹²³ and in Australia¹²⁴ include investment funds with shares in four palm oil companies that are highlighted in this report as an example of the structural social and environmental problems in the palm oil production industry.

ING Netherlands

- In the Netherlands, ING offered eighteen (18) investment funds with shares in Wilmar International.
- The investment funds on offer by ING in the Netherlands included shares in different Salim Group subsidiaries (First Pacific, Indofood Sukses Makmur, Indofood Agri Resources, Salim Ivomas Pratama and PT PP London Sumatra Indonesia).
 - First Pacific’s shares were included in sixteen (16) investment funds offered by ING in the Netherlands
 - The shares in subsidiary Indofood Sukses Makmur were included in ten (10) investment funds offered by ING in the Netherlands

121 ING, “Tarieven van beleggen”, ibidem: The costs of the fund managers are deduced from the profits of the investment funds as mentioned in ING, “Kosten van fondsbeheerders” <https://www.ing.nl/particulier/beleggen/beginnen-met-beleggen/tarieven/kosten-van-de-fondsbeheerders/index.html> (last viewed 30 September 2018).

122 ING (Australia), “Living Super”, no date, <https://www.ing.com.au/superannuation/living-super.html> (viewed 15 June 2018), and ING (Australia), “Shares, ETFs and LICs”, no date, <https://www.ing.com.au/superannuation/tips-hints-guides/shares-etfs-lics.html> (last viewed 30 September 2018).

123 The document “ING_bevoorschotting-fondsen_tcm162-40834” could be viewed on internet at https://www.ing.nl/media/ING_bevoorschotting-fondsen_tcm162-40834.pdf until 15 May 2018 and was not available any more thereafter: it includes information about the “bevoorschottingspercentage vanaf 3-11-2017”.

124 The list was part of retirement services by: ING (Australia), “Living Super”, ibidem.

- Shares in Salim subsidiary Indofood Agri Resources were included in one (1) investment fund offered by ING in the Netherlands
- Shares in Salim Ivomas Pratama were included in two (2) investment funds in the Netherlands
- Shares in Salim subsidiary PT PP London Sumatra Indonesia were included in two (2) investment funds offered by ING in the Netherlands
- ING offered two (2) investment funds in the Netherlands with shares of First Resources.
- In the Netherlands, ING offered nineteen (19) investment funds with shares in Golden Agri-Resources.

Table 3 Shares of highlighted palm oil companies in investment funds offered by ING Netherlands

Wilmar	Salim	First Resources	Golden Agri-Resources
BlackRock Global Allocation Fund, Inc.	First Pacific	VanEck Vectors Indonesia Index ETF	DB X-Trackers MSCI World Index UCITS ETF
DB X-Trackers MSCI World Index UCITS ETF	DB X-Trackers MSCI World Index UCITS ETF	Vanguard Global Small-Cap Index Fund	db x-trackers MSCI World Index UCITS ETF (DR)
db x-trackers MSCI World Index UCITS ETF (DR)	Hof Hoorneman China Value Fund		HSBC MSCI Pacific ex Japan UCITS ETF
HSBC MSCI Pacific ex Japan UCITS ETF	HSBC MSCI Pacific ex Japan UCITS ETF		iShares MSCI Pacific ex Japan UCITS ETF (Acc)
iShares MSCI Pacific ex Japan UCITS ETF (Acc)	iShares MSCI Pacific ex Japan UCITS ETF (Acc)		Robeco Asia-Pacific Equities
SNS Azie Aandelenfonds	SNS Azie Aandelenfonds		Robeco Emerging Markets Equities
SNS Profiel Geel	SNS Profiel Geel		SNS Azie Aandelenfonds
SNS Profiel Oranje	SNS Profiel Oranje		SNS Profiel Geel
SNS Profiel Paars	SNS Profiel Paars		SNS Profiel Oranje
SNS Profiel Rood	SNS Profiel Rood		SNS Profiel Paars
UBS ETF MSCI Pacific (ex Japan) UCITS ETF	SPDR MSCI World Financials UCITS ETF		SNS Profiel Rood
UBS ETF MSCI World UCITS ETF	UBS ETF MSCI Pacific (ex Japan) UCITS ETF		UBS ETF MSCI Pacific (ex Japan) UCITS ETF
UBS ETF MSCI Pacific (ex Japan) UCITS ETF	UBS ETF MSCI World UCITS ETF		UBS ETF MSCI World UCITS ETF
UBS ETF MSCI World UCITS ETF	VanEck Vectors Indonesia Index ETF		VanEck Vectors Africa Index ETF
VanEck Vectors Agribusiness ETF	Vanguard FTSE All-World UCITS ETF		VanEck Vectors Agribusiness ETF

continued on the next page ◉

Wilmar	Salim	First Resources	Golden Agri-Resources
Vanguard FTSE All-World UCITS ETF	Vanguard Global Stock Index Fund		VanEck Vectors Indonesia Index ETF
Vanguard Global Stock Index Fund	Vanguard Pacific Ex-Japan Stock Index Fund		Vanguard FTSE All-World UCITS ETF
Vanguard Pacific Ex-Japan Stock Index Fund	Indofood Sukses Makmur		Vanguard Global Stock Index Fund
	iShares Core MSCI Emerging Markets ETF		Vanguard Pacific Ex-Japan Stock Index Fund
	iShares MSCI ACWI ETF		
	iShares MSCI EM Asia UCITS ETF		
	iShares MSCI Emerging Markets ETF		
	iShares MSCI Indonesia ETF		
	PARVEST Equity Indonesia		
	Pictet-Emerging Markets Index		
	VanEck Vectors Indonesia Index ETF		
	Vanguard FTSE All-World UCITS ETF		
	Vanguard FTSE Emerging Markets UCITS ETF		
	Indofood Agri Resources		
	Vanguard Global Small-Cap Index Fund		
	Salim Ivomas Pratama		
	iShares Core MSCI Emerging Markets ETF		
	iShares MSCI Indonesia ETF		
	PT PP London Sumatra		
	iShares Core MSCI Emerging Markets ETF		
	iShares MSCI Indonesia ETF		

ING Australia

- ❑ ING Australia offered at least six (6) investment funds with shares in Wilmar International
- ❑ The investment funds on offer by ING Australia included shares in different Salim Group subsidiaries (First Pacific, Indofood Sukses Makmur, Indofood Agri Resources, Salim Ivomas Pratama and PT PP London Sumatra Indonesia) as follows.
 - First Pacific’s shares were included in five (5) investment funds offered in Australia.
 - The shares in subsidiary Indofood Sukses Makmur were included in four (4) investment funds offered in Australia.
 - Shares in Salim Ivomas Pratama were included in one (1) investment fund offered by ING Australia
 - Shares in Salim subsidiary PT PP London Sumatra Indonesia were included in, and one (1) investment fund offered in Australia.
- ❑ ING Australia offered one (1) investment fund with shares in First Resources.
- ❑ ING Australia offered four (4) investment funds with shares in Golden Agri-Resources.

Table 4 Shares of highlighted palm oil companies in investment funds offered by ING Australia

Wilmar	Salim	First Resources	Golden Agri-Resources
iShares Edge MSCI World Minimum Volatility ETF	First Pacific	Betashares Global Agriculture ETF-Currency Hedged	Betashares Global Agriculture ETF-Currency Hedged
iShares Edge MSCI World Multifactor ETF	iShares Edge MSCI World Multifactor ETF		iShares MSCI EAFE ETF
iShares MSCI EAFE ETF	iShares MSCI EAFE ETF		Vanguard FTSE Asia Ex-Japan Shares Index ETF
UBS IQ MSCI World ex Australia Ethical ETF	iShares MSCI Hong Kong ETF		Vanguard MSCI Index International Shares ETF
Vanguard FTSE Asia Ex-Japan Shares Index ETF	Vanguard FTSE Asia Ex-Japan Shares Index ETF		
Vanguard MSCI Index International Shares ETF	Vanguard MSCI Index International Shares ETF		
	Indofood Sukses Makmur		
	iShares MSCI Emerging Markets ETF		
	SPDR S&P Emerging Markets		
	Vanguard FTSE Asia Ex-Japan Shares Index ETF		
	Vanguard FTSE Emerging Markets Shares ETF AUD		
	Salim Ivomas Pratama		
	Vanguard FTSE Emerging Markets Shares ETF AUD		
	PT PP London Sumatra		
	Vanguard FTSE Emerging Markets Shares ETF AUD		

4.2.5 Full list of investment funds with palm oil company shares to Dutch customers

For this report, the research screened an ING list with various investment assets that include the pool of investment funds from which ING selects its various investment services. The ING list of investment assets (“ING bevoorschotting fondsen”, dated 3 November 2017)¹²⁵ is not a list that ING normally and transparently puts on its website but was available on the internet until 15 May 2018. This list had to be used for this research since ING does not reveal which funds are part of its investment services to individual customers before entering into an investment relationship with ING (except when opting for ‘sustainable’ investment funds).

An analysis of this list provides an insight into how far shares of the 81 palm oil companies selected for this report are part of the investment portfolio that ING offers to both the ING customers who decide themselves what to invest in, and those who require ING to manage their investments.

The screened list reveals that ING used eighty-five (85) investment funds for its investment services offered in the Netherlands, which include shares in palm oil companies selected for this report.

Funds offered by ING in the Netherlands and identified as including shares in selected palm oil companies¹²⁶

1	Aberdeen World Equity Fund	17	HSBC MSCI Pacific ex Japan UCITS ETF
2	ABN AMRO Multi Manager Profile 3	18	INVESCO Asia Balanced Fund
3	Amundi ETF MSCI Japan UCITS ETF DR	19	Investec Global Strategic Equity Fund
4	BlackRock Asian Dragon Fund	20	iShares Core MSCI Emerging Markets ETF
5	BlackRock Global Allocation Fund, Inc.	21	iShares Global Materials ETF
6	BNP Paribas Asia Pacific High Income Equity Fund	22	iShares MSCI ACWI ETF
7	Carmignac Emergents	23	iShares MSCI EM Asia UCITS ETF
8	DB Platinum CROCI Sectors Fund	24	iShares MSCI Emerging Markets ETF
9	DB X-Trackers MSCI World Index UCITS ETF	25	iShares MSCI EMU UCITS ETF
10	db x-trackers MSCI World Index UCITS ETF (DR)	26	iShares MSCI Europe ex-UK UCITS ETF
11	db x-trackers Nikkei 225 UCITS ETF (DR)	27	iShares MSCI Europe UCITS ETF (Acc)
12	Deutsche Invest I Top Asia	28	iShares MSCI Europe UCITS ETF (Inc)
13	First Eagle Amundi International Fund	29	iShares MSCI Eurozone ETF
14	Goldman Sachs N-11 Equity Fund	30	iShares MSCI France ETF
15	Hof Hoorneman China Value Fund	31	iShares MSCI France UCITS ETF
16	HSBC Japan Index Fund	32	iShares MSCI Indonesia ETF

125 The document “ING_bevoorschotting-fondsen_tcm162-40834.pdf”, dated 3 November 2017, could be viewed by SOMO on the internet via a search engine at https://www.ing.nl/media/ING_bevoorschotting-fondsen_tcm162-40834.pdf until 15 May 2018 and was not available any more thereafter: it only mentions “bevoorschottingspercentage vanaf 3-11-2017”.

126 See also Methodology (Chapter 2): Based on screening of investment funds that include shares in the palm oil companies through database consulted between 5 and 19 April 2018, and on “ING_bevoorschotting-fondsen_tcm162-40834.pdf”, 3 November 2017, https://www.ing.nl/media/ING_bevoorschotting-fondsen_tcm162-40834.pdf (viewed until 15 May (2018)).

33	iShares MSCI Japan B UCITS ETF (Acc)	60	SNS Profiel Geel
34	iShares MSCI Japan ETF	61	SNS Profiel Oranje
35	iShares MSCI Japan EUR Hedged UCITS ETF	62	SNS Profiel Paars
36	iShares MSCI Korea UCITS ETF	63	SNS Profiel Rood
37	iShares MSCI Malaysia ETF	64	SNS Wereld Aandelenfonds
38	iShares MSCI Pacific ex Japan UCITS ETF (Acc)	65	SPDR MSCI ACWI IMI ETF
39	iShares MSCI World ETF	66	SPDR MSCI World Financials UCITS ETF
40	iShares Nikkei 225 UCITS ETF	67	SPDR MSCI World Industrials UCITS ETF
41	JOHCM Global Select Fund	68	Templeton Asian Growth Fund
42	JPMorgan Asia Growth Fund	69	UBS ETF MSCI Japan UCITS ETF
43	JPMorgan Emerging Markets Equity Fund	70	UBS ETF MSCI Pacific (ex Japan) UCITS ETF
44	Kempen Global High Dividend Fund N.V.R	71	UBS ETF MSCI World UCITS ETF
45	Parvest Equity High Dividend Pacific	72	VanEck Vectors Africa Index ETF
46	PARVEST Equity Indonesia	73	VanEck Vectors Agribusiness ETF
47	Pictet-Emerging Markets Index	74	VanEck Vectors Indonesia Index ETF
48	Pictet-Global Megatrend Selection-P EUR	75	VanEck Vectors Vietnam ETF
49	Robeco Asia-Pacific Equities	76	Vanguard FTSE All-World UCITS ETF
50	Robeco BP Global Premium Equities	77	Vanguard FTSE Developed Europe UCITS ETF
51	Robeco Emerging Markets Equities	78	Vanguard FTSE Emerging Markets UCITS ETF
52	Robeco Emerging Stars Equities	79	Vanguard FTSE Japan UCITS ETF
53	Robeco Global Conservative Equities Fund	80	Vanguard Global Small-Cap Index Fund
54	SNS Azie Aandelenfonds	81	Vanguard Global Stock Index Fund
55	SNS Optimaal Blauw	82	Vanguard Japan Stock Index Fund
56	SNS Optimaal Geel	83	Vanguard Pacific Ex-Japan Stock Index Fund
57	SNS Optimaal Oranje	84	Vanguard SRI Global Stock Fund
58	SNS Optimaal Paars	85	Voya Global Equity Dividend Fund
59	SNS Optimaal Rood		

4.2.6 List of Investment funds offered to Australian ING customers

In Australia¹²⁷, ING investment services offer to individual customers who want to invest in a personal retirement provision (“superannuation” or “Living Super”) an online choice of investment funds.¹²⁸ This report identified sixteen (16) investment funds that ING Australia offered to its customers, and include shares in the selected palm oil companies.¹²⁹

127 ING (Australia), “Living Super”, *ibidem*.

128 ING Bank (Australia), “Shares, ETFs and LICs”, 1 September 2017, <https://www.ing.com.au/pdf/superannuation/Shares ETFs LICs.pdf> (viewed 14 May 2018 and 15 June 2018).

129 The identification of which palm oil companies were invested in which funds was carried out from 5 to 19 April 2018, as described in the Methodology (Chapter 2).

Funds offered for superannuation by ING Australia and identified as containing shares of selected palm oil companies

1	Betashares Global Agriculture ETF-Currency Hedged	1	SPDR S&P Emerging Markets
2	iShares Asia 50 ETF	2	UBS IQ MSCI Asia APEX 50 Ethical ETF
3	iShares Edge MSCI World Minimum Volatility ETF	3	UBS IQ MSCI Europe Ethical ETF
4	iShares Edge MSCI World Multifactor ETF	4	UBS IQ MSCI Japan Ethical ETF
5	iShares MSCI EAFE ETF	5	UBS IQ MSCI World ex Australia Ethical ETF
6	iShares MSCI Emerging Markets ETF	6	Vanguard FTSE Asia Ex-Japan Shares Index ETF
7	iShares MSCI Hong Kong ETF	7	Vanguard FTSE Emerging Markets Shares ETF AUD
8	iShares MSCI Japan ETF	8	Vanguard MSCI Index International Shares ETF

According to ING, the inclusion of companies that are invested in the funds offered through investment management services in non-Dutch subsidiaries change continuously because these are managed to have volatile (i.e. changing) portfolios¹³⁰ in order to provide maximum financial return.

4.2.7 Focus on some particular investment funds to Dutch and Australian customers

For this report, the research was able to gain an insight into the investment funds that ING selects and manages for some of the different investment strategies. One fund that was being managed for Dutch customers under the investment strategy "index" with the profile 'offensive' on 30 April 2018¹³¹, as well as under the investment profile 'neutral' on 4 July 2018¹³², was the investment fund "Vanguard Pacific Ex-Japan Stock Index Fund".

This **Vanguard Pacific Ex-Japan Stock Index Fund** included shares in four (4) palm oil companies selected for this report:

- ▣ Wilmar International
- ▣ First Pacific
- ▣ Golden Agri-Resources
- ▣ Jardine Matheson Holdings

To give a better insight into how the retirement investment services offered by ING Australia include shares in selected palm oil companies, research for this report screened the investment funds on offer to ING Australia customers in May 2018. The research found that the investment fund **iShares MSCI Emerging Markets ETF** included shares in thirteen (13) of the palm oil companies selected for

130 R. van Zalingen, Issue Manager - ING Sustainability, ING comment on review document of draft SOMO research results, email, 9 July 2018.

131 ING Investment Office, "Beleggingsstrategie Index – Rendementstoelichting", 10 May 2018 (not available on line): relates to "beleggingsprofiel Offensief" .

132 ING Investment Office, Beleggingsstrategie Index – Rendementstoelichting, 4 July 2018 (not available on line): relates to "beleggingsprofiel Neutraal".

this report. The investment fund **iShares MSCI EAFE ETF** included six (6) shares in selected palm oil companies, and **UBS IQ MSCI Japan Ethical ETF** included one (1) selected palm oil company shares.

Investment funds offered for the retirement (“superannuation”) service by ING Australia and identified as containing shares in selected palm oil companies¹³³

iShares MSCI Emerging Markets ETF

1	Astra International	8	OI Corporation
2	Felda Global Ventures	9	Kuala Lumpur Kepong
3	Genting Bhd	10	POSCO
4	Genting Plantations	11	POSCO Daewoo
5	Hap Seng Consolidated	12	Sime Darby
6	IJM Corporation	13	Sime Darby Plantation
7	Indofood Sukses Makmur		

Investment funds offered for the retirement (“superannuation”) service by ING Australia and identified as including shares in selected palm oil companies¹³⁴

iShares MSCI EAFE ETF

1	Bollere SA
2	First Pacific
3	Golden Agri-Resources
4	Itochu Corp
5	Jardine Matheson Holdings
6	Wilmar International

Investment funds offered for the superannuation service by ING Australia and identified as containing shares in selected palm oil companies¹³⁵

UBS IQ MSCI Japan Ethical ETF

1	Itochu Corp
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133 See above for the list of investment funds used.

134 See above for the list of investment funds used.

135 See above for the list of investment funds used.

4.2.8 Sustainable investment policy of ING

General sustainability policy

ING's general sustainability policy is included in many sustainability documents¹³⁶ and related to various aspects of the bank's financial activities in the different areas and sectors in which it operates. ING often states that all services are subject to its sustainability policy as described in these sustainability documents.¹³⁷

However, not all of the sustainability policies apply to ING's investment services. Under ING's environmental and social risk policy (ESR policy)¹³⁸, the Policy for Forestry and Agro-commodities sector only "applies to all products and services offered by ING to entities operating in the forestry and agro-commodities sector".¹³⁹ This basically means that the Policy for Forestry and Agro-commodities, which includes the palm oil sector, applies only to financing (loans etc..) offered to clients – i.e. the companies, in that sector. This Policy for Forestry and Agro-commodities does not apply to the investment services.

Investment services policy

ING's overall investment policy can be deduced from the ING document about its investment policy ("beleggingsbeleid"),¹⁴⁰ the monthly newsletter (ING Maandbericht Beleggen)¹⁴¹ and monthly reporting for each of the investment strategies.¹⁴² Sustainability issues and reports are covered in the information about sustainable investment in general and sustainability options.¹⁴³

ING formulates its objective as an optimal balance between financial risk of losses and profit for its customers, while balancing the return, risks and costs.¹⁴⁴ The risk assessment is outsourced to data- and software services.¹⁴⁵ The companies whose shares are selected for the investment funds, and the

136 See for instance information available on the ING webpages: https://www.ing.nl/de-ing/over-de-ing/duurzaam-ondernemen/onze-standpunten/onze_standpunten.html; <https://www.ing.com/ING-in-Society/Sustainability/Our-Stance.htm>; <https://www.ing.com/ING-in-society/Sustainability/Our-Stance/Human-rights.htm>; <https://www.ing.nl/de-ing/over-de-ing/duurzaam-ondernemen/onze-standpunten/palmolie/index.html>; [https://www.ing.nl/de-ing/over-de-ing/duurzaam-ondernemen/index.html](https://www.ing.nl/de-ing/over-de-ing/duurzaam-ondernemen/duurzaam-bankieren/index.html); <https://www.ing.nl/de-ing/over-de-ing/duurzaam-ondernemen/index.html>; <https://www.ing.com/ING-in-society/Sustainability/Sustainable-business/Environmental-and-social-risk-policies.htm>; <https://www.ing.com/ING-in-society/Sustainability/The-world-around-us-1.htm> ((re)viewed on 15 June 2018).

137 Ibidem.

138 ING, "ING environmental and social risk framework", ibidem.

139 Idem, p. 22.

140 ING Investment Office, "Het beleggingsbeleid van ING", 2 January 2018, p. [5], https://www.ing.nl/media/ING_het-beleggingsbeleid-van-ING_02012018_tcm162-83156.pdf (viewed 15 June 2019).

141 It is published on the website: ING, "Beursnieuws", <https://www.ing.nl/particulier/beleggen/beursnieuws-en-actualiteit/index.html>.

142 See for instance: ING Investment Office, "Beleggingsstrategie Actueel – Rendementstoelichting", 9 May 2018, (not available online).

143 ING, "Duurzaam beleggen", ibidem.

144 ING Investment Office, "Het beleggingsbeleid van ING", ibidem, p. [4].

145 Idem: FactSet, Morningstar and Bloomberg are used.

management of the funds, is left to outside fund managers.¹⁴⁶ ING mainstream investment services do very little to no screening of the companies involved in the funds. It is unlikely that ING applies its environmental procurement policy to the outside fund managers and outsourced specialised risk assessment services. No information was found within the scope of this report about what conditions and criteria are included in the contracts between ING and fund managers or specialised financial services providers of mainstream investment funds.

Sustainability policy for investment services

Regarding sustainability aspects of investment services, ING maintains that its ESR policies “are applicable to all of our products and services”, including “corporate loans, project finance, investments for own account (e.g. bonds issuance), and asset management/private banking services worldwide”.¹⁴⁷ Nonetheless, “the approach and scope of application differs based on the nature of the service provided.”¹⁴⁸ “In some cases (such as non-lending or retail services), the application of the ESR Framework might be more simplified but will follow the rational inherent in the ESR Framework”.¹⁴⁹ For mainstream investment services, the basic stated policy is that ING excludes restricted companies from the investment options for all ING investing customers in the Netherlands, including for those experienced investors who make their own investment decisions. Tobacco companies, cluster munition companies, companies that breach the Global Compact and other restricted companies are excluded when investment management services are provided by ING according to an ING spokesperson.¹⁵⁰

For those customers who opt to invest in ING’s ‘sustainable’ investment funds rather than mainstream investment funds, stricter sustainability criteria and more limitations apply as designed by ING and explained on the company’s website.¹⁵¹ Individual customers who decide themselves to invest in sustainable investment funds offered by ING have information about ING’s sustainability criteria via its website. Specific information about the effective social and/or environmental impact of the investment funds was not available at the time of writing.¹⁵²

146 They include BlackRock and Vanguard, BNP Paribas Investment Partners, NN IP, Robeco, Fidelity, Deutsche Bank, UBS, which create and provide investment funds that ING offers.

147 ING, “Our stance”, *ibidem*: Note that the following quote has been removed from the ING website after the document to review the draft research results was submitted to ING: “[o]ne thing is for sure: the investments of ING comply with our norms for social and environmental policies”. These social and environmental policies refer to the ING environmental and social risk policies (ESR policies) that “are applicable to all of our products and services, including corporate loans, project finance, investments for own account (e.g. bonds issuance), and asset management/private banking services worldwide”.

148 ING, “ING environmental and social risk framework”, *ibidem*, p. 4; R. van Zalingen, *idem*.

149 ING, “ING environmental and social risk framework”, *ibidem*, p. 4.

150 *Idem*, p. 8; R. van Zalingen, *idem*.

151 ING, “Hoe beleg je duurzaam”, no date, <https://www.ing.nl/particulier/beleggen/duurzaam-beleggen/hoekunt-u-duurzaam-beleggen.html> (viewed 15 June 2018); ING, “Maak het verschil Start met duurzaam beleggen”, no date, <https://www.ing.nl/particulier/beleggen/duurzaam-beleggen/index.html> (last viewed 30 September 2018): the website is regularly being updated.

152 ING, “Hoe beleg je duurzaam”, *ibidem*: click on list of “duurzame fondsen”: each of the funds provides information about the top ten companies in which the fund invests in and in what activities the fund invests in, but not about concrete social and environmental or climate impacts that can be measured.

"All ING Bank entities, representative offices and companies that are under ING control are bound to uphold ING policies in all countries where ING does business"¹⁵³, including Australia.

4.2.9 Conclusion

From the pool of investment funds used for ING's investment services in the Netherlands, eighty-five (85) investment funds contained shares in the palm oil companies selected for this research. ING Australia's retirement services included sixteen (16) investment funds with shares in selected palm oil companies. The report exposes that the investment services for individual customers in the Netherlands and in Australia included a range of investment funds with shares in four highlighted palm oil companies that have a record of misconduct. This report has identified that a sample of investment funds used in the investment services that ING offers in the Netherlands and Australia included shares in at least 21 of the 81 palm oil companies selected for this report.

ING investment services are not transparent to potential individual investors regarding which investment funds are included in the ING investment management services in the Netherlands. This means that ING has a responsibility for the selection of the investment funds on offer, as well as for managing the investments for its customers after investing. Once investing, individual investors receive regular reports that list the investment funds. However, the information is limited, with a focus on the profitability of the funds. Hardly any information is provided in these reports about the companies that are included in the investment funds. No information is provided about the sustainability impact of (the companies in) the mainstream investment funds. The exceptions are the investment funds offered online, which are categorised as 'sustainable' and subject to publicly available sustainability criteria, as designed by the bank. They do not have ESG impact assessments. The investment services for retirement offered by ING Australia list online which investment funds can be chosen by customers, with no sustainability information available.

Overall, ING investment services focus on the best return on investment while taking into account the financial risks the customer can or is willing to take. ING investment services do no screening of the individual companies involved in the mainstream investment funds and rely on the fund managers to do this. No information was found within the scope of this report regarding what sustainability criteria are included in the contracts between ING with the outside fund managers. The environmental and social risk policy and specifically the Policy for Forestry and Agro-commodities, which includes the palm oil sector, is only applicable to financing (loans etc.) to palm oil companies. In other words, ING does not have a palm oil policy that is applied to the investment funds that are part of the mainstream investment services for ING's customers either in the Netherlands or in Australia.

The sustainability policy applied for the mainstream investment services by ING is limited to excluding a series of companies, such as those that breach the UN's Global Compact or are in controversial sectors (e.g. tobacco). This means that ING has an important responsibility regarding how the investment funds are included in the bank's investment services and therefore also to know

153 ING, "Our Stance", *ibidem*.

what social and environmental impact any investment in those funds might have. However, given the bank's very limited sustainability policies or ESG criteria applied to its investment management services, it has low-quality instruments to take responsibility for the sustainable impact of its mainstream investment services.

4.3 Rabobank investment services

The analysis of Rabobank's investment services only covers the Netherlands. Rabobank does not offer these services to its subsidiaries abroad.

4.3.1 Investment services to individual customers

Dutch individual and private banking investment customers of Rabobank can opt for the following two kind of investment services that relate to investment funds:

- The bank as **broker** ("zelf beleggen")¹⁵⁴: Experienced customers decide themselves what to invest in based on what Rabobank offers, including a list of funds selected by Rabobank, called "Assortiment Beleggingsfondsen & Trackers (ETF)" (dated 1 August 2017).¹⁵⁵

Rabobank is responsible for selecting the investment funds from which the customers can choose and decide to invest in. The list "Assortiment Beleggingsfondsen & Trackers (ETF)" was used for the research of this report (see section 4.3.4.).

- The bank as **investment manager** ("beheerd beleggen")¹⁵⁶: Customers outsource their investment to Rabobank's investment advice and management services.¹⁵⁷ The bank provides different options and advises customers from which different strategies to choose from: "Rabo Beheerd Beleggen Basis", "Rabo Beheerd Beleggen Actief".¹⁵⁸ Customers can also opt for a 'sustainable investment' strategy, "Rabo Beheerd Beleggen Actief Duurzaam", which includes investing in investment funds based on Rabobank's sustainability principles that are broadly explained on the banks' website.¹⁵⁹

154 Rabobank, "Beleggen in beleggingsfondsen", no date, <https://www.rabobank.nl/particulieren/beleggen/rabo-zelf-beleggen/beleggingsfondsen/> (viewed 8 June and 15 June 2018).

155 Rabobank, "Assortiment Beleggingsfondsen & Trackers (ETF)", 1 August 2017, https://www.rabobank.nl/images/assortiment-beleggingsfondsen_29764095.pdf (viewed and reviewed for screening between February and 15 June 2018).

156 Rabobank, "Rabo Beheerd Beleggen", no date, <https://www.rabobank.nl/particulieren/beleggen/rabo-beheerd-beleggen/> (viewed 8 June and 15 June 2018).

157 See also: Rabobank, "Beleggingsvormen", no date, <https://www.rabobank.nl/particulieren/beleggen/beleggingsvormen/> (viewed 8 June and 15 June 2018).

158 Idem: when viewed again on 18 September 2018, the presentation of the investment choices "Rabo Toekomst" and "Individueel Vermogensbeheer" did not appear directly any more.

159 Rabobank, "Rabo Beheerd Beleggen Actief Duurzaam", no date, <https://www.rabobank.nl/particulieren/beleggen/rabo-beheerd-beleggen/rabo-beheerd-beleggen-actief-duurzaam/> (viewed 8 June 2018, reviewed 18 September 2018).

Through the different risk ‘profiles’, customers have to indicate the financial risk they want and can take: from ‘very offensive’ (financially risky) to ‘very defensive’ (financially less risky). Customers with a very defensive risk profile have only up to 20 per cent shares in their managed investments, while customers with a very offensive risk profile have up to 100 per cent shares in their managed investments.¹⁶⁰ These shareholdings are indications of the composition of the investment funds.¹⁶¹

The bank is responsible for offering the diverse options, and for deciding which investment funds or other investment assets are included in the managed investments according to the individual customers’ choices.

The composition of each managed investment per customers’ choice was not publicly available online and could not be analysed for this report.

4.3.2 Information to individual customers

Once experienced customers are selecting themselves what investment fund to invest in, Rabobank provides some more standard information about each of the investment funds on offer, e.g. relating to the profitability and the financial risks. Rabobank gives information about the name of the companies of the top 10 shareholdings in each fund via a link to the online fund information platform Morningstar, according to a bank spokesperson.¹⁶² Investors themselves can check information about the full list of companies in investment funds on the websites of the fund managers.¹⁶³ A bank spokesperson explained that the experienced customers (who opt for “zelf beleggen”) can see on the bank’s website by a green indicator (“groen vinkje”) whether the fund is compatible with the Rabobank criteria regarding responsible investments.¹⁶⁴

For individual customers who rely on Rabobank’s investment management services (“beheerd beleggen”), Rabobank has not published online¹⁶⁵ the investment funds used for each of the various options in its investment services. Once the investment service is carried out, Rabobank customers can view the names of the funds in which Rabobank has invested on their behalf, according to the bank’s spokesperson.¹⁶⁶ While information about the financial return is readily available, the bank provides no information beyond the sustainability flagging what the actual social and environment impact is of the companies whose shares are included in the investment funds on offer (see below for more information about the sustainability policy for Rabobank’s investment services).

160 Idem: see “Uw doel en uw looptijd als uitgangspunt”.

161 Idem: see “Rabo Beheerd Beleggen Actief presteert boven de benchmark” which refers to the investment fund management by Rabobank on the same webpage as explaining what shares are included in which risk profile.

162 www.morningstar.com; (viewed 23 July 2018). Biermans, Head of Sustainability Policy, Rabobank comment on review document with draft SOMO research results, email, 23 July 2018.

163 M. Biermans, idem.

164 M. Biermans, idem.

165 Rabobank, “Rabo Beheerd Beleggen”, ibidem.

166 M. Biermans, idem.

Individual customers get an overview of the costs of the different investment services.¹⁶⁷ Customers have to pay minimum fees and variable fees as a percentage of the money invested. The costs paid to the bank are independent of the profits made by the customer. These fees are a source of income for the bank.

4.3.3 Investment funds with four highlighted palm oil companies

For experienced investors who select and decide what to invest in, Rabobank offers a list of investment funds online to choose from.¹⁶⁸ The investment funds in this list are also included in Rabobank's various investment services.

To illustrate how Rabobank's investment services are linked with the structural problems in the industrial palm oil sector, the online 10-page list (dated 1 August 2017) was screened for this report to find out whether the investment funds included shares of palm oil companies which this report highlights as example of the industry's social and environmental harmful impacts.

- Rabobank's list of published investment funds included thirteen (13) investment funds with shares in Wilmar International.
- Investment funds offered by Rabobank include shares in different subsidiaries of the Salim conglomerate, namely:
 - Ten (10) investment funds include shares in First Pacific
 - Eight (8) investment funds include shares in Indofood Sukses Makmur
 - Two (2) investment funds include shares in Indofood Agri Resources
 - One (1) investment fund includes shares in Salim Ivomas Pratama
 - Two (2) investment funds include shares in PT PP London Sumatra Indonesia
- Rabobank offered nine (9) investment funds that included in shares of First Resources
- Rabobank offered eleven (11) investment funds that include shares in Golden Agri-Resources

167 Rabobank, "Beleggen bij de Rabobank - Tarieven", (regularly updated), https://www.rabobank.nl/images/tarieven-beleggen-bij-de-rabobank_29409753.pdf (last viewed 30 September 2018).

168 The list is called "Assortiment Beleggingsfondsen & Trackers (ETF)" and dated 1 August 2017: it was viewed and reviewed for screening between February and 15 June 2018 on the following webpage the: https://www.rabobank.nl/images/assortiment-beleggingsfondsen_29764095.pdf.

Table 4 Shares of highlighted palm oil companies in investment funds offered by Rabobank

Wilmar	Salim	First Resources	Golden Agri-Resources
ACTIAM Verantwoord Index Aandelenfonds Pacific	First Pacific	Amundi Funds Equity Global Agriculture	ACTIAM Verantwoord Index Aandelenfonds Pacific
BGF Global Allocation Fund	ACTIAM Verantwoord Index Aandelenfonds Pacific	Fidelity Funds – Asia Focus Fund	iShares Edge MSCI World Size Factor UCITS ETF
BGF Global Dynamic Equity Fund	iShares Edge MSCI World Multifactor UCITS ETF	Fidelity Funds – Asian Smaller Companies	iShares Edge MSCI World Value Factor UCITS ETF
Fidelity Funds Singapore Fund	iShares Edge MSCI World Size Factor UCITS ETF	Fidelity Funds Indonesia Fund	iShares MSCI AC Far East ex-Japan UCITS ETF
iShares Edge MSCI World Multifactor UCITS ETF	iShares Edge MSCI World Value Factor UCITS ETF	Fidelity Funds Singapore Fund	iShares MSCI World UCITS ETF (Inc)
iShares Edge MSCI World Value Factor UCITS ETF	iShares MSCI AC Far East ex-Japan UCITS ETF	NN (L) Emerging Markets High Dividend	Northern Trust World Custom Esg Equity Index UCITS FGR Feeder
iShares MSCI AC Far East ex-Japan UCITS ETF	iShares MSCI World UCITS ETF (Inc)	Schroder ISF Global Emerging Markets Smaller Companies	Robeco Asia-Pacific Equities
iShares MSCI World UCITS ETF (Inc)	Northern Trust World Custom ESG Equity Index UCITS FGR Feeder	Schroder ISF Global Smaller companies	Robeco Emerging Markets Equities
Northern Trust World Custom ESG Equity Index UCITS FGR Feeder	SPDR MSCI World Financials UCITS ETF	Vanguard Global Small-Cap Index Fund	SPDR MSCI World Consumer Staples UCITS ETF
SPDR MSCI World Consumer Staples UCITS ETF	Vanguard Global Stock Index Fund		Vanguard Global Stock Index Fund
Vanguard FTSE All-World High Dividend Yield UCITS ETF	Vanguard Pacific Ex-Japan Stock Index Fund		Vanguard Pacific Ex-Japan Stock Index Fund
Vanguard Global Stock Index Fund	Indofood Sukses Makmur		
Vanguard Pacific Ex-Japan Stock Index Fund	Fidelity Funds Indonesia Fund		
	iShares Core MSCI Emerging Markets IMI UCITS ETF		
	iShares MSCI AC Far East ex-Japan UCITS ETF		
	iShares MSCI Emerging Mrkts UCITS ETF (Inc)		
	PARVEST Equity Indonesia		
	Vanguard Emerging Markets Stock Index Fund (US)		
	Vanguard Emerging Markets Stock Index Fund-EUR		
	Vanguard FTSE All-World High Dividend Yield UCITS ETF		

continued on the next page ◉

Wilmar	Salim	First Resources	Golden Agri-Resources
	Indofood Agri Resources		
	BGF Global SmallCap Fund		
	Vanguard Global Small-Cap Index Fund		
	Salim Ivomas Pratama		
	Vanguard Emerging Markets Stock Index Fund (US)		
	PT PP London Sumatra		
	iShares Core MSCI Emerging Markets IMI UCITS ETF		
	Vanguard Emerging Markets Stock Index Fund (US)		

4.3.4 Full list of investment funds with shares in palm oil companies

The mentioned online 10 page investment fund list (dated 1 August 2017) with 479 funds¹⁶⁹ was screened to find out whether it includes investment funds with at least one of the selected shares in the 81 selected palm oil companies. Rabobank does not publish information about all the companies whose shares are included in the listed investment funds. Some of these investment funds are also part of Rabobank’s investment management services.

Sixty-one (61) investment funds offered by Rabobank have been identified as including shares in the palm oil companies selected for this report. These sixty-one funds represent 13 percent of the investment funds offered online, and are listed in the following list.

Funds offered by Rabobank¹⁷⁰ with shares in palm oil companies

1	Aberdeen Global – Asia Pacific Equity Fund
2	ACTIAM Verantwoord Index Aandelenfonds Pacific
3	Amundi Funds Equity Global Agriculture
4	BGF Emerging Markets A2 USD
5	BGF Global Allocation Fund
6	BGF Global Dynamic Equity Fund
7	BGF Global SmallCap Fund
8	BGF Pacific Equity Fund
9	BlackRock Emerging Markets Fund
10	BNP Paribas Asia Pacific High Income Equity Fund

¹⁶⁹ Idem.

¹⁷⁰ Rabobank, “Assortiment Beleggingsfondsen & Trackers (ETF)”, *ibidem*.

11	BNP Paribas L1 Multi-Asset Income
12	Carmignac Portfolio Emergents
13	Comgest Growth Emerging Markets
14	Fidelity Funds – Asia Focus Fund
15	Fidelity Funds – Asian Smaller Companies
16	Fidelity Funds Indonesia Fund
17	Fidelity Funds Singapore Fund
18	iShares Core MSCI Emerging Markets IMI UCITS ETF
19	iShares Dow Jones Global Sustainability Screened UCITS ETF
20	iShares Edge MSCI World Minimum Volatility UCITS ETF
21	iShares Edge MSCI World Momentum Factor UCITS ETF
22	iShares Edge MSCI World Multifactor UCITS ETF
23	iShares Edge MSCI World Size Factor UCITS ETF
24	iShares Edge MSCI World Value Factor UCITS ETF
25	iShares MSCI AC Far East ex-Japan UCITS ETF
26	iShares MSCI Emerging Mrkts UCITS ETF (Inc)
27	iShares MSCI Europe ex-UK UCITS ETF
28	iShares MSCI Europe UCITS ETF (Acc)
29	iShares MSCI Europe UCITS ETF (Inc)
30	iShares MSCI France UCITS ETF
31	iShares MSCI Japan EUR Hedged UCITS ETF
32	iShares MSCI Japan UCITS ETF (Inc)
33	iShares MSCI Korea UCITS ETF
34	iShares MSCI Korea UCITS ETF (Inc)
35	iShares MSCI World UCITS ETF (Inc)
36	NN (L) Emerging Markets High Dividend
37	Northern Trust World Custom ESG Equity Index UCITS FGR Feeder
38	Parvest Equity High Dividend Pacific
39	PARVEST Equity Indonesia
40	Pictet-Global Megatrend Selection-P EUR
41	Robeco Asia-Pacific Equities
42	Robeco BP Global Premium Equities
43	Robeco Emerging Markets Equities
44	Robeco Emerging Stars Equities
45	Robeco QI Emerging Conservative Equities
46	Robeco QI Emerging Markets Active Equities
47	RobecoSAM Quant Global Sustainable Equities
48	Schroder ISF Global Emerging Markets Smaller Companies
49	Schroder ISF Global Smaller companies
50	Skagen Kon-Tiki
51	SPDR MSCI World Consumer Staples UCITS ETF
52	SPDR MSCI World Financials UCITS ETF
53	SPDR MSCI World Industrials UCITS ETF
54	UBS ETF MSCI Emerging Markets Socially Responsible UCITS ETF
55	Vanguard Emerging Markets Stock Index Fund (US)

56	Vanguard Emerging Markets Stock Index Fund-EUR
57	Vanguard FTSE All-World High Dividend Yield UCITS ETF
58	Vanguard Global Small-Cap Index Fund
59	Vanguard Global Stock Index Fund
60	Vanguard Japan Stock Index Fund
61	Vanguard Pacific Ex-Japan Stock Index Fund

Five (5) of these 61 funds have a ‘sustainability’ claim and yet include palm oil companies selected for this research:

1	ACTIAM Verantwoord Index Aandelenfonds Pacific
2	iShares Dow Jones Global Sustainability Screened UCITS ETF
3	Northern Trust World Custom ESG Equity Index UCITS FGR Feeder
4	RobecoSAM Quant Global Sustainable Equities
5	UBS ETF MSCI Emerging Markets Socially Responsible UCITS ETF

It is not clear whether these funds are part of the sustainably managed investments for Rabobank customers.¹⁷¹

Among the list of 61 investment funds with shares in selected palm oil companies, between five and ten investment funds are part – in variable combinations and amounts – of the different Rabobank investment management services (“beheerd beleggen”), according to a bank spokesperson.¹⁷² These five to ten funds include:

1	ACTIAM Verantwoord Index Aandelenfonds Pacific
2	Northern Trust World Custom ESG Equity Index UCITS FGR Feeder
3	Vanguard Global Small-Cap Index Fund
4	Vanguard Pacific Ex-Japan Stock Index Fund
5	iShares Edge MSCI World Momentum Factor UCITS ETF
6	Comgest Growth Emerging Markets
7	iShares Edge MSCI World Size Factor UCITS ETF
8	iShares Edge MSCI World Value Factor UCITS ETF
9	iShares Edge MSCI World Minimum Volatility UCITS ETF ¹⁷³

¹⁷¹ M. Biermans, idem.

¹⁷² Idem.

¹⁷³ Idem: Nine of the ten funds were mentioned and the ten funds are in various ways in diverse profiles of the managed and advisory investment services (such as Rabo Beheerd Beleggen Basis”, “Rabo Beheerd Beleggen Actief”), and sometimes not in a particular investment management package.

4.3.5 Focus on particular investment funds offered by Rabobank

To illustrate which of the 81 selected palm oil companies are covered by the 61 identified investment funds that are part of Rabobank’s investment services, a few examples of investment funds are described as follows. The first examples are investment funds with sustainability claims, followed by some other examples from the list of 61 investment funds offered by Rabobank.

Investment funds offered by Rabobank with shares in palm oil companies

ACTIAM Verantwoord Index Aandelenfonds Pacific

1	First Pacific
2	Golden Agri-Resources
3	Itochu Corp
4	Jardine Matheson Holdings
5	Noble Group
6	Wilmar International

Investment funds offered by Rabobank with shares in palm oil companies

iShares Dow Jones Global Sustainability Screened UCITS ETF

1	Itochu Corp
2	POSCO

Investment funds offered by Rabobank with shares in palm oil companies

RobecoSAM Quant Global Sustainable Equities

1	Itochu Corp
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Investment funds offered by Rabobank with shares in palm oil companies

Vanguard Emerging Markets Stock Index Fund (US)

1	Astra Agro Lestari	10	IOI Corporation
2	Astra International	11	Kuala Lumpur Kepong
3	Eagle High Plantations	12	PP London Sumatra
4	Felda Global Ventures	13	QL Resources
5	Genting Bhd	14	Salim Ivomas Pratama
6	Genting Plantations	15	Sampoerna Agro
7	Hap Seng Consolidated	16	Sime Darby
8	IJM Corporation	17	Sime Darby Plantation
9	Indofood Sukses Makmur	18	Tiga Pila Sejahtera Food

Investment funds offered by Rabobank with shares in palm oil companies

Vanguard Emerging Markets Stock Index Fund-EUR

1	Astra International	8	IOI Corporation
2	Felda Global Ventures	9	Kuala Lumpur Kepong
3	Genting Bhd	10	POSCO
4	Genting Plantations	11	POSCO Daewoo
5	Hap Seng Consolidated	12	Sime Darby
6	IJM Corporation	13	Sime Darby Plantation
7	Indofood Sukses Makmur		

Funds offered by Rabobank with shares in palm oil companies

Robeco Asia-Pacific Equities

1	Golden Agri-Resources
2	Noble Group
3	POSCO

Funds offered by Rabobank with shares in palm oil companies

Robeco Asia-Pacific Equities

1	Astra International
2	Jardine Matheson Holdings

Overall, these examples of investment funds that are on offer and part of the investment services by Rabobank identified at least 22 from the 81 selected palm oil companies for this report, including some that this report highlights as examples of the structural problems in the industrial palm oil sector.

4.3.6 Sustainable investment policy by Rabobank

General sustainability policy

Overall, Rabobank has a comprehensive policy on sustainable banking with general sustainability criteria. In its code of conduct, Rabobank states: "Rabobank takes into account the direct and indirect social consequences of its activities", and "Rabobank is committed to playing a facilitating and inspiring role in investments and transactions that contribute to sustainable development. It does not enter into any associations that contravene this."¹⁷⁴

174 Rabobank, "This is us - Code of Conduct Rabobank", p. 30, <https://www.rabobank.com/en/images/code-of-conduct-rabobank-en.pdf> (viewed 8 June 2018; replaced thereafter).

The sustainability instruments seem to be especially applied to its savings and lending businesses, notwithstanding many statements that mention that they are applied for investment services, such as in its document “Sustainably successful together – Our contribution to sustainable development until 2020”.¹⁷⁵ In this document, Rabobank states: “Any assets entrusted to us are invested on the basis of meaningful sustainability criteria. Responsible savings and investments are our standard.”

The sectoral sustainability policies that Rabobank has developed apply to its lending business and mostly do not apply to the investor services offered by the bank. Rabobank has an explicit sustainable palm oil policy that has been articulated in many publications, statements and commitments,¹⁷⁶ such as its vision to “make sustainable palm oil the norm”.¹⁷⁷ However, this specific sectoral sustainability policy on palm oil is not applied to Rabobank’s mainstream investment services to its individual investing customers.

Investment services policy

Rabobank’s investment policy is documented in “Beleggingsbeleid van de Rabobank”.¹⁷⁸ It states that return on investment is a priority for its customers.¹⁷⁹ This means that, in the interest of its customers to save costs, many cheap index funds are being offered. Corporate responsibility of the companies included in the bank’s investment services seems only to be taken into account for customers’ direct investment in (shares and bonds in) companies, and not regarding companies included in investment funds.¹⁸⁰ Rabobank always offers on its website the option to invest sustainably. It has been up to the customer to ask for this option.¹⁸¹ However, according to a spokesperson of the bank, more recently Rabobank has been actively promoting sustainable investment options.¹⁸²

175 Rabobank, “Sustainably successful together – Our contribution to sustainable development until 2020”, (no date), p. 3, <https://www.rabobank.com/en/images/201412SustainablysuccessfultogetherEN.pdf> (viewed 8 June 2018); see “Accelerating sustainable agriculture and food supply worldwide” and “Advice to retail customers”.

176 See for instance: Rabobank, “Make sustainable palm oil the norm. Our vision on a commodity chain”, no date, <https://www.rabobank.com/nl/images/make-sustainable-palm-oil-the-norm-our-vision-on-a-commodity-chain.pdf> (viewed 8 June 2018); <https://www.rabobank.com/en/about-rabobank/in-society/sustainability/facts-and-figures/index.html> (viewed 8 June 2018); <https://www.rabobank.com/en/about-rabobank/background-stories/food-agribusiness/sustainable-palm-oil-battle-has-to-be-won.html> (viewed 8 June 2018); <https://www.rabobank.com/en/about-rabobank/in-society/sustainability/vision-and-policy/vision-sustainably-successful-together.html> (viewed 8 April 2018); <https://www.rabobank.com/downloads/sustainability/samen-duurzaam-sterker-en.pdf> (viewed 8 April 2018); <https://www.rabobank.com/en/about-rabobank/food-agribusiness/articles/2016/Who-has-a-share-in-achieving-a-better-food-supply.html> (viewed 8 June 2018).

177 Rabobank, “Rabobank: make sustainable palm oil the norm”, press release, 22 November 2016, <https://www.rabobank.com/en/press/search/2016/rabobank-make-sustainable-palm-oil-the-norm.html> (viewed 8 June 2018)

178 Rabobank, “Beleggingsbeleid van de Rabobank”, no date, https://www.rabobank.nl/images/beleggingsbeleid_van_de_rabobank_29714825.pdf (viewed 8 June 2018)

179 Idem, p. 1-2: “Wij beoordelen beleggingen op basis van het te verwachten rendement in combinatie met de kosten en het risico.” “Ons beleid is gericht op de financiële doelstellingen van onze klanten.”

180 Idem, p. 2: “Wij letten bij de selectie van de beleggingen nadrukkelijk op maatschappelijk verantwoord ondernemen van de betrokken bedrijven. Dit verkleint het risico voor onze beleggers.”

181 Idem, p. 1.

182 M. Biermans, idem, emails, 1 and 23 July 2018.

Sustainability policy for investment services

In its document “Sustainably successful together – Our contribution to sustainable development until 2020”,¹⁸³ Rabobank states: “As part of our investment policy, we periodically raise our requirements for socially responsible investments” and “we will also add products and services to our range that are aimed not only at financial returns but also, specifically, at generating positive societal impact, such as impact deposits, impact bonds or impact investment funds.”¹⁸⁴ When offering its various investment services, the bank has developed a preference for the more sustainable funds, according to the bank’s spokesperson,¹⁸⁵ so that the funds with sustainability claims are increasing in the bank’s investment services.

Rabobank declares that the standard for all its investments is socially responsible investment (“maatschappelijk verantwoord beleggen”).¹⁸⁶ Rabobank believes that responsible investment can improve the risk-return ratio.¹⁸⁷ Responsibility in this case is operationalised as no breaching of international standards such as the Global Compact (e.g. regarding respect for human rights and the environment) and the Principles for Responsible Investing (PRI), as well as applying the Rabobank policy on controversial weapons.¹⁸⁸ The bank’s policy is not to directly exclude particular companies.¹⁸⁹ Rabobank makes clear that investment funds, and especially index funds (“trackers”), do not always allow for exclusion possibilities, for which Rabobank claims to often offer alternatives.¹⁹⁰

4.3.7 Relationship between Rabobank and the fund managers

Because Rabobank states that the standard for all its investments is socially responsible investment (“maatschappelijk verantwoord beleggen”),¹⁹¹ the bank expects fund managers to take into account that companies included in the investment funds do respect the 10 Global Compact principles and

183 Rabobank, “Sustainably successful together – Our contribution to sustainable development until 2020”, no date, p. 3, <https://www.rabobank.com/en/images/201412SustainablysuccessfultogetherEN.pdf> (viewed 8 June 2018): see “Accelerating sustainable agriculture and food supply worldwide” and “Advice to retail customers”.

184 Idem, p. 19: covers Rabobank’s policy towards retail customers.

185 M. Biermans, idem, email, 1 July 2018.

186 Rabobank, “Beheerd Beleggen Actief”, no date, <https://www.rabobank.nl/particulieren/beleggen/rabo-beheerd-beleggen/rabo-beheerd-beleggen-actief/> (viewed 8 June 2018): “Bij de Rabobank beleggen wij standaard maatschappelijk verantwoord. Wij gebruiken hiervoor internationaal erkende standaarden en vragen fondshuizen met wie wij samenwerken dat ook te doen”.

187 Rabobank, “Beleggen bij de Rabobank”, no date, https://www.rabobank.nl/images/brochure_beleggen_bij_de_rabobank_29113621.pdf (viewed 8 June and 15 June 2018): “Wij geloven dat door maatschappelijk verantwoord beleggen en duurzaam beleggen de risico/rendementsverhouding van portefeuilles kan worden verbeterd.” “Let op: Maatschappelijk verantwoord beleggen geldt meestal niet voor indexfondsen (zogenaamde ‘indextrackers’) aangezien deze fondsen de gehele index passief volgen en doorgaans geen rekening houden met maatschappelijk verantwoord beleggen.”

188 Idem.

189 Idem

190 Idem: “Bij beleggingsfondsen, zeker indexproducten, is uitsluiting niet altijd mogelijk, maar bieden we steeds vaker alternatieven aan.”

191 Rabobank, “Beheerd Beleggen Actief”, ibidem: “Bij de Rabobank beleggen wij standaard maatschappelijk verantwoord. Wij gebruiken hiervoor internationaal erkende standaarden en vragen fondshuizen met wie wij samenwerken dat ook te doen”.

the Principles for Responsible investment, and to exclude controversial weapon companies.¹⁹² This is not a contractual agreement between Rabobank and the fund managers. According to the bank such a contractual agreement is unusual but the bank requests information that should clarify that the Global Compact has been taken into account.¹⁹³

The bank's policy (under the bank's active managed investment strategies) is not to immediately exclude funds. The bank monitors the fund managers' handling of the companies in their funds (including the best in class strategies). When selecting fund managers and their funds, the bank claims to look for fund managers that have above average ESG assessments, for instance, by adopting best in class criteria or certification requirements towards palm oil companies whose shares are included in the funds.¹⁹⁴

Rabobank states that it first engages in a dialogue with fund managers before excluding funds.¹⁹⁵ Fund managers can opt to first engage with companies with controversial practices and/or decide to include them less in newly created funds, according to the bank. Rabobank expects the fund managing companies to report about their voting and engagements with companies whose shares are included in the investment funds that are part of Rabobank's investment services. Fund managers send periodic overviews of their voting and engagement activities (which is made publicly available by some fund managers), according to the bank.¹⁹⁶ For the 'sustainable investment funds', the bank expects this to happen at least once a year.¹⁹⁷ These practices by the fund managers are considered by the bank as a method used to improve the selection and, in the long term, the impact of the investment funds on sustainability.¹⁹⁸ The bank's sustainability policy does not specify that these practices are incorporated within a contract with the fund managers, nor do they have explicit sectoral palm oil criteria and compulsory sustainable impact assessments. Palm oil companies are currently not excluded from the investment funds, as this report reveals.

Rabobank's option for its customers to invest in sustainable investment and index funds through the service "Rabo Beheerd Beleggen Actief Duurzaam"¹⁹⁹ includes particular criteria designed by the bank. The funds exclude weapon producers, tobacco companies, bonds from countries on which sanctions are imposed, and breaches of human rights such as child labour.²⁰⁰ The funds with shares that bank selects to be 'sustainable' are those funds which the Morningstar Sustainability Ranking

192 Idem: click on "Wat is het verschil tussen Roba Beheerd Beleggen Actief en Actief Duurzaam?".

193 M. Biermans, idem, emails, 1 and 23 July 2018.

194 Idem.

195 Rabobank, "Rabo Beheerd Beleggen Actief Duurzaam", ibidem: see "Rabo Beheerd Beleggen Actief kiest eerst voor de dialoog met fondshuizen voordat ze fondsen uitsluiten."

196 M. Biermans, idem, email, 23 July 2018.

197 Rabobank, "Rabo Beheerd Beleggen Actief Duurzaam", ibidem: "Wat verwacht de Rabobank van de managers van de duurzaam fondsen?"

198 Idem.

199 Rabobank, "Rabo Beheerd Beleggen Actief Duurzaam", ibidem: see "Wat is het verschil tussen Rabo Beheerd Beleggen Actief en Actief Duurzaam?"; see also: Rabobank, "Rabo Beheerd Beleggen Actief en Actief Duurzaam", April 2018, https://www.rabobank.nl/images/rabo-beheerd-beleggen-actief-en-actief-duurzaam_29821737.pdf (last viewed 30 September 2018).

200 Rabobank, "Rabo Beheerd Beleggen Actief Duurzaam", ibidem: "What wordt er minimal uitgesloten voor Rabo Beheerd Beleggen Actief Duurzaam?"

provides with minimum three sustainability scores.²⁰¹ There is no information on the bank's website about these scores are achieved. From the fund managers that procure sustainable investment funds, Rabobank expects their active engagement with the companies in the funds through voting at their general meetings and dialogue, and regular reporting to Rabobank.²⁰²

4.3.8 Conclusion

Rabobank's investment services offer 61 investment funds with shares in selected palm oil companies to customers who take the final decision about their investments. Five to ten of these investment funds with shares in selected palm oil companies are part of the investment services - in variable amounts and combinations - to individual customers who ask the bank to select and manage the funds for them. From samples taken of the list of 61 investment funds identified to have shares in palm oil companies, at least 22 from the 81 selected palm oil companies were identified.

Some of the identified investment funds do have shares in four the highlighted palm oil companies that have a track record of misconduct. Some of these highlighted companies were even included in the five identified investment funds whose names allude to being funds with sustainability criteria (e.g. "duurzaam", "sustainable", "ESG").

When providing information about the investment services, profitability of the investment dominates. The bank does not publish or report on all the companies in the investment funds on offer or that are managed for its customers. Some sustainability criteria designed by the bank are made available to customers who make their own investment decisions or when customers let the bank manage their investment 'actively'.

The detailed sector sustainability policy for lending to companies in the palm oil sector is not applied by Rabobank for its investment services. This contradicts with the bank's policy commitments to make the palm oil sector sustainable.

The sustainability policy applied by the bank to its investment services, and the somewhat stricter criteria for the investment funds that claim to have a sustainable investment strategy, result in a limited category of companies being excluded. Consequently, it does not stop palm oil companies from being included in many of the investment funds' it offers, even in alleged 'sustainable' funds.

The sustainability policies are underpinned by sustainability requirements and criteria by Rabobank towards the fund managers whose funds the bank offers to its customers. The bank has even somewhat stricter requirements towards fund managers of 'sustainability' funds.

The research into Rabobank for this report has exposed that the bank as intermediary has a responsibility to require information and dialogue sharing with the fund managers about how they handle

201 Idem: "Welke eisen stelt Rabobank aan de duurzame fondsen". For your information, see: <http://www.morningstar.co.uk/uk/news/148119/the-morningstar-sustainability-rating.aspx> (viewed 15 June 2018).

202 Idem.

the sustainability issues of their funds. The bank expects fund managers to report, at least once a year for 'sustainable' funds, how they vote at company annual meetings and how they dialogue with companies whose shares are in investment funds. However, these practices are not binding through contracts between the bank and the fund managers.

Box 3 Links to Asian 'palm oil banks'

Investment funds not only link Dutch banks to industrial palm oil companies. They also link Dutch banks to companies in the whole palm oil chain. One particular group of companies in that chain are banks that are known to finance large-scale, industrial palm oil companies. This research looked at nine of the biggest listed banks²⁰³ with the lowest scores with regards to social, environmental and international standards.²⁰⁴ Some of these banks have been documented to finance palm oil companies with social and environmental misconduct.²⁰⁵

These banks were examined to find out whether they were included in investment funds offered by the three Dutch banks.²⁰⁶ The findings were as follows:

Thirty-nine (39) funds offered by ABN AMRO include shares in the selected 'palm oil banks'. Also, ABN AMRO MeesPierson recommended ten (10) investment funds with shares of the selected banks to its private banking customers. The investment funds created by ABN AMRO included eleven (11) investment funds with shares in the selected palm oil banks. Forty-nine (49) investment funds offered by ING in the Netherlands include shares in the selected palm oil banks. Eleven (11) such investment funds were offered by ING Australia for their retirement investment service.

Rabobank offered thirty-four (34) investment funds that included shares in palm oil banks. ◻

203 The nine selected banks for the research for this box are: AmBank Group, Bank Mandiri, Bank Negara Indonesia, China Development Bank, CIMB Group/CIMB Bank, DBS, Malayan Banking (Maybank), Oversea-Chinese Banking Corporation, RHB Banking.

204 See: W. Warmerdam, Stepping the pressure: Financial backers of the major palm oil financiers, 12 October 2017, p. 2, <https://milieudefensie.nl/actueel/stepping-the-pressure> (viewed 12 April 2018); forestandfinance.org: downloading on 25 April 2018 the banks providing the highest credit in 2013-2017.

205 See reports about such banks on forestandfinance.org; for instance: TUK Indonesia and Profundo, Maybank: the single largest palm oil financier, February 2018, https://www.banktrack.org/news/maybank_the_single_largest_palm_oil_financier (viewed 28 February 2018).

206 Per bank, the same sources of information about the investment funds on offer were used as described in each of the subsections above.

◉ **Box 3 Links to Asian 'palm oil banks'**

These findings not only illustrate how one other link in the palm oil chain, namely the financier, is being financially supported by these investment funds. The findings also indicate how Dutch banks are undermining their own palm oil lending policy. On the one hand, ABN AMRO, ING and Rabobank have policies²⁰⁷ that they claim should avoid lending to destructive palm oil companies. On the other hand, these Dutch banks are indirectly financially supporting the major financiers of palm oil production with socially and environmentally abusive practices.

While Dutch banks argue that they do not want to divest from palm oil companies because they might be replaced by financiers with worse policies, they are at the same time fostering financial links with such financiers.

207 See above subsection about the sustainability policies of each of the three Dutch banks.

5 The sustainability policy of Dutch based fund managers Robeco and NN²⁰⁸

Robeco and NN are two Dutch based fund managers that create investment funds offered by the three Dutch banks to their customers (see Chapter 4). Their funds include shares of the 81 palm oil companies selected for this report.

ABN AMRO offered four (4) Robeco funds with shares in these palm oil companies to its customers; ABN AMRO MeesPierson offered one (1) of these Robeco funds to its private bank customers. ING offered five (5) Robeco funds that included palm oil company shares. Rabobank offered seven (7) Robeco funds that included palm oil companies, one of which earmarked as being ‘sustainable’, namely RobecoSAM Quant Global Sustainable Equities.

ABN AMRO offered one NN investment fund that included shares from the selected palm oil companies, called “NN (L) Industrials” and Rabobank offered “NN (L) Emerging Markets High Dividend”.

In very broad terms and for standard investment funds including shares, the fund manager selects the companies whose shares make up the investment fund. The selection of companies can be done according to criteria that are particular for the fund or according to an index – a list of a fixed series of companies (the index can be designed by another financial service provider). If they do not use an index, the investment fund manufacturers have the discretion to include or exclude palm oil companies from a fund. Once the new investment fund has been issued and is on offer, the fund managers of some actively managed investment funds change the composition or the amount of shares in order to obtain the best financial returns and to remain attractive. The more individual or institutional investors buy shares of the investment fund, the more the company shares have to be bought by the fund managers, and vice versa when investors sell off their shares of a fund.

As already mentioned above, the fund managers can influence the companies whose shares are in their investment funds because they own the shares of the fund and have the right to vote at annual meetings of the companies and to receive dividends. Robeco and NN, as fund issuers and managers, therefore have a responsibility for the ESG impact of the investment funds they create.

208 See Methodology, “Exploring how investment funds are created”: NN and Robeco’s investment funds were screened through database Thomson Reuters Eikon, whether they included investment funds with one or more of the 81 selected palm oil companies for this report (identified between 5 and 19 April: as mentioned in Methodology, Step 2).

5.1 Fund manager Robeco and its sustainability policy

Robeco was previously part of the Rabobank but is now part of the Japanese ORIX. It operates in the Netherlands as an autonomous asset and fund manager and works closely with RobecoSAM (Switzerland).

Research for this report found that Robeco created in total twenty-three (23) funds in which at least one of the selected 81 palm oil company's shares is included. Not all of these funds are offered by the Dutch banks (see Methodology and Annex).

Robeco has its own sustainability policies.²⁰⁹ It states that it established its own stewardship policy to engage with companies, a voting policy and an exclusion policy.²¹⁰ Robeco claims that every investment analysis and portfolio management by Robeco includes environmental, social and governance (ESG) factors with input from external research providers.²¹¹ It gets specific research about companies from Robeco's "Sustainability Investing Research" team and the "Active Ownership" team.²¹²

In order to measure the ESG impact of the companies it invests in, Robeco uses its Corporate Sustainability Assessment score,²¹³ developed by RobecoSAM. Robeco states that it assesses "issues such as CO2-reduction, labor standards and biodiversity amongst a complete set of more than 600 data points."²¹⁴

Since Robeco's sustainability policy opts for engagement, the Active Ownership team is said to hold in-depth dialogues on ESG topics with 200 companies every year.²¹⁵ When engaging with palm oil companies, Robeco claims that the topics include issues raised by NGOs as well as "compliance with RSPO standards, implementation of No Deforestation, No Peat, No Exploitation policy, smallholder capacity building and adherence to global human rights and labour standards", sustainable agriculture and a living minimum wage.²¹⁶

209 See for instance: Robeco, "Robeco's sustainability policy", no date, <https://www.robeco.com/docm/docu-social-environmental-policy.pdf> (viewed 8 June 2018); Robeco, "Human Rights statement", no date, <https://www.robeco.com/docm/docu-robeco-human-rights-statement.pdf> (viewed 8 June 2018); Robeco, "Robeco Climate Policy", no date, <https://www.robeco.com/docm/docu-climate-change-policy.pdf> (viewed 8 June 2018).

210 C. van Lamoen, Head Active Ownership, Robeco comment on review document with draft SOMO research results, email, 9 July 2018.

211 Idem.

212 Idem.

213 See RobecoSAM, "Sustainability research", <http://www.robecosam.com/en/sustainability-insights/index.jsp> (viewed 8 June 2018 and reviewed 18 September 2018).

214 C. van Lamoen, idem.

215 Idem.

216 Idem.

Robeco revealed that, of the 81 palm oil companies selected for this report, sixteen (16) companies are under engagement, and twenty two (22) are in Robeco's investment products. Robeco considers engagement as taking its responsibility very seriously regarding the palm oil sector.²¹⁷ However, it still means that Robeco continues to include shares of palm oil companies that are plagued by structural problems.

Reporting and information sharing takes place about its sustainability policy, engagement and voting, with intermediary banks such as the Rabobank. However, it was beyond the scope of this report to further analyse the contractual relationships between both parties.

5.2 Fund manager NN and its sustainability policy

NN is an important Dutch asset and fund manager that used to be part of ING until April 2016²¹⁸. In June 2017, NN has acquired Delta Lloyd.²¹⁹ All Delta Lloyd manufactured funds have been merged with existing NN funds but none of Delta Lloyds funds were identified as including palm oil company shares when screened for this report.

Research for this report identified that NN has manufactured five (5) funds with shares from the selected palm oil companies and banks (see Annex). One of them was offered by ABN AMRO and another by Rabobank.

NN claims that responsible investing is "an integral part of NN Investment Partners' business since the turn of the millennium", using a four-pillar approach.²²⁰

Regarding the palm oil industry, NN has been a signatory of the CDP Forests programme²²¹ since 2017 which encourages companies to report on how they address the risks related to deforestation. NN Investment Partners, NN's asset manager, states that it has developed an engagement strategy for companies in the palm oil industry, by which it aims to achieve improvements in environmental and social aspects.²²² This engagement is claimed by NN to have had positive results for palm oil companies Golden Agri-Resources, Wilmar and Sime Darby.²²³

217 Idem.

218 NN Group, "ING completes divestment of NN Group", 14 April 2016, <https://www.nn-group.com/Media/Article/ING-completes-divestment-of-NN-Group.htm> (viewed 8 June 2018).

219 NN Group, NN Group and Delta Lloyd have joined forces, (no date), <https://www.nn-group.com/NN-Group-and-Delta-Lloyd-have-joined-forces.htm> (viewed 8 June 2018).

220 NN Investment Partners, "Responsible investing", no date, https://www.nnip.com/INT_en/institutional/About-us/Responsible-investing/overview.htm (viewed 25 June 2018).

221 Formerly the Carbon Disclosure Programme, see: <https://www.cdp.net/en/info/about-us> (viewed 9 July 2018).

222 For more information, see: NN Investment Partners, "Focus Point - ESG perspective: Palm oil ", October 2017, <https://www.nnip.com/web/file?uid=0221dfa0-a64c-4861-8a4d-df8e0e22603d&owner=f23032d2-df50-4d07-915b-6143862fa2ea&contentid=11752> (viewed 20 August 2018).

223 Ibidem, p. 4.

NN states that it primarily opts for dialogue or engagement, and not for the exclusion of the entire industrial palm oil industry. Individual companies are only restricted when engagement is not, or is no longer, considered feasible to change the conduct or involvement in specific business activities of those companies.²²⁴

In order to measure the impact, NN Investment Partners claims to have specific investment strategies to generate positive impact on society or/and the environment while generating financial return.²²⁵

5.3 Conclusion

Robeco created twenty-three (23) investment funds with shares of palm oil companies, including those offered by Dutch banks. Twenty-two (22) of the palm oil companies selected for this report are in Robeco's investment products. NN created five (5) funds with shares from the selected palm oil companies.

Since they have prime responsibilities for selecting the companies in the funds, the two fund managers have a responsibility for the social and environmental impact of the fund. They have their own sustainability criteria to select companies in each fund and have instruments to measure some sustainability impact of their funds. Based on their sustainability policy, they engage with those companies that have breached their policies, including palm oil companies. This means that divestment is seen as a last resort, and as a consequence many palm oil companies are still included.

Robeco was recorded as reporting to the Rabobank, an intermediary, how it uses its sustainability instruments and engagement with companies. This means that intermediaries like the Dutch banks that offer the Robeco funds could provide more information to customers about these funds.

224 N. van Toren, Sr. Advisor Sustainability, NN Group comment on review document with draft SOMO research results, email, 9 July 2018.

225 Idem.

6 Regulating investment services and ESG requirements

As intermediaries, the banks in this report do not give full insight to their customers about the investment funds they offer, recommend, or manage. The banks do not publish information about all the companies in the investment funds they offer and whether or not these funds include shares of industrial palm oil companies (or any other specific companies).

There is a stark contrast between the abundance of information available about the financial risks of the investment fund on offer, and the scarce information available to customers regarding the environmental, social and governance (ESG) risks of the companies the within the funds.

What information is given about social and environmental sustainability is based on voluntary criteria and differs by bank. Also, sustainability information that is provided tends to be about the criteria used for the selection of the investment fund, not about the actual social and environmental impact that investment fund has had.

The voluntary and self-designed sustainability instruments used by investment fund managers and fund intermediaries have not prevented ongoing investments in an industry with well-known structural social and environmental problems.

Moreover, the banks do not clearly state that their own (voluntary) sustainability policies and criteria on investment services are less stringent than their sustainability policies for lending to palm oil companies. Information about the sustainability criteria they put in contracts with the external fund managers that create the investment funds they offer, is not readily available. During research undertaken for this report, the banks appeared to rely on the external fund managers and other financial service providers both to know and assess which companies are in the fund and to understand the ESG impacts those companies have.

Most of the time, customers are poorly informed by the banks about the full range of ESG aspects related to the majority funds they invest in. The banks apply no – or only very limited – sustainability criteria and impact assessments of the mainstream investment funds. This research on the palm oil industry illustrates that the voluntary and self-designed sustainability instruments used by investment fund managers and fund intermediaries have not prevented ongoing investments in an industry with well-known structural social and environmental problems.

The overall situation is that the sustainability impact of investment funds on offer, are unknown. In turn, the investment fund industry is allowed to contradict policies, agreements and voluntary pledges by governments and policy-makers towards sustainability such as the Sustainable Development Goals and the climate commitments of the Paris Agreement. So far, policy-makers have failed to impose legally binding ESG criteria for the investment fund industry to contribute to governmental sustainability policies. There are serious doubts about the effectiveness of voluntary

sustainability initiatives by the financial industry in tackling these problems, while there is a need for urgent action.

The contrast between the information and assessment to be made by intermediaries about the financial risks as compared to the ESG or sustainability risks, can indeed also be found in the current state of law (see section 6.1.). However, legislative proposals at the EU level are looking to close this legal gap so that investment funds would all have to give information about, and ultimately undertake, ESG impact assessments (see section 6.2.).

6.1 The existing regulatory framework focuses on financial risks

The investment fund industry and the fund intermediaries are bound by some legal requirements at the EU level, which are currently focused on avoiding high financial risks for the customer and by the investment fund managers. The regulatory framework for investment funds consists of EU laws that are integrated and applied at the Dutch/national level with guidance from EU technical standards. Note that each of the subsidiaries of the Dutch banks that operate abroad have to apply the law and regulations in the country where they operate.

The EU laws consist of several elements, of which the following are important:

- ▣ Protection of the consumer
- ▣ Limiting the riskiest assets to be included in investment funds
- ▣ Risk management and governance of the investment funds

Protection of the consumer

The EU laws intend to protect the consumer against investment service practices that easily attract customers with false or exaggerated information about the profitability of the investment services and products they offer, i.e. to protect consumers from losing all their money. These EU laws²²⁶ are:

- ▣ The EU Directive relating to Undertakings for Collective Investment in Transferable Securities (UCITS)²²⁷
- ▣ The Directive and Regulation on Markets in Financial Instruments (MiFID II- MiFIR)²²⁸
- ▣ The EU Regulation on key information documents for complex Packaged Retail and Insurance based Investment Products (PRIIPs)²²⁹

A basic “key information document” (KID; “Essentiële Beleggers Informatie (EBI)) for investment funds marketed in the EU (UCITS) and the key Investor Information Document (KIID; “Essentiële Informatiedocument”) for complex PRIIPs always has to be made available. These documents include

226 These EU laws are integrated in Dutch law, for more information see: AFM, “Wet op financieel toezicht (Wft)”, no date, <https://www.afm.nl/nl-nl/professionals/onderwerpen/wft-wet> (viewed 28 August 2018).

227 EU Directive on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS), 13 July 2009.

228 EU Directive and Regulation on markets in financial instruments, amendments (MiFID II- MiFIR), 15 May 2014.

229 EU Regulation on key information documents for packaged retail and insurance based investment products (PRIIPs), 26 November 2014.

essential information and warnings about the financial risks of the investment product. There are legally binding European instructions (i.e. technical standards adopted by the European Commission)²³⁰ about how this KID and KIID has to be written, both clearly and objectively.²³¹ Essentially these are legal documents around financial risk that make consumers aware. They also reduce the banks responsibility when the consumer loses money.

There are no legal obligation for investment fund creators, managers, intermediaries and advisors and other related investment service providers to give information about the social and environmental sustainability risks, considerations and impacts of the companies whose shares are in the investment fund. Also, importantly, the funds that claim to be sustainable are not regulated by law for the criteria that have to be used to give them a sustainable status.

In the EU law on complex investment products (PRIIPs) one article (Art. 33) instructs the European Commission to assess, by December 2018, whether a label for social and environmental investments should and could be introduced.²³² At the time of writing, it was not clear whether the Commission would finalise that review in time.

Limiting the riskiest assets to be included in investment funds

The EU law relating to undertakings for collective investment in transferable securities (UCITS, Art. 52) limits investment funds that are marketed in more than one EU country insofar as what investment funds can contain. This is a way of avoiding risky financial assets that can cause large financial losses or have unexpected consequences. Assets that are forbidden or limited include commodities (e.g. palm oil; although this does not exclude shares in palm oil companies) and derivatives thereof.²³³ Note that UCITS does not have to apply to investment funds that are only offered at a national level, or if the investment fund does not mention it applies EU law.

No law prohibits the inclusion of shares and other assets from companies or operations that can have a negative social or environmental impact. This means that banks providing investment services for customers and the fund manufacturers have no legal obligation to incorporate sustainability policies when selecting companies for the investment funds.

230 See for instance the technical standards for complex investment products (PRIIPs): "Commission Delegated Regulation (EU) 2017/653 of 8 March 2017 supplementing Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs) by laying down regulatory technical standards with regard to the presentation, content, review and revision of key information documents and the conditions for fulfilling the requirement to provide such documents", 8 March 2017, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32017R0653> (viewed 18 September 2018).

231 De information is still complex and not clear for non-experienced individual investors; the information is not always correct according to M. Tak, "De informatie in het KID is een foutenfestival", IEXProfs, 11 September 2018, <https://www.iexprofs.nl/Column/283777/AFM/De-informatie-in-het-KID-is-een-foutenfestival.aspx> (viewed 18 September 2018).

232 EU Regulation on key information documents for packaged retail and insurance based investment products (PRIIPs), 26 November 2014, Art. 33, <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R1286&from=en> (last viewed 28 August 2018).

233 EU Directive on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS), 13 July 2009, Art. 50, <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32009L0065> (last viewed 28 August 2018).

Risk management and governance of the investment funds

The EU law on markets in financial instruments (MiFID II-MiFIR)²³⁴ requires that customers should receive suitable investments and be categorised according to their ability to bear financial risks, knowledge about investment and (long-term) goal of the investment ('suitability' rule). There is an imposed responsibility on the investment service advisors and providers - the intermediaries like the banks - to protect those with the least capacity and knowledge against excessive investments taking too high risks. Therefore, the investment service providers have to ask questions about the financial situation of the customer before the investment product is sold or the investment service is executed.

There is no obligation (yet) to ask whether clients want to invest in sustainable funds. Nor do the legislation or regulations require the investment service providers or fund managers to inform customers what the sustainability impact might be of their investments.

Since the asset and fund managers have to undertake appropriate financial risk assessment and governance, ESG risks on the value and profit making of the investment funds could take place. However, by law ESG risks are not considered as part of the financial risks to be considered.

6.2 Towards legally binding social and environmental regulation?

6.2.1 Unverified sustainability claims

The voluntary social and environmental sustainability policies of the three Dutch banks for investment funds that claim to be sustainable as described in this report, show a variety of principles, criteria, use of voluntary international guidelines, methodologies, instruments and use of outsourced sustainability ratings by sustainability research companies. They provide no real insight about the effectiveness of these sustainability policies and their implementation, i.e. what impact the investment funds actually make for all the stakeholders concerning social and environmental practices by the companies.

There is no officially authorised agency mandated to protect customers from so-called greenwashing, i.e. making the investment fund appear to be more environmentally sustainable than it is in reality or making unsubstantiated or misleading claims about the environmental benefits of the investment fund. Today, there are no legally approved standards to determine what ESG criteria and impact assessments to apply when an investment fund is claimed to be sustainable. Nor are there officially approved standards to rate the sustainability of an investment fund.

234 EU Directive and Regulation on markets in financial instruments, amendments (MiFID II - MiFIR), 15 May 2014, Art. 25(2), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0065> (last viewed 28 August 2018); related MiFID II Commission Delegated Regulation (EU) 2017/565, 25 April 2016, Art. 54, 55, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32017R0565> (last viewed 28 August 2018); and related newest non-regulatory "guidelines" by ESMA, Guidelines on certain aspects of the MiFID II suitability requirements, 28 May 2018: see p.5, <https://www.esma.europa.eu/press-news/esma-news/esma-publishes-final-guidelines-mifid-ii-suitability-requirements> (viewed 30 May August 2018).

6.2.2 New EU sustainable finance legislation proposed

EU legislators at the European Commission and European Parliament, and supervisors in some EU countries²³⁵, are increasingly debating and arguing that negative social and environmental impacts should be considered in the same way as a financial risk which could (in the long term) affect the value of the investment fund and the profits for the customer. This has already been integrated in the EU occupational pension fund law (IORP II, Art. 19, 21, 25, 28, 41).²³⁶ This law requires that occupational pension funds assess the ESG risks that could affect their investments (e.g. how climate change reduces the value of their investments due to flooding) and to take ESG risks and factors into account in their investment decisions. The law will be fully implemented at national level in all EU countries, on 13 January 2019.²³⁷

The urgency of tackling climate change and other ESG factors, as well as the lack of effectiveness of decades of voluntary sustainability measures, has resulted in making the EU legislators put the investment industry's role on the EU legislative agenda. This is reflected in a comprehensive EU Action Plan on financing sustainable growth,²³⁸ issued in March 2018. The 10-point Action Plan aims to incorporate sustainability in many parts of the financial industry. The Action Plan included making legislative proposals to follow soon.

In May 2018, the European Commission issued a legislative proposal for a "Regulation on disclosures relating to sustainable investments and sustainability risks".²³⁹ The proposed law introduces transparency obligations for all kinds of (institutional) investors and investment managers, including those selling investment products. The legislative proposal does not relate to lending and providing credit. All these investors will have to report and describe how they are integrating ESG risks into their investment decisions, what impact sustainability risks might have on the return of the investment or financial product, and whether the remuneration policy is consistent with integrating sustainability risks.

235 See a recently created network of Central Banks: "Network on Greening the Financial System", no date, <https://www.banque-france.fr/en/financial-stability/international-role/network-greening-financial-system> (last viewed 28 September 2018),

236 EU Directive on the activities and supervision of institutions for occupational retirement provision (IORPs), 14 December 2016, <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016L2341&from=EN> (viewed 10 March 2018).

237 De Nederlandsche Bank, "Wetsvoorstel IORP II gepubliceerd", press release, 25 April 2018, <https://www.dnb.nl/nieuws/dnb-nieuwsbrieven/nieuwsbrief-pensioenen/KopievanNieuwsbriefPensioenenmaart2018/index.jsp> (viewed 27 June 2018); IORP II transposition into Dutch law was not yet finalised by the Dutch Parliament by the end of September 2018; for updated information see: De Nederlandsche Bank, "IORP II", 2 July 2018, <https://www.dnb.nl/nieuws/dnb-nieuwsbrieven/nieuwsbrief-pensioenen/nieuwsbrief-pensioenen-juli-2018/dnb377285.jsp> (viewed 28 August 2018), and De Tweede Kamer, "Wijziging van de Pensioenwet, de Wet verplichte beroepspensioenregeling en de Wet op het financieel toezicht vanwege de uitvoering van Richtlijn 2016/2341/EU", (regularly updated), <https://www.tweedekamer.nl/kamerstukken/wetsvoorstellen/detail?cfg=wetsvoorsteldetails&qry=wetsvoorstel%3A34934> (viewed 30 September 2018).

238 EC, "Commission action plan on financing sustainable growth", 8 March 2018, https://ec.europa.eu/info/publications/180308-action-plan-sustainable-growth_en (viewed 9 March 2018); for more information, see M. Vander Stichele, "Action in the EU on sustainable finance", Financial Reforms Newsletter, June 2018, <https://us2.campaign-archive.com/?u=de91cc688ad2982e33685a883&id=44b67d06ab> (last viewed 30 September 2018).

239 EC, Proposal for a Regulation on disclosures relating to sustainable investments and sustainability risks and amending Directive (EU) 2016/2341, 24 May 2018, https://ec.europa.eu/info/law/better-regulation/initiatives/com-2018-354_en (viewed 24 May 2018).

For those financial products, such as investment funds, that claim to be sustainable investments, the information disclosure and reporting requirements are more stringent. Sufficient information is to be given for each financial product before a customer takes an investment decision, concerning what the sustainability target is and what methods are used to measure the sustainability impact. Up-to-date information needs to be made available on the investors/investment managers' website. A periodic report also needs to be published for each investment product regarding their sustainable impact.²⁴⁰

Beyond disclosure, the proposed regulation introduces a process to strengthen the requirements for all kind of investors to actually integrate ESG risks and ESG factors into their investment decision-making processes. This will be considered as part of these institutions' duties towards end investors and beneficiaries. The proposed law (Art. 2) also contains definitions of "sustainable" that include respect for environmental or social or good governance principles, or all of these aspects taken together. This is a broad definition of "sustainable" investments as it can cover only one of those aspects. Although "sustainability risks" are not defined, it is assumed that they will include risks that might come from negative ESG impacts on environment and social issues, or from bad governance (e.g. corruption) in investment decisions (and related remuneration).

This proposal for a regulation on disclosures relating to sustainable investments and sustainability risks has to be adopted by the European Parliament as well as by the Ministers of Finance of EU countries, including the Dutch Minister of Finance. The aim is to have the legislative decision-making finished before the May 2019 elections for a new European Parliament, which is an ambitious timeframe.

Another EU law proposal has also been launched with the same ambitious time table. The proposal is a "Regulation on the establishment of a framework to facilitate sustainable investment": the framework will facilitate a classification of what is a "sustainable investment".²⁴¹ It sets out the conditions and criteria to gradually create a unified classification system ("taxonomy"). As a priority and in the first phase, the taxonomy will identify what economic activities could be considered as environmentally sustainable, namely by "substantially contributing" to, and "not substantially harming" climate mitigation and climate adaptation, as well as pollution and waste prevention, healthy ecosystems and water protection. A technical working group with external experts and financial industry representatives is already giving advice on the first phase of the taxonomy. It is not clear by the time of writing of this report whether and how palm oil production will be covered by the taxonomy.

240 M. Vander Stichele, Sustainable finance in new EU legislation: focus on climate investment , SOMO briefing, 15 June 2018, <https://www.somo.nl/sustainable-finance-new-eu-legislation-focus-climate-investment/> (viewed 23 September 2018).

241 EC, Proposal for a Regulation on the establishment of a framework to facilitate sustainable investment, 24 May 2018, https://ec.europa.eu/info/publications/180524-proposal-sustainable-finance_en#investment (viewed 24 May 2018). This proposals intends to implement Action 1 of the EC's Action Plan on financing sustainable growth.

6.3 Conclusion

The lack of legally binding obligations for intermediaries and fund managers to inform individual investors about the sustainability/ESG risks and impact of their investment funds contrasts strongly with other existing legislation that investment funds must adhere to and which are intended to protect customer against financial losses by informing customers about financial risks of their investments. Also, there is no legal obligation for investment fund managers and intermediaries to actually apply sustainability/ESG impact assessments.

In a context where voluntary measures by the investment fund industry have not achieved sufficient sustainability progress, e.g. to tackle climate change, the EU is starting to close a legal gap, based on an EU action plan. Already occupational pension funds have to take account of ESG risks and ESG factors, according to EU law.²⁴²

If the European Parliament and EU Ministers, including the Dutch Ministry, come to an agreement by May 2019, investment fund managers and investment service providers will be legally obliged to provide information about the environmental and social impact assessments they are undertaking. Ultimately, fund managers and intermediaries will all be obliged to undertake ESG impact assessments if the proposals are agreed. Given the huge range of criteria used by Dutch banks to rate and indicate which investment funds are sustainable, the proposed standards defined by legally binding rules should prevent unverified and ineffective claims, as long as the EU law will be actually stringent enough. However, the proposed legislation is only about ensuring that funds are not misleading investors and are taking ESG risks and factors into account. There is still no legislative proposal that would prohibit investment funds that have no ESG criteria and impact assessments and include shares of companies with harmful environmental and social practices and impacts.

242 IORP II will be fully implemented by 13 January 2019; the date of integration ('transposition') in Dutch law is to be viewed at: De Tweede Kamer, Idem.

7 Conclusions

This report has attempted to provide evidence of how the investment fund industry provides financial underpinning for the industrial palm oil sector that is still structurally involved in destructive social and environmental practices. The report focuses on three large Dutch banks that are intermediaries of investment funds. The conclusions to this report are as follows.

On top of their credit relationship with many palm oil companies,²⁴³ ABN AMRO, ING and Rabobank have investment relationships with the industrial palm oil sector. The report's findings are based on the screening of the banks' investment services with a selection of 81 palm oil companies, including conglomerates that incorporate palm oil production subsidiaries. For each bank, the information about of the investment services was different, which limited the outcome of the research.

As part of their investment services to individual customers, the three banks offer investment funds that include shares in the selected palm oil companies. The three banks were all responsible for at least selecting these investment funds as part of their investment services by acting as brokers for customers. Depending on the investment service, the banks were also responsible for actively advising to, and/or deciding and managing for, customers to invest in funds with palm oil companies selected for this report. In the case of ABN AMRO, the bank is also responsible for creating some funds that include these palm oil companies. Furthermore, a few self-proclaimed 'sustainable investment funds' include different palm oil companies selected for this research.

For each of the three banks, the report analysed the various investment services. This report identified that ABN AMRO offers 56 investment funds with palm oil company shares as part of its investment services, representing 10 per cent of the total investment funds it publicly offers. ABN AMRO MeesPierson actually recommends 16 such investment funds to its private banking clients. At least 23 of the selected palm oil companies are included in ABN AMRO's investment services, including companies with a track record of misconduct.

ING has a pool of 85 investment funds with palm oil company shares, which are part of its investment services in the Netherlands. Based on research examples, at least 21 different palm oil companies selected for this research report were included in these funds. Lack of transparency prevented an analysis showing which of these 85 investment funds the bank decided to include for customers for whom it acts as a manager of investments.

A sampling of ING operations outside of the Netherlands showed that in Australia, ING offered 16 investment funds for customers investing for their retirement, which included shares of the palm oil companies selected for this report. ING Australia served as an illustration that ING's investment services have an impact beyond the Netherlands.

243 See: Milieudefensie, Draw the line, July 2018.

Rabobank offered 61 investment funds that include palm oil company shares from at least 22 different palm oil companies. Five investment funds that claimed to be sustainable or 'ESG' offered by Rabobank included palm oil company shares selected for this report.

To illustrate to what degree these funds offered by the banks include companies with a documented track record of abusive practices, four companies were highlighted, namely Wilmar International, subsidiaries of the Salim Group, Golden Agri-Resources and First Resources. This report finds that all three banks offered multiple investment funds with shares of these palm oil companies.

By offering these investment funds, the banks' investment services are indirectly, or sometimes directly, strengthening the financing of palm oil companies. They facilitate their customers to invest in this industry, without providing them with adequate information to help assess the ESG impact of their investments. Shareholding by investment funds can even put pressure on the palm oil companies to make profits by continuing the structural social and environmental problems in the sector, thereby also further reinforcing the position of these companies on the capital market. While fund managers have voting rights, and can engage with and influence the companies, individual customers cannot.

The three banks, as intermediaries between the funds and the customer, do not inform their customers, and sometimes are not informed themselves, which palm oil companies are part of the investment funds. In this way, unknowingly, investing customers, and the banks, are earning from the profits of the palm oil industry and its abusive practices that are still structurally rife in the sector. Given the lack of transparency to their customers about the full content and impact of their investment funds, banks have a responsibility for the social and environmental impact of the investment funds. Currently, the banks are only legally responsible for avoiding overly high financial risks for their customers.

This report exposes that the three banks have no specific sustainability policies that relate to shares in palm oil companies when offering or recommending investment funds to their individual customers. This contrasts with the bank's more explicit palm oil policies relating to their lending services. For their mainstream investment services, the sustainability policies of the three banks apply voluntary standards that are much weaker than for their lending activities. ABN AMRO and Rabobank apply sustainability ratings for their investment funds on offer, which are outsourced to commercial sustainability research companies. These instruments are judged by this report to be poorly equipped to select and assess the sustainability of the investment funds the banks offer, recommend and manage for customers. None of the banks provide comprehensive reports about ESG impact assessment of the investment funds in their services.

ABN AMRO, and to a lesser extent Rabobank, are increasing their promotion of so-called 'sustainable investment' funds. However, no official standards exist to determine what criteria to apply when an investment fund is claimed to be 'sustainable'. Even when investments funds had a stamp of sustainability, this report found that some (e.g. ACTIAM Verantwoord Index Aandelenfonds Pacific, offered by Rabobank) include shares in palm oil companies with a track-record of misconduct.

Two Dutch based fund managers, Robeco and to a much lesser extent NN, create funds that include palm oil company shares and are offered by the three Dutch banks. They have explicit sustainability criteria regarding the palm oil sector and use a strategy of engagement with those companies that breach their policies. The three banks have not put ESG requirements for the investment funds they offer and manage in the contracts with these investment fund managers.

There is currently a legal void about the responsibility of investment fund managers, service providers and intermediaries to avoid harmful social and environmental impact. There are no legally binding obligations to report what ESG/sustainability criteria and assessments are being used. Legislative proposals being discussed at the EU level, including by the Dutch Ministry of Finance, could provide an obligation to incorporate sustainability in a standardised way. One legislative proposal being issued in May 2018 would make investment fund managers and investment service providers legally obliged to give information about -and ultimately apply- environmental and social criteria when creating or offering investment funds. The effectiveness of the law that compels social and environmental impact assessments of investments will depend on how strict the criteria are. Strict criteria about information to be made available to the customer should result in sustainability instruments applied on the ground, where palm oil companies operate. The legislative proposals still do not prohibit investment funds that have harmful environmental and social impacts.

8 Recommendations

8.1 To banks that offer investment funds, and the Dutch banks ABN AMRO, ING and Rabobank in particular

- ❑ Recognise that the structural problems in the industrial palm oil sector are not only perpetuated the lending and the direct financing²⁴⁴ of palm oil companies, but also through indirect financing and investment funds that include shares (and bonds) in palm oil companies.
- ❑ Redirect all investment services towards activities and companies that have a positive social and environmental impact. For instance, promote (the creation of) investment funds that finance in a sustainable way, small farmers engaged in agro-ecology, community-based forest management and other sustainable methods of land and forest management.
- ❑ Ensure and guarantee that none of the investment funds offered, recommended or managed include shares in industrial palm oil companies or other companies that are associated with deforestation, land grabs and human rights violations (risk-based divestment). Do not offer (new) investment funds that include companies with harmful environmental, social and governance (ESG) risks and impacts.
- ❑ Provide full transparency about all the companies whose shares are included in the investment funds offered, recommended or managed by the bank. Make information about the sustainability impact of all the companies in a fund, and of the fund as a whole, easily publicly available.
- ❑ Require all fund managers to include in investment funds only shares in companies that have demonstrably committed to achieving a positive social and environmental impact. Ensure that the contractual relationship with the fund managers incorporates the policy to exclude palm oil company shares (or bonds)²⁴⁵ from investment funds they create and/or manage. Take responsibility for the impact of how investment funds are composed and offered. Ensure that all fund managers make their sustainability or ESG (risk) assessments, voting practices and engagement/divestment publicly available.
- ❑ Ask commercial sustainability research/rating companies to strengthen the social and environmental impact assessment of the companies whose shares are in the fund. When using external sustainability rating, ensure the highest quality and publish on line full information about the (methodology of the) sustainability criteria and impact assessment that are being applied

244 Milieudefensie, idem, p. 89 -92: see the recommendations.

245 This report has focused on company shares in the funds, but the same applies for funds composed with corporate bonds.

- Promote existing and new legislation that integrate ESG criteria and ESG impact assessment in investment decisions. Promote laws that prohibit investment funds with negative sustainability impacts.

8.2 To the Dutch Ministry of Finance and members of the Dutch and European parliaments

- Actively promote existing and new legislative proposals that integrate ESG criteria and ESG assessments in all investment decisions within the EU. Eliminate the current legal void in the EU whereby the investment fund industry is not responsible nor accountable for the negative global social and environmental impacts of its investments. Work towards legally binding measures to phase out any investment fund that directly or indirectly strengthens companies with negative environmental and social impacts.
- Endorse, to start with, the EU legislative proposal for a Regulation on disclosures relating to sustainable investments and sustainability risks.²⁴⁶ Ensure that this and other EU laws include standardised and effective sustainability/ESG definitions and criteria, beyond climate change. Promote these and future EU laws that oblige all investment funds to have assessments of ESG risks and ESG impacts.
- Require intermediaries to ask their customers about the sustainability risks they want to take and the sustainable impact they want to have. Make such requirements legally binding by adding it to the legally required assessment by intermediaries to assess the financial risks for their customers. Therefore, require a review of the regulatory standards in MiFID II about suitable investments.²⁴⁷
- Review the EU standards on the basic information document (KID and KIID) for (complex) investment products to better inform individual customers about what sustainability policies and sustainability/ESG impact assessment have been undertaken, or not, regarding the companies in the investment funds. Ensure that these documents prevent 'green-washing' or unsubstantiated sustainability claims.
- Ensure that investment funds that claim to have a sustainability impact are bound by law and strict standards, including the definition of ESG and ESG impact assessments. Ensure that the European Commission seriously reviews as soon as possible whether a label for social and environmental investments should and could be introduced, as required by Art. 33 of the PRIIPS regulation (by December 2018).²⁴⁸

246 EC, Proposal for a Regulation on disclosures relating to sustainable investments and sustainability risks and amending Directive (EU) 2016/2341, 24 May 2018, https://ec.europa.eu/info/law/better-regulation/initiatives/com-2018-354_en (viewed 24 May 2018).

247 ESMA, Guidelines on certain aspects of the MiFID II suitability requirements, *ibidem*: see p. 5.

248 EU Regulation on key information documents for packaged retail and insurance based investment products (PRIIPs), 26 November 2014, Art. 33.

8.3 To individual customers

- Tell your bank to stop offering investment funds with shares in industrial palm oil companies, and in general, to divest from the industrial palm oil sector given its long-standing track record of structural social and environmental problems.
- Ask your bank for investment funds with no shares in palm oil companies when the bank offers investment management services.
- Ask for sustainable investment funds that are transparent about all the companies included in these funds and their social and environmental sustainability impact.

Annex

Per bank, the boxes in this annex contain the following information:

- ▣ The names of the investment funds offered by the bank, which contain shares in the palm oil companies selected for this report and identified by the database Thomson Reuters Eikon when consulted between 5 April and 19 April 2018²⁴⁹; using per bank the source available (explained in Chapter 4).
- ▣ The value of the shares of the different palm oil companies in the fund when the database Thomson Reuters Eikon was consulted from 5 April to 19 April 2018.

The information below has partly been incorporated in the report itself, but without the column 'Value of shares held in palm oil companies'.

ABN AMRO

Fifty six (56) investment funds listed on ABN AMRO's website²⁵⁰ were identified as including shares of the palm oil companies selected for this report.

Investment funds offered by ABN AMRO and the value of those funds' corresponding palm oil share holdings

	Value of shares held in palm oil companies in US\$
1 Aberdeen Emerging Markets Fund	53,799,821
2 Aberdeen Emerging Markets Fund – US	212,393,134
3 Aberdeen World Equity Fund	7,524,825
4 ABN AMRO Multi Manager Funds Profile 3	1,653,474
5 ABN AMRO Multi Manager Funds Profile 5	940,719
6 ABN AMRO Multi-Manager Funds Profile 6	741,779
7 Amundi Index MSCI Japan	9,234,710
8 Amundi Index MSCI Pacific ex Japan	5,204,160
9 BlackRock Asian Dragon Fund	8,499,951
10 BlackRock Emerging Markets Fund	8,053,043
11 BlackRock Emerging Markets Fund, Inc.	14,607,817
12 BlackRock Global Allocation Fund, Inc.	28,790,603
13 BNP Paribas Asia Pacific High Income Equity Fund	1,310,768

249 The identification followed the research methodology explained in Chapter 2, using the list of palm oil companies from the Forest and Finance website, and screening of the investment funds for including the shares in those companies between 5 April 2018 and 19 April 2018.

250 The list of investment funds was available at <https://www.abnamro.nl/en/personal/investments/koersinformatie/koersinformatie.html> or <https://www.abnamro.nl/nl/privatebanking/producten/beleggen/koersen/beleggingsfondsen.html> (viewed 15 May 2018).

14	Comgest Growth Emerging Markets	86,755,988
15	db x-trackers Nikkei 225 UCITS ETF (DR)	2,604,559
16	Fidelity Funds - Asia Focus Fund	13,583,030
17	Fidelity Funds Indonesia Fund	53,305,642
18	Goldman Sachs N-11 Equity Fund	2,189,447
19	Investec Emerging Markets Equity Fund	3,042,814
20	iShares Core MSCI Emerging Markets IMI UCITS ETF	89,771,667
21	iShares Emerging Markets Dividend ETF	5,448,497
22	iShares Emerging Markets Equity Index Fund (LU)	6,251,999
23	iShares Emerging Markets Equity Index Fund (UK)	10,101,826
24	iShares Europe Equity Index Fund (LU)	253,602
25	iShares Japan Equity Index Fund (LU)	1,340,339
26	iShares Japan Equity Index Fund (UK)	13,097,990
27	iShares MSCI Emerging Asia Index ETF	391,161
28	iShares Pacific ex Japan Equity Index Fund (LU)	4,230,545
29	iShares Pacific ex Japan Equity Index Fund (UK)	24,583,549
30	iShares STOXX Europe 600 (DE)	4,772,355
31	iShares World Equity Index Fund (LU)	1,713,454
32	JPM Emerging Markets Equity	82,464,490
33	JPMorgan Emerging Markets Equity Fund	75,565,101
34	JPMorgan Funds - Global Dynamic Fund	419,965
35	Kempen (Lux) Global High Dividend	6,727,723
36	Kempen Global High Dividend Fund N.V.R	19,685,737
37	NN (L) Industrials	3,593,272
38	Northern Trust World Custom ESG Equity Index Fund	5,272,075
39	Old Mutual Global Equity Absolute Return Fund	3,317,465
40	Robeco Asia-Pacific Equities	23,184,298
41	Robeco Emerging Markets Equities	28,159,350
42	Robeco Emerging Stars Equities	37,510,365
43	Robeco Global Conservative Equities Fund	3,089,212
44	Schroder Intl Selection Fd - Emerging Asia	14,993,100
45	Skagen Kon-Tiki	49,882,181
46	SPDR MSCI World Consumer Staples UCITS ETF	43,402
47	SPDR MSCI World Financials UCITS ETF	114,261
48	SPDR MSCI World Industrials UCITS ETF	418,005
49	Vanguard Emerging Markets Stock Index Fund (US)	693,573,202
50	Vanguard Emerging Markets Stock Index Fund-EUR	112,994,413
51	Vanguard European Stock Index Fund - EUR	2,692,425
52	Vanguard European Stock Index Fund - USD	13,634,145
53	Vanguard Eurozone Stock Index Fund	2,180,573
54	Vanguard Global Stock Index Fund	14,850,196
55	Vanguard SRI European Stock Fund	582,765
56	Vanguard SRI Global Stock Fund	1,225,349
Total value		1,872,366,339

ABN AMRO MeesPierson

The list of investment funds recommended to the private banking customers of ABN AMRO MeesPierson can be found on its website²⁵¹.

Funds recommended by ABN AMRO Mees Pierson and the value of those funds' corresponding palm oil share holdings

	Value of shares held in palm oil companies in US\$
1 Aberdeen Global Emerging Markets Equity Fund	117,158,289
2 Aberdeen World Equity B Acc	1,882,387
3 Aberdeen World Equity Fund	7,524,825
4 Amundi Index MSCI Japan	9,234,710
5 Comgest Growth Emerging Markets	86,755,988
6 DB Platinum CROCI Sectors Fund	20,178,906
7 Fidelity Emerging Markets Index Fund	16,908,526
8 iShares Emerging Markets Dividend ETF	5,448,497
9 iShares MSCI Japan ETF	169,024,926
10 iShares MSCI World ETF	1,014,544
11 Kempen Global High Dividend Fund N.V.R	19,685,737
12 Northern Trust Europe Equity Index UCITS FGR Fund	897,445
13 Northern Trust World Custom ESG Equity Index Fund	5,272,075
14 Robeco Global Conservative Equities Fund	3,089,212
15 Vanguard FTSE All-World UCITS ETF	4,489,600
16 Vanguard Global Stock Index Fund	14,850,196
Total value	483,415,863

ING

The ING list of investment assets ("ING bevoorschotting fondsen", dated 3 November 2017)²⁵² was screened and revealed that ING used eighty-five (85) investment funds for its investment services offered in the Netherlands, which include shares in palm oil companies selected for this report.

251 ABN AMRO MeesPierson, Beleggingsfondsen Fondsljst overzicht - Financial Focus, 30 April 2018, https://www.abnamro.nl/images/Generiek/PDFs/050_Private_Banking/Beleggen/Funds_-_Recommended.pdf (viewed 15 May 2018).

252 Based on the document "ING_bevoorschotting-fondsen_tcm162-40834.pdf": could be viewed by SOMO online via a search engine at https://www.ing.nl/media/ING_bevoorschotting-fondsen_tcm162-40834.pdf until 15 May 2018 and was not available any more thereafter: it includes information about the "bevoorschottingspercentage vanaf 3-11-2017".

	Value of shares held in palm oil companies in US\$	
1	Aberdeen World Equity Fund	7,524,825
2	ABN AMRO Multi Manager Profile 3	1,653,474
3	Amundi ETF MSCI Japan UCITS ETF DR	2,964,018
4	BlackRock Asian Dragon Fund	8,499,951
5	BlackRock Global Allocation Fund, Inc.	28,790,603
6	BNP Paribas Asia Pacific High Income Equity Fund	1,310,768
7	Carmignac Emergents	33,159,536
8	DB Platinum CROCI Sectors Fund	20,178,906
9	DB X-Trackers MSCI World Index UCITS ETF	4,298,294
10	db x-trackers MSCI World Index UCITS ETF (DR)	4,604,481
11	db x-trackers Nikkei 225 UCITS ETF (DR)	2,604,559
12	Deutsche Invest I Top Asia	8,220,141
13	First Eagle Amundi International Fund	83,023,251
14	Goldman Sachs N-11 Equity Fund	2,189,447
15	Hof Hoorneman China Value Fund	988,434
16	HSBC Japan Index Fund	15,556,800
17	HSBC MSCI Pacific ex Japan UCITS ETF	465,874
18	INVESCO Asia Balanced Fund	2,008,246
19	Investec Global Strategic Equity Fund	6,410,714
20	iShares Core MSCI Emerging Markets ETF	468,030,447
21	iShares Global Materials ETF	4,895,471
22	iShares MSCI ACWI ETF	13,986,189
23	iShares MSCI EM Asia UCITS ETF	7,923,841
24	iShares MSCI Emerging Markets ETF	442,463,972
25	iShares MSCI EMU UCITS ETF	2,338,958
26	iShares MSCI Europe ex-UK UCITS ETF	2,162,139
27	iShares MSCI Europe UCITS ETF (Acc)	426,522
28	iShares MSCI Europe UCITS ETF (Inc)	2,901,228
29	iShares MSCI Eurozone ETF	16,047,172
30	iShares MSCI France ETF	2,412,415
31	iShares MSCI France UCITS ETF	160,424
32	iShares MSCI Indonesia ETF	55,789,337
33	iShares MSCI Japan B UCITS ETF (Acc)	4,138,799
34	iShares MSCI Japan ETF	169,024,926
35	iShares MSCI Japan EUR Hedged UCITS ETF	23,204,876
36	iShares MSCI Korea UCITS ETF	1,511,049
37	iShares MSCI Malaysia ETF	99,965,182
38	iShares MSCI Pacific ex Japan UCITS ETF (Acc)	17,329,873
39	iShares MSCI World ETF	1,014,544
40	iShares Nikkei 225 UCITS ETF	1,192,002
41	JOHCM Global Select Fund	58,085,506
42	JPMorgan Asia Growth Fund	4,614,253
43	JPMorgan Emerging Markets Equity Fund	75,565,101
44	Kempen Global High Dividend Fund N.V.R	19,685,737

45	Parvest Equity High Dividend Pacific	2,681,824
46	PARVEST Equity Indonesia	7,604,556
47	Pictet-Emerging Markets Index	10,452,918
48	Pictet-Global Megatrend Selection-P EUR	16,052,679
49	Robeco Asia-Pacific Equities	23,184,298
50	Robeco BP Global Premium Equities	20,254,400
51	Robeco Emerging Markets Equities	28,159,350
52	Robeco Emerging Stars Equities	37,510,365
53	Robeco Global Conservative Equities Fund	3,089,212
54	SNS Azie Aandelenfonds	18,327
55	SNS Optimaal Blauw	17
56	SNS Optimaal Geel	1,343
57	SNS Optimaal Oranje	5,809
58	SNS Optimaal Paars	1,407
59	SNS Optimaal Rood	3,027
60	SNS Profiel Geel	51
61	SNS Profiel Oranje	278
62	SNS Profiel Paars	247
63	SNS Profiel Rood	82
64	SNS Wereld Aandelenfonds	12,104
65	SPDR MSCI ACWI IMI ETF	105,457
66	SPDR MSCI World Financials UCITS ETF	114,261
67	SPDR MSCI World Industrials UCITS ETF	418,005
68	Templeton Asian Growth Fund	166,843,469
69	UBS ETF MSCI Japan UCITS ETF	8,737,807
70	UBS ETF MSCI Pacific (ex Japan) UCITS ETF	2,346,436
71	UBS ETF MSCI World UCITS ETF	1,922,426
72	VanEck Vectors Africa Index ETF	655,058
73	VanEck Vectors Agribusiness ETF	53,832,654
74	VanEck Vectors Indonesia Index ETF	6,819,878
75	VanEck Vectors Vietnam ETF	5,701,314
76	Vanguard FTSE All-World UCITS ETF	4,489,600
77	Vanguard FTSE Developed Europe UCITS ETF	1,086,415
78	Vanguard FTSE Emerging Markets UCITS ETF	13,499,800
79	Vanguard FTSE Japan UCITS ETF	14,030,687
80	Vanguard Global Small-Cap Index Fund	562,331
81	Vanguard Global Stock Index Fund	14,850,196
82	Vanguard Japan Stock Index Fund	30,905,483
83	Vanguard Pacific Ex-Japan Stock Index Fund	39,726,511
84	Vanguard SRI Global Stock Fund	1,225,349
85	Voya Global Equity Dividend Fund	714,873
Total value		2,246,942,592

ING Australia

This research identified 16 funds that ING Australia had on offer to its ING customers, and which contained shares of selected palm oil companies. The funds were part of the investment services for superannuation (pension or “Living Super”) in Australia.²⁵³

Funds offered for superannuation by ING Australia and identified as containing shares of selected palm oil companies, and the value of those funds’ corresponding palm oil share holdings

	Value of shares held in palm oil companies in US\$
1 Betashares Global Agriculture ETF-Currency Hedged	326,535
2 iShares Asia 50 ETF	11,601,033
3 iShares Edge MSCI World Minimum Volatility ETF	13,409
4 iShares Edge MSCI World Multifactor ETF	261,046
5 iShares MSCI EAFE ETF	282,100,753
6 iShares MSCI Emerging Markets ETF	442,463,972
7 iShares MSCI Hong Kong ETF	70,185,104
8 iShares MSCI Japan ETF	169,024,926
9 SPDR S&P Emerging Markets	139,550
10 UBS IQ MSCI Asia APEX 50 Ethical ETF	114,973
11 UBS IQ MSCI Europe Ethical ETF	4,203
12 UBS IQ MSCI Japan Ethical ETF	29,171
13 UBS IQ MSCI World ex Australia Ethical ETF	46,630
14 Vanguard FTSE Asia Ex-Japan Shares Index ETF	897,500
15 Vanguard FTSE Emerging Markets Shares ETF AUD	1,166,323
16 Vanguard MSCI Index International Shares ETF	16,165,204
Total value	994,540,333

253 ING (Australia), “Living Super”, no date, <https://www.ing.com.au/superannuation/living-super.html> (viewed 15 June 2018).

Rabobank

By screening the investment fund list (dated 1 August 2017) with 479 funds²⁵⁴ sixty-one (61) investment funds offered by Rabobank have been identified as including shares of the palm oil companies selected for this report.

Investment funds

	Value of shares held in palm oil companies in US\$	
1	Aberdeen Global - Asia Pacific Equity Fund	26,228,100
2	ACTIAM Verantwoord Index Aandelenfonds Pacific	963,350
3	Amundi Funds Equity Global Agriculture	2,124,370
4	BGF Emerging Markets A2 USD	28,748,109
5	BGF Global Allocation Fund	13,388,035
6	BGF Global Dynamic Equity Fund	705,984
7	BGF Global SmallCap Fund	17,901
8	BGF Pacific Equity Fund	3,378,565
9	BlackRock Emerging Markets Fund	8,053,043
10	BNP Paribas Asia Pacific High Income Equity Fund	1,310,768
11	BNP Paribas L1 Multi-Asset Income	3,883,520
12	Carmignac Portfolio Emergents	3,041,115
13	Comgest Growth Emerging Markets	86,755,988
14	Fidelity Funds - Asia Focus Fund	13,583,030
15	Fidelity Funds - Asian Smaller Companies	11,169,405
16	Fidelity Funds Indonesia Fund	53,305,642
17	Fidelity Funds Singapore Fund	6,411,080
18	iShares Core MSCI Emerging Markets IMI UCITS ETF	89,771,667
19	iShares Dow Jones Global Sustainability Screened UCITS ETF	461,276
20	iShares Edge MSCI World Minimum Volatility UCITS ETF	1,121,484
21	iShares Edge MSCI World Momentum Factor UCITS ETF	2,584,586
22	iShares Edge MSCI World Multifactor UCITS ETF	6,975,625
23	iShares Edge MSCI World Size Factor UCITS ETF	642,525
24	iShares Edge MSCI World Value Factor UCITS ETF	21,561,087
25	iShares MSCI AC Far East ex-Japan UCITS ETF	47,591,218
26	iShares MSCI Emerging Mrkts UCITS ETF (Inc)	65,343,560
27	iShares MSCI Europe ex-UK UCITS ETF	2,162,139
28	iShares MSCI Europe UCITS ETF (Acc)	426,522
29	iShares MSCI Europe UCITS ETF (Inc)	2,901,228
30	iShares MSCI France UCITS ETF	160,424
31	iShares MSCI Japan EUR Hedged UCITS ETF	23,204,876

²⁵⁴ Rabobank, "Assortiment Beleggingsfondsen & Trackers (ETF)", 1 August 2017, https://www.rabobank.nl/images/assortiment-beleggingsfondsen_29764095.pdf (was viewed and reviewed between February and 15 June 2018): the list is 10 pages long and lists 479 investment funds.

32	iShares MSCI Japan UCITS ETF (Inc)	15,393,748
33	iShares MSCI Korea UCITS ETF	1,511,049
34	iShares MSCI Korea UCITS ETF (Inc)	16,390,302
35	iShares MSCI World UCITS ETF (Inc)	7,226,872
36	NN (L) Emerging Markets High Dividend	11,451,167
37	Northern Trust World Custom Esg Equity Index UCITS FGR Feeder	1,416,031
38	Parvest Equity High Dividend Pacific	2,681,824
39	PARVEST Equity Indonesia	7,604,556
40	Pictet-Global Megatrend Selection-P EUR	16,052,679
41	Robeco Asia-Pacific Equities	23,184,298
42	Robeco BP Global Premium Equities	20,254,400
43	Robeco Emerging Markets Equities	28,159,350
44	Robeco Emerging Stars Equities	37,510,365
45	Robeco QI Emerging Conservative Equities	40,847,543
46	Robeco QI Emerging Markets Active Equities	2,924,115
47	RobecoSAM Quant Global Sustainable Equities	778,598
48	Schroder ISF Global Emerging Markets Smaller Companies	1,619,371
49	Schroder ISF Global Smaller companies	658,320
50	Skagen Kon-Tiki	49,882,181
51	SPDR MSCI World Consumer Staples UCITS ETF	43,402
52	SPDR MSCI World Financials UCITS ETF	114,261
53	SPDR MSCI World Industrials UCITS ETF	418,005
54	UBS ETF MSCI Emerging Markets Socially Responsible UCITS ETF	5,478,345
55	Vanguard Emerging Markets Stock Index Fund (US)	693,573,202
56	Vanguard Emerging Markets Stock Index Fund-EUR	112,994,413
57	Vanguard FTSE All-World High Dividend Yield UCITS ETF	1,820,196
58	Vanguard Global Small-Cap Index Fund	562,331
59	Vanguard Global Stock Index Fund	14,850,196
60	Vanguard Japan Stock Index Fund	30,905,483
61	Vanguard Pacific Ex-Japan Stock Index Fund	39,726,511
Total value		1,714,009,337

Robeco

Research for this report found that Robeco created in total twenty three (23) funds in which at least one of the selected palm oil company's shares are included, based on results of research using database Thomson Reuters Eikon.²⁵⁵

ROBECO created investment that include selected palm oil companies

	Value of shares held in palm oil companies in US\$
1 Robeco Asian Stars Equities	11,369,621
2 Robeco Asia-Pacific Equities	23,184,298
3 Robeco Boston Partners Global Long/Short;Instl	5,687,556
4 Robeco BP European Premium Equities	67,418
5 Robeco BP Global Premium Equities	202,544,400
6 Robeco Emerging Markets Equities	28,159,350
7 Robeco Emerging Markets Smaller Companies Equities	709,192
8 Robeco Emerging Opp Eq	131,225
9 Robeco Emerging Stars Equities	37,510,365
10 Robeco Factor Solution	437,254
11 Robeco Global Conservative Equities Fund	3,089,212
12 Robeco Inst Global Enhanced Index Fd	1,500,255
13 Robeco Institutional Emerging Markets Fund	28,608,905
14 Robeco Institutional Emerging Markets Quant Fund	11,261,708
15 Robeco QI Emerging Conservative Equities	40,847,543
16 Robeco QI Emerging Markets Active Equities	2,924,115
17 Robeco QI Emerging Markets Enhanced Index Equities	448,832
18 Robeco QI Global Developed Conservative Equities	1,857,401
19 Robeco QI Global Developed Enhanced Index Equities Fund	584,917
20 Robeco QI Global Value Equities	612,032
21 Robeco QI Inst Global Developed Cons Equities Fd III	894,806
22 RobecoSAM Quant Global Sustainable Equities	778,598
23 CGF Robeco QI Emerging Markets Sustainable Active Equities	11,561
Total value	403,220,564

255 See Methodology (Chapter 2)) and Chapter 5: the database was consulted from 5 to 19 April 2018.

NN

NN has created five (5) funds with shares from the selected palm oil companies and banks²⁵⁶, based on results of research using database Thomson Reuters Eikon.²⁵⁷

NN manufactured funds with shares from selected palm oil companies

	Sum of selected share value US\$
1 NN (L) Emerging Markets High Dividend	11,451,167
2 NN (L) Global High Dividend	6,769,304
3 NN (L) Industrials	3,593,272
4 NN (L) Japan Equity	1,486,877
5 NN Indonesia Equity Mother Fund	2,066,042
Total value	25,366,662

256 For the selection of banks, see box "Links to Asian 'palm oil banks'".

257 See Methodology (Chapter 2) and Chapter 5: the database was consulted from 5 to 19 April 2018.

Investment Funds

The untold story about the link between Dutch banks and industrial palm oil companies

The environmental and social problems in the industrial palm oil production are persistent as extensively documented over the last two decades by non-governmental organisations like Milieudefensie (Friends of the Earth Netherlands). In recent years, a growing body of research has also focussed on the way these palm oil companies are financed.

This report uncovers a financial stream that has so far received little attention, namely how industrial palm oil production is financially underpinned by investment funds. For this report, the Centre for Research on Multinational Corporations (SOMO) examined the specific links between three Dutch banks (ABN AMRO, ING and Rabobank) and a selection of 81 palm oil companies and conglomerates, through the investment funds that these banks offer to individual customers.

