

Right on Track



BankTrack
Annual Report 2005

BANK*Track*

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Introduction

At the end of 2003, twelve organisations decided to pool their resources and form a network able to monitor and influence the operations of private financial institutions, specifically commercial banks. This network came to be known as BankTrack, a welcome addition to the already existing networks of NGOs tracking IFI and ECA reform.

2005 saw BankTrack develop from a project hosted by the Dutch consultant firm AIDEnvironment into a completely independent network coordinated from a secretariat in Utrecht, the Netherlands.

Despite experiencing some setbacks such as limited financial resources and a serious lack of personnel capacity, we continued to build up BankTrack as *the* coordination centre for NGOs campaigning on commercial banks.

This annual report provides you with a brief summary of our activities this year. When looking ahead, 2006 looks promising. More organisations, supported by an expanded secretariat with increased resources, will develop more activities and increase pressure on banks to go beyond mere intentions and good words on sustainability and start delivering on the ground.

Our work would not be possible without the continued financial support of those who believe in the need and the potential of our network. A special thanks should go to the *Charles Stewart Mott Foundation* without whom BankTrack would simply not have existed. *Novib* (Oxfam Novib) continued their support started in 2004 already. *WWF-UK* provided the resources for the *Shaping the Future* report. At the very end of 2005 the *Wallace Global Fund* joined our list of supporters. Thank you all very much!

BankTrack is right on track; you'll hear from us.

March 2006,

Johan Frijns, coordinator BankTrack

Advocacy and network campaigns

BankTrack is first and foremost a vehicle for the member groups to exchange information and experiences for their individual work. We identified the priorities for the network at our strategy meeting early February in Zuerich, Switzerland. These were:

- Maintain close eye on the development of the Equator Principles and the related revision of the IFC safeguard policies.
- Develop a campaign on Banks and Human rights, opening a new issue of debate with the banking community
- Develop a benchmark on best practice policies for banks, getting beyond the Equator Principles into other aspects of bank operations. Create a race to the top.
- Contribute to the international campaign on Sakhalin II as ultimate test for the banks' willingness to apply Equator principles in good faith manner.

Equator Principles / IFC Safeguard Policies Review

All through 2005, The international Finance Corporation went through its **Safeguard Policies Review** process. This process has been closely monitored by global civil society, including BankTrack. Since the Equator Principles are based on the Safeguard policies, the outcomes of the Revision process will also determine the strength of the Principles.

In February, BankTrack convened NGOs for a meeting in Zuerich with the Equator banks. Both parties agreed they had an interest in exchanging opinions and sharing notes on the revision process, both process and substance. As a result, BankTrack coordinated a string of four conference calls between banks and NGOs, debating each individual Performance standard. These calls were followed by a one day consultation meeting in London, hosted by HSBC, where banks presented their input in the IFC revision process to NGOs and vice versa.

In June 2005, BankTrack also published a second **anniversary assessment of the Equator Principles**. This paper outlined the state of affairs with the implementation of the Equator Principles amongst 29 adopting banks, showing a rather poor track record with most banks. A additional statement, 'unproven Equator Principles' outlined once more what BankTrack expects from banks in terms of applying the principles in good faith.

The report was well received and served as a reference for a number of publications on the EP anniversary (see the press report).

Banks and Human Rights

While commercial banks increasingly develop social and environmental policies for their activities, there is much less ambition to also develop explicit policies to safeguard and promote human rights.

The overall aim of BankTrack has been to expose the involvement of banks in a number of activities and areas leading to the violation of human rights (arms trade and production, labor rights issues,

indigenous peoples, activities in countries under dictatorship etc) and to push for the development and adoption by banks of human rights policies based on the so called UN Norms for Business.

in September 2005 BankTrack hosted a one day strategy meeting for NGOs on the issue of 'Banks and human rights'. The meeting was well attended but lack of human and financial resources prevented the effective follow up of the meeting. BankTrack is now developing a NGO position on banks and human rights to be released in 2006.

Netwerk Vlaanderen, our Belgium member group, issued a report on Belgium banks and human rights that lead to a string of meetings and news articles on the role of banks in promoting human rights.

Best Practice policies

While the debate on banks and sustainability often focuses on the Equator Principles, some individual banks have moved beyond the Principles and adopted specific sector policies to cover their operations. While laudable, also these policies still fall short of what civil society would consider best practice policies.

In order to establish a clear standard for banks to aspire too, WWF-UK together with BankTrack commissioned a report comparing existing bank practices with these international standards. Work on the project began in the fall of 2005 while the report itself was launched in Davos in January 2006. The report received widespread praise for its comprehensiveness.

Sakhalin II

For years already, international civil society is waging a campaign against Sakhalin II, a large scale oil development project in the Russian Far East that threatens the livelihoods of indigenous communities and survival of the last remaining population of pacific Grey whales.

While the pressure to stop the project has been mainly on the EBRD, the Equator banks showing an interest in financing the project have been warned that the project is incompatible with a good faith application of the Equator Principles and the very test for their credibility.

Individual member groups have put pressure on banks such as Credit Suisse, JP Morgan chase and ABN AMRO to not move forward with their plans. This pressure took the form of letter writing actions, street protests, full size advertisements in the Financial times and direct advocacy work. At the time of writing the decision on financing Sakhalin is still on hold.

Community campaign support

BankTrack aims to assist project affected communities and civil society organisations unfamiliar with the intricacies of private banks in their campaign work on specific projects. This may take a variety of forms, such as providing research on the exact financiers involved in a project, advise on how to approach relevant banks, access to our email lists and website to raise the profile of a specific project etc.

In 2005, BankTrack was approached to assist with the following projects¹:

Botnia/ENCE paper mills Uruguay

BankTrack supported the campaign waged by the Centre for Human Rights and Environment in Argentina against the proposed construction of two paper mills on the Uruguayan side of the Uruguay river. The mills are to be financed by IFC with additional support by Equator banks BBVA and ING. BankTrack and CEDHA co-published an investor briefing listing the main concerns of civil society with the project. CEDHA also filed the first ever Equator compliance complaints with both banks, which BankTrack helped launch. The case is still ongoing.

Block 31 oil development Ecuador

Eccion Ecologica of Ecuador approached BankTrack for research support on the private financiers behind the oil development scheme of Petrobras and Teikoku in the so called Block 30 in Yasuni National park. BankTrack commissioned a research by Profundo leading to an advisory to Accion Ecologica on how to approach the financiers. The case is still ongoing.

Nam Theun II, Laos

BankTrack and International Rivers Network coordinated a letter writing to the major private banks co financing the Nam Theun II dam in Laos, urging them to use their influence in ensuring a proper independent monitoring system to be in place for the project. Given that the controversial project is now moving ahead this at least would guarantee a rapid response on any emerging issues. The case is ongoing.

Ilisu dam, Turkey

BankTrack and several German organisations approached German financiers on their possible involvement in the financing of the Ilisu dam in Turkey. The investor briefing outlined all material risks related to the project and warned that civil society closely monitors the project. The case is ongoing.

Strengthening BankTrack

2005 saw a further consolidation and strengthening of the network.

Members and partners

The membership of BankTrack moderately expanded from twelve to fourteen members in 2005 (see appendix 1). In order to also get individuals and organisations on board who do not wish to be a full member but can contribute to the common cause, BankTrack created a category of 'partners' that are equally involved in the various activities

¹ This only covers the more substantial support provided by BankTrack and does not list the many issues that were discussed over our email lists in a ad hoc fashion;

of the network and have access to the discussion lists and internal website. At the time of writing, BankTrack is discussing membership of three more organisations.

Secretariat

During 2005, the BankTrack secretariat in Utrecht hosted two interns, Petra Jurasek and Yinzhe Zhu. At the end of 2005, the BankTrack secretariat in Utrecht expanded both in physical size and personnel capacity. Early 2006 will see the employment of one 'communication and networking officer' next to the full time coordinator.

Strategy Meetings

BankTrack organised a strategy meeting for its members in Zuerich in February 2005. The three day meeting was attended by 25 BankTrackers plus several resource persons. It consisted of both a training and a strategy session and resulted in the work plan for 2005 and 2006.

In December 2005, The BankTrack steering committee met in Italy for a three day meeting to set the course and organisational set up for 2006. The meeting resulted in clear policies on financial management, membership policies, role of the secretariat, as well as a renewed work plan for 2006.

Getting the word out

Website

In September 2005 BankTrack launched its new website on www.banktrack.org. The website is designed so that the member groups can directly contribute to the site, post their own press releases, upload documents, news and agenda items, expand the database, use the action centre etc.

The internal website has proved to be an invaluable aide to bank campaigners to store and share sometimes sensitive information and improve their efficiency.

The website of course also serves as the external information portal of the network. Since its launch it has seen a steady increase in visitors, with now (early 2006) an average of 250 unique visitors per day.

2006 will see a further expansion of the different tools on the website, including translations of sections into French and Spanish.

Email lists

BankTrack runs a number of email discussion and broadcast lists aimed at different target groups. This system allows for tailor made delivery of messages to those we wish to inform. The main lists available are:

banktrackers@banktrack.org [BTmemb]

the central discussion list for banktrackers -only-; 60 subscribers

equator@banktrack.org [BTequat]

Discussion list for NGOs on the Equator Principles. 40 subscribers

infolist@banktrack.org [BTinfo]

Info list for NGOs and individuals. 220 subscribers

topress@banktrack.org [BTpress]

moderated list to press contacts. 350 subscribers

tobanks@banktrack.org [BTnews]

moderated list to members of the financial industry; 220 subscribers

Publications in 2005

Shaping the Future of Sustainable Finance - Moving the Banking Sector from Promises to Performance – January 2006

Botnia and ENCE pulp paper mills in Uruguay - An investor briefing on social and environmental risks – Co published with Centre for human rights Argentina - October 2005

Unproven Principles; the Equator Principles at year two - 2nd anniversary Equator Principles implementation assessment –June 2005

Unproven Principles - BankTrack assessment of the Equator Principles at year two – June 2005

Sakhalin II Gas and oil Project - Further breaches of the Equator Principles – co published with Platform – May 2005

What is.. – a set of fourteen fact sheets explaining the basics on private finance to campaigners –March 2005

All publications can be downloaded from www.banktrack.org, under resources

Member activities

BankTrack does not only act under its own brand name. It is the member groups that ultimately define the strength of the network. Next to all the activities done under the BankTrack umbrella, all of them are also involved in their individual campaign activities.

Here is a non exhaustive overview of what some member groups achieved in 2005:

Friends of the Earth Amazonia continued its advocacy work towards main Brazilian banks. As a result, *Banco Itaú*, the second largest Brazilian private bank, was presented a advisory to enhance its socio-environmental policies in the credit and project finance departments - middle market clients, and in the procurement department. *Banco Real ABN AMRO* introduced a new procedure to look through the final destination of the proceeds of public equity and debt offerings the bank coordinates to its clients in Brazil. *Banco Nacional de Desenvolvimento Econômico e Social BNDES*, a state owned development bank and the largest in the project financing in Brazil, commitment to dialogue with the civil society organizations in order to develop a disclosure of information policy and enhance the bank socio-environmental criteria.

Les Amis de la Terre launched in December 2005 the first campaign in

France on banks and environment, supported by 34 groups including ATTAC, Greenpeace, French Climate Action Network, etc, and BankTrack. The three demands of the campaign are a radical increase in transparency, policies to fight climate change, and attractive financial products to foster energy efficiency and renewable energies. The first concrete result arrived in March 2006 : following the recommendation of Les Amis de la Terre the group *Banque populaire* accepted to generalise to all France a specific loan for renewable energies and energy efficiency they had only developed in three regions.

Throughout 2005, groups in the UK have explored the legal liabilities for private banks arising from the environmental and social commitments in loan agreements. Although the Equator Principles do not in themselves establish liabilities, the banks could be prosecuted where they "knowingly permitted" a crime which they had powers to prevent. As a result of this research, in March 2006, **Platform** and **Corner House**, together with Green Alternatives from Georgia and Centre for Civic Initiatives from Azerbaijan, have warned the private banks backing BP's Baku-Tbilisi-Ceyhan oil pipeline that they could face court if the pipeline leaks. In light of the public concerns over the safety of an experimental coating being used on the pipeline, the groups claimed that the banks, including *Royal Bank of Scotland* and *ABN AMRO*, would be liable if they had knowledge of a potential cause of pipeline failure, yet failed to act to remove the risk of pollution. It is believed to be the first time that this avenue for holding the banks to account has been explored.

Rainforest Action Network was pleased to get the first social and environmental policy out of an investment bank this fall when *Goldman Sachs* announced their commitment to protect endangered ecosystems and confront climate change. Additionally, we are pleased to see that the US banks have no association thus far with the egregious and destructive Sakhalin project. Meanwhile, the grassroots campaign against fourth largest US bank in the US, *Wells Fargo*, has been heating up and was punctuated with 4 activists hanging a banner off of a prominent downtown building, mocking their Wild West theme. The banner read "Lootin' and Pollutin' since 1852...."

Over the past 4 years, **WWF-UK** has actively engaged with *HSBC* on several fronts including working closely to scope, input and verify the development and implementation of sector lending guidelines which have included the Forest Land and Forest Product and Freshwater Infrastructure guidelines. In particular *HSBC* has been recognised for adopting the World Commission on Dams guidelines as well as that of Forest Stewardship Council. These guidelines as well as future guidelines will continue to work to international standards which will help set a benchmark for other banks to follow.

After *HSBC* adopted a new dam policy referencing the World Commission on Dams guidelines, **International Rivers Network** coordinated a letter writing campaign to all major banks, asking them to follow the example of *HSBC*. While the response was limited at least *ABN AMRO* consulted with IRN and BankTrack on their new water policy which will be published in 2006 and probably WCD references.

Since October 2003, **Netwerk Vlaanderen** and partners have been running a campaign against the investment of Belgian bank groups in weapons. Under pressure from their campaign, four large bank groups have scaled down their investments in weapon producers. *Fortis* decided to no longer directly invest in producers of anti-personnel mines, biological and chemical weapons nuclear weapons and cluster munitions. *Dexia* goes even further by excluding the majority of the weapon industry. *ING* had already announced earlier that it was withdrawing anti-personnel mines, biological and chemical weapons, cluster munitions, nuclear weapons and depleted uranium weapons. *KBC* group has produced an even more consistent policy excluding a wide range of weapons manufacturers from all of KBCs products. Only *AXA* has shown little or no movement.

Milieudedefensie, FoE Netherlands, reached headlines in the Netherlands for providing *ABN AMRO* with the so called 'Hypocrisy award' putting the spotlight on the gap between the banks self proclaimed sustainable policies on oil and gas financing and the continued interest in support the Sakhalin II oil project. They also commissioned a report on the state of affairs of the forest- and palm oil policies of the main Dutch banks and organised a one day conference for politicians and members of parliament on the need for stricter regulation of the banking sector.

In the last two years, the **Campagna per la Riforma della Banca Mondiale - CRBM** led the "MancaIntesa" campaign, urging *Banca Intesa*, the biggest Italian bank group, to promote some social and environmental standards in its operations. The attention was given mainly to the big project finance operations, such as the participation of Banca Intesa in the Baku - Tbilisi - Ceyhan (BTC) pipeline, and in its involvement in the import - export of arms systems.

As a result of this campaign, Banca Intesa sold its share in the BTC pipeline in the end of 2004 - beginning of 2005. Banca Intesa also published an innovative policy in the field of the arms operations. In detail, the bank stated that it would have withdrawn from the arms sector, and that, in any case, any operation dealing with military industry or defense systems would have been taken under the direct responsibility of the CEO of the bank and published on the bank website.

This policy fixes a new standard for the Italian banks, both in terms of accountability and transparency. CRBM is now working with other Italian organisations and networks and with the "armed banks" campaign, in order to urge the other Italian bank groups to meet and go beyond Banca Intesa policy. At the same time, the work and campaign on Banca Intesa continues, in order to urge the bank to implement a more comprehensive code of conduct, taking into account all the social and environmental impacts of its operations, notably in the field of Human Rights.

Highlights

month	activity
January	BankTrack workshops at the World Social Forum in Porto Alegre, Brazil
February	Meeting with Equator Banks in Zuerich, Switzerland to discuss implementation and application of the Equator Principles International Strategy meeting BankTrack, hosted by the Berne Declaration
March	
April	Coordination of NGO-bank telephone consultations on IFC Safeguard policy Review. Coordination of bank-NGO Meeting in London on SP review, hosted by HSBC BankTrack attends IFC consultation of safeguard policy revision Member groups organise actions against Credit Suisse on advisory role in Sakhalin II
May	
June	Launch of second Equator Principles anniversary assessment.
July	
August	
September	BankTrack organises one day NGO strategy meeting on Banks and Human rights, hosted by Netwerk Vlaanderen in Brussels Launch of new BankTrack website
October	BankTrack present at UNEP FI summit in New York, RAN organises workshop on banks and NGOs Milieudefensie provides hypocrisy award to ABN AMRO for their ambitions on Sakhalin II
November	Platform approaches UK banks on liability for BTC pipeline leaks.
December	IRN organises conference on five years World Commission on dams, including debate on role of commercial banks BankTrack Steering committee meeting hosted By CRBM Italy Development of Financing the Future report –launched in January 2006-

Looking ahead to 2006

While 2005 has been a year of somewhat mixed results when compared to our initial ambitions, the prospects for BankTrack in 2006 look very promising. For one, the capacity of the network to deliver will increase, this due to an expansion of the personnel base in the secretariat, more financial resources, an increase in membership, the ongoing expansion of our body of media and bank contacts etc.

Our own strength aside, important sectors of the private financial sector seem to have solidly understood that a sustainable and just planet is not an obstacle to profitable banking but the absolute pre condition for any viable long term business prospect. In other words, the sector is receptive to our ideas, or at least not squarely opposing them, and this creates room for progress.

For 2006 BankTrack is planning several major activities; in June, the network will organize a major public event in London, coinciding with the nomination of the Sustainable Banking Awards of the Financial Times. It is hoped that this event will draw a larger number of organisations into BankTrack activities. We also aim to publish a so called 'sustainability compass' for banks, outlining what civil society expects banks to develop in terms of social, environmental and human rights policies for all their operations. A third area of work will be to investigate the role of Chinese banks in financing projects in the Global south. Finally, BankTrack will further prioritize supporting NGOs engaged in campaigns on specific bank financed projects. The strategy meeting planned for September 2006 will no doubt see further ambitions being developed.

Summary Financial statement

Profit and loss account

Income	2005	2004
Grants		6.000
Mott 2005/2006	57.182	
WWF	28.947	
Novib	25.000	
Wallace 2006	815	
Other contributions	2.320	-
Donations	-	2.500
	114.264	8.500
<i>Total income</i>	114.264	8.500
Expenses	2005	2004
General		
Personell costs	55.519	-
Housing costs	4.217	319
Organisation costs	3.824	81
Administration costs	1.809	5
Depreciations	2.964	
	68.334	404
Project costs		
Network coordination	6.091	-
General network support	10.595	-
Research and publications	26.923	-
	43.609	-
<i>Total expenses</i>	111.943	404
Result	2.321	8.096
	114.264	8.500

Balance sheet

Current Assets	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Tangible fixed assets		
Inventory	6.645	6.416
Claims		
Deposits	639	639
Paid in advance	81	568
Accounts receivable	<u>815</u>	<u> </u>
	1.535	1.206
Cash at banks	35.617	5.473
	<u>43.796</u>	<u>13.096</u>
Current Liabilities	<u>December 31, 2005</u>	<u>December 31, 2004</u>
General reserve account		
Reserve values at January 1	8.096	0
Balance financial year	<u>2.321</u>	<u>8.096</u>
	10.417	8.096
Projects reserve account		
Reservations unfinished projects	13.962	-
Reservations long term income	<u>12.602</u>	<u> </u>
	26.564	-
Accounts payable		
Loans	2.500	5.000
Salaries, taxes and social contributi	4.285	-
Remaining accounts payable	<u>31</u>	<u> </u>
	6.816	5.000
	<u>43.796</u>	<u>13.096</u>

Appendix 1 Institutional profile

The BankTrack network consists of several key elements:

Members

BankTrack is a membership based network, with the organisational layout kept to the bare minimum. Membership is limited to those organisations with a proven track record in private finance campaigning. The Steering committee of BankTrack decides on new applicants. Next to members, BankTrack also has a group of 'partners' with whom we work extensively.

As of November 2005 BankTrack has fourteen member organisations. These are:

- Amigos da Terra Amazonia Brasileira – Brazil
- Berne Declaration – Switzerland
- Campaign to Reform the World Bank – Italy
- Friends of the Earth England, Wales, Northern Ireland - United Kingdom
- Friends of the Earth - United States
- International Rivers Network - United States
- Les Amis de la Terre – France
- Milieudefensie, FoE Netherlands – Netherlands
- Mineral Policy Institute – Australia
- Netwerk Vlaanderen – Belgium
- Platform - United Kingdom
- Rainforest Action Network - United States
- Urgewald – Germany
- WWF-UK - United Kingdom

BankTrack foundation

BankTrack is a not for profit Foundation under Dutch law, registered with the Chamber of Commerce. The goal of the Foundation is to "initiate and support international cooperation between non-governmental organisations (NGOs) within the BankTrack network, with the aim of stimulating a socially and ecologically sustainable private financial sector". The foundation act as employer and oversees the Secretariat. The foundation is governed by a three person Board that is a subset of the Steering committee.

Steering committee

A steering committee oversees the development of the network and the work of the coordinator in line with the strategic work plan adopted at the annual strategy meeting. The steering committee consists of representatives of the main organisations participating in BankTrack. As of November 2004, the steering committee consists of :

- *Michelle Chan* (Friends of the Earth US),
- *Techa Beaumont* (Mineral Policy Institute Australia)
- *Antonio Tricarico* (Reform the World Bank Campaign (Italy),
- *Ilyse Hogue* (Rainforest Action Network, US),
- *Inez Louwagie*,(Network Vlaanderen, Belgium)

- *Jules Peck* (WWF-UK),
- *Andreas Missbach* (Berne Declaration, Switzerland).

Secretariat

As of January 1st 2005, BankTrack is coordinated from a small secretariat, located in Utrecht, the Netherlands. This secretariat is administered by the BankTrack foundation. In 2005 BankTrack employed one nearly full time coordinator (Johan Frijns). Further capacity is brought to the secretariat through a volunteer / intern programme. A second staff position will be created early 2006.

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