INTERNATIONAL CHAMBER OF COMMERCE
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Sustainable Trade Finance: Context

Banks are facing increased expectations of their shareholders, customers, investors and other stakeholders (regulators, civil society) that their trade finance transactions will support goods or services produced in a manner that minimizes adverse environmental and social impacts or risks and promote environmental protection or social benefits ("Sustainable Trade Finance").

Sustainable Trade Finance: Solutions and suggested approaches

To help banks meet these expectations and operationalize sustainable trade finance, ICC's Sustainable Trade Finance Working Group is developing a set of guidelines applicable to trade finance and supply chain finance transactions with a focus on agricultural commodities, to be followed by a dedicated training module.

Customer Due Diligence

One of the main approaches to delivering sustainable trade finance relies on integrating sustainability criteria into customer due diligence processes.

The working group developed the following customer due diligence sustainability questionnaire after extensive rounds of feedback amongst working group members and selected National Committees and validation by the ICC Banking Commission Executive Committee. We encourage all banks providing trade finance services to use it and to integrate environmental and social due diligence in their Know-Your-Customer processes.

The questions included are recommendations, allowing banks to initiate conversations with clients on their sustainability commitments, capacity, track record and gather more insights into their clients' supply chain sustainability and sourcing of commodities. Banks' individual management strategies, reputational and credit risk policies will determine how the outcomes of the questionnaire and answers collected are to be considered.

The working group acknowledges that some banks already have sustainability policies in place, especially those with dedicated Sustainability/ESG teams, however more needs to be done to align trade finance provision with the sustainability imperative – by banks of all sizes across all geographic regions.

We also encourage banks to think broadly about the potential for using this questionnaire, as well as other solutions being developed by the working group, for bank customers at different levels of supply chains.

INTERNATIONAL CHAMBER OF COMMERCE
33-43 avenue du Président Wilson, 75116 Paris, France
T +33 (0)1 49 53 28 28 F +33 (0)1 49 53 28 59
E icc@iccwbo.org www.iccwbo.org

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Customer Due Diligence Questionnaire Template

When considered appropriate by the financial institution, eg. when potential Environmental, Social and Governance (ESG) risks are identified with a client's operations, or when there is adverse client publicity relating to ESG issues, a direct client follow-up is necessary to gain a better understanding of the client's activities and the related risks.

The questionnaire below provides a template with questions that address trade finance client sustainability due diligence.

Discussion Details

- Client Name:
- Client ID:
- Date of discussion:
- Report Documented by:
- Type of discussion: In person / via conference call
- Bank Participants (Name & Title):
- Client Participants (Name & Title):

Discussion Categories

- **Business overview** (for client company and corporate group)

  - How many employees does your company have?
  - Specify your industry sector
    Refer to NAICS codes or NACE codes
  - Describe the nature of your business
  - Confirm in which country your HQ are located and in which countries you have operational sites

- **Sustainability Commitments**

  - Does your company have policies that cover sustainability issues?
    If Yes, please share
  - Does your company commit to international conventions and or internationally recognized best practices? Eg. signatory to the UN Global Compact, member of the RSPO or committed to any other standard / certification scheme
    If Yes, please share which ones
  - Does your company monitor performance on these commitments?
    If Yes, who measures such performance (eg. own internal measurements or independent evaluator) and how (eg. Key Performance Indicators)?

- Does your company have any commitments or requirements for independent certifications?
  If Yes, can you confirm which certifications?

Sustainability Capacity

- What are the resources available to execute the policies and implement the commitments on sustainability?
- Does your company have a sustainability team? If so, please provide size and core tasks
- Does your company track, trace and escalate sustainability issues? If so, please describe (eg. use of management systems)
- Is your company engaged at Board Committee / Director / Owner-level on sustainability issues? If so, please explain how
- Does your company undertake any screening or auditing of suppliers on sustainability criteria?
  If Yes, please explain detailed process

Sustainability Track Record

- Does your company publish any sustainability reporting information eg. annual sustainability report / section in your annual report?
  If Yes, please share
- Has your company received any fines, notices, violations in relation to sustainability issues in the last 3 years?
  If Yes, please share details and explain remediation plan implemented/to be implemented
- Has your company had any licenses or certifications related to sustainability issues suspended or revoked in the last 3 years?
  If Yes, please share details and explain remediation plan applied/to be applied in order to address this

Supply Chain

- Describe your company's role in the supply chain eg. producer, trader, manufacturer, transporter, retailer, other
- Describe your company policies about your suppliers. Does your company have a supplier selection policy that includes sustainability criteria?
  If yes, please provide us a copy
- Does your company have visibility of your top tier suppliers in relation to their practices on sustainability (environmental, health, safety, labour, human rights, security, social issues) and their track record (eg. fines)?

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- Do you source from countries you consider high risk from a sustainability perspective?
  If yes, which countries, and how do you assess and manage the risk?

Commodities (applicable only if your company produces, trades or sources commodities)

- Which commodities is your company producing / trading/ dealing with?
- Where are the commodities originally produced? Where do you directly source them?
- What kind of checks do you perform on the supplier of the commodities in relation to sustainability (eg. negative media, certification, fines, civil society and NGO issues raised)
- Do you source from countries you consider high risk from a sustainability perspective?
  If Yes, which countries, and how do you assess and manage risks?
- Does your company undertake any screening or auditing of commodity suppliers against sustainability criteria?
  If Yes, please explain detailed process
- Does your company have any commitments or requirements for commodities to be independently certified (if applicable)?
  If Yes, which ones?
- Do you have a supplier's code of conduct and is that signed by your suppliers?

Other Information

Detail any other information that is relevant about your sustainability record. Reference any public information, industry guides/publications, as well as engagement initiatives with stakeholders such as suppliers, local communities and NGOs.