

**Risking animal welfare**

**Follow up case study - Investments in chicken and pig meat production**



**Fair Bank Guide**

**19 December 2019**

# Fair Bank Guide

## Risking animal welfare

## Follow-up case study on investment in chicken and pig meat production

The Fair Bank Guide is a coalition of the following organizations:

Amnesty International, Milieudefensie, Oxfam Novib, PAX and World Animal Protection<sup>i</sup>

19 December 2019

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<sup>i</sup> Not all coalition members of the Fair Bank Guide work on all themes and/or sectors on which the research of the Fair Bank Guide focuses. Reports on specific themes therefore do not necessarily reflect the opinion of all coalition members of the Fair Bank Guide.

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## Samenvatting

Dit onderzoeksrapport is een vervolg op het praktijkonderzoek '[Risking Animal Welfare](#)', gepubliceerd door de Eerlijke Bankwijzer, in februari 2018. Het doel van dit praktijkonderzoek is onderzoek naar de financiële relaties van zeven Nederlandse bankgroepen met een selectie van bedrijven in de waardeketens van kippen- en varkensvlees, waaronder vleesproducenten, verwerkers/slachterijen, supermarktketens en restaurantketens. Ten tweede wordt in dit praktijkonderzoek onderzocht of de banken engagementactiviteiten ondernemen met deze bedrijven over het thema dierenwelzijn. Afhankelijk van de resultaten van dit onderzoek krijgen de bankgroepen een rode, oranje of groene vlag voor de wijze waarop ze via engagementactiviteiten dierenwelzijnsrisico's beheersen die verbonden zijn met bedrijven die zij financieren of waarin ze investeren.

Dit praktijkonderzoek richt zich op de zeven banken onder de Dutch Fair Bank Guide, namelijk:

1. ABN Amro
2. De Volksbank
3. ING
4. NIBC
5. Rabobank
6. Triodos
7. Van Lanschot Kempen

Voor de 28 geselecteerde bedrijven werden kredietverlening en beleggingen in aandelen en obligaties door de bankgroepen onderzocht. Er zijn financieringsrelaties gevonden voor ABN Amro, ING, NIBC en Rabobank in de periode 2013-2018 met drie kippenvleesbedrijven, vier varkensbedrijven, vijf restaurantketens en vier supermarktketens: in totaal 16 van de 28 geselecteerde bedrijven. Rabobank is volgens dit onderzoek verreweg de grootste kredietverstrekker aan de bedrijven, € 8,4 miljard in totaal, aan veertien van de geselecteerde bedrijven.


Drie Nederlandse banken (ABN Amro, ING en Van Lanschot Kempen) investeerden in totaal ongeveer € 265 miljoen (februari 2019) in aandelen en bedrijfsobligaties uitgegeven door de geselecteerde bedrijven. De investeringsrelaties betreffen vier kippenvleesbedrijven, drie varkensbedrijven, vijf restaurantketens en zeven supermarktketens: in totaal 19 van de 28 geselecteerde bedrijven. ABN Amro en ING waren goed voor ongeveer 86% van de totale investeringen door de zeven Nederlandse bankgroepen geselecteerd voor dit onderzoek. Ongeveer 80% van deze waarde bestaat uit aandelen.

Voor de Volksbank en Triodos zijn geen financiële relaties gevonden met de geselecteerde 28 vleesbedrijven. De twee banken worden daarom in het verdere onderzoek buiten beschouwing gelaten. Voor NIBC waren bij het vorige praktijkonderzoek geen financiële relaties gevonden. In het kader van deze update is een relatief beperkte financiering gevonden voor één van de geselecteerde bedrijven. De bank heeft geen informatie verstrekt over engagement met dit bedrijf. Vanwege de relatief beperkte financiële relaties is de bank niet verder onderzocht.

Hoewel de vijf banken blootgesteld zijn aan dierenwelzijnsrisico's door hun leningen en investeringen in vleesbedrijven, bleken hun engagementactiviteiten niet voldoende om dierenwelzijn te waarborgen. Uit een analyse van de engagementactiviteiten van de vijf bankgroepen blijkt dat alleen Rabobank met één van de geselecteerde bedrijven het gesprek is aangegaan over dierenwelzijn. De bank heeft dit bevestigd in een gesprek met de Eerlijke Bankwijzer coalitie en aangegeven dat dit in principe in het eerstvolgende jaarverslag (2019) zal worden gerapporteerd over de doelen en resultaten van dit engagementtraject. Dit engagementtraject is ingebed in een bredere engagementbenadering waar dierenwelzijn onderdeel van is. ABN Amro is in gesprek gegaan met een bedrijf dat betrokken is bij dierentransport, maar er is geen informatie gevonden over engagement met één of meer van de 28 bedrijven geselecteerd voor dit praktijkonderzoek. Dit laatste geldt ook voor de overige twee banken: ING en Van Lanschot Kempen.

ABN Amro, ING, NIBC en Rabobank sluiten bedrijven uit die betrokken zijn bij activiteiten als bontproductie, het klonen van dieren voor commerciële doeleinden, dierengevechten voor entertainment, handel in bedreigde diersoorten of het gebruik van primaten als proefdieren, maar er is geen geval van uitsluiting gevonden vanwege slechte praktijken op het gebied van dierenwelzijn in de vleessector.

Op basis van de methodologie van dit praktijkonderzoek krijgen de vijf banken de volgende vlaggen\*:

- ABN Amro = 
- De Volksbank = 
- ING = 
- NIBC = Not scored
- Rabobank = 
- Triodos = 
- Van Lanschot Kempen = 

\*Legenda:

|             |                                                                                                                                                                                                                                                                                       |
|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Groene vlag | Geen financierings- of investeringsrelaties met producenten, verwerkers en aanbieders van kippen- en varkensvlees / aantoonbare resultaten als gevolg van engagement / financierings- of investeringsrelaties beëindigd vanwege onsuccesvol engagement op het vlak van dierenwelzijn; |
| Oranje vlag | Engagement met 1 of meer producenten, verwerkers en aanbieders van kippen- en varkensvlees maar geen aantoonbare resultaten als gevolg van engagement;                                                                                                                                |
| Rode vlag   | Financierings- of investeringsrelaties met producenten, verwerkers en aanbieders van kippen- en varkensvlees / geen aantoonbare engagement met bedrijven in deze sectoren over dierenwelzijn.                                                                                         |

Uit de publiek beschikbare informatie over het engagementbeleid blijkt dat die nog niet toereikend is om dierenwelzijnsrisico's bij hun klanten / deelnemingen te beperken. Daarom roept de Eerlijke Bankwijzer bankgroepen die krediet- en investeringsrelaties hebben met bedrijven in de waardeketen van kippen- en varkensvlees op om het welzijn van dieren te verbeteren door:

1. Een publiek beleid te voeren dat niet alleen voldoet aan de algemene beginselen van dierenwelzijn, maar ook specifieke standaarden oplegt aan bedrijven waarin de bank investeert of die door de bank worden gefinancierd, in lijn met de Responsible Minimum Standards van het FARMS initiatief.
2. Ondersteunen van klanten / bedrijven waarin wordt geïnvesteerd bij omschakeling naar het gebruik van standaarden die dierenwelzijn binnen de intensieve veehouderij naar een hoger niveau brengen, te beginnen met het niveau zoals vastgelegd in de Responsible Minimum Standards van het FARMS initiatief.
3. Engagement met bedrijven in de waardeketens van kippen- en varkensvlees aan de hand van meetbare en tijdsgebonden doelstellingen gericht op het bereiken van de Responsible Minimum Standards.
4. Beëindigen van relaties met bedrijven die geen verbetering laten zien in het behalen van de engagementdoelen binnen een bepaald tijdsbestek.
5. Verbetering van de transparantie van financiële relaties, en gemaakte afspraken en resultaten in het kader van engagement gericht op verbetering van het dierenwelzijn in de kippen- en varkenssector.

## Summary

This case study is a follow-up of the case study 'Risking Animal Welfare', published by the Dutch Fair Bank Guide, in February 2018. The aim of this case study is to establish financial exposure of the Dutch banking groups with a set of 28 chicken and pig meat companies selected from the different parts of the meat value chain, including meat producers, processors, retailers, and restaurant companies. After identifying financial relationships of the banking groups with the selected meat companies, this case study evaluates the engagement activities of the banks with the meat companies with respect to animal welfare topics. This case study gives a red, orange and green flag based on the engagement activities of the banking groups to manage animal welfare risks while financing or investing in the meat sector.

This case study focuses on the seven banks under the Dutch Fair Bank Guide, namely:

1. ABN Amro
2. De Volksbank
3. ING
4. NIBC
5. Rabobank
6. Triodos
7. Van Lanschot Kempen

For the 28 selected companies, credits and investments in shares and bonds by the banking groups were researched. This research identified credit relationships for ABN Amro, ING, NIBC, and Rabobank in the period 2013-2018 with three chicken meat companies, four pig meat companies, five restaurant companies and four food retailers: in total 16 out of the 28 selected companies. Rabobank provided by far the largest amount of credit to the companies selected for this research. Rabobank has provided credit to fourteen of the selected companies with a total value of € 8.4 billion in the period 2013-2018.

Three Dutch banks (ABN Amro, ING, and Van Lanschot Kempen) under the scope of this study invested about € 265 million as per the latest filings available in February 2019, in the selected companies. The investment links were identified for four chicken meat companies, three pig meat companies, five restaurant chains, and seven retailers: in total 19 out of the 28 selected companies. ABN Amro and ING accounted for about 86% of the total identified investments of the Dutch banks in this research. About 80% of this value is in the form of shareholdings.

No financial relationship were identified for The Volksbank and Triodos with the selected 28 meat companies. The two banks are thus not further assessed on their animal welfare related engagements with the chicken and pig meat companies. NIBC had no financial links with the selected companies in the previous study. However, the financial research for this update found relatively small exposure of NIBC in one of the companies. The bank did not provide any information on its engagement activities. Due to its relative small exposure, the bank has not been further assessed.

While the five banks have exposure to animal welfare risks though their lending and investing in meat companies, their public disclosure of engagement activities does not provide sufficient information on how these banking groups ensure animal welfare. Based on the analysis of engagement activities of the five banking groups, only Rabobank is engaging with one of the selected companies on the issue of animal welfare. The bank confirmed the engagement with the Fair Finance Guide and plans to publish the details of the engagement in its Annual Report 2019. The engagement is part of a broader engagement framework of which animal welfare is an integral part and to which other high risk companies identified in this report are subjected. ABN Amro has published engagement with a transport sector company on the issue of animal welfare, but no evidence could be found on engagements with the selected meat companies on the topic. The latter also applies to ING and Van Lanschot Kempen.

The banks such as ABN Amro, ING, NIBC, and Rabobank exclude companies involved in various activities such as fur, in cloning of animals for commercial purposes, animal fight for entertainment, and the use of



endangered species or primates for experimental purposes, however no instance of exclusion found for meat companies due to poor animal welfare practices and a failed engagement outcome.

Based on the scoring methodology of this case study, the five banks are granted the following flags\*:

- ABN Amro = 
- De Volksbank = 
- ING = 
- NIBC = Not scored
- Rabobank = 
- Triodos = 
- Van Lanschot Kempen = 

\*Legend:

|             |                                                                                                                               |
|-------------|-------------------------------------------------------------------------------------------------------------------------------|
| Green flag  | No financial links / tangible results because of engagement / relationship ended based on failed engagement on animal welfare |
| Orange flag | Engagement with one or more companies ongoing, no tangible results yet or results not known;                                  |
| Red flag    | financial links but no engagement.                                                                                            |

Hence, the engagement activities of the five banks are not sufficient to mitigate animal welfare risks within their client/investee companies in the meat value chain. Therefore, the Dutch Fair Guide calls upon banking groups having financial relationship with companies in the chicken and pig meat value chain to improve farm animal welfare by:

1. Making a public commitment/policy that not only adheres to general principles of animal welfare but further details the expectations from clients/investee companies across value chain, reflecting the requirements of the Responsible Minimum Standards of the FARMS initiative.
2. Supporting clients/investee companies in their efforts towards a transition to using industry standards that bring animal welfare practices in the industrial livestock sector to a higher level, starting with the level as laid down in the Responsible Minimum Standards of the FARMS initiative .
3. Engaging with companies across the chicken and pig meat value chains with clear and time-bound targets to achieve the Farm Animals Responsible Minimum Standards by clients and the industry as a whole.
4. Ending relationships with the companies that do not show any improvement in meeting the engagement targets within a given timeframe.
5. Improving transparency on financial relationships, engagements, and outcomes with the companies involved at the various stages of the meat industry value chain.



## Introduction

Through their credit and investment activities, banking groups become a part of the animal welfare infringements that occur in industrial farming systems, due to the low welfare requirements that are standard in mainstream commercial animal production.

This report is a follow-up of the case study published by the Dutch Fair Bank Guide, in February 2018. The case study aimed at establishing financial links between the seven Dutch banking groups selected for the Fair Bank Guide - ABN Amro Bank, De Volksbank (ASN Bank and SNS), ING Bank, NIBC, Rabobank, Triodos Bank and Van Lanschot - and chicken and pig meat producing companies, as well as retailers and restaurants selling meat. The case study further evaluates engagement practices of the Dutch banking groups with respect to animal welfare.

The 2018 report also provided an overview of common animal welfare infringements in industrial livestock production as well as an outline of different principles, standards and initiatives. Based on these, the report included a set of requirements for both industrial broiler and pig production recommended by the Fair Bank Guide as responsible minimum standards to be implemented within a realistic but ambitious timeline.

Some adjustments have been made to the previous selection of companies. For this case study only publicly listed companies are selected, so that investment in shares and bonds can be identified (see [Appendix 1](#)). The companies selected for this case study are among the world's largest industrialised chicken and pig meat producers and processors, retailers and restaurant chains, 28 in total. Their global animal welfare policies – if they even have any – fall short of the above mentioned minimum responsible standards (see [Appendix 2](#)).

As per the methodology of this case study, the financial relationships between the banking groups and the selected companies, in the form of corporate credits (loans and other forms of credit, and underwriting of share and bond issuances), project finance, and investments in shares and bonds (the previous case study only included credit relationships) is established. Besides establishing the financial links of the Dutch banking groups with the selected meat companies, this case study also evaluates engagement activities of Dutch banking groups on the issue of animal welfare within the meat sector. The questions at stake here: has the bank since the publication of *Risking Animal Welfare* in February 2018 started engagement of any of the high risk companies on animal welfare? And if so, has this yielded adequate results?

Based on the answers, a risk flag of Red, Orange or Green is granted. The methodology of this case study for identifying financial links and evaluating engagement practices is explained in [Chapter 1](#).

[Chapter 2](#) highlights the financial relationships of Dutch banks with the selected companies in the form of credits and investments. This chapter also includes profiles of the banks, their individual financial links with the selected meat companies, and animal welfare engagement activities assessment.

[Chapter 3](#) draws conclusions of the case study and gives recommendations.

A summary of the findings of this case study can be found on the first pages of this report.

## Chapter 1 Methodology

This chapter explains the methodology behind this case study. This case study is a follow-up of a previous case study published by the Fair Bank Guide “**Risking animal welfare**”. While the last case study focused on establishing financial links of the Dutch Banking groups with selected chicken and pig meat companies through loans, this update also include their relationship in the form of investments in shares and bonds in these companies. This case study also goes one step beyond the first report by looking at engagement activities of the financial institutions. Since the publication of the report in February 2018, have banks engaged with the high risk companies on animal welfare? And if so, did they achieve meaningful results? This chapter explains the methodology in detail behind this case study.

### 1.1 Establishing financial relationship

#### 1.1.1 Types of financing

The financial relationships of banks with the selected companies (see **Appendix 1** ) can be differentiated in two types of financing: credit and investment. When financial institutions provide credit, it can be through loans or the underwriting of share and/or bond issuances. On the other hand, financial institutions invest in the equity and debt of a company by holding shares and/or bonds. This section outlines the different types of financing, the methodology used for the research and the implications for the case study.

- **Credits and corporate loans**

For a company in need of financial resources to start, continue or expand its business, the easiest way is to get finance is to borrow money. In most cases, money is borrowed from commercial banks. Loans can be either short-term or long-term in nature. Short-term loans (e.g. trade credits, current accounts, leasing agreements) have a maturity of less than a year. They are mostly used as working capital for day-to-day operations. Short-term debts are often provided by a single commercial bank, which does not ask for substantial guarantees from the company.

A long-term loan has a maturity of at least one year, but more often of three to ten years. Long-term corporate loans are particularly useful to finance expansion plans, which only generate rewards after a certain period of time. The proceeds of corporate loans can be used for all activities of a company. Long-term loans are frequently extended by a loan syndicate, which is a group of banks brought together by one or more arranging banks. The loan syndicate will only undersign the loan agreement if the company can provide certain guarantees that interest and repayments on the loan will be fulfilled. Corporate loans are often used as project finance (a loan that is earmarked for a specific project), for general corporate purposes or as working capital. Sometimes, a loan’s use of proceeds is reported as general corporate purposes even though it will actually be used for a certain project. This is difficult to ascertain.

Another type of loan is a revolving credit facility. A revolving credit facility provides a company with an option to take up a loan from a bank (or more often: a banking syndicate) when it has an urgent financing need. It is similar to a credit card. Companies can use the revolving facility up to a certain limit, but they don’t have to. Revolving credits are often concluded for a five-year period and then renewed, but many companies renegotiate their revolving credit facility every year with the same banking syndicate. Amounts, interest rates, fees and participating banks can change slightly every year. As the financial press often reports these renegotiations for larger companies, this might raise the impression that banks are lending huge sums of money to the same company every year. However, this concerns renegotiations of basically the same facility and a revolving credit facility is hardly ever actually called upon for a loan. Within the scope of this research revolving credit facilities are counted for every time that they are renewed.

Although revolving credit facilities are not always fully called upon, the syndicate of banks providing the facility do have the obligation to provide the entire amount of money when the company asks for it. Therefore, even if the company ends up never using the facility, the banks were still involved with the company during the period of the revolving credit facility and would have provided the company with the money when they asked for it.

- **Share issuances**

Issuing shares on the stock exchange gives a company the opportunity to increase its equity by attracting a large number of new shareholders or to increase the equity from its existing shareholders.

When a company offers its shares on the stock exchange for the first time, this is called an Initial Public Offering (IPO). When a company's shares are already traded on the stock exchange, this is called a secondary offering of additional shares. To arrange an IPO or a secondary offering, a company needs the assistance of one or more (investment) banks, which will promote the shares and find shareholders. The role of investment banks in this process is therefore very important.

The role of the investment bank is temporary. The investment bank purchases the shares initially and then promotes the shares and finds shareholders. When all issued shares that the financial institution has underwritten are sold, they are no longer included in the balance sheet or the portfolio of the financial institution. Nevertheless, the assistance provided by financial institutions to companies in share issuances is crucial. They provide the company with access to capital markets, and provide a guarantee that shares will be bought at a pre-determined minimum price.

- **Bond issuances**

Issuing bonds can be best described as cutting a large loan into small pieces, and selling each piece separately. Bonds are issued on a large scale by governments, but also by corporations. Like shares, bonds are traded on the stock exchange. To issue bonds, a company needs the assistance of one or more (investment) banks which underwrite a certain amount of the bonds. Underwriting is in effect buying with the intention of selling to investors. Still, in case the investment bank fails to sell all bonds it has underwritten, it will end up owning the bonds.

- **(Managing) shareholdings**

Institutional investors, such as banks, insurance companies, pension funds and asset managers, can, through the funds they are managing, buy shares of a certain company making them part-owners of the company. This gives the bank a direct influence on the company's strategy. The magnitude of this influence depends on the size of the shareholding.

As financial institutions actively decide in which sectors and companies to invest, and are able to influence the company's business strategy, this research will investigate the shareholdings of financial institutions of the selected companies. Shareholdings are only relevant for stock listed companies. Not all companies in the case study are listed on a stock exchange.

Shareholdings have a number of peculiarities that have implications for the research strategy. Firstly, shares can be bought and sold on the stock exchange from one moment to the next. Financial databases keep track of shareholdings through snapshots, or filings. This means that when a particular shareholding is recorded in the financial database, the actual holding, or a portion of it, might have been sold, or more shares purchased. Secondly, share prices vary from one moment to the next. Given these peculiarities, shareholdings are analysed at the most recent filing dates.

- **(Managing) investments in bonds**

Institutional investors can also buy bonds of a certain company. The main difference between owning shares and bonds is that the owner of a bond is not a co-owner of the issuing company; the owner is a creditor of the company. The buyer of each bond is entitled to repayment after a certain number of years, and to a certain interest during each of these years.

Similarly to shares, bonds can be bought and sold from one moment to the next. Bondholdings are also reported by the holding investor through regular filings. However, historical filings are not kept within the financial databases; only the most recent bondholding information is available. Bondholdings are therefore always analysed at the most recent filing date.

### 1.1.2 Timeframe

Corporate loans, as well as bond and share issuances are considered credit activities. They fall within the remit of different departments within a bank, and as such, are governed by relevant bank policies. The scope of this research for credit activities is January 2013 to December 2018. Bonds and shareholdings were researched at their most recent filing dates in February 2019.

### 1.1.3 Financial institution financing contributions

The financial databases used for the financial research as part of this case study (see section 1.1.4) do not always include details on the levels of individual financial institutions' contributions to a deal. Individual bank's contributions to syndicated loans and underwriting were recorded to the largest extent possible where these details were included in the financial databases. In many cases, the total value of a loan or issuance is known, as well as the number of banks that participate in this loan or issuance. However, the amount that each individual bank commits to the loan or issuance must be estimated.

This research uses a two-step method to calculate this amount. First, the ratio of an individual institution's management fee to the management fees received by all institutions is calculated, using the following formula:

$$\text{Participant's contribution: } \left( \frac{\text{individual participant attributed fee}}{\text{sum of all participants attributed fees}} * \text{principal amount} \right)$$

When the fee is unknown for one or more participants in a deal, the second method is used, called the 'bookratio'. The bookratio (see formula below) is used to determine the commitment distribution of bookrunners and other managers.

$$\text{Bookratio: } \frac{\text{number of participants} - \text{number of bookrunners}}{\text{number of bookrunners}}$$

Table 1 shows the commitment assigned to book runner groups with this estimation method. When the number of total participants in relation to the number of bookrunners increases, the share that is attributed to bookrunners decreases. This prevents very large differences in amounts attributed to book runners and other participants.

**Table 1 Commitment assigned to book runner groups**

| Bookratio | Loans  | Issuances |
|-----------|--------|-----------|
| > 1/3     | 75%    | 75%       |
| > 2/3     | 60%    | 75%       |
| > 1.5     | 40%    | 75%       |
| > 3.0     | < 40%* | < 75%*    |

\* In case of deals with a bookratio of more than 3.0, we use a formula which gradually lowers the commitment assigned to the bookrunners as the bookratio increases. The formula used for this:

$$\frac{1}{\frac{\sqrt{\text{bookratio}}}{1.443375673}}$$

The number in the denominator is used to let the formula start at 40% in case of a bookratio of 3.0. As the bookratio increases the formula will go down from 40%. In case of issuances the number in the denominator is 0.769800358.

### 1.1.4 Data sources

For the collection of financial data, this research relied on financial databases, including Bloomberg, Thomson Reuters Eikon, IJGlobal and TradeFinance Analytics. Additional deals were identified using company websites, annual reports, national company registers, specialist databases such as Orbis, development finance institution websites, and an extensive general internet search.

### 1.2 Assessment of animal welfare engagement activities

Once the financial relationships are established, the Dutch banking groups' engagement activities around animal welfare with the selected companies in the meat value chain are evaluated and given a flag based on their answers and available public information.<sup>1</sup> The assessment is based on the banks' engagement activities with meat companies (and companies in the meat value chain)<sup>ii</sup> focussing on the issue of animal welfare. Table 2 provides an overview of evaluation criteria and scoring methodology to score the Dutch banking groups.

**Table 2 Scoring grid of animal welfare engagement activities of the Dutch banking groups**

| Criteria               | Question                                                                                                                    | Score                                              |
|------------------------|-----------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| Financial links        | Does the FI has financial links with one or more of the high risk companies?                                                | Yes = green, orange or red flag<br>No = green flag |
| Engagement             | Has the FI engaged with one or more of the high risk companies on animal welfare with which it has a financial link?        | Yes = green or orange flag<br>No = red flag        |
| Engagement results     | Has the engagement(s) resulted in meaningful animal welfare improvements?                                                   | Yes = green flag<br>No (t yet) = orange flag       |
| Ending financial links | If engagement has not yielded meaningful results within a realistic timeframe, has the FI ended the financial relationship? | Yes = green flag<br>No = orange flag               |

Based on the evaluation, the Dutch banking groups are given a flag as follows:

- Green flag      No financial links / meaningful results because of engagement / relationship ended based on failed engagement on animal welfare
- Orange flag    Engagement with one or more companies ongoing, no tangible results yet or results not known;
- Red flag        financial links but no engagement.

NB: a 'meaningful result' is a (commitment) to an animal welfare improvement meeting at least the responsible minimum standards.

<sup>ii</sup> When the term 'meat company' is used in the report, this implies also companies in the meat value chain.

## Chapter 2 Financial relationships of Dutch banks with chicken and pig meat companies, food retailers, and restaurant companies

The results of the financial relationships' research is presented in two sections:

- Credits, loans and underwriting services provided to the selected companies; and
- investments in bonds and shares of the selected companies.

### 2.1 General findings

The research identified credit relationship of four Dutch banks ABN Amro, ING, NIBC, and Rabobank with 16 out of 28 selected companies. No credit relationship was identified with De Volksbank, Triodos, and Van Lanschot. In total the four Dutch banks provided credits of € 11.9 billion between 2013 to 2018. [Table 3](#) provides an overview of credits per banking group between 2013 to 2018.

**Table 3 Credit per banking group, per selected company (in € million)**

| Banking groups            | 2013       | 2014       | 2015       | 2016       | 2017       | 2018       | Total        |
|---------------------------|------------|------------|------------|------------|------------|------------|--------------|
| <b>ABN Amro</b>           |            |            |            |            |            |            |              |
| Ahold Delhaize            |            |            | 77         |            |            |            | 77           |
| Tyson Foods               |            |            |            | 29         | 45         |            | 74           |
| WH Group                  |            |            |            |            |            | 14         | 14           |
| <b>Total ABN Amro</b>     |            |            | <b>77</b>  | <b>29</b>  | <b>45</b>  | <b>14</b>  | <b>165</b>   |
| <b>ING Group</b>          |            |            |            | -          | -          | 77         | 77           |
| Ahold Delhaize            |            | 27         | 77         |            |            |            | 104          |
| BRF                       |            | 34         |            |            |            |            | 34           |
| Carrefour                 | 139        | 143        | 341        |            | 165        | 83         | 871          |
| Groupe Casino             |            | 175        | 5          |            |            |            | 180          |
| JBS                       |            |            | 54         |            | 133        | 67         | 253          |
| McDonalds                 | 8          | 65         | 56         |            | 15         | 19         | 162          |
| MHP                       |            | 55         | 87         | 80         | 510        | 299        | 1,032        |
| Tyson Foods               | 190        | 44         | 84         | 29         |            |            | 346          |
| Wendy's                   | 33         |            |            |            |            |            | 33           |
| WH Group                  |            | 111        | 16         |            | 20         | 45         | 192          |
| Yum! Brands               |            |            |            | 45         | 19         |            | 63           |
| <b>Total ING Group</b>    | <b>368</b> | <b>655</b> | <b>720</b> | <b>153</b> | <b>862</b> | <b>513</b> | <b>3,271</b> |
| <b>NIBC Holding</b>       |            |            |            |            |            |            |              |
| Tyson Foods               |            |            |            | 29         |            |            | 29           |
| <b>Total NIBC Holding</b> |            |            |            | <b>29</b>  |            |            | <b>29</b>    |
| <b>Rabobank</b>           |            |            |            |            |            |            |              |
| Ahold Delhaize            |            |            | 77         |            |            |            | 77           |
| BRF                       |            | 34         |            |            |            |            | 34           |
| Cofco meat holdings       |            |            |            | 9          |            |            | 9            |
| Domino's Pizza Group      |            |            | 57         |            |            | 167        | 223          |

| Banking groups                  | 2013         | 2014         | 2015         | 2016       | 2017         | 2018         | Total         |
|---------------------------------|--------------|--------------|--------------|------------|--------------|--------------|---------------|
| Groupe Casino                   |              |              | 5            |            | 58           |              | 63            |
| JBS                             | 292          |              | 999          |            | 350          | 262          | 1,904         |
| Kroger                          |              | 40           |              |            |              |              | 40            |
| McDonalds                       | 101          | 80           | 342          |            | 15           | 19           | 556           |
| Restaurant Brands International |              |              | 224          |            | 635          | 19           | 878           |
| Seaboard Corp.                  | 14           |              |              |            |              |              | 14            |
| Tyson Foods                     | 190          | 505          | 84           | 29         | 1,020        | 504          | 2,331         |
| Wendy's                         | 65           |              | 255          |            | 98           |              | 418           |
| WH Group                        | 349          | 149          | 211          |            | 230          | 256          | 1,194         |
| Yum! Brands                     | 9            |              |              | 373        | 166          | 96           | 643           |
| <b>Total Rabobank</b>           | <b>1,018</b> | <b>809</b>   | <b>2,253</b> | <b>410</b> | <b>2,572</b> | <b>1,323</b> | <b>8,385</b>  |
| <b>Grand total</b>              | <b>1,386</b> | <b>1,463</b> | <b>3,050</b> | <b>620</b> | <b>3,479</b> | <b>1,850</b> | <b>11,849</b> |

Source: Thomson EIKON, *Loans*, viewed in February 2019; Thomson EIKON, *Share Issuances*, viewed in February 2019; Thomson EIKON, *Bond Issuances*, viewed in February 2019; Bloomberg, *Loan Search*, viewed in February 2019; Bloomberg, *Aggregated Debt*, viewed in February 2019; TradeFinance Analytics, *Trade Finance*, viewed in February 2019.

As per the value chain, the four Dutch banks extended credits worth € 6 billion to the chicken meat companies. The second largest credits were given to the restaurant companies of € 3 billion by the four Dutch banks.

**Table 4 Credit per value segment, per selected company (in € million)**

| Category                        | Value        |
|---------------------------------|--------------|
| <b>Chicken meat</b>             |              |
| JBS                             | 2,157        |
| MHP                             | 1,032        |
| Tyson Foods                     | 2,780        |
| <b>Chicken meat total</b>       | <b>5,968</b> |
| <b>Pig meat</b>                 |              |
| BRF                             | 69           |
| Cofco meat holdings             | 9            |
| Seaboard Corp.                  | 14           |
| WH Group                        | 1,401        |
| <b>Pig meat total</b>           | <b>1,493</b> |
| <b>Restaurant company</b>       |              |
| Domino's Pizza Group            | 223          |
| McDonalds                       | 718          |
| Restaurant Brands International | 878          |
| Wendy's                         | 451          |
| Yum! Brands                     | 706          |



| Category                        | Value         |
|---------------------------------|---------------|
| <b>Restaurant company total</b> | <b>2,977</b>  |
| <b>Retailers</b>                |               |
| Ahold Delhaize                  | 258           |
| Carrefour                       | 871           |
| Groupe Casino                   | 243           |
| Kroger                          | 40            |
| <b>Retailers total</b>          | <b>1,412</b>  |
| <b>Grand total</b>              | <b>11,849</b> |

Source: Thomson EIKON, *Loans*, viewed in February 2019; Thomson EIKON, *Share Issuances*, viewed in February 2019; Thomson EIKON, *Bond Issuances*, viewed in February 2019; Bloomberg, *Loan Search*, viewed in February 2019; Bloomberg, *Aggregated Debt*, viewed in February 2019; TradeFinance Analytics, *Trade Finance*, viewed in February 2019.

On the investment side, the research identified total investment of € 265 million by the three banking groups namely, ABN Amro, ING and Van Lanschot Kempen in the form of shareholding and bondholding. **Table 5** shows the value invested by each of the three banks in the selected meat companies. In total relationship was identified with 19 of the total 28 selected companies.

**Table 5 Investments per Banking group, per selected company (in € million)**

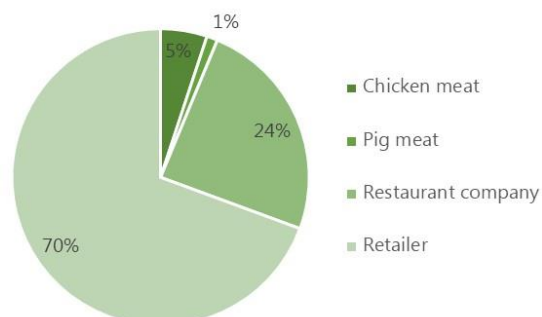
| Banking groups        | Value        |
|-----------------------|--------------|
| <b>ABN Amro</b>       |              |
| Ahold Delhaize        | 33.7         |
| Carrefour             | 4.2          |
| Costco                | 0.1          |
| Domino's Pizza Group  | 0.0          |
| Groupe Casino         | 0.2          |
| Hormel Foods          | 0.0          |
| JBS                   | 5.5          |
| Kroger                | 25.1         |
| McDonalds             | 5.9          |
| MHP                   | 1.2          |
| Tesco                 | 36.3         |
| Tyson Foods           | 0.0          |
| Wal-mart Stores       | 0.2          |
| WH Group              | 2.8          |
| Yum! Brands           | 2.5          |
| <b>ABN Amro total</b> | <b>118.0</b> |
| <b>ING Group</b>      |              |
| BRF                   | 0.1          |
| Costco                | 24.9         |
| Domino's Pizza Group  | 1.6          |

| <b>Banking groups</b>            | <b>Value</b> |
|----------------------------------|--------------|
| Hormel Foods                     | 0.2          |
| Kroger                           | 0.5          |
| McDonalds                        | 43.0         |
| Restaurant Brands International  | 0.4          |
| Sanderson Farms                  | 0.3          |
| Tyson Foods                      | 2.9          |
| Wal-mart Stores                  | 34.5         |
| Wendy's                          | 0.4          |
| Yum! Brands                      | 1.0          |
| <b>ING Group total</b>           | <b>109.7</b> |
| <b>Van Lanschot Kempen</b>       |              |
| Carrefour                        | 5.9          |
| Groupe Casino                    | 0.2          |
| McDonalds                        | 9.7          |
| Sanderson Farms                  | 3.4          |
| Tesco                            | 17.9         |
| Wal-mart Stores                  | 0.2          |
| <b>Van Lanschot Kempen total</b> | <b>37.5</b>  |
| <b>Grand Total</b>               | <b>265.2</b> |

Source: Thomson EIKON, *Shareholdings*, viewed in February 2019; Thomson EIKON, *Bond Issuances*, viewed in February 2019; Thomson EMAXX, *Bond holdings*, viewed in February 2019; Bloomberg, *Aggregated Debt*, viewed in February 2019.

In terms of investments per value segment, the three Dutch banking groups invested about 70% in the retail companies, followed by restaurant companies i.e. about 24%. **Figure 1** gives a breakdown of investments per value segment by the three Dutch banking groups.

**Figure 1 Share of investments per value segment**



Source: Thomson EIKON, *Shareholdings*, viewed in February 2019; Thomson EIKON, *Bond Issuances*, viewed in February 2019; Thomson EMAXX, *Bond holdings*, viewed in February 2019; Bloomberg, *Aggregated Debt*, viewed in February 2019.

## 2.2 ABN Amro

### 2.2.1 Profile

ABN Amro Group N.V. (ABN Amro) is a global banking group with headquarters in the Netherlands. ABN Amro offers retail, private and corporate banking services primarily in the Netherlands with selective operations internationally.<sup>2</sup> The group has a global presence, with activities in more than 16 countries, including Belgium, France, Germany, Hong Kong and the United States.<sup>3</sup>

ABN Amro is controlled at 56.3% by NL Financial Investments (NLFi), which represents the Dutch State, (49.9% held directly and through ordinary shares and 6.4% through depositary receipts). The remaining 43.7% of the shares of ABN Amro are held by institutional and retail investors and managed by the Stichting Administratiekantoor Continuïteit ABN Amro Group (STAK AAG).<sup>4</sup> Participation in ABN Amro is possible by buying and holding depositary receipts issued by STAK AAG and listed on the Amsterdam stock exchange.<sup>5</sup>

In the Netherlands, ABN Amro operates under the following brand names: ABN Amro, ALFAM, Alpha Credit Nederland, Credivance, Defam, Direktbank, Florius, GreenLoans, International Card Services and MoneYou, which also operates in Belgium, Germany and Austria. In addition, ABN Amro operates in France and Germany under Banque Neuflyze, and in Germany only under Bethmann Bank.<sup>6</sup>

At the end of 2017, ABN Amro had 19,954 employees worldwide (full time equivalent basis), of which 16,269 were in the Netherlands.<sup>7</sup> Over the financial year 2017, total income of the group amounted to € 9.3 billion, of which € 7.2 billion came from the Netherlands, and customer deposits totalled € 236.7 billion.<sup>8</sup>

Table 6 provides an analysis of the investment categories relevant for ABN Amro. As can be seen in the table, ABN Amro is active in all five different investment categories.

**Table 6 Analysis of relevant investment categories for ABN Amro (in € billion)**

| Investment category     | Asset type                                 | Value at end of 2017 | %             | Relevant |
|-------------------------|--------------------------------------------|----------------------|---------------|----------|
| Corporate credits       | Loans and credits to companies (MNEs/SMEs) | 101.1                | 25.7%         | Yes      |
| Project finance         | <i>(included in loans to companies)</i>    |                      |               | Yes      |
| Investments own account | Government bonds                           | 31.9                 | 8.1%          | Yes      |
|                         | Shares & corporate bonds                   | 1.6                  | 0.4%          |          |
|                         | Derivatives                                | 9.8                  | 2.5%          |          |
|                         | Real estate & securities                   | 1.26                 | 0.3%          |          |
|                         | Other/undefined                            | 59.5                 | 15.1%         |          |
| Mortgages               | Mortgage loans                             | 152.7                | 38.8%         | Yes      |
|                         | Other balance sheet assets                 | 35.4                 | 9.0%          |          |
|                         | <b>Total balance sheet assets</b>          | <b>393.2</b>         | <b>100.0%</b> |          |
| Asset management        | Assets under management                    | 316.0                |               | Yes      |

Source: ABN Amro (2018, March), Annual Report 2017, p. 15, 17, 105, 182, 222, 231-232.

### 2.2.2 Financial relationships

- **Credits and loans**

ABN Amro has provided credit in the period 2013-2018 to three of the selected companies with a total value of € 165 million. The largest borrower is Dutch retailer Ahold Delhaize (€ 77 million). Tyson and WH Group rank second and third (see Table 7). ABN Amro provided credit to mainly the chicken meat

and food food retailers selected for this research and did not provide any credit to the selected restaurant chains.

**Table 7 Credit of ABN Amro to the selected companies, per value chain segment (in € million)**

| Companies            | Chicken meat | Pig meat  | Food retailers | Total      |
|----------------------|--------------|-----------|----------------|------------|
| Koninklijke Ahold NV | -            | -         | 77             | 77         |
| Tyson Foods Inc      | 74           | -         | -              | 74         |
| WH Group Ltd         | -            | 14        | -              | 14         |
| <b>Total</b>         | <b>74</b>    | <b>14</b> | <b>77</b>      | <b>165</b> |

Source: Thomson EIKON, *Loans*, viewed in February 2019; Thomson EIKON, *Share Issuances*, viewed in February 2019; Thomson EIKON, *Bond Issuances*, viewed in February 2019; Bloomberg, *Loan Search*, viewed in February 2019; Bloomberg, *Aggregated Debt*, viewed in February 2019; TradeFinance Analytics, *Trade Finance*, viewed in February 2019.

- Investments**

As of 31<sup>st</sup> December 2018, ABN Amro had invested € 118 million in 15 of the 28 selected companies (see Table 8). Tesco (€ 36 million), Ahold Delhaize (€ 34 million), and Kroger (€ 25 million) were the biggest investments. In terms of value chains, about 85% of the ABN Amro investments were allocated to retailers (€ 100 million).

**Table 8 Investments of ABN Amro in the selected companies, per value chain segment (in € million)**

| Companies            | Chicken meat | Pig meat   | Restaurant companies | Food retailers | Total        |
|----------------------|--------------|------------|----------------------|----------------|--------------|
| Ahold Delhaize       | -            | -          | -                    | 33.7           | 33.7         |
| Carrefour            | -            | -          | -                    | 4.2            | 4.2          |
| Costco               | -            | -          | -                    | 0.1            | 0.1          |
| Domino's Pizza Group | -            | -          | 0.01                 | -              | 0.01         |
| Groupe Casino        | -            | -          | -                    | 0.2            | 0.2          |
| Hormel Foods         | -            | 0.02       | -                    | -              | 0.02         |
| JBS                  | 5.6          | -          | -                    | -              | 5.6          |
| Kroger               | -            | -          | -                    | 25.1           | 25.1         |
| McDonalds            | -            | -          | 5.9                  | -              | 5.9          |
| MHP                  | 1.2          | -          | -                    | -              | 1.2          |
| Tesco                | -            | -          | -                    | 36.3           | 36.3         |
| Tyson Foods          | 0.03         | -          | -                    | -              | 0.03         |
| Wal-mart Stores      | -            | -          | -                    | 0.2            | 0.2          |
| WH Group             | -            | 2.8        | -                    | -              | 2.8          |
| Yum! Brands          | -            | -          | 2.5                  | -              | 2.5          |
| <b>Total</b>         | <b>6.8</b>   | <b>2.8</b> | <b>8.5</b>           | <b>99.9</b>    | <b>118.0</b> |

Source: Thomson EIKON, *Shareholdings*, viewed in February 2019; Thomson EIKON, *Bond Issuances*, viewed in February 2019; Thomson EMAXX, *Bond holdings*, viewed in February 2019; Bloomberg, *Aggregated Debt*, viewed in February 2019.

### 2.2.3 Assessment of animal welfare related engagement activities

In terms of policy, ABN Amro endorses the 'Five Freedoms' for animals. The bank expects meat companies to guarantee animal welfare in housing farm animals and encourages the use of animal welfare labels. The bank also expects companies to be cautious about the use of antibiotics and animal transport must be limited to a maximum of eight hours. ABN Amro's animal welfare statement is applicable to all its investments and lending relationships. ABN Amro's policy is scored in the policy research of the Fair Bank Guide, which is a separate publication.

The banking group indicates the number of companies it has interacted with on social and environmental issues (engagement). The list also includes engagement with companies in the agriculture sector on issues such as human rights, deforestation, labour rights, and community impacts. ABN Amro also reports on animal welfare: an engagement was reported with a transportation and logistics company on animal welfare. However, this is outside the scope of this case study as this case study focuses on the selected high risk companies and is primarily focussing on animal welfare on farm.<sup>9</sup> No evidence of the bank engaging with the selected companies in the meat value chain could be found.<sup>10</sup>

The bank does not disclose the names of the companies under engagement and the companies excluded from financing or investment before or after an engagement process. The bank excludes companies that use animal testing for cosmetics or that are involved in the production of, or trade in, fur. No instance of exclusion found on the ground of animal welfare issues in a meat company after failed engagement.<sup>11</sup>

Based on this assessment, ABN Amro gets a red flag.

## 2.3 De Volksbank

### 2.3.1 Profile

De Volksbank N.V. ("de Volksbank") is a Dutch banking group with a focus on mortgage, payment and savings products for the retail market.<sup>12</sup> De Volksbank is primarily active in the Netherlands, with 3.1 million customers in 2017, of which 1.4 million were current account customers.<sup>13</sup> Outside of the Netherlands, Volksbank has customers in the United Kingdom, Switzerland and the rest of the European Union.<sup>14</sup>

Between 2006 and 2013, SNS REAAL (now SRH N.V.), the former parent company of De Volksbank (as SNS Bank), was a publicly traded company. In 2013, as part of a restructuring plan of SNS REAAL, the group was nationalised, with the shares being transferred to NL Financial Investments (NLFi). In 2015, SNS REAAL's shares in SNS Bank were transferred directly to NLFi, and the group's insurance activities were sold.<sup>15</sup> On 31 December 2016, SNS Bank's subsidiaries, ASN Bank and RegioBank merged with SNS Bank to become one legal entity, and SNS was renamed de Volksbank. As a result, ASN, RegioBank and SNS are now brands of de Volksbank.<sup>16</sup>

De Volksbank operates four brands: ASN Bank, BLG Wonen, RegioBank and SNS. Together, these subsidiaries provide banking and investment services for a wide-range of customers.<sup>17</sup> ZwitterlevenBank, which is a collaboration between De Volksbank and pension insurer Zwitterleven (part of Vivat), has been discontinued in 2017.<sup>18</sup>

At the end of December 2017, de Volksbank had 3,231 employees (full time equivalent basis).<sup>19</sup> Over the financial year 2017, total income amounted to € 1.0 billion, and total customer savings stood at € 36.6 billion.<sup>20</sup>

**Table 9** provides an analysis of the investment categories relevant for de Volksbank. As can be seen in the table, de Volksbank is active in all five different investment categories.

**Table 9 Analysis of relevant investment categories for Volksbank (in € billion)**

| Investment category                               | Asset type                                 | Value at end of 2017 | %           | Relevant   |
|---------------------------------------------------|--------------------------------------------|----------------------|-------------|------------|
| Corporate credits                                 | Loans and credits to companies (MNEs/SMEs) | 2.6                  | 4.2%        | Yes        |
| Project finance                                   | <i>(included in loans to companies)</i>    |                      |             | Yes        |
| Asset management for own account                  | Government bonds                           | 3.5                  | 5.8%        | Yes        |
|                                                   | Shares & corporate bonds                   | 0.8                  | 1.4%        |            |
|                                                   | Derivatives                                | 1.1                  | 1.8%        |            |
|                                                   | Real estate & securities                   |                      |             |            |
|                                                   | Other/undefined                            | 4.3                  | 7.0%        |            |
| Mortgages                                         | Mortgage loans                             | 45.8                 | 75.2%       | Yes        |
|                                                   | Other balance sheet assets                 | 2.8                  | 4.5%        |            |
|                                                   | <b>Total balance sheet assets</b>          | <b>60.9</b>          | <b>100%</b> |            |
| <b>Asset management for the account of client</b> | <b>Assets under management</b>             | <b>1.0</b>           |             | <b>Yes</b> |

Source: De Volksbank (2018, March), *Annual Report 2017*, p. 117, 128-130, 186, 203.

### 2.3.2 Financial relationships

- **Credits and loans**

There was no credits identified for De Volksbank to the selected companies in this case study.

- **Investments**

There was no investment identified for De Volksbank to the selected companies in this case study.

### 2.3.3 Assessment of animal welfare related engagement activities

De Volksbank has a relative strong animal welfare policy, which is scored in the policy research of the Fair Bank Guide – a separate publication. Since no financial relationships with high risk companies are identified for De Volksbank, no further research was conducted on its engagements with the meat sector companies.

De Volksbank gets a green flag in this case study.

## 2.4 ING

### 2.4.1 Profile

ING Groep N.V. (“ING”) is a publicly-listed company and a global banking group based in the Netherlands.<sup>21</sup> The group provides retail and wholesale banking services to over 37.4 million customers.<sup>22</sup> ING is active in over 40 countries, including activities in North and South America, as well as Asia and the Pacific.<sup>23</sup> In Belgium, Luxembourg and the Netherlands ING has a leading position in the retail and wholesale banking segments.<sup>24</sup>

The group operates primarily under the ING brand, with activities in the Netherlands also including Bank Mendes Gans brand.<sup>25</sup> Until December 2015, ING also had insurance activities through NN Group.<sup>26</sup> In April 2016, ING sold its remaining shares in NN Group.<sup>27</sup>

At the end of 2017, ING had 51,504 employees worldwide (full time equivalent basis), 13,141 of which were employed in the Netherlands.<sup>28</sup> Over the financial year 2017, total income amounted to € 17.8 billion, of which € 5.8 billion originated from the Netherlands, and customer deposits totalled € 539.8 billion, including € 319.7 billion in savings.<sup>29</sup>

**Table 10** provides an analysis of the investment categories relevant for ING. It can be seen in the table, ING is active in all five different investment categories.

**Table 10 Analysis of relevant investment categories for ING (in € billion)**

| Investment category     | Asset type                                 | Value at end of 2017 | %             | Relevant |
|-------------------------|--------------------------------------------|----------------------|---------------|----------|
| Corporate credits       | Loans and credits to companies (MNEs/SMEs) | 178.7                | 21.1%         | Yes      |
| Project finance         | <i>(included in loans to companies)</i>    |                      |               | Yes      |
| Investments own account | Government bonds                           | 61.8                 | 7.3%          | Yes      |
|                         | Shares & corporate bonds                   | 15.9                 | 1.9%          |          |
|                         | Derivatives                                | 29.7                 | 3.5%          |          |
|                         | Real estate & securities                   | 0.1                  | 0.0%          |          |
|                         | Other/undefined                            | 192.9                | 22.8%         |          |
| Mortgages               | Mortgage loans                             | 326.6                | 38.6%         | Yes      |
|                         | Other balance sheet assets                 | 40.6                 | 4.8%          |          |
|                         | <b>Total balance sheet assets</b>          | <b>846.2</b>         | <b>100.0%</b> |          |
| Asset management        | Assets under management                    | 126.7                |               | Yes      |

Source: ING Groep (2018, March), *Annual Report 2017*, p. 32, 103, 133-136, 143.

## 2.4.2 Financial relationships

### • Credits and loans

In the period 2013-2018, ING provided credit to eleven of the selected companies with a total value of € 3.3 billion. About one-third of the volume was provided to the Ukrainian chicken meat producer MHP followed by the French food retailer Carrefour. US Chicken meat producer Tyson and Brazilian chicken meat producer JBS rank third and fourth. Due to its large loans to MHP, Tyson, JBS, and Carrefour, ING has provided most credit to the chicken meat and food retailers' segment (see **Table 11**).

**Table 11 Credit of ING to the selected companies, per value chain segment (in € million)**

| Company        | Chicken meat | Pig meat | Restaurant companies | Food retailers | Total |
|----------------|--------------|----------|----------------------|----------------|-------|
| Ahold Delhaize | -            | -        | -                    | 104            | 104   |
| BRF            | -            | 34       | -                    | -              | 34    |
| Carrefour      | -            | -        | -                    | 871            | 871   |
| Groupe Casino  | -            | -        | -                    | 180            | 180   |
| JBS            | 253          | -        | -                    | -              | 253   |
| McDonalds      | -            | -        | 162                  | -              | 162   |
| MHP            | 1,032        | -        | -                    | -              | 1,032 |
| Tyson Foods    | 346          | -        | -                    | -              | 346   |



| Company      | Chicken meat | Pig meat   | Restaurant companies | Food retailers | Total        |
|--------------|--------------|------------|----------------------|----------------|--------------|
| Wendy's      | -            | -          | 33                   | -              | 33           |
| WH Group     | -            | 192        | -                    | -              | 192          |
| Yum! Brands  | -            | -          | 63                   | -              | 63           |
| <b>Total</b> | <b>1,631</b> | <b>227</b> | <b>258</b>           | <b>1,155</b>   | <b>3,271</b> |

Source: Thomson EIKON, *Loans*, viewed in February 2019; Thomson EIKON, *Share Issuances*, viewed in February 2019; Thomson EIKON, *Bond Issuances*, viewed in February 2019; Bloomberg, *Loan Search*, viewed in February 2019; Bloomberg, *Aggregated Debt*, viewed in February 2019; TradeFinance Analytics, *Trade Finance*, viewed in February 2019.

- **Investments**

ING was identified as having an investment worth € 110 million in the selected companies. McDonalds (€ 43 million), Wal-mart Stores (€ 35 million), and Costco (€ 25 million) were the main companies ING has invested in. The three companies represented almost 93% of the ING's investments in the selected companies. Looking at the value chain, ING was mostly invested in food retailers and restaurant companies. Table 12 provides detail of ING's investments in the selected meat companies.

**Table 12 Investments of ING in the selected companies, per value chain segment (in € million)**

| Company                         | Chicken meat | Pig meat   | Restaurant  | Food retailers | Total        |
|---------------------------------|--------------|------------|-------------|----------------|--------------|
| BRF                             | -            | 0.1        | -           | -              | 0.1          |
| Costco                          | -            | -          | -           | 24.9           | 24.9         |
| Domino's Pizza Group            | -            | -          | 1.6         | -              | 1.6          |
| Hormel Foods                    | -            | 0.2        | -           | -              | 0.2          |
| Kroger                          | -            | -          | -           | 0.5            | 0.5          |
| McDonalds                       | -            | -          | 43.0        | -              | 43.0         |
| Restaurant Brands International | -            | -          | 0.4         | -              | 0.4          |
| Sanderson Farms                 | 0.3          | -          | -           | -              | 0.3          |
| Tyson Foods                     | 2.9          | -          | -           | -              | 2.9          |
| Wal-mart Stores                 | -            | -          | -           | 34.5           | 34.5         |
| Wendy's                         | -            | -          | 0.4         | -              | 0.4          |
| Yum! Brands                     | -            | -          | 1.0         | -              | 1.0          |
| <b>Total</b>                    | <b>3.2</b>   | <b>0.3</b> | <b>46.4</b> | <b>59.8</b>    | <b>109.7</b> |

Source: Thomson EIKON, *Shareholdings*, viewed in February 2019; Thomson EIKON, *Bond Issuances*, viewed in February 2019; Thomson EMAXX, *Bond holdings*, viewed in February 2019; Bloomberg, *Aggregated Debt*, viewed in February 2019.

### 2.4.3 Assessment of animal welfare related engagement activities

In terms of policy, ING endorses the 'Five Freedoms' for animals. ING sets conditions for investments in livestock farming: no extremely restrictive housing methods, restriction on the use of antibiotics, and limiting animal transport to a maximum of eight hours. Companies are also encouraged to guarantee animal welfare through the use of certification systems. The bank's risk framework also covers animal welfare and details an engagement process to be followed for the topics included in the framework.<sup>30</sup> ING's policy is scored in the policy research of the Fair Bank Guide, which is a separate publication.

ING indicates the number of companies it has interacted with on social and environmental issues (engagement). This is limited to wholesale clients because, according to ING, wholesale clients run more social and environmental risks than other customers. However, no instance of engagement with the meat companies could be found on the topic of animal welfare. ING’s “exclusion” list includes businesses that involve animal fighting for entertainment, animal trade involving endangered species etc. The banking group does not provide insight into the companies that are excluded from financing or investment before or after an engagement process.<sup>31</sup>

ING is granted a red flag in this assessment.

## 2.5 NIBC

### 2.5.1 Profile

NIBC Bank N.V. (“NIBC”) is a corporate and retail banking group based in the Netherlands.<sup>32</sup> NIBC offers debt, mezzanine and equity financing services, capitalisation advice, and leveraged and structured finance services to corporate customers, with a focus on family and mid-size businesses. To retail customers, the group offers residential mortgage, online saving and investment products.<sup>33</sup> NIBC solely operates under the NIBC brand name, including NIBC Direct.<sup>34</sup> In 2011, NIBC launched brokerage activities in Germany for its retail clients under the NIBC Direct brand name.<sup>35</sup> NIBC serves around 700 businesses and 400,000 retail customers in the Netherlands, Belgium, Germany and the United Kingdom.<sup>36</sup>

NIBC was a publicly-traded company until 1999, when it was privately acquired by two European pension funds. In 2005, a consortium of international financial institutions and investors organised by J.C. Flowers & Co purchased the entirety of NIBC’s share capital.<sup>37</sup> At the end of June 2016, NIBC acquired SNS Securities, renamed NIBC Markets, allowing NIBC to solidify its corporate banking activities to include equity and debt capital markets, private placements, M&A and equity research.<sup>38</sup>

At the end of 2017, NIBC employed 666 employees (on a full-time equivalent basis), of which 552 were based in the Netherlands.<sup>39</sup> Over the financial year 2017, total income was € 512 million, of which € 449 million originated from the Netherlands, and customer deposits stood at € 11.5 billion, of which € 9.3 billion were savings from the retail banking segment.<sup>40</sup>

Table 13 provides an analysis of the investment categories relevant for NIBC. As can be seen in the table, NIBC is active in all five investment categories.

**Table 13 Analysis of relevant investment categories for NIBC (in € billion)**

| Investment category     | Asset type                                 | Value at end of 2016 | %             | Relevant |
|-------------------------|--------------------------------------------|----------------------|---------------|----------|
| Corporate credits       | Loans and credits to companies (MNEs/SMEs) | 7.9                  | 35.7%         | Yes      |
| Project finance         | <i>(included in loans to companies)</i>    |                      |               | Yes      |
| Investments own account | Government bonds                           | 0.0                  | 0.0%          | Yes      |
|                         | Shares & corporate bonds                   | 1.2                  | 5.5%          |          |
|                         | Derivatives                                | 1.0                  | 4.6%          |          |
|                         | Real estate & securities                   | 0.0                  | 0.0%          |          |
|                         | Other/undefined                            | 0.0                  | 0.0%          |          |
| Mortgages               | Mortgage loans                             | 9.3                  | 42.0%         | Yes      |
|                         | Other balance sheet assets                 | 2.7                  | 12.1%         |          |
|                         | <b>Total balance sheet assets</b>          | <b>22.2</b>          | <b>100.0%</b> |          |

| Investment category | Asset type              | Value at end of 2016 | % | Relevant |
|---------------------|-------------------------|----------------------|---|----------|
| Asset management    | Assets under management |                      |   | No       |

Source: NBIC Bank (2018, February), *Annual Report 2017*, p. 110, 173-175, 179, 224, 313.

## 2.5.2 Financial relationships

### • Credits and loans

NIBC provided the least credit of the four Dutch banks. Out of the selected companies, it has only provided credit to the US chicken meat company Tyson (€ 29 million) (see [Table 14](#)).

**Table 14 Credit of NIBC to the selected companies, per value chain segment (in € million)**

| Companies       | Chicken meat | Pig meat | Food retailers | Total     |
|-----------------|--------------|----------|----------------|-----------|
| Tyson Foods Inc | 29           | -        | -              | 29        |
| <b>Total</b>    | <b>29</b>    | -        | -              | <b>29</b> |

Source: Thomson EIKON, *Loans*, viewed in February 2019; Thomson EIKON, *Share Issuances*, viewed in February 2019; Thomson EIKON, *Bond Issuances*, viewed in February 2019; Bloomberg, *Loan Search*, viewed in February 2019; Bloomberg, *Aggregated Debt*, viewed in February 2019; TradeFinance Analytics, *Trade Finance*, viewed in February 2019.

### • Investments

As noted earlier, NIBC does not have any asset management activity and therefore it does not have any investments in the selected companies.

## 2.5.3 Assessment of animal welfare related engagement activities

NIBC endorses the 'Five Freedoms' for animals and encourages the use of quality marks in the field of animal welfare in animal husbandry. In terms of exclusions, NIBC does not provide funding for zoos, circuses and dolphinariums, or other activities with (wild) animals.<sup>41</sup> NIBC's policy is scored in the policy research of the Fair Bank Guide, which is a separate publication.

NIBC did not have any financial links with the selected meat companies in the previous case study. However, the financial research in February 2019, showed a relatively small exposure of NIBC with one company. Since no financial links showed up in the 2018 report and the exposure found in this report is relatively small and dates back to 2016, NIBC is not rated in this case study.

## 2.6 Rabobank

### 2.6.1 Profile

Coöperatieve Rabobank U.A. (Rabobank) is an international financial services provider based in the Netherlands. The group offers products and services in the areas of banking, capital management, leasing, insurance and real estate.<sup>42</sup> Rabobank serves over 8.5 million customers worldwide, of which 7.3 million in the Netherlands. The group is active in 40 countries in Europe, North America, Australia and New Zealand, Latin America and Asia.<sup>43</sup>

Rabobank is structured as a cooperative and is therefore held by its members through the General Members Council. Rabobank has a total of 1.9 million members represented through local councils and local supervisory boards.<sup>44</sup>

Worldwide, Rabobank has a number of subsidiaries and associates servicing the group's customers. The group's main brands in the Netherlands and abroad are: Rabobank, ACC Loan Management, MyOrder, Obvion, Rembrandt, DLL, BPD Europe, Bouwfonds IM, and FGH Bank. The group holds significant shares (above 20%) in the following banks: Banco Terra, Banco Regional, NMB, Zanaco, Banco Sicredi and DFCU. Rabobank also hold a 29% interest in Achmea.<sup>45</sup>

At the end of 2017, Rabobank had 37,170 employees worldwide (full time equivalent basis).<sup>46</sup> Over the financial year 2017, total income of the group added to € 12 billion and total deposits from customers amounted to € 340.7 billion.<sup>47</sup>

**Table 15** provides an analysis of the investment categories relevant for Rabobank. As can be seen in the table, Rabobank is active in all five investment categories.

**Table 15 Analysis of relevant investment categories for Rabobank (in € billion)**

| Investment category     | Asset type                                 | Value at end of 2017 | %             | Relevant |
|-------------------------|--------------------------------------------|----------------------|---------------|----------|
| Corporate credits       | Loans and credits to companies (MNEs/SMEs) | 179.2                | 29.7%         | Yes      |
| Project finance         | <i>(included in loans to companies)</i>    |                      |               | Yes      |
| Investments own account | Government bonds                           | 22.9                 | 3.8%          | Yes      |
|                         | Shares & corporate bonds                   | 0.6                  | 0.1%          |          |
|                         | Derivatives                                | 25.5                 | 4.2%          |          |
|                         | Real estate & securities                   | 0.2                  | 0.0%          |          |
|                         | Other/undefined                            | 60.6                 | 10.0%         |          |
| Mortgages               | Mortgage loans                             | 200.9                | 33.3%         | Yes      |
|                         | Other balance sheet assets                 | 113.1                | 18.8%         |          |
|                         | <b>Total balance sheet assets</b>          | <b>603.0</b>         | <b>100.0%</b> |          |
| Asset management        | Assets under management                    | 6.2                  |               | Yes      |

Source: Rabobank (2018, March), *Annual Report 2017*, p. 165, 213, 217-218; Rabobank (2018, March), *Pillar 3 Report 2017*, p. 56.

## 2.6.2 Financial relationships

### • Credits and loans

Rabobank provided by far the largest amount of credit to the companies selected for this research. Rabobank provided credit to fourteen of the selected companies with a total value of € 8.4 billion in the period 2013-2018. Largest borrower is chicken meat producer Tyson Foods with a value of € 2.3 billion. JBS (€ 1.9 billion) and WH Group (€ 1.2 billion) rank second and third. Next to chicken meat producers, Rabobank also provided credit to restaurant companies (see **Table 16**).

**Table 16 Credit of Rabobank banks to the selected companies, per value chain segment (in € million)**

| Company              | Chicken meat | Pig meat | Restaurant companies | Food retailers | Total |
|----------------------|--------------|----------|----------------------|----------------|-------|
| Ahold Delhaize       | -            | -        | -                    | 77             | 77    |
| BRF                  | -            | 34       | -                    | -              | 34    |
| Cofco meat holdings  | -            | 9        | -                    | -              | 9     |
| Domino's Pizza Group | -            | -        | 223                  | -              | 223   |
| Groupe Casino        | -            | -        | -                    | 63             | 63    |

| Company                         | Chicken meat | Pig meat     | Restaurant companies | Food retailers | Total        |
|---------------------------------|--------------|--------------|----------------------|----------------|--------------|
| JBS                             | 1,904        | -            | -                    | -              | 1,904        |
| Kroger                          | -            | -            | -                    | 40             | 40           |
| McDonalds                       | -            | -            | 556                  | -              | 556          |
| Restaurant Brands International | -            | -            | 878                  | -              | 878          |
| Seaboard Corp.                  | -            | 14           | -                    | -              | 14           |
| Tyson Foods                     | 2,331        | -            | -                    | -              | 2,331        |
| Wendy's                         | -            | -            | 418                  | -              | 418          |
| WH Group                        | -            | 1,194        | -                    | -              | 1,194        |
| Yum! Brands                     | -            | -            | 643                  | -              | 643          |
| <b>Total</b>                    | <b>4,235</b> | <b>1,252</b> | <b>2,719</b>         | <b>180</b>     | <b>8,385</b> |

Source: Thomson EIKON, *Loans*, viewed in February 2019; Thomson EIKON, *Share Issuances*, viewed in February 2019; Thomson EIKON, *Bond Issuances*, viewed in February 2019; Bloomberg, *Loan Search*, viewed in February 2019; Bloomberg, *Aggregated Debt*, viewed in February 2019; TradeFinance Analytics, *Trade Finance*, viewed in February 2019.

- **Investments**

As noted earlier, Rabobank does not have a big asset management portfolio; therefore it is not surprising that this research did not identify any investments of Rabobank in the selected companies.

### 2.6.3 Assessment of animal welfare related engagement activities

Rabobank endorses the 'Five Freedoms' for animals. The bank's policy defines animal welfare as healthy, well-nourished, safe and comfortable living conditions, ability to express innate behaviour, and freedom from pain, fear or distress. Good animal welfare also requires disease prevention and veterinary treatment, appropriate shelter, management, humane treatment, and humane slaughter or killing. Compliance with the policy is reviewed annually via internal reporting, monitoring and client engagement at Rabobank. Any breach of this policy or international norms and standards not be rectified through engagement, Rabobank may decide to terminate the client relationship. The bank excludes companies involved in cloning of animals for commercial purposes, animal fight for entertainment, and the use of endangered species or primates for experimental purposes.<sup>48</sup> In 2018, Rabobank improved its policy substantially by including concrete objectives such as strongly encouraging clients to achieve group housing of sows no later than 2025. Rabobank's policy is scored in the policy research of the Fair Bank Guide, which is a separate publication.

The banking group discloses the number of companies in the loan portfolio that it has engaged with during the year including the topics of engagement. The topics also include 'Cruelty to animals'. Rabobank has confirmed that it is engaging with one of the high risk companies identified in the 2018 report with which it has financial links. In principle, this will be evident from the dialogue and issue chart in its Annual report over 2019. The engagement is part of a broader engagement framework of which animal welfare is an integral part and to which other high risk companies identified in this report are subjected.

However, there is no evidence that any of these engagements has yielded any meaningful results yet. Moreover, no evidence of exclusion of a meat company could be found due to failed engagement on animal welfare issues.

Rabobank gets an orange flag in this case study.

## 2.7 Triodos

### 2.7.1 Profile

Triodos Bank N.V. (Triodos) is a European sustainable bank based in the Netherlands. The group provides retail and corporate banking, as well as asset management services to its 681,000 customers.<sup>49</sup> The group is active in the Netherlands, Belgium, the United Kingdom, Spain and Germany.<sup>50</sup> Across its locations of activities, Triodos operates under the Triodos Bank brand.

Triodos is structured such that the bank's shares are managed by the Foundation for the Administration of Triodos Bank Shares (SAAT). Participation in Triodos is possible by buying and holding depository receipts issued by the SAAT. These are not listed, but held on a trading platform maintained directly by Triodos. Holders may not hold more than 10% of the depository receipts. The only holders with a participating interest above 3% are Rabobank and Delta Lloyd.<sup>51</sup>

Over the year 2017, Triodos had on average 1,197 employees (full-time equivalent basis), of which on average 598.6 were located in the Netherlands.<sup>52</sup> As at December 2017, Triodos' total income amounted to € 240.3 million, of which € 119.2 million from its activities in the Netherlands.<sup>53</sup> Total deposits from customers accounted for € 8.7 billion, of which € 5.4 billion were from savings.<sup>54</sup>

Table 17 provides an analysis of the investment categories relevant for Triodos. As can be seen in the table, Triodos is active in all five investment categories. However, in the category 'investments own account,' Triodos only invests in government bonds and in banks—included under 'other'. Given that the Fair Bank Guide assesses company-related investment policies, Triodos is not assessed on the category 'investments own account.'

**Table 17 Analysis of relevant investment categories for Triodos (in € billion)**

| Investment category                        | Asset type                                 | Value at end of 2017 | %             | Relevant |
|--------------------------------------------|--------------------------------------------|----------------------|---------------|----------|
| Corporate credits                          | Loans and credits to companies (MNEs/SMEs) | 4.9                  | 49.7%         | Yes      |
| Project finance                            | (included in loans to companies)           |                      |               | Yes      |
| Asset management for own account           | Government bonds                           | 1.4                  | 14.4%         | Yes      |
|                                            | Shares & corporate bonds                   |                      | 0.0%          |          |
|                                            | Derivatives                                |                      | 0.0%          |          |
|                                            | Real estate & securities                   |                      | 0.0%          |          |
|                                            | Other/undefined                            | 0.8                  | 8.2%          |          |
| Mortgages                                  | Mortgage loans                             | 1.1                  | 11.1%         | Yes      |
|                                            | Other balance sheet assets                 | 1.6                  | 16.6%         |          |
|                                            | <b>Total balance sheet assets</b>          | <b>9.9</b>           | <b>100.0%</b> |          |
| Asset management for the account of client | Assets under management                    | 4.6                  |               | Yes      |

\* Includes all private loans, i.e. residential sustainable mortgages and overdraft on current accounts.

Source: Triodos Bank (2018, March), *Annual Report 2017*, p. 4, 79, 101, 114, 146, 148, 176.

### 2.7.2 Financial relationships

- **Credits and loans**

There was no credits identified for Triodos to the selected companies in this case study.

- **Investments**

There was no investment identified for Triodos to the selected companies in this case study.

### 2.7.3 Assessment of animal welfare engagement activities

Triodos has a relative strong animal welfare policy, which is scored in the policy research of the Fair Bank Guide – a separate publication. Since no financial relationship is identified for Triodos, no further research was conducted on its engagements with the meat sector companies.

Triodos gets a green flag in this case study.

## 2.8 Van Lanschot Kempen

### 2.8.1 Profile

Van Lanschot Kempen N.V. (“Van Lanschot Kempen”) is a bank based in the Netherlands, which specialises in private and merchant banking, and in asset management.<sup>55</sup> The group’s client base is primarily in the Netherlands, although Van Lanschot Kempen is also present in Belgium, Switzerland, the United Kingdom and the United States.<sup>56</sup> Van Lanschot Kempen provides services to private clients, institutional investors, financial institutions, enterprises and corporations, and public and semi-public entities.<sup>57</sup>

Van Lanschot Kempen is a listed public-limited company. 99.9% of the company’s ordinary shares are held by a trust, Stichting Administratiekantoor van gewone aandelen A Van Lanschot, from which depositary receipts have been issued and are listed on Euronext Amsterdam.<sup>58</sup> Van Lanschot Kempen is the holding company of F. van Lanschot Bankiers N.V.<sup>59</sup> Van Lanschot operates in the Netherlands under the following brands: Van Lanschot, Evi, Hypotrust, Kempen Capital Management and Kempen & Co.<sup>60</sup>

In July 2016, Van Lanschot acquired Allshare B.V, an IT company that provides back-office solutions for financial institutions.<sup>61</sup> Then, in August 2016, Van Lanschot acquired Staalbankiers private banking activities to add to the group’s asset management activities.<sup>62</sup> Finally, in August 2017, Van Lanschot acquired UBS’s domestic wealth management activities in the Netherlands. This includes client relationships and employees of wealth management, as well as the products and services of UBS Netherlands. Assets under management included account for approximately € 2.6 billion.<sup>63</sup>

At the end of 2017, Van Lanschot Kempen had 1,658 employees (full-time equivalent basis).<sup>64</sup> Total income over the financial year 2017 amounted to € 567.3 million, with € 509 million originating from the Netherlands.<sup>65</sup> Total deposits from customers amounted to € 9.1 billion at the end of December 2017, of which savings totalled € 3.7 billion.<sup>66</sup>

**Table 18** provides an analysis of the investment categories relevant for Van Lanschot Kempen. As can be seen in the table, Van Lanschot Kempen is active in four of the five different investment categories. Van Lanschot Kempen’s recent acquisition of UBS Netherlands is not included in this table, as it has not yet been consolidated by the group.

**Table 18 Analysis of relevant investment categories for Van Lanschot Kempen (in € billion)**

| Investment category     | Asset type                                 | Value at end of 2017 | %     | Relevant |
|-------------------------|--------------------------------------------|----------------------|-------|----------|
| Corporate credits       | Loans and credits to companies (MNEs/SMEs) | 2.5                  | 16.8% | Yes      |
| Project finance         | <i>(included in loans to companies)</i>    |                      |       | No       |
| Investments own account | Government bonds                           | 0.7                  | 4.5%  | Yes      |
|                         | Shares & corporate bonds                   | 0.2                  | 1.6%  |          |
|                         | Derivatives                                | 0.3                  | 2.2%  |          |



| Investment category | Asset type                        | Value at end of 2017 | %           | Relevant |
|---------------------|-----------------------------------|----------------------|-------------|----------|
| Mortgages           | Real estate & securities          |                      |             |          |
|                     | Other/undefined                   | 2.2                  | 14.8%       |          |
|                     | Mortgage loans                    | 6.3                  | 42.8%       | Yes      |
|                     | Other balance sheet assets        | 2.5                  | 17.3%       |          |
|                     | <b>Total balance sheet assets</b> | <b>14.7</b>          | <b>100%</b> |          |
| Asset management    | Assets under management           | 74.5                 |             | Yes      |

Source: Van Lanschot Kempen (2018, March), *Annual Report 2017*, p. 5, 69, 100, 167, 170-172.

## 2.8.2 Financial relationships

- **Credits and loans**

There was no credit identified for Van Lanschot Kempen to the selected companies in this case study.

- **Investments**

Van Lanschot Kempen had investments in six companies with a total value of € 39 million (see [Table 19](#)). The invested value was highest for Tesco (€ 18 million), followed by McDonalds (€ 10 million). Van Lanschot Kempen did not invest in the selected pig meat companies. It is not surprising and is inline with the overall Dutch banks' investment trend, that Van Lanschot invested about 91% in just two value chain segments, namely food retailers and restaurant companies.

**Table 19 Investment of Van Lanschot Kempen in the selected companies, per value chain segment (in € million)**

| Company         | Chicken meat | Pig meat   | Restaurant companies | Food retailers | Total       |
|-----------------|--------------|------------|----------------------|----------------|-------------|
| Carrefour       | -            | -          | -                    | 5.9            | 5.9         |
| Groupe Casino   | -            | -          | -                    | 0.2            | 0.2         |
| McDonalds       | -            | -          | 9.7                  | -              | 9.7         |
| Sanderson Farms | 3.4          | -          | -                    | -              | 3.4         |
| Tesco           | -            | -          | -                    | 17.9           | 17.9        |
| Wal-mart Stores | -            | -          | -                    | 0.2            | 0.2         |
| <b>Total</b>    | <b>3.4</b>   | <b>0.3</b> | <b>9.7</b>           | <b>24.3</b>    | <b>37.5</b> |

Source: Thomson EIKON, *Shareholdings*, viewed in February 2019; Thomson EIKON, *Bond Issuances*, viewed in February 2019; Thomson EMAXX, *Bond holdings*, viewed in February 2019; Bloomberg, *Aggregated Debt*, viewed in February 2019.

## 2.8.3 Assessment of animal welfare engagement activities

The banking group endorses the 'Five Freedoms' for animals and does not invest in companies that use animal testing for cosmetics. The bank also expects companies to adhere to European standards regarding the housing of farm animals. When lending, the use of laboratory animals for the development of medicines is permitted, provided that companies look for alternatives and use the '3R strategy' (replacing, reducing and refining). Fur producers are not granted loans, but trade in fur products is not completely excluded.<sup>67</sup> The bank's policy is scored in the policy research of the Fair Finance Guide, which is a separate publication.

The banking group offers an overview of the number of companies (also some names of companies are reported) with which engagements are conducted on social and environmental issues. No instance of engagement on animal welfare could be found in the engagement reporting however. The bank declined to comment in this case study.<sup>68</sup>

Van Lanschot Kempen gets a red flag in this case study.

## Chapter 3 Conclusion and recommendations

Via their financial relationships, Dutch banks are in many cases directly linked to large-scale, low animal welfare broiler and pig production and supply chains. Globally, in total € 340 billion was provided in the form of credit to the selected livestock companies (between 2013-2018). Based on the country seats of the ultimate parent financial institutions, credits from the Dutch banks (ABN Amro, ING, NIBC, and Rabo bank) rank fifth with € 11.9 billion or 3% of the total identified credit, after United States, United Kingdom, France, and Canada. This research identified credit relationships for four out of seven assessed Dutch banking groups in the period 2013-2018 with three chicken meat companies, four pig meat companies, five restaurant companies and four food retailers: in total 16 out of the 28 selected companies.

Globally, in total € 399 billion is invested in shares and bonds of the selected companies and the Netherlands accounted for € 3.3 billion of this value (approximately 0.8%). However, this value also includes investment by other Dutch financial institutions/asset managers besides the Dutch banks selected for this case study. Three Dutch banks (ABN Amro, ING, and Van Lanschot Kempen) under the scope of this study invested about € 265 million in the selected companies. Other Dutch investors include largest Dutch asset managers having far larger asset management portfolios than the three Dutch banks. The investment links were identified for four chicken meat companies, three pig meat companies, five restaurant chains, and seven retailers: in total 19 out of the 28 selected companies.

Combined, Dutch banks have (in some cases multiple) financial links with 20 out of the 28 high risk companies.

Another important observation is that while most of the credit is attributed to the chicken meat companies (about 50%) and restaurant companies (25%), investing was more inclined towards retailers (almost 70%) and restaurants companies (24%).

Rabobank provided by far the largest amount of credit to the companies in this research. Rabobank has provided credit to fourteen of the selected companies with a total value of € 8.4 billion in the period 2013-2018. Largest borrower is chicken meat producer Tyson Foods with a value of € 2.3 billion. JBS (€ 1.9 billion) and WH Group (€ 1.2 billion) list second and third. Next to chicken meat producers, Rabobank also offered considerable credit (€ 2.7 billion) to restaurant companies such as Restaurant Brands International, Yum! Brands, McDonalds, Wendy's, and Dominos Pizza Group (see [Table 16](#)).

On the investing side, ABN Amro and ING accounted for about 86% of the total identified investments of the Dutch banks in this research. About 80% of this value is in the form of shareholdings. The two banks invested primarily in restaurant chains and retailers, in line with the overall Dutch investing trend.

While the five banks have exposure to animal welfare risks though their lending and investing in meat companies, their engagement activities were not found to be sufficient to be ensuring animal welfare. Based on the analysis of the five banking groups' engagement activities, only Rabobank is engaging with one of the selected high-risk companies, besides having integrated animal welfare in a broader engagement approach to which also other high risk companies are subjected. ABN Amro is engaging with one transportation company on the topic of animal welfare but not with any of the selected meat companies.<sup>69 70</sup>

The banks such as ABN Amro, ING, NIBC, and Rabobank exclude companies involved in various activities such as fur, in cloning of animals for commercial purposes, animal fight for entertainment, and the use of endangered species or primates for experimental purposes, however no instance of exclusion found for companies in the meat value chain due to poor animal welfare standards/practices as an outcome of a failed engagement to change these).

Based on the methodology of this case study, the five banks are granted the following flags:

- ABN Amro = 
- De Volksbank = 
- ING = 
- NIBC = Not scored
- Rabobank = 
- Triodos = 
- Van Lanschot Kempen = 

Taking into account the above findings, the Dutch Fair Guide therefore calls upon banking groups investing in the value chain of chicken and pig meat to improve farm animal welfare by:

1. Making a public commitment/policy that not only adheres to general principles of animal welfare but further details the expectations from clients/investee companies across value chain, reflecting the minimum requirements of the FARMS initiative.
2. Supporting clients/investee companies in their efforts towards a transition to using industry standards that bring animal welfare practices in the industrial livestock sector to a higher level, starting with the level as laid down in the responsible minimum standards of the FARMS initiative.
3. Engaging with companies across the chicken and pig meat value chains with clear and time-bound targets to achieve the responsible minimum standards by clients and the industry as a whole.
4. Ending relationships with the companies that do not show any improvement in meeting the engagement targets within a given timeframe.
5. Improving transparency on financial relationships, engagements, and outcomes with the companies involved at the various stages of the meat industry value chain.

## Appendix 1 Selection of companies

The industrial or intensive livestock production follows a business model based on exploiting economies of scale, with the main objective to maximize profitability and is characterised by highly specialised genetic selection, high stocking densities and a lack of natural light and environmental enrichment. As a result of breeding, housing conditions and management practices animal welfare is at risk in the industrial livestock production. As this risk is systematic and inherent to the sector, the selection of companies to be linked with Dutch banking groups through financial relationships is based on the size of the companies and therefore on the likelihood, scale, scope and irredeemability of the animal welfare infringements.

For more information on the animal welfare risks prevalent in conventional industrial chicken and pig production, see *Profundo, Risking Animal Welfare 2018*, pp. 13-17. Based on an overview of existing principles, standards and initiatives, the 2018 report also recommends a set of requirements for both industrial broiler and pig production recommended by the Fair Bank Guide as responsible minimum standards to be implemented within a realistic but ambitious timeline. These responsible minimum standards are now also part of the FARMS-initiative, an initiative launched in 2019 by Humane Society International, World Animal Protection and Compassion in World Farming aimed at helping financial institutions to drive the issue of animal welfare. See for more information: [www.farms-initiative.com](http://www.farms-initiative.com)

The FARMS-initiative is listed as 'key resource' on animal welfare in the new UN Principles for Responsible Banking. The global animal welfare policies – if existing – of the selected companies fail to meet these responsible minimum standards (see for more details, [Appendix 2](#) )

### Chicken meat producing companies

The chicken meat value chain comprises input providers (feed and machinery), hatchery, agricultural farms, slaughterhouses, food processing companies, retailers, and restaurants. Most of the largest chicken meat producing companies are vertically integrated and own majority of the stages in the value chain i.e. feed manufacturing, hatchery, chicken farms, slaughterhouses, and food processing.

The selection of chicken meat companies is based on the Poultry International's Leading Poultry Companies database. The companies for this case study are selected by taking into account the following considerations:

- The ranking is based on number of birds slaughtered annually in a country. Therefore, if a company has the highest number of birds slaughtered in two countries, we have added the two numbers to get a bigger picture. It is possible that a company is active in other countries and the actual number of birds slaughtered is much higher than what is shown in the database.
- The companies selected includes mostly chicken producers, but they also produce turkey, ducks, and eggs. It is also possible that these companies are active in other meat products such as beef or pork.
- Only public companies are considered.

**Table 20** presents the outcome of the selection of chicken meat companies.

**Table 20 Selected chicken meat companies**

| No. | Company                             | Country       |
|-----|-------------------------------------|---------------|
| 1   | Guangdong Wen's Food Group          | China         |
| 2   | Industrias Bachoco                  | Mexico        |
| 3   | LDC                                 | France        |
| 4   | MHP                                 | Ukraine       |
| 5   | Pilgrim's and JBS Aves Brazil (JBS) | US and Brazil |
| 6   | Sanderson Farms                     | US            |

| No. | Company     | Country |
|-----|-------------|---------|
| 7   | Tyson Foods | US      |

Source: WATTAgNet (2019, February), *Top Poultry Companies*.

### Pig meat producing companies

The pig meat production value chain comprises input providers such as feed, machinery, and veterinary services; production companies that breed and raise piglets; processing companies that slaughter and process meat into various forms, and at the end there are retailers and restaurants.<sup>71</sup> The case study focuses on the top producers and processors of pig meat given their direct links. The input providers are out of scope for this study. Retailers and restaurants are selected separately as they are not classified based on species.

The selection is based on the ranking of top 40 pig meat producers and top 40 pig meat processors published in *Pig International* in November 2016. For top pig meat producers, the number of sows under control or contract is considered, as usually the grown pigs are sold to the processors for slaughtering and processing. For the meat processors, the ranking is done considering number of heads slaughtered annually. From the available two rankings, a selection of nine pig meat companies is done to ensure a good mix of producers and processors as shown in **Table 21**. The companies for this case study are selected taking into account the following considerations:<sup>72</sup>

- Smithfield (since 2013 part of WH Group, which was previously known as Shuanghui Group) is the biggest player in both the pig meat producers and processors rankings.
- From top pig meat producers ranking, Guangdong Wen's Food Group from the second position is removed as it is included in chicken meat companies.
- From top pig meat processors, JBS Foods International (parent JBS SA) at the second position is removed from this selection as it is included in chicken meat companies list.
- Other companies such as Cofco Meat, RusAgro, and Ningbo were added.

**Table 21 Selected pig meat companies**

| No. | Company             | Country       |
|-----|---------------------|---------------|
| 1   | BRF                 | Brazil        |
| 2   | Cofco meat holdings | China         |
| 3   | Hormel Foods        | United States |
| 4   | Ningbo Tech-bank    | China         |
| 5   | RusAgro             | Russia        |
| 6   | Seaboard Corp.      | United States |
| 7   | Thai Foods Group    | Thailand      |
| 8   | WH Group            | United States |
| 9   | Yurun Group         | China         |

Source: Plantz, B. (2016), "World's 40 leading pig producers and processors", *Pig International*, volume 46(7): 6-17., p. 6.

### Retailers and restaurants

The retailers and restaurants selected for this research are at the end of the chicken and pig meat value. They are among the largest retailers and restaurant chains in the world and offer many other products besides chicken and pig meat products. However, given their strong bargaining power with the suppliers in the value chain, they can play a very influential role in making the production of meat free from any animal cruelty. Being closest to the end consumer of the products they are exposed to huge reputational risk, and thus have a strong business case for animal welfare.

The selection of retailers has been taken from the 2018 Global Powers of Retailing report from Deloitte Touche Tohmatsu. **Table 22** shows the seven retailers selected for this case study.

**Table 22 Selected food retailers**

| No. | Company         | Country       |
|-----|-----------------|---------------|
| 1   | Ahold Delhaize  | Netherland    |
| 2   | Carrefour       | France        |
| 3   | Cotsco          | United States |
| 4   | Groupe Casino   | France        |
| 5   | The Kroger Co.  | United States |
| 6   | Tesco           | UK            |
| 7   | Wal-Mart Stores | United States |

Source: Deloitte (2018, January 12), *Global Powers of Retailing 2018*, p. 19 onwards.

For selecting the largest fast food restaurants, the World Atlas ranking of the largest fast food restaurant chains based on the number of outlets is considered. However, private company Subway is excluded, and Starbucks is excluded as it is focused on coffee brewing business. Further, the brands in the ranking were consolidated and the parent company is considered for the selection. For KFC and Pizza Hut, parent company Yum! Brands is considered. Burger King’s parent Restaurant Brands International is considered. **Table 23** presents the selected restaurant companies for this study.

**Table 23 Selected restaurant companies**

| No. | Company                         | Country       |
|-----|---------------------------------|---------------|
| 1   | Domino’s Pizza Group            | UK            |
| 2   | McDonald’s                      | United States |
| 3   | Restaurant Brands International | United States |
| 4   | Wendy’s                         | United States |
| 5   | Yum! Brands                     | United States |

Source: Chepkemai. J. (2017, April 25), “The World’s Largest Fast Food Restaurant Chains”, World Atlas.

## Appendix 2 Gap analysis of selected company policies versus responsible business conduct

Table 24 provides a comparison between some of the selected companies' policies, EU legislation, the Responsible Minimum Standards (RMS), and a higher welfare standard (HWS: in this case, Beter Leven 3 – BL 3).

Colour code:

1. Green = in alignment with the Responsible Minimum Standards;
2. Blue: exceeding the Responsible Minimum Standards; and
3. Red = not meeting the Responsible Minimum Standards.

Legend: NP = no policy; IP = in practice; NA = not allowed; NC = no cages; GL = global; NL = the Netherlands; UK = United Kingdom; pa = per animal; aw = animal weight; GH = group housing; gc = gestation crates; req. = required.

Table 24 Policy assessment of selected companies

|                         | EU legislation               | RMS                          | HWS (BL 3)           | McDonald's    | Tyson Foods          | Costco               | Ahold Delhaize                            | WH Group | Tesco                              | Carrefour |
|-------------------------|------------------------------|------------------------------|----------------------|---------------|----------------------|----------------------|-------------------------------------------|----------|------------------------------------|-----------|
| <b>Broiler Chickens</b> |                              |                              |                      |               |                      |                      |                                           |          |                                    |           |
| Stocking density        | 38-42 kg/m <sup>2</sup>      | 30 kg/m <sup>2</sup>         | 25 kg/m <sup>2</sup> | NP            | 44 kg/m <sup>2</sup> | 44 kg/m <sup>2</sup> | GL: NP<br>NL: 38 kg/m <sup>2</sup>        | NP       | GL: NP<br>UK: 38 kg/m <sup>2</sup> | NP        |
| Cages                   | IP                           | NC                           | NC                   | NC            | NP                   | NP                   | NP                                        | NP       | GL: NP<br>UK: NC                   | NP        |
| Outdoor access          | No                           | No                           | 2 m <sup>2</sup> pa  | NP            | NP                   | NP                   | NP                                        | NP       | No                                 | No        |
| Enrichment              | No                           | Yes                          | Yes                  | Yes, per 2024 | No                   | NP                   | NP                                        | NP       | GL: NP<br>UK: yes                  | NP        |
| Better welfare breed    | No                           | Yes                          | Yes                  | NP            | No                   | NP                   | GL: NP<br>NL: yes                         | NP       | NP                                 | NP        |
| Natural light           | No                           | Yes                          | Yes                  | NP            | No                   | NP                   | NP                                        | NP       | GL: NP<br>UK: yes                  | NP        |
| <b>Pigs</b>             |                              |                              |                      |               |                      |                      |                                           |          |                                    |           |
| Stocking density        | 1 m <sup>2</sup> (aw 110 kg) | 1 m <sup>2</sup> (aw 110 kg) | 1.3 m <sup>2</sup>   | NP            | NP                   | NP                   | GL: NP<br>NL: 1 m <sup>2</sup> (aw 80 kg) | NP       | NP                                 | NP        |
| Outdoor access          | No                           | No                           | 1 m <sup>2</sup> pa  | NP            | NP                   | NP                   | NP                                        | NP       | No                                 | NP        |



|                  | EU legislation                                          | RMS            | HWS (BL 3)  | McDonald's                              | Tyson Foods | Costco                              | Ahold Delhaize                               | WH Group                                | Tesco                              | Carrefour                                                                 |
|------------------|---------------------------------------------------------|----------------|-------------|-----------------------------------------|-------------|-------------------------------------|----------------------------------------------|-----------------------------------------|------------------------------------|---------------------------------------------------------------------------|
| Gestation crates | GH<br>(but gc allowed until 4 weeks after insemination) | GH             | GH          | GL: NP<br>EU: GH<br>US: GH<br>per 2022. | Allowed     | GL: NP<br>US: GH<br>(100% per 2022) | GL: NP<br>NL: GH                             | GL: NP<br>EU: GH;<br>US: GH<br>per 2022 | GL: NP<br>UK: GH                   | GL: NP<br>France:<br>GH (but gc allowed until 4 weeks after insemination) |
| Farrowing crates | Allowed                                                 | NA             | NA          | NP                                      | Allowed     | Allowed                             | GL: NP<br>NL:<br>allowed                     | Allowed                                 | NP                                 | Allowed                                                                   |
| Enrichment       | Req <sup>1</sup>                                        | Req            | Req         | NP                                      | NP          | NP                                  | GL: NP<br>NL: req                            | NP                                      | GL: NP<br>UK: req                  | NP                                                                        |
| Tail docking     | Routine use NA <sup>2</sup>                             | Routine use NA | Not allowed | NP                                      | NP          | NP                                  | GL: NP<br>NL:<br>Routine use NA <sup>2</sup> | NP                                      | GL: NP<br>UK:<br>Routine use NA    | NP                                                                        |
| Weaning          | 28 days <sup>3</sup>                                    | 28 days        | 42 days     | NP                                      | NP          | NP                                  | GL: NP<br>NL: 28 days <sup>4</sup>           | NP                                      | GL: NP<br>UK: 28 days <sup>3</sup> | NP                                                                        |

1 In practice, enrichment is often below standard

2 In practice, routine tail docking is common

3 Note that an exemption is common to decrease weaning to minimal 21 days

4 Note that an exemption is possible to decrease weaning to minimal 23 days

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## About this report

This report has been commissioned by the Fair Bank Guide (Eerlijke Bankwijzer) which is a coalition of the following organisations: Amnesty International, Milieudefensie, Oxfam Novib, PAX and World Animal Protection. The aim of the Fair Bank Guide is to encourage corporate social responsibility by banking groups. This report, initiated by World Animal Protection, examines the financial relationships between chicken and pig meat producing and processing companies, retailers and restaurants and banking groups active on the Dutch market and calls upon banks to uphold certain minimum requirements for animal welfare in this industrial sector. The aim of the Fair Bank Guide is to encourage corporate social responsibility by banking groups. This report is an update of the previous case study 'Risking Animal Welfare', published by the Dutch Fair Bank Guide, in early 2018.

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# EerlijkeBankwijzer®

The Fair Bank Guide is a coalition of organisations that consists of: Amnesty International, Milieudefensie, Oxfam Novib, PAX and World Animal Protection.

