

Research Report
2006

Banco Real
ABN AMRO
Brazil

Instituto Observatório Social
São Paulo

SOMO

FNV
BONDGENOTEN

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Introduction

The Instituto Observatório Social (IOS) monitors the behaviour of multinational, national and state-owned companies with regard to Fundamental Labour Rights whose underpinnings are to be found, chiefly, on the Conventions signed under the auspices of the International Labour Organisation (ILO), which address such themes as union freedom, collective bargaining, child labour, forced labour, discrimination at the workplace, environment, and occupational health and safety.

The IOS was created by the CUT (Brazil's Single Central of Workers), in co-operation with the CEDEC (Centre for Studies on Contemporary Culture), the DIEESE (Inter-Union Department for Socio-economic Studies) and Unitrabalho Inter-University Network for Labour Studies and Research. It has its headquarters in the city of São Paulo, and two other regional offices, one located in the city of Rio de Janeiro and the other in the city of Florianópolis in the state of Santa Catarina.

To conduct this study on the social and labour behaviour of Banco Real ABN AMRO, the IOS adopted a two-phased methodology. Firstly, an analysis of secondary sources was carried out by gathering information published in websites, newspapers, etc. about the company's general characteristics, economic and financial data, historical background and record of environmental and labour shortcomings among other issues.

The IOS collected information on the company's presence in Brazil, its management style, its behaviour concerning corporate social responsibility, its policy toward the value chain, the company's commitments with regard to the environment, as well as its compliance with labour laws.

In the second phase, interviews were conducted with workers, trade union leaders and company officials. Such information was later systematised by IOS researchers and transformed into a specific document titled "Social and Labour Behaviour – Banco Real ABN AMRO". This document is a research report that complements other reports on Dutch companies in Brazil, as part of a broader Company Watch project, executed by the IOS with the support of the FNV in the Netherlands.

In analysing the results we have considered, in addition to the ILO conventions, the enterprise's voluntary codes of conduct, the OECD Guidelines for Multinational Enterprises, the United Nations' Global Compact programme and other norms upheld by the International Trade Secretariats and by the International Confederation of Free Trade Unions (ICFTU).

The particular scope of this IOS research is Dutch bank Real ABN AMRO, the world's twentieth largest bank in terms of net assets, a financial institution that boasts, in Brazil, more than 1.1 thousand retail branches and over 28 thousand employees. According to HR director Lílían Guimarães, Real ABN AMRO is committed to the concept of Corporate

Social Responsibility, undertakes partnerships with stakeholders, is strongly committed to “diversity of ideas” and regards staff as its greatest asset.¹

For all the reasons above, investigating Real ABN AMRO’s social and labour behaviour increases the responsibility of the IOS before workers, unions and the bank itself in approaching, but we are confident that this research will contribute to the improvement of labour relations between the bank and the workers’ unions representing the staff of Real ABN AMRO.

¹ Concepts developed at an International Meeting bringing together Workers’ Representation and ABN AMRO Management on 29 March 2006, in the city of São Paulo.

Trends and Strategies: Financial Services Enterprises

The financial intermediation market, on the whole, and the financial services industry, in particular, has been influenced by the development of information technology, which increasingly provides access to online services and products to end client/consumers. This phenomenon, which involves the bank, as an institution, and the client/consumer, enhances the institution's brand/name awareness by final credit borrowers and financial services users.

More available services, products ever more targeted and greater choice on the part of the consumer increase the competition for visibility waged by financial institutions. Amidst this growing competition, banks, Real ABN AMRO included, seek to develop a more focused image with regard to particular social groups (youths, elderly people, disabled, etc.). The concept on which this strategy for reaching the consumer is hinged is Corporate Social Responsibility, and is intended as a means to transmit value to the end consumer and to single out the products and services offered by Real ABN AMRO in relation to the competition.

A remarkable characteristic of this process of associating the Real ABN AMRO brand to Social Responsibility is the fact that it takes place at a time of huge consolidations in the Brazilian banking industry, after more than one decade of economic stability, a global process that, through mergers and acquisitions, promotes higher concentration.

Some financial conglomerates set shop in several countries, including developing countries. Thus, the objective of this chapter is to identify Brazil's main national and international banks, industry trends for the Brazilian market, and to situate Real ABN AMRO and its strategies within this context.

Performance of the Brazilian Financial System

The Brazilian financial intermediation sector has undergone profound transformations over the past ten years owing to a rapid process of market concentration through mergers and acquisitions led by foreign banks and to the elimination of the float, the sector's main source of gains, with the stabilisation of the country's currency, the *real*, made possible with the reduction of inflation.

However, as long as banks were able to post huge profits made on relatively short-term high-interest-yielding Brazil treasuries, they overlooked credit expansion operations. The moment interest rates tick down and the government hint at stricter budget spending – signalling therefore to lesser debt funding needs– banks set out to offer new products and services to consumers.

This process occurs amidst a greater presence of foreign corporations on the Brazilian market, stemming chiefly from the liquidation, merging or incorporation of other domestic banks. Such was the case with ABN AMRO, which bought Banco Real and, later on,

acquired the assets of Banco Sudameris in Brazil. The entrance of foreign banks in Brazil, within a context of macroeconomic stability and consolidation in the banking industry, raised the bar for national banking institutions competing for the end-consumer.

From this point of view, the 1995 “bank crisis”, with the adoption of the PROER, a federal government programme designed to restructure and aid troubled financial institutions, was a milestone in this process and helped to boost the interest of foreign banks in the Brazilian market.² Main factors contributing to attract foreign capital to the Brazilian banking sector were: 1) changes in the regulatory framework regarding foreign banks via more flexible legal restrictions; 2) the state banks’ privatisation programme; 3) price stability from 1994 onwards; 4) the growing potential of the Brazilian banking retail market and; 5) the increasing integration of the Brazilian economy into international trade and financial flows.

Table 1. Year-by-year Evolution by Type of Control and Number of Banks.

Banks (1)	1996	1997	1998	1999	2000	2001	2002	2003	2004
	Dec								
Public (2)	32	27	22	19	17	15	15	15	14
Private	198	190	182	175	175	167	152	150	150
National	131	118	105	95	91	81	76	78	82
National with Foreign Participation (3)	26	23	18	15	14	14	11	10	10
Foreign Control (4)	25	33	43	50	57	61	56	53	49
Foreign (5)	16	16	16	15	13	11	9	9	9
Total	230	217	204	194	192	182	167	165	164

Source: Cosif - transaction PCOS200 (doc. 4016)

1/ Includes universal banks, commercial banks and savings banks.

2/ Includes savings banks (owned by states, in operation until January 1999, and the Caixa Econômica Federal).

3/ Includes banks with foreign-held stakes.

4/ Universal and commercial banks under foreign control (except branches).

5/ Foreign bank subsidiaries.

Table 1 clearly shows the simultaneity between the processes of economic stabilisation and concentration in the Brazilian banking industry. The number of Public, Private and National banks in Brazil drops, between 1996 and 2004, fundamentally as a result of the sector’s mergers and acquisitions. On the other hand, universal and commercial banks with foreign stakes (excluding branches) practically doubled in the same period, growing from 25 to 49 banks. These results stem from the attractiveness the Brazilian financial market exerts on financial institutions owing to high return prospects relative to investments.

An assessment of the recent wave of mergers and acquisitions in the Brazilian banking sector reveals that European financial institutions led the acquisitions made by foreign

² On November 4, 1995, the federal government announced by decree Provisional Measure number 1179, published in the Official Daily, laying out the Programme’s rules and regulations.

banks, highlights being the purchase of Bamerindus by British HSBC (*The Hongkong and Shanghai Banking Corporation Limited*), of Excel-Econômico by Spanish BBVA (*Banco Bilbao Viscaya Argentaria*), of América do Sul by Italian-French Sudameris, of Banco Real by Dutch ABN AMRO and, lastly, of Banespa by Spanish Santander.³

More robust national private banks reacted positively to the entrance of foreign banks to the extent that the latter oblige them to operate in a more efficient way and also to expand their activities to other market niches, in search for new business opportunities. It is important to point out that, despite the presence of foreign banks in the Brazilian market, it is the banks with national capital, private or public, that dominate the greater share of the market (Bradesco, Itaú and Banco do Brasil).

³ PAULA, L. F. and MARQUES, B. L. Tendências Recentes da Consolidação Bancária no Mundo e no Brasil.

ABN AMRO Bank

The financial institution being surveyed in this report, Banco Real ABN AMRO, is part of Dutch financial group ABN AMRO, a financial institution whose headquarters are in Amsterdam, Netherlands, which was founded in 1824. Today it operates in more than 60 countries and, in terms of total assets, is the largest bank in the Netherlands, the twentieth worldwide, the largest in the US and the eleventh in Europe.

The bank is the result of a merger, carried out in 1990 in the Netherlands, between banks ABN and AMRO. Until 1991, ABN and AMRO constituted the Banco Holandês Unido. Later, as of 1993, in conformity with a policy introduced to standardise subsidiaries with regard to the brand, it was renamed ABN AMRO.

Its business strategy is based on the organisation of Business Units, which are responsible for the management of a particular region's client segment, services and products, while sharing knowledge and conducting the group's operational management. For that it counts on five regional Business Units: the Netherlands, Europe, North America, Latin America and Asia. These Units account for approximately 20 million clients and comprise both individuals and small and large companies around the world.

In global terms, the analysis of ABN AMRO's financial statements indicates that the results achieved in 2004, in comparison with 2003, were lower than forecast. Even with significant economic growth in the US, Brazil and Asia, the bank had a low economic growth in Europe, particularly in the Netherlands.⁴

The target set at the beginning of a 4-year cycle established by the bank (2001–2004) was to rise to a position among the top five largest banks according to the European return on equity index. Reasons presented by the bank for not having achieved the target were:

1. Bigger challenges in the 4-year cycle than had been anticipated by the company;
2. Unanticipated higher costs involved in the restructuring process the business required and;
3. Poor timing to perceive that the target was too ambitious.⁵

In relation to the bank's planning for the subsequent period –comprehending January 2005 and December 2008– the goal is to reach a 20 percent return on equity rate and consolidate the fifth place in the European banking industry.

In sum, the company's global strategy is to become the fifth largest European bank by 2008, to grow organically in the various segments of products and services, to expand in “emerging markets”, like Brazil, but especially in those presenting prospects of higher returns. The bank's purpose is to become one of Europe's largest financial institutions, catering for all client segments and offering every product available on the market.⁶

⁴ ABN AMRO 2004 Annual Report (www.abnamro.com).

⁵ Ibid.

⁶ ABN denies sale and wants to be Europe's fifth largest. Newspaper *Valor Econômico*, São Paulo, 19 January 2005.

<http://www.valoronline.com.br/veconomico/financas/?show=index&mat=2807996&edicao=1017&caderno=85>. Visited on 19 Nov 2005.

Global Asset Ranking

The tables below offer a picture of the leading companies in the global financial services industry based on each company's asset volume for the period 2003–2004. According to the data presented, ABN AMRO gained one position to become the 16th largest Dutch bank in terms of asset volume, just one position below its main rival, ING, which remained in the 15th position. Notwithstanding the fact that the data cover only the 2003–04 period, we may infer that the two banks kept their positions in the year of 2005.

Table 2. Global positioning in terms of banks' total assets 2003-2004.

2003 Total Assets Global Ranking	
1	Mizuho Financial Group (Japan)
2	Citigroup (United States)
3	UBS (Switzerland)
4	Crédit Agricole Groupe (France)
5	HSBC Holdings (England)
6	Deutsche Bank (Germany)
7	BNP Paribas (France)
8	Mitsubishi Tokyo Financial Group (Japan)
9	Sumitomo Mitsui Financial Group (Japan)
10	Royal Bank of Scotland (England)
11	Barclays Bank (England)
12	Credit Suisse Group (Switzerland)
13	JP Morgan Chase & Co (United States)
14	Bank of America Corp (United States)
15	ING Bank (Netherlands)
16	Société Générale (France)
17	ABN AMRO (Netherlands)
18	HBOS (England)
N/A.	Santander Central Hispano (Spain)
N/A.	Groupe Caisse d'Epargne (France)

Source: The Banker, July 2005

2004 Total Assets Global Ranking	
1	UBS (Switzerland)
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3	Mizuho Financial Group (Japan)
4	HSBC Holdings (England)
5	Crédit Agricole Groupe (France)
6	BNP Paribas (France)
7	JP Morgan Chase & Co (United States)
8	Deutsche Bank (Germany)
9	Royal Bank of Scotland (England)
10	Bank of America Corp (United States)
11	Barclays Bank (England)
12	Mitsubishi Tokyo Financial Group (Japan)
13	Credit Suisse Group (Switzerland)
14	Sumitomo Mitsui Financial Group (Japan)
15	ING Bank (The Netherlands)
16	ABN AMRO (Netherlands)
17	Société Générale (France)
18	Santander Central Hispano (Spain)
19	HBOS (England)
20	Groupe Caisse d'Epargne (France)

Source: The Banker, July 2005

Track record in Brazil

ABN AMRO begins its activities in Brazil in 1917 with the establishment of Banco Holandês da América do Sul, initially, in the cities of Rio de Janeiro and Santos. In 1963 the

bank changes its name to Banco Real, which is acquired by ABN AMRO in 1998. In 2000, Banco Real is integrated into ABN AMRO S/A. In 2003, ABN AMRO acquires Sudameris, at the time Brazil's ninth largest private bank.⁷ In consequence, ABN AMRO became Brazil's fourth largest private bank with regard to deposits and loans and the fifth largest in assets.

In July 2005, ABN AMRO concludes the sale of Real Seguros S.A., an insurance company founded in 1969 and acquired by ABN AMRO in 1998, whereby a joint venture is formalised with Tokyo Marine & Nichido Fire Insurance Co. Ltd., a wholly-owned subsidiary of Millea Holdings, Inc., under the name Real Vida e Previdência S/A. The deal also defines a distribution agreement whereby ABN AMRO is responsible for offering, through its retail network in Brazil, Real Vida e Previdência S/A life insurance and retirement plan products.

The bank's reach in Brazil covers all the five country regions, with 2.1 thousand stand-alone and in-company branches, around 6 thousand points of sale, 9.2 million clients and more than 28 thousand employees.⁸ The bank is mainly concentrated in the Southeastern region, predominantly in the state of São Paulo, the country's financial centre, whose capital, São Paulo City, concentrates approximately 50% of its entire headcount. ABN AMRO's corporate board in Brazil is responsible for Latin America and the Caribbean.

Table 3. Real ABN AMRO's presence in Brasil.

	2004	2005
Automatic Teller Machines	8,179	8,583
Stand-alone and in-company branches	1,890	1,933
Own service points	3,245	3,494
Points of Sale	5,997	6,257
Number of clients (in millions)	9.2	12.1
Number of current accounts (in millions)	3.3	3.8
Number of employees	28,571	28,135

Source: Banco Real ABN AMRO

Business strategy in Brazil

From the operational point of view, "Banco Real and ABN AMRO Enterprises in Brazil" operates mainly through Banco ABN AMRO Real S.A., organised as a universal bank, which is authorised to operate with commercial portfolios, including FX operations, investment, credit, funding and mortgages.

Juridically, the bank is a subsidiary of ABN AMRO Bank N.V. based in Amsterdam, The Netherlands. Additionally, other businesses are part of the conglomerate's structure, the

⁷ ABN AMRO consolidates as a result of the acquisition processes, the most important being Banco Real's, a strategic focus in Brazil, which becomes, after the Netherlands and the US, ABN AMRO's third largest country in terms of the group's participation in the domestic market.

⁸ ABN AMRO. Available at: <<http://www.bancoreal.com.br/>>. Visited on 10 Nov 2005.

most important being: ABN AMRO Arrendamento Mercantil, Real Capitalizado, Real Seguros Previdência, Banco Bandepe and Real DTVM.

Operations are carried out in the context of a group of institutions acting in an integrated way in the financial and insurance markets, with certain operations with the co-participation or intermediation of associated institutions, members of the “Banco Real e Empresas ABN AMRO no Brasil”.

Banco Real ABN AMRO’s operations in Brazil have as cornerstones three major business lines, in line with the business structure of ABN AMRO worldwide. Such lines are:

- **Consumer & Commercial Clients:** business unit comprising such activities as retail, consumer credit (including vehicle loans) and commercial bank, servicing individuals, and small and medium-sized companies (SMEs). This unit is also called BU Brasil;
- **Wholesale Client Service (WCS):** business unit responsible for rendering services to large corporations and transnational institutions;
- **Private Clients (PC):** business unit focusing on the management of personal and family assets with high return prospects.

According to information provided by the bank, operations implemented in Brazil are in line with strategic guidelines defined by the board in the Netherlands and materialised through a Performance Contract signed every year.

Corporate management and Brazil’s macrostrategies are approved in the Netherlands and adapted and set in operation locally. Course changes are admitted provided results agreed upon are achieved. Major strategic changes, though, must be submitted to headquarters for approval. Performance assessment meetings take place quarterly.

The bank has sought to increase the number of smaller branches with an up-market physical space for higher income clients in geographical areas closer to more affluent classes. Workplaces have gained a new layout, teller machines were moved up to first floors along with clerical work, and managers occupied the ground floor. This way they are attempting to keep clients and non-accountholders from using the agencies for payments and other services that bring low returns to the bank.

The bank’s idea is to stimulate clients to use self-service procedures and operations via the Internet. Self-service and the increase in internet utilisation could represent a reduction in the number of work posts in the branches, according to union leaders. Actually, this has been happening for quite some time now. The decrease in the number of jobs is related to technology but stems from other factors too.

At any rate, this point brings IT back to a centrestage role in negotiations undertaken by banks and labour, its implications evident throughout the report in the form of employment, call centres and outsourcing. Besides, according to unionists, there is a disconnect between

the bank's image, what it wishes consumers to identify in terms of values and ethics, and what the institution actually executes in the ambit of its corporate strategy.

For instance, union leaders always point to an alleged "contradiction" between the bank's predominant expansion in geographical areas where higher income populations live, a factor that would inhibit and limit the bank's supposed "social role" as defined in its Corporate Social Responsibility actions, programmes and policies. Union leaders insist that the bank's image with respect to its commitments to social responsibility do not necessarily correspond to what the bank actually does.

The bank, in turn, claims that it promotes actions that reaffirm its commitment to society through the expansion of loans via the so-called "microfinance" programme, which the bank argues is its most important instrument to stimulate economic and social development, apart from a number of other social responsibility actions bearing witness to Real ABN AMRO's commitment to economic and social development.⁹

⁹ See 7.2.1 Microfinance.

Structure of the Brazilian financial industry

Brazilian Ranking

Banco Real ABN AMRO is one of the main providers of financial products and services in the country. It operates as a retail bank attracting accountholders (and thus cash deposits) and offers various other products and services to different market segments. In October 2003, Real ABN AMRO significantly strengthened its position in the Brazilian market by acquiring Banco Sudameris.

The Dutch paid 2.29 billion *reais* for Sudameris, 527 million *reais* in cash and the remainder in shares of Banco Real.¹⁰ With this operation, the bank became the fourth largest private bank with regard to deposits and loans, and the fifth largest in terms net worth. The acquisition of Banco Sudameris added a network of 294 branches nationwide.

With regard to total assets, Real ABN AMRO occupies the sixth position among banks operating in Brazil, and the first among foreign banks, with a 23% increase being posted in 2004–05, reaching a total of 75 billion *reais*.

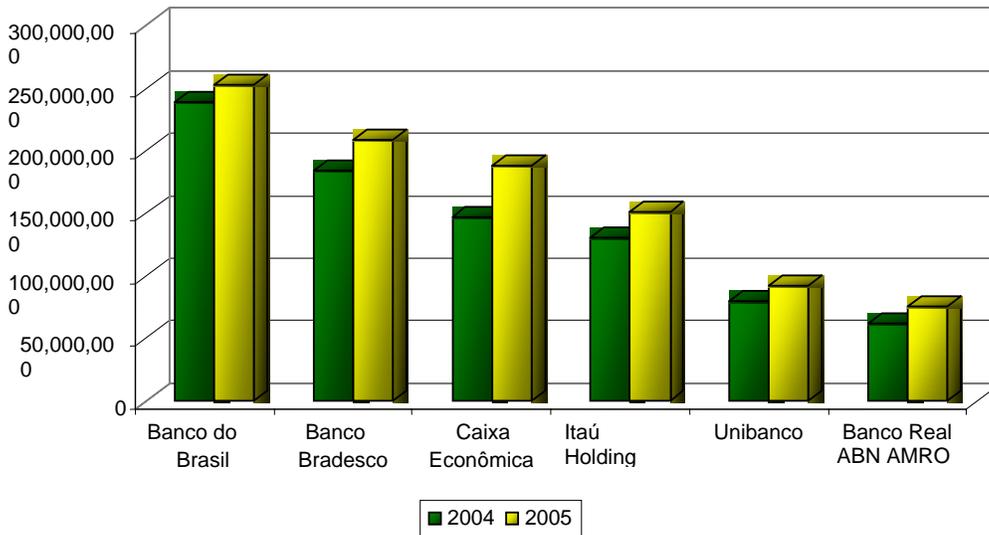
Table 4. Total assets of Brazil's six largest banks 2004-2005.

Total Assets <i>(Consolidated Results Statement in millions of reais)</i>		
BANK	2005	2004
Banco do Brasil	252,976,988	239,014,143
Banco Bradesco	208,682,930	184,926,468
Caixa Econômica	188,677,661	147,786,559
Itaú Holding	151,241,430	130,338,648
Unibanco	91,830,733	79,349,712
Banco Real ABN AMRO	75,666,672	61,703,335

Source: Banks' balance sheets. Organised by IOS

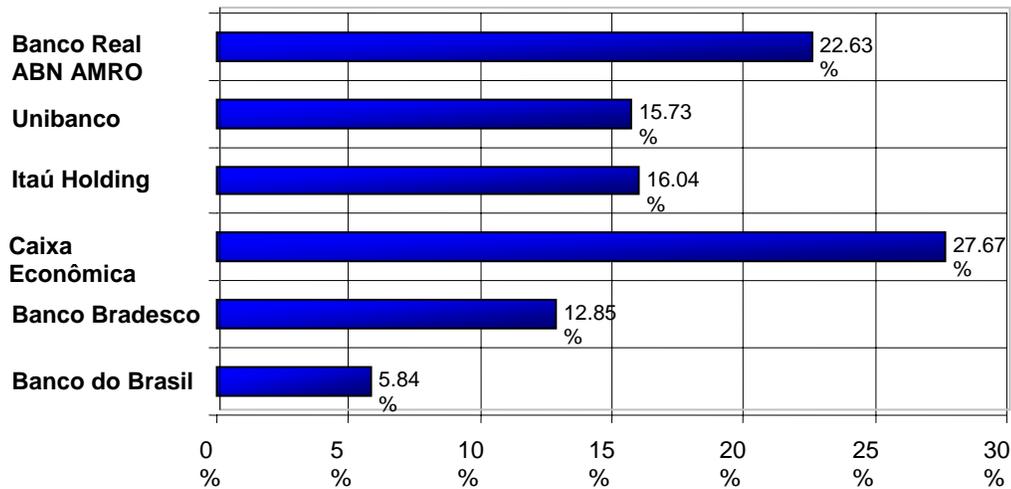
¹⁰ *Isto é Dinheiro* magazine. Wednesday 23 April 2003.

Graph 1. Total assets of Brazil's six largest banks 2004-2005 (in millions of reais)



Source: Banks' balance sheets. Elaborated by IOS

Graph 1.1. Total asset variation 2004-2005.



Source: Banks' Balance Sheets. Elaborated by IOS

Analysis of top six banks' balance sheets for the fiscal year of 2005 indicates a significant growth in profitability, with the country's largest banking institutions – Banco do Brasil (BB), Caixa Econômica Federal (CEF), Bradesco, Itaú, Unibanco and Banco Real ABN AMRO – posting a remarkable 46.8% growth.¹¹ Among banks analysed, Bradesco obtained the highest return, making a net profit of 5.5 billion *reais*. Itaú obtained the second largest profit (5.3 billion *reais*).

¹¹ Data concerning Banco do Brasil, Caixa Econômica Federal and Unibanco refer to universal banking data, whereas Itaú and Bradesco only released data regarding the conglomerates.

Banks' profitability in 2004 was impressive too, with Itaú recording the biggest profit in the history of the banking sector in the country (3.8 billion *reais*); Bradesco's profits grew by 32.7% from 2003 to 2004, reaching 3.1 billion *reais*. Positive figures stem also from the so-called "*bankarization*", which is the utilisation of the banking system by the population, or in other words, an increase in loans and credit operations, especially to small and micro enterprises and individuals.¹²

In the case of Banco Real ABN AMRO, net profit in Brazil in 2005 hit 1.4 million *reais*, which represents a 15.56% annualised growth, ABN AMRO's best result in Brazil.

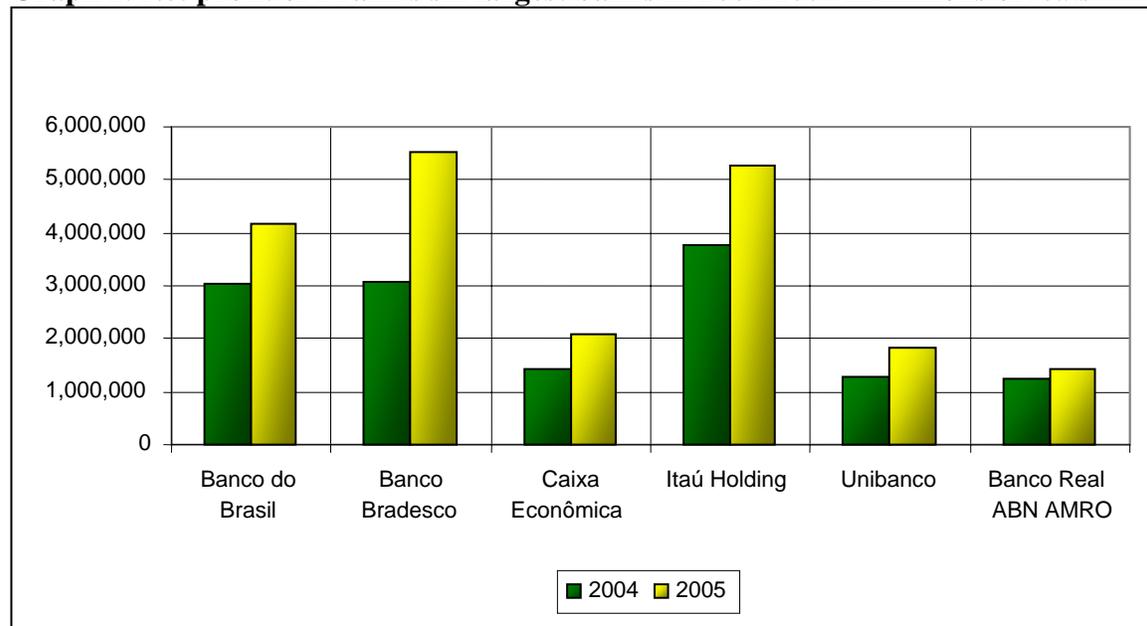
Table 5. Net profit of Brazil's six largest banks in 2004-2005.

Net Profit
(Consolidated results statement in reais)

BANK	2005	2004
Banco do Brasil	4,153,602	3,024,006
Banco Bradesco	5,514,074	3,060,151
Caixa Econômica	2,073,016	1,419,802
Itaú Holding	5,251,334	3,775,616
Unibanco	1,838,483	1,283,208
Banco Real ABN AMRO	1,435,783	1,242,436

Source: Banks' balance sheets. Elaborated by IOS

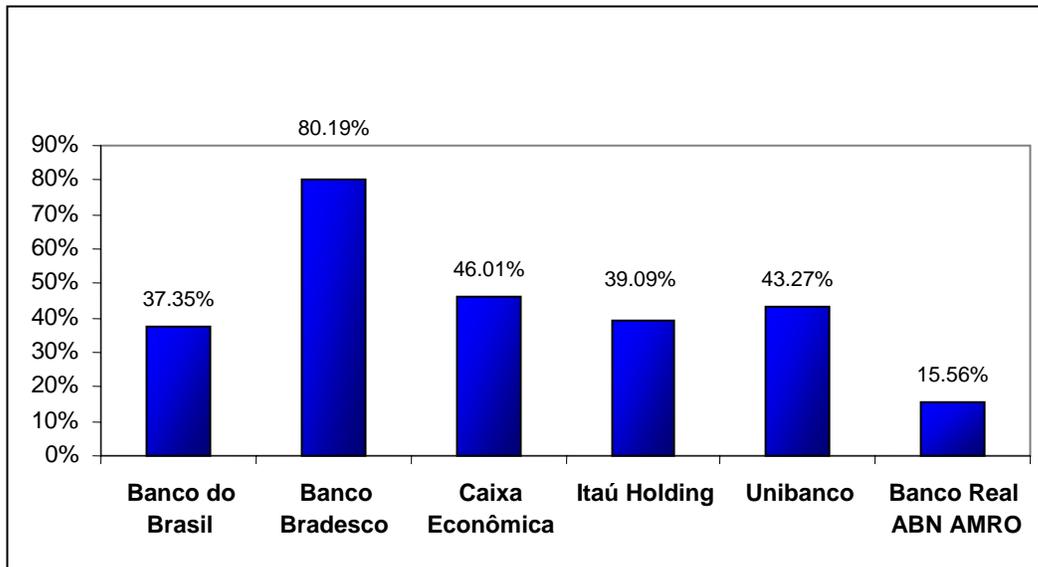
Graph 2. Net profit of Brazil's six largest banks in 2004-2005 in millions of reais



Source: Banks' balance sheets. Elaborated by IOS

¹² Record Brazilian banks' profitability. Newspaper *Folha de São Paulo*, 28 February 2005. Available at: <http://www1.folha.uol.com.br/fsp/dinheiro/fi2702200502.htm>. Visited on 16 November, 2005.

Graph 2.1. Net profit variation in 2004-2005



Source: Banks' balance sheets. Elaborated by IOS

Banco Real ABN AMRO's net worth hit R\$ 8.159 million at the end of 2005, an elevation of 4.9% in comparison to the previous year. Total deposits and third party resources managed by bank were R\$ 78.058 million by the end of 2005, a 26 percent growth in the year. Cash/à vista, a prazo/forward and savings deposits reached the R\$ 44,775 million mark with a 41 percent growth in relation to December 2004.¹³

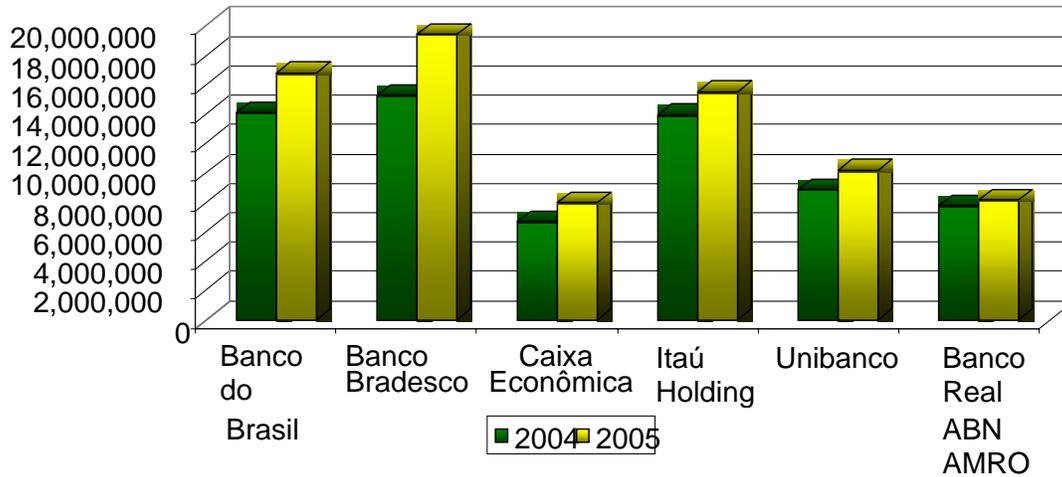
Table 6. Net Assets of Brazil's six largest banks in 2004-2005.

Net Assets <i>(Consolidated result statement in millions of reais)</i>		
BANK	2005	2004
Banco do Brasil	16,849,764	14,105,696
Banco Bradesco	19,467,333	15,285,236
Caixa Econômica	7,951,942	6,663,640
Itaú Holding	15,559,656	13,971,082
Unibanco	10,189,935	8,878,863
Banco Real ABN AMRO	8,158,794	7,776,362

Source: Banks' balance sheets. Elaborated by IOS.

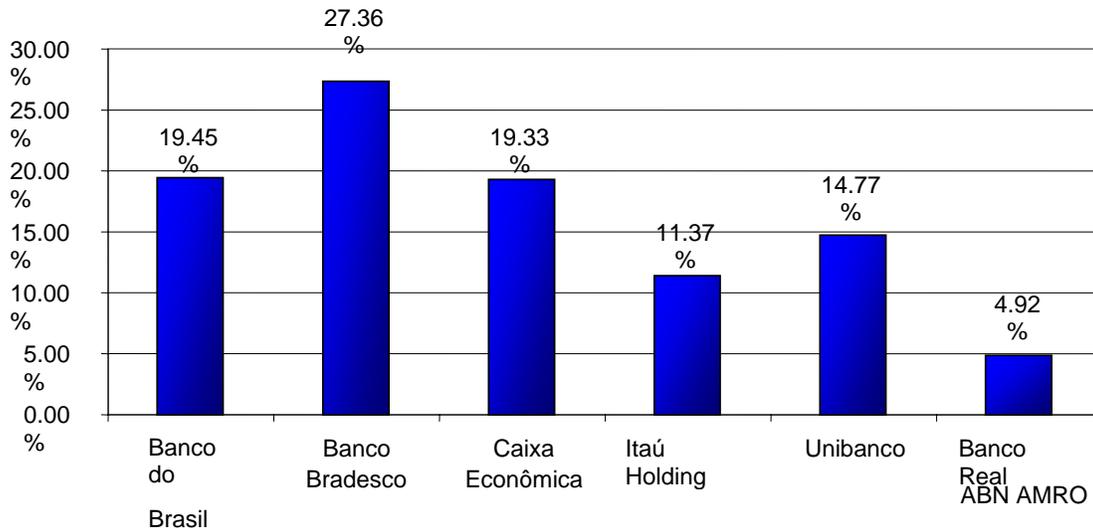
¹³ Press release on ABN AMRO results in Brazil. Consolidated financial information 2005.

Graph 3. Net Assets of Brazil's six largest banks in Brasil in 2004-2005 (in millions of reais)



Source: Banks' balance sheets. Elaborated by IOS

Graph 3.1. Return on net assets 2004-2005.



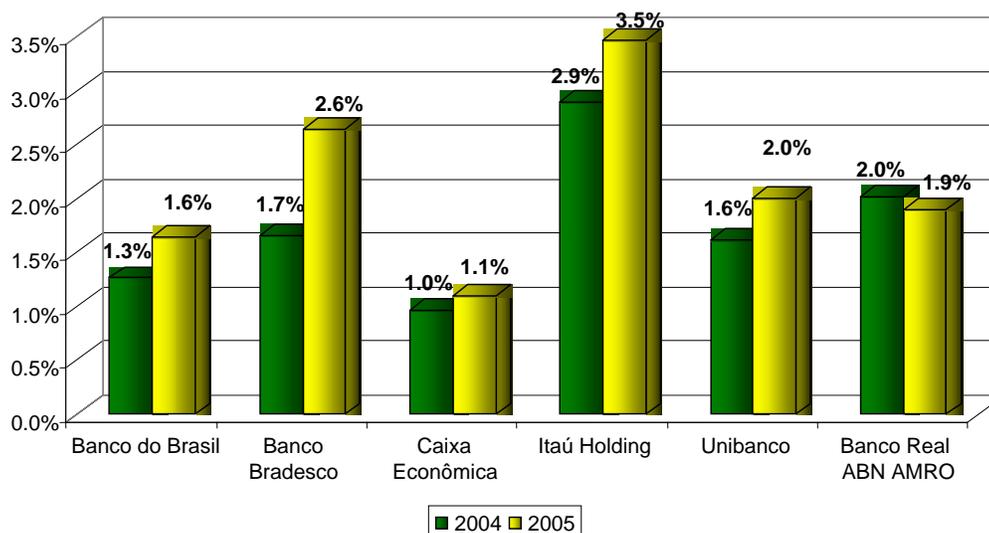
Source: Banks' balance sheets. Elaborated by IOS.

Table 7. Return on investment of Brazil's six largest banks in 2004-2005. ¹⁴

Return on investment		
BANK	2005	2004
Banco do Brasil	1.6%	1.3%
Banco Bradesco	2.6%	1.7%
Caixa Econômica	1.1%	1.0%
Itaú Holding	3.5%	2.9%
Unibanco	2.0%	1.6%
Banco Real ABN AMRO	1.9%	2.0%

Source: Banks' balance sheets. Elaborated by IOS.

Graph 4. Return on investment of six largest banks in Brazil in 2004-2005.



Source: Banks' balance sheets. Elaborated by IOS

In the year of 2005, the efficiency index (administrative expenses/operating income ratio— of Banco Real ABN AMRO was 56.3%. The bank understands that this outstanding result is due to 1) an expansion of credit activities and subsequently to financial intermediation results and 2) a growth in revenues resulting from services delivered to an increased number of clients.¹⁵ In that same year, the Campanha Conexão Real (Real Connection Campaign) was launched to elevate the number of new current accounts. By year's end, the bank had added more than one million new clients to its portfolio.¹⁶

Development of credit operations grew at an annual average of 27% over the last five years. In 2005, its loan portfolio, including guarantees and co-signing, rose by 32.3% to 45.7

¹⁴ Return on investment = Net profit/Total assets.

¹⁵ Press release on ABN AMRO results in Brazil Consolidated financial information 2005.

¹⁶ See Table 3.

million *reais*. The retail credit and funding portfolio for individuals rose to 18.480 billion *reais*, a 29.4% growth in 2005, bolstered by consumer credit, vehicle acquisitions, and most importantly by credit card operations and mortgage funding which attained a 35.2% annual growth rate.

The loan portfolio for funding small and medium companies rose by 40.1% to 13.7 million *reais* in 2005 in comparison with the previous year, whereas credit for large corporations, including Brazilian and foreign multinational companies, posted an 18% growth, a direct result of the more abundant offer of local currency funding. Loans for companies in local currency rose by 35.4% in 2005.

Table 8. Loan operations/Total assets of six largest banks.

Bank	2004	2005
Banco do Brasil	30.2%	32.7%
Bradesco	30.2%	32.7%
Caixa Econômica Federal	17.3%	17.7%
Itaú Holding	34.0%	37.4%
Unibanco	29.9%	30.5%
Banco Real ABN AMRO	37.8%	41.3%

Source: BCB / Austin / Banks' balance sheets.

Elaborated by DIEESE Subsection SESE/SEEB-SP

In 2004, Brazilian banks' return on assets (asset/profit ratio) hit a record level, outperforming US banks' returns: the average return rate for Brazilian banks was of 17%, against 14.6% return rates by American banks. One of the reasons for this high ratio can be found in the high real interest rates (discounting inflation) in Brazil, which remunerate investors holding government, used to fund the public debt.¹⁷

In Brazil, the Banco Real ABN AMRO return on assets was of 17.6%, the lowest of the six largest banks, with a growth of just 1.6% year-to-year. The highest return was obtained by Banco Itaú, 33.7%, and the highest growth in comparison to 2004 was accomplished by Bradesco.

Based on the data presented it is possible to conclude that, for every 100 *reais* of own capital invested, Itaú's return amounts to 33.7 *reais*, allowing the company to recover all the capital invested within a 3-year period.¹⁸

¹⁷ Record Brazilian banks' profitability. Newspaper *Folha de São Paulo*, 28 February 2005. Available at: <http://www1.folha.uol.com.br/fsp/dinheiro/fi2702200502.htm>. Visited on 16 November, 2005.

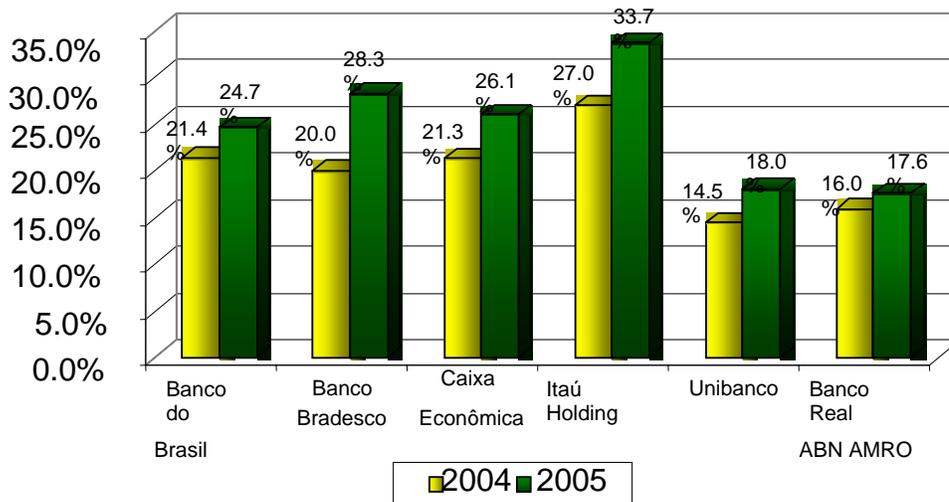
¹⁸ DIEESE. Technical note # 18 April 2006. Bank profits in 2005.

Table 9. Profitability of six largest banks in Brazil 2004-2005.

Profitability ¹⁹		
BANK	2005	2004
Banco do Brasil	24.7%	21.4%
Banco Bradesco	28.3%	20.0%
Caixa Econômica	26.1%	21.3%
Itaú Holding	33.7%	27.0%
Unibanco	18.0%	14.5%
Banco Real ABN AMRO	17.6%	16.0%

Source: Banks' balance sheets/DIEESE Subsection SESE/SEEB-SP Elaborated by IOS

Graph 5. Profitability of six largest banks in Brazil 2004-2005



¹⁹ Result obtained by calculating banks' Net profit/Net assets

Labour relations

Union Freedom

Union freedom is first addressed with the approval of the Universal Declaration of Human Rights, whose article 23, item 4, establishes that “*Everyone has the right to form and to join trade unions for the protection of his interests*”. These rights are reaffirmed with the signing of the Declaration of Philadelphia in 1944.

In the case of the ILO, union freedom appears in the ends and objectives of the organisation created in 1919. The ILO proclaimed freedom of speech and association an indispensable condition for social progress and constant development hence publishing the 1948 Freedom of Association and Protection of the Right to Organise Convention.

Despite the fact that thus far Brazil has not ratified Convention 87, the Brazilian Constitution guarantees the right to unionise, free from State interference, and at the same time establishes so-called union “one-union” system, whereby a single union is granted by the State the power to legally represent a particular professional category within a specific geographical territory.

Yet, since workers in a particular enterprise represent different professional categories, union “unicity” does not anticipate several unions working in the same company. In a metal works, for instance, the construction union will represent workers employed in the buildings’ maintenance, secretaries will have their own union and the same with the security team and so on. With outsourcing the negative effects of such division are compounded, for subcontracted workers no longer belong to the main union, usually the most active and whose presence is most felt in the company.

The Brazilian legislation protects the jobs of union board members from the moment they register to run for a position on the board of a union entity until one year after the end of their tenure. However, there are cases of companies that dismiss union leaders who, in turn, resort to labour justice in order to be reinstated in their jobs and resume receiving their wages –a process that may take considerable time while the case moves along different judiciary levels.

Although the Federal Constitution defines the figure of the union delegate (one per company with two hundred workers plus), this provision still awaits bylaws to be implemented and is to be discussed in the context of the trade union reform presently in Congress. Therefore, in a majority of cases workers have no representation at the workplace, except for some few unions that signed agreements with companies to set up “factory committees”, or other internal representation bodies.

According to the Bank Workers Union, there is no full freedom for unionists to work inside the Banco Real ABN AMRO. Union leaders have always stated that their access to the

premises is constrained, especially to the administrative centres and to the main office on Paulista Avenue in São Paulo.

In the branches the situation is much more comfortable given the fact that the number of workers is reduced and that access to the premises is made easy on account of the constant affluence of clients. In this case there is in fact no constraint against union work, according to leaders.

The bank claims that there is no formal rule prohibiting the union's access to certain areas. The company points to the fact that in administrative centres there are controls, that access is restricted, and that it is not really possible to enter the area at any time of day to hand out flyers or to call the workers' attention to issues of their interest and so on. In the case of the main office, there are floors on which tasks require reservation, that access is in fact restricted, and that the union cannot meet with employees working there during working hours. But the bank informs that the union can hand out flyers to employees as they arrive or leave work.

With regard to the call centre, according to leaders, the bank creates some difficulty for the access of unionists. Unionists have no freedom to carry out their work in that working place. The call centre is not outsourced and is operated by the bank workers themselves. As before the bank states that it is disturbing for the kind of work being done there for unionists to enter the premises to transmit messages, hand out flyers, and so on. Employees are concentrated on answering phone calls, an activity which cannot be interrupted for unionists to speak freely with the call centre attendants. The bank itself acknowledges the fact that unionists do not have freedom of access at the call centre to carry out their tasks.

Union leaders mentioned a specific case in which a woman union leader had her phone calls monitored by the bank while inside the call centre, which was dismissed by the bank on the grounds that the bank does not monitor phone calls made by employees, though, in that specific sector all calls are recorded for security reasons.

There might have been a misunderstanding between the obligation to record all calls, a general rule for the call centre, and the case reported by the trade union. The woman unionist who, according to union leaders, had her calls monitored, may have had them recorded as it is policy for every phone call from and to the centre.

Still there are situations in which unionists claim that the bank's supervision makes it difficult for the union to distribute its newsletter, which reflects on the levels of unionisation of the main office. In 2005, unionisation rates in the main office and call centre were approximately 30% against a 70% unionisation rate in the branches.

To the bank, differences in these rates are natural despite the specific cases of the main office and the call centre as far as access by union leaders is concerned. As previously pointed, to the bank, in both situations, it is not a matter of constraining union freedom but of rules and regulations applying to those areas where access is restricted on the basis of the

particular nature of the work being undertaken. The call centre and the main office require stricter access controls.

The union argues that apart from the problems mentioned, the distribution of newsletters and flyers is made difficult by the bank. The bank, in turn, contends that the distribution of the Union's Newsletter is done freely, with no restrictions.

Another complaint made by the union is that there is veiled pressure by bosses against the monthly union dues and in relation to unionised workers inside the branches. The union claims there are no rules suggestive of such pressure, but that they would occur in a veiled way, often without the knowledge of the bank's management.

A situation might occur in which certain heads of departments take it to themselves to put pressure on unionists even without any corporate orientation to that end. According to unionists, the bank provides its employees a model letter with which to request the annulment of their union dues. The bank's position was emphatic: the institution denies such practice vehemently and calls for the union to show concrete evidence of this illegal practice; otherwise it will formally request this item to be withdrawn from the final version of the report.

Union leaders find it necessary to produce and divulge a document setting general procedures for the attitude of managers with regard to unionists inside the bank (branches, call centre and main office), particularly concerning veiled pressure and threats against unionists. The union's proposal is that a code be negotiated with the bank describing what managers can or cannot do with regard to their relation with labour representatives working inside the premises of Banco Real ABN AMRO.

This is a recurrent and historical claim of bank workers and concerns the right to organise inside the workplace. Every year this theme is included on the collective bargaining agenda and it is important that, with regard to labour relations at the Real ABN AMRO, this claim should move on in order to address the interests of both trade union and enterprise.

Right to collective bargaining

Collective bargaining is acknowledged as an important dispute resolution mechanism, especially those of a labour nature. It allows the regulation of labour relations and working conditions by means of normative accords through a process of voluntary action.

The International Labour Organisation Convention No. 98 sets forth the fundamental principles of the right to organise and collective bargaining, stating that workers and their organisations are to be protected against anti-union discriminatory acts and interference, whether it be by public authorities or employers. It also establishes the obligations for Member states concerning the respect for and promotion of union freedom and collective bargaining.²⁰

²⁰ BRETT, William. In. ILO. "La negociación colectiva: un principio fundamental, un derecho, un convenio". Preface, ILO. Geneva, 1999.

The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises also address this subject in Chapter IV on Employment and Industrial Relations.

Item 8. "Enable authorised representatives of their employees to negotiate on collective bargaining or labour-management issues and allow the parties to consult on matters of mutual concern with representatives of management who are authorised to take decisions on these matters."

In Brazil, labour legislation is the main instrument for the regulation of relations and working conditions. The collective labour conventions establish annual wage raises, wage floors, non-wage benefits and some union rights. Once the accord expires, all the rights therein are automatically cancelled. This places workers at a disadvantage in light of the automatic loss of rights, generating an unfavourable pressure toward the signing of a new agreement.

Any of the parties involved in the negotiation may ask a labour court to decide on the terms of an agreement, a process which can take years to come to a conclusion. Often this measure is used when a negotiation comes to a deadlock, when there is a conflict (strike) or when one of the parties refuses to negotiate.

Strike

The right to strike is recognised by Convention No. 87, not explicitly, but through the interpretation given by the ILO Union Freedom Committee, as one of the essential instruments for workers and their organisations to promote and defend their economic and social interests. Demonstrations cannot be constrained, except in the hypothesis that they are no longer peaceful.

According to bank officials, strikes broke out in 2001, 2002, 2003 and 2004. Between 2001 and 2003, stoppages occurred sporadically, with varied impacts on banks. Yet in 2004 a strike lasted 30 days officially and impacted public and private banks alike. The 30-day stoppage did not mean all branches of all banks affected were closed during that period. Stoppage period corresponded to the bargaining period.

According to information provided by the bank workers union,²¹ in the 2004 strike the bank's behaviour, after the third stoppage day, was to request police assistance. In this case the bank resorted to 1) filing police reports against bank workers representatives, who had to go to a police precinct to testify and 2) the use of interdict.²²

²¹ SEEB-SP. Interview given to IOS, São Paulo, May 2005.

²² The interdict is a juridical instrument, "a judicial measure that protects possession, when the possessor of a good is under threat of losing it or of having its use limited, by an unjust act, of violence, fraud or confidence abuse. For instance, the interdict is applicable when a person's lands are under risk of being invaded or when a strike endangers the premises (branches) and the bank's assets themselves." See <http://vialegal.cjf.gov.br>. Visited on 26 July 2005.

According to the bank, the use of police force is a measure mandated by justice when the right to come and go is threatened, that is, when the right of those willing to work is not respected. The use of police force is not and has never been used by the bank. Bank Real ABN AMRO abides by the law that guarantees the entrance of staff willing to work during a strike.

The police intervene to guarantee that right by order of the Labour Justice. To the bank, striking must be an act of persuasion and not of impeding employees from working, that is, the union should resort to persuasion not force, and not allowing employees to show up for work is seen as a measure of force by the bank.

Banco Real ABN AMRO believes that they should always talk and negotiate with the union to further a common agenda. However, when it is understood that unionists are impairing the free circulation of other employees who wish to work, the police should act to guarantee access to the workplace.

Negotiation via employees' organising committee

Banco Real ABN AMRO informed IOS that today it holds relations with 173 unions in all of the 27 states of Brazil. Labour participates in the following committees: – Occupational Health and Safety Committees, the employees' committee responsible for negotiating in the Profit/Result Sharing Scheme (PRS), and the bank's Employees' Organising Committee under the sole responsibility of the bank workers union.

With regard to the OHS committee, the São Paulo Bank Workers Union nominates candidates and is actively engaged with the electoral process. The Employees' Organising Committee negotiating the Profit Sharing scheme is elected by direct vote. Each area of the bank (the departments) nominates a representative to compose the committee.

In practice, the negotiation is undertaken by the committee, which ultimately defends the bank's position, and the union that defends the position of those it represents. The bank's departments nominate nine representatives (three from the HR area), one union representative and one bank official, who makes an offer to the union or reacts to the union's proposal.

To the profit sharing committee there is no election to choose representatives, who are all appointed. Union leaders evaluate that there has been an important accomplishment with the enlargement of labour representation in this committee, from 1 to 4 union representatives. Hence, besides two representatives of the São Paulo Bank Workers' Union, there is one representative from the Belo Horizonte Trade Union and another one from the Rio de Janeiro Union.

The other committee is the bank employees' organising committee (ABN Real COE), set up by the union. As the number of banks is quite high, to better manage the union organising process before the Confederation, COE's were created per bank/enterprise. The COE's are

formed by representatives chosen in federations' forums based on the number of workers of each financial institution in the state.

In the first semester of 2005, the bank and the union agreed on a place inside the bank's main office premises so that the union could have more contact with the three thousand employees who work there. As unionisation rates are low, an office for the union from where to institutionally promote union activities is of great importance to step up unionisation.

In concrete terms, the proposal under discussion was to provide the COE co-ordinator with an office room. However, free circulation in all areas of the main office would not be allowed and services rendered by the union to bank workers should be done directly in the union's office. To the bank, such proposal was a means to settle the dispute surrounding union's access to the workers, thus preventing new conflicts that inevitably occur on occasion of wage campaigns.

Unionists believed that the proposal imposed some form of restriction to labour activities. After months of discussion, the proposal was accepted, yet unionists state that the negotiation is stalled because of details to be agreed upon with the bank. In principle, both parties consider the proposal in effect, but a few issues are still pending resolution.

The bank assures that by its proposal union claims were adequately met and a room was made available in the bank's main office on Paulista Avenue in the city of São Paulo. The process has been negotiated with the union and bank representatives confirm that the physical structure (cabinets, phones, reception area) has been offered, but the union understands that some issues need improvement.

To make it possible for bank employees to accompany the COE's actions, there is a site (usually the union or federation site) and a newspaper distributed to 100 entities on a national scale. The COE meets at least twice a year, once every semester to discuss an agenda including issues related to the problems faced by bank workers in each bank, there are seminars and meetings prior to the negotiation rounds with the bank's management.

The union organises this committee on the basis of the union leaders working in a particular bank. In this case, negotiations gravitate around specific issues regarding the bank and the union. The bank recognises this committee as a legitimate negotiating body.

The process regarding the analysis and gathering of suggestions to be included on the agenda follows this sequence: COE members representing unions of a particular region send their unions the items of an agenda to be discussed in a meeting with the company, the unions discuss them and present proposals, and are ultimately informed of the result of the negotiation. After the negotiation round, a report is prepared and sent to all federations and unions.

According to information by the union, negotiations are held inside the bank, a procedure that has been in place since 1998. According to some unionists composing the COE, most

negotiations have had very few concrete results. So, much is discussed but little of what the union proposes is indeed taken into consideration, that is, is actually implemented by Real ABN AMRO.

On 22 May 2004, the São Paulo State Regional Labour Office (DRT/SP) notified Real ABN AMRO for failing to comply with the Collective Bargaining Agreement. According to Labour Office inspectors, at the bank's main office on Paulista Avenue, where more than 3900 employees work, the bank did not respect the agreement with regard to overtime remuneration and agreed on working hours, and not collecting properly the FGTS, a severance fund mandated by law, a situation that according to unionists is rampant throughout the country's branches. The bank claims it collected the FGTS dues correctly and that such practices are not true.

In 2003, the Real ABN AMRO COE discussed with the bank, in a couple of meetings with HR representatives, how to implement the "Segmentation Project", when the bank presented its version of the Project with some additions concerning technical details.

The Segmentation Project alters the name and the attributions of the Sales Assistant post. Employees' doubts were clarified and discussed with the bank, but no results were achieved that would satisfy both parties. After having assessed the results, the union deemed the programme a mere strategy adopted by the bank to reduce costs.

The Sales Assistant function, as described in the programme, had been created to circumvent the six-hour working day. In addition, changes proposed increase these workers' attributions, overburdening them, with some having to manage more than two thousand bank accounts depending on the branch's size, and with no compatible and proportional wage increase, according to unionists. The bank dismisses these arguments and contends that the Sales Assistant position was conceived to streamline work, not having any relation with cost reduction or avoiding to hire new workers.

In 2005, union leaders allege having been excluded from the discussion of yet another programme proposed by the bank, the "Real Connection" programme, which sets targets for the opening of new accounts. As might be known, Real ABN AMRO is seeking to leverage loans through an expansion in the number of new accounts. In other words, the bank needs cash deposits to increase its assets and, subsequently, its credit volume.

Through this programme the bank then imposes an absurd target of 1 million new accounts to be met in a very short period and which is bound to overburden workers, without generating a single new job, according to an assessment made by unionists.

National Bank Workers' Negotiation

Today in Brazil there are approximately 400 thousand bank workers, organised in unions spread throughout the country. These unions are divided, politically, in those affiliated to the National Bank Workers Confederation (CNB), linked to the Single Central of Workers

(CUT), and those affiliated to the National Confederation of Credit Enterprise Workers (CONTEC), linked to the Força Sindical (Union Strength).

The CNB-CUT is a CUT organic entity while the CONTEC is a confederation structured along official lines. Nine federations (Rio de Janeiro plus Espírito Santo, Paraná, Santa Catarina, Rio Grande do Sul, Bahia plus Sergipe and Minas Gerais, and the Northeast and Centre-North regions) are affiliated to the CNB-CUT plus 106 unions nationwide. The federations are responsible for organising and representing bank workers at the state and interstate levels. CNB-CUT organises and centralises the negotiation process based on proposals arising from the debates held by unions and federations.

On the date stipulated for negotiations (the “*base date*”) an executive board is composed (the National Bank Workers Executive) to lead the negotiations with FENABAN (National Banking Federation), the employers’ association, with representatives from Brazil’s major private banks, including Itaú, Real ABN AMRO, Bradesco, Unibanco and HSBC.

The CNB-CUT adopt a strategy of unifying wage campaigns whereby private and state-owned bank workers draft a single list of demands with a single wage rise for private and public sector workers alike. Thus the Bank Workers National Campaign is at a single negotiation table for public and private banks, with break-up meetings to resolve specific issues, which are held by employees committees and bank representatives.

The Bank Workers National Executive Board is composed by CNB–CUT representatives and by representatives appointed by the Federations. At the 7th Bank Workers National Conference, held in July 2005, a new name and a reshaped Executive Board were approved. The Executive is now called the Bank Workers National Command.

To the old format were added leaders from each of Brazil’s ten largest trade unions plus the Caixa Econômica Federal, Banco do Brasil, Banco da Amazônia (Basa) and Bank of the Northeast (BNB) employee committee co-ordinators. Enlarging the Command aimed at democratising and strengthening bank workers organisation across Brazil.

As a result of this negotiation strategy, nationally articulated, CNB is the only professional category in Brazil to have a National Collective Bargaining Agreement (CCT). Legally binding for one year, the period comprehending bank workers’ “*base date*” that goes from September 1 of a given year through August 31 of the following year, the CCT main implication is that floors²³ and benefits²⁴ are the same for all workers in a professional category within the national territory.

Every year before the collective bargaining period, the CNB-CUT calls the Bank Workers National Conference, where the main claims are defined. Questions concerning bank workers’ working day, profit sharing, real wage increase, new job openings, end to

²³ Minimum and legally binding wage levels, they constitute bank workers’ direct remuneration. The CCT has minimum wage levels for the following trades: door personnel, office boys and cleaning staff, clerks, treasurers, tellers and other treasury workers, working with payables and receivables.

²⁴ Complements to wages, they are also called indirect remuneration. Some examples of benefits are: day-care/nanny aid and food vouchers.

dismissals/layoffs, maintenance of the number of jobs, questions concerning bank workers' health, access of leaders to the workplace, are some of the items on the agenda.

The most relevant points arising from the negotiation are included in the Claims' Minute, which is handed over to the FENABAN in the first negotiation round. The minute always contains a higher number of clauses than the collective agreement in that the minute represents what is being claimed and the agreement what is actually conquered.

Furthermore the agreement mandates by clause that the parties (FENABAN and the Bank Workers Executive) are to maintain a Labour Health Committee and another one on the issue of outsourcing. There is still a Bipartite Committee, which is tasked with developing awareness-raising and orientation campaigns targeting workers, management and employers designed to prevent occasional distortions that may lead to discriminatory acts and attitudes at the workplace and in society at large.

Besides the pre-existing Labour Health Committees, the following standing committees discuss and agree upon the themes below:

- a) extrajudicial accord;
- b) special working hours for the functioning of the branches;
- c) special working days;
- d) cost of pioneering branches;
- e) overtime compensation;
- f) 7th and 8th working hours;
- g) educational aid;
- h) semester bonus;
- i) strategies for job generation and;
- j) union leaders stability.

In 2004, the Bank Workers National Confederation (CNB-CUT) sent to the main Dutch trade union central, FNV, a document reporting ABN AMRO's main activities in Brazil. According to the document, since Real ABN AMRO took control of the Sudameris operations in October 2003, the bank has dismissed some 1,500 workers.

Real ABN AMRO believes this is a natural adjustment process ensuing from the overlapping of activities with the purchase of Sudameris and that such dismissals could not be avoided. The union manifested its discontent with the fact that it was never called to negotiate the Sudameris layoffs, a claim the bank rebukes.

International Networks

In September 2003, bank employee representatives set up the ABN AMRO International Trade Union Co-ordination, formed by entities representing Southern Cone employees, today's pro-tempore secretariat with Paraguay's Bank Workers Federation (FETRABAN).

The common goal of the entities composing the Co-ordination is to defend employment and labour and social rights, based on the ILO Conventions (1998; 2001) and on the OECD Guidelines for Multinational Enterprises, among other international reference mechanisms.

In November 2003, the “ABN AMRO Employees Continental Struggle Day” took place simultaneously in several countries, Brazil, Uruguay, Paraguay and Argentina among them. The event took place inside the branches and its objective was to inform employees and clients of the international organising process being carried out by the bank employees. In addition, the event was used to make public the deliberations and claims that the Trade Union Co-ordination presented to the regional and world boards of the bank.

At the end of 2004, the ABN AMRO International Trade Union Co-ordination sent correspondence to the bank’s board in Brazil requesting the formalization of the Framework Agreement. International Framework Agreements (IFAs) are instruments negotiated by transnational enterprises and unions or workers organisations with an international mandate. These agreements are to be applied in the countries where signatory enterprises operate and generally address fundamental workers’ rights as conceived by the ILO.

The proposal presented was for the Real ABN AMRO Framework Agreement to be applicable to Latin America as a whole. The Executive Board replied on 19 April 2005 to the Co-ordination that, after thorough evaluation, it was unfeasible to subscribe to the terms of the agreement. Nevertheless, the bank’s board stated that it would be willing to discuss the terms of said agreement and that, to that purpose, it requested that an annual meeting be held with the Co-ordination.

The meeting was finally held at the bank’s main office on 29 March 2006. It did not have a deliberative character because, according to bank representatives, “local autonomies, as well as the existing cultural and legal questions must be observed” in light of the different countries present. That is, even if there is consensus on many points, there are differentiated regulatory frameworks between countries, which will merit a deeper discussion.

At any rate, the fact that the meeting occurred, and especially its having taken place at Real ABN AMRO headquarters in Brazil, signals to the fact that the bank is showing the willingness to go ahead with the discussion of points in common and, further down the line, after their being discussed and agreed upon, it is reasonable to envisage that the parties will indeed sign the Framework Agreement, effective for Latin American countries.

The IFAs have come to be the option adopted by International Trade Union Federations to replace the “Codes of Conduct”, deemed as unilateral initiatives by the enterprises, and which quite often do not bring any kind of benefit to employees. IFAs advantages are:

- a) fundamental rights backed by the ILO are recognised, which does not necessarily apply to the codes of conduct;
- b) trade unions can act with more objectiveness to ensure the application of rights and their effective compliance (to that end it is imperative that the Co-

ordination keep working so that unions continue to exchange information and keep track of the bank's behaviour in all countries covered by the IFA), while supervision of the codes is fundamentally exerted by the company;

- c) a strong basis for a more institutionalised dialogue between parties is set in place, making it more difficult for the company to fail to meet its obligations before the Co-ordination. In the case of the codes, this aspect is weak and unbalanced in labour/employer relations; companies feel more at ease not to abide by the code and unions feel powerless to, alone in their countries, pressure for their observance.

With respect to more flexible labour negotiations, the bank contends that the Brazilian labour legislation is too rigid. The legislation defines outsourcing as only those tasks not associated with the company's end activity, as is traditionally the case of security, cleaning and catering.

Other than that, justice moves into the unstable domain of law interpretation, which tends to favour the interests of those interpreting it. Banks are no different. When faced with the need to redefine a working condition regulated by law, their position is to seek shelter in the parties' autonomy (companies and unions in the quality of employee representatives) to pursue a negotiated solution that will address the situation at hand by means of an agreement between the parties.

Access to Information

In Brazil, trade unions rely solely on themselves to have access to company information besides that supplied to the public at large. The law is flawed in this respect, for only a very small number of companies, those listed on the stock exchange, disclose annual financial reports. In the case of banks, specific legislation requires them to publish results of their operations in Brazil, even if they are not publicly held in the country.

Data beyond those made available to authorities are harder to obtain. Some large enterprises usually disclose relevant facts, although on an ad hoc basis and contingent upon their own interests. Other information is provided to trade unions on an informal basis and with no documentation to corroborate it. A recent trend is the publication of social balance sheets, yet this practice is still limited to a few companies. In the case of Real ABN AMRO, a document is published every two years. The latest, corresponding to 2003-2004 is called "ABN AMRO REAL – Human and Economic Values, Together" (ABN AMRO, 2005).

According to the bank, a financial statement is published in conformity with the legislation in force. Trade unions and workers have access to information on the economic and financial performance of the company through accounting statements and access to information on targets and results contained in electronic terminals inside the branches. Access is regulated by agreement signed in the scope of bank's Profit Sharing Scheme.

The company also states that information available is that concerning company results which are necessary for the Profit Sharing Scheme. Moreover, since the company publishes accounting statements in the country, in compliance with the law, indicators about the company's main consolidated results are made available, although the bank does not formalise the delivery of such data to unions on a continuous and/or periodical basis.

According to the bank's union relations manager, trade union leaders have access to monthly results via an exclusive software system inside the branches, in a transparent way. The 2004 Profit Sharing Scheme clause states that "all employees shall have access to information concerning the targets and results set forth in this agreement via direct consultation at the electronic terminals. Should the information not be available on the terminals, it is to be provided by the managers upon request even to workers on leave and union leaders whose presence at work is discretionary."

Despite Real ABN Amro's representative's claim that the bank discloses accounting data in a transparent way, the union contends that the bank seldom provides the information that is requested. Indeed, this is a recurrent complaint on the part of the trade unions, who always manifest their discomfort with Real ABN AMRO because, albeit the constant dialogue and negotiation, the bank refuses to hand over documents and records formally requested.

Requesting information is standard procedure whenever a negotiation affecting a specific theme is about to start. At the first meetings, a letter signed by the union's president and the Employees Organising Committee representatives, containing the information required, is handed over to the bank's HR director. Generally the information made available by the bank fails to meet the expectations of the unionists.

Union leaders are unsure as to whether such practice is purposeful and designed to withhold information that might be used as evidence against the bank. That is just a hypothesis and the union cannot tell that for sure, while the bank insists the complaint has no basis. Occasionally circumstances may keep the information from reaching the union through a formal document. In that case, the information is laid on the table and discussed with union leaders so that no relevant data are suppressed.

Also with regard to the Profit Sharing Scheme, according to unionists, access to information is restricted and limited.²⁵ This is a particularly relevant aspect for the union. The main complaint is the fact that targets and objectives are previously defined by the bank. The Committee in charge of the Profit Sharing Scheme is left only with the task of defining details such as the date and the calculation of benefits in relation to the number of employees. The formula by which calculations are made to define the benefit is not discussed by the bank with its employees. The rules defining the Profit Sharing Scheme are not open to discussion and are defined by the bank's management prior to the negotiation. The OECD Guidelines constitute an important instrument for labour entities. In relation to access to information, which is meant to improve the collective bargaining process, Chapter IV, item 6 proposes the following:

²⁵ SEEB-SP. Interview given to IOS, São Paulo, May 2005.

“In considering changes in their operations which would have major effects upon the livelihood of their employees, in particular in the case of the closure of an entity involving collective lay-offs or dismissals, provide reasonable notice of such changes to representatives of their employees, and, where appropriate, to the relevant governmental authorities, and co-operate with the employee representatives and appropriate governmental authorities so as to mitigate to the maximum extent practicable adverse effects. In light of the specific circumstances of each case, it would be appropriate if management were able to give such notice prior to the final decision being taken. Other means may also be employed to provide meaningful co-operation to mitigate the effects of such decisions.”

Based on the OECD Guidelines, in Chapter IV, item 6 above, companies’ obligations with regard to access to information are made clear. According to testimonies by unionists, in the case of the Real ABN AMRO, it is quite evident that the bank’s behaviour is inadequate and that the procedure can be easily corrected by negotiating with the unions. A document stating information relevant to the parties involved, plus the form and periodicity it is to be made available, seems a likely path for unions and the Real ABN AMRO board to take.

Labour Conditions

Child Labour

The Brazilian legislation established the age of 16 as the minimum age for any job, the age of 14 for an apprentice's job and the age of 18 for jobs entailing dangerous, unhealthy or harsh conditions. Companies must set apart 15% of the positions requiring technical training to adolescents enrolled in a vocational training programme organised by an officially recognised institution. ILO's Convention No. 138 regarding the theme was ratified by Brazil.

This is what is established in the first article of the Convention:

“Each Member for which this Convention is in force undertakes to pursue national policy designed to ensure the effective abolition of child labour and to raise progressively the minimum age for admission to employment or work to a level consistent with the fullest physical and mental development of young persons”.

Real ABN AMRO informed the IOS that it does not directly do business with sectors that make use of child labour and/or have contact with activities directly or indirectly conducive to child prostitution. According to document “Parceria de Valor” (Valuable Partnership)²⁶ any business relation with the bank will be discontinued should the utilisation of child labour by a supplier be confirmed.

The bank employs adolescents through a programme called “Formação para a Cidadania: Adolescente Aprendiz” (Educating for Citizenship: Teenage Apprentice), a programme tailored to youths aged 14 to 18 who, as apprentices, perform administrative tasks in the banking industry.²⁷

Forced Labour

ILO Conventions No. 29 and 105 set forth that all countries ratifying these Conventions undertake to ban the utilisation of forced or obligatory work, in all its forms, within the shortest timeframe possible. Forced labour or akin to slave labour is a felony in Brazil, one of the countries that ratified the ILO Conventions concerning this theme. With regard to Real ABN AMRO's position regarding this same theme, according to the “Parceria de Valor”²⁸ document, any business relation with the bank shall be terminated should evidence point to the utilisation of forced labour by a supplier.²⁹

²⁶ Parceria de Valor na Relação do Banco Real/ ABN AMRO com seus Fornecedores (Valuable Partnership in the Relation of the Real ABN AMRO with its Suppliers), 2003.

²⁷ ABN AMRO REAL. Valores humanos e econômicos, juntos (Human and Economic Values, Together). São Paulo, May 2005, p. 89.

²⁸ Parceria de Valor na Relação do Banco Real/ ABN AMRO com seus Fornecedores, 2003.

²⁹ Available at <http://www.bancoreal.com.br> Access on 19 April 2005.

Health and Safety

Health and safety norms in force in Brazil had their origin in the several Labour Ministry's Regulatory Norms, covering a wide array of working conditions. With regard specifically to the participation of workers in the prevention of accidents and occupational diseases, legislation has introduced Occupational Health and Safety Committees (OHSC).

Employees elect half of the OHSC members, while the company appoints the other half, including the OHSC president, who is entitled the swing vote. OHSC is mandatory contingent upon the size of the business and the type of activity developed.

Over the last ten years, the banking sector underwent transformations that had great impact on the workers' profile and on the organisation/execution of the work itself. The adoption of new technologies and new forms of management – with the establishment of productivity targets and pay contingent upon its achievement – were followed by a reduction in the number of bank workers.³⁰

Unfavourable physical and psychological conditions, with stringent controls over employees while in activity, increase, therefore, bank workers' exposure to the risk of diseases. At the same time, this period was followed by a continued growth of bank profits, reinforcing the controversial theory that outstanding performances by banking institutions are directly associated with poor physical working conditions. To union leaders, the reduction in the number of jobs increased the workload, which, in turn, increased the prevalence of diseases contracted in the working environment.

The banking activity has some peculiar characteristics: accelerated work pace, individualised routines, possibility of rapid replacement of employee, and periods of more intensive work prompting the workers to be in a constant state of tension in view of the very strict targets to be met, which are subject to the approval of their immediate hierarchical superior. Bank workers who do not easily adapt to this type of routine are more prone to developing occupational diseases like Repeated Strain Injuries (RSI).

Sources of tension, stress and weariness are: intense routine, extended work days, (explicit or implicit) pressure and control mechanisms, excessive responsibility, robbery risk (varying depending on the function), full concentration and attention, noisy workplace, etc. Consequences stemming from this type of organisation to the worker's health are:

- Permanent body aches;
- Repeated Strain Injuries (RSIs) / Work-related Musculoskeletal Disorders (WMSDs);
- Throat infections and colds;
- Gastritis and ulcers;
- Varices;

³⁰ In 2003 this reduction reached 28.55%, in comparison with 1995 figures, according to calculations by the DIEESE - subsection SEEB- SP

- Mental disturbances and breakdowns;
- Drop in motivation;
- Depression and;
- Socialisation difficulty.

The main occupational diseases bank workers are more susceptible to are RSI/WMSD and Mental Disorders often leading to depression. According to the Brazilian Social Security Institute (INSS), between 2000 and 2004, there was a 70 percent growth in the cases of mental disturbances, whereas RSI/WMSD rose by approximately 65 percent.

According to union leaders, Real ABN AMRO does not fill out the required work accidents report and, therefore, the number of labour diseases cases declared by the company does not reflect the bank employees' actual situation. Just in the Call Centre, two leaves within the same month are enough an informal motive to dismiss the employee, while others are dismissed at the end of their leave period. This is a non-written rule; it is just an informal measure known by bank employees, according to union leaders.

The Bank Workers Union believes that the majority of employees who fall sick are dismissed, with just few of them remaining on the job. Put in other words, the bank adopts non-explicit dismissal criteria based on the degree of susceptibility of employees to organisational and occupational changes carried out by the bank. Most of those who do not adapt are, according to the unionists' perception, dismissed.

The bank, however, argues that such informal rule does not exist, and cites the example of one Call Centre case in which a woman union leader took more than two leaves and was not dismissed. Also, that the number of dismissed workers is not related to sickness leaves but to serious faults; dismissed workers had compromised their performance through inadequate behaviour, deemed a serious fault by the bank.

The company did not provide the IOS with sickness and accident records, but union leaders report that the largest number of employees with health-related problems is in the Call Centre. Still according to the union, there are cases of workers dismissed with RSI/WMSD cases, some with surgeries scheduled. Other cases involve employees diagnosed with health problems by the Brazilian Social Security Institute (INSS) who did not receive proper attention by the bank and had their diseases aggravated. The employees did not take sickness leaves basically for fear of being dismissed.

Union leaders also claim that an employee rehabilitation plan must be set in place, a formal programme, and also that the bank does not comply with the legislation. According to information given by the union, the public authority, the INSS, is the organism responsible for defining whether an employee is fit to work or not. However, it is the doctor working for the bank the one who issues the opinions so as to mask the health problem for the worker to continue working. As employees are afraid of being dismissed, the doctor often counts on the worker's connivance himself, aggravating even more the worker's health problem.

Real ABN AMRO, in turn, contends that it fills out work accidents reports and sends them regularly to the union; that the bank does comply with the law. The bank believes that the union's complaint is due to the fact that the reports are not issued directly to the workers themselves, that is, that employees are not formally informed by the bank (with a copy for the union). Medical check-ups, however, follow strictly what the law mandates.

The bank's position is that its medical assessment is strictly technical, while the union's is political. In other words, it is in the union's interest that a greater number of employees be granted sickness leaves for professional diseases so that this problem might reinforce the union positions vis-à-vis the company.

The bank finds this a polemic topic that may require a more thorough analysis. Bank representatives believe there is, indeed, a difference between the parties' assessments on whether the medical diagnosis is technical or not. Doubtful cases are reported, the bank assures. To the union, the situation is quite the contrary, and only the obviously serious and unquestionable cases are reported.

Gender and Race

The Constitution of Brazil bans any discrimination on the basis of sex, race or colour, age, religious creed/belief and political ideas, a crime punishable by law. The country ratified the two main ILO Conventions on the matter and incorporated into the legislation prohibitions concerning the payment of differentiated salaries and other working conditions.

Real ABN AMRO sponsors a Diversity Programme designed to value differences in terms of gender, race/ethnicity, physical conditions, sexual orientation, creeds and lifestyles among others.³¹ This programme is spread, according to bank statements, to the relations with all the bank's stakeholders: its clientele, the community at large, employees, suppliers and shareholders.

Real ABN AMRO actions permeate five relevant aspects:

- Accessibility: adaptation of physical spaces and services for the elderly, pregnant, disabled and children;
- Capacity building: investment in education of socially-disadvantaged groups by means of partnerships;
- Communication: promotion of diversity in the internal and external communication so as to make it increasingly more inclusive;
- Recruitment/Career: focus on employee diversity with equal opportunities for growth;
- Mobilisation: mobilisation processes, awareness raising and engagement by means of varied activities.

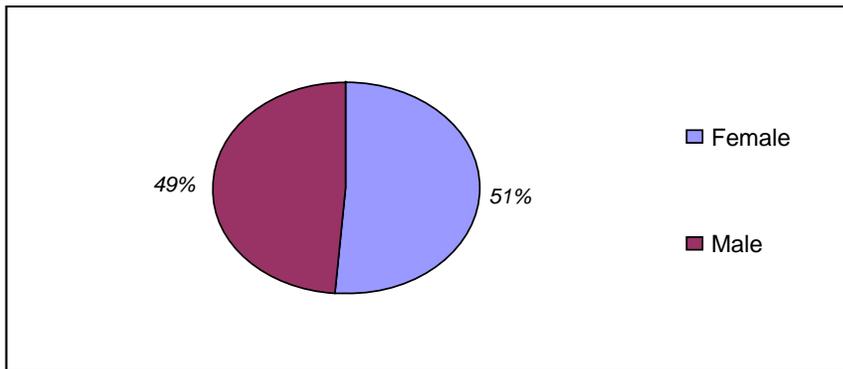
³¹ ABN AMRO REAL. *Valores humanos e econômicos, juntos*, pp. 58-63.

There is a Diversity Committee composed of twenty employees representing the following groups: African-Brazilians, women, disabled. Thus each group can address specific themes. A new group is expected to begin work: homosexuals.

ABN AMRO's partners in this programme are the Brazilian Federation of Banks (FEBRABAN), the Centre for Studies on Labour Relations and Diversity (CEERT), the Entrepreneurial Centre for the Integration of Ethnicities and Groups Historically Excluded from Economic Progress (INTEGRARE), in addition to other entities and organisations carrying out work with the disabled and with the African-Brazilian community with the purpose of announcing vacancies and diversifying recruitment sources.

In every company, gender and race discrimination starts with the contract, with the definition of which individual and how s/he will join the institution.

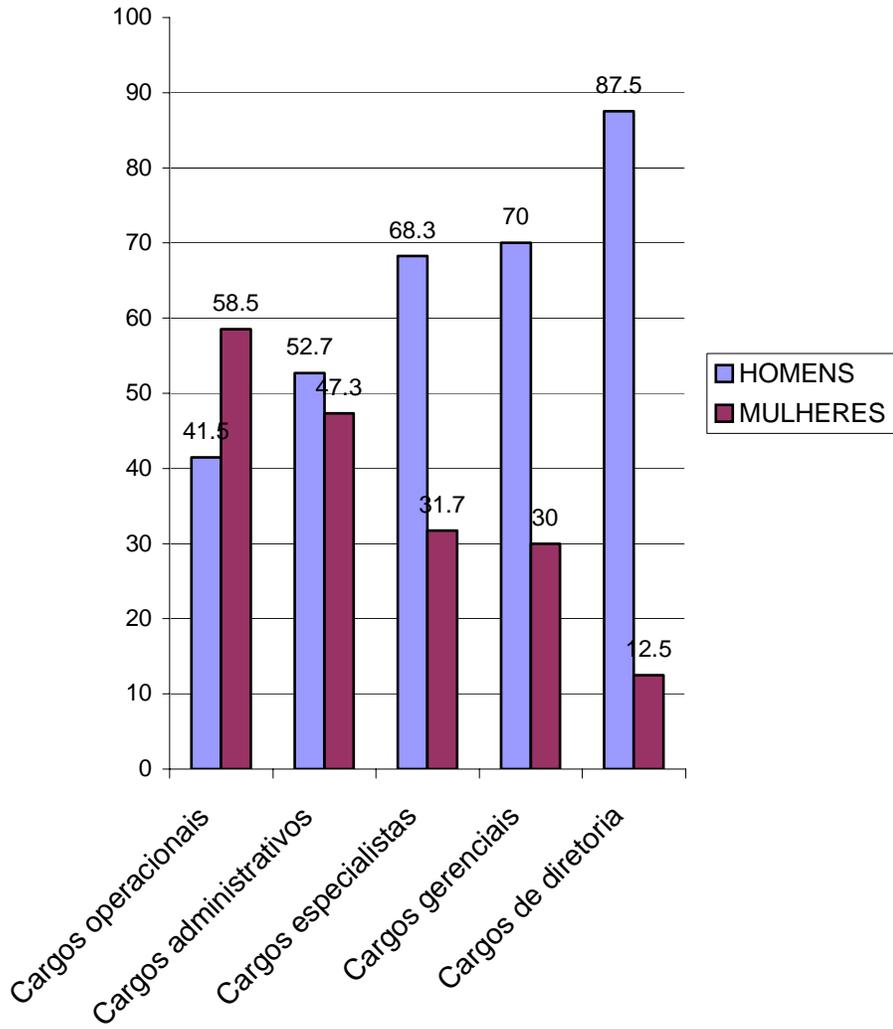
Graph 6. Employee Distribution by Sex Real ABN AMRO – 2004



Source: ABN REAL 2004 Social Report

Graph 5 above shows that there is equilibrium in the percentage of women and men employed by the bank. In December 2004, 51.1% of the ABN AMRO Real Group staff was composed of women. Albeit the bank's two new top tier women executives, women are the minority on the Executive Board and in managerial positions. This allows us to conclude that this contingent faces some difficulty to rise in the company. Women distribution by positions on the Executive Board and in Management was, respectively, 12.5% and 30.0%.

Graph 7. Employee distribution by sex and position Real ABN AMRO – 2004



Source: ABN Real Social Report 2004

According to a 2005 DIEESE study “women in the Brazilian and foreign banking industry account for a significant percentage of total staff. Nevertheless, they still face formidable barriers: despite their holding higher schooling degrees than men, women earn lower salaries and are more present in branches than in administrative departments and decision centres”.

Brazil is a multiracial country, with great cultural diversity and strong African influence. In 2003, according to the Brazilian National Statistics Office (IBGE) census, the Brazilian population was composed of 52.06% of whites and 47.31% of African-Brazilians or dark. However, when one considers the percentage of the African-Brazilian population in banks, we verify that this strong share in Brazilian society is not equally reflected in the composition of the headcount.

In the labour market, sex and colour/race determine job and promotion opportunities, ultimately affecting women and African-Brazilians more dramatically, though discrimination against African-Brazilians seems more evident.³² Women's equal or higher participation as a percentage of total employees in relation to men does not occur in relation to African-Brazilians, whose presence is much lower (10%) than that of non African-Brazilians (90%).

While whites account for 52.06% of the Brazilian population, in the case of the banks they account for 84.8% of workers. African-Brazilians and darks/pardos, on the other hand, are left with 1.4% and 11%, respectively, of the bank jobs, but account for, respectively, 5.91% and 41.40% of the population. That is not what happens with the Asian population, since they constitute 0.44% of the Brazilian population but represent 2.6% of the banking workforce.

In the banking industry, on average, African-Brazilians earn 63% of what whites earn while women earn 60% of what men earn. According to the Labour Public Attorney (MPT) there are no educational differences that can justify the wage gaps.³³ It may be concluded, therefore, that there are "entrance barriers" for African-Brazilians to access the banking labour market, and that the responsibility for this situation is, partly at least, to be attributed to banking institutions.

The MPT filed a Civil Public Action against the Federal District's five largest banks: Real ABN AMRO, Bradesco, HSBC, Itaú and Unibanco. The banks were accused of discriminating against workers on the basis of sex, colour, and age. The MPT started the process against the banks because they refused to take part in the "Programa de Promoção da Igualdade para Todos" (Programme for the Promotion of Equality for All), launched by the Labour Attorney General (Procuradoria Geral do Trabalho) in April 2005. The programme's objective was to combat race and gender discrimination.³⁴

When the IOS asked the Real ABN AMRO workers "Does the (candidate's) sex or race interfere in the company's decision to hire workers?", the answer was YES for 36% of respondents and NO for 33%, while 30% of respondents said they didn't know and 1% did not answer.

Actions designed to foster diversity have occurred especially in the Banco Real ABN AMRO recruitment and selection area and encompass the following items:

- Colour, disabilities, gender and age were included in the application form on the bank's site;
- Higher education degrees were no longer considered pre-requisites for some positions;

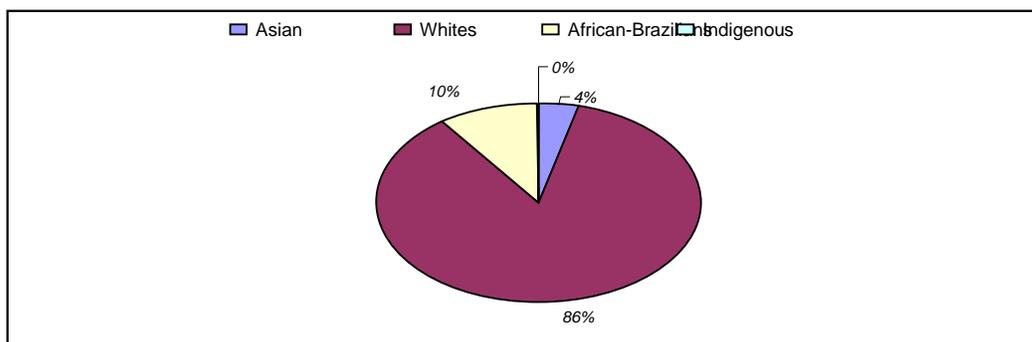
³² According to a survey conducted by the Observatório Social in 2003, gender and color influence the career of bank employees. The survey showed that at the Real ABN AMRO, African-Brazilians occupied lower-paid functions –their salaries not reaching 2,000 *reais*.

³³ Labour Attorney accuses banks of discrimination against African-Brazilians and women. *Invertia*, 12 September 2005.

³⁴ *Ibid*.

- Age range for admission was widened in order to favour the elderly and young persons;
- Publicising of the theme on a video distributed to advocacy groups linked to “minorities” under-represented in the bank;
- In-house and outside media with language focusing on diversity, and;

Graph 8. Employee Distribution by Race ABN AMRO – 2004



Source: ABN Real Social Report 2004

By cross examining variables gender and race, the data reveal that white women represent 44.4% of all Real ABN AMRO workers, the highest percentage. In second are white men (41.8%); in third, African-Brazilian men (5.4%); in fourth, African-Brazilian women (4.4%); in fifth, Asian women (2.2%); and in sixth, Asian men (1.7%). The group with the smallest share was composed of indigenous groups, both male and female, with 0.1%.

Table 10. Employee Distribution by Race and Sex Real ABN AMRO – 2004.

Colour/Race	Women	Men
Asian	2.2%	1.7%
Whites	44.4%	41.8%
African-Brazilians	4.4%	5.4%
Indigenous	0.1%	0.1%

Source: ABN Real Social Report 2004

According to a DIEESE’s 2005 study, “women are concentrated in some few economic sectors, notably in services, occupying positions with lower pays and less responsibility”. African-Brazilians are distributed across a more diverse number of sectors, yet are mostly limited to less socially prestigious jobs, which pay lower salaries and require lower skills. As an outcome of the gender/race survey, African-Brazilian women are in inferior occupational positions and earn lower rewards in comparison with their educational levels.

Table 11. Employee Distribution by Position, Sex and Race Real ABN AMRO – 2004.

	% in Specialist positions	% in Managerial positions	% in Executive Board positions
Asian women	3.10%	0.69%	0.00%
White women	27.50%	29.06%	12.50%
Dark women	1.04%	0.23%	0.00%
African-Brazilian women	0.03%	0.00%	0.00%
Indigenous women	0.03%	0.00%	0.00%
Subtotal (1)	31.70%	29.98%	12.50%
	% in Specialist positions	% in Managerial positions	% in Executive Board positions
Asian men	4.01%	1.60%	1.47%
White men	60.71%	65.90%	86.03%
Dark men	3.28%	2.52%	0.00%
African-Brazilian men	0.25%	0.00%	0.00%
Indigenous men	0.05%	0.00%	0.00%
Subtotal (2)	68.30%	70.02%	87.50%
Total (1 + 2)	100.00%	100.00%	100.00%

Source: ABN Real Social Report 2004

With respect to the presence of African-Brazilian and dark males and females in executive board positions in comparison with the white women group (since the white men's share is higher than that of all the other groups as described earlier), we verified that women's presence is higher than the first group. It should also be noted that the share of white women occupying managerial and executive board positions is still much lower than that of men.

With regard to African-Brazilian and dark men and women, the percentage of darks is higher than that of African-Brazilians. However, dark males account for a higher percentage than dark women. Noteworthy is the fact that there is no participation of dark and African-Brazilian men and women in managerial and executive board positions.

As for the Asian group, it is relevant to observe that men constitute a higher share than women and that both groups account for higher shares than those of African-Brazilian and dark men and women. Another striking aspect is that there are no Asian women occupying executive board positions (just Asian men with a participation share of 1.47%).

In November of 2005, Banco Real ABN AMRO refused to make a deal with the Federal District's Public Labour Attorney regarding a Public Civil Action filed by the latter body to the purpose of ending discrimination against workers on the grounds of race, sex and age in that financial institution. The bank's counsel argued that the bank could not commit itself to a workers' insertion policy, for the bank's admission policy was based on "technical and merit" criteria.

Still according to the bank's counsel, it is impossible to establish targets, quotas and timeframes for the inclusion of workers on the staff. The bank also refused the Public Labour Attorney's suggestion for the bank to present an admission plan that would seek to adjust the company's staff to the diversity found in Brazil's Economically Active Population.³⁵

Wages

In 2005, Brazil's national unified minimum wage was established at 300 *reais*. In 2006, it rose to 350 *reais*. Wages cannot have nominal reductions, unless a union signs a specific agreement to that purpose. Yet only 50% of the workers are under the protection of the labour law. The other half is in the "informal" market, not entitled to the rights defined by law, and earning salaries below the minimum. The companies' internal wage policies are seldom the object of negotiation with unions.

With regard to the criteria adopted to establish salaries for each of the company's positions and whether there is a Career Plan and Salary Scale (and its scope), the bank stated that for those jobs to which a floor has been established Banco Real ABN AMRO pays higher wages than those mandated by the nationwide collective agreement for the entire financial segment, signed between the employers and employees.

For the remaining positions, salaries are defined according to Mercer-Human Resource Consulting benchmark salary brackets, in keeping with company policy. The bank's career structure is defined for the entire organisation using the Hay methodology, which assesses technical/managerial aptitude, degree of complexity required to solve problems and each position's result targets/responsibilities.

The union does not take part in the elaboration of the Career Plan and Salary Scale, which is not a transparent process, and employees find it difficult to understand how, in practice, the plan works, according to union leaders. There are distortions such as people in the same function with different pays, and ever increasing responsibilities and attributions, which are not accompanied by a corresponding salary rise. Union leaders explain that this can happen in those cases in which an employee is transferred to another function temporarily, causing a disconnect between position/function occupied and salary earned.

According to information provided by the bank, based on the headcount as of May 2005, the average salary was 2,965.67 *reais*. The lowest salary paid is 836.83 *reais* for a 6-hour workday; yet on top of that workers get extra payments in conformity with the labour law and the collective agreement, plus the Monthly Variable Payment that is due to the branches contingent upon the accomplishment of the targets, and the Profit/Result Sharing Scheme remuneration encompassing 100% of the staff. The company's salary distribution considering a **minimum wage of 300 reais in May 2005** is as follows:

³⁵ Banks' discrimination: Real ABN AMRO refuses deal. Public Labour Attorney's Office, 17 November 2005.

Table 12. Remuneration Banco Real ABN AMRO – 2004.

No. of employees	Salaries' worth	No. of employees	Salaries' worth
1,712	R\$ 900	812	R\$ 3,600
4,000	R\$ 1,200	777	R\$ 3,900
4,570	R\$ 1,500	593	R\$ 4,200
3,572	R\$ 1,800	488	R\$ 4,500
2,110	R\$ 2,100	451	R\$ 4,800
1,632	R\$ 2,400	387	R\$ 5,100
1,252	R\$ 2,700	381	R\$ 5,400
1,155	R\$ 3,000	359	R\$ 5,700
1,076	R\$ 3,300	3,246	R\$ 6,000

Source: Banco Real ABN AMRO Social Report 2004

With regard to the variable remuneration, the union takes part in the Profit/Result Sharing committee and has some specific claims: an increase in the amounts paid, a bigger share for those benefited by the PRS at the bottom of the pyramid, election of the PRS committee members and more information on how the distribution is calculated and on target definition and its application. From the perspective of the bank workers, the union receives complaints regarding a difficulty in understanding the “grid” system, that is, the parameters for the Career Plan and Salary Scale.

Benefits defined or not in the 2004/2005 labour collective agreement can be seen in Table 13 below.

Table 13. Banco Real ABN AMRO Workers' benefits ³⁶

As defined in the Collective Bargaining Agreement 2004/2005		
Nature	Eligible employees	Value
Food Voucher	All	R\$ 12.66/day
Food basket Ticket	All	R\$ 217.00/month
Crèche/Nanny Grant	All with children up to 83 months of age	R\$ 155.98/month/child
Disabled children Grant	All with children in this condition with no age limit	R\$ 155.98/month/child
Education Grant	Primary students or with children in this condition	Pursuant to legislation
Funeral Aid	All, upon worker's death, spouse's, or children or dependents under 18	R\$ 418.40
Night Transport Grant	All requiring financial support to commute from work home at night	R\$ 43.67/month

³⁶ Source: Collective Bargaining Agreement 2004/2005

Nature	Eligible employees	Value
Transportation Voucher	All	Pursuant to legislation
Sickness or work accident complementary pay	All on Social Security medical leave.	Difference between total fixed salary and amount paid by Social Security ³⁷
Not Defined in the Collective Bargaining Agreement*		
Health insurance	All plus dependants	According to internal health policy.
Dental Care Plan	All aged 17 less and their dependents	According to internal health policy.
Life insurance	All opting.	80% of cost.
Private Pension Fund Holadaprevi	All	Partial cost.
Automobile/mobile phone	According to grid (Top-tier management)	Unspecified
Scholarship	Graduate students meeting Bank's requirements	25% to 50% of registration/instalments

*Highlights only.

The trade union has no access to the company's employee training policy. The bank conducts training programmes during working hours at its own training centre, the Academy. Yet, according to testimonies by unionists, often the working day does not allow any spare time for the person to attend certain programmes so, upon request, some training modules are provided to the staff on "self-development" CDs, which contain, for example, procedures for the Call Centre. These CDs may require from 1 to 10 hours of the workers' attention, hours that, if the worker takes from his off-work time, are not considered working hours.

Working week

In Brazil the maximum working week is 44 hours, with one day per week as remunerated rest. In the case of routines entailing non-stop working shifts, the maximum working day is 6 hours, totalling 36 hours per week, although the daily number of hours can be altered by collective agreement. Also some professional categories are entitled by law to a working week of less than 44 hours on account of more demanding working conditions, usually limited to 40 hours.

Overtime hours cannot exceed 10 hours a week or 2 hours a day under exceptional circumstances. Compensation for overtime, which used to occur during the same week, was made flexible so as to allow it do be done within a one-year period, provided a clause to that effect is included in the collective agreement. Several companies and professional categories created the so-called hour banks. Given then a working day of 6 or 8 hours, the average

³⁷ Limited to a certain amount, according to the collective agreement. Taxes not included.

overtime hours for the period comprising June–December 2004 of the Real ABN AMRO Group (after acquisition of Sudameris) is equivalent to:

Table 14. Average of overtime hours June–December 2004.

Month	Week	Day
9.6	2.4	0.5

Source: Banco Real ABN AMRO

Real ABN AMRO’s HR policy concerning overtime hours lies on legally binding provisions regarding their extension, payment and personnel involved. According to the answers obtained by the IOS survey, the bank “has undertaken an effort to avoid extending the working day beyond reasonable limits, and is liable for abuses committed with regard to exceeding the established legal limit”.

The Real ABN AMRO relies on a monthly hour bank system in keeping with the legislation, i.e., throughout a given month an employee can resort to the overtime hour bank to compensate for occasional absences or late arrivals, on the basis of time and a half. At the end of the month, should there be any hours still not compensated for, these are included in the following month’s payroll for due payment. Overtime hours worked on Saturdays, Sundays and on bank holidays cannot be compensated for.³⁸

In October 2005, the Fifth Labour District Court of Brasília (Federal District) accepted the Public Civil Action presented by the Labour District Attorney against Real ABN AMRO Real, and sentenced the bank to stop demanding from its staff a higher than six hours working day and to comply with the 2-hour-a-day limit for overtime hours.

The judge in charge of the case sentenced the bank to pay R\$ 200thousand for moral damage, in addition to a R\$ 10thousand fine per branch disobeying the Labour Court’s ruling.³⁹

Notwithstanding these facts, union leaders contend that negotiations with management do not progress and that working day limits, overtime hour payment and remunerated weekend are not observed. Unionists’ access to workplaces, a long-time issue, is still pending a resolution, with no headway.

According to information supplied by the union leaders, on 8 March 2005 the Real ABN AMRO communicated an alteration in the working hours of the Shopping Ibirapuera branch from 10:00am to 6:00pm without any prior talk with the staff and without negotiating with the union. This branch was used as “pilot” because it is one of the most important in terms of volumes captured and results accomplished, but on the other hand is also responsible for a great number of overtime hours.

³⁸ ABN AMRO. Interview given by email. São Paulo, May 2005.

³⁹ Bank is to pay indemnity for exploiting illegal working day. Ministério Público do Trabalho (Labour District Attorney), 24 October 2005. Available at: <http://www.pgt.mpt.gov.br/noticias/2005/10/n847.html>. Consulted on 24 November 2005.

Extending working hours opened up a new 6-hour working day teller position. Unions demand a negotiation on job generation should the new working hours be extended to all branches in Brazil.

The bank claims it complies with legislation regarding overtime, working day/week and rest among other items. Breaks and overtime are observed and duly remunerated, with no prejudice for the worker. With the exception of the workers at the Call Centre, bank employees work on weekends under an electronic clock-in/out regime, except for General Managers.

Should it be necessary, the staff work on Saturday, get overtime and sign in and out. The compensation criteria agreed with the company establishes how many hours are to be added and paid.

Sexual Harrassment

With regard to sexual harassment, the bank has a specific policy in force to prevent its occurrence and thus ensure the accomplishment of Corporate Values.

A norm in effect at the bank, denominated “Restricting Harassment” underpins the bank’s commitment to restricting any form of harassment, moral, sexual, etc. According to the bank, preventing sexual harassment is “an indispensable condition to ensure our commitment to the Corporate Values of Integrity, Professionalism, Teamwork and Respect, for all the Organisation’s stakeholders”.

Management is responsible for verifying policy compliance. The Audit and Oversight Department is responsible for investigating the facts, making recommendations for appropriate administrative measures, monitoring their implementation and reporting the case to the Conduct Committee should a case require a decision of that level.

The HR representative in each area (LPO) is responsible for supporting managers in conforming to that policy, receiving harassment denunciations and certifying that corrective measures are applied, especially with regard to cases involving relations of subordination and power.

Reorganisation/ Flexible labour and stability

In Brazil, the acquisition of Banco Sudameris led the corporation to a business restructuring process in the 2003–2004 period. According to the bank, Real ABN AMRO and Sudameris integration process was carried out in such a way as to allow all employees to gain knowledge of the changes and impacts likely to occur, both internally and on the clientele of the two banks.

The corporation invested approximately 3.1 million *reais* in 2004 in several training programmes designed to prepare staff members for the operational integration. These initiatives required the allocation of investments according to each particular audience. With the aim of orienting employees to service and clarify clients, a call centre was set up with specific data on products, services and operations.

Another call centre, specifically for the HR area, staffed with Real ABN AMRO and Sudameris operators, was set up to function as an open channel for collaborators of both institutions.

In addition to both call centres, the banks published an integration newsletter with 14 issues over an 11-month period and an FAQ communications tool. Designed to solve queries of all sorts, from business records to doubts concerning the everyday life of employees in the organisation, the FAQ was published in the intranet and in newsletters.

Additionally, a survey about the organisational culture of both institutions and another survey to monitor employee perception on the integration process were conducted, which supported the integration and communication between staff in both institutions.

During that phase, according to the bank, trade unions were informed of the integration processes, particularly with regard to the impacts on the staff. Employees from both banks underwent a process of identification and adherence to the profile of the current functions to define the occupation of each position while an internal recruiting process was set up to reallocate workers to other positions in any of the ABN AMRO Group companies.

Besides the job contract proper, and after the analysis of the structure of each area and assessment of the staff of both banks, another challenge arose with respect to the reallocation of workers to other functions, with workers having to adjust to a new organisational structure and model and to a new culture among other aspects.

Once internal recruiting possibilities at any of the Group's companies were over, then came the impact on a number of working posts available during the integration process, in particular with regard to the accommodation/readaptation of the organisational structures of both main offices. From then on, once the possibility of internal reallocation had been exhausted, the bank proceeded with the dismissal of employees, trying to adopt specific HR measures to minimise the negative effects such a process always entails.

In 2004, a career orientation programme (POC) is set up with the purpose of orienting staff members in their next steps towards their reinsertion in the labour market or their starting their own business. Of those who sought the orientation service, 33% were successful in finding a new job, according to the bank.

Apart from the POC orientation service, the bank paid workers an additional compensation, on length of working time, above that ruled by the labour legislation and the Bank Workers Collective Bargaining Agreement.

Moreover the bank allowed former workers to use their health plans for a period longer than that agreed upon in the collective agreement and set up a dedicated database to facilitate these workers' rehiring.

A committee was formed to co-ordinate the integration of the areas so as to ensure that the restructuring process evolved in a gradual and centralised way, with control and with the right timing, always after a thorough analysis process.

It is only fair to say that, from the beginning, Banco Real ABN AMRO informed all the two banks' staff of the likelihood of dismissals to achieve a perfect structure adjustment, an outcome which was never hidden or played down.

The Bank Workers Union complains, however, about a lack of information enabling unionists to negotiate the dismissals, which at the time affected more than 1500 workers.

Dismissals/Lay-offs

Banco Real ABN AMRO states that there were no cases of union leaders being dismissed over the last three years, except for two which were characterised as having just causes by the bank in a lawsuit filed with the Labour Justice under the argument that the employees had committed a serious fault punishable by the Brazilian Consolidation of Labour Laws (CLT). Another union leader asked to be laid off and an agreement was made to rescind his contract as provided in the law.

In December 2004, Banco Real ABN AMRO communicated the bank's intention to lay off 2900 employees worldwide, especially from its trading desks (FX, bonds, etc.) and the computer IT area.⁴⁰ With the restructuring, which had greater repercussions in the Netherlands, the bank plans on saving €770 million a year as from 2007.

On the other hand, estimated cost for the reorganisation plan is likely to reach EUR 790 million. In the computer and IT area 1.2 thousand jobs will be eliminated in an 18-month period, nearly 50% in the Netherlands and many others in the US. An additional 550 employees will be dismissed in the HR department and another 1 thousand jobs will disappear in products and services directly linked to the trading desks.

Trade unionists estimate that 600 workers were dismissed and rehired by IBM, apparently with the same salary, to work in the IT area.

⁴⁰Available at: http://www.crie.com.br/html/investnews/vernoticia_ehiajg.html. Hit on 25 June 2005.

In Brazil, by late 2004, considering the ABN AMRO conglomerate (bank and ABN AMRO businesses in Brazil), total number of employees reached 28,573, a 21% increase in comparison with 2003, explained by the incorporation of 4,841 Sudameris staff. Of that total, 14,590 were women and 13,983 were men.

However, since October 2003 when Sudameris was acquired, 2.5 thousand workers were dismissed according to the figures presented by the bank to the union. In November 2004 alone, 250 workers were eliminated from the rank-and-file of the São Paulo Bank Workers Union.⁴¹

Only in relation to Banco Real ABN AMRO (the conglomerate's main activity), in 2001 the number of employees rose to 21,214 whereas in 2004 this figure had dropped to 20,817 (a 2 percent decrease). In 2004, according to bank records, 2,552 workers were taken on and 3,280 were laid off.

According to unionists, the bank has stimulated clients to use self-service facilities and to do transactions over the internet, a corporate policy that ultimately contributes to a reduction in the number of jobs, which is what is happening especially in the increasingly smaller branches.

⁴¹ Available at: <<http://feebcn.com.br/noticias.asp?noticia=4720>>. Hit on 7 August 2005.

Corporate social responsibility (CSR)

The impact of globalization on employee-employer relations is evident. Multinational enterprises are the main agents of globalization, and by widening the marketplace they seek strategies to maximise profit and minimise costs. Workers also seek to organise themselves on a global scale through actions designed to commit MNEs to respecting workers' fundamental rights and supporting sustainability in the use of natural resources.

The concept of “sustainable development” encompasses the interests of enterprises, the environmental question and social responsibility in a particular model of doing business, which has slowly become embedded in the corporate agenda under the title Corporate Social Responsibility (CSR). Additionally, sustainability has become part of the actions by multilateral agencies, international bodies such as the UN (Global Compact, UNEP) and the OECD.⁴² By the same token, the social agenda has incorporated into the concept of sustainability the respect for human rights, and more specifically, for social and labour rights. This socio-environmental agenda, acting as a beacon for business sustainability, ultimately provides the overall ethical framework for globalization, or put in other words, keeps MNEs from resorting to practices incompatible with social and environmental sustainability.

To the IOS, CSR only makes sense if it is to reinforce a global movement of respect for fundamental labour rights on the part of MNEs. To achieve that, MNEs must state their commitment to these rights in their corporate documents and demonstrate that, in the management of their businesses, in their actions and programmes, these rights are not only ensured but also spread to stakeholders.

A second point should be made with reference to how social and labour rights, as well as environmental sustainability, are to be mainstreamed inside the business. It is also worth considering if, in this process, workers unions and/or employee representation, inside and outside the company, are taken into account, are valued as parties interested in upholding such rights, within the sphere of corporate policies, actions and programmes. This is a watershed because many companies see CSR as a sum of philanthropic actions, which, together, mean nothing in terms of company management. These actions may be significant to their beneficiaries but do not constitute an organised movement based on a concept or modify the way the business is run.

A third consideration focuses on how social and environmental sustainability is extended to the value chain, that is, how the MNE engages suppliers so that they ensure that input sources, raw materials and services are in line with CSR values. The bottom line is to find out how suppliers are committed to fundamental rights and if they promote their businesses' environmental sustainability. The IOS understands that the entire value chain is accountable

⁴² See the UN Sustainable Development Committee Report. Johannesburg, South Africa, 26 August–4 September 2002. Available at <http://daccessdds.un.org/doc/UNDOC/GEN/N02/636/93/PDF/N0263693.pdf?OpenElement>. Consulted on 8 May 2006.

for the business and that entrepreneurial leaders should make sure that their suppliers are committed to sustainable practices in their own businesses.

On the whole, the IOS methodology is primarily concerned with the interests of workers and unions with regard to CSR, and secondarily with environmental issues and health- and safety-related workers' rights. To reach such definition, the IOS leaned on the ILO Conventions addressing fundamental rights at work. Therefore, to be socially responsible companies must assure to workers:⁴³

1. the right to join a trade union;
2. the right to collective bargaining;
3. safe and healthy working conditions;
4. a ban on the use of child and forced labour;
5. the promotion of equal opportunities between men and women;
6. anti-discriminatory policies at the workplace.

In the table below are listed some prevailing CSR features in Brazil. In general, CSR actions, programmes and policies are exclusively driven by companies, and are not the result of partnerships with stakeholders. As mentioned earlier, most of the initiatives are merely philanthropic and bear no relation with the core business.

Even when workers are invited to take part in a particular action, as a rule, the company's target is merely to boost its image with the consumer market. Workers are viewed as the company's "internal public" in their actions and programmes. Many companies place great importance to actions, programmes and policies that target the "internal public". Diversity as a corporate value and the undertaking of programmes to promote minorities are good examples of how companies deal with their "internal public".

Yet, CSR initiatives focusing on the relation between the company and unions or employee representation at the workplace are virtually non-existent. In a majority of companies studied by the IOS, workers' unions are not targeted for CSR actions and programmes. Paradoxically, when companies are asked if they consider the union and/or employee representation at the workplace as "stakeholders", all react affirmatively.

⁴³ INSTITUTO OBSERVATÓRIO SOCIAL. Corporate Social Responsibility: perspectives for union action. Florianópolis: IOS 2004. p. 6.

Table 15. “Prevailing” Corporate Social Responsibility in Brazil⁴⁴

Elaborated **unilaterally** by companies. **No significant participation of unions** and stakeholders, even less by outsourced or subcontracted parties.

CSR is, to a great extent, reduced to **philanthropic activities**, with no connection with the company’s production and distribution processes.

Publicity given to such actions is markedly of a **social marketing** character. Social reports lack detailed information, have a formal purpose, have very little use for stakeholders and, above all, are not checked/monitored, so that what prevails is what the company says it does, rather than what it actually does.

Workers’ participation is, on the whole, limited to a role as **volunteers** in social programmes.

Activities and speeches referred to as CSR by companies **do not entail concrete changes in the employees’ everyday work.**

Companies do not pursue commitments to and actions with the **productive chain** to ensure compliance with basic labour standards and environmental sustainability.

Source: Instituto Observatório Social, 2006

Real ABN AMRO’s CSR

With regard to Banco Real ABN AMRO, the institution separates philanthropic actions from social responsibility programmes and policies. The bank has been striving to mainstream CSR within its core business, as described in the sustainability report,⁴⁵ *ABN Real, Human and Economic Values, Together 2003/2004*. Other programmes focus on the internal public and the bank expresses a concern with the sustainability of the value chain by pursuing actions tailored to its suppliers.

According to documents, the interviews conducted and the information gathered, the bank is fully committed to stakeholders, employees, clients, suppliers and society at large.⁴⁶ To put its CSR policy in practice, the bank created in 2001 the Education and Sustainable Development Department, which also controls the Education and Training area.

The bank’s global corporate values were defined in 1997, spread through workshops with all employees, and thus defined:

1. Integrity: commitment to the integrity of its actions, inside and outside the company.

⁴⁴ Ibid, p.28.

⁴⁵ Real ABN AMRO’s definition of sustainability is “To live our Corporate Values and Business Principles and to meet the needs of the organisation and our stakeholders, thus seeking to protect, sustain and enhance the human, natural and financial capital needed in the future”. See Sustainability Report, 2005, p. 10. Available at www.bancoreal.com.br/download/Sustainability2005.pdf. Consulted on 2 May 2006.

⁴⁶ Ibid, p. 24.

2. Respect: for all people regardless of their origin, hierarchy, sex, and age.
3. Valuing diversity of ideas and opinions, addressing difference and divergence with dignity.
4. Teamwork: sharing knowledge and resources, aiming to benefit clients, staff, society and shareholders.
5. Professionalism: a beacon for the company's internal relations.

Notwithstanding the numerous CSR actions, programmes and policies developed by Real ABN AMRO, most of them seriously committed to the economic, social and environmental development of stakeholders and society in general, one observation is worth making with regard to the bank's behaviour.

In the eyes of union leaders, CSR does not take into account, as mentioned before, employee representation, and more precisely the union as a stakeholder. To them, there is an imbalance regarding the importance of different stakeholders in the formulation and implementation of CSR programmes in different areas, whereby the bank would not regard trade unions on an equal level of importance vis-à-vis investors, suppliers, consumers and the internal public, that is, in the Real ABN AMRO relationship with the "community" of stakeholders. Union leaders also believe that, in those actions, programmes and policies that involve the bank's staff, the workers represented by the union, the possibility of dialogue and engagement could be better taken advantage of. Though positive in stating that Real ABN AMRO is always open to dialogue, a point no complaint can be made against, there is room for a concerted effort with regard to joint CSR actions.

Take, for instance, the "Diversity Programme" and the various specialists and consultants the company resorts to in order to define how the theme should be addressed, without ever consulting the union. The bank formally invited the union to attend the launching of the programme but dialogue was not furthered, and momentum was lost. In the view of the unionists it is as if the bank developed a programme in an extremely individualistic way and, once it had been formulated, the institution proposed a dialogue with the union and other stakeholders. Still, according to union leaders, it would be more productive if the bank gathered union input, impressions, perceptions and concrete proposals, which, combined with the bank's vision, would result in a more consistent programme. Besides, Real ABN AMRO would enjoy the support of the unions in its implementation.

This same consideration on the part of the unions is extended to other Real ABN AMRO CSR instruments such as the Code of Conduct (named by the bank Value Partnership). Leaders' comments always point in the same direction, that is, unions expect to be more involved in more open bank actions in order to participate more intensely in the formulation and implementation of CSR policies and programmes and thus share the results with the Real ABN AMRO workers.

Real ABN AMRO's CEO, Fábio Barbosa, in the document "Human and Economic Values, Together" (2005), on page 13, states that "the sharing of ideas is what produces the solution", something that "is hardly done in Brazil", that is, dialogue contributes towards the

solution of the issues being discussed, and CSR policies, programmes and actions should result from this sharing and not stem from the unilateral formulation by one of the parties.

In sum, if Real ABN AMRO is seriously committed to developing actions, programmes and policies for shareholders, consumers, internal public and suppliers and, if many of these actions are the cornerstones for new business practices, not merely philanthropy or social marketing, why not systematically share such initiatives with trade unions?

Sustainability Practices⁴⁷

Real ABN AMRO does, indeed, boast a positive track record in terms of CSR actions, programmes and policies. In 2003, the Education and Sustainable Development Department launched a programme that offered courses and workshops for the internal and external public with the aim of clarifying the concept sustainability. Although workshops were open to all staff members, the number of attendees was low. In 2004, the 15 sustainability workshops trained only 270 employees (out of a total of 28,000).

Banco Real ABN AMRO divides its sustainable activities into categories: Microfinance, Ethical Funds, Socio-environmental Financing, Social and Cultural Investing, Ecoefficiency and Suppliers.

Microfinance

As from July 2002, Banco Real ABN AMRO has been offering microfinance services under the Real Microfinance programme, in partnership with North-American NGO Acción International. Launched in Heliópolis, in the outskirts of the city of São Paulo, the programme offers individuals or small enterprises credit lines ranging from 200 *reais* to 20,000 *reais*, and today is present in the Greater São Paulo area, Campinas in the state of São Paulo, the *Baixada Fluminense* in the state of Rio de Janeiro (RJ), and in Caruaru in the state of Pernambuco. The service aims at “profit, not philanthropy”.⁴⁸

The International Finance Corporation (IFC)⁴⁹ granted Banco Real ABN AMRO \$98 million in 2005 and \$47 million in 2004 to finance socio-environmental and corporate projects,⁵⁰ the only bank in Brazil to have received this type of credit. According to the bank, funds authorised by the IFC are a strong indicator that it is possible to be profitable and sustainable at the same time.

The bank has focused on the small investor by launching certificates of deposit (CDs) with a face value of as low as 500 *reais* –half the value big retail banks require for such transactions. The bank has also been stimulating clients to use channels other than branches

⁴⁷ See footnote 7.

⁴⁸ Banco Real ABN AMRO (2005, p.52.). Available at www.bancoreal.com.br/download/Sustainability2005.pdf. Consulted on 2 May 2006.

⁴⁹ An independent World Bank organisation, whose mission is to promote sustainable development in developing countries. See at <http://www.ifc.org/about>. Consulted on 3 June 2006.

⁵⁰ Sustainability Report (2005, p. 14). Banco Real ABN AMRO. Available at www.bancoreal.com.br/download/Sustainability2005.pdf. Consulted on 2 May, 2006.

by offering higher rates on investments made on the internet or via phone (newspaper *Valor Econômico*, 4 April 2005).

Real Microfinance has expanded its portfolio from EUR 200 thousand and 579 clients in December 2003 to roughly EUR 4.5 million and 8,300 clients in December 2005.⁵¹

Socio-environmental financing

The Sustainability Network is staffed with 30 people from different areas of the bank, with the support of 1,775 Real ABN AMRO and Sudameris employees who received training in socio-environmental risk assessment.

According to the bank, credit is not extended to companies not in compliance with social and environmental obligations; companies found using slave labour or asbestos, or that manufactured weapons, had their credit suspended. In 2004, 27 companies had their application forms rejected by Real ABN AMRO in Brazil for not having complied with environmental oversight agencies (*Revista Exame* magazine, 23 March 2005 issue).

In June 2005 the bank launched two other socio-environmental financing products: the CDC P+L fund, catering for small and medium-sized companies (SMEs), and the Socio-environmental Leasing, for medium-sized and large companies. Both products offer lower interest rates on credit to be used in investment in equipment for ecologically sound projects.⁵²

Additionally, by suggestion of Votorantim Pulp and Paper (VCP), the bank started the Forestry Savings, a credit line which benefits settled smallholders formerly linked to the Landless Workers Movement (MST). The beneficiary must plant on his/her property 30% of eucalyptus, and preserve 20% of the native forest, and can use the remaining area for subsistence farming.⁵³

The bank also co-authored the Equator Principles, a set of socio-environmental criteria adopted, together with nine other global banks, to approve the extension of credit for projects \$50 million plus, criteria which are based on IFC rules.⁵⁴

In July 2005, the bank pioneered the use of recycled paper for chequebooks and outdoor billboards. Today 82% of the paper used internally by the bank is recycled.⁵⁵

⁵¹ Ibid. pp. 52–53.

⁵² JULIANI, D. ABN Real creates CDC cleaner production. *Gazeta Mercantil* newspaper, São Paulo, Finances & markets, p. 2.

⁵³ ABN AMRO REAL. Human and Economic Values, Together. 2003/2004, p. 33.

⁵⁴ Ibid, pp. 14-19.

⁵⁵ Sustainability Report (2005, p. 69). Banco Real ABN AMRO. Available at www.bancoreal.com.br/download/Sustainability2005.pdf. Consulted on 2 May 2006.

Ethical Fund

In 2001 Real ABN AMRO launched the first investment stock fund to take into account companies' commitment to CSR and Corporate Governance, with tag-along rights for minority stakeholders, for instance, and not just financial and performance criteria. This is an alternative for clients willing to invest in socially-responsible companies. To join this fund, companies are selected⁵⁶ on the basis of their compliance with certain corporate governance standards and social and environmental policy indicators.

The bank leans on the positive results achieved by the Ethical Fund to prove that it is feasible to simultaneously obtain economic growth and development. According to the company, Ethical had a 163% growth between 2001 and 2004, while the average São Paulo Stock Exchange (Bovespa) index was 131.6%. More recently, the Real ABN AMRO fund yielded, since its launch, about 265% against a Bovespa accumulated index of 234%. Despite its pioneering role, Real ABN AMRO Ethical Funds lost the lead to Banco Itaú in volume captured: the Real ABN AMRO fund attracted 108 million *reais* worth in assets with just over 9,000 investors, while the two Itaú Ethical Funds, which were launched much later, boast more than 170 million *reais* and some 11,000 investors.

Ethical funds, however, still account for little in terms of volume, and if we add up all the assets managed by this type of fund in every financial institution we would reach a total of 350 million *reais*, which is just 1.5% of all stock portfolios traded on the Bovespa.⁵⁷

⁵⁶ Some companies composing the fund: Companhia Vale do Rio Doce (CVRD), Perdigão, Marcopolo, Natura, CST, CPFL, Comgás and Belgo Mineira.

⁵⁷ *O Globo* newspaper, 9 April 2006.

Conditions in the Supply Chain

Just as the market for global brands expanded so did the interest of different stakeholders to learn how branded products were produced. Multinational enterprises are aware that it is imperative to meet both demands. Thus CSR seeks to align the corporations' operations with the expectations of social actors.

CSR encompasses not only customer-related issues and regulatory bodies, but also suppliers and actors in the productive chain. Though Banco Real ABN AMRO is not accountable for its suppliers' acts, it does feel responsible for choosing the companies that will become its suppliers.⁵⁸

Based on this rationale, the bank decided to build a new way of interacting with this public, and in 2001 began by convening a meeting with 15 of its São Paulo headquarters' suppliers to discuss the theme and spur them to introduce and incorporate best practices.⁵⁹

Thereafter, the bank reviewed its procurement policy with regard to services and inputs, a process which led to the elaboration of the "Value Partnership" document defining the guidelines for the Real ABN AMRO relationship policy for suppliers and contractors.

Social responsibility clauses were introduced to rule such issues as eradication of illegal, slave, and child and teenage labour, discriminatory practices, and environmental protection and preservation, in addition to those concerning mutual obligations and their oversight. With this binding instrument the bank was able to monitor and assess its suppliers' duties and obligations, plus pay visits to any of their premises and to request data sheets, analyses, documentation, and company reports.⁶⁰

Agreement to such demands and monitored standards set by the bank as the principal company is done at the signing of the contract. Penalties for non-compliance with the contract are the object of specific clauses and are proportional to the failure, more serious cases leading to the annulment of the contract.

As a last development of the perceived need to establish closer ties with suppliers was the creation of a specific area for this purpose: Suppliers Management and Relationship. A site on the internet was also set up where suppliers can follow their payment clearances, access information, solve queries, or blow the whistle on management flaws.

⁵⁸Global de Sustentabilidade (2005). Banco Real ABN AMRO. Available at www.bancoreal.com.br/download/Sustainability2005.pdf. Acesso em 2.05.2006 pp. 72

⁵⁹ Some of those suppliers and contractors were: Advanta Informática, Cushman & Wakefield SEMCO, Estrela Azul Serviços de Segurança, DGT Distribuição e Logística, Empresa de Segurança Itatiaia, Limpadora Augusta, Help Express, MCM Serviços, Pandata Informática and Sodexo

⁵⁹Sustainability Report (2005, p.72). Banco Real ABN AMRO. Available at www.bancoreal.com.br/download/Sustainability2005.pdf. Consulted on 2 May 2006.

⁶⁰ Banco Real ABN AMRO. Parceria de Valor, 2005.

Conclusion

Banco Real ABN AMRO develops a strategy in Brazil to reach the end-consumer, individual borrowers and medium-sized or large companies, with this client base accounting for 80% of its portfolio. To consolidate the bank's image with the clientele and the public at large, Real ABN AMRO is firmly committed to mainstream CSR in its business processes.

Accordingly and despite a number of activities which would be characterised as philanthropy, Real ABN AMRO develops many actions, programmes and policies to instil CSR principles in stakeholders with regard to the way business is to be done, and stands out as far as CSR is concerned with a sound CSR policy, made public in its reports and the "Value Partnership" Code of Conduct.

With regard to stakeholders, in the bank's words, its main asset, much can still be furthered in terms of capital-labour relations. Despite an ongoing dialogue between the bank and labour leaders –a point underscored by all the unionists interviewed for the survey– and the CSR practices adopted by the bank, there is still much to be done in terms of the relation between the bank and labour. Deepening this dialogue in connection with CSR practices may prove to be fruitful to broaden the role of labour as a stakeholder qualified to contribute effectively to the accomplishment of CSR targets and results.

There are other factors that favour a closer dialogue between Real ABN AMRO and the unions. From the point of view of the strategy, the bank enjoys a sound and consolidated position with the Dutch mother company, while simultaneously enjoying a level of autonomy and freedom to execute corporate policies in Brazil.

With respect to the sector's competitiveness and to Real ABN AMRO's presence in Brazil, the bank today is on the rise, with clearly defined values and mission, and a capillarity, gained through M&As, that will leverage its position to compete with Brazil's largest banks. It is also an active member of the National Bank Federation (FENABAN), where it holds a place at the negotiation table convened to examine collective agreements with national trade union boards.

Lastly, Real ABN AMRO complies with the Labour Agreement signed with the unions, by ensuring that a minimum level of labour rights is met. The bank takes part in negotiating committees with unionists to address specific problems affecting bank workers on their daily lives. However, as noted earlier, unionists point to a difficulty in transforming this dialogue into real and concrete advances, since most of the dialogue is spent on proposals that are lost throughout the negotiation process. Trade unions expect the relation with Real ABN AMRO to evolve and produce more palpable results that may consolidate the dialogue started, rather than weaken it. If dialogue does not produce results, the impression that is left is that it is useless.

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