4. Issue policies

4.1 Biodiversity

4.1.1 What is at stake?

The planet's biological diversity -its ecosystems, species and genetic material- is an integrated and intricate web of life that provides substantial economic, cultural, recreational and ecological benefits to humanity. The relentless and accelerating loss of this biodiversity is one of the world's most pressing environmental concerns. Quite apart from the potential costs and risks of biodiversity loss including habitat destruction, loss of ecosystem services and curative plant materials, and threats to food security, the stewardship of biodiversity is also the moral and ethical responsibility of humanity.

An excellent overview of this issue is provided by the Millennium Ecosystem Assessment, which was published in March 2005 involving the work of more than 1,360 experts worldwide. The findings provide an current and all-encompassing scientific appraisal of the condition and trends in the world's ecosystems and the services they provide, as well as the scientific basis for action to conserve and use them sustainable. The MEA concluded: "Over the past 50 years, humans have changed ecosystems more rapidly and extensively than in any comparable period of time in human history, largely to meet rapidly growing demands for food, fresh water, timber, fibre and fuel. This has resulted in a substantial and largely irreversible loss in the diversity of life on Earth."

"The changes that have been made to ecosystems have contributed to substantial net gains in human well-being and economic development, but these gains have been achieved at growing costs in the form of the degradation of many ecosystem services, increased risks of non-linear changes, and the exacerbation of poverty for some groups of people. These problems, unless addressed, will substantially diminish the benefits that future generations obtain from ecosystems." "The degradation of ecosystem services could grow significantly worse during the first half of this century and is a barrier to achieving the Millennium Development Goals."[125]

The bank's policy should ensure that it will only be involved in the financing of companies which have adopted the prevention of biodiversity loss as a leading principle and bring it into practice in a systematic way. In developing such a policy, the bank could make use of the best international standards available as described below.

4.1.2 Best standards available

Virtually all countries in the world have ratified the 1992 Convention on Biological Diversity (CBD), which sets as an international goal the conservation and sustainable use of all biological diversity. The CBD requires signatories to ensure that biodiversity considerations are included in their environmental impact assessment procedures and that biodiversity impacts are routinely included in both national and international environmental assessment procedures.[126]

In April 2002 the CBD signatories committed "to achieve by 2010 a significant reduction of the current rate of biodiversity loss at the global, regional and national level as a contribution to poverty alleviation and to the benefit of all life on Earth."[127] The CBD identifies three categories of biodiversity: ecosystems, species and genetic materials. Each of these categories is discussed below, including the more specific standards available for each of them:

Ecosystem and habitat protection

A number of international agreements require the protection of natural ecosystems and habitats. The *Convention on Biological Diversity* requires of all member countries to establish a system of protected areas or areas where special measures must be taken to conserve biodiversity, and otherwise to promote the protection of ecosystems and natural habitats.[128]

The UN Convention on the Law of the Sea obliges all signatories to protect and preserve the marine environment.[129] Additionally, there are many Regional Seas Conventions covering specific marine environments. Two other global treaties protect listed areas: the Unesco World Heritage Convention protects listed natural and cultural sites of global importance[130], and the Ramsar Convention provides for the protection, conservation and appropriate use of listed wetlands of international importance.[131] Regional agreements also emphasise the general importance of habitat protection[132] while many governments have also adopted specific action plans and other initiatives, such as the International Coral Reef Initiative.

To consolidate and systematise those natural areas that should be protected for the conservation of biological diversity, the World Conservation Union (IUCN) has developed a system providing guidance on how the private sector should operate in each of the six defined *Protected Area Management Categories*. In 2000 the IUCN World Conservation Congress adopted a resolution calling on all states to ban investments in extractive projects in protected areas set aside for conservation purposes (categories I-IV).

Species protection

The most obvious requirement in the field of species protection is the protection of threatened species of flora and fauna. The most comprehensive and authoritative global survey of plants and animals at risk is the IUCN Red List of Threatened Species. The Convention on the Conservation of Migratory Species of Wild Animals requires conservation of habitat and restrictions on the exploitation of any listed endangered migratory species.[133] The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) prohibits international commercial trade in all species listed as endangered and requires the strict regulation of such trade for species designated as threatened. Other global and regional conventions ban or restrict the commercial exploitation of whales, migratory birds, polar bears, sea turtles and fur seals, among others.[134]

In addition to protecting threatened species, protecting biodiversity requires that common species are not over-harvested and that the commercial exploitation of all living resources is sustainable. The *Convention on Biological Diversity*, for example, requires

countries to regulate or manage all biological resources "with a view to ensuring their conservation and sustainable use".[135] This element is further discussed in the paragraph 3.4 on forestry, paragraph 3.1 on agriculture and paragraph 3.3 on fisheries.

Species diversity is also threatened by both the accidental and intentional introduction of invasive alien species. When introduced outside their natural habitats, these species may have the ability to establish themselves, out-compete native species and take over their new environments. Invasive alien species are found all over the world, but are a particular problem for island ecosystems. Both the *UN Convention on the Law of the Sea*[136] and the *Convention on Biological Diversity* require member states to prevent, eradicate or control the introduction of invasive alien species.[137]

Genetic materials protection

The Cartagena Protocol on Biosafety sets out a framework for the safe transfer, handling and use of living genetically modified organisms that may have adverse effects on the conservation and sustainable use of biological diversity, human health and transboundary risks, and requires the advance informed consent of any country before any living modified organism is imported.[138]

The *Convention on Biological Diversity* requires companies seeking access to genetic resources to obtain the prior informed consent of the country of origin, and to operate under mutually agreed access and benefit sharing agreements.[139]

4.1.3 Content of a bank policy

The banking sector has a significant impact on biodiversity, particularly those banks that provide financial support to high-impact sectors such as forestry, mining, oil and gas, fisheries, water delivery and infrastructure, or sectors that are using genetic resources such as biotechnology, pharmaceuticals, agriculture or cosmetics.

A recent study by IUCN argues that a number of powerful drivers are leading to a growing relevance of biodiversity to businesses, such as pressure and activism by NGOs, increased regulations on ecosystem protection, strengthened liability regimes, costs increases of supply chains depending on ecosystem services, and shifting consumer preferences. Financial institutions that are not positioned to identify which companies are most at risk can be exposed to a wide range of risks, such as increased risk for default and lower investment returns. The report also identifies a number of biodiversity business opportunities that can be captured by financial institutions and make sense both from a financial as well as a conservation perspective.[140]

To deal with the risks related to biodiversity, banks should adopt policies that take into account the protection of biodiversity as reflected in international conventions and national laws. Such a policy should set criteria for all financial services for new projects or investments, especially when provided to clients in high-impact sectors. The following elements are crucial:

General

- An assessment by the client of the cumulative biodiversity impacts upstream and downstream (including impacts on ecosystems, species and genetic resources);
- Ongoing monitoring and reporting of impacts by the client, at least consistent with the guidelines found in the Global Reporting Initiative for reporting on biodiversity and land use.

Ecosystem and habitat protection

- Activities which have a negative impact upon any of the protected areas covered by the IUCN I-IV categories, UNESCO World Heritage and the Ramsar Convention are excluded from financing;
- Other "no-go zones" relevant to the countries, such as endangered forests, biodiversity hotspots, river watersheds, fish spawning grounds and spiritual sites, are identified in consultation with NGOs and scientists and where necessary, excluded from financing;
- Restoration of ecosystems to mimic its original state after commercial activities have ended.

Species protection

- Activities should have no negative impact on the community or population level on a species identified on the IUCN Red List;
- Activities will not lead to the illegal trade of any species listed as endangered under CITES;
- All living natural resources such as fish, forests, animals and plants will be used and managed in a sustainable way;
- Activities will not involve the intentional or unintentional introduction of invasive alien species.

Genetic materials protection

- No support is provided for the production or trade in any living modified organism except with the approval of the importing country and as otherwise required under the Cartagena Protocol;
- Any activity involving access to genetic resources meets the consent and benefit-sharing requirements found in the CBD.

4.1.4 Scoring table

The considerations in the previous paragraphs lead to the following scoring table with regard to bank policies on biodiversity:

0. *The bank has no policy on this issue;*
1. *The bank's policy makes a general commitment to the protection of biodiversity in its financing activities, but does not commit to clear steps;*
2. *The bank's policy makes a clear commitment - in line with the recommendations above - to one of the main elements of biodiversity protection (ecosystem and habitat protection; species protection and genetic materials protection);*

3. *The bank's policy makes a clear commitment - in line with the recommendations above - to at least two of the three main elements of biodiversity protection (ecosystem and habitat protection; species protection and genetic materials protection);*
4. *The bank's policy is fully in line with the recommendations above for the three main elements of biodiversity protection (ecosystem and habitat protection; species protection and genetic materials protection).*

When one or more of the elements listed in paragraph 4.1.2 are dealt with in a comprehensive way in other policies of the bank, these elements will be regarded as being included in its Biodiversity policy as well. Signatories of the Equator Principles, UN Global Compact, UNEP Finance Initiative, and/or the UN Principles for Responsible Investment score 1 point on biodiversity. These collective standards are discussed further in paragraph 7.1. The scores for these collective standards are awarded to all signatories, unless the bank's own biodiversity sector policy scores higher. Scores of individual and collective standards are not added up; only the highest score is awarded.

4.1.5 Results

Six banks have developed and published policies that address biodiversity issues, often in the context of forestry or climate change policies. Biodiversity is however a much broader topic, which also covers sectors such as agriculture, fisheries or extractive industries. JPMorgan Chase (United States), ING (the Netherlands), ABN AMRO (the Netherlands) and HSBC (United Kingdom), have relatively good standards and lending criteria on biodiversity, though they are mostly included in sector policies and not applicable to their entire investment portfolio.

Scores on Biodiversity policies					
HSBC	2	Deutsche Bank	1	Société Générale	1
ING	2	Dexia	1	Standard Chartered	1
JPMorgan Chase	2	Fortis	1	Sumitomo Mitsui	1
ABN Amro	1	Goldman Sachs	1	UBS	1
ANZ	1	Intesa Sanpaolo	1	Unicredit	1
Banco Bradesco	1	KBC	1	WestLB	1
Banco do Brasil	1	Mitsubishi UFJ	1	Westpac	1
Banco Itaú	1	Mizuho Financial	1	Bank Mandiri	0
Bank of America	1	Morgan Stanley	1	Bank of China	0
Barclays	1	Nedbank	1	China Construction	0
BBVA	1	Rabobank	1	ICBC	0
BNP Paribas	1	RBS	1	Merrill Lynch	0
Citi	1	Royal Bank of Canada	1	Saudi-American Bank	0
Crédit Agricole	1	Santander	1	Standard Bank	0
Credit Suisse	1	Scotiabank	1	State Bank of India	0