

BANK

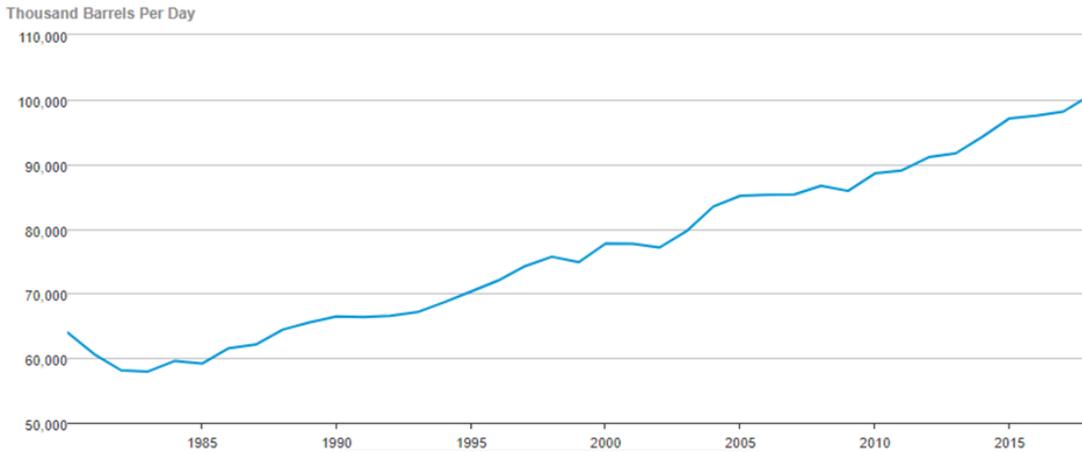
Dutch Banking Sector Agreement – Working group Value chain

Analysis of the Oil & Gas Value Chain

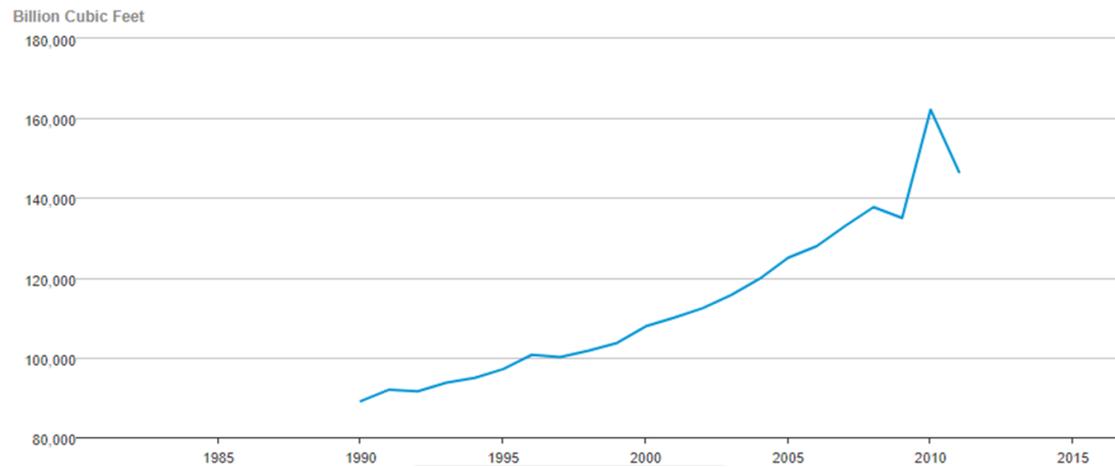
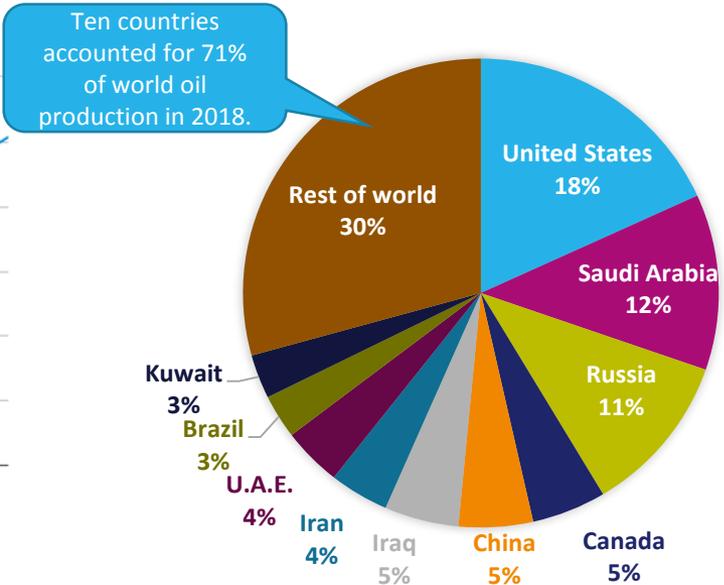
- I. Introduction to the global oil & gas sector
- II. The global oil & gas value chain
- III. Identification of human rights issues in the global oil & gas value chain
- IV. Recommendations for DBA parties active in the global oil & gas value chain
- V. Appendix

I – Introduction to the global oil & gas sector

Global oil & gas production has increased steadily over the last decades



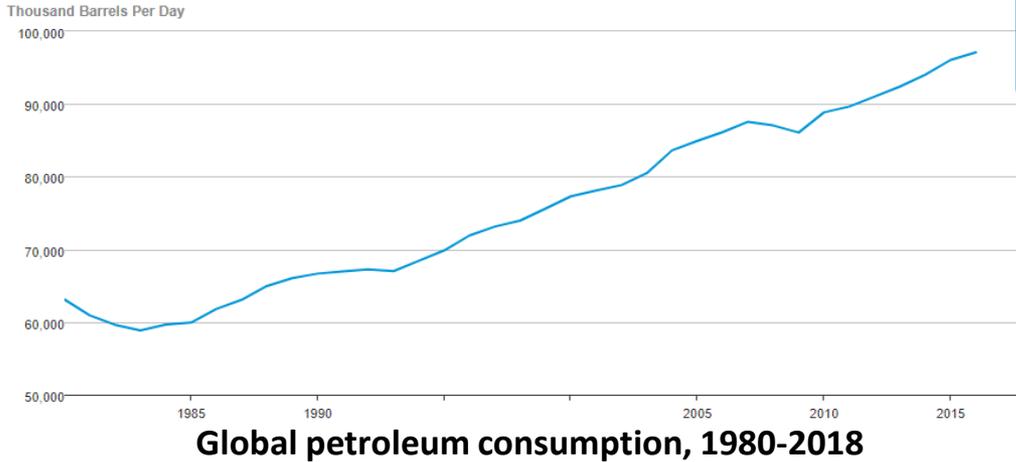
Global petroleum and other liquids production, 1980-2018



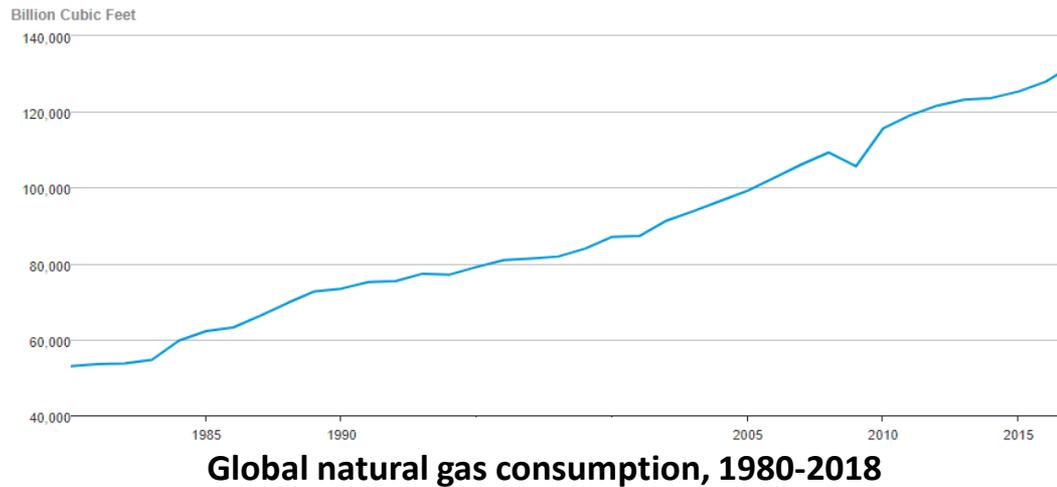
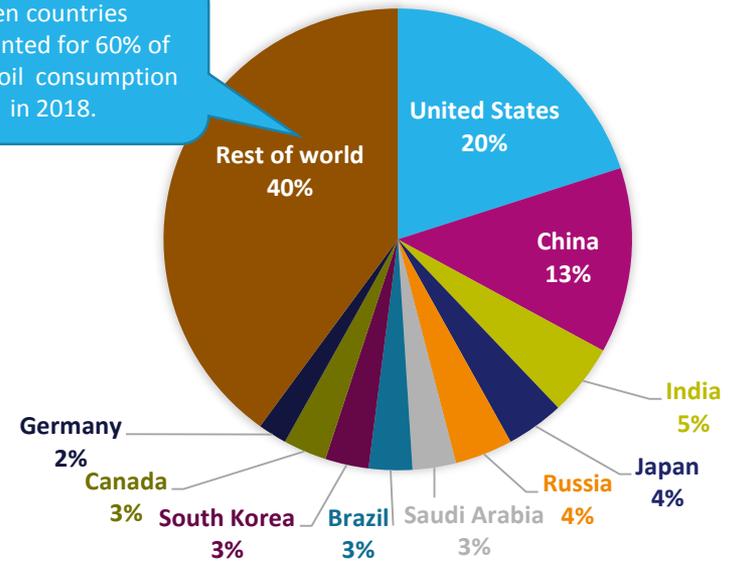
Global gross natural gas production, 1990-2011

Source: EIA, 2019

Consumption has also increased in tandem with production



Ten countries accounted for 60% of world oil consumption in 2018.

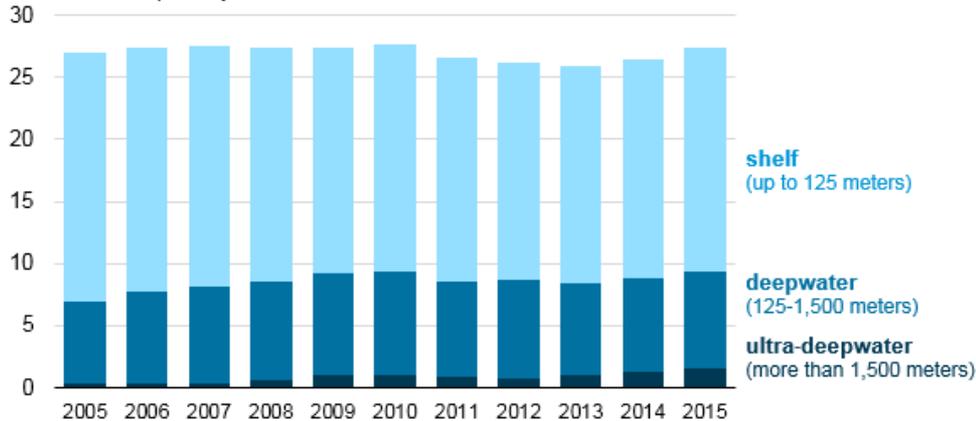


Source: EIA, 2019

Recent trends – offshore oil & gas production

In 2015, 29% of total global oil production came from offshore reserves. Five countries provided 43% of total offshore oil production: Saudi Arabia, Brazil, Mexico, Norway and the U.S.

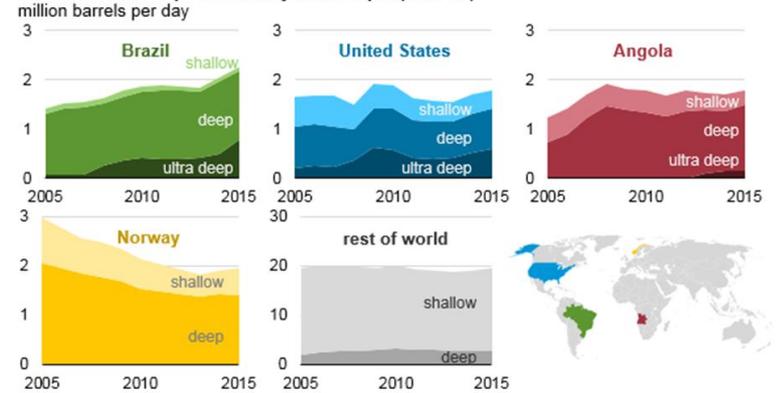
Global offshore production by water depth (2005-15)
million barrels per day



Offshore production has remained fairly consistent in the last decade, and growth in deepwater and ultra-deepwater production has been slow. Although technological advancements have made these areas more accessible, deepwater and ultra-deepwater projects are much more expensive, so the majority of offshore production is in shallow waters.

Currently, Brazil leads the world in development of deepwater and ultra-deepwater projects.

Offshore crude oil production by water depth (2005-15)



Source: EIA, 2016

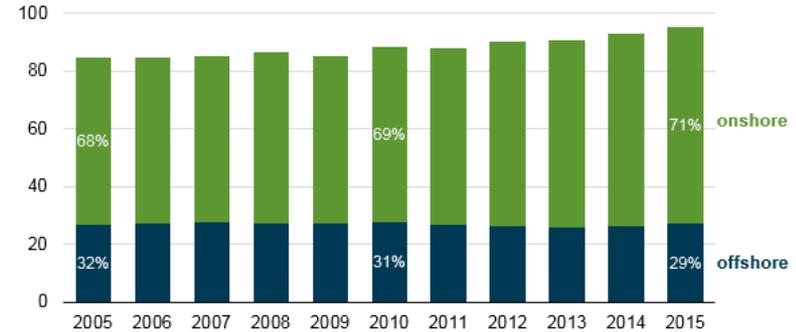


Recent trends – onshore oil & gas production

In 2015, 71% of the world's oil production was from onshore sources. Eight of the top 10 onshore oil fields are located in the Middle East, with the other two located in the U.S. and Venezuela.

The most significant recent development in onshore production is the increase in shale (tight) oil and gas production. This is largely a U.S. phenomenon that has shown significant growth and is not showing signs of slowing down. To date shale oil has been developed exclusively onshore, but development of offshore shale oil discoveries is being contemplated.

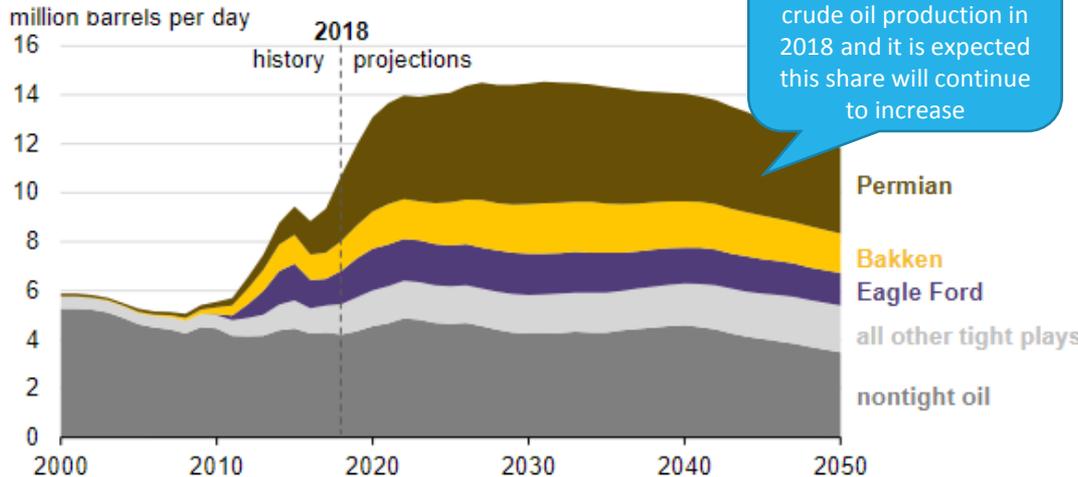
Global crude oil production, 2005-15
million barrels per day



Source: EIA, 2016

These recent increases in shale oil production from the U.S. have contributed to a rate of global onshore production that has outpaced offshore production. The geographic restriction of shale oil production to date is partly because U.S. shale projects have attracted most of the current capital investment from oil and gas companies. Start-up in other countries would require a critical mass of activity and learning. However, Canada, UK and Argentina have developed further, and it is likely that shale oil extraction will spread to other geographies.

Sources: EIA, 2019; IEA, 2019.

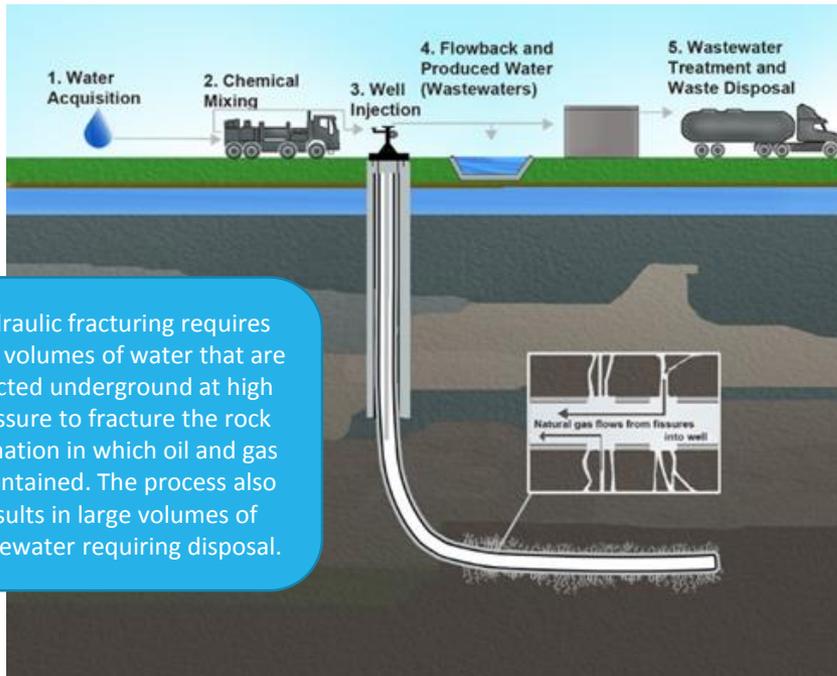


Shale oil accounted for about 59% of total U.S. crude oil production in 2018 and it is expected this share will continue to increase

U.S. historical and projected crude oil production, 2000-2050

Recent trends – onshore oil & gas production (cont'd)

Accelerations in shale oil and gas production have been due to advancements in horizontal drilling and hydraulic fracturing technologies. The practice of hydraulic fracturing comes with new and/or heightened environmental, safety and social challenges including concerns related to water availability and quality, and increased seismic activity in areas where hydraulic fracturing has been undertaken. Public backlash has been an ongoing challenge for shale oil operators.



Hydraulic fracturing requires large volumes of water that are injected underground at high pressure to fracture the rock formation in which oil and gas is contained. The process also results in large volumes of wastewater requiring disposal.



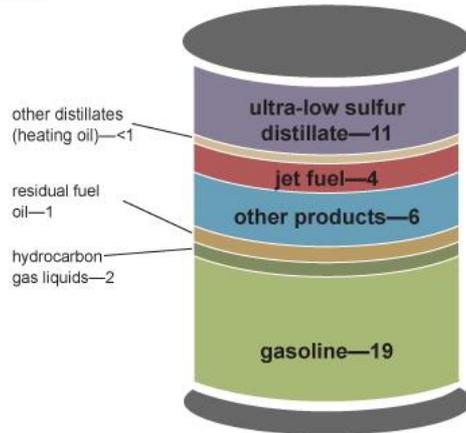
France, Bulgaria, Germany, Switzerland and Ireland have banned or restricted use of hydraulic fracturing technology, with a number of other European countries implementing temporary moratoriums and continuing to consider permanent bans. Four U.S. states have also announced bans.



Oil & gas end products

Petroleum products made from a barrel of crude oil, 2018

gallons



Crude oil is used for fuel products including gasoline, diesel and jet fuel. Other products include waxes, plastics, and asphalt.

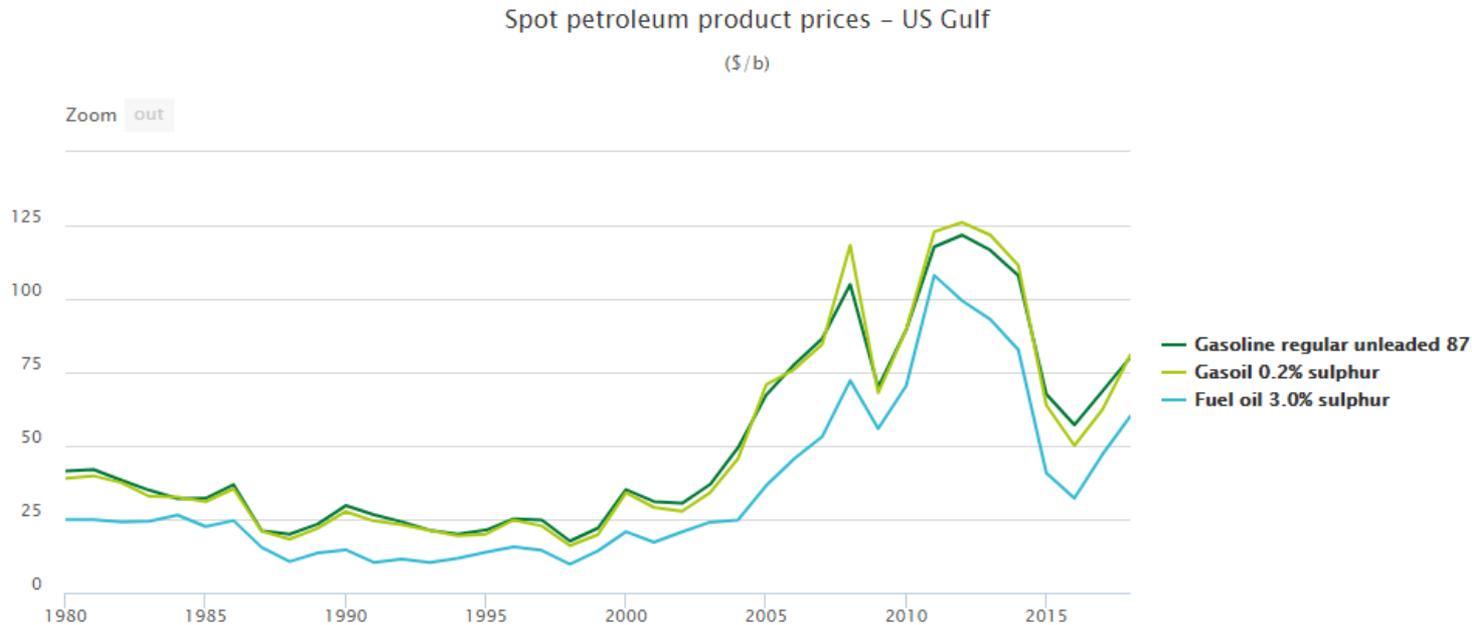
Natural gas is used for commercial and residential buildings for space and water heating, and to fuel many appliances. It is also used for industrial electric power generation. In the manufacturing industry it is used as both a source of heat and a raw input for products such as fertilizer, antifreeze, pharmaceuticals, fabrics, plastics, and a range of chemicals including ammonia, methanol and propane.



Sources: EIA, 2019; Geology.com, 2019

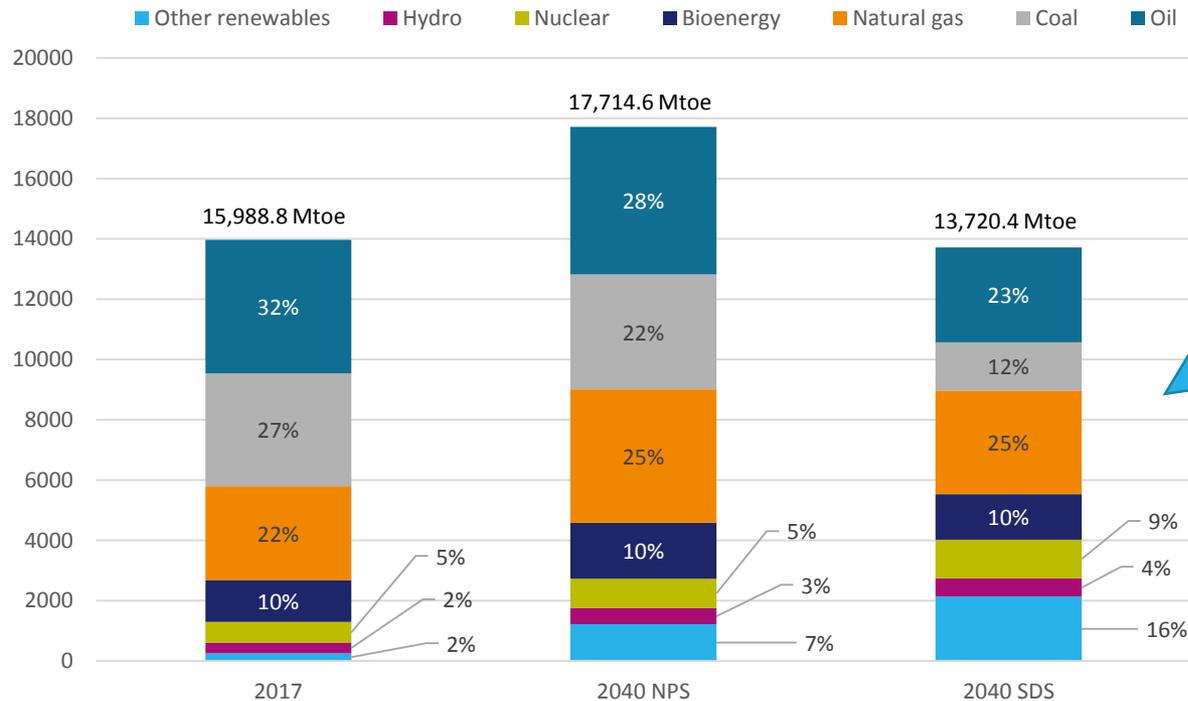
Increasing price volatility in the oil & gas sector

A range of factors can be seen as contributing to the price volatility in the global oil & gas sector including increasing contention in trade negotiations around the world, and growing urgency around climate change (meaning shifts in both government policy and consumer patterns), have made the landscape even more challenging to predict.



Source: EIA, 2019.

IEA expects that oil & gas will continue to have a prominent role in the global energy mix in the coming decades



The IEA modeled two different scenarios for its World Energy Outlook 2018 analysis: the New Policies Scenario (NPS) which incorporates existing energy policies as well as those likely to be implemented as a result of announced policy intentions; and the Sustainable Development Scenario (SDS) that reflects an integrated approach to achieving internationally agreed objectives on climate change, air quality and universal access to modern energy.

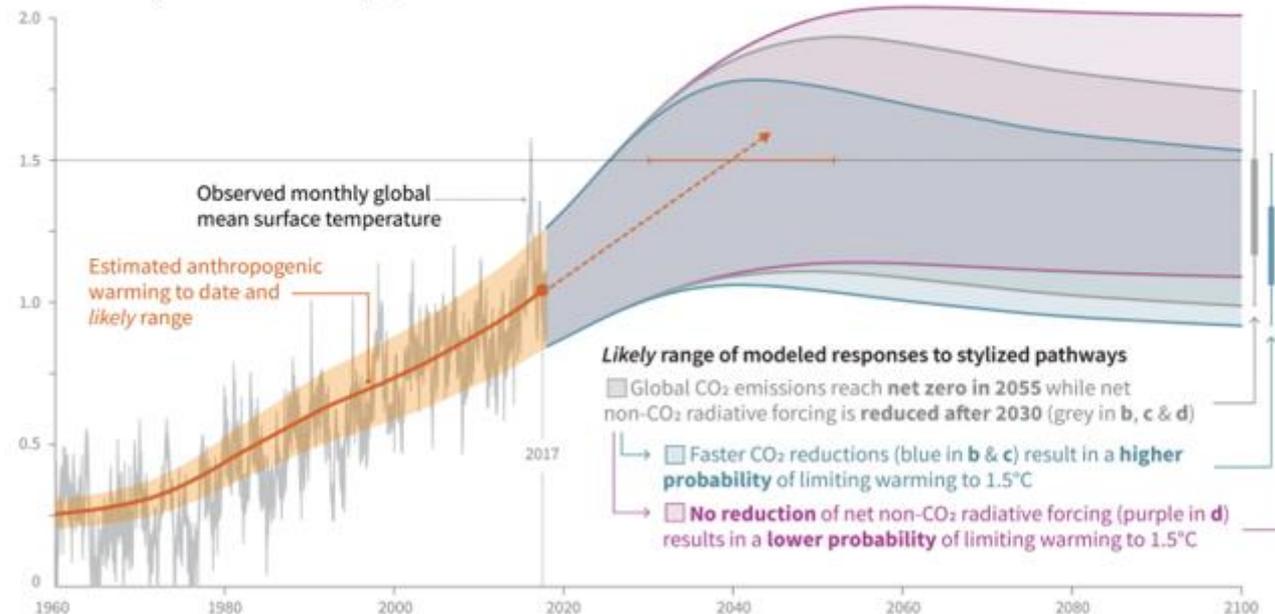
Source: IEA, 2018.

A special report by the IPCC suggests more restrictions to CO₂-producing energy sources is required to meet Paris Agreement goals

Cumulative emissions of CO₂ and future non-CO₂ radiative forcing determine the probability of limiting warming to 1.5°C

a) Observed global temperature change and modeled responses to stylized anthropogenic emission and forcing pathways

Global warming relative to 1850-1900 (°C)



Source: IPCC, 2019.

Climate change experts have criticized the IEA for “normalizing” continued climate change with the use of their 2018 scenarios, and are pressuring the agency to develop a scenario in line with the temperature goals of the Paris Agreement (keeping warming to well below 2°C and limiting the increase even further, to 1.5°C).

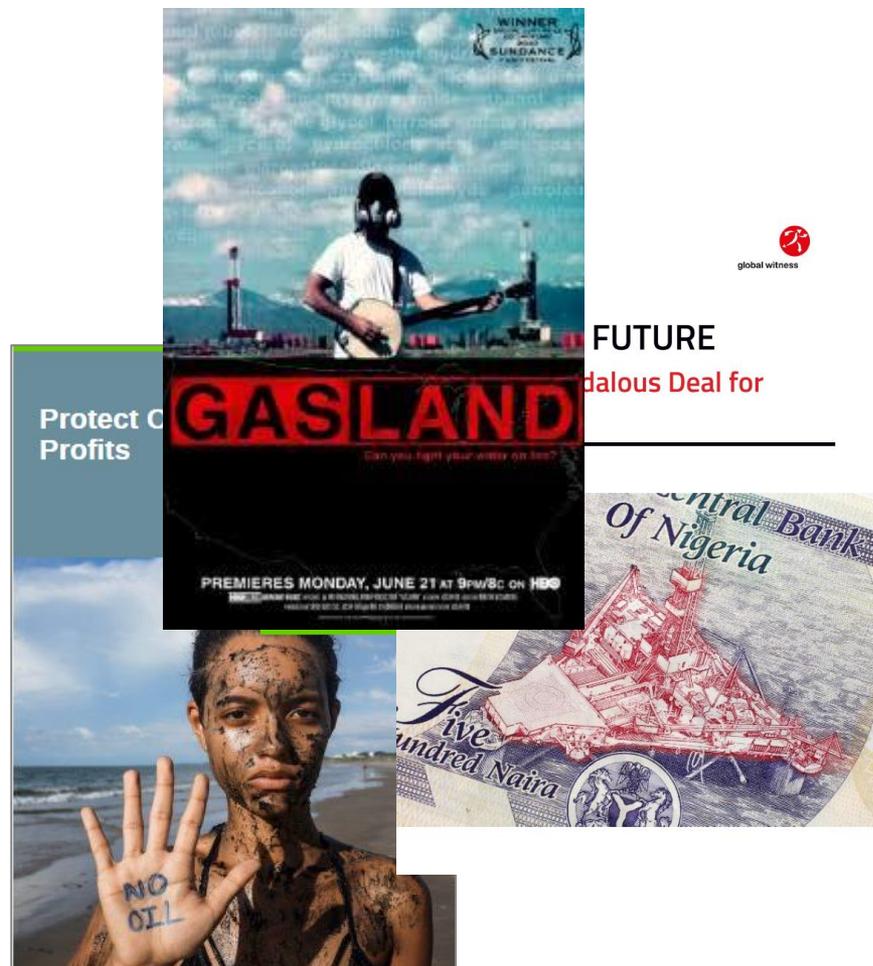
The oil & gas industry has significant environmental and social impacts

The global oil & gas sector faces significant human rights challenges. As the International Petroleum Industry Environmental Conservation Association (IPIECA) states on its website, 'the oil and gas industry operates in some of the most challenging locations in the world, and can face complex human rights-related issues. Oil and gas projects can have a range of impacts on the human rights enjoyment of individuals, groups and communities'.

However, the nature of human rights issues vary significantly across the oil & gas value chain, and is strongly dependent on the phase of the value chain as well as the geographic, political and social context.

Many of these human rights challenges have been documented in reports by NGOs and other civil society organisations.

Source: IPIECA website, 2019.



II – The global oil & gas value chain

The global oil & gas value chain

There are two distinct value chains within the global oil & gas sector, and these are mapped on the following slides. Throughout the value chains, external contractors, service providers and suppliers play an active role.

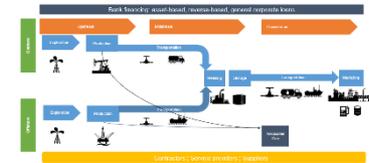
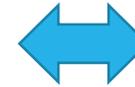
For each of these value chains, the Dutch Banking Agreement (DBA) parties have defined three phases – each with a number of activities:

- **Upstream:** exploration, development and production, decommissioning;
- **Midstream:** transportation, refining, storage;
- **Downstream:** transportation, marketing.

Upstream activities within the oil & gas sector encompass both **onshore** as well as **offshore** activities. International Energy Agency

These types of financing can be both **bilateral** (i.e. provided by a single lender to a borrower) as well as **syndicated** (i.e. multiple lenders jointly provide a loan on the same terms).

Role of banks in the value chain

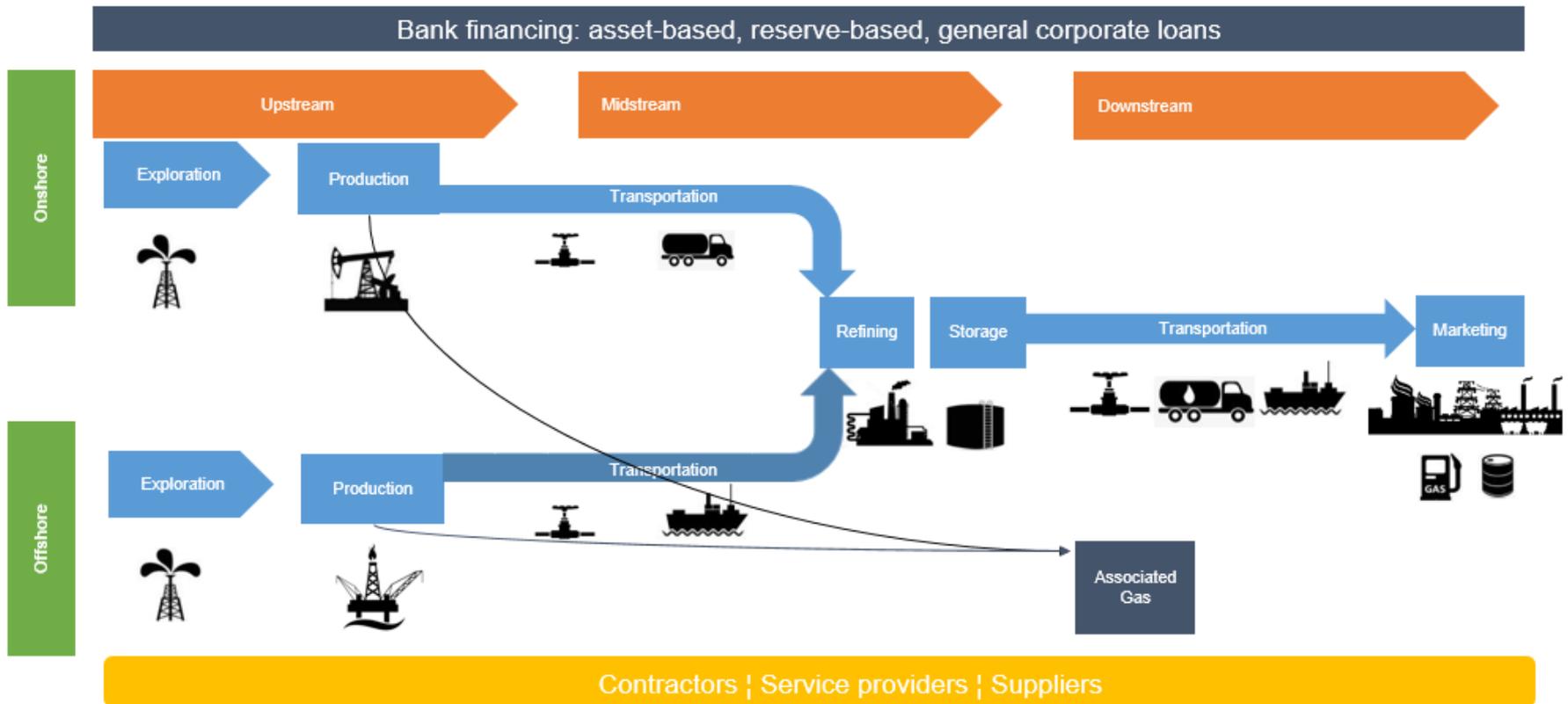


Global banks play an important role in the global oil & gas value chain by providing financing to companies along the entire value chain, from upstream to downstream activities.

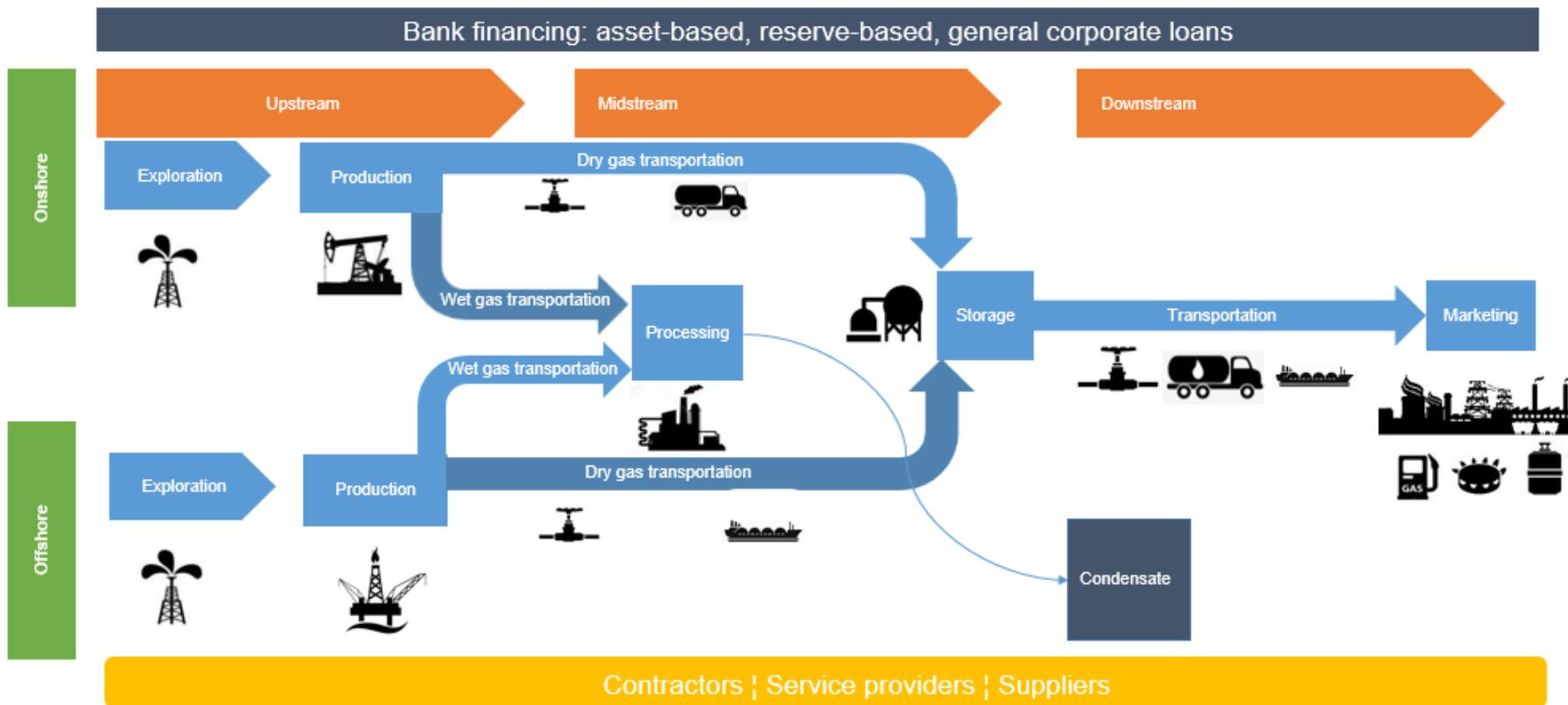
The Dutch banks involved in the DBA identified the following types of financing they provide to companies operating in the oil & gas value chain:

- **Asset-based loans:** capital linked to the borrower's assets (e.g. equipment) that serve as collateral;
- **Reserve-based loans:** loans based on oil and/or gas fields or other assets as collateral;
- **General corporate loans:** loaned capital that can be used by the borrower without being linked to a specific asset/activity/reserve.

The global oil value chain



The global gas value chain



III – Identification of human rights issues in the global oil & gas value chain

Methodology for identifying human rights issues in the oil & gas sector

The oil & gas working group of the DBA was looking to identify and prioritise human rights issues associated with the global oil & gas value chain.

The methodology for the sector-wide analysis was derived from the UN Guiding Principles on Business and Human Rights (UNGPs). This focused on the most likely severe negative human rights impacts associated with the oil & gas sector considering:

- Severity of impact;
- Likelihood of impact;
- Leverage of the banks to address identified impacts.

Whilst this methodology was originally conceived for assessing company impacts, parties and banks chose to equally apply this model to identify and prioritize human rights impacts in the entire oil & gas sector.

The sector-wide analysis focused on **severity** of impact, including a severity analysis based on Scale, Scope and Irremediability, i.e.:

- Scale – gravity of the impact;
- Scope – number of individuals affected;
- Irremediability – the ease with which those impacted can be restored to their prior enjoyment of their right(s).

It was determined that **likelihood** of impact at a sector-wide level could best be determined by considering the **location** of the investment. For this, the working group used existing data sources about the type of human rights impacts which associated with the oil & gas industry in different countries.

To determine **leverage**, parties considered:

- Which actor in or around the chain needs to behave differently?
- Which banks/DBA party/parties is/are best positioned to influence this actor?
- How is the identified bank/DBA party going to influence?

Process of identifying human rights issues

The Oil & Gas working group of the DBA followed an iterative multi-stakeholder process with input from participating banks, NGOs, and government.

The parties first identified a long list of twelve of the most significant negative human rights impacts associated with the oil & gas sector.

These were then further refined to a shortlist of 4 high priority human rights issues. The iterative process fine-tuned results and ensured consensus among the banks/DBA parties.

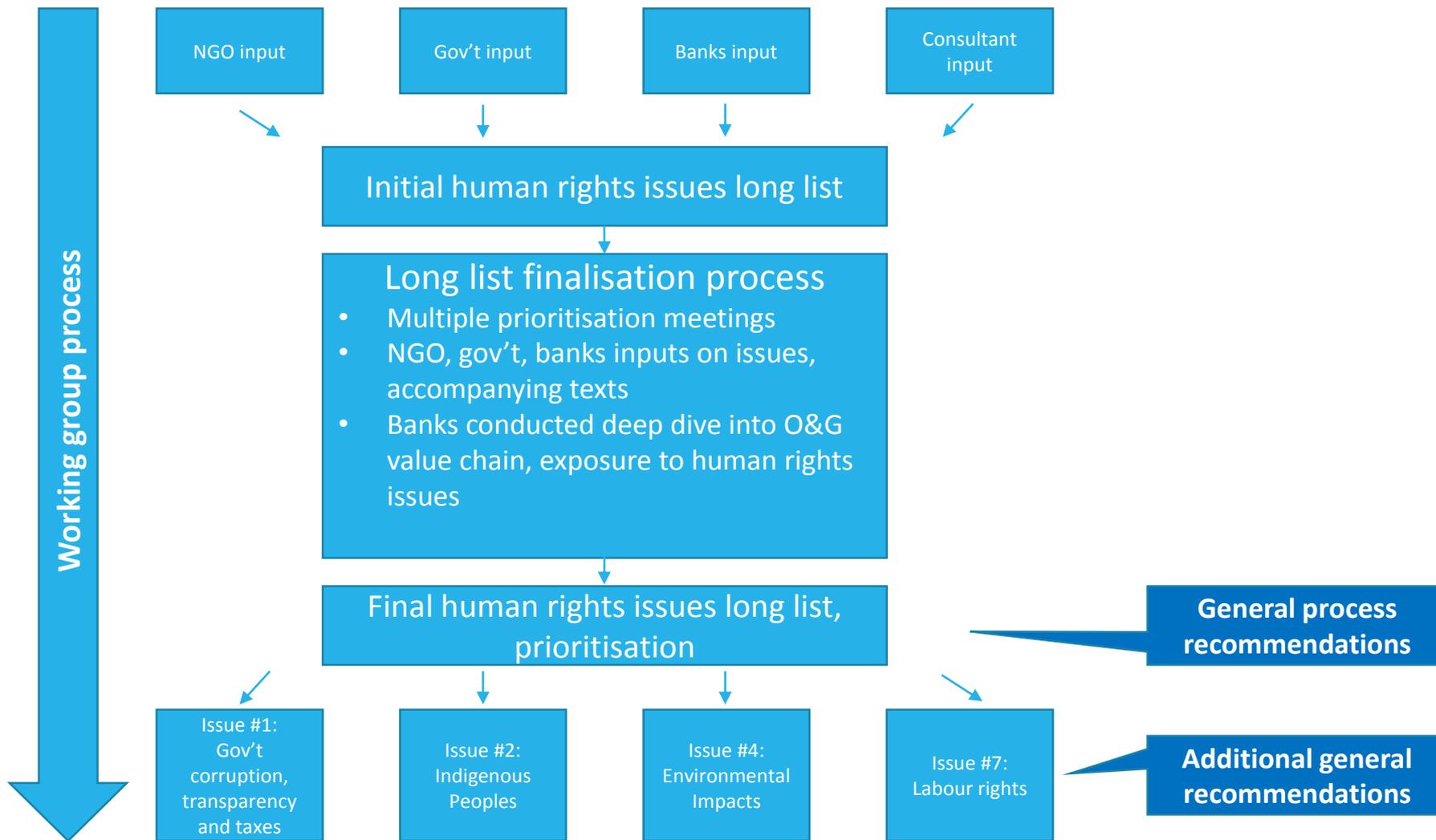
An overview of this process is presented in the next slide, and subsequent slides provide more detail on a number of steps within the process.



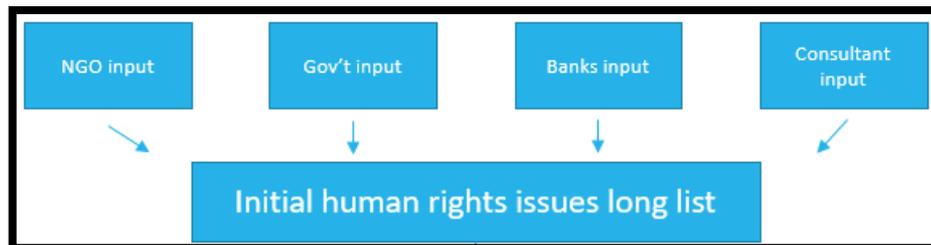
Based on this process, two separate sets of recommendations were identified:

- **General process recommendations** for identifying relevant human rights issues;
- **Additional general recommendations** based on the identification of high priority human rights issues;

Multi-stakeholder working group process overview



Multi-stakeholder working group process overview



This step involved getting **multi-stakeholder input** on developing an initial human rights long list.

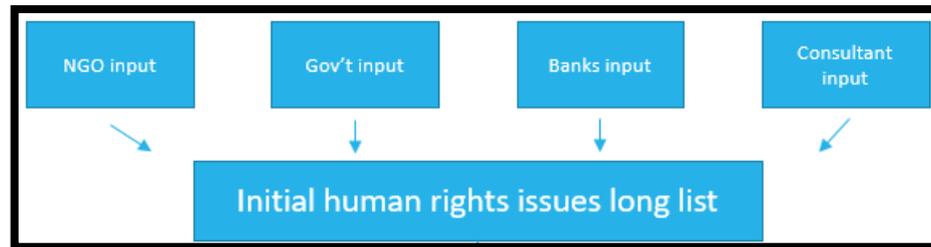
The **banks** provided both a number of inputs:

- A description of their current human rights due diligence in the oil & gas sector;
- Insight into the type of and geographic exposure to the oil & gas sector that they face;
- A description of the human rights issues that they have identified in existing due diligence processes over the past three years;



Examples of activities linked to specific steps within the oil & gas value chain as provided by the banks.

Multi-stakeholder working group process overview



In addition to the banks' input, **NGO** participants provided input on the types of human rights issues that are prevalent in the global oil & gas sector.

This input was based on their expertise, existing publications as well as research and publications from other (civil society) organisations.

Government input was based on an analysis of the banks' initial assessment of the human rights issues as well as a number of government and civil society publications.

All these inputs, in combination with the input from the external consultant, led to the development of an **initial human rights issues long list**. This long list contained information related to the identified risk, a brief explanation, what part of the value chain it was relevant to, the source of the risk, as well as examples of at risk geographies.

The human rights issues could subsequently be 'scored' on a number of relevant criteria as described by the UN Guiding Principles on Business and Human Rights:

- Scale (gravity of the impact);
- Scope (number of individuals affected);
- Irremediability (ease of rights restoration).

Multi-stakeholder working group process overview

Following the development of the initial human rights long list, the working group had three multi-stakeholder meetings in which the long list was discussed.

This led to a **final long list**, in which the texts regarding the issues and accompanying explanatory text was agreed upon by all parties (See Appendix 1).

In addition to the banks' input, NGOs and the government provided input on the types of human rights issues that are prevalent in the global oil & gas sector. A summary of the final long list can be found in the following slides.



During discussions, it became clear that in addition to the UNGP-mandated criteria of scale, scope and irremediability, **two extra criteria** were relevant to determining the relevant human rights issues of particular investments:

- **Location** of the investment;
- **Leverage** of the bank with regards to the financial loan.

The working group also distinguished between two types of risks:

- **Systematic risk** related to the context that oil & gas activities operate in;
- **Impact risk** specific to the activity.

In parallel to the finalisation of the human rights long list, the banks conducted additional research into their exposure to potential human rights issues.

This process culminated in a **Risk Mapping matrix** (presented below) that indicated the likelihood of the individual human rights issues as identified in the long list along the various steps of the global oil & gas value chain.

Multi-stakeholder working group process overview – Human rights long list

The human rights issues long list in the oil & gas sector as identified by the working group include the following issues (see Appendix 1 for full list):

Number	Human rights risk	Risk type (Systematic Risk, Impact Risk)
1	Government corruption, transparency, taxes	SR
2	Impacts on Indigenous Peoples	IR
3	Resettlement/displacement impacts on local communities	IR
4	Environmental impacts	IR
5	Security related human rights issues	SR/IR
6	Legality of oil & gas concessions under international law	SR
7	Labour rights	IR
8	Lack of information and stakeholder engagement	IR
9	Illiberal government, weak human rights protections	SR
10	Harassment of human rights defenders	SR
11	Economic and social disruption	IR
12	(Lack of) access to remedy	SR

The complete long list of human rights issues also contains more detailed information related to the particular human rights risk, such as what part of the value chain the risk is relevant to, and the at-risk geographies.

Multi-stakeholder working group process overview – Banks’ risk mapping matrix

	Risk type	Onshore & Offshore Exploration	Onshore & Offshore Development	Offshore Production	Onshore Production	Infrastructure	Shipping & transportation	Refineries	Decommissioning
Government corruption, transparency & taxes	SR	X	X	X	X	X		X	X
Impacts on Indigenous peoples	IR	X	X		X	X		X	
Resettlement & displacement impacts	IR	X	X			X		X	
Environmental impacts (incl. water & emissions)	IR	X	X	X	X	X	X	X	X
Security related human rights risks	SR/IR		X		X	X	X	X	
Legality of Oil & Gas concessions	SR	X	X	X	X	X			
Labour Rights	IR		X			X	X	X	X
Lack of information and Stakeholder Engagement	IR	X	X	X	X	X	X	X	
Illiberal government, weak HR protections	SR		X		X	X			X
Harassment of HR defenders	SR	X	X		X	X			X
Economic and social disruption	IR		X		X	X		X	X
(Lack of) access to remedy	SR		X		X	X			X

SR: Systematic Risk
IR: Impact Risk

X Low likelihood
X Medium likelihood
X High likelihood

The risk mapping by banks was conducted based on their experience in conducting due diligence in the global oil & gas sector.

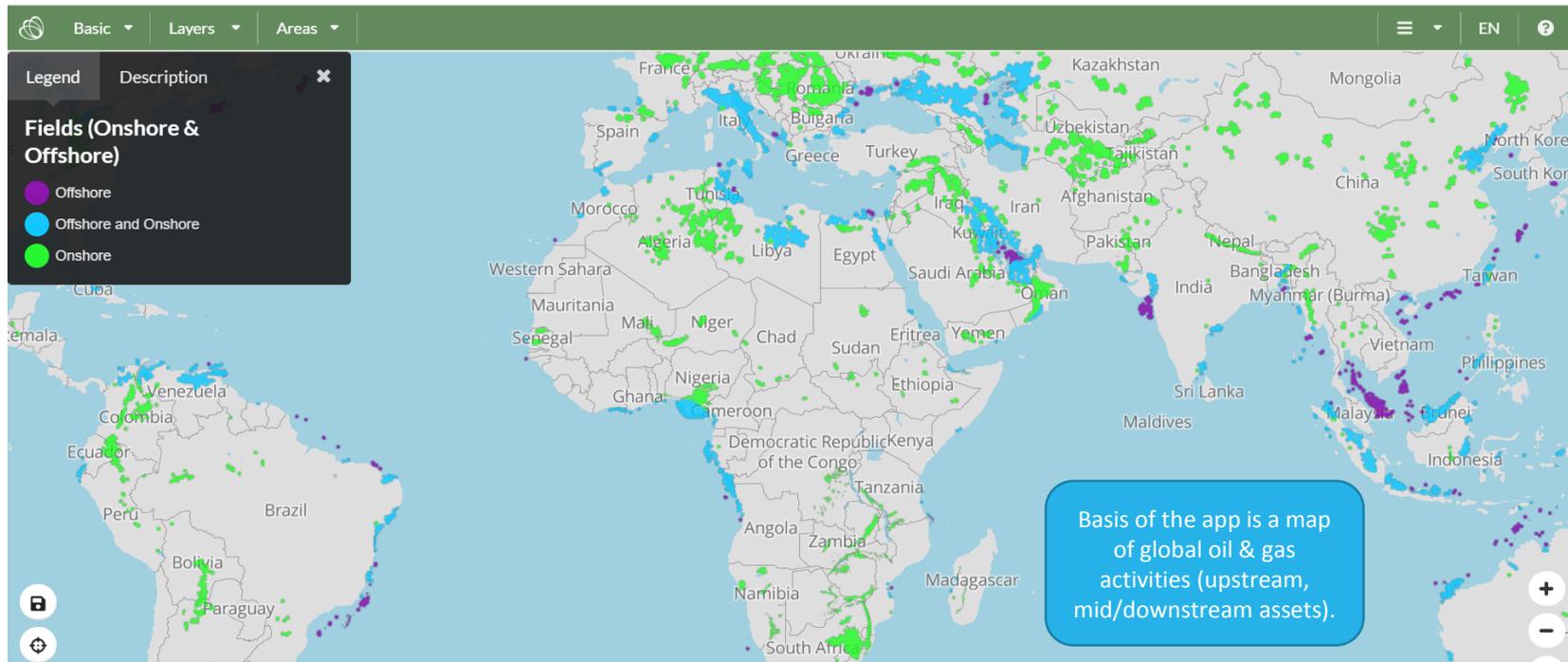
Explanatory notes – banks’ risk mapping matrix

- Weak and corrupt governments are a key driver for systematic and impact risk. When strong governments are involved, it is less likely that Human Rights issues occur;
 - Majority of financed projects are not influenced by systematic or impact risks since these are not based in high-risk geographies
 - Before a project is financed, it undergoes a thorough social and environmental due diligence process based on environmental and social industry standards and best practice guidance developed for the oil & gas sector.
1. Table works to map the risks within each stage of the Oil & Gas Value Chain.
 2. It has been limited to the most notable risks.
 3. Upstream activities are split into ‘Offshore Upstream’, ‘Onshore Exploration’ and ‘Onshore Production’.
 4. Overview of actions generating impact:
 - a) Offshore Upstream impacts from Awarding of Concession and Exploratory Drilling phases;
 - b) Onshore Exploration impacts from Awarding of Concession and Exploratory Drilling phases;
 - c) Onshore Development impacts during Drilling & Installation and Permitting phases;
 - d) Production impacts from Royalties/Taxes and Operating Activities;
 - e) Infrastructure impacts from Awarding of Concession and Construction of pipeline or terminal;
 - f) Shipping & transportation impacts derive from Construction and scrapping of the vessel;
 - g) Refineries impacts generally derive from Construction of the Refinery;
 - h) Decommissioning impacts come from action (or lack of action) necessary to decommission.

Multi-stakeholder working group process overview – Ecometrica

In addition to the working group's efforts to develop and finalise the human rights issues long list, a **geographic risk mapping tool** was developed using the Ecometrica platform. Its purpose was to aid the working group in prioritising potential human rights issues related to activities in the global oil & gas sector.

The tool allows members of the working group to access the location of current oil & gas activities throughout the value chain, from upstream to mid- and downstream. Potential human rights risk proxies have been added as geographic layers to the app. In this way, human rights issues can be better prioritised according to location.

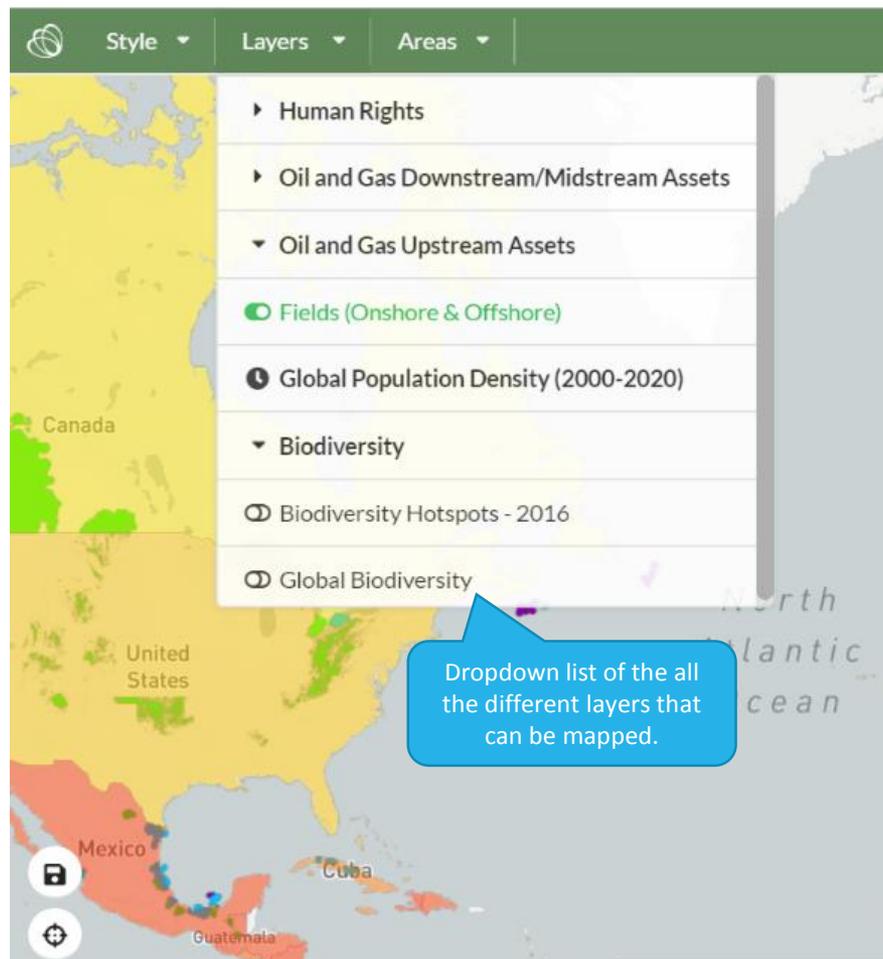


Multi-stakeholder working group process overview – Ecometrica

In addition to an overview of current oil & gas activities around the world, a number of publicly available proxy layers related to the long list of human rights issues were mapped (see screenshots of proxies in Appendix 2).

The analysis carried out by the Working Group has demonstrated that human rights risks and impacts in the oil & gas industry occur along the full value chain, from exploration of potential oil & gas wells to the end-of-life stage of fields and vessels. The oil & gas industry covers the entire globe: from highly regulated countries to developing countries, conflict-affected territories and even disputed territories or international waters. And oil & gas activities may take place either on- or offshore.

The human rights risk profile of oil & gas activities vary accordingly. Therefore, the geographical location of the activities and the specific position within the oil & gas value chain are extremely important for due diligence processes in the oil & gas industry.



IV – Recommendations for DBA parties active in the global oil & gas value chain

The final phase of the working group process focuses on providing **recommendations** to banks and other financial institutions active in the global oil & gas sector, as well as the other parties contributing to the working group – NGOs and government.

The two general recommendations are intended to help better understand what human rights issues are the most relevant for particular activities.

Recommendation #1: Location and value chain position

- **Why & what:** The analysis by the working group has shown that the geographical location of the activities and the specific position within the oil & gas value chain are extremely important for due diligence processes in the oil & gas industry. First, human rights risks and impacts in the oil & gas industry indeed occur along the full value chain, from exploration of potential oil & gas wells to the end-of-life stage of fields and vessels. Secondly, the oil & gas industry covers the entire globe: from highly regulated countries to developing countries, conflict-affected territories and even disputed territories or international waters. Thirdly, oil & gas activities may take place either on- or offshore.
- The human rights risk profile of oil & gas activities vary accordingly. Therefore, when evaluating the human rights risks and impacts of a particular loan, transaction or client relationship, location- and position-specific information must be collected and used in the analysis and due diligence.
- The current recommendation builds upon the globally recognized standards of the [United Nations Guiding Principles on Business and Human Rights](#) and the [Discussion Paper of the Enabling Remediation Working Group of the Dutch Banking Sector Agreement](#).

Recommended actions for financial institutions

1. Set up and maintain a due diligence process whereby location and position-specific information about human rights risks and impacts is considered throughout the course of the loan or client relationship.
2. In order to grasp the specific risk profile of the local context, take into account views of (local) stakeholders such as NGOs, government and labour unions in the information-gathering process.
3. In order to detect any adverse impact and enable early response, urge clients to have effective, operational and site-specific grievance mechanisms.
4. In case of general purpose corporate loans, where not a specific activity is being financed, lenders' due diligence processes should aim to identify and cover the most severe human rights risks and impacts of the global operations of oil and gas clients.
5. In case of financing oil & gas projects in conflict-affected or high-risk areas, perform an enhanced human rights risk assessment that takes into account a) respect for human rights by security forces and armed non-state actors, and b) the potential of projects to fuel conflict.

Recommendation #2: Establish and make use of leverage

- **Why & what:** Banks are linked to the human rights risks and impacts of oil and gas companies through their bank-client relationship. Therefore, higher standards and 'more effective' due diligence are important steps to increase the corporate responsibility to respect human rights in this sector.
- The intended effect of banks' efforts is to compel clients that operate closer to these impacts to prevent, mitigate and remediate human rights violations/abuses in the oil & gas value chain. Furthermore, banks can push for improvements and these efforts may contribute to raising the bar in the oil & gas industry.
- The extent of the effect of banks' due diligence processes and efforts depends, amongst others, on leverage. Joint action is often desirable to increase effectiveness.
- The current recommendation builds upon the globally recognized standards of the [the United Nations Guiding Principles on Business and Human Rights](#) and the [Final Report of the Increasing Leverage Working Group of the Dutch Banking Sector Agreement](#).

Recommended actions for financial institutions

1. Establish extent and nature of the leverage that can be effectively used to work with the borrower to prevent, mitigate and/or remediate human rights risks and impacts. In doing so, take into account the most specific connections between banking activities on the one hand, and the activity in the oil & gas value chain on the other hand.
2. Make use of the bank's leverage to urge the clients to prevent, mitigate or remediate adverse human rights impacts. Incentives, financial or otherwise, may be used to promote more effective human rights management by oil and gas companies.
3. Collaborate, where possible and relevant, with clients, organisations and other banks to increase the potential leverage. With regard to collaboration between banks, the recently published OECD Due Diligence for Responsible Corporate Lending and Securities Underwriting provides concrete suggestions that are worthwhile exploring.

Leverage is not only financial leverage. Contextual (e.g. presence of an Embassy) and information (e.g. contact and insight from local civil society) leverage can also be used.

Introduction to specific recommendations

The analysis of the Working Group has shown that each step of the value chain has its own human rights risk profile. Yet, some risks occur more frequent than others. The risk mapping on slide 26 shows that in any human rights risk assessment for oil and gas activities, the following human rights risks and (potential) impacts are likely to come up:

- Environmental impacts
- Indigenous peoples' rights
- Labour rights
- Government corruption, transparency & taxes

The Working Group hence used a combination of likelihood and severity to draw specific attention to the above-mentioned risks. Therefore, the Working Group has formulated specific recommendations on these topics. It is important to note that these recommendations are not meant to limit the overall scope of due diligence processes of any financial institution linked to the oil and gas value chain.

Specific recommendations – Environmental Impacts

The Working Group wishes to emphasize that environmental impacts and human rights are strongly connected. Certain human rights, especially access to information, participation in decision-making, and access to justice in environmental matters, are essential to good environmental decision-making.

Similarly, climate change and human rights are intimately linked. Adverse impacts of climate change extend beyond the environment to the rights including those to life, health, food, water, housing and livelihoods.

Given the interrelation between environment / climate and human rights, the Working Group emphasizes that the scope of grievance mechanisms and channels to provide access to remedy should be inclusive of grievances regarding the environmental performance of oil & gas projects.

Recommended actions for financial institutions:

1. to require their oil & gas clients to conduct an environmental & social impact assessment, develop an environmental & social action plan and management system based on that assessment, and to periodically report on the environmental performance of each individual project;
2. to require their oil & gas clients to have effective and operational grievance mechanisms that are inclusive of environment-related grievances or complaints by local communities or other local stakeholders for each individual project;
3. to require their oil & gas clients to conduct an alternatives analysis in case the greenhouse gas emissions of a project are (expected to be) more than 100,000 tonnes of CO₂ equivalent annually. This analysis should evaluate less greenhouse gas intensive alternatives

Further, the Working Group recommends that oil & gas companies measure and monitor the greenhouse gas emissions of their business operations and to minimize, mitigate and / or offset these emissions. Due to the project-based nature of especially upstream activities, the Working Group recommends that financial institutions to (also) focus on the carbon intensity of their oil & gas clients.

More information

<http://web.unep.org/divisions/delc/human-rights-and-environment>
https://equator-principles.com/wp-content/uploads/2017/03/equator_principles_III.pdf

Specific recommendations – Indigenous Peoples

Where oil & gas projects take place in or around Indigenous territories, this can impact Indigenous Peoples' rights. Recognizing that FPIC is an ongoing process that constitutes a special standard that safeguards and functions as a means for the exercise of indigenous peoples' substantive rights, the Working Group wishes to draw special attention to the development stage of upstream oil & gas projects.

The Working Group has identified that potential impacts on Indigenous Peoples in the development stage may be overlooked by financial institutions, because banks are typically invited to finance projects that have already passed this stage successfully. The development stage may therefore be out of scope of the current human rights risk assessments of banks.

Recommended actions for financial institutions:

1. to require their oil & gas clients to acknowledge the right of Indigenous Peoples to give or withhold, their Free, Prior and Informed Consent (FPIC) to a project or activity;
2. when invited to finance the development of a project or a producing asset, to include potential impacts on Indigenous Peoples in the exploration stage in its human rights risk assessment.

More information:

<https://www.un.org/development/desa/indigenouspeoples/declaration-on-the-rights-of-indigenous-peoples.html>

Specific recommendations – Labour Rights

The most prominent labour risks in the oil & gas industry concern occupational health & safety, or dangerous working conditions. These risks are most prominent in those stages of the value chain where large amounts of lower-skilled, migrant and subcontracted workers are present, e.g. onshore and offshore development and the construction of midstream infrastructure.

The Working Group also draws attention to labour risks at the construction and scrapping yards of oil & gas related vessels, especially in case of hazardous materials on board vessels. The presence of an Inventory of Hazardous Materials (IHM) can serve to minimise the dangers associated with (recycling) any hazardous materials on board vessels and can also contribute to the safety of crew members during the vessel's working life.

In all cases, social dialogue is an important indicator for labour rights. Social dialogue is defined by the ILO to include all types of negotiation, consultation or simply exchange of information between, or among, representatives of governments, employers and workers, on issues of common interest relating to economic and social policy.

Recommended actions for financial institutions:

1. that are vessel-financing banks to adhere to the Responsible Ship Recycling Standards.
2. to urge their oil & gas clients to enable social dialogue at client and / or project level.

More information

- ILO <https://www.ilo.org/ifpdial/areas-of-work/social-dialogue/lang--en/index.htm>
- Responsible Ship Recycling Standards
https://www.abnamro.com/nl/images/Documents/035_Social_Newsroom/Press_Releases/2017/Responsible_Ship_Recycling_Statement.pdf, <https://www.ing.com/Sustainability/ING-ABN-AMRO-and-NIBC-present-the-responsible-ship-recycling-standards.htm>, <https://www.nibc.com/media/1573/abn-amro-ing-and-nibc-call-to-unite-in-setting-standards-on-responsible-ship-recycling.pdf>

Specific recommendations – Government corruption, transparency and taxes

Government corruption, lack of transparency and tax avoidance are systemic risks that are also linked to the oil and gas value chains which can have severe negative impacts on human rights. For the oil and gas value chains the Working Group assessed a high likelihood of government corruption, lack of transparency and tax avoidance in onshore and offshore exploration and development and in infrastructure. These systemic risks are also prominent in onshore and offshore production and in decommissioning.

National anti-corruption legislation, as well as the implementation thereof, can vary. Further, some practices are not always clearly addressed by national legislation, such as facilitation payments, donations and gifts. Therefore, it is important that companies establish their own business ethics policies supported by codes of conduct or integrity programmes.

Transparency is an important aspect of this topic, particularly with respect to revenue payments to host governments and any advocacy or lobbying activities. Transparency is of vital importance for the accountability of the management of oil and gas resources. If companies avoid paying their taxes, and / or if these taxes do not reach citizens, it often has severe consequences for their enjoyment of human rights. People may have to go without public services such as health care, pensions and education. In other cases, the access to these services is restricted through higher taxation fees for these public services.

The Extractive Industries Transparency Initiative (EITI) is a global standard for promoting open and accountable management of oil, gas and mineral resources. It provides transparency into how revenues ‘make their way through the government, and how they benefit the public’. When implemented by a country, the EITI ensures transparency and accountability about how a country's natural resources are governed. This ranges from how the extraction rights are issued, to how the resources are monetised and how they benefit the citizens and the national economy.

Specific recommendations – Government corruption, transparency and taxes

Recommended actions for financial institutions:

1. To be or become an EITI Supporting Financial Institution.
2. To encourage their oil & gas clients to become an EITI Supporting Company..
3. To urge their clients to establish business ethics policies and integrity programmes, including a zero-tolerance policy towards corruption and bribery.
4. To urge their clients to put in place a) a whistle-blower mechanism where employees can unanimously report suspected acts of unethical conduct such as corruption and bribery, and b) an effective whistle-blower protection framework

V – Appendices

Appendix 1: Human rights long list descriptions

Number	Risk	Systematic risk/impact risk	Explanation	Value chain	Further information	At risk geographies (Based on input provided by banks, NGOs and government)
1	Government corruption, transparency, taxes	Systematic risk	<p>Companies seeking to secure new licenses or to develop projects in emerging markets countries sometimes face government corruption. Oil & gas developments can also fuel corruption at national, regional and local level.</p> <p>The use of political and economic power of companies over governments can lead to changes in laws or policies that have a detrimental effect on the environment, violent conflict and human rights.</p> <p>Government linked bribery or corruption, royalty issues, unequal distribution of benefits and lack of socio-economic development can be articulated as a human rights issue in that corruption undermines the state's ability to protect, respect and fulfil the human rights of its citizens. This affects all human rights.</p>	<p>Dependent on the geographic location and risk level associated with the particular country/region.</p> <p>Can occur in all steps of value chain, but most identified risks are associated with up- and midstream.</p>	See bank presentation.	<p>See Transparency International, WB Governance Indicators, dependent on independence and strength of governments' institutions.</p> <p>Examples include: Angola, DRC, Indonesia, Libya, Nigeria, Papua New-Guinea, Venezuela,</p>
2	Impacts on Indigenous peoples	Impact risk	Where oil & gas projects take place in or around Indigenous territories, this can impact Indigenous Peoples' rights, including the rights to Free, Prior and Informed Consent, to participate in decision-making in matters which would affect their rights, to self-determination, to maintain their distinct institutions, to maintain and develop their political, economic and social systems or institutions, to be secure in the enjoyment of their own means of subsistence and development, to maintain their culture, to preserve their lands, territories and resources, etc.	Mostly upstream - both on and offshore, but also midstream & downstream infrastructure (pipelines, ports, ships, etc.)	<p>See bank presentation.</p> <p>See recent publications on worker camps in remote parts of Canada:</p> <p>https://www.macleans.ca/news/canada/mmiwgs-findings-on-man-camps-are-a-good-place-for-government-to-get-started/</p>	In Indigenous territories worldwide, Canada, USA, Latin America, Northern Europe, Russia, Africa, Australia, etc.

Appendix 1: Human rights long list descriptions

Number	Risk	Systematic risk/impact risk	Explanation	Value chain	Further information	At risk geographies (Based on input provided by banks, NGOs and government)
3	Resettlement/displacement impacts	Impact risk	<p>Resettlement of local communities takes place if homes, shelters, or sources of income within a community (e.g. fishing or farming) are located on land or in marine areas needed for project development and operations. This can have significant impacts on human rights, including land rights, right to own property, right to adequate housing, right to adequate standard of living, right to health, right to work, etc.</p> <p>Displacement can occur in two different ways:</p> <ul style="list-style-type: none"> • Physical displacement is when communities are moved away from the land they use so a business can use it (eg. for physical infrastructure). • Economic displacement is when people lose access to their means of livelihood (eg. displacement from agricultural land, loss of access to fishing grounds due to offshore exploration & production.) 	Mostly upstream (both on- and offshore), but also midstream & downstream infrastructure (pipelines, ports)	<p>See bank presentation.</p> <p>See Business & Human Rights Resource Centre:</p> <p>https://www.business-humanrights.org/en/uganda-communities-displaced-for-oil-related-infrastructure-allege-unfair-compensation-by-oil-companies-total-responds</p> <p>https://www.amnesty.nl/content/uploads/2016/12/AMN_18_24_HANDBOEK_FINAL_web-004.pdf?x43474, p.42</p> <p>There are also guidelines that aim to prevent forced evictions/displacements: https://www.ohchr.org/Documents/Issues/Housing/Guidelines_en.pdf</p>	Worldwide, but most examples are from Australia, Africa, South, Central and North America.

Appendix 1: Human rights long list descriptions

Number	Risk	Systematic risk/impact risk	Explanation	Value chain	Further information	At risk geographies (Based on input provided by banks, NGOs and government)
4	Environmental impacts	Impact risk	<p>Distinction can be made between impacts (1) on livelihood and (2) on health.</p> <p>Clean-up and remediation of spills in emerging markets are often lacking or not to the same quality or standards as in developed countries. Pollution can impact community livelihoods and health. This can affect the right to an adequate standard of living, right to health, right to work, etc.</p> <p>Weaker emissions standards, laws and enforcement of environmental standards in emerging market countries lead to higher pollution, emissions and poor air quality, with impacts on health.</p> <p>Projects or operations might impact the quality or availability of water for use by local communities. This can affect their health and livelihoods. When water availability is reduced due to over-consumption, contamination or other reasons, this can have knock on impacts (e.g. on attendance at school, livelihood, etc. where people have to travel further for water) and can contribute to conflict. Potential rights affected are right to water and sanitation, right to health, right to food, right to work.</p> <p>Burning of fossil fuels, including oil and gas, leads to an increase in the concentration of greenhouse gasses in the atmosphere which causes climate change. Human rights are intimately linked with climate change because of its adverse impact on not just the environment but also on the rights to life, health, food, water, housing and livelihoods.</p>	<p>Throughout the value chain, but most examples cited are of upstream (both on- and offshore) as well as midstream - including pipelines and ports.</p> <p>Downstream is also mentioned (consumption of more heavily polluting O&G products)</p>	<p>See bank presentation.</p> <p>See Eerlijke Bankwijzer cases (Appendix 1)</p> <p>See Dirty Diesel - Public Eye report</p> <p>See ILT report</p> <p>See Amnesty report - https://www.amnestyusa.org/chevron-found-guilty-in-8-billion-ecuadorian-human-rights-and-environmental-case/</p> <p>2018 - Negligence in the Niger Delta (decoding databases Shell & Eni)</p> <p>See CE Delft report</p>	<p>Predominantly in developing countries; Ecuador, Niger Delta, but also The Netherlands. Examples include West-Europe (origination), West-Africa (destination), Nigeria, Peru.</p>

Appendix 1: Human rights long list descriptions

Number Risk	Systematic risk/impact risk	Explanation	Value chain	Further information	At risk geographies (Based on input provided by banks, NGOs and government)
5 Security related human rights risks	Systematic risk as well as impact risk	<p>In some cases, oil & gas extraction is a fuel for conflict, which can impact almost all human rights - and this can be seen as a systematic risk.</p> <p>In addition, security provision (both private and/or public security forces) for oil and gas operations can cause or contribute to human rights abuses - an impact risk. In general, public security forces are more often responsible for violations than private security forces.</p> <p>Security-related risks can affect rights to life, freedom from arbitrary arrest & detention; freedom from torture; right to a fair trial and other civil and political rights.</p>	Upstream, midstream & downstream infrastructure (pipelines, ports)	<p>See bank presentation.</p> <p>Voluntary Principles on security and human rights (www.voluntaryprinciples.org)</p> <p>https://eerlijkegeldwijzer.nl/media/494458/10-2018-po-mensenrechten.pdf</p>	Examples include: Colombia, Iraq, Mozambique, Nigeria, Papua-New Guinea, South Sudan, Venezuela, Western Sahara
6 Legality of oil & gas concessions under international law	Systematic risk	Oil & gas exploration and production in disputed territories may be illegal under international law. It may impact the rights to self-determination and to participation in cultural life, if relevant groups with a claim to the disputed territory/natural resources do not give consent to the development.	Upstream (both on- and offshore).	See bank presentation.	eg. Western Sahara, Palestine, other disputed territories, including disputed territorial waters. http://metrocosm.com/disputed-territories-map.html
7 Labour rights	Impact risk	Labour standards of those working on oil and gas projects, including of migrant and subcontracted workers should be consistent with the ILO Core Conventions. Risks include those associated with dangerous working conditions (right to life), discrimination, forced labour, and freedom of association. Risk of labour rights abuse increases for lower-skilled, migrant and subcontracted workforces, including construction services, maintenance, security, facilities related services, as well as shipbuilding, ship operating (marine) and ship recycling activities - risks increase in regions with weaker regulatory frameworks.	Predominantly for the construction phase of onshore assets as well as the construction and deconstruction of container ships; midstream infrastructure.	See IPIECA guidance on labour rights in the oil & gas sector.	Worldwide, but higher risks of occurrence in countries with weak governance, illiberal regimes. See e.g. ITUC labour rights index.

Appendix 1: Human rights long list descriptions

Number	Risk	Systematic risk/impact risk	Explanation	Value chain	Further information	At risk geographies (Based on input provided by banks, NGOs and government)
8	Lack of information and stakeholder engagement	Impact risk	The right to freedom of expression embraces a right of access to information. Governments, but also private bodies, have a responsibility to identify, disclose and communicate (potential) environmental and human rights risks and impacts of their operations on (potentially) affected stakeholders. In the oil and gas sector, individuals and communities (potentially) affected by the impacts of the operations often experience that key information is unavailable or inaccessible to them and that adequate consultation is not taking place. This adversely directly impacts, amongst other things, rights to information and indirectly impacts their right to health, water, social security and right to remedy as well as freedoms of expression and assembly.	At all stages. Most often a key issue around upstream (both on-and offshore) and midstream phase of the value chain.	See OECD Guideline for meaningful stakeholder engagement in the extractive sector - particularly Table 4: Identifying potential human rights impacts of extractive activities - for a list of potential human rights risk issues and relevant stakeholders. See 2009 - Petroleum, pollution and poverty in the Niger Delta. See also https://www.humanrights.dk/sites/humanrights.dk/files/media/dokumenter/business/hri_a_toolbox/stakeholder_engagement/stakeholder_engagement_final_jan2016.pdf	Relevant to all geographies with oil & gas development, with a particular focus on up- and midstream (e.g. Nigeria).
9	Illiberal government, weak human rights protections	Systematic risk	Oil & gas activities in countries with inadequate/non-existent human rights legislation can easily become directly linked to human rights abuses. In addition, they may experience obstacles becoming aware of such links. Companies and investors run enhanced risks of becoming complicit in human rights abuses, when they chose to operate or invest in states with a particularly poor human rights record.	Predominantly upstream & midstream related to extraction and processing, but also downstream related to the consumption of O&G in geographies with illiberal states, etc.	See CE Delft report (2.3.4); See bank presentation.	Examples include China, Former Russian Republics, Russia, Turkey, Western Sahara, Myanmar

Appendix 1: Human rights long list descriptions

Number	Risk	Systematic risk/impact risk	Explanation	Value chain	Further information	At risk geographies (Based on input provided by banks, NGOs and government)
10	Harassment of human rights defenders	Systematic risk	Human rights or environmental advocates who oppose oil & gas projects may be subjected to harassment, intimidation, prosecution etc. This can affect rights to life, freedom from arbitrary arrest & detention; freedom from torture; right to a fair trial and other civil and political rights.	Predominantly upstream and midstream.	<p>https://www.business-humanrights.org/search-human-rights-defenders/?keywords=&result%5B%5D=defenders_incident&sectors%5B%5D=3779</p> <p>https://www.business-humanrights.org/en/shared-space-under-pressure-launch-of-guidance-document-on-business-support-for-civic-freedoms-and-human-rights-defenders</p> <p>https://www.frontlinedefenders.org/en/reports</p> <p>See also https://www.amnesty.nl/content/uploads/2017/05/HRD-briefing-26-April-2017-FINAL.pdf?x18276</p>	Worldwide, often linked with illiberal governments, but not exclusively so. Examples include 'Partly Free' countries (according to Freedom House) such as Mexico, Colombia and Brazil. Other countries include Canada, the United States, India and Australia.
11	Economic and social disruption	Impact risk (immigration) as well as systematic risk (decommissioning and transition)	Oil & gas projects may cause economic and social disruption which can impact community health, social cohesion, livelihoods and access to public services. For instance, projects may lead to an increase in migrant/foreign workers which may put pressure on public services such as transportation, education, healthcare and reduce access to these services. It can also distort local prices for land, food, and basic necessities. Economic transformation can change social dynamics and impact traditional beliefs. This can affect the right to health, to education, the right to own property, to adequate standard of living, etc. At the same time, decommissioning may cause economic and social disruption due to a necessary transition of the local economy and corresponding job losses.	Especially upstream and midstream	<p>See recent publications on worker camps in remote parts of Canada:</p> <p>https://www.macleans.ca/news/canada/mmiwgs-findings-on-man-camps-are-a-good-place-for-government-to-get-started/</p>	Worldwide, particularly in remote areas.

Appendix 1: Human rights long list descriptions

Number	Risk	Systematic risk/impact risk	Explanation	Value chain	Further information	At risk geographies (Based on input provided by banks, NGOs and government)
12	(Lack of) access to remedy	Systematic risk	When human rights violations and abuses occur, those who are harmed are entitled to effective remedy. The actual measures of reparation will depend on the nature of the harm suffered and the wishes of those adversely impacted. In the oil and gas sector, victims frequently face significant challenges when seeking remedy. These may include a lack of political willingness to ensure remedy, to procedural and legal hurdles which people do not have the financial capital or knowledge to overcome.	Predominantly upstream and midstream, but also some examples of downstream.	Amnesty publication on Trafigura and Ivory Coast. See IPIECA resource: http://www.ipieca.org/resources/good-practice/operational-level-grievance-mechanisms-good-practice-survey/	Worldwide, but often linked with illiberal governments.

Appendix 2: Multi-stakeholder working group process overview – Ecometrica

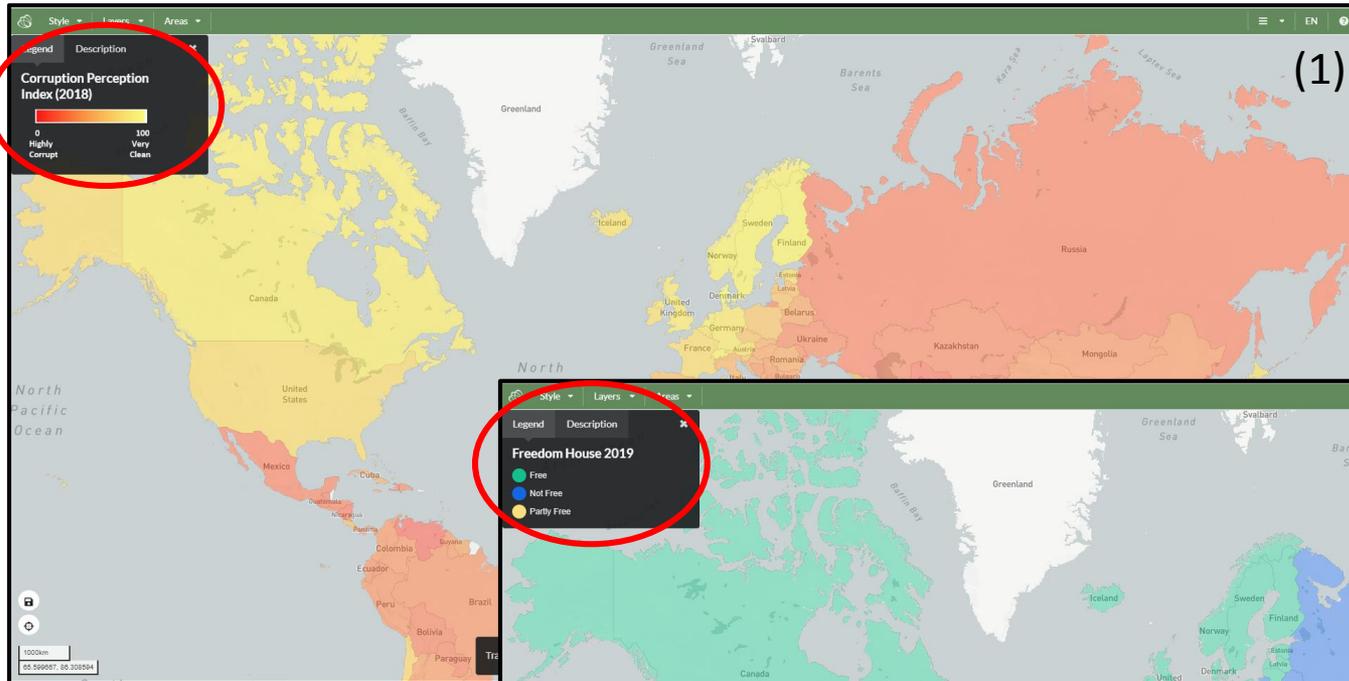
In addition to an overview of current oil & gas activities around the world, a number of publicly available proxy layers related to the long list of human rights issues were mapped - see screenshots of proxies in next three slides:

- 1) Corruption Perception Index (Transparency International) – related to human rights risk #1;
- 2) Freedom in the World 2019 (Freedom House =) – related to human rights risk #9;
- 3) Harmonized List of Fragile Situations (World Bank) – related to human rights risk #1, 5, 9;
- 4) Human Rights Defenders Mortality Rate (based on Front Line Defenders research & UN data) – related to human rights risk #10;
- 5) Human Rights Index (ITUC) – related to human rights risk #7.

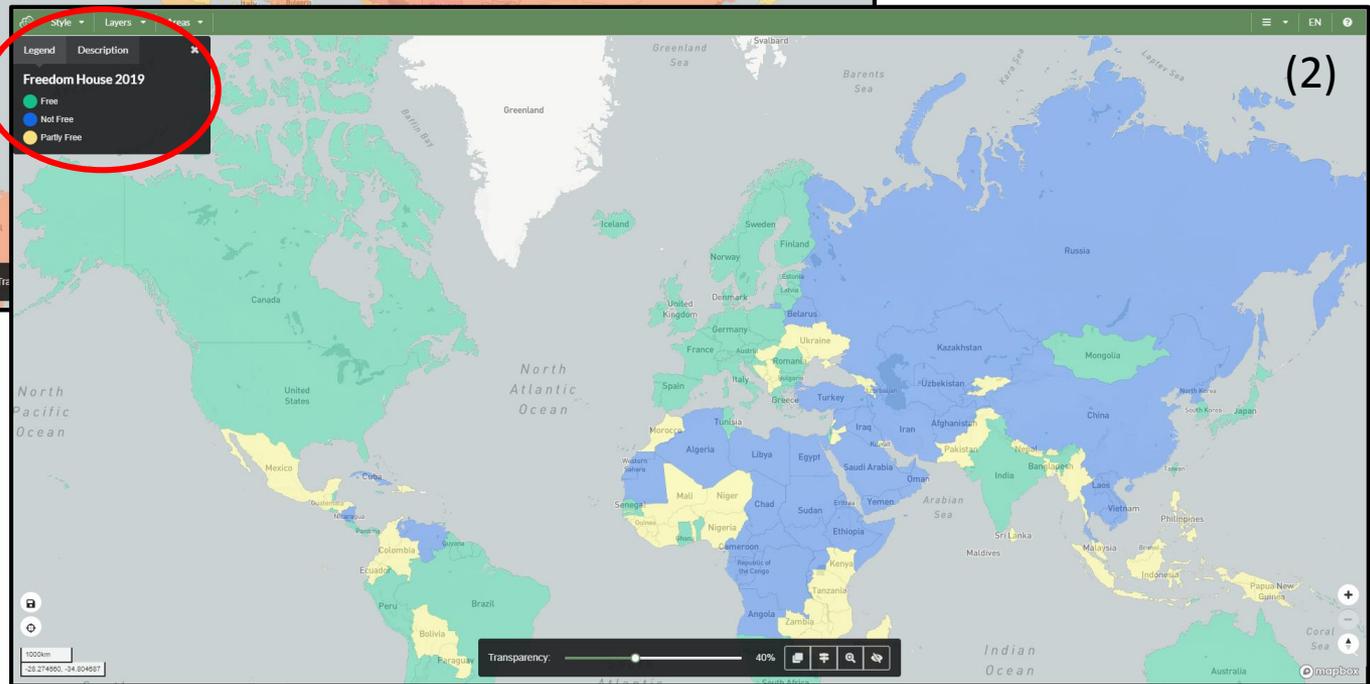
Two other relevant layers were also added:

- Global Population Density (NASA);
- Biodiversity Hotspots (CEPF, Ecometrica) – related to human rights risk #4.

Appendix 2: Multi-stakeholder working group process overview – Ecometrica

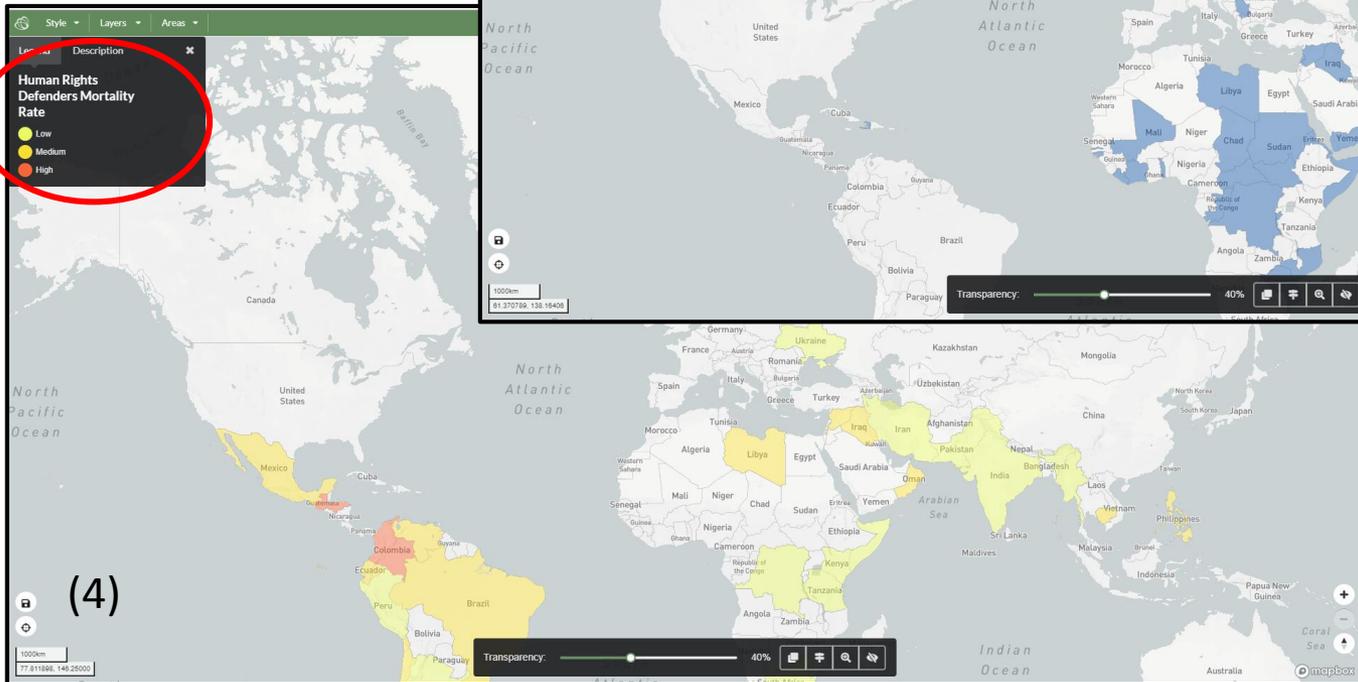


Each human rights proxy shows a different geographic risk level.

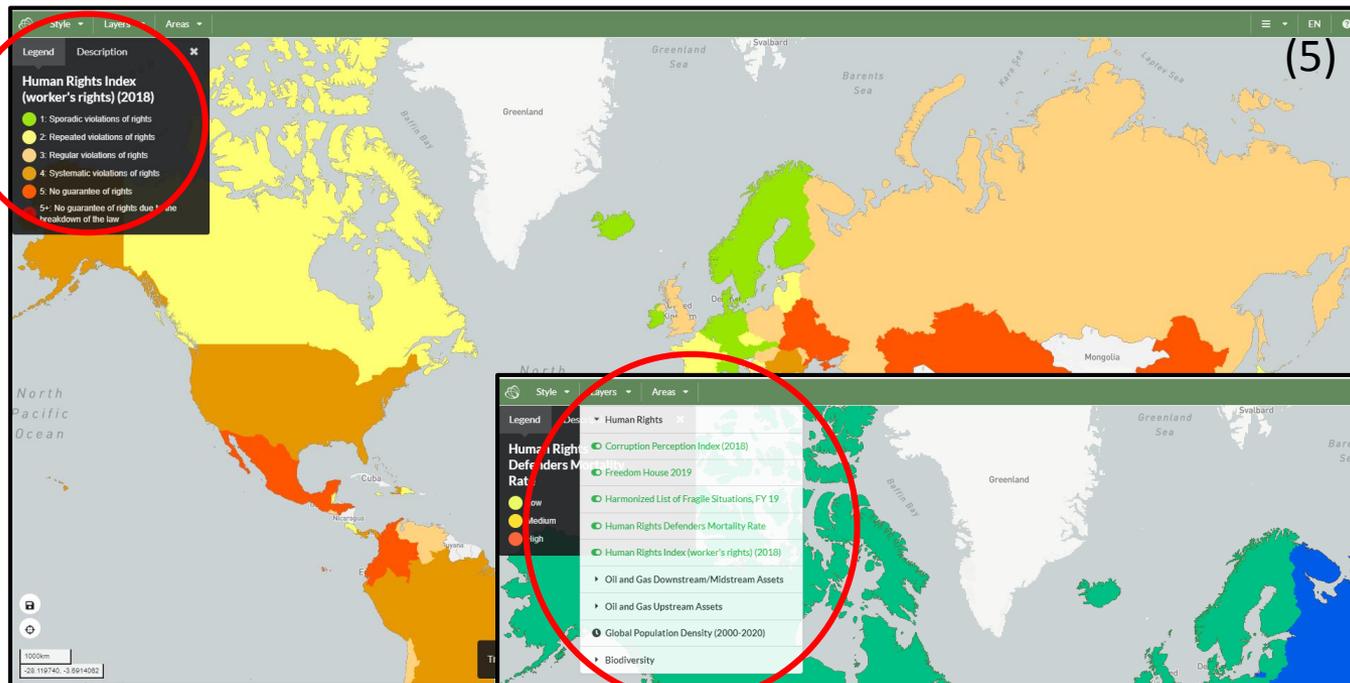


Appendix 2: Multi-stakeholder working group process overview – Ecometrica

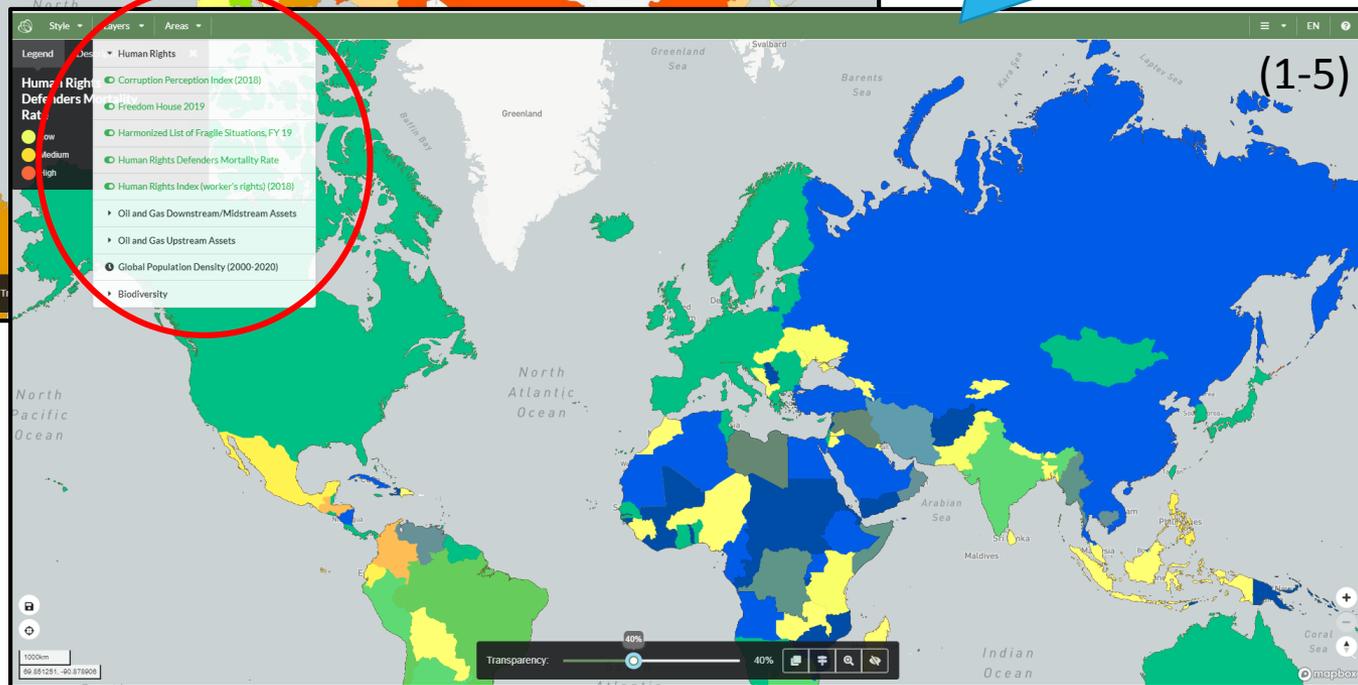
Both the Harmonized List of Fragile Situations (3) as well as the Human Rights Defenders Mortality Rate (4) are not applicable to all countries.



Appendix 2: Multi-stakeholder working group process overview – Ecometrica

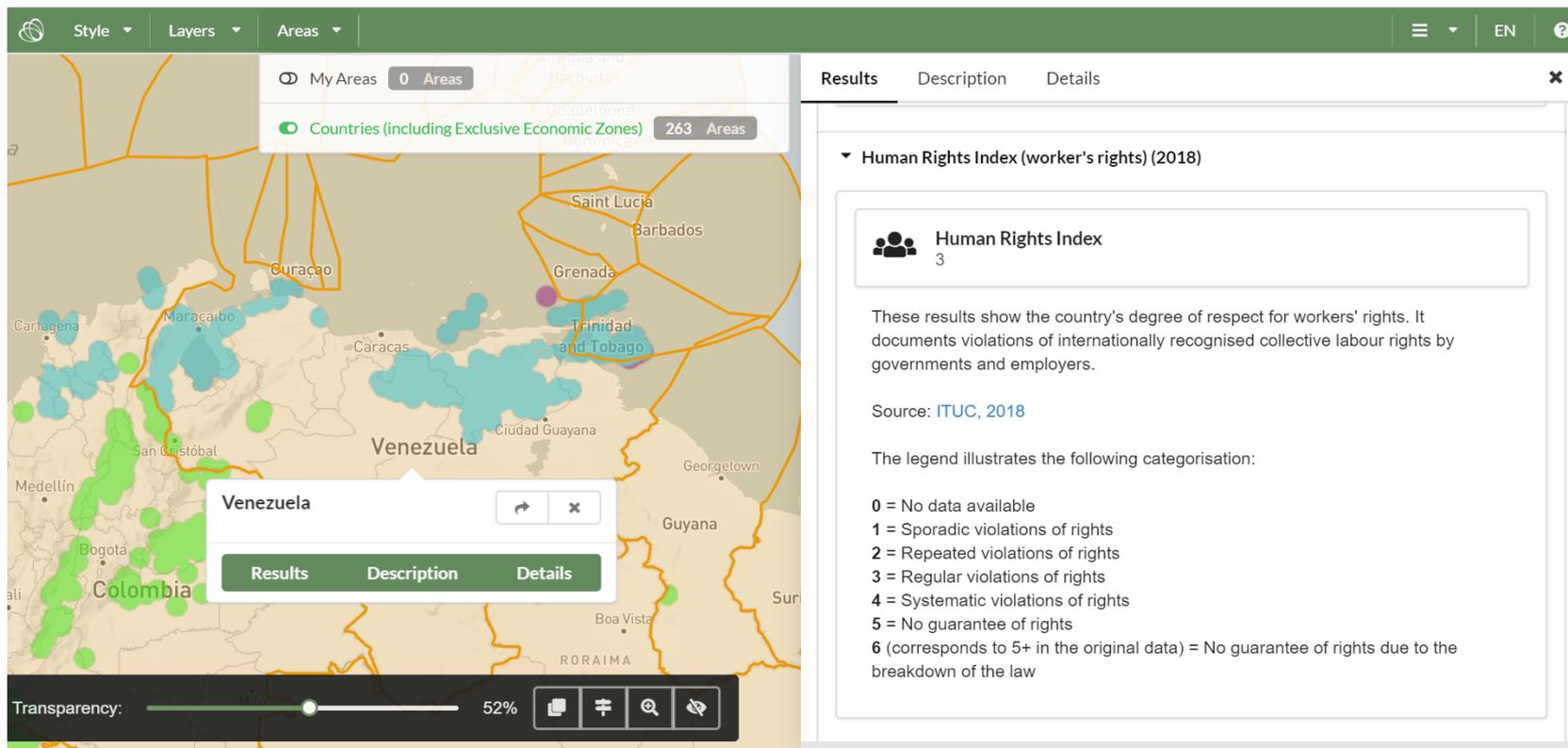


When combining all five human rights proxies, no clear geographic focus related to human rights issues can be identified.



Appendix 2: Multi-stakeholder working group process overview – Ecometrica

The geographic risk mapping tool also makes it possible to select an individual country and access information related to the oil & gas activities, the human rights issues as well information related to population and biodiversity.



Appendix 3: Composition of the working group

- ING
- ABN Amro
- Ministry of Foreign Affairs
- Pax for Peace
- Amnesty

We welcome your support!

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