



Guidelines for CSR policy and client acceptance

for Holland Quaestor members

December 2017

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BACKGROUND

These guidelines are in line with the objectives of the members of Holland Quaestor (HQ) to realise a more ethical, transparent and high-quality provision of services. The introduction of the CTC*) quality mark in 2014 was a concrete realisation of this ambition: the members of Holland Quaestor have every aspect of their service provision assessed by an independent body (Stichting AQTO).

The 'Quality Mark House' provides the framework for the assessment. Corporate Social Responsibility (CSR), including client acceptance and tax aspects, forms part of this. The criteria for the Quality Mark were tightened up in September 2016 (version 2.0).

CSR policy is now a provisional criterion for allocation of Quality Mark 2.0 (criterion M-6).

This also applies to the policy on client acceptance (criterion C-1). From a practical point of view, the client acceptance process is an effective way to structure and embed CSR policy. These guidelines are a tool to enable compliance with these conditions. See **Appendix 1** for a brief phased plan.

**) Certified Trustworthy Company*

AMBITION

The members of HQ are very aware of current developments in society. The probing discussion about fair taxation, in particular, has their full attention.

The intensity of the discussion and the urgency of major social problems are the motivation behind the desire of the members of HQ to emphatically promote Corporate Social Responsibility (CSR).

The standards for what is socially responsible are constantly changing. The members of HQ place a great deal of value on transparency and the interaction with stakeholders (clients, staff, banks, social organisations, legislators, regulators, etc.) in order to maintain a good feel for this development.

For the members of HQ, Corporate Social Responsibility means that ethical and careful decisions are taken regarding the parties with which they do business. In concrete terms, this means that Corporate Social Responsibility:

- plays a major role in client acceptance:
 - including the policy and the efforts of clients regarding ecological, social, financial-economic and ethical aspects
 - including tax aspects
- demands interaction with other stakeholders and openness towards society, and
- is also interwoven in the member's own business operations.

CSR therefore needs to be part of the core processes.

Where they possibly can, the members of HQ want to play a positive role in countering climate change and its effects, strengthening ecosystems, improving living and working conditions and strengthening fair business practices and actions. They do this with the conviction that their efforts have a positive influence on global well-being in general and international business in particular. This objective connects seamlessly with their role as gatekeeper.

1 CONNECTION BETWEEN CSR POLICY AND CLIENT ACCEPTANCE

1.1. DEFINITION OF CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) has many descriptions. The members of HQ use the following definition:

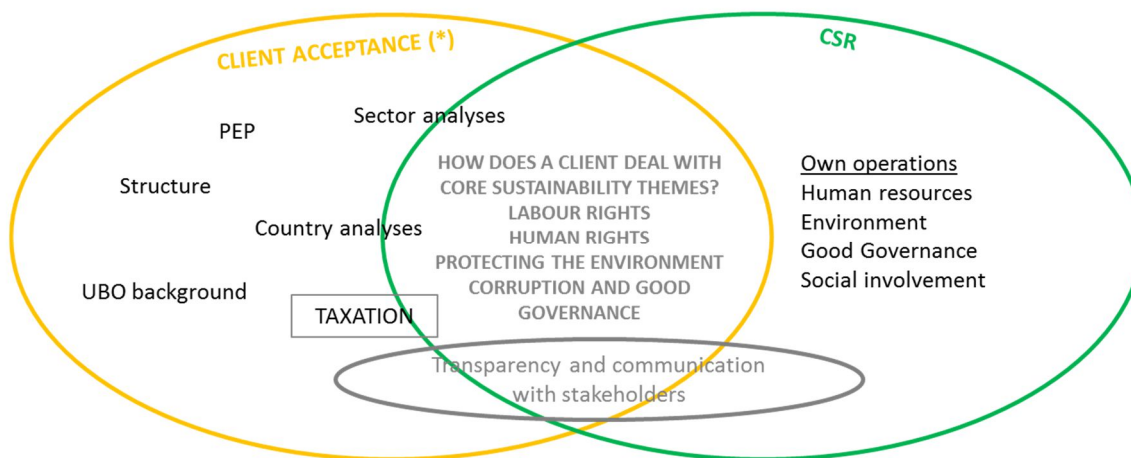
‘Corporate Social Responsibility is performing our services in an ethical manner in the interests of the environment, the social environment and the economy. CSR policy pertains primarily to our core processes, in which context we also take responsibility for our role in the chain. This implies that we maintain relationships with relevant stakeholders on the basis of transparency and dialogue, and provide answers to justified questions from society.’

The emphasis in CSR policy is different for each sector. Service provision in the trust sector has a very limited direct influence on the environment, and there are no major issues in the sector in the areas of labour rights and human rights. The sector also operates within strictly regulated parameters.

CSR policy for the trust sector therefore primarily demands extra attention for its chain: for integrity and caution regarding client acceptance and tax aspects.

The members of HQ are aware that this insight also means that their own business practices must be in order (see **Appendix 4**).

LINK BETWEEN CSR AND CLIENT ACCEPTANCE



(*) relevant for prospects and reviewing of clients

1.2 CLIENT ACCEPTANCE AS AN INTEGRAL ELEMENT

The members of HQ are of the opinion that Corporate Social Responsibility means taking responsibility for the choices they make in the selection of business partners and clients.

Partly as a result of the introduction of the Dutch Trust Offices (Supervision) Act (WTT) in 2004, the members of HQ have already been explicitly implementing client acceptance measures for a long time. This is shown by the existence of extensive procedures in this area, among other things. They do not accept their customers being involved in unlawful activities. Furthermore, they expect their clients to also act within the spirit of the law (and not merely the letter) and that clients at the very least must avoid carelessness with respect to the environment, their employees and other stakeholders (including, but not limited to, impairment of human rights and the natural environment).

Client acceptance first and foremost means that the members of HQ weigh matters up very carefully before entering into a relationship with a new client. They also just as carefully evaluate relationships with existing clients on a regular basis. If clients do not or no longer meet their expectations, the members of HQ terminate the relationship.

1.3 THE TAX ASPECT IS AN IMPORTANT ELEMENT

HQ members see the tax aspect as an important element of their service provision. It is therefore also part of their responsible approach. These CSR policy and client acceptance guidelines do not address tax aspects in greater detail: for this, see the Guidelines for the Tax Assessment Framework (fully incorporated in this document in Chapter 4).

2 CLIENT ACCEPTANCE

The members of HQ face a wide range of moral/ethical dilemmas on a daily basis in the assessment of intended and actual transactions, and in client acceptance and services to clients. In recent years, they have developed expertise in assessing matters properly.

The members of HQ assess risks, each in a manner suitable for them, before entering into a business relationship. In this context they also recognise that certain factors in a relationship with a customer have a risk-increasing nature. The members of HQ are of the opinion that these risk-increasing factors force them to carry out further investigation. The greater the risk, the more attention is paid to due diligence. Depending on the risk appetite, knowledge and experience of a trust office on the one hand and the combination of risk factors on the other, an estimate can be made of possible suitable mitigating measures, to keep the risk acceptable and manageable. If these measures turn out to be insufficient, an office will conclude that a certain transaction should not be implemented, or a client or potential client should be excluded ('no go').

The Guidelines for CSR policy and client acceptance give the members of HQ concrete tools for making better moral/ethical decisions: specific information on the consequences for the environment and society of the actions of clients and potential clients are explicitly included in their decision-making.

2.1. EXCLUSIONS (NO-GOS)

The members of HQ have each developed their own methodology to assess moral/ethical matters. Each individual member therefore uses its own list of exclusions and an overview of aspects in their service provision which is viewed as risky.

The members of HQ have jointly reached the conclusion that the factors listed below could lead to non-acceptance of clients or the termination of existing relationships.

Exclusion list

Structures and persons

- Sanctioned persons*)
- Bearer shares (of non-listed enterprises): if they are held by the UBO
- Investments in pyramid structures

Countries

- Sanctioned countries*)

Activities

- Prostitution
- Forced labour
- Child labour
- Human trafficking/slavery
- Narcotics, with the exception of medical applications
- Trade in threatened species of animals and products made or derived from threatened

(*) The members of HQ apply the following sanctions lists, as a minimum:

- **The Netherlands and the EU:** <https://www.rijksoverheid.nl/onderwerpen/internationale-sancties/inhoud/sanctiemaatregelen/landen-organisaties-en-personen-waartegen-sancties-gelden>
- **UN:** <https://www.un.org/sc/suborg/en/sanctions/un-sc-consolidated-list>
- **US:** [Sanctions Programs and Country Information](#) and [Specially Designated Nationals and Blocked Persons List](#) (OFAC)

2.2. RISK-INCREASING FACTORS

The members of HQ have also collectively concluded that the following factors have a risk-increasing nature. They apply exclusion if due diligence shows that it is not possible to fully or sufficiently mitigate one or a combination of risk-increasing factors.

List of risk-increasing factors

Structures and persons

- Anonymisation
- If a UBO transfers shares to a nominee (which could be a son/daughter) due to his political function
- A conviction (depending on the country in which the conviction took place*)
- If a UBO is also a PEP
- If a UBO does not indicate where he/she is a taxpayer, or if a UBO does not pay tax (even if this is in line with the applicable tax regime)
- If a UBO cannot provide or arrange provision of external confirmation of the origin of the assets
- Trust/nominee shareholder
- Bearer shares

(*) Conviction in the last 10 years pertaining to business activities.

Tax aspects

Countries

- Corruption Perception Index (Transparency International): score below the average (in 2016: <43)
- Tax havens (see <http://www.oecd.org/tax/transparency/GFratings.pdf>)

Sectors

This pertains to the risk of far-reaching consequences for the environment, labour rights and human rights and ethical business practices (see Chapter 3). The emphasis in the risks differs between sectors.

- Construction
- Chemicals
- Electronics
- Employment agencies
- Energy
- Fishing
- Food industry
- Forestry
- Hospitality and leisure sector
- Metal and machine industry
- Mining and mineral extraction (including diamonds and precious metals)
- Non-regulated part of the financial sector
- Nuclear power
- Oil and gas
- Pharmaceuticals
- Property (project development and management)
- Shipbuilding (and ship breaking)
- Sport
- Textile, clothing leather and shoe industries

- Tobacco and tobacco products
- Transport sector
- Waste processing (particularly hazardous)
- Water companies
- Wood and paper

Activities

- Activities in protected natural areas, such as UNESCO World Heritage Sites and Key Biodiversity Areas
- Adult entertainment/sex industry
- Animal testing
- Casinos and online/offline gambling industry
- Charities and religious institutions
- Dual use goods
- Fur production
- Genetic manipulation
- Provision of services to defence sector
- Sectors in which a lot of cash changes hands
- Trade in valuable goods (art, antiques, coins, jewels, vessels, etc.)

3.1. FURTHER EXPLANATION OF DEFINITION

In formulating a definition suitable for them and implementable in practice, the members of HQ were inspired by the Brundtland Commission, UN Global Compact, OECD Guidelines for Multinational Enterprises and the Sustainable Development Goals (see **Appendix 2**).

‘Corporate Social Responsibility is performing our services in an ethical manner in the interests of the environment, the social environment and the economy. CSR policy pertains primarily to our core processes, in which context we also take responsibility for our role in the chain. This implies that we maintain relationships with relevant stakeholders on the basis of transparency and dialogue, and provide answers to justified questions from society.’

The following elements of the definition deserve extra attention.

Core processes

The members of HQ offer their global clients, particularly businesses, an extensive range of services and support in doing international business, by ensuring that statutory and administrative obligations are complied with, setting up and running the administration, and management, among other things. Careful selection of clients and assessment of tax aspects are therefore two of the most relevant processes in the trust sector.

Role in the chain

The members of HQ themselves have a very limited direct influence on the environment (planet) and society (people). CSR policy is therefore primarily targeted at their position in the chain.

Their clients often have a far greater influence on the environment and society due to the nature of their activities. The members of HQ take responsibility for opening discussions with their clients regarding their efforts in these two dimensions of CSR.

The members of HQ also have a limited influence on the profit dimension of CSR (tax aspects and structure), because they operate within a strict and detailed statutory framework, or in accordance with external advice from professional tax consultants, respectively.

Transparency and dialogue

Particularly since the financial crisis, there has been a growing demand from society for transparency in general, and from the financial sector in particular. Careful implementation of the provision of services implies that the members of HQ also ensure that other factors, alongside statutory regulations, play a role in their decision-making. They therefore consider it important to provide greater insight and openness regarding their actions. In this way, they create the basis for a good dialogue with stakeholders and a broadening of the cooperation with their clients and other stakeholders.

The list in **Appendix 3** provides a global overview of the various aspects of CSR policy:

1. relationships with clients and (less relevant) the member’s own business operations.
2. openness and communication about both aspects
3. substantive areas for attention (labour rights, human rights, care for the environment, corruption and good administration and taxation).

3.2. SCOPE OF THE CSR POLICY

- The CSR policy pertains to all forms of service provision by the members of HQ.
- The emphasis of the policy is on the interaction with their clients, but the policy also pertains to their own business operations (see **Appendix 4** for several points for attention).
- The CSR policy is a crucial and logically necessary supplement to existing legislation and regulations, both at the national and international level. It goes without saying that legislation is the absolute bottom limit, but in countries in which the members of HQ or their clients face weak legislation or insufficient enforcement of them, the members of HQ will use international treaties as the base limit in evaluating business relationships.
- In terms of other aspects of Corporate Social Responsibility, the members of HQ apply their own standards and values. This means that they fully avoid involvement in specific activities, countries, structures and persons, or combinations thereof ('exclusion'). See section 2.1.
- The members of HQ will implement their own CSR policy by 1 January 2018 at the latest. This means that, as of that date, they will evaluate all new clients and potential clients in terms of their efforts in the area of Corporate Social Responsibility.
- They must have assessed all existing clients in terms of their CSR policy before 31 December 2020, and have made arrangements with each individual client regarding their CSR policy and its implementation. If clients are no longer a match for the CSR policy of the trust office, arrangements will be made regarding ending the relationship (*).

A questionnaire has been included for the members in **Appendix 3**, which they can use in determining the possible CSR risks which their clients and potential clients could face in their business operations.

*) This end date is a practical consequence of the ultimate date on which the CSR policy comes into effect (1 January 2018) and the usual maximum period of three years which members of HQ apply for reviewing client acceptance dossiers. High-risk dossiers are reviewed annually.

4 GUIDELINES FOR THE DESCRIPTION OF THE TAX ASSESSMENT FRAMEWORK OF HOLLAND QUAESTOR MEMBERS

'Tax aspects' are included in Quality Mark 2.0 as part of Corporate Social Responsibility (CSR), as a conditional criterion. The General Membership Meeting of 30 January 2017 approved the development of an HQ list of no-go countries, sectors and activities. Drawing up such a list is a time-consuming process; the list will only be completed after the start of the second round of visits relating to the quality mark. For this reason, the initial preference was for requirements relating to the description of the trust office's internal tax assessment framework, specified in the quality mark as: "Documentation of moral, ethical and/or tax-related discussions and the decisions arising from such discussions" (point M-6 of the quality mark criteria). This concerns the assessment of tax aspects relating to services provided to clients and client entities, rather than the tax methods of the trust office itself.

The tax assessment framework will also form part of the risk analysis (SIRA), to which reference therefore may be made in this case. In line with these requirements, this guideline further sets out the details of what should be addressed in the description. The guidelines can be incorporated into the Procedural Manual.

4.1 PRINCIPLES

This refers to the principles applied by the trust office and the choices made in this context (stating reasons), such as:

- The role played by the spirit of the law. Indicate how the spirit of the law is interpreted in relation to the evaluation of the tax aspects of a structure during the client acceptance process.
- Details on what opinions of which stakeholders were incorporated into the tax policy (including multinationals, retirement funds, banks, political parties and NGOs).
- The way in which various tax aspects are weighed up in the risk analyses (such as an internal second opinion or separate committee, an external second opinion, role of the management).

4.2 REALISATION OF THE TAX POLICY

This concerns the procedures and criteria the trust office use in realising the tax policy. The criteria must include reasons/a substantiation (e.g. the role and considerations of the business rationale).

- The types of tax optimisation which are or are not applied (such as double deduction, double non-taxation, zero tax in the chain, use of low tax jurisdictions,...).
- Legal forms applied, with what purpose and based on what criteria (such as general partnerships, foundations, hybrid structures, general partnerships-private limited companies, and cooperatives).
- Risks weighed up when determining the acceptability of tax optimisations.
- Mitigating measures applied in relation to the tax optimisations used.
- Situations in which external tax advice is requested, along with the criteria a tax adviser must satisfy including the inclusion or exclusion of an opinion in the tax recommendation concerning the social acceptability of the recommendation). And the criteria on the basis of which a tax recommendation is analysed and/or assessed by an office.
- Evaluation of the entity's tax statement for correctness and acceptability.
- The application and types of anonymity-focused structures (such as nominee shareholders).

4.3 TRANSPARENCY

- Cooperation with the transparency initiatives (TP, CbCR, CRS-FATCA).
- Access to the tax return and assessment of the UBO.
- Insight into the origin and destination of the funds.
- Availability to third parties (such as clients) of the documentation of the tax policy.

5 GUIDELINES FOR IMPLEMENTATION OF CSR POLICY AND CLIENT ACCEPTANCE

The members of HQ see the CSR policy as a change to their approach and practice. These changes demand time in terms of their implementation: adjusting internal processes and systems, a change of culture, but also a different approach to clients. This is stated in the Quality Mark as: “Documentation of moral, ethical and/or tax-related discussions and the decisions arising from such discussions.”

5.1 IMPLEMENTATION

A. The implementation will take place **in steps**.

- The trust office has developed and set down CSR policy (including examples of applications thereof) – **see Appendix 3**
- Presence of a clear plan with timeline indicating when the detailed description in the guidelines will be complied with.
- These requirements also apply specifically to client acceptance.
- Offices which have not yet complied with the general exclusion list will be given the time to do so before 31 December 2020.
- The members of HQ will implement their own CSR policy by 1 January 2018 at the latest. This means that, as of that date, they will evaluate all new clients and potential clients in terms of their efforts in the area of Corporate Social Responsibility.
- This new policy will involve changes for existing clients. The trust office indicates in which way the CSR policy will be made known to these clients, and what the follow-up arrangements will be with each individual client if they do not comply with the CSR policy. The trust office will draw up a timetable with individual clients (completion of the process before 31 December 2020).
- The trust office will not enter into any relationships with prospects if these do not comply with the CSR policy (including the Guidelines for the Tax Assessment Framework).

B. The members of HQ see the CSR policy, including client acceptance and tax aspects, as core elements in the realisation of their social role. They apply **processes** (including some still to be developed) in order to be able to implement this policy adequately.

- The trust office must explain the policy and the processes related to it, and which business and ethical considerations are made.
- The assessment framework for this policy will also form part of the risk analysis (SIRA). In line with these requirements, these guidelines further specify what must be covered in the description of the CSR policy. The guidelines can be incorporated into the Procedural Manual.
- The trust office describes in a procedure, and also provides an explanation about, the way in which the tax-related, moral and ethical motivations of the client are assessed in terms of the prevailing (and developing) social attitudes (for example, with a risk matrix, on the basis of detailed specific policy documents for high-risk activities, sectors, countries, types of clients). See Appendix 3 for an illustration.
- The trust office describes a procedure to prevent any involvement in exclusions occurring. Exclusions are activities, countries, structures and/or persons with which the members of HQ do not want to be involved in any way.
- The trust office records the performance of an individual client in the CSR area in the client dossier (policy and implementation).

C. The members of HQ remain in dialogue with one another and with relevant **stakeholders** regarding **further development** of the CSR policy and its implementation.

- The trust office describes the details of how this is implemented (including by means of a whistleblower procedure (or by setting one up) and a complaints mechanism, or by setting up dialogues with the media, for example).

5.2 PRINCIPLES

The principles applied by the trust office and the substantiated choices made in relation to them, such as:

- The spirit of the law and depth. Indicating how the approach of a client is interpreted, in the client acceptance process, in the area of CSR policy and its implementation (including the spirit of the law and the depth of the policy on the basis of relevant international treaties and agreements).
- The way in which the various opinions of the various relevant stakeholders (such as multinational corporations, pension funds, banks, political parties, NGOs) are incorporated into the client acceptance and CSR policy.
- The way in which the trust office assesses aspects in terms of client acceptance and CSR in the risk analyses (such as an internal second opinion or separate committee, an external second opinion, and the role of the management).

5.3 REALISATION

This section addresses the procedures and criteria the trust office uses in realising the CSR policy. The criteria must include reasons/a substantiation (for example, the role and the considerations of the 'business rationale').

- Embedding the client acceptance and CSR policy in internal processes and business culture by incorporating relevant criteria into:
 - the internal organisation
 - systems (including monitoring & reporting)
 - procedures (for example: developing an assessment methodology for determining CSR risks with clients)
 - expertise and courses
 - culture and tone at the top
- The upper management will play an active role in this: conduct and culture are high on the agenda of the members of HQ, regulators, politicians and other stakeholders.
- Respect for the list of exclusions which is determined annually.
- Overview of the risks weighed up when determining the acceptability of the CSR policy of client and the way in which a client implements this policy.
- Mitigating measures applied in a situation in which a client is not complying with the CSR standards
- Measures and processes to withdraw services from a client, if necessary improvements in the area of CSR are not forthcoming.
- The situations in which external advice is requested, and the criteria with which an adviser must comply.

5.4 TRANSPARENCY

The members of HQ are of the opinion that they can better perform their role if there is more understanding among stakeholders regarding their activities. They therefore attach a great deal of value to communication about their actions and providing insight into the activities of their clients, without risking the confidentiality of each individual client relationship.

- Openness about the CSR policy, including client acceptance and tax aspects of the trust office. The trust office indicates (in the form of a summary) what its responsibilities, obligations and expectations are.
- The trust office communicates (for example, through the website) about the application of the CSR policy, the core values applied and the developments in this policy.
- Offering more openness and cooperating in dialogues with stakeholders: the trust office provides insight into these activities.

5.5. APPLICATION

All the above points are subject to the 'comply or explain' principle during the development phase (up to 31 December 2020).

APPENDIX 1. SHORTCUT TO IMPLEMENTATION

1. DEVELOP POLICY

- Pay attention to the Stichting AQTO timelines and the timelines in these guidelines
 - Develop policy (before 1/1/2018)
 - Start implementation with the assessment of new clients as of 1/1/2018
 - All existing clients must be assessed and discussed before 31/12/2020
- Place emphasis on CSR in client acceptance (see point 2 below), own business operations are less relevant (**see Appendix 4**)
- Key elements in the policy:
 - Respecting joint HQ standard (such as exclusions)
 - Changing client acceptance process (and any other processes, as appropriate)
 - Indicating how the trust office weighs matters up
 - Indicating how the policy is implemented (tone at the top)
 - Good documentation of discussions with clients
 - Communication about the policy and its implementation
 - Regular recalibration of the policy
- See Chapter 5 for further details

2. EVALUATE CSR POLICY OF CLIENTS

- Establish that a client is not involved in excluded activities
- Determine in which sectors and countries the client is active
- Establish what the most relevant CSR factors are (see Appendix 3-B)
- Look at the client's process for managing CSR (see Appendix 3-A), particularly with regard to the relevant factors
- Make a risk estimate and decide whether or not to accept a client.
- Record the result of the analysis in the client dossier (and review the situation regularly, in line with the current approach on reviewing)

APPENDIX 2. INSPIRATION AND 'GUIDANCE' DOCUMENTS

The starting point for drawing global attention to sustainability probably lies with a UN Commission under the leadership of the former Norwegian Prime Minister Brundtland.

- **This commission describes sustainable development in its report *Our Common Future* (1987) as:**

'Meeting the needs of the current generation without this being at the expense of the ability of future generations to meet their needs.'

The governments of the OECD countries and the business community had already made agreements about 'doing business responsibly' in 1961.

These guidelines were tightened up in 2011.

- **OECD Guidelines for Multinational Enterprises**

The Guidelines address aspects including information provision, human rights, employment and labour relationships, the environment, fighting corruption, bribe requests, extortion, consumer interests, science and technology, competition and taxes.

"They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognised standards."

At the end of the last century, the former Secretary General of the UN, Kofi Annan, set up the UN Global Compact with the objective of getting the support of the international business community for the realisation of the Millennium Development Goals.

- **UN Global Compact - Principles**

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses. Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation. Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies. Anti-corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Many businesses are currently establishing a link between their CSR efforts and the UN Sustainable Development Goals (2015). The purpose of these goals includes putting an end to global poverty, promoting equality, strengthening the position of girls and women, protecting the planet and ensuring prosperity for all, in the next 15 years.

- Sustainable Development Goals – 17 concrete goals



APPENDIX 3. ILLUSTRATIVE PROCESS FOR CLIENT ACCEPTANCE (SUPPLEMENTARY TO EXISTING PROCEDURES ON STRUCTURES, PERSONS AND ENTITIES)

The following checklist can help in determining whether or not a relationship should be entered into with a prospect, or an existing relationship continued. This list is not intended as a 'tick the box' tool, but as an instrument to enable a thorough internal weighing up to be made for individual cases.

In the analysis process, it is important to assess the entire relationship complex (holding company and subsidiaries; also the 'vertical branches'). When determining the risk in the analysis (if the exclusion list is therefore not applicable) it is possible to opt to include a turnover criterion: for example, if less than 5% of the turnover is realised in a high-risk country, this is then acceptable.

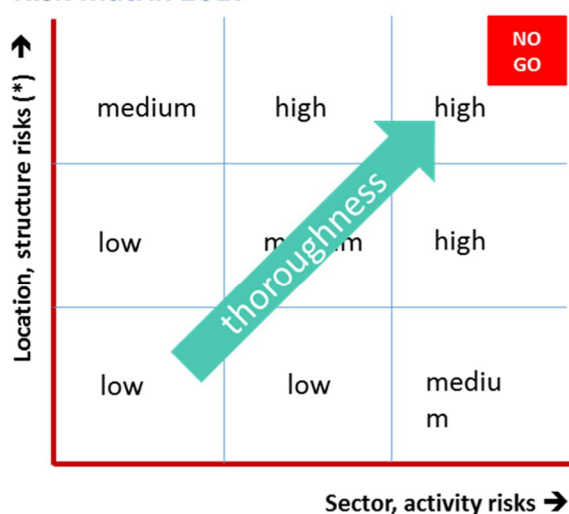
Each member of HQ carries out its own assessment regarding risk acceptance. Generally speaking, the more risks associated with a proposed transaction, a client or potential client, the more thorough the risk analysis needs to be.

If insufficient mitigating measures can be taken in a given situation, an office will decide not to commence or continue serving a client.

The assessment of the CSR policy of a client consists of two main aspects:

- A. Procedural (responsibilities, ambitions, day-to-day practice, etc.)
- B. Substantive (labour rights, human rights, the environment, etc.): in this respect, the relevance of the substantive points is different for each sector (labour rights weigh heavily in the clothing industry, the environmental component is also very important in mining).

Risk matrix 2017



(*) including UBO analyses

A. Steps to gain an impression of the process a client has set up for the CSR policy

An initial impression can be obtained fairly quickly with regard to all the substantive subjects below by analysing the following points:

- a. Does the client have policy for this field?
- b. Who in the company has final responsibility for determination and implementation of the policy?
- c. Which standards are referred to in the policy (as a minimum or as ambition)? And is the company certified?
- d. Are there KPIs? If so, are reports provided on progress in achieving these goals?
- e. How is the policy implemented in day-to-day practice (for example, training courses for staff, avoiding accidents, including serious ones ('controversies'), and an overview of any convictions and fines, etc.)?
- f. How transparent is the company regarding implementation of the policy (for example, list of emergencies, stakeholder dialogue)?
- g. How does a company respond after serious accidents? Has adequate action been taken to prevent repetition?

And, in order to get a general picture:

- Is attention paid in reports to non-financial developments?
- Does a company take part in sectoral and other initiatives?
- Does the company comply with legislation and regulations?

B. List of the key substantive aspects of CSR policy

Relevant points in the area of labour rights

Based, among other things, on the ILO Conventions, OECD Guidelines for MNEs and UN Global Compact.

- freedom of association ('trade union freedom')
- right to collective negotiations on terms and conditions of employment
- safe and healthy working conditions
- suitable remuneration ('living wage')
- equal remuneration and treatment (no discrimination)
- minimum age
- forced labour (work by people under threat of punishment, such as violence, restrictions to freedom of movement, withholding or unfounded reduction of wages, confiscation of identity papers)
- is this policy also applicable to the client's suppliers?

Controversies can include: industrial accidents (including ones with fatalities), unprotected working with toxic materials, long-term or serious labour conflicts (deployment of 'security personnel'), poverty, discrimination against women, exploitation of suppliers (for example, small farmers or staff in clothing factories).

Relevant points in the area of human rights

Based, among other things, on the UN Guiding Principles for Business and Human Rights and UN Global Compact. Companies must respect human rights, government agencies must protect human rights. This pertains primarily to how a company acts in a country with a government which does not properly protect human rights, irrespective of whether this is due to deliberate politics or inadequate implementation. Not deriving a benefit from poor human rights situations. Compensation for any loss or injury suffered.

- freedom of expression
- a free media
- harming the natural living environment
- marketing
- land grabbing
- being awarded major orders by 'governments with a bad reputation'
- is this policy also applicable to the client's suppliers?

Controversies can include: conflicts with local population about land use (for mining or agricultural purposes), making use of failing law enforcement, non-compensation of loss or injury caused by pollution, encouraging tobacco use among children.

Relevant points in the area of environmental protection

Based, among other things, on various international treaties and conventions, the OECD Guidelines for MNEs and the UN Global Compact.

- combating climate change (and having insight into the impact)
- efficient use of raw materials
- combating pollution (land, air, water)
- dealing carefully with vulnerable natural areas (from carrying out impact analyses to taking adequate mitigating and compensating measures)
- is this policy also applicable to the client's suppliers?

Controversies can include: leaking oil pipelines, illegal discharges, entering and damaging natural areas without a permit, overfishing, use of polluting fuels, illegal tree felling, not taking any compensating measures (replanting, for example), poor maintenance to systems, hiring unqualified subcontractors.

Relevant points in the area of good management and preventing corruption and bribery

Based, among other things, on the UN Global Compact.

Companies must have a policy on doing business honestly. This pertains to the way in which the company itself is governed (good corporate governance) and how it interacts with customers, suppliers and lawmakers.

- corporate governance
- transparency and good reporting (GRI-4)
- avoiding and preventing corruption and bribery
- cartel formation, market manipulation

Controversies can include: no regular changes to the board of directors, no insight into business operations, secret price agreements between parties, misleading regulators, payment of bribes, etc.

Another important aspect is the fact that certain risks in certain countries or certain sectors are much higher than in other countries or sectors. Many sectors already have sector standards, which describe best practices in detail.

It is usual at many financial institutions that, when determining the risk level in a new or existing business relationship, the element in the analysis with the highest risk is always selected. In other words, a business with activities in Austria and the Congo is allocated the risk level for the activities in the Congo.

CSR explanation – attention points (content)*

	Environment	Labour	Human rights	Integrity / anti-corruption	Taxation
Clients, their supply chain and countries where they have activities	<ul style="list-style-type: none"> • Combatting climate change: <ul style="list-style-type: none"> - Energy consumption - Smart buildings - Logistics • Avoiding air, water and soil pollution • Avoiding exhaustion of (natural) resources • Protecting and strengthening biodiversity and ecosystems • Efficient use of resources • Exploring new possibilities (research and innovation) 	<ul style="list-style-type: none"> • Labour conditions: <ul style="list-style-type: none"> - rewarding (living wage) - health & safety • Right of association • Trade union liberty • Forced labour • Child labour • Work place discrimination • Diversity • Education & development • Political liberty • Dispute resolution • Whistleblower procedure 	<ul style="list-style-type: none"> • Freedom of speech • Discrimination • Political liberty • Freedom of press • Protection of vulnerable groups (indigenous people) • Consumer protection 	<ul style="list-style-type: none"> • Integer business conduct • No corruption en bribery • No market manipulation (cartel) • Good governance • Legal framework • Political system • Environmental policy 	<ul style="list-style-type: none"> • Tax evasion • Aggressive tax structures <p>See chapter 4 for an explanation of the taks assessment framework.</p>
HQ members	See above, with small differences: procurement, housing (location, quality of buildings)	See above, with small differences, like equal pay, people with limited access to the labour market	See above, with small differences (consumer protection is (most likely) not a topic	See above, met crucial differences: <ul style="list-style-type: none"> • Integer business conduct • Good governance 	Prudence in determining the company's fiscal approach

* = not complete

APPENDIX 4. SEVERAL FOCUS AREAS FOR INTERNAL CSR POLICY

The environment

- Location of branches/offices: vicinity to public transport hub
- Energy efficiency of branches/offices
- Purchasing (sustainable coffee, green energy, reusability of office furniture, etc.)
- Waste reduction and waste separation
- Lease scheme, reimbursement for commuting travel and business travel
- Efficient use of tools
- Etc.

Social

- No discrimination
- Equal pay for equal work
- Training possibilities
- Options for people who would have difficulty finding employment in the regular employment market.
- Trade union freedom
- Volunteer work
- Whistleblower regulations
- Etc.