

Summary

Banco Real
ABN AMRO
Brazil

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1. Introduction

This report aims to describe the labour practices of ABN AMRO bank in Brazil and to assess them in relation to a set of criteria that are part of the company's Corporate Social Responsibility (CSR) policy. Two parties have been consulted for this report: the company – through interviews and documents –, and the workers – especially through union representatives. In some areas, the union did not have sufficient information to make an assessment. In other areas, studies by the Interunion Department of Social Economic Studies and Statistics (Dieese) were used in order to assess and balance the information provided by the bank.

2. General characteristics of ABN AMRO in Brazil

Business description

ABN AMRO Bank N.V. and ABN AMRO Asset Management Holding N.V., with headquarters in Amsterdam (the Netherlands), directly and indirectly own different financial companies in Brazil. The main subsidiary is Banco Real ABN AMRO S.A., which is organised as a commercial bank offering a diverse range of financial services. In addition, other companies are part of the structure of "Banco Real and the ABN AMRO companies in Brazil". They are: ABN AMRO Arrendamento Mercantil, Real Capitalização, Bandepe (Banco de Pernambuco), Banco Sudameris Brasil and ABN AMRO Asset Management DTVM.

Throughout this summary, 'ABN AMRO' usually refers to all the companies directly or indirectly owned in Brazil by ABM AMRO corporation. 'Banco Real ABN AMRO' refers to the largest subsidiary only.

ABN AMRO has been operating in Brazil since 1917. It has acquired large Brazilian banks such as Banco Real and Bandepe in 1998, and Banco Sudameris in 2003. ABN AMRO has stayed in Brazil, while different foreign banks that have been merging or acquiring Brazilian banks since 1995, had resold their business by 2005 due to the competitiveness of the large domestic banks. The large domestic banks had a record profitability ratio in 2004, higher than that of US banks, and very high profits.

ABN AMRO has continued its strategy of expansion in Brazil by buying Real Seguros (an insurance company), a 50% participation in the joint venture Real Vidal e Previdência and exclusivity agreements for selling basic insurance products and private pension products. The bank's goal is to be one of the largest financial institutions in the country, operating in all the client segments and offering various products. This is part of ABN AMRO's global strategy to expand in the "emerging markets", especially in Brazil.

In Brazil, Banco Real ABN AMRO is one of the main private banks, ranking 4th in terms of total deposits and loans, and 6th in terms of assets (while ranking the first among the foreign banks). The bank is present in all five regions of Brazil and has around 9.2 million clients. The bank is concentrated mainly in the south-eastern region, particularly in São Paulo, the national financial centre that hosts around 50% of ABN Amro's employees in Brazil.

The operations of Banco Real ABN AMRO's operations in Brazil are managed through three major business lines, aligned with the business structure of ABN AMRO throughout the world. These business lines are:

- Consumer & Commercial Clients: this business unit includes the bank retail activities, consumer credit (including vehicle financing) and commercial banking for individuals and small and medium companies. This unit is also called BU Brazil.
- Wholesale Client Service (WCS): this business unit serves large corporations and transnational institutions.
- Private Clients (PC): this is the business unit aimed at wealth management of personal and family assets with high potential for investment.

Banco Real ABN AMRO increased its profits by 15.5% between 2004 and 2005 to € 478 million.¹ The bank also improved its efficiency index (administrative expenses/operating income) in 2005 up to 56.3%, thanks to increased credit activities and an increased number of clients. In 2005, Banco Real ABN AMRO had the lowest return on assets (asset/profit ratio), 17.6%, of the six largest Brazilians, but the return on assets of 17% by the six largest Brazilian banks in 2004 outperformed the US banks' returns of 14.6%. One of the reasons is the high interest rate set by the Central Bank to remunerate investors in governmental bonds, which fund the public debt.

In 2004, the ABN AMRO companies in Brazil had a small increase in profits compared to 2003 and 2002, an 11% growth in total assets, and reached the same profitability ratio as the average amongst other banks in Brazil. The integration of Banco Sudameris had lead to a one-year lower profit in 2003. Compared to 2000, ABN AMRO had almost doubled its net profits in 2004. Banco Real ABN AMRO alone had a profit growth of 87% in 2004, compared to the previous year; this profit was almost half of that of all ABN AMRO's Brazilian companies. The growth of the Brazilian operations of ABN AMRO was due, amongst others, to the growth in banking services and loans and a high interest rate (set by the Central Bank). The profits made in Brazil were 7% of the global result of € 4.1 billion by ABN AMRO in 2004 and made an important contribution to the 30% global profit growth of ABN AMRO compared to 2003.

Competition among banks and concentration in the banking sector in Brazil is growing and ABN AMRO is responding by providing more choice for consumers and linking its brand with corporate social responsibility. In 2004 and 2005, the six largest banks (5 domestic banks and Banco Real ABN AMRO) of Brazil made record profits.

¹ R\$ 1,436 million at the average exchange rate for 2005 of 0.333.

Company management and relations with the corporation

The corporate management board of ABN AMRO in Brazil is also responsible for ABN AMRO companies in Latin America and the Caribbean. 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.

The main strategies and corporate management in Brazil 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.

Employment

At the end of 2004, all ABN AMRO companies in Brazil had a total number of 28,573 employees with fixed contracts, of whom 14,590 were women and 13,983 men. Half of the employees are based in São Paulo, the national financial centre. After the acquisition of Banco Sudameris, ABN AMRO companies in Brazil underwent a process of restructuring in 2003-2004. Employees were assessed and reallocated in other places of the company. However, the lay off of 1,500 was considered necessary, especially after the merging of the headquarters.

In Brazil, as elsewhere, the bank has encouraged clients to use self-service and internet operations. This policy has reduced jobs at the bank especially noticeable at the bank branches. Since December 2004, ABN AMRO has announced major job cuts and outsourcing throughout the world, mostly at its business desks and computer and technology departments. The cost cutting exercises aimed at increasing the value of the ABN AMRO shares and reduce the relative high costs at the bank.

The restructuring is reflected in the fact that since October 2003, 2,500 workers have been laid off at the Banco Real ABN AMRO. In 2004, more people were laid off than new people hired, resulting in a 2% decrease in employment between 2001 and 2004 at the bank.

Relevant aspects of Corporate Social Responsibility

Corporate Social Responsibility (CSR) is assessed here from the perspective of human rights (more specifically social and labour rights) and environmental and sustainability issues being mainstreamed in the business management and operations, and extended to the activities of the suppliers. In Brazil, CSR initiatives are characterised by lack of trade union's involvement, purely philanthropic connotations, and a general purpose of external and internal public relations exercise, with no real long-term impact on the company's core business or that of its suppliers.

The global corporate values of ABN AMRO were defined and disseminated in 1997 as follows: integrity, respect, valuing diversity, teamwork and professionalism.

The sustainability report “ABN AMRO REAL Human and economic values, together: 2003-2004” (May, 2005) describes how the bank has been striving to mainstream CSR within its core business and that of suppliers. ABN AMRO shows a strong focus on sustainability towards the public and in its products. The report raises five challenges: distinguish sustainability and philanthropy; understand that things can change; recognise mistakes; integrate the short and long term to avoid thinking of the immediate future; know how to deal with processes of layoffs and staff reductions.

With the support of the international consulting firm *SustainAbility*, ABN prepared the *Mapa da Jornada* (Road Map), a report on the bank's social responsibility actions. This map is a model for dialogue with the stakeholders to help show and improve what is being done.

To put its CSR policy in practice, in 2001 the bank created the Education and Sustainable Development Department, which is responsible for education and training. Banco Real ABN AMRO explains that it is seriously committed to the economic, social and environmental development of stakeholders, employees, clients, suppliers and society at large, and has numerous CSR actions, programmes and policies.

One stakeholder has, however, been less taken into account and consulted: trade unions. While the bank is open to dialogue, it does not ensure the involvement of the unions in the formulation and implementation of CSR policies (including the Code of Conduct) and programmes, and only consult them afterwards. When designing the “Diversity Programme”, for example, the bank consulted various external advisors and specialists, but did not seek input from the trade union. Union representatives perceive that their input would have contributed to a more consistent programme and could have resulted in much stronger support from the union.

Banco Real ABN AMRO boasts a positive track record in terms of CSR actions, programmes and policies. However, union representatives state that the image the bank projects to consumers, in terms of values and ethics, is not in line with its corporate strategy to focus expansion on the higher income population and areas, discouraging clients to use the bank's basic services with low returns to the bank. This limits the bank's supposed “social role” towards society, as defined in its CSR actions, programmes and policies. Moreover, it leads to a reduction of employment. The bank, in turn, claims its commitment is reaffirmed through the expansion of loans via the “microfinance” programme, which the bank argues is its most important instrument to stimulate economic and social development.

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

1. Micro-finance:

The Real Microfinance program has been offering credit lines between R\$ 200 and R\$ 20,000 (€65 and €6,500) in three major regions. The service aims at “profit, not philanthropy”. Real Microfinance has expanded its portfolio from € 200 thousand and 579 clients in December 2003 to roughly €4.5 million and 8,300 clients in December 2005. The bank also launched certificates of deposit with a face value as low as R\$500 to accommodate the small investor.

2. Socio-environmental financing

ABN AMRO is co-author of the Equator Principles, which cover social-environmental criteria that need to be respected by projects larger than US\$ 50 million in order to be able to apply for extended credit by one of the ten banks which undersigned the principles.

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

According to the bank, credit is not extended or suspended, to companies that don't comply with social and environmental obligations, such as using slave labour or asbestos, or manufacturing weapons. In 2004, Banco Real ABN AMRO rejected the application forms of 27 companies.

In June 2005, the bank launched two financing products, which offer lower interest rates on credit to be used to invest in equipment for ecologically sound projects. Additionally, the bank started the Forestry Savings, a credit line which benefits settled smallholders formerly linked to the Landless Workers Movement (MST).

3. Ethical funds

Since 2001, Banco Real ABN AMRO has an ethical mutual fund composed of shares of companies selected on the basis of their compliance with certain corporate governance standards, and social and environmental policy indicators. The ethical fund had a 163% growth between 2001 and 2004, serviced 9,000 investors, and recently had yields above the average of the Brazilian stock market's index. The amount of assets by the ethical funds of Banco ABN AMRO and other banks in Brazil only represents 1.5% of all shares traded on the Brazilian stock market.

4. Eco-efficiency

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.

Supply chain policy

Since 2001, Banco Real ABN AMRO has been reviewing its procurement policy and working towards adoption of sustainability criteria with its suppliers. The process started with the consultation of a few suppliers. The first results increased the awareness that the constant pressure to cut costs should not financially undermine suppliers. Since 2004,² suppliers had a questionnaire on social and environmental performance criteria annexed to their contracts. ABN AMRO intends to use the questionnaire to assess the current situation, as an incentive to prepare a plan of action for possible improvements, and as a basis to set future criteria for evaluating companies involved in the bidding process.

In its document “A Partnership in Value” the bank defines the guidelines for its policy towards suppliers and contractors. When signing a contract with suppliers, clauses are added regarding principles (such as eradication of illegal, forced, and child labour, discriminatory practices), mutual obligations and monitoring, and penalties for non-compliance. This binding instrument allows the bank to assess its suppliers’ obligations, including through visits to any of the suppliers’ premises and through requesting data sheets, analyses, and company reports. Penalties are proportional to the violation committed and can result in cancellation of the contract in the most serious cases.

Finally, in order to improve its relations with suppliers, the bank has set up a specific department to manage those relations, and a specific internet site to provide information desirable to suppliers (e.g. payment clearances).

During the period of the contract, the performance indicators annexed to the contract are being monitored for the quality of their implementation. The bank presented its Business Principles to its suppliers through its “A Partnership in Value” document. Suppliers have to sign a Terms of Commitment to the bank’s Business Principles that include the following:

Compliance with national laws, including relating to child labour, children’s and adolescent’s rights, discrimination, health and safety of workers, subcontracting, and the environment.

Compliance with contracts and the bank’s Business Principles, policies and norms.

Ethical standards compatible with those of the bank.

The agreement has not been verified by an independent organisation yet, but implementation was planned by December 2005 for cases presenting greater risk.

² ABN AMRO REAL Human and economic values, together 2003-2004, p. 51-53:

3. Labour relations

National labour law is the principal instrument regulating labour relations and conditions in Brazil. Banco Real ABN AMRO believes that Brazilian labour legislation is very rigid concerning the issue of work flexibility. Therefore, when it wants to deviate from labour conditions regulated by law, the bank has a practice to turn to the autonomy of the will of the parties (companies and unions as workers' representatives), in the search for a negotiated solution that comes to accommodate the situation through specific agreements.

Freedom of Association and national union tradition

Brazil did not ratify ILO Convention 87 - Protection of Unions. Although the Brazilian constitution guarantees the right to organise and associate without government interference, it also establishes the so-called "one-union" system. This system assigns one Union to represent an entire professional category in a specific geographical area. This Union is thus effectively granted a monopoly position. The "one-union" system also implies that multiple unions, representing different categories of workers, may be relevant to a single company. Outsourcing increases this problem because subcontracted workers do not belong to the main union that is most active in a company. The law protects the employment of union directors until one year after the termination of their mandate.

Most Unions operate at the municipal level, although some are also active at the state or national level. The law does not recognise federations of trade unions. Although the Federal Constitution allows for union delegates to be appointed at a company level, this provision was not translated in Brazilian labour law. As a consequence there is often no union representation at the workplace. A few unions negotiated the right to form a factory commissions or another kind of representative body.

Company practice regarding the right to unionise

In relation to the respect for union rights, the union representatives unanimously affirmed that they did not suffer any persecution from the company and that no one was laid off because of union work. However, the union representatives complained that freedom of union activity is not total and there is no formal union representation in the bank's buildings. Union representatives have difficult access to employees, especially at the administrative centres, the headquarters and the call centre. According to the bank, this is because access to those workplaces is restricted for security reasons. The union representatives have no freedom to undertake union activities and distribute newsletter or flyers at the workplace. The management acknowledged that union representatives have no freedom of access to the call centre to carry out their tasks or hand out flyers because this would interrupt the work of answering phone calls. The bank's unions reported veiled or explicit pressure from management against union activity within bank branches, against payment of union contributions. This is denied by the bank and the unions acknowledged that this

is not a strategy by the bank's higher management but a veiled practice at lower management levels.

To a request for a space for the union representative of the Employees' Organising Committee at the bank's headquarters at the beginning of 2005, the bank responded by offering a space where workers could meet the union representative, but reiterating that the representative was not allowed to circulate in the building. After initially refusing, the unions accepted and the infrastructure was provided by the bank, but some practical matters were still pending by May 2006.

This lack of access for union representatives and pressure on union activity is reflected in the rates of unionisation. In 2005, approximately 30% of the employees at the ABN headquarters and call centre were unionised, while the figure rose to nearly 70% at the bank's branches where access by union representatives is easier as there are no security checks to stop them from entering. Trade unions have for years requested that the right to organise inside the work place is settled through the collective bargaining agreements. They propose to negotiate a code for managers stating how managers should deal with union representatives inside the bank's premises without veiled pressure and threats against unionists.

Collective bargaining and company practice

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. 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.

National legislation

Collective bargaining was effectively revived in the late 1970's. Collective Labour Agreements (ACTs) and Conventions (CCTs) complement the provisions of the National Labour Law. The conventions are negotiated for a specific sector in a specific region; agreements are based on the Conventions and are negotiated with the local Unions. Agreements and Conventions that are negotiated by the companies are valid for one or two years and determine issues such as wage levels, annual adjustments, benefits and some Union rights.

It is important to note that all the provisions of the collective convention automatically "expire" and lose their validity upon termination of the negotiated period. This means that a company could frustrate the negotiations and cause workers to automatically lose the rights they previously acquired in the collective agreement. Either of the parties can request the Labour Court to decide on the terms of an agreement or convention; however, this process can take years to be concluded. The public authorities can also ask the Labour Court to intervene in the negotiations.

Company practice

The ca. 400,000 bank workers are organised in unions throughout Brazil, politically divided among those affiliated with the National Confederation of Bank workers (CNB) that is linked to the Central Workers' Union Confederation (CUT), and those affiliated to the National Confederation of Credit Company Workers (CONTEC) linked to the Força Sindical union centre. Through federal structures, member consultations and representative bodies, the CNB-CUT organises and centralises the negotiating process to a single list of demands. In order to undertake the negotiations with the National Federation of Banks (FENABAN), representatives of CNB-CUT, federations and, since July 2005, leaders of Brazil's ten largest trade unions plus representatives from several banks are organised in an executive called the *Comando Nacional dos Bancários*. FENABAN is composed of representatives of the leading private banks: Itaú, Bradesco, Unibanco, Banco Real ABN AMRO, HSBC, etc.

Because of this nationally articulated negotiating strategy, the bank workers of CNB-CUT are the only category in the public and the private sector in Brazil to have a national Collective Labour Convention (CCT). The CCT is legally binding for one year, and contains the minimum wage levels and benefits, which are the same for all the workers in the bank sector throughout the country. The CCT normally contains much less than what the unions presented as their demands at the beginning of the negotiation process.

The CCT also guarantees that there are joint committees with national bank and workers representatives, to discuss and establish guidelines or undertake an awareness campaign about issues such as discrimination, workers' health, special working hours and overtime, training, employment generating strategies and stability of union representatives.

Negotiations or discussions within the bank

According to Banco Real ABN AMRO, in 2005, it had relations with 173 unions in all of the 27 Brazilian states. The unions participate in a few Commissions:

Internal Accident Prevention Commissions (CIPA)

Profit Sharing Committee

Employees Organisation Committee (COE)

The union was able to improve the situation in the Profit Sharing Committee by increasing union representatives from one to four. Previously, the Profit Sharing Committee had been composed by 10 bank representatives and one union representative, which lead to a majority defending the bank's interest.

The bank workers unions have the exclusive responsibility over the Employees Organisation Committee (COE). The COE is formed by representatives of union federation fora chosen at state level. It meets at least twice a year and organises seminars and meetings to define its agenda prior to the negotiation rounds with the bank's management. After the end of the negotiating round, the COE reports back to all the federations and unions through a formal report.

Banco Real ABN AMRO recognises this commission as a legitimate forum for negotiation concerning specific questions between the bank and the unions. Although there is considerable discussion with Banco Real ABN AMRO, the union representatives have seen very few concrete results about the issues that they raise and put on the agenda. In 2003, a discussion with the unions about new increased functions of a sales assistant did not come to a satisfactory outcome for the unions. Unions see little willingness by the bank to act on all these issues.

The unions were not offered a possibility to discuss changes introduced by the bank in 2005 regarding more opening hours at a busy branch in a shopping area, and the creation of more accounts being opened at the bank without the creation of new work posts. The union is not allowed to participate in the Job and Salary Plan of the bank although there are complaints about the arbitrariness and lack of transparency in salaries related to jobs and responsibilities. The union does not have access to the employee training policy nor does it participate in the discussion about the allocation of resources.

Discussions and collective bargaining at regional level

Workers' representatives of the Mercosur countries (Argentina, Brazil, Paraguay, Uruguay) organised themselves in 2003 and constituted the ABN AMRO International Trade Union Co-ordination to defend employment, and labour and social rights such as those of the ILO Conventions and in the OECD Guidelines for Multinational Enterprises. In 2003, the unions of the four countries undertook simultaneous activities to raise awareness about the international organising process and their proposed collective demands presented to the bank's regional and global board. At the end of 2004, the ABN AMRO International Union Co-ordination sent the ABN management in Brazil a letter requesting the adoption of their proposed Real ABN AMRO Framework Agreement for the whole Latin American region. This is in line with International Framework Agreements (IFAs), which are negotiated at international level between trade unions and multinationals in order to respect fundamental workers' rights as defined by the ILO.

ABN AMRO responded in April 2005 that it could not subscribe to the terms of the proposed framework agreement but agreed to hold an annual meeting with the Co-ordination without engaging in negotiations. The bank argues that even if there is consensus on many points, local autonomy as well as cultural questions or existing regulations in different countries should be observed. The meeting between representatives of the bank and the union Co-ordination took place at the end of March 2006 at the Banco Real ABN AMRO headquarters in Brazil and is seen as a sign that the bank is willing to go ahead with discussions about a framework agreement applicable for the whole of Latin America.

Labour conflicts

There have been strikes in the banking sector each year from 2001 to 2004. The 2004 strike lasted 30 days, which corresponded to the period of the collective labour negotiation process, but did not result in total closure of all branches of all banks. In 2004, after the third day of the strike,

Banco Real ABN AMRO requested police assistance and resorted to filing police reports against bank worker union representatives, who had to testify at the police station. Banco Real ABN AMRO acted to ensure the respect of the law that guarantees the access to the work place for staff willing to work during a strike.

Access to information

National legislation

In Brazil, the law is inadequate for trade unions to get access to company information. Only the small number of companies whose shares are traded on the stock exchange publish annual financial reports. A special law requires banks to publish the results of their operations in Brazil, even if they are not listed on the stock market. In the event of a plant closure, a company is not required to communicate this in advance to the unions and workers, but any layoff must be notified 30 days in advance.

Company Practice

The accounting statements of Banco Real ABN AMRO are published according to the law but the bank has no formalised way to periodically deliver these data to the unions. In addition, the unions and workers have access to accounting statements, as well as targets and monthly results, through electronic terminals inside the bank's offices, in accordance with the agreement reached related to the payment of the bank's Profit Sharing Scheme. Information not available on the terminals is to be provided by the management. The union complains the bank seldom provides the information and documents formally requested for the negotiating a specific issue, but the bank insists the complaint has no basis.

In relation to profit sharing, access to information is too restricted according to the union, and the union complains that it has not say in the targets set by the bank and the formula by which the benefits is calculated. The union argues that the bank's behaviour, compared to the OECD Guidelines (Chap. IV, item 6) on access to information that has major effects on employees, is inadequate, and that this can be corrected through negotiations with the unions.

Banco Real ABN AMRO has published its latest report about its social balance and sustainability activities in May 2005, called "ABN AMRO REAL Human and economic values, together: 2003-2004", (May 2005).

4. Labour conditions

Child labour

National legislation

Brazil ratified the ILO conventions on Child Labour, such as the ILO Convention 138 on minimum age and ILO Convention 182 on the worst forms of child labour. The legal minimum working age is 16 and at 18 years old persons may accept all forms of employment. From 14 years onwards, adolescents can do apprentice jobs and companies have to set aside 15% of their jobs requiring technical training for trainees enrolled at an officially recognised institution.

Company policy and practice

ABN AMRO's Business Principles do not make a direct reference to these ILO conventions but claim to aim at respecting human rights. In the context of an adolescent citizen trainee programme the bank employs adolescents from 14 - 18 years of age as trainees who perform administrative tasks in its banking business.

Forced labour

Brazil ratified the ILO conventions 29 and 105 on forced labour and the use of forced labour is a crime in Brazil. ABN AMRO's Business Principles do not make a direct reference to these ILO conventions but claim to aim at respecting human rights. Within the bank's own operations, forced labour does not occur.

Discrimination

National legislation and context

The Brazilian Constitution prohibits any discrimination based on sex, race, colour, age, religious creed or political ideas, and discriminatory acts are considered crimes. The country ratified the two principal ILO conventions in this field related to equal remuneration and discrimination. Brazilian legislation incorporated prohibitions related to the payment of different salaries and other working conditions.

In the labour market in Brazil, sex, colour and race have a strong influence on opportunities for work and promotion and affect more women and blacks. Employment in the Brazilian banking sector still show many problems of discrimination. A very significant number of women are working in the sector but few in the higher levels of employment and decision making. Women receive lower salaries even with higher levels of schooling than men, and African-Brazilians earn less than white people in the banking sector, with black women being worse off. Employment in the banking sector does not reflect the multiracial composition of society, with 52% whites and 47% African-Brazilians or mixed race (pardos) as of 2003. No educational differences can fully

justify the salary disadvantages and “entrance barriers” to blacks at banks so that it seems that the banks are at least partly responsible for the situation.

Company policy

ABN AMRO's Business Principles have neither specific reference about acting against discrimination, nor direct references to the ILO Convention in that respect.

Company practice

The occupational situation at Banco Real ABN AMRO in Brazil shows that there is an issue with women and blacks not being able to advance to higher levels of the bank's management and decision making structures. In December 2004, 51% of the employees were women but women held only 12.5% of the positions in the executive board and 30% of the management positions, which indicates that women face difficulties in reaching these positions. Black employees represented 10% of the staff but only held 2.5% of managerial posts, and none in the executive board. In total, in 2004, 86% of the staff was white, the majority of which were women, and 0.2% was indigenous.

In 2005, the Labour Public Attorney filed a civil public action against the five largest banks in the Federal District, including Banco Real ABN AMRO. The banks were accused of discriminating against workers on the basis of sex, colour and age, and refusing to participate in the “Program for Promotion of Equality of All” launched by the Attorney General for labour in April 2005, with the goal to combat racial and gender discrimination. In November 2005, Banco Real ABN AMRO failed to make a deal with the Labour Public Attorney of the federal district concerning the civil public action. The bank's lawyer alleged that it was impossible to establish targets, quotas and timelines for adding particular workers to the staff because the bank's selection criteria are “technical and based on merit”. The bank also declined the Attorney's suggestion that the bank presents an employee admission plan that would adjust its company's staff to achieve a level of diversity similar to that found in Brazil's economically active population.

Banco Real ABN AMRO has taken actions to promote diversity especially in the field of recruitment and selection such as

- higher education is no longer required for certain positions;
- a broadening of the age range for admission, giving more chances to the elderly or young;
- outside and internal communication with language focusing on diversity.

Banco Real ABN AMRO, together with partner organisations, has a Diversity Programme in order to value differences of gender, race/ethnicity, physical conditions, sexual orientation, beliefs and life styles, among others. The bank promotes the programme in its relationship with all its stakeholders: employees, suppliers, clients, shareholders, and society in general. The actions involved relate to five relevant areas: accessibility (adaptation of services and physical spaces), training and education, communication that promotes diversity, attention to diversity in recruitment and careers, and awareness raising activities. There is a Diversity Committee

composed of 20 employees representing African-Brazilians, women and disabled who can address specific issues.

Wages and bonuses

National legislation

The law provides for a national monthly minimum wage of R\$350 (€130³) in 2006 and the possibility for the different states of Brazil to set higher minimum wages. The minimum wage can be lowered if the unions explicitly agree.

Company practice

According to ABN AMRO, its base salary is above that established in the Collective Labour Convention, which applies to the whole financial sector of Brazil.

In May 2005, the average salary of all active employees at the bank was, R\$2.965,67, with the lowest salary at R\$ 836,83 for a 6-hour shift. In addition to the salary, employees receive payments according to the law, the Collective Labour Convention and profit sharing schemes. Benefits such as financial support for day care, special needs children, elementary school education, transport and meals are paid by the bank according to the law or the Collective Labour Convention. Banco Real ABN AMRO provides some financial support or other benefits in addition to those agreed through the collective agreements or law, such as health and pension insurance and scholarships.

The salary and career structures are defined according to the methods used by the bank's internal policy. The union does not participate in the elaboration of the career plan and salary scale, which is considered a non-transparent process.

In relation to the variable remuneration, the union participates in the Profit Sharing Committee but has long standing demands regarding an increase in the amounts paid, a bigger share for the lowest paid, election of union members at the Profit Sharing Committee and greater access to information.

Employees complain that the career and related salary structure is not clear. There are anomalies such as staff with the same function receiving different salaries, and staff getting greater responsibilities without a salary increase.

Working hours

National legislation

In Brazil, the general maximum working week is 44 hours, with one paid day of rest. Uninterrupted shifts may not be longer than 6 hours, totalling 36 hours per week, but the daily

³ At the average exchange rate of 0.372 between 1 January and 30 June 2006.

number of hours can be altered by collective agreement. Some jobs with harsh working conditions have by law less than 44 working hours per week. Collective agreements may provide for a different number of daily working hours and maximum hours per week.

The law provides that there can be a maximum of 10 overtime hours per week and 2 hours per day, and only in exceptional circumstances. Compensation by equal time off needs to be legally given within the same working week but, when agreed in the collective agreement, this can be done through an “hour bank” system over a one-year period.

Company practice

The work shifts for employees at Banco Real ABN AMRO are six or eight hours per day. The average overtime hours in the period June to December 2004 were 2.4 hours per week and 9.6 hours per month. Time off for compensation is to be taken within a month. To calculate the amount of hours that can be taken, 50% can be added to the amount of overtime. At the end of the month, the uncompensated hours are paid in the subsequent month's payroll. There are different interpretations about compensation of overtime hours worked on Saturdays, Sundays and national holidays.

Although the bank claims to avoid excesses and follow the law, Banco Real ABN AMRO was sued by the Public Labour Attorney and fined R\$ 200,000 in 2005 by the labour court of the district of Brasília (Federal District), with an additional fine of R\$10,000 for branch that breaches the court's orders. The bank was ordered to stop requiring its employees to work shifts of more than six hours a day and beyond the legal limit of two overtime hours per day.

Nevertheless, union representatives see little progress in their negotiations with the bank's management regarding day limits, overtime and working weekend payments. The bank has been experimenting with an 8 hours opening of a branch without negotiation with the unions. The Unions demand a negotiation about job generation should the new working hours be extended to all branches in Brazil.

Training

The trade union has no access to the company's employee training policy. The bank provides for some training during working hours at the bank's own training centre. However, there is evidence that staff have often no time to attend certain programmes. Upon request, some training is provided in the form of a CD-ROM. Such a CD include programmes that can require 1 to 10 hours to complete, hours which are not considered working time.

Health and safety

National legislation and context

In Brazil the standards related to health, safety and a wide range of other working conditions are set by regulations issued by the Ministry of Labour. Legislation has introduced Occupational

Health and Safety Committees (OHSC) and ensures the participation of workers in the prevention of occupational accidents and diseases by providing that half of the members must be elected by the workers. The other half of the OHSC is appointed by the company, including the President, who has a decisive vote.

In the banking sector, which has particular activities, the introduction of new technologies, new management methods, productivity targets and the reduction of employees has put workers in Brazil under stress and has lead to occupational diseases, especially Repeated Strain Injuries (RSI) and mental disorders according to the Brazilian Social Security Institute (INSS).

Company policy

ABN AMRO's Business Principles state that the company "provides and maintain a healthy work environment for every employee and we inform and train our employees to work safely and efficiently."

Company practice

According to union representatives, Banco Real ABN AMRO does not fill in the required work accidents reports properly and, therefore, the declared number of labour diseases does not reflect the actual situation. The call centre had the highest number of employees with health problems. The union claims that the major problem is that most employees who become ill are laid off and that personnel with health problems continue to work for fear of dismissal. The unions sees a pattern whereby employees who cannot adapt to organisational or occupational changes are dismissed and that profit growth at the bank is reached at the expense of workers who face work overload and poor physical working conditions. The union representatives claim that the bank does not comply with legislation because the bank's doctor makes diagnoses, often in a way that favours the bank, while the INSS is the official responsible body.

Banco Real ABN AMRO maintains that it complies to the law regarding filling in the work accidents reports and sending them to the union, and regarding medical check-ups. The bank denies that dismissals are related to sick leave but argues that they are related to serious mistakes resulting in poor performance.

Sexual harassment

There is a clear internal policy to prevent all forms of harassment. The bank sees this as an "indispensable condition" to guarantee compliance with the ABN AMRO Corporate Values of integrity, professionalism, team work and respect. There is also a clear structure in place to enforce this policy through the responsibilities of managers, the Auditing and Inspection Department and the Conduct Committee, with the support of Human Resources representatives.

5. Reorganisations, labour flexibility and job security

The acquisition of Banco Sudameris by ABN AMRO resulted in a restructuring process at the company in Brazil during 2003-2004 and the loss of some 1,500 jobs. In 2004, the company invested approximately R\$ 3 million in information channels to allow employees and clients to know about the impact of the integration, various training activities to prepare the employees for the integration, studies to assist communication and integration between the new colleagues, information centres for employees to explain the products of the bank, and an integration bulletin that covered all kind of information.

Employees were re-assessed in relation to the function in which they were employed. Through an internal recruitment process workers were reallocated in any company of the ABN AMRO Real Group. This was challenging for employees who had to work in new functions and new organisational models. Once the possibilities for internal recruitment were exhausted and the two headquarters were integrated, the bank dismissed around 1,500 employees. The bank sought to minimise the negative effects of the dismissals through compensation payments and schemes above the legal requirements and programmes to help staff's reinsertion in the labour market. According to the bank, there was a 33% success rate among those who sought a new job.

Although the bank informed all the employees and the unions about the impact of integration process, including the possibility of dismissals, the union still complains that lack of information did not enable them to negotiate adequately about the dismissals and the protection of jobs.

6. Conclusions

Notwithstanding the high competitiveness of the large domestic Brazilian banks, ABN AMRO has been able to expand in Brazil and obtain very profitable results. This has been the result of mergers and acquisitions, focus on rich clients and rich areas, restructuring and re-allocation of employees, use of IT and call centres, outsourcing and the lay offs of employees. The bank participates, through the National Federation of Banks (FENABAN), in the national collective bargaining system with the representatives of trade unions. Banco Real ABN AMRO gives more than the minimum level of wages, benefits, rights and compensation guaranteed by the Collective Labour Convention. In 2006, ABN AMRO was willing to discuss a framework agreement proposed by a committee co-ordinating unions from the four Mercosur countries.

Some of the major Banco Real ABN AMRO's problems related to labour issues are:

- conviction in 2005 by the labour court of the district of Brasília (Federal District), because the bank requires employees to work shifts of more than the legal six hours a day and beyond the legal limit of two overtime hours per day.
- refusal to participate in the governments "Programme for Promotion of Equality of All" and subject to a civil public action filed by the Labour Public Attorney, because of discriminating against workers on the basis of sex, colour and age;
- a pattern of dismissals of and no special attention to employees who get diseases common in bank work, while the bank argues that those employees fail to comply with its working requirements;
- lack of information to enable unions to adequately discuss dismissals and salaries or profit sharing;
- exclusion of unions from discussing important issues such as employee's training policy, career plan and salary scale, changing of opening hours and CSR policies;
- little possibility for the unions to work within the bank's premises and veiled pressure against unionisation and distribution of union information, although this is not company's policy;
- little or no progress in the discussions with the bank within different committees, about particular issues of importance to employees and unions, such as work shift and overtime hours; payment of overtime; union representation and activity; and better information about and payment from the profit sharing program.

These practices do not comply with ABN AMRO's Business Principles that claim to provide relevant, timely and correct information in an open way "and maintain a healthy work environment for every employee and we inform and train our employees to work safely and efficiently".

This is in contrast with the good record of the bank in the area of CSR, which shows a strong focus on sustainability towards the public and in its products. ABN AMRO in Brazil has launched different products that promote sustainable entrepreneurship and support small entrepreneurs or investors. It has social and environmental criteria to assess loans, which has resulted in loans to companies being rejected. Banco Real ABN AMRO has binding obligations for suppliers, aimed at promoting social and environmental issues, non-compliance to which can result in the termination of the contract.

In order to improve the relations, trade unions make the following recommendations:

- Unions and the Banco Real ABN AMRO board should decide on a document stating which information relevant to the parties involved should be provided, plus the form and periodicity.
- The bank should set in place a rehabilitation programme for employees who are staying after illness.

- With regard to the variable remuneration, the bank should comply with union demands regarding the profit sharing scheme: an increase in the amounts paid, a bigger share for staff at the bottom of the pyramid benefiting by the profit sharing, election of the Profit Sharing Committee members, more information on how the distribution is calculated, on the definition of targets and its application.
- Should the new working hours be extended to all branches in Brazil, negotiations about job generation should take place with the unions.
- Banco Real ABN AMRO should systematically share initiatives with trade unions related to CSR for shareholders, consumers, internal public and suppliers.