CLOSE THE GAP

Benchmarking credit policies of international banks

BANK Track

Close the Gap

Benchmarking investment policies of international banks

BANKTrack

Nijmegen, April 2010

Contents

Acknowledgements

This report was researched and written by Jan Willem van Gelder, Anniek Herder and Denise Kouwenhoven of Profundo. Jora Wolterink of BankTrack was responsible for the overall coordination of the project. She also acted as liaison with the 49 banks covered in this research.

Many people, from inside and outside the BankTrack network, contributed to this report with critical comments, suggestions and additions. Our sincere thanks to:

Adina Matisoff, (Friends of the Earth US), Andreas Missbach (Berne Declaration), Ann Feltham (Campaign Against Arms Trade), Annie Yumi Joh (Setem), Bill Barclay (Rainforest Action Network), Christa Luginbuehl (Berne Declaration), Christien Absil (Stichting De Noordzee), Christina Hill (Oxfam Australia), Doug Norlen (Pacific Environment), Esther Luiten (Stichting De Noordzee), Esther Vandenbroucke (Netwerk Vlaanderen), Jan Beranek (Greenpeace International), Johan Frijns (BankTrack), Joseph Wilde (Somo), Kayla Ente (Greenpeace International), Maaike Kokke (Somo), Paul Oosting (The Wilderness Society), Paul Robinson (Earthlink), Paula Peirão (Amigos da Terra - Amazônia Brasileira), Rick Jacobsen (Global Witness), Roland Widmer (Amigos da Terra - Amazônia Brasileira), Sanne van der Wal (Somo), Sjef Gussenhoven (IUCN Netherlands' Committee), Susanne Wong (International Rivers), Wendela de Vries (Dutch Campaign Against Arms Trade).

Special thanks to Robert Palmer and Anthea Lawson (Global Witness) for drafting the chapters on corruption and operating in conflict zones. Also special thanks to Anna Rooke (consultant on gender issues) for reviewing the report from a gender perspective.

This research project was made possible thanks to a grant of the Dutch Ministry for the Environment (VROM) SMOM programme. BankTrack is also supported by the CS Mott Foundation (USA), The Sigrid Rausing Trust (UK) and Oxfam Novib (Netherlands). The content of this report is entirely the responsibility of BankTrack.

Summary

Banks, as all other corporate citizens, have the obligation to operate in a socially and environmentally sustainable manner. Given the central role of banks as providers of financial services to citizens, companies and governments, banks can be powerful agents of change. Unfortunately, a number of commercial and investment banks are part of the problem rather than the solution, as they choose to finance activities that lead to environmental damage, threaten the rights and interests of local communities and may even lead to human rights violations.

For banks to operate as responsible corporate citizens, they need to integrate social and environmental considerations into all their business operations. One requirement for this is that banks develop clear investment policies for their key business sectors, and for a number of social and environmental issues that are material to their business.

Such policies should define the minimum standards – based upon international treaties, guidelines and best industry practices- to be met by a prospective client before a bank is prepared to provide any form of financial service. These policies must then be rigorously implemented into the daily operations of the bank; every investment and lending decision must be based upon criteria included in the policies.

Objectives and scope

Close the Gap is the third benchmark study undertaken by BankTrack to stimulate the development of world-class investment policies by the banking sector. The report evaluates the investment policies of 49 large, internationally operating banks on two core dimensions: *content* and *transparency and accountability procedures*.

This study focuses on existing policies that international commercial and investment banks apply to the core services they provide. These services include payment and other consumer services, loans and mortgages, credit facilities, project finance, underwriting of share issuances, underwriting of bond issuances and asset management. For the sake of brevity we refer to all of these services as 'investments' throughout the report.

With regards to asset management activities, the decision making process is usually different than for the other activities; one cannot assume that a particular policy used for lending operations is automatically also applied within the asset management activities of a bank. For this reason we distinguish throughout the report between 'lending and investments' and 'asset management'.

The study evaluates the investment policies of banks in seven socially and environmentally sensitive sectors and on nine sustainability issues. These are listed in Table 1.

TABLE 1 SECTORS AND ISSUES TO BE COVERED IN INVESTMENT POLICIES

Sectors	Issues
Agriculture	Biodiversity
Fishery	Climate change
Forestry	Corruption
Military industry and arms trade	Human rights
Mining	Indigenous peoples' rights
Oil and Gas	Labour rights
Power generation	Operation in conflict zones
	Taxation
	Toxics

Content of policies

In this study, we benchmark investment policies of banks against a wide array of leading international standards, as included in international conventions and treaties, guidelines developed by multi-stakeholder initiatives and industry best practices.

A careful review of all these international standards resulted in a working definition of what BankTrack considers a good investment policy for a particular sector or issue. This definition includes both *essential elements*, that must be included in a bank policy to meet the minimum requirements of an appropriate policy, and *additional elements*, that must be included to meet the requirements of a good policy. Using this model, we have reviewed the investment policies of 49 banks, using a scoring table ranking from 0 to 5, with 0 indicating that a bank has no policy in place, nor adopted any relevant standard or initiative and 5 that a bank meets all requirements for a good investment policy.

Banks may have either developed their own policies or they may have adopted voluntary standards or initiatives already existing in the financial sector. This report reviews ten well-known standards using the scoring method of this study. It turns out that only adopting such voluntary standards is not sufficient for banks that wish to meet the criteria of a good investment policy. The various initiatives usually cover only a limited number of sectors and issues while they may also not provide any clear criteria on which to base investment decisions.

To adopt a voluntary initiative is therefore no substitute for the development of adequate and robust investment policies by banks themselves, at least for the sectors and on the issues discussed in this report. None of the banks included in this report has done so for all seven sectors and nine issues but an increasing number of banks has developed one or more sector and issue policies. Only seven banks have developed no sector or issue policies at all. Table 2 provides an overview.

The research reveals that the quality of investment policies, when compared to our best practice benchmark, is fairly poor. Only in a number of cases do banks meet nearly all of the essential elements of a good policy, for example on Forestry and Military industry and arms trade. This leads to the conclusion that the large majority of the 49 banks needs to devote significantly more attention to developing investment policies which meet best international standards. The detailed, referenced description of international standards in this report may provide useful guidance to banks.

Transparency & accountability

Next to reviewing sector and issue policies, this report also reviews the transparency and accountability procedures and practices of the 49 banks. Banks need to be as transparent as possible with regards to the companies, projects and countries they choose to finance. They must also organise their operations in such a way that they are accountable, not only to shareholders but also to local stakeholders and the public at large, for the social and environmental impact of their business..

A snapshot

Close the Gap provides a snapshot of the state of play with the investment policies of 49 large, international banks at the beginning of 2010. While this snapshot does give reason to concern, BankTrack acknowledges that over the past years a number of banks have made

TABLE 2 SECTOR AND ISSUE POLICIES IN 2010 AND 2007

Sector policies	No. of banks in 2010	Part of total in 2010	Part of total in 2007	Issue policies	No. of banks in 2010	Part of total in 2010	Part of total in 2007
Agriculture	9	18%	20%	Biodiversity	11	22%	13%
Fisheries	6	12%	7%	Climate change	28	57%	69%
Forestry	16	33%	29%	Corruption	15	31%	-
Military industry and arms trade	24	49%	27%	Human Rights	24	49%	27%
Mining	11	22%	9%	Indigenous Peoples	13	27%	11%
Oil and Gas	11	22%	9%	Labour	13	27%	9%
Power generation	14	29%	9%	Operation in conflict zones	1	2%	-
				Taxation	3	6%	2%
				Toxics	5	10%	7%

substantial progress in developing their investment policies. As in 2007, when we published 'Mind the Gap', BankTrack calls upon banks to take further steps to 'Close the Gap' that often still exists between the sustainability ambitions publicly expressed by banks and their investment policies and practices.

All scores included in this report are those as awarded to banks in April 2010. As banks continue to develop their policies, possibly requiring a different valuation of their policies, the latest score is to be found at the bank profiles on the BankTrack website**. These profiles also contain the comments of banks on the results of this research project.**

Introduction

Sustainable societies, whether local, national or on a world scale, adequately meet the legitimate needs of the present generation without compromising the ability of future generations to meet their own needs. This requires that societies carefully preserve the environment, natural resources, climatic systems and biodiversity found within their territory, both for their intrinsic value and for the appropriate use by future generations. It also requires that societies guarantee the human rights of, and ensure a life in dignity, free from want and poverty, to all people living today.

Banks, as all other corporate citizens, are expected to help contribute to the emergence of sustainable societies by operating in a socially and environmentally sustainable manner. Given the key role of commercial and investment banks as provider of financial services to citizens, companies and governments the world over, financial institutions can potentially be powerful agents of positive change. Unfortunately, too often financial institutions still finance activities that have a negative impact on the environment, threaten the legitimate interests of local communities and may even lead to human rights violations.

To take up the sustainability challenge, banks need to constantly reflect on how their business operations impact on society and the planet. To ensure that this institutional reflection is incorporated into everyday decision making on lending and investments, banks need to develop and implement clear investment policies for key sectors they operate in and that they develop policies to deal with a number of social and environmental issues they are confronted with while doing business.

Such policies serve a dual purpose; they define the ambitions and sustainability goals of a bank and help translate a banks' vision on sustainability into guidelines for their staff to use in their everyday business decisions. Such policies also define the minimum standards to be met by a prospective client before the bank is prepared to provide any form of financial service. By publicly releasing the content of their investment policies, banks also offer a basis for cooperation between clients, civil society groups and the bank itself on the appropriate implementation of the policies, and the external monitoring of the proper implementation of policies.

From Mind the Gap to Close the Gap

This report is already the third in a row of benchmark studies conducted by BankTrack. In January 2006, BankTrack and WWF UK undertook a first benchmark of the social and environmental credit policies of 39 international banks, the results of which were published in the report *Shaping the Future of Sustainable Finance.*[1] In December 2007, BankTrack presented *Mind the Gap.*[2], a far more elaborate research on bank policies, comparing and evaluating the credit policies of 45 internationally operating banks. This new report includes the full range of investment policies of more banks (49) and broadens the scope with additional sectors and issues.

The outline of this report is as follows:

- Chapter 1 describes the objectives and methodology of this study; this covers the selection of banks, the development of the benchmark, and the process followed in scoring all relevant bank policies, including the various feedback opportunities provided to banks during the course of the research.

- Chapter 2 describes the standards and policy initiatives that we consider important for eight key business sectors. We list the key elements of a bank's investment policy for each sector as well as the scoring table we have used to assess the quality of a policy. This is followed by an overview of the scores of all banks.

- Chapter 3 takes a similar approach, describing selected standards and initiatives for nine crucial sustainability issues.

- Chapter 4 describes the existing international best practices in bank transparency and accountability.

- Chapter 5 provides the results for each bank; the scores they have received for their sector and issue policies and transparency and accountability procedures, with further explanation on the rationale of our scores for each bank.

- Chapter 6 contains the conclusions of the report.

- Appendix 1 provides the complete overview of scores for all banks.

- Appendix 2 lists the references to information sources.

- The summary can be found on the first pages of this report.

1

Objectives and methodology

1.1 OBJECTIVES

Close the Gap aims to stimulate large, international banks to develop stronger investment policies for a number of critical economic sectors and cross-cutting issues that are relevant to their business. Each bank should rigorously implement these policies to ensure that they do not provide any financial service to a client or business activity that does not meet these policies. This report also seeks to encourage banks to be transparent and accountable to the outside world on how they develop their policies and how those policies are subsequently implemented.

To further these goals, we have evaluated the investment policies of 49 international banks against a set of standards and initiatives, international conventions and treaties, guidelines of multi-stakeholder initiatives and industry/sector best practices. We have compared the *content* of the investment policies for seven important economic sectors and on nine critical cross-cutting sustainability issues. We have also evaluated the *transparency* and *accountability* procedures and practices of banks.

1.2 OVERVIEW OF THE METHODOLOGY

Close the Gap evaluates two dimensions of banks' investment policies and practices:

- **Policies**: An evaluation of the investment policies of banks on seven socially and environmentally sensitive sectors and on nine crucial sustainability issues;
- **Transparency and accountability**: An evaluation of the banks' policies and procedures on transparency and accountability issues;

For each sector and issue we identify the essential and additional elements for an appropriate bank policy. The existing policies of banks –or lack thereof– are then measured against this benchmark, using a scoring table as described in paragraph 1.5. The same procedure is applied to the banks' transparency and accountability procedures.

The quantitative scores thus obtained are compiled into a profile for each bank, which can be found in Chapter 5. These profiles contain additional comments and clarifications, and list the international standard to which a bank has committed. Banks were given the opportunity to comment on their preliminary scores and in a number of cases we have changed the bank's score based on these comments.

1.3 BANKS INCLUDED IN THIS REPORT

Close the Gap is a follow-up report to *Mind the Gap*. We have included most banks that were included in *Mind the Gap*, which focused on the global top 25 banks ranked by total assets, syndicated loans, as arrangers of project financing and as underwriters of share and bond issuances in 2006. For this report we removed some banks (Bank Mandiri, Merrill Lynch, Saudi American Bank, State Bank of India) and included a number of new banks that are actively monitored by members of the BankTrack network (Bangkok Bank, Commonwealth Bank, Dekabank, Industrial Bank, Kasikornbank, National Australia Bank and Natixis). This results in the selection listed in Table 3.

1.4 SCOPE OF THE STUDY

This study benchmarks the policies that international commercial and investment banks apply to the core services they provide. This includes:

1. Payment and other consumer services;
2. Loans and mortgages;
3. Credit facilities;
4. Project finance;
5. Underwriting of share issuances;
6. Underwriting of bond issuances;
7. Asset management.

Within a bank, the decision-making process to provide most of these services to a client follows a roughly similar process. For this reason, a particular investment policy of a bank may apply to all of the services listed as 1-6.

With regards to asset management activities (number 7), the decision making process is usually different. One therefore cannot assume that a particular investment policy is automatically also being applied within the asset management activities of a bank. For this reason we distinguish throughout the report between two separate categories of services: 'lending and investments' (services 1-6 above) and 'asset management'.

TABLE 3 OVERVIEW OF SELECTED BANKS

No.	Bank	Country	No.	Bank	Country
1	ABN Amro	The Netherlands	26	Intesa Sanpaolo	Italy
2	ANZ	Australia	27	Itaú Unibanco	Brazil
3	Banco Bradesco	Brazil	28	JPMorgan Chase	United States
4	Banco do Brasil	Brazil	29	Kasikornbank	Thailand
5	Bangkok Bank	Thailand	30	KBC	Belgium
6	Bank of America	United States	31	Mizuho	Japan
7	Bank of China	China	32	Morgan Stanley	United States
8	Bank of Tokyo	Japan	33	National Australia Bank (NAB)	Australia
9	Barclays	United Kingdom	34	Natixis	France
10	BBVA	Spain	35	Nedbank	South Africa
11	BNP Paribas	France	36	Nordea	Sweden
12	China Construction Bank	China	37	Rabobank	The Netherlands
13	Citi	United States	39	Royal Bank of Canada (RBC)	Canada
14	Commonwealth Bank	Australia	39	Royal Bank of Scotland (RBS)	United Kingdom
15	Crédit Agricole	France	40	Santander	Spain
16	Credit Suisse	Switzerland	41	Standard Chartered Bank (SCB)	United Kingdom
17	DekaBank	Germany	42	Scotiabank	Canada
18	Deutsche Bank	Germany	43	SMBC	Japan
19	Dexia	Belgium	44	Société Générale	France
20	Fortis	The Netherlands	45	Standard Bank	South Africa
21	Goldman Sachs	United States	46	UBS	Switzerland
22	HSBC	United Kingdom	47	UniCredit	Italy
24	Industrial and Commercial Bank of China (ICBC)	China	48	WestLB	Germany
23	Industrial Bank	China	49	Westpac	Australia
25	ING	The Netherlands			

Close the Gap focuses on the content of investment policies applied by each bank. We define a policy as a publicly available written commitment of a bank on how to operate in a specific sector or deal with a specific issue, which includes both core principles and objectives and internally binding rules and criteria for bank staff on how to assess and subsequently proceed with potential business activities and clients.

Other sustainability initiatives undertaken by banks fall outside the scope of this research. For example efforts made by banks to reduce their energy use and travel, increase the use of sustainably sourced paper, improve their human resource policies and philanthropy efforts are not assessed in this report. While such efforts are important and an integral part of any comprehensive sustainability strategy, their environmental and social impact is small compared to the potential impact of the investment and asset management activities of a bank.

1.5 BENCHMARKING THE CONTENT OF INVESTMENT POLICIES

Close the Gap covers the following economic sectors and cross-cutting sustainability issues that have a potentially high social and environmental impact:

Sectors	Issues
• Agriculture	• Biodiversity
• Fisheries	• Climate change
• Forestry	• Corruption
• Military industry and arms trade	• Human rights
	• Indigenous peoples
• Mining	• Labour
• Oil and gas	• Operation in conflict zones
• Power generation	• Taxation
	• Toxics

For each sector and issue the policies of a bank are benchmarked against what BankTrack considers to be international best practice in that area. Chapter 2 and Chapter 3 describe the best standards and practices that are in existence for each of these sectors and issues. These include international conventions and treaties, guidelines developed by multi-stakeholder initiatives, and international best practices developed within particular industries.

Using these standards, we have defined criteria that distinguish between essential and additional elements of a good bank policy:

Essential elements are defined as those elements that must be included in a bank policy to meet the minimum requirements of an appropriate policy.
Additional elements are defined as those elements that must be included in a bank policy to meet best practice

To benchmark the policies of a bank, we have developed a six-point scoring system that measures the extent to which a bank includes the essential and additional elements in its lending and investment, and in its asset management activities. The logic of this system is as follows:

0. The bank is active in this sector or exposed to risks on this issue, but has no investment policy for this sector / issue;
1. The bank:
   - has only adopted or signed onto a voluntary standard or initiative (relevant for this sector/issue; see paragraph 5.2); or
   - has developed its own policy, but it is vaguely worded without clear commitments;
2. The bank has developed a policy that includes at least half of the essential elements;
3. The bank has developed a policy that:
   - includes the essential elements in its lending and investment banking; or
   - includes the essential elements in its asset management;
4. The bank has developed a policy that:
   - includes the essential elements in its lending and investment banking and its asset management; or
   - includes both the essential and additional elements in its lending and investment banking; or
   - includes both the essential and additional elements in its asset management;
5. The bank has developed a policy that includes both the essential and additional elements in its lending and investment and its asset management activities.

Table 4 summarises the scoring method as described above.

TABLE 4 SCORING TABLE

Investments \ Contents of a bank policy	No policy	Bank has signed voluntary standard or initiative	Policy vaguely worded without clear commitments	Includes half of the essential elements	Includes essential elements	Includes essential and additional elements
Lending and investment banking	0	1	1	2	3	4
Asset management	0	1	1	2	3	4
Lending and investment banking and asset management	0	1	1	2	4	5

With regard to the issues of Corruption, Operation in conflict zones and Taxation, some of the elements of a good bank policy relate to actions a bank should take within its own organisation, rather than what it will require of its clients. This is incorporated in the list of essential elements and taken into account in the scoring method.
A bank only needs a sector policy when it is actively involved in that sector. When a bank demonstrates convincingly that it is not active in one of the sectors included in this research, the absence of a sector policy is not scored; instead the bank is assigned an 'X' in the scoring table.

This option is not open for issue policies, as they are considered indispensable for each internationally operating bank. No bank can claim that it would not need an investment policy on any of the nine issues included in this report, if only to be able to deal with unexpected issues that may arise.

Scoring is not affected by the format in which banks have inscribed their policy commitments. Banks may choose to develop an integrated policy that addresses the sustainability issues relevant to its operations, or it may choose to develop separate policies for each sector and cross-cutting issue.

Close the Gap only covers policies that are in the public domain and can be assessed by external observers. Many banks refer to the existence of specific investment policies in their annual reports or on their website, but do not open those policies to public scrutiny. A bank that indicates that it has a policy in place but does not provide any information on its content receives a score of 0. When a bank provides a summary of the content of a policy, the score is based on the elements and level of detail provided in this summary.

Draft policies, even when made available for public or stakeholder review, also receive a a score of 0, regardless of the quality of the policy. Until a policy is formally adopted, it does not influence investment decisions, and is therefore outside the scope of this review. Banks should not interpret this as a disqualification of the content of their draft policies, but as an encouragement to adopt the policies as soon as possible.

Some banks have signed on to collective voluntary initiatives such as the Equator Principles, UNEP Finance Initiative, UN Global Compact, etc. Commitments to adhere to these frameworks are considered in the scoring, according to the methodology described in paragraph 6.1. The scores provided for these collective initiatives are awarded to all banks who have adopted them, unless the individual investment policy of a specific bank merits a higher score.

1.6 BENCHMARKING TRANSPARENCY AND ACCOUNTABILITY

In addition to sector and issue policies, Close the Gap also scores the transparency and accountability procedures of banks. Chapter 4 describes the relevant standards and initiatives selected by BankTrack, as derived from international conventions and treaties, guidelines developed by multi-stakeholder initiatives and international best practices. Based upon the requirements of these standards and initiatives, BankTrack also defined the essential and the additional elements that should be included in a good bank policy on accountability and transparency procedures. These elements differentiate between a bank's own operations (institutional) as well as with regard to deals.

Following the essential and additional elements, the scoring table as explained in 1.5 is slightly adjusted to take into account the specific characteristics of the transparency and accountability procedures. It still ranks from 0 to 5 points, but it assesses procedures, rather than policies. The transparency and accountability procedures of the 49 banks are scored using the adjusted score tables in paragraph 4.1.4 on transparency and in paragraph 4.2.4 on accountability.

1.7 BANK PROFILES AND COMMENTS BY BANKS

Chapter 6 contains the aggregate scores of each bank, as well as an overview of the international initiatives adopted by each bank. A more detailed version of the profile of each bank, including all publicly available policies, sustainability reports and other relevant documents, is available on the BankTrack website.

To ensure the comprehensiveness and accuracy of our findings, the 49 banks featured in the report have been provided the opportunity to submit comments and missing information on their policies and practices, and to correct any factual errors. In addition, they were given the opportunity to review their own profile and the preliminary scorings. As we receive comments from banks on an ongoing basis, these are not included here but can be found in the bank profiles on the BankTrack website after publication.

1.8 COMPARABILITY WITH PREVIOUS REPORTS

Close the Gap follows its predecessor *Mind the Gap* (2007) in many ways. It again assesses the quality of the sector and issue policies of a group of international banks against a best practice benchmark. However, in *Close the Gap* the best practices and standards have been updated, and we have changed and expanded the group of banks included in the report to 49 (from 45). We also broadened the scope of the research from only credit policies to investment policies, and we included one new sector (power generation) and two new issues (corruption and operation in conflict zones).

While these changes still allow for a partial comparison of the findings in this report with those included in *Mind the Gap* in 2007, it is not possible to draw immediate conclusions from a bank receiving a higher or lower score than in the previous report. Such changes must be interpreted in relation to the changed benchmark used in this report.

2

Sector Policies

2.1 AGRICULTURE

2.1.1 What is at stake?

The world critically depends on the continued ability of farmers to produce enough food to meet global needs. Although millions of farmers in the world are still engaged in subsistence and locally-based agriculture, the production of agricultural commodities and food products for (international) trade is rapidly expanding. This is due in part to changing consumption patterns of the burgeoning middle class in upcoming markets (such as the BRICs: Brazil, Russia, India and China), whose consumption of animal products and processed food increasingly resemble that of their counterparts in industrialised countries. Another factor that has contributed to the surge in demand for agricultural commodities is the recent trend of government mandates to increase the consumption of biofuels, made from palm oil, corn, sugarcane or other food crops.

The steep rise in global demand deepens the already existing significant environmental, economic and social problems related to the agriculture sector:

Environmental issues

- To meet the increasing demand for agricultural commodities, many natural ecosystems and habitats are threatened with conversion into agricultural land. Recent satellite images show that almost half of the world's 17,000 major nature reserves are heavily impacted by agricultural activities.[3]
- The agricultural sector accounts for significant contributions of global emissions greenhouse gas emissions, due to the use of fertilizers, methane emissions of rice fields and cattle and -according to a study by Delft Hydraulics- through conversion of natural ecosystems, such as drainage of peat lands and deforestation;[4]
- The role of live-stock farming and poultry production in global emissions of greenhouse gasses is particularly large. According to a report by the UN Food and Agriculture Organisation (FAO), the global production of milk, meat and eggs contributes 18% to the total greenhouse gas emissions caused by humans (expressed in CO_2-equivalents), through emissions of CO_2, NH_4 and N_2O. [5]
- The live-stock and poultry sector is also responsible for 64% of human-made ammonia-emissions, contributing to acid rain and acidification of ecosystems. Moreover, the live-stock sector uses 70% of all agricultural lands on earth and uses 8% of all water. There are no global figures available, but the contribution to water pollution of the life-stock sector through the use of antibiotics, hormones, sediments, fertilizers, pesticides and other chemicals is enormous.[6]
- Intensive life-stock and poultry farming has been shown to be an important vector for the spread of diseases.
- The use of genetically modified organisms (GMOs) in agriculture leads to pollution of stock and loss of biodiversity. GMO-use also has adverse social effects, such as the increasing dependence of farmers on a handful of large enterprises for the supply of their seeds, pesticides and fertilizers;[7]
- The development of an export-oriented agricultural sector is often accompanied by the expansion of roads, railways and waterways, which can have considerable negative impacts on ecosystems (e.g. by facilitating the access by poachers and loggers to previously inaccessible nature areas).

Social issues

- In certain areas, the expansion of agricultural production is often realised through the appropriation of lands to which local or indigenous communities have legal or customary rights. These communities are thereby deprived of their territories and sources of income and livelihoods. The appropriation of local lands previously governed under customary law often increases the feminization of poverty. Because many customary laws do not allow women to own or inherit land, it is usually men who receive land titles or compensation when governments or companies appropriate the land for extractive or infrastructure projects;
- In many countries labour conditions in the production of agricultural commodities often violate basic labour rights that prohibit forced labour, child labour, indentured servitude, and dangerous working conditions.
- Many of the problems mentioned disproportionately impact women and girls, due to traditional gender divisions of labour in the agricultural sector. Thus, soil and water pollution due to the use of pesticides impact women's -reproductive- health.. Because women predominate in the agriculture industry in many countries, they are often the first fired and last rehired when local markets are eroded as a result of increased food imports.

Economic issues

- The macro-economic impacts of the agricultural sector are often unfavourable to developing countries, due to adverse terms of trade, developed country subsidies and dumping practices, and the uneven distribution of power in the supply chain.
- The substantial increase in food prices in the last few years has pushed more people in developing countries into severe poverty. The number of people that lack sufficient nutrition on a daily basis has grown to 1 billion worldwide.[8] Famine and poor nutrition often disproportionally affect women and girls, because it is often women who go without food in families when food is scarce
- The agricultural sector plays a major role in achieving the first of the Millennium Development Goals: ending poverty and hunger in the world. In order to give all world citizens a sufficient and healthy diet, and enable economic development of developing countries, unfavourable trade conditions of crops need to be changed and unfair subsidies and dumping practices forbidden. The use of agricultural lands for the production of biofuels and animal feed should be discouraged, as this threatens food production for local use and hence the right to food security.

The world is faced with the challenge to secure the right to food of almost 7 billion people, and to do so in a socially and environmentally sustainable manner. This is a shared responsibility for all players in the agricultural and food sectors – from farmers to traders, transporters, processors, and retailers. Banks active in the agricultural sector should develop a comprehensive agriculture policy that addresses these issues.

2.1.2 Selected standards and initiatives

In the last decade, a number of efforts have been made to develop standards in the agriculture and food sectors, both on a general, sector-wide level as for specific agricultural crops and commodities. These include:

Sustainability certification

The demand for sustainably produced agricultural products is growing, yet there is no general agreement on what defines 'sustainable agriculture'. There is now a proliferation of labelling initiatives of products, based on different sustainability criteria - including environmental, social and fair trade issues. The differences in terminology used – including *organic, biological, fair trade, GMO-free* and *reduced impact* - makes the market for *sustainable* agriculture products somewhat opaque.

- In February 2008, the Sustainable Agriculture Network (SAN) published the Sustainable Agriculture Standards. The norms are based on guidelines from institutions including the United Nations, the European Union and the International Labour Organisation, and are endorsed by the *Rainforest Alliance*. The standards contain 14 criteria for sustainable agriculture (e.g. on waste management, labour conditions, health and safety, use of chemical and biological fertilizers and genetically manipulated seeds). Next to the standards, SAN developed the Farm Certification Criteria and a list of prohibited pesticides. Both are used in the certification process of sustainable agricultural companies. SAN is also working on a complimentary sustainable cattle ranching standard, covering specific topics and adapting earlier SAN standards on water and waste management on cattle farms.[9]
- For organic agriculture, the International Federation of Organic Agricultural Movements (IFOAM) has developed the Norms for Organic Production and Processing. These consist of the IFOAM Basic Standards for Organic Production and Processing and the corresponding Accreditation Criteria. All producers in the world, who comply with the IFOAM norms are included in the Organic Guarantee System.
- Fairtrade certification aims to guarantee a fair price to the primary producers. The Fairtrade Labelling Organizations International (FLO) is an association of 20 *Labelling Initiatives* that promote and market the Fairtrade label in their countries. Products carrying the Fairtrade label are certified to meet the Fairtrade Production and Trade Standards, covering both generic standards (e.g. with respect to investment in local economies and diminishing waste) and a large variety of product specific standards (e.g. with respect to minimum pricing and quality standards).[10]
- The Responsible Commodities Initiative (RCI), founded by the *Sustainable Food Laboratory*, which is supported by the United Nations Conference on Trade and Development (UNCTAD) and the International Institute Sustainable Development (IISD), is a multi-stakeholder initiative that aims to stimulate the sustainable production of agricultural produce. The RCI developed the RCI-Benchmark tool, which allows users to measure

improvements in environmental and social indicators within agricultural product chains and facilitates the development of crop specific sustainability standards.[11]

- Although the Iniciativa Brasileira only deals with the agricultural sector in Brazil, it is a best practice example of a multi-stakeholder and multi-sector initiative that could be followed internationally. The initiative aims to encourage social and environmental changes in the Brazilian agricultural sector, reducing its impacts and creating conditions for a transparent system of voluntary verification and independent certification. The process of developing these standards is on-going, with the second consultation version of the Verification Principles and Criteria published in July 2009.[12]

Market concentration

The previously described problems in the agricultural sector are perpetuated by import requirements (e.g. low prices and high volumes) of companies in the middle of the chain -large commodity traders and food processors- and at the end of the chain -retailers. Because of market concentration and, in a number of cases, collusion in these parts of the product chains, competition and margins of small producers early in the chain are under pressure. This contravenes important economic principles such as a fair price and fair purchasing practices. The OECD Guidelines for Multinational Enterprises state that an enterprise should abstain from agreements with competitors with respect to:[13]

- prices;
- production quota;
- division of clients, suppliers, markets of sales channels.

Protected areas

Agricultural activities are generally not allowed in any of the protected areas covered by categories I-IV defined by the International Union for Conservation of Nature (IUCN), and areas identified by the UNESCO World Heritage Convention and the Ramsar Convention on Wetlands.

The *High Conservation Value* (HCV) concept was originally devised in the context of forest certification (High Conservation Value Forests or HCVF), but it is also applicable to all kinds of ecosystems and habitats. The HCV Resource Network has developed national implementation guidance, local projects, trainings and workshops.[14]
See paragraph 3.1 on Biodiversity.

Genetically Modified Organisms

The Cartagena Protocol to the Convention on Biological Diversity sets out labelling and notification provisions with respect to GMOs, and the traceability of GMOs in the process chain. For example, trade in living modified organisms is prohibited without the approval of the importing country. Signatories are also supposed to apply the precautionary principle to the production and use of GMOs. As technologies and new knowledge about GMOs are in constant development, the parties to the Protocol continue to address and develop standards with respect to GMOs.

See paragraph 3.1 on Biodiversity.

Land rights of local and indigenous communities

The UN Declaration on the Rights of Indigenous Peoples grants indigenous peoples rights to the lands, territories and resources that they have traditionally owned, occupied or otherwise used or acquired. Agricultural companies need to respect and guarantee the rights of indigenous peoples to protect their land, societies, cultures and livelihoods, by respecting their rights and acknowledging their sovereignty and self-determination.

This same principle is also acknowledged in the Convention on Biodiversity (CBD), which addresses the fair and equitable use of biodiversity resources, and requires that the traditional knowledge of indigenous and local communities may only be used with their explicit “approval”.[15]

Amplifying the protection of land and territorial rights, the United Nations Economic and Social Council, in its Working Paper on FPIC has described the right of indigenous peoples to *Free, Prior Informed Consent (FPIC)* with respect to all developments affecting their lands and natural resources.

See paragraph 3.5 on Indigenous peoples.

Rights of women and girls

The Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) was adopted in 1979 by the UN General Assembly. It provides the basis for realizing equality between women and men through ensuring women’s equal access to, and equal opportunities in, political and public life.[16] Acknowledging their own responsibility in this field, companies and banks active in the agricultural sector should promote women’s social and economic rights; ensure safe and healthy working conditions for women workers; ensure equal compensation for both men and women when land and property are appropriated; acknowledge and value both women's paid work and women's unpaid reproductive labour within households.

Labour rights

Working conditions in the agricultural and food sector are often poor. Wages are generally low and bargaining rights regularly disrespected. Adherence to best international standards on labour rights therefore is very important. Best international standards are currently embodied in the ILO Declaration on Fundamental Principles and Rights at Work and the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy. March 2006.17

See paragraph 3.6 on Labour.

Pesticides

Regarding the use of pesticides the UN Food and Agriculture Organisation (FAO) issued the International Code of Conduct on the Distribution and Use of Pesticides, setting out voluntary, internationally accepted standards for the handling, storage, use and disposal of pesticides.

See paragraph 3.9 on Toxics.

Animal well-being

The European Convention for the Protection of Animals kept for Farming Purposes (accepted in 1976 and revised in 1992 by the European Council) defines minimum guidelines for livestock farming. The European Convention for the Protection of Animals during International Transport (accepted in 1968 and revised in 2003 by the European Council) puts guidelines for transport of animals. The World Organisation for Animal Health (OIE)- the intergovernmental organisation responsible for improving animal health worldwide—has adopted five animal welfare standards for inclusion in the OIE Terrestrial Code. Finally, the Norms for Organic Production and Processing include rigorous standards for animal welfare.

Specific commodity standards

For a range of important agricultural products, guidelines for sustainable production and trade have been, or are currently being, developed. These guidelines are increasingly developed by so-called *multi-stakeholder initiatives* or *roundtables*, which include companies active in the sector, financial institutions, researchers, civil society organisations and other relevant stakeholders.

Although these initiatives attempt to define standards for specific crops, it remains to be seen in how far the various roundtables will succeed in making the global production of a specific crop socially and environmentally sustainable. Not all initiatives sufficiently include the different and sometimes conflicting civil society interest groups and organisations in the process (or sometimes not at all, as in those initiatives which claim to be roundtables but are in effect industry led initiatives). Even where social and environmental interests are sufficiently acknowledged, the roundtable process obviously leads to compromises with other interests, potentially undermining the sustainability mission of the process. All roundtables also struggle very hard with controlling and maintaining the agreed standards and the establishment of effective control and accountability mechanisms.

For these reasons, the roundtables are not acknowledged by all relevant social and environmental organisations as legitimate and authorative processes. The standards developed by the roundtables should therefore be seen as first steps in a process which need to be further developed in dialogue with, and endorsed by all relevant stakeholders. At this moment, these standards generally lack sufficient rigor to be considered adequate sustainability standards but they provide some guidance on what is considered best practice when benchmarking companies active in a specific commodity sector.

The most important examples of specific commodity standards set by roundtable initiatives are:

- **Soy:** Large scale soy production causes serious environmental and social damage, mainly in Latin America. The Basel Criteria for Responsible Soy Production, developed by WWF and Coop Switzerland, provide standards and guidelines for legislation, environmental management and traceability. The Basel Criteria are further refined in the widely used ProTerra Standard.

  Other standards for responsible soy are the Sustainable Agriculture Network Standard (SAN), Fairtrade Production and Trade Standards, organic farming standards, EcoSocial certification and the Social Responsibility Criteria for Companies that Purchase Soy and Soy Products, developed by the Brazilian Soy Platform, which also puts a clear responsibility with banks and other financial institutions that invest in soy producers.[18]

The Roundtable for Responsible Soy (RTRS), founded by organisations and industries in the soy sector, aims to stimulate more responsible soy production, with less stringent requirements than Basel Criteria and other standards. The temporary RTRS Principles & Criteria for Field Testing that RTRS convened in April 2009, recognize the environmental and social problems in the soy chain.

The Amazon Moratorium is an initiative of Brazilian soy processors and traders. Under pressure from Greenpeace the sector decided in 2006 to no longer buy soybeans from land that was deforested in the Amazon rainforest after July 24, 2006, or from farms which make use of forced labour. During the Moratorium the sector will work with entities representing society (mainly environmental and social NGOs) to develop and implement a governance structure with rules for operations in the Amazon Biome. The Moratorium was extended twice, the last time until July 2010.[19]

- **Palm Oil:** In October 2007, the Roundtable on Sustainable Palm Oil (RSPO) - a multi-stakeholder initiative with over 100 members representing more than one-third of the global palm oil trade - accepted the Principles and Criteria for Sustainable Palm Oil Production (P&C). The P&C contain clear standards regarding environmental aspects (use of soil, water and chemicals) and social issues (land rights, labour conditions, etc.) Based on the RSPO P&C a certification system has been launched.[20]

- **Sugarcane:** Apart from the food sector, sugar cane is increasingly used as feedstock for the biofuel ethanol. The multi-stakeholder Better Sugarcane Initiative (BSI), founded by WWF, unites a range of stakeholders in the sector, and has as an objective to develop international guidelines for sustainable sugarcane production, that can be used by companies and investors worldwide. The initiative is still underway and currently the BSI Standard offers few tangible norms for sustainable production.

- **Biofuels:** Palm oil, soy as well as sugarcane are increasingly used as feedstock for biofuels. In October 2009, the Roundtable on Sustainable Biofuels published a pilot testing version of Global Principles and Criteria for Sustainable Biofuels Production, which contains norms on social and environmental issues based on a.o. the UN and the ILO.[21] The Sustainable Food Laboratory is also in the process of developing a comprehensive assessment of the most sustainable sources of biofuels that allows useful comparisons between biofuels from different agricultural crops.[22]

  In 2007, a commission in the Netherlands developed sustainability criteria for biofuels. These so-called Cramer Criteria were formalised in March 2009 together with the Dutch standardization body NEN as the NTA 8080:2009 Sustainability criteria for biomass for energy purposes.[23]

- **Cocoa:** The Harkin-Engel Protocol was established in 2001 to prevent the worst forms of child labour on cocoa plantations. Despite the adoption of the Protocol by a large section of the industry, examples of child labour on African cocoa plantations have continued. Furthermore, the cocoa production chain is characterised by highly unequal power relations, which drives prices down for small cocoa farmers. In October 2007, the first meeting of the Round Table on a Sustainable World Cocoa Economy was held, in which farmers, traders, processors, governments and civil society organisations met to tackle the sustainability issues in the cocoa sector. Other initiatives are the World Cocoa Foundation (WCF), which supports programs to promote sustainable cocoa farming. The Sustainable Tree Crop Development Forum aims to shape a common agenda for the development of sustainable cocoa, coffee and cashew tree crop systems in Africa.[24]

- **Coffee:** For many years, organisations such as Max Havelaar and - more recently - Utz Certified, focus on certifying coffee.[25] Max Havelaar in particular addresses the small coffee producers and assuring minimum prices for them. The Common Code for the Coffee Community (4C), which came into being in 2004 and was revised in February 2008, offers an extended framework in which both environmental and social issues are addressed. The International Coffee Organization (ICO) has developed standards for responsible coffee for 40 years. The latest agreement of the ICO is the International Coffee Agreement 2007. Other coffee initiatives can be found in the Coffee Certification Database.

- **Tea:** Tea production is highly labour intensive and the industry creates jobs in inaccessible rural areas. Millions of people in the world are dependent for their livelihoods on being involved in tea production. Prices on the tea world market have dropped dramatically over the last 20 years, resulting in large social problems in the production areas. The Ethical Tea Partnership, a sector initiative of 17 traders, has monitored the labour conditions on large tea plantations since 1997. Other certification systems are Fairtrade, Rainforest Alliance and Utz Certified.

- **Cotton:** The Better Cotton Initiative (BCI) is a global multi-stakeholder initiative, involving a wide range of representatives along the cotton & textiles value chain. In July 2009, version 2.0 of the BCI Global Principles, Criteria and Enabling Mechanisms was published, offering guidelines for sustainable and fair production of cotton. These Production Principles and Criteria will apply for an initial implementation period through 2012 and will be reviewed at the end of this period.[26]

- **Other standards:** Sustainable Agriculture Network (SAN) and Fairtrade Labelling Organisation (FLO) have developed crop specific standards, next to their generic standards. SAN published Additional Criteria and Indicators for cocoa and coffee. FLO developed Product Standards for coffee, tea, chocolate, vanilla, fresh fruits, rice, sugar, flowers and others. The Sustainable Agriculture Initiative Platform describes principles and practices for cereals, coffee, dairy, potatoes, vegetables and fruits.

2.1.3 Contents of a bank policy

Banks play an important role in the agricultural sector, providing capital to producers and processors and as financiers of traders of agricultural produce. Banks are also directly involved in commodity trading, and may actively take part in speculation activities, which in turn can lead to increased food prices. Given this role, they carry a responsibility to ensure that the sector operates in a sustainable manner. By critically selecting their clients in their investment and lending portfolios and by creating mechanisms to induce best practices, banks have the power and the responsibility to promote sustainable practices.

The following elements should be incorporated in the agriculture policy of any bank active in the sector:

Essential elements

The bank will only invest in companies that:

- Respect the (land) rights of local communities and indigenous peoples (see paragraph 3.5.3 on Indigenous peoples);
- Respect basic labour rights (see paragraph 3.6.3 on Labour) and avoid discrimination of women;
- Work towards fair pricing schemes and fair purchasing practices.
- Do not carry out agricultural activities in protected areas and areas with a High Conservation Value (see also paragraph 3.1.3 on Biodiversity);
- Minimise production and use of genetically modified organisms (GMOs) and require or establish labelling and traceability of GMOs in their supply chain;
- Carefully and minimally use pesticides in producing agricultural products;
- Avoid deforestation and apply best practice technologies to ensure strong reduction of greenhouse gas emissions (see also paragraph 3.2.3 on Climate change);
- Minimise the use of water and avoid water pollution;
- Respect minimum standards of animal welfare for farm animals during production and transport.

Additional elements

A bank will:

- Engage actively in multi-stakeholder initiatives that propose standards for various agricultural products;
- Promote social and environmental certification of agricultural produce and production systems according to standards set by multi-stakeholder initiatives.

Banks may either develop an integrated agriculture policy that pays due regard to the specific characteristics of individual commodities or agricultural sectors, or develop policies that are tailored for individual commodities or agricultural sectors, as long as the content of these policies is responsive to the crosscutting issues described in other paragraphs and integrates at least the elements listed above. A bank should be able to demonstrate that the policies on individual commodities cover at least 90% of its total investments in the agriculture sector.

2.1.4 Scoring table

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

0. The bank is active in this sector but has no investment policy for this sector;
1. The bank:
   - has only adopted or signed onto a voluntary standard or initiative (relevant for this sector, see paragraph 5.2); or
   - has developed its own policy, but it is vaguely worded without clear commitments;
2. The bank has developed its own policy, that includes at least half of the essential elements;
3. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking; or
   - this includes the essential elements in its asset management;
4. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking as well as its asset management; or
   - this includes both the essential and additional elements in its lending and investment banking; or
   - this includes both the essential and additional elements in its asset management;
5. The bank has developed its own policy and this includes both the essential and additional elements in its lending and investment banking as well as its asset management.

When the bank does not have an integrated agriculture policy but has policies on individual commodities, we will assess these policies individually and score them as a whole as described above. It is important for the specific commodity policies that they follow the commodity specific international standards listed in paragraph 2.1.2 and include at least the essential elements described in paragraph 2.1.3.

TABLE 5 SCORES FOR POLICIES ON AGRICULTURE

Rabobank	3	BNP Paribas	0	Morgan Stanley	0
ANZ	2	China Construction Bank	0	National Australia Bank	0
Barclays	1	Commonwealth Bank	0	Natixis	0
Citi	1	Crédit Agricole	0	Nedbank	0
Fortis	1	Credit Suisse	0	Nordea	0
HSBC	1	DekaBank	0	RBC	0
Santander	1	Deutsche Bank	0	RBS	0
Standard Chartered Bank	1	Dexia	0	Scotiabank	0
WestLB	1	Goldman Sachs	0	SMBC	0
ABN Amro	0	ICBC	0	Société Générale	0
Banco Bradesco	0	Industrial Bank	0	Standard Bank	0
Banco do Brasil	0	ING	0	UBS	0
Bangkok Bank	0	Intesa Sanpaolo	0	UniCredit	0
Bank of America	0	Itaú Unibanco	0	Westpac	0
Bank of China	0	JPMorgan Chase	0	Mizuho	X
Bank of Tokyo	0	Kasikornbank	0		
BBVA	0	KBC	0		

More information regarding the scoring methodology can be found in paragraph 1.5.

2.1.5 Results

Only nine banks are accredited points for their policies regarding the agricultural sector. Generally, these policies do not include enough essential elements to be accredited more than one point. The scope of some policies is limited to a selection of crops such as soy or palm oil, and not all policies are disclosed to the public.

Only Rabobank has developed a separate sector policy on agriculture. Seven supply chain position papers for agricultural commodities act as a supplement to its Credit Manual. The Rabobank Animal Welfare Statement and Rabobank Approach to Gene Technology cover the elements on animal well being and use of genetically modified organisms. Taken together, these documents constitute a rather good policy on agriculture.

2.2 FISHERIES

2.2.1 What is at stake?

Our seas and oceans are being plundered at an alarming rate. The capacity of the global fishing fleet today is two and a half times larger than the productive capacity of the ocean.27 As a result, in 2007 80% of the 523 selected world fish stocks for which assessment information is available are reported as fully exploited (52%), overexploited (19%), depleted (8%), or recovering from depletion (1%).

Most of the stocks of the top ten species, which together account for about 30% of world marine capture fisheries production in terms of quantity, are fully exploited or overexploited. The maximum wild capture fisheries potential from the world's oceans has probably been reached.[28] If we keep fishing at the current rate, stocks of all commercially fished species are predicted to collapse by 2048.[29] This means not only a complete destruction of marine ecosystems, but also a loss of a very important source of food and income for a large segment of the world population.Exploitation of fish stocks is caused by a number of factors, including:

- The use of unsustainable fishing practices, aimed at achieving maximum catch regardless of long term effect on fish stocks –for example leading to catch of undersized fish-. Some fishing practices, such as driftnet fishing, also have huge impacts on many non-target fish species as well as sea turtles, seabirds and marine mammals. Other practices such as bottom-trawling destroy ocean habitats necessary for maintaining or recovering marine biodiversity.[30]
- Worldwide, governments subsidise the fishery industry by between € 20 billion and € 25 billion per annum.[31] These subsidies support overcapitalisation of fishing fleets, which is a recognised driver of overfishing in many regions of the world.[32]
- By-catch is the amount of non-target species caught and typically discarded while fishing for other species. Three of the five most-traded seafood products globally - tuna, shrimp, and whitefish - come from fisheries with significant by-catch.[33] Some fishing practices such as shrimp trawling lead to as much as 3kg of wasted fish or non-fish species for every 1kg of target species.[34]
- Fishing equipment and gear continue to cause accidental catches after they are lost or abandoned in the marine environment (also called ghost fishing).[35]
- A significant problem in fisheries management is the illegal, unregulated or unreported (IUU) fishing conducted in violation of international or national fisheries conservation measures. This often involves vessels registered under "flags of convenience" in countries that are notoriously lax in their regulations. [36]
- Local fishing communities can be deprived of their source of food and income because of overfishing. One per cent of the world's industrial fishing fleet's account for 50 per cent of the world's catches, and communities dependent on small-scale fishing already suffer severely from losing their food sovereignty and security.[37]

The world fisheries and aquaculture production has reached a total of 143.6 million tons in 2006. As wild capture has declined, increases in production have come from expanded aquaculture. [38] Although aquaculture has been heralded as important for diversifying income and diet in many coastal communities, it can also have substantial negative impacts on sensitive coastal wetlands, water quality and the genetic diversity of native fish.

2.2.2 Selected standards and initiatives

Several international treaties, action plans and codes of conduct negotiated under the auspices of the UN Food and Agriculture Organization (FAO) set out the parameters of an international consensus on many aspects of fisheries management. The UN Convention on the Law of the Sea (UNCLOS),[39] the UN Straddling Stocks Agreement[40] and the FAO Code of Conduct for Responsible Fisheries[41] establish clear principles, goals and measures for sustainable management of the world's fisheries:

Ecosystem based management of fisheries

International standards and regulations for fisheries management have evolved from emphasising particular fish stocks to a more ecosystem-based approach. The *UN Straddling Stocks Agreement* not only requires the sustainable management of particular stocks, but also the assessment and conservation of non-target species in the same ecosystem.[42]

Similarly, the FAO Code of Conduct for Responsible Fisheries requires users of living aquatic resources to "conserve aquatic ecosystems" and "not only [to] ensure the conservation of target species but also of species belonging to the same ecosystem or associated with or dependent upon the target species".[43] Additionally, the FAO has endorsed a comprehensive Ecosystem-Based Management (EBM) framework for marine capture fisheries.[44]

Eliminating overfishing and restoring stocks

Under the *UN Straddling Stocks Agreement*, states are obligated to "prevent or eliminate overfishing".[45] Conservation and management decisions for fisheries should be based on the best scientific evidence available and should be directed at maintaining or restoring stocks.[46] States and fisheries managers should make every effort to restore critical habitats or other habitats adversely affected by human activities.[47]

Marine Protected Areas (MPAs) are now recognised as critical for maintaining and restoring fish and other marine biodiversity. Some MPAs are designed to be "no-take zones" where fish and their habitat can be restored over time, thus serving as reservoirs for the rest of the ocean.

Eliminating and avoiding overcapitalisation

Governments have agreed at the FAO to "review the capacity of fishing fleets in relation to sustainable yields of fisher resources and where necessary reduce these fleets."[48] Governments have also consented in the *UN Straddling Stocks Agreement* to take measures to prevent or eliminate excess fishing capacity and to ensure that fishing efforts do not exceed those commensurate with the sustainable use of fishery resources."[49]

Eliminating destructive fishing practices

The *FAO Code of Conduct for Responsible Fisheries* accords a general priority to selective and environmentally safe fishing gear and practices,[50] recommends measures to phase out the use of irresponsible gear, methods or practices,[51] and calls for the assessment of impacts on habitats before new fishing gear is introduced on a commercial scale. International standards have also been identified for restricting or banning certain types of fishing practices or gear, including the use of explosives or cyanide fishing,[52] the use of driftnets,[53] high seas bottom-trawling, and shark-finning.[54]

Minimising by-catch

The *FAO Code of Conduct for Responsible Fisheries* provides that users of aquatic ecosystems "should minimise waste, catch of non-target species, both fish and non-fish species, and impacts on associate or dependent species". Action plans have been adopted to reduce the impact on by-catch of certain species or groups of species, including marine mammals, turtles, seabirds and sharks.[55]

Ghost fishing

The MARPOL 73/78 Agreement regulated the problem of ghost fishing for the first time by prohibiting the abandonment or sinking of fishing equipment in the sea. The FAO has published a series of recommendations for the Marking of Fishing Equipment.[56] In March 2005, the European Commission adopted a regulation 365/2005 which requires that passive fishing equipment must be marked with the boat's registration number. However, these measures can be easily evaded and control is scarce, so they do not represent the best way to eliminate "ghost fishing".[57]

Illegal, Unregulated and Unreported fishing and flags of convenience

The FAO's Plan of Action on IUU fishing seeks to eliminate the practice of illegal, unregulated or unreported (IUU) fishing in part by encouraging states to prohibit doing business with companies engaged in IUU fishing.[58]

A WWF Report on IUU fishing recommends that the banking sector should ensure it supports only legal operations by requiring the catch to be documented through the full chain of custody. [59]

Endangered species

The commercial trade in many fish species, including some that are commercially important, is now either banned or restricted under Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).[60] The *FAO Code of Conduct for Responsible Fisheries* also recognises the particular importance of protecting endangered species.[61]

Certification of sustainable fisheries

The best known effort for certifying sustainable marine fisheries is the Marine Stewardship Council, which is the only certification scheme that is based on the *FAO Code of Conduct for Responsible Fisheries* and hence is consistent with the FAO Guidelines for the Ecolabeling of Fish.[62] Since its founding in 1999, the MSC has certified 51 fisheries and currently has 111 under review. The MSC also employs a product tracking mechanism that can help trace chain of custody and ensure fish are coming from legal sources.[63] The market for certified seafood has grown to (a retail value) of around US$ 1.4 billion per year.[64]

Aquaculture

In August 2006 the International Principles for Responsible Shrimp Farming were launched after a five-year consultative process involving several partner organizations, including the Network for Aquaculture Centres for the Asia Pacific, WWF, the World Bank and the UN Environmental Programme. The new principles represent the first-ever attempt to provide an overarching international framework for improving the sustainability of the shrimp farming industry.[65]

The FAO Code of Conduct for Responsible Fisheries calls on states to ensure that adverse environmental impacts of aquaculture are assessed and minimised.[66] Resources should also be used responsibly – for example, where some types of aquaculture have unsustainable protein conversion rations (salmon require 3 kg of protein for every 1 kg of salmon produced; tuna require 10 kg). Therefore aquaculture development activities should be directed towards herbivorous fish species such as catfish and tilapia.

The Global Aquaculture Alliance, an initiative of American enterprises, has also developed a certification scheme for fish nurseries. So far, the Alliance has developed certification standards for breeders of shrimp, tilapia and channel catfish, and for fish processing enterprises.[67]

2.2.3 Contents of a bank policy

Whereas far reaching reform of the fishing industry must be driven by national and international policy, the investment policies of banks can support positive changes. Bank policies should ensure that financial support is only available to fishing companies that commit themselves to work towards sustainable management of fisheries. Banks investing in the international fishing fleet should develop strict standards for companies to adhere to.

The following elements should be incorporated in the banks' fisheries policy.

Essential elements

The bank will only invest in companies that:

- Adopt an ecosystem-based approach to fisheries management, and are certified where possible by a credible, independent third-party sustainability certification system;
- Provide strict catch documentation schemes, to verify the legality of fishing operations and the catch.
- Do not:
  - Overfish;
  - Use destructive or wasteful fishing practices;
  - Operate in an over-capitalised fishery;
  - Have unacceptable amounts of by-catch;
  - Catch or trade endangered or threatened species, particularly those banned or restricted under the IUCN red list and *CITES*;
  - Fish illegally or under *flags of convenience*; fish in sensitive areas such as (temporarily) no-fishing-zones or *Marine Protected Areas*.

Additional elements

The bank will:

- Consider the impacts of its investments in seafood throughout the supply chain (catching, processing, transport, retailing or food service points), by encouraging purchasing of sustainable products and by screen-

ing companies to ensure they do not participate in or buy fish from fisheries that overfish, use destructive or wasteful fishing practices, or generate unacceptable amounts of by-catch;
- Actively support the creation of areas as “no-go zones” or *Marine Protected Areas* and exclude activities in those areas from investment;
- Require an environmental impact assessment on habitats for investments in new fishing gear that will be introduced on a commercial scale;
- Support only aquaculture of herbivorous fish species, such as catfish and tilapia, and take measures to limit the environmental impact of this industry.

2.2.4 Scoring table

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

0. The bank is active in this sector but has no investment policy for this sector;
1. The bank:
   - has only adopted or signed onto a voluntary standard or initiative (relevant for this sector, see paragraph 5.2); or
   - has developed its own policy, but it is vaguely worded without clear commitments;
2. The bank has developed its own policy, that includes at least half of the essential elements;
3. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking; or
   - this includes the essential elements in its asset management;
4. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking as well as its asset management; or
   - this includes both the essential and additional elements in its lending and investment banking; or
   - this includes both the essential and additional elements in its asset management;

TABLE 6 SCORES FOR POLICIES ON FISHERIES

Rabobank	3	BNP Paribas	0	Morgan Stanley	0
Barclays	1	China Construction Bank	0	NATIONAL AUSTRALIA BANK	0
Citi	1	Commonwealth Bank	0	Natixis	0
Santander	1	Crédit Agricole	0	Nedbank	0
WestLB	1	Credit Suisse	0	Nordea	0
ANZ	0	DekaBank	0	RBS	0
Fortis	0	Deutsche Bank	0	Scotiabank	0
HSBC	0	Dexia	0	SMBC	0
Standard Chartered Bank	0	Goldman Sachs	0	Société Générale	0
ABN Amro	0	ICBC	0	Standard Bank	0
Banco Bradesco	0	Industrial Bank	0	UBS	0
Banco do Brasil	0	ING	0	UniCredit	0
Bangkok Bank	0	Intesa Sanpaolo	0	Westpac	0
Bank of America	0	Itaú Unibanco	0	RBC	X
Bank of China	0	JPMorgan Chase	0	Mizuho	X
Bank of Tokyo	0	Kasikornbank	0		
BBVA	0	KBC	0		

5. The bank has developed its own policy and this includes both the essential and additional elements in its lending and investment banking as well as its asset management.

For more information regarding the scoring methodology refer to paragraph 1.5.

2.2.5 Results

Rabobank is the only bank that has developed a fairly good policy on the fisheries and seafood sector. All essential elements are covered in its Wildcatch and its Aquaculture Supply Chain Policies. Barclays has issued an internal guidance note which lists the issues but does not set clear preconditions for financing.[68] Other banks (Citi, Santander and WestLB) mention the sector or an issue like overfishing in their umbrella social and environmental policies. All other banks have disregarded the importance of the fisheries sector and have not developed any policies for the sector.

2.3 FORESTRY

2.3.1 What is at stake?

The world is rapidly losing its natural forest cover, and with it the ten thousands of species essential for life to flourish on earth. Only around 30% of the earth's land surface - almost 4 billion hectares - is still covered by forests. Of this area, around 271 million hectares are not natural forests but wood plantations and semi-planted forests.69

Forests play a crucial role to sustain life on earth. Apart from their intrinsic value, forests provide us with a wide variety of essential ecological services, having an enormous impact on worldwide agricultural productivity and human health.70

Environmental services

- Forests are the most bio-diverse terrestrial ecosystems on earth; they are home to at least 70% of all land-based plants and animals; intact forest areas act as crucial biodiversity pools in areas severely affected by human activities.
- Intact forests are critical climate buffers; the remaining forest cover provides essential climate protection services such as carbon capture and dampening changes in regional weather patterns.
- Forests help maintain soil fertility, protect watersheds and reduce the risk of natural disasters such as floods and landslides by regulating water supplies and reducing soil erosion.

Socio-economical

- Over 1.6 billion people worldwide depend on forests for at least part of their livelihood.
- About 350 million people call forests their home. Their economic well-being is inextricably linked to the use of timber and non-timber products. Forests play a very important role in their social, cultural and religious life.
- The forests product industry is a source of economic growth, providing wood and non-timber forest products such as edible nuts and fruits, medicinal plants, fibres and rubber. The global annual trade in forest products is estimated to be US$ 270 billion, of which around 20% comes from developing countries. About half of all tropical timbers entering global markets, however, are estimated to come from illegal sources. The economic importance of the informal and local trade in timber and non-timber forest products probably vastly exceeds this figure.
- Forestry activities create employment, yet there are enormous differences between the job-creating value of various types of forestry activities. Small-scale and informal forestry can be an important source of employment, especially in combination with agroforestry. Large-scale plantations, however, generate fewer jobs than alternative land uses. In Brazil for instance, timber plantations employ less than one person per 45 hectare, while agricultural activities employ at least 18 people per hectare.[71]

Despite their value for human beings and our global environment, forests continue to be destroyed at unprecedented rates. Experts estimate that approximately 16 million hectares of natural forests were lost annually during the 1990s. The speed of deforestation may have slowed down during the current decade, yet we are still clearing forests much faster than they can regenerate themselves.[72] Besides deforestation, other areas of tropical, temperate and boreal forests are significantly degraded by over-exploitation each year.

Deforestation and forest degradation can deprive communities of their land and livelihoods, cause severe biodiversity loss and soil erosion, and cause surface and ground water levels to fall, often dramatically. Additionally, deforestation activities sometimes cause severe forest fires, such as those in Indonesia in 1997/1998. Because of the air pollution caused by the Indonesian fires some 40,000 people were hospitalized for respiratory and other pollution-related ailments. Most of these fires were caused by the expansion of large-scale industrial pulpwood and oil palm plantations.[73]

Deforestation is also accelerating global climate change. When a forest is logged or burned, carbon is released into the atmosphere, and the storage capacity of the forest is diminished. According to the Stern Review greenhouse gas emissions from deforestation represent more than 18% of global greenhouse gas emissions—more than the global transport sector.[74]

Important drivers of deforestation and forest degradation are:

- Unsustainable and illegal logging practices: Unsustainable logging occurs when forests are exploited at a rate or in such a way that regeneration is not possible. Not all unsustainable logging is illegal, as forestry legislation in many countries does not yet incorporate sustainable logging practices. Also, not all illegal logging is inherently unsustainable, such as small-scale logging for agricultural purposes by forest-dependent communities (shifting cultivation).

- Illegal logging costs governments of timber-producing countries an estimated €10 to €15 billion per year in lost revenues, which otherwise could be used for the provision of better healthcare, education and other public services, and the implementation of better strategies for managing forests. Legal yet unsustainable logging also causes enormous environmental damage. Biodiversity is lost through conversion of bio-diverse primary forests into degenerated secondary forests or plantations. Moreover, legal unsustainable logging creates roads and other infrastructure that opens the forest to illegal loggers and poachers.

- In some forest-rich countries, corruption -fuelled by profits from the allocation of concessions and the resulting illegal forms of large-scale logging- has grown to such an extent that it is undermining the rule of law, principles of democratic governance and respect for human rights. In some cases illegal exploitation of forests is associated with large scale violent conflict (e.g. in the Democratic Republic of the Congo). In other cases illegal exploitation of forests may contribute to the financing of a military power (e.g. in Burma).[75] This specific subject is further discussed in paragraph 3.8.2 on Operation in conflict zones.

- Conversion of natural forests into timber or pulp plantations. One of the most important drivers of unsustainable logging is the establishment of large-scale pulp, paper and ply mills. These mills often exploit natural forest lands, and replant them with monoculture plantations of fast-growing tree species. Although plantations are sometimes classified as forests – e.g. in the bi-annual study State of the World's Forests by the UN Food and Agriculture Organisation (FAO) - they do not offer the same social and ecological qualities as natural forests. The vast areas of monocultures required to feed modern pulp mills have severe impacts on biodiversity, water, land rights and livelihoods.

- According to a World Bank study on timber production in Africa, the forestry sector has failed to play a constructive role in conserving and managing the world's forest resources. "Over the past sixty years, there is little evidence that it has lifted rural populations out of poverty or contributed in other meaningful and sustainable ways to local and national development."[76] The Inspection Panel of the World Bank -assessing the World Bank's role in local industrial forest management in Cambodia- concluded that "one could hardly overemphasize the negative effects of the logging industry on a natural habitat of world class value and most importantly on very poor and vulnerable rural communities and indigenous peoples."[77]

- Conversion of forests for agricultural expansion. Agricultural activities such as life-stock farming and the production of palm oil, soy and grains (for both food and biofuels) require ever increasing areas of land. In order to make space for these agricultural activities, forests are often destroyed at a large scale, after which the felled slash is burned to be used as fertilizer. This system is known as *slash-and-burn*. It is practiced both by large-scale agricultural companies and small farmers. See paragraph 2.1 on Agriculture;

- Conversion of mangrove forests for aquaculture. Mangrove forests in tropical coastal areas are often destroyed to create large-scale fish and seafood nurseries. See paragraph 2.2 on Fisheries;

- Development of large-scale industrial and infrastructure projects. Forests are also destroyed for the development of industry and infrastructure - such as roads, railways, dams, mines and oil and gas installations and pipelines. See paragraph 2.5 on Mining, paragraph 2.6 on Oil and Gas and paragraph 2.7 on Power generation.

- REDD A major risk is unfolding through the efforts of the logging industry to ensure that ongoing international climate negotiations do not protect forests from logging. Forests are being addressed as part of the proposed new UN climate change deal through a mechanism known as 'Reducing Emissions from Deforestation and forest Degradation' (REDD). As the scope of REDD is framed within the context of 'promoting sustainable forest management', it could actually result in credits being generated from introducing logging into intact forests. This can happen because the definition of forests does not distinguish between a plantation and a natural forest. [78] NGO's believe that mechanisms like REDD will lead to increased logging of intact natural forests and the conversion of forests to palm oil and fibre plantations in developing countries instead of protecting natural intact forests. As plantations store less carbon than bio diverse, carbon rich and resilient natural forests, this will worsen climate change.

Financial institutions should ensure that their investments lead to the protection of native forests and vegetation and avoid the financial and reputation risks associated with investing in deforestation or forest degradation. To ensure that companies in the forestry sector financed by banks manage forests in a way that ensures not only environmental sustainability but also provides benefits to local communities, banks need to develop a strict policy that sets guidelines for screening forestry companies.

2.3.2 Selected standards and initiatives

The most important international standards and initiatives relevant for the forestry sector are listed below.

Illegal logging and forest governance

Since 2002, the World Bank and governments of wood producing and consuming countries have held a number of Ministerial Conferences on Forest Law Enforcement and Governance (FLEG). FLEG conferences aim to mobilize international commitment by producer, consumer and donor governments to increase efforts to combat illegal logging and the associated trade and corruption in the forest sector. FLEG conferences have been organized in the East Asia and the Pacific region, in Africa and in Europe and North Asia. A potential FLEG initiative in Latin America and the Caribbean is underway.[79] Additionally, the EU has initiated FLEGT Voluntary Partner Agreements (VPAs), which focus on bilateral agreements with specific countries.

In 2004 the European Union adopted the Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan developed by the European Commission in May 2003. The Action Plan sets out a new and innovative approach to tackling illegal logging. The Action Plan describes a series of measures that could be taken –such as supporting initiatives to fight investments in illegal logging and private-sector efforts to keep illegal wood out of the supply chain.80

In 2008, the United States became the first country to ban the import, sale or trade of illegally harvested wood and wood products. Under the Lacey Act, importers must declare the species and country of origin of most types of wood products. There are strong penalties for importing wood products from illegal sources, either knowingly or as a result of a lack of due care in sourcing products.[81]

Certification of forest management and chain of custody

Most certification schemes to guarantee sustainable forest management are closely linked to companies active in the forestry sector. As the companies have a commercial interest in regimes that reinforce the status quo, the standards are often loose and poorly enforced. This unbalanced representation at the standard setting table is reflected in the widespread failure of most certification schemes to recognise the rights of indigenous peoples and forest-dependent communities to participate in decision-making.[82]

The only certification scheme that deals with this issue is the Forest Stewardship Council (FSC), which represents forest owners, forestry companies, trade unions and social and environmental organizations. FSC has established the 10 Principles of Forest Stewardship. Together with the associated FSC Criteria, these principles form the basis for all FSC forest and plantation management standards. Additionally, the products carry the Chain of Custody-certificate, which implies that the entire product chain complies with the FSC standards.[83]

Protected areas and High Conservation Value Forests
Many forms of forestry are prohibited in any of the protected areas covered by categories I-IV of the International Union for Conservation of Nature (IUCN, formerly known as World Conservation Union), the UNESCO World Heritage Convention and the Ramsar Convention on Wetlands.

See paragraph 3.1 on Biodiversity.

As a complement to the protected areas covered by international conventions and national laws, FSC developed the concept of *High Conservation Value Forests (HCVFs)*, which provides a framework for identifying forest areas with special attributes that make them particularly valuable for biodiversity and/or local people. The aim of labelling areas as HCVF is to better identify and then design and implement appropriate management tools for these areas in order to preserve or enhance their key ecological and socio-economic values.[84] The Global HCVF Toolkit, developed in 2003 by IKEA and ProForest provides guidance on how to apply the concept in specific situations. The HCV Resource Network has developed national implementation guidance, local projects, trainings and workshops.[85]

Land rights of local and indigenous communities
Land titling and respect for land rights of communities in and around forest areas are an important prerequisite for securing forest tenure. Similarly, regulation on access to forests and forest resources are also prerequisites to the sustainable management of forests. Various international conventions acknowledge the rights to the fair and equitable use of forest resources by indigenous peoples and forest-dependent communities. The UN Declaration on the Rights of Indigenous Peoples, adopted by the General Assembly of the United Nations in September 2007, recognises indigenous people's right to the lands, territories and resources that they have traditionally owned, occupied or otherwise used or acquired.[86] This is also acknowledged in the Convention on Biodiversity (CBD), which addresses the fair and equitable use of biodiversity resources, and requires that the traditional knowledge of indigenous and local communities may only be used with their "approval".[87]

Amplifying the protection of land and territorial rights, the United Nations Economic and Social Council has described the right of indigenous peoples to *Free, Prior Informed Consent (FPIC)* with respect to developments affecting their lands and natural resources in its Working Paper on FPIC.

See paragraph 3.5 on Indigenous peoples.

Forestry and banks
The Guidelines for Investment in Operations that Impact Forests, published by WWF in September 2003, helps banks identify critical issues in the sector and develop a forest policy.[88]

The recently launched Forest Footprint Disclosure (FFD) Project was created to help investors identify how a commercial organisation's activities and supply chains are linked to tropical deforestation. Following the model of the Carbon Disclosure Project, a forest disclosure questionnaire will be sent to companies on behalf of financial institutions. It will identify companies that are best in class, those that have identified innovative strategies for managing their risk, and those that declined the request to disclose their forest footprint.[89]

2.3.3 Contents of a bank policy
The forestry sector is not the only economic sector that drives global deforestation and forest degradation. Other sectors such as agriculture, fisheries, dams, mining and the oil and gas sectors also play their part in the ongoing destruction of forests. But the forestry sector deserves separate attention as it is obviously highly dependent on, and partly responsible for the state of the world's forests.

This paragraph defines the forestry sector as all companies managing forests and plantations, as well as the companies processing wood into timber, pulp, paper and other wood products and all companies involved in trading and further processing these products, for instance into furniture.

Financial institutions can use their leverage over the sector to prevent deforestation and forest degradation. Banks can do this by developing a strict policy for investing in companies in the forestry sector. This policy should cover the entire forestry sector as defined above.

The following elements should be incorporated in the banks' forestry policy:

Essential elements

The bank will only invest in companies that:

- Meet all requirements for FSC-certification for operations in forest management and tree plantations or provide a project plan to receive FSC-certification;
- Meet all requirements for FSC *Chain of Custody* certification for operations in the entire wood product and processing chain (including pulp, paper and plywood mills as well as furniture manufacturers);
- Have a clear and enforceable approach to meet all criteria for FSC-certification integrated in the project plan for all new operations in the forestry sector. This is especially important for start-up plantations and pulp mills. These plans should be verified by the bank as follows:
- For tree plantations, an independent assessment of their environmental and social impacts, including the cumulative and macro-impacts when new plantations are located in regions in which plantations are already located;
- For pulp mills, an independent assessment to verify the availability of sustainably produced supply;
- Do not site investments in protected areas and areas with a High Conservation Value (see paragraph 3.1.3 on Biodiversity);
- Respect and protect HCVFs while ensuring local access and non-industrial use by local communities;
- Respect the (land) rights of local communities and indigenous peoples (see paragraph 3.5.3 on Indigenous peoples).

Additional elements

The bank will:

- Evaluate the past performance of companies with regard to social or environmental issues, especially in countries with weak social and environmental policy and/or implementation;
- Identify, in consultation with NGOs and scientists, unprotected and endangered forests as 'no-go zones', and exclude activities in those areas from investment;
- Implement transition strategies to move commodity (timber) production out of intact native forests into properly managed and certified areas;
- Support investments in afforestation and reforestation in areas of degraded land incapable of natural recovery;
- Support investments in small-scale and local forestry activities that are more sustainable and may have a larger impact on local development.

2.3.4 Scoring table

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

0. The bank is active in this sector but has no investment policy for this sector;
1. The bank:
   - has only adopted or signed onto a voluntary standard or initiative (relevant for this sector, see paragraph 5.2); or
   - has developed its own policy, but it is vaguely worded without clear commitments;
2. The bank has developed its own policy, that includes at least half of the essential elements;
3. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking; or
   - this includes the essential elements in its asset management;
4. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking as well as its asset management; or
   - this includes both the essential and additional elements in its lending and investment banking; or
   - this includes both the essential and additional elements in its asset management;

5. The bank has developed its own policy and this includes both the essential and additional elements in its lending and investment banking as well as its asset management.

For more information regarding the scoring methodology refer to paragraph 1.5.

2.3.5 Results

Compared to agriculture and fisheries relatively many banks have developed a policy on forestry. Four banks are awarded with one point because they have not disclosed details of their policy. Many banks cover the elements about investments in protected areas and areas with a High Conservation Value (HCV), respect and protect HCV Forests and respect the (land) rights of local communities and indigenous peoples.

HSBC requires all clients to obtain an independent certification to its own standard, based on the principles and criteria of the Forest Stewardship Council certification scheme. The policy also meets other essential elements and it applies to lending and investment banking services as well as asset management.

TABLE 7 SCORES FOR POLICIES ON FORESTRY

HSBC	4	National Australia Bank	0	DekaBank	0
ANZ	2	Westpac	0	Intesa Sanpaolo	0
WestLB	2	KBC	0	UniCredit	0
Rabobank	2	Dexia	0	Bank of Tokyo	0
ING	2	Banco Bradesco	0	SMBC	0
Standard Chartered Bank	2	Banco do Brasil	0	Standard Bank	0
Citi	2	Itaú Unibanco	0	Nedbank	0
Bank of America	2	Scotiabank	0	BBVA	0
Goldman Sachs	2	Bank of China	0	Nordea	0
JPMorgan Chase	2	China Construction Bank	0	Credit Suisse	0
Morgan Stanley	2	ICBC	0	UBS	0
RBC	1	Industrial Bank	0	Bangkok Bank	0
Santander	1	BNP Paribas	0	Kasikornbank	0
Fortis	1	Natixis	0	RBS	0
ABN Amro	1	Crédit Agricole	0	Mizuho	X
Barclays	1	Société Générale	0		
Commonwealth Bank	0	Deutsche Bank	0		

2.4 MILITARY INDUSTRY AND ARMS TRADE

2.4.1 What is at stake?

The world is awash with weapons big and small. The inherent characteristic of all weapons is that they are designed to kill, maim and destroy. Hence, they threaten the most fundamental human right; the right to live.

Weapons are the necessary prerequisite for waging wars and continuous conflict between states. In 2007, sixteen major armed conflicts were active worldwide, involving the countries Burundi, Somalia, Sudan, Colombia, Peru, USA, Afghanistan, India, Myanmar, Pakistan, Philippines, Sri Lanka, Iraq, Israel, and Turkey.[90] These armed conflicts pose a grave threat to large numbers of citizens, particularly women (as specifically addressed by Security Council Resolution 1325).
Non-state actors, like rebel groups, play an increasingly prominent role in these conflicts. This diminishes the possibilities of the international community to hold countries accountable for human rights violations and abuse of civilians.91

States have the right to defend their civilians and their legitimate individual or collective security interests. However, these rights also entail the responsibility to properly control and monitor the transfer and use of arms. In practice, however, governments and multilateral bodies (such as the UN Security Council) have often been ineffective in controlling the international arms trade. Reports of both the Control Arms Campaign and Saferworld reveal how the arms industry exploits existing loopholes to circumvent arms export regulations and embargoes. Therefore, arms trade controls, arms embargoes and weapon licence systems have so far not been able to keep weapons away from dictators, conflicting parties or the worst abusers of human rights.92

An additional issue regarding the weapons industry is the relationship between military spending and other expenses, particularly in developing countries. Worldwide military spending averages 10% of national public spending. In developing countries, where there exists a great need for investment in constructive sectors - such as agriculture and food production, education, health care or infrastructure - military spending amounts to 15% of GDP. According to the Human Development Report 2003 of the United Nations' Development Programme (UNDP), military expenditures are a major obstacle to reaching the UN Millennium Development Goals (MDG) for poverty reduction, health care and the protection of the environment. According to UNDP, attaining the MDG is not possible without reducing military expenditure, since money spent on military development cannot be spent on human development.[93] The detrimental effect of military spending on the MDG is further exacerbated by the costs of debt. Between 15 and 20% of total global debt is related to military expenditure. In many developing countries, interest payments on this military debt far exceed spending on healthcare and education.[94]

Moreover, arms trading often generates corruption; while international arms trade only accounts for 1% of global trading, 50% of all bribes paid worldwide between 1994 and 1999 was related to the arms trade.[95]

Weapons are not only used in wars or armed conflicts. Where people have access to weapons, conflicts between individuals, within families or between groups or gangs tend to be 'solved' by the use of arms. Eight million small arms are produced every year, and an estimated 650 million small arms circulate in the world today, of which nearly 60% are in the hands of private individuals.[96]

To play a legitimate role in achieving a just, safe and peaceful world, the military industry needs to undergo a profound and structural reform, ensuring that:

- No weapons are produced that can not distinguish between combatants and civilians;
- The international trade of weapons is strictly controlled and regulated and that weapons are not supplied to oppressive regimes, terrorist groups and parties in open conflict;
- Corruption is eradicated and transparency strongly improved;

As long as this profound reform of the military industry does not take place, investments by banks in any military company entail a high risk of supporting (directly or indirectly) corrupt practices, violations of human rights, and the entrenchment of oppressive regimes.

An increasing number of institutional investors are voluntarily adopting restrictions on investments in the military industry. Banks should also carefully reconsider their investments in the military industry. If banks decide not to abstain entirely from the sector, they should very carefully screen companies in the military industry and set strong preconditions for any investments.

2.4.2 Selected standards and initiatives

The most important international standards and initiatives relevant for the military industry sector are listed below.

International Humanitarian Law

International Humanitarian Law (IHL) is a combination of leading international agreements regarding the use of arms. IHL is meant to limit the humanitarian damages of armed conflicts. It is intended to protect civilians and restricts the means and methods of warfare. Important principles in this realm are *proportionality* and *discrimination* between the military and civilians.97

Specific weapons and arms systems

Over the last decades, various international treaties have been developed regarding the production, use, stockpiling and trade of specific weapon systems:

- The Nuclear Non-proliferation Treaty (NPT) of 1970 seeks to inhibit the spread of nuclear weapons;
- The Biological and Toxin Weapons Convention (BWC) of 1975 outlaws biological and toxin weapons;
- The Convention on Certain Conventional Weapons (CCW) of 1980 regulates conventional weapons that pose special risks of causing indiscriminate damage to civilians or unnecessary suffering;
- The Chemical Weapons Convention (CWC) of 1997 bans chemical weapons and requires their destruction within a specified period of time;
- The Ottawa Convention of 1997 bans anti-personnel landmines;
- The Convention on Cluster Munitions, - which was adopted in May 2008 and signed by 94 countries in December 2008 - prohibits all use, stockpiling, production and transfer of Cluster Munitions that cause unacceptable harm to civilians. The convention also secures adequate provision of care and rehabilitation to survivors and clearance of contaminated areas.

International treaties and national laws on arms control seldom limit banks and other financial institutions to invest in the military industry, but there exist interpretations of the *Convention on Cluster Munitions* (CCM) that limit investments in cluster munitions. Article 1c of this Convention states that "Each State Party undertakes never under any circumstances to assist, encourage or induce anyone to engage in any activity prohibited to a State Party under this Convention." Hence, the *Cluster Munition Coalition* argues that the prohibition on assistance includes a prohibition on investments in cluster munitions. Several countries have confirmed this view: Lebanon, Mexico, Norway, Ireland and Rwanda have identified investment among the prohibited forms of assistance. Of the countries mentioned, Ireland, Luxembourg, Norway and the Netherlands have proposed or enacted legislation, Denmark and Switzerland are discussing this in parliament.[98]

Belgium in July 2004 already adopted a law prohibiting financial institutions to invest in producers of anti-personnel mines.[99] In March 2007, this prohibition was expanded to include investments in cluster munitions producers and in July 2009 expanded to include investments in depleted uranium weapons.[100]

International arms trade

There are various initiatives aimed at preventing weapons from being supplied to repressive regimes, terrorist groups and rebels:

- International bodies, such as the United Nations, European Union and the Organization for Security and Co-operation in Europe (OSCE), have the power to enforce arms embargoes against countries or non-state actors. Generally, weapons embargoes are introduced when parties are involved in armed conflict in which serious abuse or violation of human rights occurs.[101]
- The European Union recognizes the need for a control system for transaction of arms. The Common Position on Exports of Military Technology and Equipment consists of eight criteria designed to prevent arms transfers from the EU that contribute to human rights abuses or internal repression, or undermine international peace and security or sustainable development. It also contains a set of operative provisions intended to assist implementation by Member States and develop co-operation between them.[102]

- In December 2006, the UN General Assembly's First Committee voted overwhelmingly in favour of the proposal to develop an *Arms Trade Treaty* (ATT) and in October 2009, governments agreed upon a timetable to establish a "strong and robust" ATT with the "highest common standards" to control international transfers of conventional arms.[103] Amnesty International has developed the *Golden Rule on Human Rights and International Humanitarian Law*: "all states will prevent the transfer of arms, including military weapons, ammunition and equipment, where there is a substantial risk that the arms are likely to be used for serious violations of international human rights law or international humanitarian law".[104]
- The Control Arms Campaign has published the six Global Principles for Arms Transfers, which are based on international and regional treaties, declarations and resolutions of the United Nations and other organisations. The principles are intended to be model regulations for national legislation.[105]

2.4.3 Contents of a bank policy

Banks should aim to entirely avoid investments in the arms industry. If banks decide not to abstain from investing in the sector, they should at least exclude investing in controversial arms trade, the production of the most controversial weapons, and those banned by the existing international arms control treaties.

Banks should also avoid investment in producers of weapon parts and producers of 'dual-use' technology (parts of systems that can be used for both civil as military end products). Some institutional investors use a generic approach to exclude the military industry from their investment universe: companies deriving a certain percentage (e.g. more than 50%) of their turnover from military products are excluded. This approach is unsatisfactory, as most of the largest weapons producing companies in the world, including producers of the most controversial weapons, would not meet this threshold.

The following elements should be incorporated in the bank's military industry and arms trade policy:

Essential elements

The bank will not invest in companies that:

- Produce weapon systems banned by the existing international arms control treaties, including landmines, cluster munitions, chemical and bacterial weapons, and also produce nuclear weapons;
- Provide weapons to dictatorial, corrupt regimes, terrorist groups and parties in open conflict.

Additional elements

The bank will avoid investments in the entire military industry, including in companies that:

- Produce weapon parts and supply those to producers of weapon systems; and
- Produce 'dual-use' technology.

2.4.4 Scoring table

The considerations in the previous paragraphs lead to the following scoring table with regard to bank policies on the military industry and arms trade:

0. The bank is active in this sector but has no investment policy for this sector;
1. The bank:
   - has only adopted or signed onto a voluntary standard or initiative (relevant for this sector, see paragraph 5.2); or
   - has developed its own policy, but it is vaguely worded without clear commitments;
2. The bank has developed its own policy, that includes at least half of the essential elements;
3. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking; or
   - this includes the essential elements in its asset management;
4. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking as well as its asset management; or
   - this includes both the essential and additional elements in its lending and investment banking; or
   - this includes both the essential and additional elements in its asset management;

5. The bank has developed its own policy and this includes both the essential and additional elements in its lending and investment banking as well as its asset management.

For more information regarding the scoring methodology refer to paragraph 1.5.

2.4.5 Results

Half of the 49 banks in this research have developed a policy on controversial weapons and trade. ING, Rabobank and UniCredit exclude both controversial weapons and controversial trade. The three banks that are awarded with two points have included restrictions either on the production of controversial weapons or on trade with dictatorial, corrupt regimes, terrorist groups and parties in open conflict. The majority of the bank policies is accredited one point. Some of these banks only mention two of the five weapon systems listed as controversial (e.g. BNP Paribas, Natixis and RBS), some will only finance the trade in weapons instead of trade and production of weapons (e.g. Barclays and Deutsche Bank), and others only apply their restrictions on part of their investment activities (Intesa Sanpaolo and Standard Chartered Bank).

TABLE 8 SCORES FOR POLICIES ON MILITARY INDUSTRY AND ARMS TRADE

ING	3	Natixis	1	Goldman Sachs	0
Rabobank	3	RBS	1	ICBC	0
UniCredit	3	Santander	1	Industrial Bank	0
Fortis	2	Standard Chartered Bank	1	Itaú Unibanco	0
KBC	2	Société Générale	1	JPMorgan Chase	0
RBC	2	Standard Bank	1	Kasikornbank	0
ABN Amro	1	WestLB	1	Mizuho	0
ANZ	1	Banco Bradesco	0	Morgan Stanley	0
Barclays	1	Banco do Brasil	0	National Australia Bank	0
BBVA	1	Bangkok Bank	0	Nedbank	0
BNP Paribas	1	Bank of America	0	Nordea	0
Citi	1	Bank of China	0	Scotiabank	0
Crédit Agricole	1	Bank of Tokyo	0	SMBC	0
Deutsche Bank	1	China Construction Bank	0	UBS	0
Dexia	1	Commonwealth Bank	0	Westpac	0
HSBC	1	Credit Suisse	0		
Intesa Sanpaolo	1	DekaBank	0		

2.5 MINING

2.5.1 What is at stake?

The world has an insatiable appetite for minerals, metals and coal. Yet, mining and ore processing activities often have profound environmental impacts, severely affecting the quality of lands and water. Many mining operations take place in open pits, destroying natural aquifers and habitats in large areas. Local water courses are often severely polluted as mining companies use enormous amounts of water to process minerals and to dump acid, toxic or even radioactive tailings. This not only pollutes waterways and rivers, but also marine environments around estuaries.

Mining can also pollute waterways through erosion. Many mines are located on uneven terrain, and when forest cover is lost, rain-drenched soils can slide and end up in local waterways. Erosion can even lead to landslides and fatal floods.

The effects of mining persist for a long time, even after the mining activities are terminated. Mine rehabilitation is often insufficient to restore the natural environment in and around the mining area. Some impacts -such as acid mine drainage– can continue for decades or even centuries, continuously polluting the surrounding waterways.

Smelting and processing also causes serious environmental damage. Even when using modern technology, these processes often cause significant air pollution.

Mining also can have profound social, economic and health impacts. In many cases, mining operators do not acknowledge or respect the land rights of local inhabitants. Pollution from mines can lead to an accumulation of heavy metals in the air, soil and water, causing serious health problems if the water is used for drinking or sanitation, or when the air is breathed. It also affects health indirectly, when metals accumulate in crops and animals that are later consumed by the local population. Moreover, within communities it is often women who are most deeply and directly affected when water and food supplies are polluted by mine waste.[106]

In many mining companies, labour conditions are piteous. The jobs are dangerous, accidents occur and health and safety policies are inadequate. Often there is a lack of respect for fundamental labour rights, and even the presence of child labour.

Finally, the extractive industries can distort macroeconomic development in developing countries.[107] Developing countries that lack a sound political or legal systems may suffer a *resource curse* in which the exploitation of metals, minerals (and also oil and gas) leads to corruption, lost revenues, increased risk of social conflict, and unequal distribution of social and environmental benefits and costs to the local communities. As a result, mining activity often leaves a country no better off, and the local mining area mired in controversies and conflict between mining corporations, communities and governments.[108]

Besides large-scale mining companies, the sector also includes small-scale and artisanal miners. According to Communities and Small scale Mining (CASM) more than 100 million people worldwide depend on artisanal and small-scale mining for survival, or as part of their diversified or seasonal livelihood strategies. These small scale miners are vulnerable population groups. If well managed, artisanal and small-scale mining can be a catalyst to sustainable economic and social development at the local level.

The mining sector consists of companies that exploit, transport, process and store natural resources. These resources are subsequently used in various other sectors, such as construction, car industry and electronics. These sectors are strongly dependent on mining, and hence partly accountable for the effects of mines and refineries on the environment and local communities.

To contribute to a more sustainable and socially equitable world, the mining sector needs to change course in a profound way. Banks that invest in the mining industry should ensure that their investment policy deals with the issues described above.

2.5.2 Selected standards and initiatives

There are a number of international conventions and multi-stakeholder processes that establish important standards for mining operations:

Waste management

Many environmental problems associated with mining are related to the generation and management of waste. Existing standards and guidelines regarding waste management can be found in:

- The 1972 Convention on the Prevention of Marine Pollution by Dumping Wastes and other Matters by the International Marine Organisation (IMO) of the UN. The convention prohibits the dumping of mercury and mercury compounds directly into the sea, and requires special permits for dumping cyanide and heavy metals.[109]
- The 2003 Extractives Industries Review (EIR) commissioned by the World Bank recommends that companies seeking funding by the Bank should avoid submarine and riverine tailings disposal, and that companies explore safer alternatives to the use of cyanide and mercury.[110]
- The Mining, Minerals and Sustainable Development (MMSD) project of IIED, carried out in 2000-2002, endorsed a presumption against riverine disposal. Legislatures and regulatory agencies in countries such as the United States and Canada have banned the practice of dumping directly into rivers.
- The 2006 EC Directive on the management of waste from extractive industries requests EU Member States to ensure that extractive waste is managed without endangering human health or water, air, soil, fauna and flora, and other environmental resources. EU Member States shall also take the necessary measures to prohibit the abandonment, dumping or uncontrolled depositing of extractive waste.
- The gold industry has developed an International Management Code for Cyanide, a voluntary agreement which emphasises minimising the use of cyanide and recommends measures to assure health and safety for mine workers. The code also comprises emergency response plans, but still lacks guidelines on waste disposal.

Closure of production facilities

The Mining, Minerals and Sustainable Development (MMSD) project calls for companies to include the effects of mine activity and closure on local communities already in the decision-making process for mine development. It calls on companies to consider the future use of the mine, the facilities to be supplied, and the responsibilities of the mining company in realising the post-mining plan.

The United States requires companies to provide a financial guarantee for clean-up, restoration and ongoing monitoring of the natural environment.

Artisanal and small-scale mining

The Association for Responsible Mining is an independent multi-stakeholder initiative seeking to enhance equity and wellbeing in artisanal and small-scale mining communities through improved social, environmental and labour practices, governance and the implementation of ecosystem restoration practices. In 2009 ARM published the fourth updated version of the Standard Zero for Fair Trade Artisanal Gold and Associated Silver and Platinum, which expresses social and environmental standards regarding small-scale mining. Furthermore, the Fairtrade Labelling Organisation (FLO) and ARM are developing a certification for Fair-trade and Fair-mined gold and associated silver and platinum.[111]

Protected areas

In any of the protected areas covered by categories I-IV of the IUCN, or those that fall under the UNESCO World Heritage Convention and the Ramsar Convention on Wetlands, special measures must be taken to conserve biodiversity, natural or cultural heritage.

See paragraph 3.1 on Biodiversity.

Transparency and tax avoidance

In countries where governance is weak, activities in the mining industry may contribute to poverty, corruption and conflict. The Extractive Industries Transparency Initiative (EITI), supported by a coalition of governments, companies, civil society groups and investors, is a voluntary process that has established criteria for full publication and verification of company payments and government revenues from mining.[112]

The Publish What You Pay coalition, in which over 300 civil organisations cooperate, further calls on mining companies to publish the amounts they pay to governments. This includes tax payments, royalties, concessions etc. Publish What you Pay also calls on mining companies to disclose the content of contracts and agreements between governments and mining companies and all bank investments related to resource exploitation.[113]

See paragraph 3.8 on Taxation.

Good governance

To avoid or at least minimise the negative impact of the resource curse, the development of a mining industry must be accompanied by the simultaneous development of a robust governance structure for the sector. The Extractives Industries Review (EIR) by the World Bank recommends that private investments in extractive industries should not be promoted in countries where governance is inadequate. The review also states that before the World Bank invests in mining projects the quality of public governance should meet certain explicit requirements. 114

Sovereignty over resources

The legislative framework covering (the use of) natural resources varies from country to country. At the international level however, it is agreed upon that mining companies should acknowledge the sovereignty of states over their own natural resources. This concept (*Permanent Sovereignty over Natural Resources*) was enshrined in a number of United Nations resolutions. The 1962 UN Declaration on Permanent Sovereignty over Natural Resources gave producing countries not only the right to make decisions about the management and extraction of their natural resources, but also - as long as compensation is paid - to expropriate or nationalise land areas, if it is in the public interest to do so.[115] Amending this declaration, the 1966 UN Resolution 2158 (XXI) dealing specifically with developing countries, recommended public-private joint ventures as the most appropriate model for development.[116]

Rights of local communities and indigenous peoples

Mining companies must acknowledge and respect the rights of indigenous peoples, acknowledge their sovereignty and self-determination, and allow them to decide themselves on the future use of their lands. In order to do the latter, indigenous peoples should always be informed in a full and timely manner in any prospective business, this in order to obtain their Free Prior Informed Consent for any planned activity.

See paragraph 3.5 on Indigenous peoples.

Human rights and labour conditions

Next to respecting human rights it is of utmost importance that mining companies comply with the most important codes of conduct by the International Labour Organisation (ILO). These are the 1998 ILO Declaration on Fundamental Principles and Rights at Work and the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, of which the fourth version was published in March 2006.117 An ILO code of conduct specifically applicable for the mining sector is the 1995 Safety and Health in Mines Convention. The rights of women, related to the mining sector, are acknowledged in the Iroco Declaration.

See paragraph 3.4 on Human rights and paragraph 3.6 on Labour.

Industry specific standards

For the mining industry and some specific minerals and sub-sectors, specific standards are being developed:

- The International Council on Mining and Minerals (ICMM) is an industry group that addresses key priorities and emerging issues within the sector. In May 2003, ICMM committed corporate members to implement and measure their performance against 10 principles. The principles are based upon the issues identified in the *Mining, Minerals and Sustainable Development* project - a two-year consultation process with stakeholders to identify the issues relating to sustainable development in the mining and minerals sector. It includes an analysis comparing the principles with relevant conventions and guidelines, such as the *Rio Declaration*, the *Global Compact* and OECD *Guidelines on Multinational Enterprises*.
- The role of the diamond industry in armed conflicts has led to the development of the Kimberley Process Certification Scheme. The scheme requires governments to certify rough diamonds that are free from conflict diamonds. The certification process is a useful first step, but still lacks independent monitoring mechanisms.[118]
- Under the auspices of the Council for Responsible Jewellery Practices (CRJP), companies from all segments of the gold and diamond jewellery supply chain have developed a certification process similar to Kimberley. In December 2008, the CRJP published the second version of the Principles and Code of Practice, accompanied by the necessary certification manuals and assessment guides.[119]
- Since August 2006, the Madison Dialogue, a cross-sector multi-stakeholder initiative, has sought to encourage best practices, sustainable economic development and verified sources of responsible gold, diamonds and

other minerals.[120]

- The Roundtable of Sustainable Platinum Group Metals aims to find agreement on strategic questions related to PGM, as a basis for concrete actions towards more sustainable PGM that can be endorsed by relevant stakeholders.[121]

2.5.3 Contents of a bank policy

The following elements should be incorporated in the banks' mining policy:

Essential elements

The bank will only invest in companies that:

- Phase out the mining of polluting and dangerous energy minerals as coal and uranium;
- Undertake efforts to increase the recycling of minerals and secondary mining;
- Do not undertake extraction activities in protected areas or areas with a High Conservation Value (see paragraph 3.1.3 on Biodiversity);
- Minimize their waste products, in particular their tailings and other toxic or potentially polluting materials, and avoid the disposal of waste in rivers, lakes and oceans;
- Publicly disclose all exploration and production contracts and a full description of all revenues paid to the government of each country (see paragraph 3.8.3 on Taxation);
- Are not engaged in corruption, illegal activities and do not invest in conflict regions (see paragraph 3.3.3 on Corruption and in paragraph 3.7.3 on Operation in conflict zones);
- Respect the sovereignty of resources of the producing country, by promoting public-private joint ventures as the most appropriate model for development;
- Respect the (land) rights of local communities and indigenous peoples; (see paragraph 3.5.3 on Indigenous peoples);
- Respect basic human rights, including the rights of women (see paragraph 3.4.3 on Human rights).

Additional elements

The bank will only invest in companies that:

- Are active in countries where governance is adequate;
- Commit to appropriate decommissioning plans - including a financial guarantee for rehabilitation and clean-up, restoration and ongoing monitoring of the natural environment - for all their operations.

The bank will:

- Favor artisanal and small-scale mining over large-scale mining, while making sure that these mining operations safeguard biodiversity and the natural environment;
- Favor companies that use best available mining and ore processing technologies, to limit the impact on biodiversity, the environment and public health.

2.5.4 Scoring table

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

0. The bank is active in this sector but has no investment policy for this sector;
1. The bank:
   - has only adopted or signed onto a voluntary standard or initiative (relevant for this sector, see paragraph 5.2); or
   - has developed its own policy, but it is vaguely worded without clear commitments;
2. The bank has developed its own policy, that includes at least half of the essential elements;
3. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking; or
   - this includes the essential elements in its asset management;
4. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking as well as its asset management; or
   - this includes both the essential and additional elements in its lending and investment banking; or
   - this includes both the essential and additional elements in its asset management;
5. The bank has developed its own policy and this includes both the essential and additional elements in its lending and investment banking as well as its asset management.

For more information regarding the scoring methodology refer to paragraph 1.5.

2.5.5 Results

Except for twelve banks, most banks have received one point for adopting the Equator Principles and/or the Extractive Industries Transparency Initiative. Some banks have developed a separate policy that is not accredited additional points because their criteria for lending do not cover the essential elements.

Only Rabobank has a mining policy that includes requirements regarding environment, human rights, indigenous people's rights and local communities and transparency on revenues and payments. Worth mentioning is that they require a decommissioning plan including restoration of the area affected by the project. However, Rabobank still invests in companies that will not phase out the mining of polluting and dangerous energy minerals as coal and uranium.

Deutsche Bank, which is not a signatory of the Equator Principle or the Extractive Industries Transparency Initiative, is accredited one point for developing their *Greenfilter Statement*. This shows the bank's commitment to "offer products that steer investments into low-carbon companies" in carbon intensive industries. However, the criteria they apply to mining companies remain unclear.

TABLE 9 SCORES FOR POLICIES ON MINING

Rabobank	2	HSBC	1	Société Générale	1
ABN Amro	1	Industrial Bank	1	Standard Bank	1
ANZ	1	ING	1	UBS	1
Banco Bradesco	1	Intesa Sanpaolo	1	UniCredit	1
Banco do Brasil	1	Itaú Unibanco	1	WestLB	1
Bank of America	1	JPMorgan Chase	1	Westpac	1
Bank of Tokyo	1	KBC	1	Bangkok Bank	0
Barclays	1	Mizuho	1	Bank of China	0
BBVA	1	National Australia Bank	1	China Construction Bank	0
BNP Paribas	1	Nedbank	1	Commonwealth Bank	0
Citi	1	Nordea	1	DekaBank	0
Crédit Agricole	1	RBC	1	ICBC	0
Credit Suisse	1	RBS	1	Kasikornbank	0
Deutsche Bank	1	Santander	1	Morgan Stanley	0
Dexia	1	Standard Chartered Bank	1	Natixis	0
Fortis	1	Scotiabank	1		
Banco do Brasil	1	SMBC	1		

2.6 OIL AND GAS

2.6.1 What is at stake?

The oil and gas industry plays a key role in exacerbating global climate change. To address the threat of climate change, sustainable energy investment must be quickly ramped up, and the oil and gas industry as it is currently operating must be fundamentally transformed. The main challenge for the oil and gas industry is to use its knowledge of energy technologies to reinvent itself into renewable energy suppliers. During this transition process, oil and gas operations should minimise environmental, social and biodiversity risks and impacts.

Climate impact aside, the oil and gas sector poses major hazards to the environment in various ways. Drilling platforms, oil and gas production facilities, flaring installations and refineries pollute land, air and water. In the quest to replace reserves, oil companies are exploring ever more remote and sensitive areas, from the Amazon to the Arctic. Ruptures of pipelines, through earthquakes and other natural causes as well as through sabotage, can cause serious oil spills and even to life-threatening fires and explosions. Accidents with oil tankers regularly pollute large sea areas and vast shorelines.

With increasing demand and high oil prices, unconventional oil reserves such as Canadian tar sands, US oil shale, and Chinese coal to liquids have become economically attractive, despite the high level of ecological damage they cause. Extracting these fuels is highly CO_2-intensive and disastrous for the global climate. Moreover, these extraction techniques are very water intensive, which dramatically affects water supplies in the extraction areas, and causes a loss of boreal and other forests.

The social impacts of the oil and gas industry can also be severe. In a number of extraction areas, pollution and pollution-related diseases affect the health of indigenous peoples and local communities, as well as their culture and livelihoods. Often, oil and gas companies claim the land of local inhabitants for exploration purposes, depriving them of their source of food or income.

Moreover, oil and gas extraction and transportation have often fuelled conflict and contributed to repression and abuse of human rights. Particularly in cases where companies collaborated with the military or local militias, humanitarian impact has been large. See paragraph 3.7 on Operation in conflict zones.

Finally, the extractive industries can distort macroeconomic development in developing countries.[122] Developing countries that lack a sound political or legal systems may suffer a *resource curse* in which the exploitation of metals, minerals (and also oil and gas) leads to corruption, lost revenues, increased risk of social conflict, and unequal distribution of social and environmental benefits and costs to the local communities. As a result, oil and gas activity often leaves a country no better off, and the local area mired in controversies and conflict between oil corporations, communities and governments.[123]

The world faces a major challenge to combat global climate change, by rapidly developing a low-carbon economy that primarily relies upon renewable energy technology and suppliers. The oil and gas sector will have to accept its key responsibility in this task and reinvent itself to help meet this challenge. Banks that invest in the oil and gas sector should develop a comprehensive oil and gas policy that encourages the sector to shift away from oil and gas and that deals with all other social and environmental issues described above.

2.6.2 Selected standards and initiatives

International standards for the oil and gas industry dealing with the following specific issues include:

Emergency response and prevention

In the wake of the *Exxon Valdez* disaster in 1989 the International Maritime Organisation (IMO) revised the requirements for oil transport. The 2003 amendment to Annex I of MARPOL requires that new oil tankers should be double-hulled, and that large single-hull tankers are to be phased out by 2010.[124]

The IMO Protocol on Preparedness, Response and Co-operation to pollution Incidents by Hazardous and Noxious Substances, (OPRC-HNS Protocol, 2000) aims to provide a global framework for international co-operation in combating major incidents or threats of marine pollution. Parties to the HNS Protocol will be required to establish measures for dealing with pollution incidents, either nationally or in co-operation with other countries. Ships will be required to carry a shipboard pollution emergency plan to deal specifically with incidents involving HNS.

Waste management

The *Convention for the Protection of the Marine Environment of the North-East Atlantic* (known as the OSPAR Convention) is the basis for national laws governing the discharge of offshore drilling wastes in the waters of the OSPAR signatory states.[125] Norway applies an even stricter national standard for processing waste from offshore-oil production; the so-called Zero environmentally hazardous discharges standard. This standard requires the purification of the drilling mud, so that it can be re-injected in the oilfield.[126]

One type of 'waste' is natural gas that comes to the surface in the process of crude oil extraction. This natural gas is frequently released into the atmosphere (*venting*) or burned directly (*flaring*), and as such contribute to a significant amount of greenhouse gases and result in losses of potential energy. The Global Gas Flaring Reduction Public-Private Partnership (GGFR) developed by the World Bank has set out flaring and venting measuring guidelines, best practices and implementation guidelines, with the ultimate goal to minimise flaring and venting of associated gas.

The 2006 European directive on the management of waste from extractive industries requests from Member States to ensure that extractive waste is managed without endangering human health or the environment, and in particular water, air, soil and fauna and flora. Member States shall also take the necessary measures to prohibit the abandonment, dumping or uncontrolled depositing of extractive waste.

Closure of production facilities

Standards for decommissioning offshore oil platforms are set by regional agreements such as OSPAR Decision 98/3 on the Disposal of Disused Offshore Installations of the OSPAR Convention.[127] Following this decision, oil companies should select the least environmentally damaging option of breaking down their facilities, and must take sufficient measures to prevent any environmental damages during the demolition process.

Marine animals

In the offshore oil and gas industry in the United Kingdom Continental Shelf, the JNCC guidelines were developed to reduce the damage done by seismic surveys to whales and other marine mammals. These guidelines include minimum standards for operators in order to reduce the damage for marine mammals by noise from construction, and collisions with ships.[128]

Protected areas

In any of the protected areas covered by the categories I-IV of the IUCN, by the UNESCO World Heritage Convention and by the Ramsar Convention on Wetlands special measures must be taken to conserve biodiversity. To assist the industry in earlier identification of areas that are highly valuable from an ecological and social perspective, IHS Energy, the World Conservation Monitoring Centre UNEP-WCMC and WWF have developed a Biodiversity Module. This module is a tool for oil companies to recognize and preserve respect for these sensitive areas.

See paragraph 3.1 on Biodiversity.

Transparency and tax avoidance

The Extractive Industries Transparency Initiative (EITI), supported by a coalition of governments, companies, civil society groups and investors, is a voluntary process that has established criteria for full publication and verification of company payments and government revenues from oil and gas.[129]

The Publish What You Pay coalition, which includes more than 300 civil organisations, further calls for extractive industry companies to publish their tax payments, royalties, etc. It also calls on them to publish the terms of important contracts and agreements between governments and oil and gas companies and all bank investments related to resource exploitation.[130]

See paragraph 3.8 on Taxation and paragraph 3.3 on Corruption.

Good governance

To avoid or at least minimise the negative impact of the resource curse, the development of an oil and gas industry must be accompanied by the simultaneous development of a robust governance structure for the sector. The Extractives Industries Review (EIR) commissioned by the World

Bank recommends that private investments in extractive industries should not be promoted in countries where governance is inadequate. The review also states that the quality of public governance should meet certain explicit requirements before the World Bank invests in extraction projects.131

Sovereignty over resources

The legislative framework covering (the use of) natural resources varies from country to country. At the international level it is agreed that oil and gas companies must acknowledge the sovereignty of states over their own natural resources. This concept (*Permanent Sovereignty over Natural Resources*) was enshrined in a number of United Nations resolutions. The 1962 UN Declaration on Permanent Sovereignty over Natural Resources provided producing countries with the right to make decisions about the management and extraction of their natural resources, and the right to expropriate or nationalise land areas, if it is in the public interest to do so and if compensation is provided.[132] Amending this declaration, the 1966 UN Resolution 2158 (XXI) dealing specifically with developing countries, recommended public-private joint ventures as the most appropriate model for development.[133]

Respect for the national sovereignty over resources needs to be balanced with respect for the rights of indigenous peoples.

Rights of local communities and indigenous peoples

Oil and gas companies must acknowledge and respect the rights of indigenous peoples, acknowledge their sovereignty and self-determination, and allow them to decide themselves on the future use of their lands. In order to do the latter, indigenous peoples should always be informed in a full and timely manner in any prospective business, this in order to obtain their Free Prior Informed Consent for any planned activity.

See paragraph 3.5 on Indigenous peoples.

Human rights

Like other companies, oil and gas companies need to respect, promote and secure the human rights of those affected by their operations, especially the rights of women. See paragraph 3.4 on Human rights.

2.6.3 Contents of a bank policy

A bank's policy for the oil and gas sector needs to emphasize that the main challenge and ultimate goal for the oil and gas industry is to use its knowledge of energy technologies and markets to reinvent itself into renewable energy suppliers.

The following elements should also be incorporated in the banks' oil and gas policy:

Essential elements

The bank will only invest in oil and gas companies that:

- Do not invest in so called unconventional oil reserves, such as tar sands, oil shale, coal to liquids or pre-salt;
- Do not extract oil or gas in protected areas and areas with a High Conservation Value (see paragraph 3.1.3 on Biodiversity);
- Have implemented an effective emergency response and prevention policy for all their operations;
- Publicly disclose their exploration and production contracts and a full breakdown of all revenues paid to the government of each country, specified to oil, gas and minerals (see paragraph 3.8.3 on Taxation);
- Respect the sovereignty of resources of the producing country, by promoting public-private joint ventures as the most appropriate model for development;
- Respect the (land) rights of local communities and indigenous peoples whose lives are influenced by the presence of an oil or gas extraction project (see paragraph 3.5.3 on Indigenous peoples);
- Respect basic human rights, including the rights of women (see paragraph 3.4.3 on Human rights).

Additional elements

The bank will only invest in oil and gas companies that:

- Do not invest in new oil and gas extraction and other activities that substantially contribute to climate change (see paragraph 3.2.3 on Climate change);
- Are active in countries where governance is adequate;
- Commit to appropriate decommissioning plans - including a financial guarantee for rehabilitation and clean-up, restoration and ongoing monitoring of the natural environment - for all their operations;
- Meet the Norwegian standard for processing waste from offshore oil production and ensure minimising of gas flaring and venting;

- Ensure minimising the risk of injury and acoustic disturbance from seismic surveys to marine mammals, by requiring following the JNCC guidelines and the use of trained Marine Mammal Observers.

2.6.4 Scoring table

The considerations in the previous paragraphs lead to the following scoring table with regard to bank policies on the oil and gas sector:

0. The bank is active in this sector but has no investment policy for this sector;

1 The bank:
- has only adopted or signed onto a voluntary standard or initiative (relevant for this sector, see paragraph 5.2); or
- has developed its own policy, but it is vaguely worded without clear commitments;

2. The bank has developed its own policy, that includes at least half of the essential elements;
3. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking; or
   - this includes the essential elements in its asset management;
4. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking as well as its asset management; or
   - this includes both the essential and additional elements in its lending and investment banking; or
   - this includes both the essential and additional elements in its asset management;
5. The bank has developed its own policy and this includes both the essential and additional elements in its lending and investment banking as well as its asset management.

For more information regarding the scoring methodology refer to paragraph 1.5.

2.6.5 Results

As with the mining sector, most banks have received one point as a signatory of the Equator Principles and/or Extractive Industries Transparency Initiative. Compared to earlier research of BankTrack, more banks have developed their own policy for this sector, but most of them are not accredited additional points because their criteria for lending do not cover the essential elements.

Only Rabobank has developed its own policy that is accredited two points for including at least half of the essential elements. The policies of the Japanese bank Mizuho are also worth mentioning. Mizuho has compiled 35 Environmental Guidelines by Industry Sector of which only the Checklist for Oil and Gas Development (Offshore) is disclosed. This document presents a range of criteria, based on the IFC Performance Standards, but as it is solely used for project finance activities it is rewarded only one point.

TABLE 10 SCORES FOR POLICIES ON OIL AND GAS

Rabobank	2	HSBC	1	Société Générale	1
ABN Amro	1	Industrial Bank	1	Standard Bank	1
ANZ	1	ING	1	UBS	1
Banco Bradesco	1	Intesa Sanpaolo	1	UniCredit	1
Banco do Brasil	1	Itaú Unibanco	1	WestLB	1
Bank of America	1	JPMorgan Chase	1	Westpac	1
Bank of Tokyo	1	KBC	1	Bangkok Bank	0
Barclays	1	Mizuho	1	Bank of China	0
BBVA	1	National Australia Bank	1	China Construction Bank	0
BNP Paribas	1	Nedbank	1	Commonwealth Bank	0
Citi	1	Nordea	1	DekaBank	0
Crédit Agricole	1	RBC	1	ICBC	0
Credit Suisse	1	RBS	1	Kasikornbank	0
Deutsche Bank	1	Santander	1	Morgan Stanley	0
Dexia	1	Standard Chartered Bank	1	Natixis	0
Fortis	1	Scotiabank	1		
Goldman Sachs	1	SMBC	1		

2.7 POWER GENERATION

2.7.1 What is at stake?

The world's demand for electricity generation is growing rapidly. According to the International Energy Agency (IEA), future energy demand is projected to increase by 45% in the period 2006-2030. A large part of this growth is expected to come from the power sector. In order to meet these projected demands, annual investment in the power sector will need to rise to US$ 520 billion in the period 2007-2030.[134]

In a severely carbon constrained world, it is impossible to meet this energy demand through conventional, fossil-fuel based sources. There is growing political and social pressure to meet future energy demands predominantly through sustainable energy sources such as wind and solar power. Such a rapid shift requires massive investments in renewable power generation capacity. A recent United Nations Environment Programme (UNEP) report estimates yearly investment needs in sustainable energy up of US$ 500 billion in 2020.[135] Companies within the electricity market therefore face a huge challenge: securing the supply of reliable and affordable energy while organising a rapid transformation to an environmentally sustainable energy supply system.

Energy production based on conventional energy sources has a number of negative social and environmental impacts:

Coal

Coal is the cheapest fossil fuel available in many markets, as it is abundantly available throughout the world. It is also the most polluting energy resource and the dominant source of carbon dioxide (CO_2) emissions. In addition, the entire production process, from coal mining to combustion, severely disrupts ecosystems and contaminates water supplies by emitting other greenhouse gases like nitrogen oxide and methane, and toxic chemicals like mercury and arsenic. There is a staggering price attached to the use of coal, paid for by the environment, people's health and by communities adjacent to coal mines.

Lately, the coal industry has made efforts to rebrand itself as producers of 'clean coal', citing the development of improved coal power plants and the use of Carbon Capture and Storage (CCS) techniques. CCS is an unproven approach to mitigating the global warming effects of fossil fuel-based electricity generation by capturing CO_2 at its source and storing it underground in (presumably) stable geological formations or underwater. Even with the best currently available technologies, CCS would consume a huge amount of extra energy and would increase the fuel needs of a coal-fired power plant by 25-40%. In addition, investment in CCS does nothing to further the development of truly renewable and sustainable energy technologies or energy efficiency that is needed for "real" sustainability.

Dams

Large dams and associated infrastructure are among the most controversial and potentially destructive of all internationally-financed projects. According to the World Commission on Dams (WCD) large dams have displaced between 40 and 80 million people worldwide. Millions more have been ousted by the construction of canals, powerhouses and other associated infrastructure. Many of these people have not been satisfactorily resettled, nor have they received adequate compensation, and those who have been resettled have rarely had their livelihoods restored.

Furthermore, hydroelectric dams and high-voltage transmission lines are often located in ecologically sensitive areas.[136] Dams have fragmented and stilled 60% of the world's rivers, leading to profound and often irreversible impacts on riverine and adjoining terrestrial environments.

Meanwhile, the economic benefits of large dams have often been elusive. Large dams tend to under-perform their targets for power generation, and lengthy construction delays and large cost overruns are routine.[137]

Nuclear energy

Nuclear energy is often presented as a clean source of electricity, as the CO_2 emissions from nuclear power plants are lower than from plants based on fossil fuels combustion. However, contamination and nuclear waste resulting from nuclear power generation carries serious health and environmental hazards. Moreover, uranium fuel is produced through mining and processing techniques which are highly polluting and energy consuming. In addition, because the supply of uranium is limited (estimated resources would feed current level of consumption for about 100 years[138]), nuclear energy is not considered to be a sustainable investment.

Nuclear energy use also raises major safety concerns. Nuclear power plants contain various forms of radioactive material that could significantly impact a large amount of countries and communities (for many years) in case of an accident. There are additional concerns that nuclear power plants might present attractive targets for terrorists. In addition, both nuclear energy technologies and materials used for electricity generation could be diverted to nuclear weapons. The Treaty on the Non-Proliferation of Nuclear Weapons gives every country the right to employ nuclear technology for peaceful activities. Nonetheless, risks are high that this technology could be used for military purposes, especially in less stable countries.[139]

2.7.2 Selected standards and initiatives

For the reasons explained in paragraph 2.7.1, investments in coal-fired power plants and nuclear power are considered investments in non-renewable fuel sources. Banks should therefore exclude these energy plants from their investment portfolios altogether.

In February 2008, a group of US banks released the 'Carbon Principles' a common procedural approach for assessing carbon risks faced by companies building new coal-fired electric power plants in the United States. The principles were designed to address the risks associated with regulatory uncertainty, and were also a direct response to growing public concern over the proliferation of plans for more than one hundred new coal-fired power plants that, if built, will lock the United States into a carbon-intensive, coal-dependent future with millions of tons of new and additional CO_2 emissions every year. See paragraph 5.2

With respect to dams and associated infrastructure, the most authoritative and broadly supported set of standards are the guidelines articulated by the WCD.[140] The core of the WCD recommendations was its "rights and risks" approach to project decision-making, and its seven strategic priorities and supporting principles:

1. *Gaining Public Acceptance*: Public acceptance of key decisions should be ensured for equitable and sustainable water and energy resources development. Where projects affect indigenous and tribal peoples, such processes are guided by their free, prior and informed consent;
2. *Comprehensive Options Assessment*: Alternatives to dams should be subject of a comprehensive and participatory assessment of the full range of policy, institutional and technical options, in which social and environmental aspects have the same significance as economic and financial factors;
3. *Addressing Existing Dams:* Opportunities should be taken to optimise benefits from existing dams, address outstanding social issues and strengthen environmental mitigation and restoration measures;
4. *Sustaining Rivers and Livelihoods:* Options assessment and decision-making around river development should prioritise the avoidance of impacts, followed by the minimisation and mitigation of harm to the health and integrity of the river system. Avoiding impacts through good site selection and project design is a priority;
5. *Recognising Entitlements and Sharing Benefits*: Mutually agreed and legally enforceable mitigation and development provisions need to be negotiated with adversely affected people. Accountability of responsible parties to agreed mitigation, resettlement and development provisions is ensured through legal means, such as contracts, and through accessible legal recourse at the national and international level;
6. *Ensuring Compliance*: Compliance with applicable regulations, criteria and guidelines, and project-specific negotiated agreements needs to be secured at all critical stages in project planning and implementation. Regulatory and compliance frameworks use incentives and sanctions to ensure effectiveness where flexibility is needed to accommodate changing circumstances;
7. *Sharing rivers for Peace, Development and Security:* The use and management of resources should be the subject of agreement between states to promote mutual self-interest for regional cooperation and peaceful collaboration. Dams on shared rivers should not be built where riparian states raise objections that are upheld by international panels.

2.7.3 Contents of a bank policy

Banks should adopt a policy for investing in companies in the electricity generation sector that is aimed at phasing out support for fossil fuel and uranium based power generation, and that expands support for renewable sources and environmentally sound innovation.

The following elements should be incorporated in a bank's electricity generation policy.

Essential elements
The bank will not invest in companies that:

- Are involved in the construction of coal fired and nuclear power plants;
- Generate coal-fired power and are not actively and quickly phasing out their reliance on coal;
- Generate nuclear energy and power.

Furthermore, the bank will only invest in:

- Dams and related infrastructure projects that comply with WCD recommendations;
- Companies involved in the design or construction of dams and related infrastructure projects, when these projects comply with WCD recommendations.

The bank also includes in its policy that it is actively pursuing a shift in its electricity generation portfolio, away from fossil fuel and uranium, towards renewable energy sources.

Additional elements
The bank will not invest in:

- Dams and related infrastructure projects that are located in, or substantially impact upon, critical natural habitats, Ramsar-listed wetlands and UNESCO World Heritage Sites. These critical natural habitats are discussed also in paragraph 3.1 on Biodiversity;
- Companies involved in the design or construction of dams and related infrastructure projects that are located in, or substantially impact upon, critical natural habitats, Ramsar-listed wetlands and UNESCO World Heritage Sites.

Furthermore, the bank will only invest in:

- Companies that generate electricity using sustainable energy resources (e.g. wind energy, solar energy, non-food biomass, agricultural waste etc.).

Banks should either develop an integrated policy giving sufficient attention to the specific characteristics of electricity generation, or choose to develop separate policies as long as the content of these policies is consistent with overarching issues, includes the content described in other paragraphs and holds at least the elements listed above.

2.7.4 Scoring table
The considerations in the previous paragraphs lead to the following scoring table with regard to bank policies on electricity generation:

0. The bank is active in this sector but has no investment policy for this sector;
1. The bank:
   - has only adopted or signed onto a voluntary standard or initiative (relevant for this sector, see paragraph 5.2); or
   - has developed its own policy, but it is vaguely worded without clear commitments;
2. The bank has developed its own policy, that includes at least half of the essential elements;
3. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking; or
   - this includes the essential elements in its asset management;
4. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking as well as its asset management; or
   - this includes both the essential and additional elements in its lending and investment banking; or
   - this includes both the essential and additional elements in its asset management;
5. The bank has developed its own policy and this includes both the essential and additional elements in its lending and investment banking as well as its asset management.

For more information regarding the scoring methodology refer to paragraph 1.5.

2.7.5 Results

The majority of the banks scores one point on this sector, mainly because they are signatories to the Equator Principles or the Carbon Principles. In last years, more banks have developed their own policy on power generation. Often the scope of a policy is limited, covering only nuclear energy, coal fired power generation or dams and infrastructure.

The three banks that are accredited two points, HSBC, Standard Chartered Bank and WestLB, do not exclude nuclear and/or coal fired power generation but do require the World Commission on Dams' recommendations. Ten banks have neither developed a policy nor signed the Equator Principle or the Carbon Principles.

TABLE 11 SCORES FOR POLICIES ON POWER GENERATION

HSBC	2	Fortis	1	SMBC	1
Standard Chartered Bank	2	Industrial Bank	1	Société Générale	1
WestLB	2	ING	1	Standard Bank	1
ABN Amro	1	Intesa Sanpaolo	1	UniCredit	1
ANZ	1	Itaú Unibanco	1	Westpac	1
Banco Bradesco	1	JPMorgan Chase	1	Bangkok Bank	0
Banco do Brasil	1	KBC	1	Bank of China	0
Bank of America	1	Mizuho	1	China Construction Bank	0
Bank of Tokyo	1	Morgan Stanley	1	Commonwealth Bank	0
Barclays	1	National Australia Bank	1	DekaBank	0
BBVA	1	Nedbank	1	Goldman Sachs	0
BNP Paribas	1	Nordea	1	ICBC	0
Citi	1	Rabobank	1	Kasikornbank	0
Crédit Agricole	1	RBC	1	Natixis	0
Credit Suisse	1	RBS	1	UBS	0
Deutsche Bank	1	Santander	1		
Dexia	1	Scotiabank	1		

3

Issue Policies

3.1 BIODIVERSITY

3.1.1 What is at stake?

The planet's biological diversity - its ecosystems, species and genetic material - is an integrated and intricate web of life. The relentless and accelerating loss of this biodiversity is one of the world's most pressing environmental concerns. Apart from the potential costs and risks of biodiversity loss -destruction of habitats and associated damage to human life support systems, 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.

The alarming state of affairs on biodiversity loss is well documented by the Millennium Ecosystem Assessment, which was published in March 2005 and involved the work of more than 1,360 experts worldwide. The MEA concluded: "Over the past 50 years, humans have changed ecosystems more rapidly and extensively than in any 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 nonlinear 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."[141]

The bank's policy should ensure that it will only be involved in investments in companies which have adopted the prevention of biodiversity loss as a leading principle and bring it into practice in a systematic way.

3.1.2 Selected standards and initiatives

Virtually all countries in the world have ratified the 1992 UN 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.[142]

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."[143] However, biodiversity is still in decline at all levels and geographical scales. Targeted response options can reverse this trend for specific habitats or species.[144]

The CBD identifies three categories of biodiversity: ecosystems, species and genetic materials:

Ecosystem and habitat protection

A number of international agreements require the protection of natural ecosystems and habitats. The *Convention on Biological Diversity* requires 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.[145]

The UN Convention on the Law of the Sea obliges all signatories to protect and preserve the marine environment.[146] Additionally, many Regional Seas Conventions cover specific marine environments.

Two other global treaties protect listed areas: the Unesco World Heritage Convention protects listed natural and cultural sites of global importance[147]. The Ramsar Convention provides for the protection, conservation and appropriate use of listed wetlands of international importance.[148]

Regional agreements also emphasise the importance of habitat protection generally,[149] and many governments have adopted action plans and other initiatives, such as the International Coral Reef Initiative and the Natura2000 network of protected areas within the European Union.

To consolidate and systematise those natural areas that should be protected for the conservation of biological diversity, the International Union for Conservation of Nature (IUCN) has developed a system providing guidance on how the private-sector should operate in each of the six defined Protected Area Management Categories.

The *High Conservation Value* (HCV) concept was originally devised in the context of forest certification (High Conservation Value Forests or HCVF), but it is also applicable to all kinds of ecosystems and habitats. The HCV Resource Network has developed national implementation guidance, local projects, trainings and workshops.[150]

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.[151] 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.[152]

In addition to protecting threatened species, protecting biodiversity requires that common species are not overharvested 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”.[153] This element is also discussed in other relevant paragraphs of this report.

Species diversity is also threatened by both the accidental and intentional introduction of invasive alien species. When introduced outside their natural habitats, these species have the ability to establish themselves, outcompete natives 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*[154] and the *Convention on Biological Diversity* require member states to prevent, eradicate or control the introduction of invasive alien species.[155]

Genetic materials protection
The Cartagena Protocol on Biosafety contains 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.[156]

The *UN 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.[157]

Companies and biodiversity
In April 2006 the *Convention on Biological Diversity* published the Voluntary Guidelines on Biodiversity-Inclusive Impact Assessments. This guide describes how biodiversity criteria can be included in environmental reporting.

In the United Kingdom the EarthWatch Institute and others work to involve companies in the conservation of biodiversity. They established a roadmap especially for companies based on the 10 principles of engagement, including drafting a strategic action plan on biodiversity, and integrating standards to regulate quality standards and protecting bio diversity within procurement. The Wildlife Trust has developed a biodiversity benchmark. Both initiatives focus on companies that own land or are responsible for land management.[158]

In December 2007 the IUCN Netherlands Committee published a guide for companies, Business and Biodiversity.

3.1.3 Contents of a bank policy

The banking sector has a significant impact on biodiversity, particularly as it provides 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 number of powerful drivers is leading to a growing relevance of biodiversity to business, 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.[159]

The following elements should therefore be incorporated in the bank's biodiversity policy:

Essential elements
The bank will only invest in companies that:

- Comply with national laws and regulations regarding biodiversity protection;
- Do not undertake 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;
- Minimize ecosystem impacts, and ensure that impacted ecosystems are restored to mimic their original state after commercial activities have ended;
- Ensure that activities will not have a negative impact on the community or population level of any species identified on the IUCN Red List;
- Ensure that activities will not lead to the illegal trade of any species listed as endangered under CITES;
- Do not produce or trade in any living genetically modified organism except with the approval of the importing country and as otherwise required under the Cartagena Protocol;
- Provide assessments of the cumulative biodiversity impacts upstream and downstream (including impacts on ecosystems, species and genetic resources);
- Provide ongoing monitoring and reporting of impacts, at least consistent with the guidelines found in the Global Reporting Initiative for reporting on biodiversity and land use.

Additional elements
The bank will only invest in companies that:

- Sustainably manage all living natural resources they use in their operations, such as forests, animals and plants;
- Ensure that activities will not involve the intentional or unintentional introduction of invasive alien species;
- Meet the consent and benefit-sharing requirements found in the *UN Convention on Biological Diversity* regarding activities involving access to genetic resources;

The bank will:

- Identify, in consultation with NGOs and scientists, areas as "no-go zones", such as HCVAs, endangered forests, biodiversity hotspots, river watersheds, fish spawning grounds and spiritual sites, and where necessary exclude activities in those areas from investment.

3.1.4 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 investment policy for this issue;
1. The bank:
   - has only adopted or signed onto a voluntary standard or initiative (relevant for this issue, see paragraph 5.2); or
   - has developed its own policy, but it is vaguely worded without clear commitments;
2. The bank has developed its own policy, that includes at least half of the essential elements;
3. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking; or
   - this includes the essential elements in its asset management;
4. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking as well as its asset management; or
   - this includes both the essential and additional elements in its lending and investment banking; or
   - this includes both the essential and additional elements in its asset management;
5. The bank has developed its own policy and this includes both the essential and additional elements in its lending and investment banking as well as its asset management.

For more information regarding the scoring methodology refer to paragraph 1.5.

3.1.5 Results

All banks that have adopted the Equator Principles or UN Global Compact received a score of 1. Eleven banks have developed and published their own policies to address biodiversity issues. Biodiversity is often referred to in the context of forestry or general environmental risk policies, and therefore not applicable to the entire investment portfolio of the bank. Moreover, biodiversity is a much broader issue, which is also relevant to sectors such as agriculture, fisheries or extractive industries.

Most policies mainly prohibit clients to start operations in protected areas and do not cover the other essential elements. Hence, no bank receives more than one point.

TABLE 12 SCORES FOR POLICIES ON BIODIVERSITY

ABN Amro	1	HSBC	1	Standard Chartered Bank	1
ANZ	1	Industrial Bank	1	Scotiabank	1
Banco Bradesco	1	ING	1	SMBC	1
Banco do Brasil	1	Intesa Sanpaolo	1	Société Générale	1
Bank of America	1	Itaú Unibanco	1	Standard Bank	1
Bank of Tokyo	1	JPMorgan Chase	1	UBS	1
Barclays	1	KBC	1	UniCredit	1
BBVA	1	Mizuho	1	WestLB	1
BNP Paribas	1	Morgan Stanley	1	Westpac	1
Citi	1	National Australia Bank	1	Bangkok Bank	0
Commonwealth Bank	1	Natixis	1	Bank of China	0
Crédit Agricole	1	Nedbank	1	China Construction Bank	0
Credit Suisse	1	Nordea	1	DekaBank	0
Deutsche Bank	1	Rabobank	1	ICBC	0
Dexia	1	RBC	1	Kasikornbank	0
Fortis	1	RBS	1		
Goldman Sachs	1	Santander	1		

3.2 CLIMATE CHANGE

3.2.1 What is at stake?

Global climate change is the planet's greatest environmental challenge, directly threatening the prosperity, livelihoods and immediate security of hundreds of millions of people worldwide.

There is overwhelming scientific consensus that most of the observed increase in globally averaged temperatures since the mid-20th century stems from the increase in human-induced greenhouse gas (GHG) concentrations in the atmosphere (carbon dioxide, methane, nitrous oxides and a number of gases that arise from industrial processes). The most important GHG is carbon dioxide, which is emitted mainly as a consequence of global fuel combustion, with land-use change (especially deforestation) providing another significant but smaller contribution.[160]

If annual emissions were to remain at today's level, the stock of GHG in the atmosphere would reach double pre-industrial levels by 2050 - that is 550 ppm CO_2. However, as demand for energy and transport increases around the world, and fast-growing economies invest in high-carbon infrastructure, this level could well be reached by 2035, causing a global average temperature increase exceeding 2°C by that year. Under such a 'business as usual' scenario, there is 50% risk of global warming having exceeded 5°C by the end of this century, leading to catastrophic impacts on people and planet.

According to the Intergovernmental Panel on Climate Change (IPCC), world temperatures could rise by between 1.1 and 6.4°C by the end of this century. This will probably result in:[161]

- Sea levels rising by 18 to 59 cm;
- increased frequency of warm spells, heat waves and heavy rainfall;
- An increase in droughts, tropical cyclones and extreme high tides;
- Dramatic changes in ecosystems, leading to the accelerated extinction of species.

These developments are not only creating extraordinary and unprecedented risks to the global environment, but are also likely to have profound and potentially disastrous economic, social and health impacts:[162]

- Melting glaciers will cause a strong increase in annual average river runoff and water availability in some regions, together with droughts and lack of drinking water in other regions and in the long run;
- Approximately 15 to 40% of global plant and animal species are at risk of extinction when the average temperature rises beyond 2° C. Ocean acidification will have major effects on marine ecosystems;
- Though global food production potential is projected to increase with local average temperature rising by 1-2° C, it will decrease above this temperature. Higher frequencies of droughts, floods hurricanes and heat waves are projected to affect local crop production negatively, especially in subsistence sectors at low latitudes;
- Coastal areas are projected to be exposed to increasing risks due to the rising sea-level and coastal erosion. Corals and coastal wetlands are at risk, but also many of the large cities in developed and underdeveloped countries, housing millions of people. The melting or collapse of ice sheets would eventually threaten land which today is home to 1 in every 20 people;
- Poor communities can be especially vulnerable, as they tend to have more limited adaptive capacities, and are more dependent on climate-sensitive resources such as local water and food supplies;
- Projected climate change-related exposures are likely to affect the health status of millions of people, particularly those with low adaptive capacity, through increases in malnutrition and consequent disorders, heat waves, floods, storms, fires and droughts, diarrhoeal disease, vector-borne diseases such as malaria and dengue fever, and other causes.

Banks, by using their commercial lending and securities underwriting to capitalize new climate-friendly activities, are in a unique position to catalyze the necessary transition to an economy that minimizes GHG pollution and relies on energy efficiency and low/no carbon energy sources. Venture capital and private equity can provide critical financing for emerging low-carbon technologies. Asset management, when combined with active ownership strategies such as shareholder engagement and proxy voting, can positively impact companies' climate strategies.[163]

3.2.2 Selected standards and initiatives

The most important international standards and initiatives relevant for the issue of climate change are listed below.

Reduction targets

To date, the 1992 UN Framework Convention on Climate Change (UNFCCC) and its 1997 Kyoto Protocol is the key international treaty addressing the threat of global climate change.

The *UNFCCC* establishes overall global objectives and principles, and requires all member countries (near-universal membership) to report annually on their net greenhouse gas emissions.

The *Kyoto Protocol* entered into force in 2005, with the participation of all industrialised countries except the United States and Australia. It builds on the principles and objectives of the UNFCCC and establishes targets and timetables for industrialised countries to limit or reduce their emissions of greenhouse gases to an average of 5.2 per cent below 1990 levels. Developing countries, almost all of which have joined the UNFCC and Kyoto Protocol, are not obliged to set specific targets and timetables for addressing greenhouse gas concentrations.

In December 2009, the 15th UN Climate Change Conference took place in Copenhagen, to agree upon a new treaty to complement or replace the Kyoto Protocol. The meeting failed to reach agreement on an extension of the Kyoto Protocol for the second commitment period and/or of any additional legally binding instruments under the Convention. Parties instead agreed to continue negotiations on these issues for at least one more year. Many, but not all, of the Parties also agreed to the Copenhagen Accord, a non-binding framework in which Parties agreed to inscribe mitigation targets and to work towards agreement on a number of objectives through the UNFCCC process.

Assessing and reporting on climate emissions

The most widely accepted standard for accounting, measuring and reporting on greenhouse gas emissions by companies is the Greenhouse Gas Protocol (GHG Protocol).[164] Besides general measuring instruments for the companies' own activities the GHG Protocol also develops sector specific guidelines, and a standard for the emissions of products and supply chain. The GHG Protocol is consistent with the guidelines issued by the IPCC for reporting on direct and indirect emissions at a national level.

The Carbon Disclosure Project is a coalition of institutional investors which regularly asks the world's largest companies to report their annual investment-related and emissions information relating to climate change.[165] Recently the CDP started to act as a secretariat for the Climate Disclosure Standards Board (CDSB) that was formed at the 2007 annual meeting of the World Economic Forum in response to increasing demands for standardised reporting guidelines on the inclusion of climate change information in mainstream reports. The Reporting Framework was officially launched for comment on 25 May 2009 at the World Business Summit on Climate Change in Copenhagen.[166]

Shifting towards climate-friendly technology

A WWF study Climate Solution demonstrated that existing renewable energy sources and proven technologies could be harnessed between now and 2050 to meet a projected doubling in global demand for energy while at the same time achieving the necessary significant drop (about 60-80 percent) in carbon dioxide emissions needed to prevent dangerous climate change. This result can be achieved while excluding nuclear power, unsustainable biomass and unsustainable forms of hydroelectricity.[167]

Designing and building sustainable, environment-friendly buildings is of great importance to affect the greenhouse gas emissions in the coming decades.
A September 2007 report from the UNEP Sustainable Buildings and Construction Initiative, in which United Nations Environment Program and a number of international construction companies work together, provides a good overview. A comparison of activities in the field of sustainable construction of the largest British construction companies in September 2005 is published by WWF UK and Insight Investment.[168]

In the area of transport and logistics new technologies to reduce GHG emissions or to achieve more sustainable way of transport are available. With the EST project the OECD established guidelines for sustainable transport in 2000 and presented a new vision on transport.[169]

3.2.3 Contents of a bank policy

Banks should play a leading role in facilitating the so called carbon shift, by shifting investments towards a low/no carbon economy and by setting more aggressive de-carbonisation standards than the national targets. This would at minimum help delay or halt the accelerating process of global warming while also contribute to the energy transformation required to stop climate change.

To play this role, the following elements should be included in a bank's climate change policy:

Essential elements

The bank will not invest in companies that:

- Develop new coal, oil and gas extraction and delivery projects;
- Develop new coal-fired power plants;
- Apply the most harmful and least efficient practices in other GHG-intensive sectors, such as agriculture, forestry and transportation;
- Are active in carbon trading;
- Develop nuclear energy, large scale hydro power plants or carbon capture and storage projects;
- Develop large scale biofuel projects with a negative carbon balance and negative socio-environmental impacts (see paragraph 2.7.3 on Power generation and in paragraph 2.1.3 on Agriculture).

Furthermore, the bank will aim to minimize the extent to which its remaining activities and investments contribute to climate change by:

- Assessing and reporting on GHG emissions associated with all its investments and other financial services;
- Establishing sufficiently ambitious portfolio and business-unit emissions reduction targets in line with current science on climate stabilization;
- Developing a set of tools to address climate issues and reduce GHG emissions across the full range of its operations and services;
- Disengaging from carbon trading activities.

Additional elements

The bank will:

- Develop a proactive strategy for investing in energy efficiency programmes and projects for renewable energy such as solar energy, wind energy, small-scale hydropower and sustainable biomass production (see paragraph 2.7.3 on Power generation and paragraph 2.1.3 on Agriculture);
- Increase support for the development and use of climate-friendly technologies and production processes, such as public transport, low-energy housing and commercial real estate, sustainable agriculture, forestry and fishery practices.
- Develop products and services to help retail customers address climate change.

3.2.4 Scoring table

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

0. The bank has no investment policy for this issue;
1. The bank:
   - has only adopted or signed onto a voluntary standard or initiative (relevant for this issue, see paragraph 5.2); or
   - has developed its own policy, but it is vaguely worded without clear commitments;
2. The bank has developed its own policy, that includes at least half of the essential elements;
3. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking; or
   - this includes the essential elements in its asset management;
4. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking as well as its asset management; or
   - this includes both the essential and additional elements in its lending and investment banking; or
   - this includes both the essential and additional elements in its asset management;
5. The bank has developed its own policy and this includes both the essential and additional elements in its lending and investment banking as well as its asset management.

For more information regarding the scoring methodology refer to paragraph 1.5.

3.2.5 Results

Many banks (29) have published a position statement or climate policy, with only four banks not receiving any points. However, most of these statements focus mainly on curbing *operational emissions*, whereas a banks' impact on climate change through its *financed emissions* is much more significant.

Banks recognise their role in financing climate change by financing very carbon intensive industries, but none of the banks has translated this recognition into an investment policy with strict exclusion criteria or reduction targets with respect to carbon emissions. Several banks join initiatives such as the Carbon Disclosure Project (42) or sign up to the Carbon Principles (6) or Climate Principles (6) for which they receive a score of 1. Banks also publicly state their intentions to increase investments in renewable energy and innovations that help societies' transition to a low carbon economy but such statements are hardly ever translated into clear investment and exclusion criteria.

TABLE 13 SCORES FOR POLICIES ON CLIMATE CHANGE

ABN Amro	1	Goldman Sachs	1	RBS	1
ANZ	1	HSBC	1	Santander	1
Banco Bradesco	1	ICBC	1	Standard Chartered Bank	1
Banco do Brasil	1	Industrial Bank	1	Scotiabank	1
Bank of America	1	ING	1	SMBC	1
Bank of Tokyo	1	Intesa Sanpaolo	1	Société Générale	1
Barclays	1	Itaú Unibanco	1	Standard Bank	1
BBVA	1	JPMorgan Chase	1	UBS	1
BNP Paribas	1	KBC	1	UniCredit	1
Citi	1	Mizuho	1	WestLB	1
Commonwealth Bank	1	Morgan Stanley	1	Westpac	1
Crédit Agricole	1	National Australia Bank	1	Bangkok Bank	0
Credit Suisse	1	Natixis	1	Bank of China	0
DekaBank	1	Nedbank	1	China Construction Bank	0
Deutsche Bank	1	Nordea	1	Kasikornbank	0
Dexia	1	Rabobank	1		
Fortis	1	RBC	1		

3.3 CORRUPTION

3.3.1 What is at stake?

Corruption is traditionally perceived as the payment of bribes. However, at the worst, corruption is the systematic looting of state resources. It is particularly insidious as it undermines the capacity of the world's poorest states to develop efficient economies and good governance. The United Nations Convention against Corruption (UNCAC) acknowledges that corruption poses serious problems to the stability and security of societies, as well as jeopardising democracy, ethical values and sustainable development.

Corruption diverts resources away from poverty alleviation into the hands of private individuals, frequently those at the top of the political system. All too often the looting of state revenues is perceived as the reward for political power. However, illicitly acquired state assets are not simply a bonus for having control of the state: they allow corrupt politicians to maintain their positions, by buying support and controlling access to resources.

According to the annual Global Corruption Report released in September 2009 by Transparency International (TI), the massive scale of corruption and its undue influence on public policy is costing billions and obstructing the path towards sustainable economic growth, even without counting revenues lost from state treasuries. In developing and transition countries alone, politicians and officials are estimated to have received bribes of up to US$ 40 billion annually.[170] The sectors most that are most affected by corruption include public works, real estate and property development, oil and gas, heavy manufacturing and mining. For details see the Bribe Payers Index of TI.

Banks can directly or inadvertently facilitate corruption in several ways:

Facilitating corruption directly

At the most basic level, banks can make illicit payments to advance their own business interests. However, the most common way that banks facilitate corruption is by accepting corrupt funds as deposits. Large-scale corruption often depends upon the willingness of banks to receive the illicit proceeds, as the sums involved are too big to be kept in cash.[171]

Doing business with companies that facilitate corruption

The payment of bribes by companies in order to get business distorts the market. It rewards the company that is willing to pay a bribe, rather than the company that will deliver the best service or product. The payment of a bribe will often lead to a company providing an inferior, or even dangerous, service or product. The devastating consequences can range from water shortages, exploitative working conditions or illegal logging to unsafe medicines and poorly or illegally constructed buildings that collapse with deadly consequences.

A company found guilty of bribery will find its social licence to operate badly damaged and its future business prospects jeopardised or even eliminated. The effective enforcement of comprehensive transparency and anti-corruption policies and practices can be seen as a company's key indicators of management integrity and trustworthiness.[172] By investing in companies that facilitate corruption, banks might also develop reputational risks as a result of becoming enmeshed in subsequent investigations and being publicly linked to the company involved.

In addition, if companies do not publicly disclose their *legitimate* payments to governments, especially related to the exploitation of natural resources, it is far easier for corrupt officials to siphon off these revenues. Without revenue transparency, the citizens of natural resource-rich countries do not know what is happening to their nation's resource wealth. This element is further discussed in the paragraph 2.6 on Oil and Gas, paragraph 2.5 on Mining and in paragraph 3.8 on Taxation.

The bank's policy should ensure that it will not accept corrupt funds or pay bribes, and will only be involved in investments to companies that fight against corruption, both by taking a stand against illicit payments (bribes) and by disclosing their legitimate payments to governments. Corruption can be closely connected with taxation issues, the latter are further discussed in paragraph 3.8 on Taxation.

3.3.2 Selected standards and initiatives

The United Nations Convention against Corruption (UNCAC) represents agreed minimum global standards to tackle both bribery and money laundering. Signed by

129 nations, it explains what states should do to prevent and criminalise corruption, and recommends on international cooperation and asset recovery. In addition, it includes broad anti-money laundering standards. Not all Parties have effectively implemented UNCAC's provisions, but some progress was made recently as States Parties to the Convention have agreed on the implementation of a Mechanism for the Review of Implementation of the UNCAC.

The OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (the OECD Anti-Bribery Convention) demonstrates legally-binding standards that criminalise the bribery of foreign officials by international companies. Thirty-eight countries have ratified the OECD Anti-Bribery Convention, but the extent to which its provisions have been effectively implemented under national law According to Transparency International few Parties are actively enforcing its requirements, while most have little or no enforcement at all.[173]

The Financial Action Task Force (FATF) is an inter-governmental body that sets global standards for anti-money laundering legislation. It has promulgated 40 Recommendations and 9 Special Recommendations. The 34 FATF member countries perform peer reviews to ensure that each member state's regulations are in line with the recommendations. Currently no country is fully compliant with the FATF standards. The ministers of the member countries have given FATF a renewed mandate until 2012 and in September 2009 the G20 mandated FATF to "help detect and deter the proceeds of corruption by prioritizing work to strengthen standards on customer due diligence, beneficial ownership and transparency".[174]

FATF's standards for '*Know Your Customer* due diligence' are a useful baseline for banks' policies. The requirement for a bank to know who its customer is and establish their source of funds is the cornerstone of anti-money laundering standards. The following Recommendations are especially important:

- Recommendation 5 provides that banks have an obligation to identify the beneficial owner of the funds offered as deposits. If a bank is unable to do so then it should refuse to accept the funds. One of the most important aspects of identifying the beneficial owner is to penetrate the often highly complex ownership and control structures of shell companies, trusts, corporate vehicles and secrecy jurisdictions that are used to hide true ownership of funds.

- Recommendation 6 recognises the higher risk posed by Politically Exposed Persons (PEPs) and requires banks to identify them, and carry out enhanced due diligence on their transactions. A PEP is a senior public official, their family members and associates – i.e. everybody who is in a position to potentially divert public funds.

In some countries the risk that a PEP is engaged in corrupt activities and the risk of money laundering is unacceptably high. In deciding whether a country has such a reputation, banks can draw on Transparency International's Corruption Perceptions Index, Freedom House's 'Worst of the Worst' and IMF reports on revenue transparency. To identify sectors which are corruption prone, Transparency International's Bribe Payers Index is very informative. In addition, the World Bank provides a World Bank Listing of Ineligible Firms and individuals that are ineligible to be awarded a World Bank-financed contract because they were found to have violated the fraud and corruption provisions of World Bank Guidelines.

In December 2003, Transparency International published the Business Principles for Countering Bribery, a framework that helps companies to develop comprehensive anti-bribery programmes. Whilst many large companies do have no-bribery policies, too few implement these policies effectively. The 2009 edition places greater emphasis on public reporting of anti-bribery systems and in recommending that enterprises commission external verification or assurance of their anti-bribery programme. Transparency International has various tools for companies to support them fighting corruption, including the Corruption Fighters' Tool Kit which offers companies innovative anti-corruption methods.

The Wolfsberg Group is an association of eleven global banks largely involved in the field of private banking (banking for wealthy persons). It aims to develop industry standards and tools for Know Your Customer, Anti-Money Laundering and Anti-corruption policies. In this respect the Wolfsberg Group, among others, developed the following standards:[175]

- The Wolfsberg Anti-Money Laundering Principles on Private Banking, which was revised in May 2002;

- The Wolfsberg Statement against Corruption in February 2008.

3.3.3 Contents of a bank policy

The following elements should be incorporated in the bank's corruption policy:

Essential elements

The bank will, in its own operations:

- Fully implement FATF Recommendation 5 by identifying the ultimate beneficial owner or controller of funds offered. If banks cannot do so, the funds should not be accepted. This standard should be implemented across all of the bank's global holdings, even if the locally applicable regulations in particular jurisdictions are not at the same standard;
- Fully implement FATF Recommendation 6 by identifying Politically Exposed Persons (PEPs) and conducting adequate due diligence on them, the source of their funds and their transactions. In this respect, the banks should have a system to identify new customers who may be PEPs and existing customers that become PEPs. This standard should be implemented across all of their global holdings, even if the locally applicable regulations in particular jurisdictions are not at the same standard;
- Prevent its employees from paying or receiving bribes, especially if they operate in a jurisdiction that has not ratified or implemented the OECD Anti-Bribery Convention;
- Define sectors, countries and companies that require heightened due diligence, suing tools such as the Corruption Perceptions Index, Bribe Payers Index, Freedom House's 'Worst of the Worst' and the IMF reports on revenue transparency.

Furthermore, the bank will not invest in companies:

- Involved in corruption practices by carrying out enhanced customer due diligence, using for example the World Bank Listing of Ineligible Firms.

Additional elements

The bank will not:

- Accept funds from PEPs unless they have strong evidence that the funds are legitimate;
- Open accounts for PEPs from countries whose own laws prohibit them from holding accounts outside that country.

Furthermore, the bank will not invest in companies that:

- Have no clear and well-implemented anti-bribery policy;
- Do not publicly disclose revenue payments they make to governments (see paragraph 2.5.3 on Mining, paragraph 2.6.3 on Oil and Gas and paragraph 3.8.3 on Taxation).

3.3.4 Scoring table

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

0. The bank has no investment policy for this issue;
1. The bank:
   - has only adopted or signed onto a voluntary standard or initiative (relevant for this sector /issue see paragraph 5.2); or
   - has developed its own policy, but it is vaguely worded without clear commitments;
2. The bank has developed its own policy, that includes at least half of the essential elements;
3. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking; or
   - this includes the essential elements in its asset management;
4. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking as well as its asset management; or
   - this includes both the essential and additional elements in its lending and investment banking; or
   - this includes both the essential and additional elements in its asset management;
5. The bank has developed its own policy and this includes both the essential and additional elements in its lending and investment banking as well as its asset management.

For more information regarding the scoring methodology refer to paragraph 1.5.

3.3.5 Results

A number of banks have signed the Wolfsberg Principles and/or UN Global Compact and have their own policies in place. Most of the banks incorporated the prevention of corruption in a Code of Conduct.

The points for ANZ, Morgan Stanley, National Australia Bank, and RBC are solely based on their own policies, mainly because they have procedures in place to prevent employees from bribery and corruption. The Chinese Industrial Bank is awarded one point because its policy is very broad, referring to national laws and the FATF recommendations. The bank will not open anonymous accounts and will not deal with shell banks, but the policy does not set specific criteria for its clients and employees to avoid complicity in corruption and bribery. Only three banks are accredited additional points for having the identification of the beneficiary owner of funds and identifying PEP's in their own policy (Royal Bank of Canada, Standard Chartered Bank and Santander).

TABLE 14 SCORES FOR POLICIES ON CORRUPTION

RBC	2	Fortis	1	SMBC	1
Santander	2	Goldman Sachs	1	Société Générale	1
Standard Chartered Bank	2	HSBC	1	UBS	1
ABN Amro	1	Industrial Bank	1	UniCredit	1
ANZ	1	ING	1	WestLB	1
Banco Bradesco	1	Intesa Sanpaolo	1	Westpac	1
Banco do Brasil	1	Itaú Unibanco	1	Bangkok Bank	0
Bank of Tokyo	1	JPMorgan Chase	1	Bank of America	0
Barclays	1	KBC	1	Bank of China	0
BBVA	1	Mizuho	1	China Construction Bank	0
BNP Paribas	1	Morgan Stanley	1	DekaBank	0
Citi	1	National Australia Bank	1	ICBC	0
Commonwealth Bank	1	Natixis	1	Kasikornbank	0
Crédit Agricole	1	Nedbank	1	Scotiabank	0
Credit Suisse	1	Nordea	1	Standard Bank	0
Deutsche Bank	1	Rabobank	1		
Dexia	1	RBS	1		

3.4 HUMAN RIGHTS

3.4.1 What is at stake?

Human rights are "basic rights and freedoms to which all humans are entitled."[176] Examples of rights and freedoms that have come to be perceived as human rights include civil and political rights, such as the right to life and liberty, freedom of expression, and equality before the law; and economic, social and cultural rights, including the right to participate in culture, the right to be treated with respect and dignity, the right to food, the right to work and the right to education. These rights have been discussed, acknowledged and collected in various UN instruments. The Universal Declaration of Human Rights is the central component of international law which may be invoked under appropriate circumstances by national and other judiciaries.

It has been agreed that states have the primary responsibility to respect, promote and secure the human rights described in the Universal Declaration. However, state responsibility is neither exclusive nor sufficient. As the Universal Declaration clearly states, "every organ of society" has its own human rights obligations.[177]

This includes business enterprises. As the reach and impact of enterprises have grown, their human rights obligations have grown as well. Business enterprises have the potential to impact upon human rights -both positively and negatively- in a multiplicity of ways. For example, the manner by which a company hires and fires its workers, structures and manages its production processes, organizes the security of its operations, purchases supplies and services, conducts itself in its host community, provides essential public services and interacts with governments and regulatory authorities can all profoundly affect the promotion or realisation of human rights.[178]

The evolution of concepts such as "complicity" and "spheres of influence" is also increasingly exposing the private sector to legal liability and scrutiny regarding human rights violations. International law and jurisprudence recognize that corporations have legal personality, and therefore corresponding legal rights and obligations; corporations also have duties to refrain from assisting others in human rights abuses.

In this respect it is indisputable that financial institutions, as a specific category of enterprises, have human rights obligations and responsibilities.[179] A bank's policy on human rights should ensure that the bank will only be engaged in companies and activities which respect human rights in their entire operations.

3.4.2 Selected standards and initiatives

Universal Declaration of Human Rights

The Universal Declaration of Human Rights, adopted by the United Nations in 1948, provides an overview of the rights and freedoms every human being is entitled to "without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status".[180]

In 1966 the Universal Declaration of Human Rights was complemented by the UN International Covenant on Civil and Political Rights (UNCCPR) and the UN International Covenant on Economic, Social and Cultural Rights (UNCESCR). These covenants clarify that international human rights include civil, political, cultural, economic and social rights, and the right to development.[181]

Women's rights

The key international agreement on women's rights is the UN Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), which is also described as the international bill of women's rights. Adopted in 1979 and ratified by 185 UN Member States, CEDAW encompasses a global consensus on the changes that need to take place in order to realize women's human rights. Another important agreement is the UN Convention on the Political Rights of Women, which entered into force 7 July 1954.

Labour

Relevant standards on labour rights are discussed in paragraph 3.6 on Labour.

Indigenous peoples

Relevant standards on the rights of indigenous peoples are discussed in paragraph 3.5 on Indigenous peoples.

Business and Human Rights

As an interpretation on the Universal Declaration of Human Rights, the most comprehensive and authoritative treatment of the human rights obligations of businesses is the United Nations Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights (the UN Human Rights Norms for Business).182 These norms clarify that transnational corporations and other business enterprises are obliged to promote, protect, respect and secure the fulfilment of human rights "within their respective spheres of activity and influence".

In August 2003, the UN Human Rights Norms for Business were unanimously adopted by the UN Sub-commission on the Promotion and Protection of Human Rights, but the full UN Human Rights Commission had not yet taken a decision on the norms. To prepare a broader discussion on these norms, Dr. John Ruggie was appointed Special Representative of the UN Secretary General on business and human rights in July 2005.[183]

In April 2008, Dr. Ruggie presented his report which does not set new criteria, but summarizes all human rights norms that are relevant for companies. Ruggie calls on companies to take responsibility for compliance with these directives, rather than to shift this responsibility to national and international authorities. He also proposes a policy framework that comprises three core principles, with the aim of entangling the responsibilities of states and business:184

- the State duty to protect against human rights abuses by third parties, including business;
- the corporate responsibility to respect human rights;
- the need for more effective access to remedies.

In June 2008, the Human Rights Council was unanimous in "welcoming" the policy framework for business and human rights that Dr. Ruggie proposed in his final report. The Council renewed the mandate for a period of three years with a new resolution tasking the Special Representative with "operationalizing" the framework.[185] The framework is already widely supported.

Ruggie has emphasized that companies can affect the entire spectrum of human rights. Thus, business' responsibility is to respect all internationally recognized human rights, although some may be more relevant than others in particular contexts. Companies should look at a minimum to the *International Bill of Human Rights* as well as the *ILO Declaration on Fundamental Principles and Rights at Work*. Companies might need to consider additional standards depending on the situation.

Dr. Ruggie found that relatively few companies have systems in place enabling them to demonstrate with any degree of confidence that they respect human rights. "What is required is an ongoing process of human rights due diligence, whereby companies become aware of, prevent, and mitigate adverse human rights impacts."

Dr. Ruggie has also addressed banks' responsibility: "a bank's human rights due diligence for a project loan will differ in some respects from that of the company operating the project. Nevertheless, banks do have human rights due diligence requirements in this context, and human rights risks related to the projects are also risks to the banks' liability, returns and reputation."[186] It is important that banks, as other companies, have internal governance and management system for conducting adequate human rights due diligence.

Security

A specific issue is the use of force by (private or public) security forces protecting the operations of a company. This issue is discussed in the UN Code of Conduct for Law Enforcement Officials and the UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials. Upon these statements the Voluntary Principles on Security and Human Rights have been developed in a multi-stakeholder process, to give guidance to companies.

Other standards

- OECD Guidelines for Multinational Enterprises;
  The OECD Guidelines provide voluntary principles and standards for responsible business conduct consistent with applicable laws. According to the OECD Guidelines enterprises should respect the human rights of those affected by their activities.

- UN Global Compact
  UN Global Compact has included two human rights principles among its ten principles:
  - "Businesses should support and respect the protec-

tion of internationally proclaimed human rights"
- "Businesses should make sure that they are not complicit in human rights abuses".[187]

Regional standards and initiatives addressing a topic of significant importance to that region should also be of a bank's attention. A good example is the Brazilian Pact to Eradicate Slave Labour.

3.4.3 Contents of a bank policy

Although banks may not be directly involved in human rights abuses, they can be complicit in human rights violations by companies undermining the rights to life, property, home, health, livelihood and development of communities. This may occur in several ways:[188]

- Direct complicity may occur when a bank intentionally invests in a project or company, while the bank is fully aware that its financial assistance contributes to the commission of the human rights abuses by the company.
- Indirect complicity may occur when a bank profits from transactions with a company committing human rights abuses. Profits can be in terms of financial rewards or market share, but the bank's investments need not be directly related or intended to support to the human rights abuses which take place.
- The notion of silent complicity reflects the expectation that banks should respond to human rights abuses by notifying the appropriate authorities or taking steps to object to and/or try to prevent or stop the human rights violations and/or withdrawing from their association with the abuse. Where banks do not respond, silent complicity may arise.

To avoid these various forms of complicity, banks need clear and detailed human rights standards and policies. These instruments require banks systematically to consider risks to human rights in the operations they support, and to take effective action to mitigate those risks.[189]

The following elements should be incorporated in a bank's human rights policy:

Essential elements

The bank will only invest in companies that:

- Respect all internationally recognized human rights, but at a minimum the Universal Declaration of Human Rights;
- Respect all internationally recognized human rights, but at a minimum the *UN International Covenant on Civil and Political Rights (UNCCPR);*
- Respect all internationally recognized human rights, but at a minimum the *UN International Covenant on Economic, Social and Cultural Rights (UNESCR);*
- Pay explicit attention to women's rights, within relevant issues and sectors;
- Respect the (land) rights of local communities and indigenous peoples (see paragraph 3.5.3 on Indigenous peoples);
- Respect basic labour rights (see paragraph 3.6.3 on Labour).

Additional elements

The bank will only invest in companies that:

- Respect all internationally recognized human rights, and consider additional standards depending on the situation;
- Provide an adequate Human Rights Impact Assessment of companies for relevant transactions, sectors and countries;
- Make the results of the Human Rights Impact Assessment available to relevant stakeholders to consider their reactions.

3.4.4 Scoring table

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

0. The bank has no investment policy for this issue;
1. The bank:
   - has only adopted or signed onto a voluntary standard or initiative (relevant for this issue, see paragraph 5.2); or
   - has developed its own policy, but it is vaguely worded without clear commitments;
2. The bank has developed its own policy, that includes at least half of the essential elements;
3. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking; or
   - this includes the essential elements in its asset man-

agement;

4. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking as well as its asset management; or
   - this includes both the essential and additional elements in its lending and investment banking; or
   - this includes both the essential and additional elements in its asset management;
5. The bank has developed its own policy and this includes both the essential and additional elements in its lending and investment banking as well as its asset management.

For more information regarding the scoring methodology refer to paragraph 1.5.

3.4.5 Results

Because the UN Global Compact does not require banks to verify whether the companies they invest in uphold the same principles, the 35 signatories of UN Global Compact receive just one point on the issue human rights. ANZ, Citi, JPMorgan Chase, Morgan Stanley, Scotiabank and Standard Bank are rewarded one point for their own policy on human rights.

In total, 23 banks have developed statements or guidelines for human rights practices. Others have included the issue of human rights in their principles of ethical business conduct. Seven banks (ABN Amro, Barclays, Fortis, ING, Rabobank, Santander and WestLB) are granted with two points for their policies because they include half of the essential elements.

TABLE 15 SCORES FOR POLICIES ON HUMAN RIGHTS

ABN Amro	2	Deutsche Bank	1	UBS	1
Barclays	2	Dexia	1	UniCredit	1
Fortis	2	HSBC	1	Westpac	1
ING	2	Intesa Sanpaolo	1	Bangkok Bank	0
Rabobank	2	Itaú Unibanco	1	Bank of America	0
Santander	2	JPMorgan Chase	1	Bank of China	0
WestLB	2	KBC	1	China Construction Bank	0
ANZ	1	Mizuho	1	DekaBank	0
Banco Bradesco	1	Morgan Stanley	1	Goldman Sachs	0
Banco do Brasil	1	Natixis	1	ICBC	0
Bank of Tokyo	1	Nedbank	1	Industrial Bank	0
BBVA	1	Nordea	1	Kasikornbank	0
BNP Paribas	1	RBS	1	National Australia Bank	0
Citi	1	Standard Chartered Bank	1	RBC	0
Commonwealth Bank	1	SMBC	1	Scotiabank	0
Crédit Agricole	1	Société Générale	1		
Credit Suisse	1	Standard Bank	1		

3.5 INDIGENOUS PEOPLES

3.5.1 What is at stake?

There are thousands of indigenous cultures and communities worldwide, with different levels of interaction with other cultures and following different development paths. Indigenous people worldwide number between 300-500 million; they embody and nurture 80% of the world's cultural and biological diversity, and occupy 20% of the world's land surface. They live in every region of the world. Some form the majority of the population, others comprise small minorities. They live in climates ranging from Arctic cold to Amazon heat, and often claim a deep connection to their lands and natural environments. For many indigenous peoples, the natural world is a valued source of food, health, spirituality and identity. Land is both a critical resource that sustains life and a major cause of struggle and even death.

Throughout the world, indigenous peoples have long been subjugated and disenfranchised. They have been killed, tortured and enslaved. Today, they are still disproportionately vulnerable to human rights abuses, especially discrimination, loss of culture, loss of land and access to territories, and even to the threat of extinction. Indigenous peoples have been denied the right to participate in governing processes of current state systems. Indigenous peoples rank highest on such underdevelopment indicators as the proportion of people in jail, the illiteracy rate and unemployment rate.[190]

When it comes to development of areas through economic exploration, such as agricultural activities, mining and the construction of large infrastructural projects (dams and oil projects for instance) often conflicts arise with local indigenous communities. For indigenous people to welcome development on their land it is important to gain control over whether, how, when and what kind of development will occur and to receive a meaningful share in the benefits of development.[191]

Businesses need to respect and guarantee the rights of indigenous peoples to protect their land, societies, cultures and livelihoods, by acknowledging their sovereignty and self-determination. The bank's policy should ensure that it will only be involved in investing in companies which respect and guarantee these rights. Banks must offer investments only under the conditions that the rights of indigenous peoples are not repudiated.[192]

3.5.2 Selected standards and initiatives

International law recognises that indigenous peoples have inherent rights derived from their distinct identities and their close and special attachment to their ancestral lands. These rights establish the basis for the following standards or norms.

Right to self-identification and self-determination

The right to self-determination for indigenous peoples is also set out in the 1966 International Covenant on Economic, Social and Cultural Rights, which recognises all people's right to freely determine their political status, pursue their economic, social and cultural development and dispose of their natural wealth and resources.[193]

The UN Declaration on the Rights of Indigenous Peoples, adopted by the General Assembly of the United Nations in September 2007, also recognises that "indigenous peoples and individuals have the right not to be subjected to forced assimilation or destruction of their culture". States therefore need to prevent "any action which has the aim or effect of depriving them of their integrity as distinct peoples, or of their cultural values or ethnic identities".[194]

Recognition and protection of, and compensation for land and territorial rights

The distinct cultural identity and existence of indigenous peoples hinge on protection of their ancestral lands and their unique relationship to that land. This is reflected in the following agreements:

- The UN Declaration on the Rights of Indigenous Peoples affords indigenous peoples the right to the lands, territories and resources that they have traditionally owned, occupied or otherwise used or acquired. It also recognises the right to maintain, control, protect and develop their intellectual property over such cultural heritage, traditional knowledge, and traditional cultural expressions, and to restitution or compensation where these have been taken or damaged without their consent.[195]

- The International Labour Organization Convention 169 establishes clear rights and protection for indigenous peoples to their lands and territories. In addition, it describes measures to safeguard the right of the peoples concerned, to use lands to which they have traditionally had access for their subsistence and traditional activities.[196]

- The Convention on Biodiversity (CBD) addresses the fair and equitable use of biodiversity resources, and requires that the traditional knowledge of indigenous and local communities may only be used with their "approval".[197]

- The Mining, Minerals and Sustainable Development (MMSD) report Finding Common Ground, supported by the International Institute for Environmental Development (IIED) and World Business Council on Sustainable Development (WBCSD), calls for benefit-sharing arrangements that go beyond fair compensation for damages done to indigenous peoples, in order to ensure that these groups actually benefit from the investments in, or in the vicinity of, their territories.[198]

Right to participation

The Vienna Declaration and Programme of Action calls on states to ensure the full and free participation of indigenous peoples in all aspects of society, in particular in matters of concern to them.[199]

The UN Declaration on the Rights of Indigenous Peoples also establishes the right to full participation and the importance of fair procedures for resolving conflicts and disputes.[200]

Right to Free, Prior Informed Consent (FPIC)

Amplifying the protection of land and territorial rights, the United Nations Economic and Social Council has described the right of indigenous peoples to Free, Prior Informed Consent (FPIC) with respect to developments affecting their lands and natural resources in its Working Paper on FPIC. Unlike a consultation process, FPIC is a two-way, interactive negotiation that offers communities greater influence in decision-making, and is more likely to result in direct benefits for them. The process requires full and early disclosure of information and potential impacts of a proposed investment.

The FPIC principle has been recognised in international law and included in the emerging consensus of states and companies. It was confirmed by the ILO Convention 169,[201] the UN Human Rights Norms for Business,202 the World Commission on Dams,[203] the Inter-American Development Bank[204] the UN Development Programme[205] and the UN Declaration on the Rights of Indigenous Peoples.

Prohibition of involuntary resettlement

A prohibition of involuntary resettlement is addressed by the *UN Declaration on the Rights of Indigenous Peoples*, which states that indigenous peoples "shall not be forcibly removed from their lands or territories. No relocation shall take place without the free, prior and informed consent of the indigenous peoples concerned and after agreement on just and fair compensation and, where possible, with the option of return."[206]

The IFC Performance Standards set guidelines about land acquisition and involuntary resettlement.[207]

No-Go zones for uncontacted people

The livelihoods and culture of people living in voluntary isolation or uncontacted people must be protected from potential investment. The Inter-American Development Bank recognises this in its indigenous people's policy by agreeing not to support any project that poses adverse impacts on uncontacted people.[208]

A new UN framework to eliminate caste discrimination in September 2009 received backing from a number of international actors including the government of Nepal, the EU presidency and the UN High Commissioner for Human Rights. The draft UN principles and guidelines are contained in the final report on discrimination based on work and descent (the UN terminology for caste discrimination), published by the Human Rights Council in May 2009.[209]

Role of women

It is important to emphasize the rights of indigenous women and ensure equal participation of indigenous women in *FPIC* and other indigenous community consultation procedures, including gender impact assessments. The Beijing Declaration of Indigenous Women demands "equal political participation in the Indigenous and modern structures of socio-political structures and systems at all levels." [210]

3.5.3 Contents of a bank policy

Companies face major moral and risk issues when their investments adversely impact indigenous peoples. But apart from the legal, normative, and development arguments for ensuring that host communities have the opportunity to consent to a project, there is also a strong business case for doing so. Multinational corporations and financial institutions that seek local community consent for their operations will have a competitive advantage over those that fail to do so.[211]

Amongst other things, a bank policy on the rights of indigenous peoples should include the following elements:

Essential elements

The bank will only invest in companies that:

- Respect the rights included in the UN Declaration on the Rights of Indigenous Peoples;
- Pay explicit attention to the right of indigenous peoples to Free, Prior Informed Consent (FPIC) with respect to developments affecting their lands and natural resources;
- Pay explicit attention to indigenous women's rights, by ensuring equal participation in FPIC processes.

Additional elements

The bank will only invest in companies that:

- Provide a meaningful Human Rights Impact Assessment with respect to the rights of indigenous peoples for relevant transactions, sectors and countries;
- Make the results of the Human Rights Impact Assessment available to relevant stakeholders to consider their reactions.

3.5.4 Scoring table

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

0. The bank has no investment policy for this issue;
1. The bank:
   - has only adopted or signed onto a voluntary standard or initiative (relevant for this issue, see paragraph 5.2); or
   - has developed its own policy, but it is vaguely worded without clear commitments;
2. The bank has developed its own policy, that includes at least half of the essential elements;
3. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking; or
   - this includes the essential elements in its asset management;
4. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking as well as its asset management; or
   - this includes both the essential and additional elements in its lending and investment banking; or
   - this includes both the essential and additional elements in its asset management;
5. The bank has developed its own policy and this includes both the essential and additional elements in its lending and investment banking as well as its asset management.

For more information regarding the scoring methodology refer to paragraph 1.5.

3.5.5 Results

Issues with regard to indigenous peoples are often included in policies for forestry, extractive industries or power generation; the scope of policies for Indigenous peoples is therefore limited. Some banks included indigenous people's rights in the banks' human rights or environmental policies. There are practically no banks that have a separate policy on indigenous peoples, with JPMorgan Chase being the only exception.

Rabobank included a good paragraph on the rights of indigenous peoples in its human rights specification. Along with Goldman Sachs and Morgan Stanley, these banks are accredited two points. The majority of the banks is rewarded one point for signing the Equator Principles and/or the UN Global Compact.

Explicit attention to indigenous women's rights is included in the rating as an essential element of a good bank policy, but no bank explicitly addresses these rights. Therefore no bank has received three or more points. It is remarkable that banks often mention the free, prior, informed procedures in their (sector) policy but do not refer to the *UN Declaration of the Rights of Indigenous Peoples*.

South African, Australian and American banks often develop an internal policy on diversity in human resources and employment of (respectively) black South-Africans, aboriginal Australians and Native Americans. But most of them do not pay any attention to indigenous rights in their investment policies.

TABLE 16 SCORES FOR POLICIES ON INDIGENOUS PEOPLES

Goldman Sachs	2	Deutsche Bank	1	Standard Chartered Bank	1
JPMorgan Chase	2	Dexia	1	Scotiabank	1
Morgan Stanley	2	Fortis	1	SMBC	1
Rabobank	2	HSBC	1	Société Générale	1
ABN Amro	1	Industrial Bank	1	Standard Bank	1
ANZ	1	ING	1	UBS	1
Banco Bradesco	1	Intesa Sanpaolo	1	UniCredit	1
Banco do Brasil	1	Itaú Unibanco	1	WestLB	1
Bank of America	1	KBC	1	Westpac	1
Bank of Tokyo	1	Mizuho	1	Bangkok Bank	0
Barclays	1	National Australia Bank	1	Bank of China	0
BBVA	1	Natixis	1	China Construction Bank	0
BNP Paribas	1	Nedbank	1	DekaBank	0
Citi	1	Nordea	1	ICBC	0
Commonwealth Bank	1	RBC	1	Kasikornbank	0
Crédit Agricole	1	RBS	1		
Credit Suisse	1	Santander	1		

3.6 LABOUR

3.6.1 What is at stake?

Protecting people in the workplace is a fundamental responsibility of all companies and governments. Workers worldwide have the right:

- to be free of discrimination and abuse,
- to work in a safe environment,
- to associate freely with co-workers and representative organisations,
- to earn fair wages and benefits during a regular workweek.

These basic conditions should apply to all workers, irrespective of race, gender or religion. Meeting these conditions helps contribute to sustainable human capital development. Respect for these rights can also contribute to the development and growth of democratic societies, and thereby help create a more favourable operating climate for business.

It is important to pay special attention to the position of women in labour relations. Empowerment of women contributes to the health and productivity of whole families and communities and to improved prospects for the next generation. The UN Convention on the Elimination of All Forms of Discrimination against Women affirms women's rights to non-discrimination in education, employment and economic and social activities. The importance of Gender Equality in labour conditions serves as a framework for halving poverty and improving lives, which is underscored by its inclusion as one of the eight Millennium Development Goals.[212]

All businesses should ensure that workers have the right to be free of discrimination and abuse, to work in a safe environment, to associate freely with co-workers and representative organisations, and to earn fair wages and benefits. The bank's policy should ensure that it will only be involved in investing in companies which meet these criteria.

3.6.2 Selected standards and initiatives

General

The international standard setting body for labour issues is the *International Labour Organization (ILO)*, the tripartite UN agency which brings together governments, employers and workers. By the end of 2006, the ILO had adopted 187 *Conventions* and 198 *Recommendations* covering a broad range of labour subjects.[213] With the adoption of the ILO Declaration on Fundamental Principles and Rights at Work (FPRW) in 1998, the ILO identified eight of its conventions as "fundamental". These eight conventions address four subjects:

- freedom of association and the effective recognition of the right to collective bargaining;[214]
- the elimination of all forms of forced or compulsory labour;[215]
- the effective abolition of child labour;[216]
- the elimination of (ethnic, gender or social) discrimination in respect of employment and occupation.[217]

Another crucial ILO document is the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, which was originally adopted by the ILO in 1977. In March 2006 the fourth, updated edition was published.[218] The *Tripartite Declaration* addresses the responsibilities of corporations and their treatment of labour issues more specifically. In addition to re-affirming workers' rights to freedom of association and collective bargaining, and a ban on discrimination and forced labour, the agreement calls on corporations to:

- increase employment opportunities and standards, and give priority to the employment and advancement of nationals of the host country and to the use of local materials, manufacturing and processing;[219]

- promote equal opportunity and treatment by making qualifications, skill and experience the basis for the recruitment, placement, training and advancement of staff at all levels and avoid any type of (ethnic, gender or social) discrimination of workers;[220]

- promote employment security and avoid arbitrary dismissals. If an employment change is necessary, to provide reasonable notice of such changes to the appropriate government authorities and worker representatives;[221]

- ensure that relevant training is provided for all levels of their employees and management;[222]

- provide the best possible wages, benefits and conditions for employees, which should not be less favourable than those offered by comparable local employers. These should be related to the economic position of the company and meet the basic needs of the workers and their families;[223]

- maintain the highest standards of safety and health, and make available information on hazards to government authorities and workers' and employers' organisations;[224]

- establish a process for regular consultation between workers and employer;[225]

- establish a process to address grievances.[226]

The following declarations and principles endorse the four ILO fundamental principles and rights at work and the *Tripartite Declaration*:

- the UN Global Compact has included the four ILO fundamental principles and rights at work among its ten principles;[227]
- the Draft United Nations Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights endorses the four ILO fundamental principles and rights at work as well as the *Tripartite Declaration*;228
- the OECD Guidelines for Multinational Enterprises endorses the four ILO fundamental principles and rights at work as well as the *Tripartite Declaration*;[229]
- the IFC Performance Standards endorse the four ILO fundamental principles and rights at work.

Women

The UN Convention on the Elimination of All Forms of Discrimination Against Women affirm women's rights to non-discrimination in education, employment and economic and social activities.

Both the *FPRW* and the *Tripartite Declaration* call for protection against gender discrimination in the workplace:
- Promote equal opportunity and treatment by making qualifications, skill and experience the basis for the recruitment, placement, training and advancement of staff at all levels and avoid any type of (ethnic, gender or social) discrimination of workers;
- The elimination of (ethnic, gender or social) discrimination in respect of employment and occupation.

Children

Child labour refers to the employment of children at regular and sustained labour. States ratifying the Minimum Age Convention adopted by the ILO in 1973, have adopted minimum ages varying from 14 to 16. The UN Convention on the Rights of the Child supports the call for an abolition of child labour.[230]

Health and safety

The employers' responsibility for health and safety of its workers is laid down in various international standards:

- The Occupational Safety and Health Convention was adopted as the international standard of health and safety at work by the ILO in June 1981. This convention was completed with several ILO conventions relating to specific hazards, such as the Asbestos Convention and the Chemicals Convention, and to specific sectors, such as the Safety and Health in Agriculture Convention, the Safety and Health in Mines Convention and the Safety and Health in Construction Convention. Moreover, the ILO published so-called *Codes of Practice* for 35 different sectors and themes, with concrete measures to ensure the safety and health of workers. [231]

- The maintenance of minimum standards of health and safety does not appear sufficient. According to the ILO continuous and systematic efforts to improve the health and safety of workers is necessary. Therefore the Promotional Framework for Occupational Safety and Health Convention was adopted in 2006. Countries and companies are encouraged to systematically improve the health and safety of workers and develop a preventive culture in this field. [232]

Supply chain issues
Companies should have clear procedures for monitoring and supervision of the treatment of workers by their suppliers, and should specify its required labour standards in its contracts with suppliers. Supply chain standards have been developed in the FTSE4Good Supply Chain Labour Standards Criteria, SA8000 Standard, Fair Wear Code of Conduct, the FTSE4Good Supply Chain Labour Standards Criteria and the Fair Labour Association Code of Conduct.

3.6.3 Contents of a bank policy
Like all companies, banks are expected to respect local, national and international law and to adhere to the international labour standards in all their spheres of influence. For banks, three spheres of influence are important, which need to be addressed separately in their policies on labour issues:

- their role as an employer;
- the companies a bank invests in;
- the supply chain of the companies a bank invests in.

This report does not consider internal labour practices, as it focuses on the policies related to lending and investment banking services and to investments by its asset management division.

The following elements should be incorporated in a bank's policy:

Essential elements
The bank will only invest in companies that:

- Respect freedom of association and recognize the right to collective bargaining (one of the fundamental principles from the *ILO Declaration on Fundamental Principles and Rights at Work);*
- Uphold the elimination of all forms of forced or compulsory labour (idem);
- Uphold the effective abolition of child labour (idem);
- Uphold the elimination of (ethnic, gender or social) discrimination in respect of employment and occupation (idem);
- Respect internationally recognized workers' rights within the *Tripartite Declaration;*
- Pay explicit attention to women's rights, within relevant issues and sectors;
- Demand adherence to labour rights from their supply chain.

Additional elements
The bank will:

- Only invest in companies that respect all internationally recognized labour rights, and consider additional standards depending on the situation;
- Encourage companies to systematically improve the health and safety of workers and develop a preventive culture in this field;
- Ensure that companies have taken all necessary steps to adhere to laws and regulations, *ILO Principles* and the *Tripartite Declaration*, including processes for learning about employee grievances, clear steps for remediation and a mechanism for seeking resolution of violations or disputes;
- Use an independent verifying organisation or work together with Multi-Stakeholder-Initiatives (MSI) in sectors where such initiatives exist (e.g. textile sector).

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

0. The bank has no investment policy for this issue;
1. The bank:
   - has only adopted or signed onto a voluntary standard or initiative (relevant for this issue, see paragraph 5.2); or
   - has developed its own policy, but it is vaguely worded without clear commitments;
2. The bank has developed its own policy, that includes at least half of the essential elements;
3. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking; or
   - this includes the essential elements in its asset management;
4. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking as well as its asset management; or
   - this includes both the essential and additional elements in its lending and investment banking; or

- this includes both the essential and additional elements in its asset management;
5. The bank has developed its own policy and this includes both the essential and additional elements in its lending and investment banking as well as its asset management.

For more information regarding the scoring methodology refer to paragraph 1.5.

3.6.5 Results

The 35 signatories of the UN Global Compact received one point because the issue of labour is part of the principles, but it does not require banks to verify whether the companies they invest in uphold the same principles. In general, banks are concerned about their own employees, but hardly consider the rights of their clients' workforce and they fail to develop strict criteria that clients should meet, or an engagement or disinvestment procedure when clients do not meet the standards. Clear investment policies on labour rights and working conditions are rare.

Only twelve banks (of which ten have signed UN Global Compact) have developed their own policy on labour rights. These policies are often part of a position or statement on human rights or part of a social and environmental policy. Six banks adhere to the four subjects of the *ILO Declaration on Fundamental Principles and Rights at Work* (Barclays, Crédit Agricole, Crédit Agricole China Industrial Bank, ING, Intesa Sanpaolo and WestLB). Rabobank in its policy does not explicitly refer to the right to freedom of association and collective bargaining, but it does require adherence to labour rights from all clients' suppliers. These banks are all rewarded two points. None of the banks pay explicit attention to women's' rights and only Santander mentions the *Tripartite Declaration* in its policy.

TABLE 17 SCORES FOR POLICIES ON LABOUR

ABN Amro	2	Fortis	1	ANZ	0
Barclays	2	HSBC	1	Bangkok Bank	0
Crédit Agricole	2	Itaú Unibanco	1	Bank of America	0
ING	2	KBC	1	Bank of China	0
Intesa Sanpaolo	2	Mizuho	1	China Construction Bank	0
Rabobank	2	Natixis	1	DekaBank	0
WestLB	2	Nedbank	1	Goldman Sachs	0
Banco Bradesco	1	Nordea	1	ICBC	0
Banco do Brasil	1	RBS	1	Industrial Bank	0
Bank of Tokyo	1	Santander	1	JPMorgan Chase	0
BBVA	1	Standard Chartered Bank	1	Kasikornbank	0
BNP Paribas	1	SMBC	1	Morgan Stanley	0
Citi	1	Société Générale	1	National Australia Bank	0
Commonwealth Bank	1	Standard Bank	1	RBC	0
Credit Suisse	1	UBS	1	Scotiabank	0
Deutsche Bank	1	UniCredit	1		
Dexia	1	Westpac	1		

3.7 OPERATIONS IN CONFLICT ZONES

3.7.1 What is at stake?

A conflict zone represents one of the highest risk and most unstable environments that a business can operate in. Dr. John Ruggie, the United Nations special representative on human rights and business, has argued that conflicts represent "unique circumstances" where some of the most offensive corporate-related human rights abuses take place.[233]

There are two key risks that arise when businesses operate in conflict zones that banks should be aware of:

Loss of reputation and financial assets

By handling resources or by paying 'taxes' to armies or militias involved in human rights abuses, companies can play a central role in the political economy of a conflict. Companies operating in conflict zones may be complicit in abuses committed by the armed factions that they are – directly or indirectly – supporting. By investing in companies that are involved conflict zones, banks might therefore develop reputational risks as a result of becoming enmeshed in subsequent investigations, and experience financial losses due to involvement in possible civil litigation.

Complicity to human rights abuses and funding of conflict

By investing in companies that exploit or trade natural resources in a way that benefits groups involved in serious human rights abuses, banks can provide mechanisms for the financing that allows conflict to continue. Many of the world's deposits of oil, gas and minerals are found in areas with a high risk of conflict and the links between civil wars and natural resources are well documented. A recent report from the United Nations Environment Programme concluded that over the last sixty years at least forty percent of all intrastate conflicts have a link to natural resources and that these conflicts are twice as likely to relapse within five years.[234] Companies can thus fund conflict through trading in natural resources sourced from a conflict zone. Banks can also fund conflict by doing business with these companies, or by providing the payment mechanisms or the business loans for this to happen.

Due to the breakdown in the rule of law that so often characterises a conflict zone, the home states of businesses operating in conflict zones, the businesses themselves and the banks that support them need to develop specific policies to prevent businesses from aggravating the conflict or becoming complicit in human rights abuses. In this respect, the business community has begun to recognise its responsibilities. The International Organisation of Employers (IOE) stated that: "All companies have the same responsibilities in weak governance zones as they do elsewhere. They are expected to obey the law, even if it is not enforced, and to respect the principles of relevant international instruments where national law is absent."[235]

To date there is little recognition from business or governments that trading internationally in resources that fuel conflict and human rights abuses is unacceptable. In addition, existing financial transparency initiatives (undertaken by – amongst others – the Basel Committee on Banking Supervision, the Financial Action Task Force the International Organization of Securities Commissions and the Wolfsberg Group) have not addressed the need to combat the flow of funds from abuses of natural resources in cases of conflict. Although such activity could often fall within the parameters of standards and regulations designed to address money laundering, terrorist finance or corruption, the existing standards do not directly address the steps that a financial institution is supposed to take in handling the proceeds of the sale of coltan, diamonds, oil and gas, tanzanite, timber or similar commodities that warring political factions have used to sustain conflict. Current standards only require that financial institutions avoid the proceeds of corruption and that they respect UN sanctions.[236]

One exception to the above is the global diamond trade, which is regulated by the Kimberley Process, a joint government, industry and civil society initiative to stem the flow of rough diamonds used by rebel movements to finance wars against legitimate governments.

However, the limitations of this sector-specific response are highlighted by cases such as Ivory Coast. Here the country's diamond deposits are controlled by rebels and Ivorian diamond exports are therefore subject to UN Sanctions. Yet the same insurgents make far more money from the international cocoa trade, benefiting from the cocoa industry's refusal to acknowledge its responsibility to clean up its supply chain.

Financial institutions play a vital role as a facilitator for companies operating in conflict zones or trading in natural resources sourced from these areas. Standards for this type of financing are currently under-developed and urgently need strengthening if financial institutions want to avoid exposing themselves to potential legal liability and reputational risk. The bank's policy should therefore ensure that it will not invest in companies that aggravate conflicts or that are complicit to human rights abuses.

3.7.2 Selected standards and initiatives

There is little guidance on business activities within conflict zones and even less on handling natural resources sourced from conflict zones.

- The OECD Guidelines for Multinational Enterprises, published in 2000, cover a broad range of principles and standards for responsible business conduct, including on human rights, economic, social and environmental issues, labour relations, bribery and taxation. As part of the follow up to these Guidelines, the OECD produced a Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones: a guide to companies investing or operating in areas with limited or no state power, of which a conflict zone is the most extreme form. The Tool sets out a list of due diligence questions that companies should ask when considering actual or prospective investments in a conflict zone.

- Two non-governmental organisations, International Alert and the Fafo Institute, produced a report named Red Flags: Liability risks for companies operating in high-risk zones. The Red Flags report provides businesses with clear and concise indicators of potential human rights abuses that could occur in conflict zones. The 'red flags' are the minimum legal standards that companies should apply when operating in a conflict zone. This exercise is similar to the OECD Risk Awareness Tool in the sense that it identifies trigger points that should warn companies of possible legal risks in conflict zones. Companies can be made liable even if the actual harms are directly caused by government official, and business or trading partners.

- The Fund for Peace (FfP) has developed a Conflict Assessment System Tool. This tool enables the FfP to create country conflict profiles; to issue country alerts to highlight recent events in countries in crisis; and to publish the Failed States Index to call attention on the risk of internal conflict. Using the Conflict Assessment System Tool could help companies in their risk assessment when considering investment or operation in a conflict zone.

- In July 2009, Global Witness produced the report Faced with a gun, what can you do?, comprising a set of due diligence recommendations for buyers and companies trading in minerals from eastern Democratic Republic of Congo. Although these recommendations are specifically related to the current conflict in Congo, they provide a useful model for businesses on how to operate when dealing in natural resources in the context of armed conflict.

- The Institute for Economics and Peace, together with the Australian research institute Vision of Humanity, developed the Global Peace Index. This index ranks 144 countries by their peacefulness based on 23 indicators. The higher a country is ranked, the less peaceful it is. The Global Peace Index could serve as a useful tool to identify conflict zones.

3.7.3 Contents of a bank policy

The following elements should be incorporated in the bank's policy:

Essential elements

The bank will, in its own operations:

- Perform enhanced due diligence on any company that is involved in the extraction, trading and processing of natural resources that are likely to have come from conflict-affected countries. Where a client is handling materials containing natural resources sourced from conflict-affected countries, the bank should demand evidence of supply chain due diligence to exclude materials exploited or traded in a manner that benefits rebel groups or armed forces engaged in human rights abuses.

Furthermore, the bank will not invest in companies that:

- Sell or transport products, commodities or assets originating from or going to a country, group or individual under international sanctions. The most common em-

bargo is on arms, but increasingly sanctions are imposed on specific commodities, such as diamonds, timber and on financial assets;
- Use people working against their will through the threat or use of violence;
- Use or have used forced displacement to gain access to the site on which it operates, where it builds infrastructure, or where it explores for natural resources;
- Have a relationship with governments or private security forces using disproportionate force, even where the actions of the security forces (e.g. killing, beating, abduction, rape) were neither ordered nor intended by the company.

Additional elements
The bank will require the companies they invest in to:

- Set up mechanisms for independently monitoring and checking of their supply chain, for instance by involving stakeholders, or by commissioning and publishing regular independent third-party audits;
- Negotiate specific conditions regarding human rights and natural resources with the host government;
- Engage in the development of international standards for business conduct relevant for operations in weak governance zones.

3.7.4 Scoring table

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

0. The bank has no investment policy on this issue;
1. The bank:
   - has only adopted or signed onto a voluntary standard or initiative (relevant for this issue see paragraph 5.2); or
   - has developed its own policy, but it is vaguely worded without clear commitments;
2. The bank has developed its own policy, that includes at least half of the essential elements;
3. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking; or
   - this includes the essential elements in its asset management;
4. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking as well as its asset management; or
   - this includes both the essential and additional elements in its lending and investment banking; or
   - this includes both the essential and additional elements in its asset management;
5. The bank has developed its own policy and this includes both the essential and additional elements in its lending and investment banking as well as its asset management.

For more information regarding the scoring methodology refer to paragraph 1.5.

3.7.5 Results

None of the banks has developed a separate policy regarding operations in conflict zones. Also, existing policies (on human rights or armaments for example) do not cover any of the essential elements. As a result, no points were accredited to any of the banks except HSBC. This bank incorporates restrictions on mining or trading of rough diamonds in its Mining and Metals Sector Policy. As this is very limited it is accredited one point.

TABLE 18 SCORES FOR POLICIES ON OPERATION IN CONFLICT ZONES

HSBC	1	DekaBank	0	Nedbank	0
ABN Amro	0	Deutsche Bank	0	Nordea	0
ANZ	0	Dexia	0	Rabobank	0
Banco Bradesco	0	Fortis	0	RBC	0
Banco do Brasil	0	Goldman Sachs	0	RBS	0
Bangkok Bank	0	ICBC	0	Santander	0
Bank of America	0	Industrial Bank	0	Standard Chartered Bank	0
Bank of China	0	ING	0	Scotiabank	0
Bank of Tokyo	0	Intesa Sanpaolo	0	SMBC	0
Barclays	0	Itaú Unibanco	0	Société Générale	0
BBVA	0	JPMorgan Chase	0	Standard Bank	0
BNP Paribas	0	Kasikornbank	0	UBS	0
China Construction Bank	0	KBC	0	UniCredit	0
Citi	0	Mizuho	0	WestLB	0
Commonwealth Bank	0	Morgan Stanley	0	Westpac	0
Crédit Agricole	0	National Australia Bank	0		
Credit Suisse	0	Natixis	0		

3.8 TAXATION

3.8.1 What is at stake?

In a democratic society, tax revenues are essential to finance public goods such as healthcare, infrastructure and social security. All companies (including banks) benefit from the public facilities in the countries where they undertake activities and therefore have a responsibility to pay their fair share of taxes and be transparent about their tax payments. Tax compliance therefore can be considered as the bottom line of Corporate Social Responsibility.[237]

Tax compliance has been defined as ‘seeking to pay the right amount of tax (but no more) in the right place at the right time, where right means that the economic substance of the transactions undertaken coincides with the place and form in which they are reported for taxation purposes’.[238] This constitutes the basis of ethical tax practice. The opposite, tax avoidance, is unethical since it seeks to avoid the obligations imposed by law. When tax avoidance results in offending laws it is called tax evasion, which is both unethical and illegal.

Unfortunately, stimulated by global competition, the liberalisation of capital markets and developments in information and communication technologies, (multinational) corporations are increasingly pursuing aggressive tactics to avoid or sometimes even evade paying taxes. By exploiting differences in national tax rates and loopholes in national tax regulations, companies with operations in different countries have the ability to decrease their tax burden considerably.[239]

Tax avoidance and tax evasion often involve complex corporate or financial structures that use *shell* or *mailbox* companies in tax havens. In addition to very low corporate tax rates, tax havens are attractive because they often have limited transparency requirements, which make it very difficult for foreign tax authorities to take action to combat tax dodging.

The Tax Justice Network (TJN) estimated that as much as US$ 255 billion is lost every year by governments around the world due to avoided taxation of funds held by individuals in tax havens.[240] This amount would be more than sufficient to plug the financing gap identified by the UN Millennium Development Goals (MDG) to halve world poverty by 2015. Christian Aid calculates that the loss of corporate taxes to the developing world is currently running at US$ 160 billion a year.[241]

Both as a company and as a provider of financial services, banks have a duty to be tax compliant. They must pay their fair share of taxes, refrain from fiscal structures that are predominantly guided by tax motivations and invest in companies that pay their taxes properly. International banks should pay taxes in accordance with the letter and spirit of the tax laws of the countries in which they operate, and they should be transparent about it.

Furthermore, tax compliance is relevant for banks as nearly all financial services offered by banks to companies bear a tax component. Given the large sums of money that are involved in corporate loans, project finance and investment banking, tax planning strategies may result in saving enormous amounts for the client. Hence, financial institutions and their clients have a strong incentive to organize their financial transactions in such a way that tax payments are minimised. Therefore international offerings of bonds or corporate loans are frequently structured via tax havens. This is often done by establishing a mailbox company to benefit from the low tax rates in tax havens.

Although this report deals mainly with the services offered by banks to corporate clients, services offered to private clients are also relevant to tax issues. Many banks offer their wealthy private clients *offshore banking services*. These services are often offered by bank subsidiaries that are deliberately located in tax havens.

The bank's policy should ensure that it will not invest in companies avoiding tax compliance, and will not assist companies or individuals in achieving this. Although taxation strongly relates to money laundering and corruption, these issues are further dealt with in paragraph 3.3.

3.8.2 Selected standards and initiatives

Acknowledging the negative effects of tax havens and other countries with harmful tax regimes, there have been several international initiatives to address this issue.

Government tax measures

Although aimed at governments trying to attract corporate investments by offering favourable tax regimes, the following guidelines do offer some guidance for banks and other businesses as well.

The European Union in 1997 adopted a Code of Conduct on business taxation, which focuses on taxation measures which "affect, or may affect, in a significant way the location of business activity in the community". More specifically, the Code states that "tax measures which provide for a significantly lower effective rate of taxation, including zero taxation, than those levels which generally apply in the member state in question are to be regarded as potentially harmful and therefore covered by this code".[242]

In 1998, the OECD initiated a project against harmful tax practices.[243] The OECD makes a distinction between tax havens and countries with a harmful preferential tax regime. In contrast to tax havens, which are often very small countries that almost fully depend on income from tax related practices, the latter are characterised by a diversified economy and normal tax system, but with certain, often very lucrative, exceptions for specific activities or types of corporation.

In 2000, the OECD identified 38 jurisdictions as tax havens. In the past nine years the OECD has published progress reports on the level of implementation by these jurisdictions of the international agreed tax information exchange standard, which requires exchange of information on request in all tax matters for the administration and enforcement of domestic tax law. Since May 2009, all 38 tax havens have committed to working with OECD members to improve transparency and to establish effective information exchange.[244]

Nevertheless many tax havens are still active in practice, which was why at the G-20 Pittsburgh Summit in September 2009, proposals were made to further sanction tax havens. Tax information exchange has been a priority. However, as the information exchange required is only on request, and not automatic, few exchanges will ever be made and there is still little real progress on this issue.

In 2009, the Tax Justice Network published Mapping the Faultlines, which identified 60 locations in the world as serious secrecy jurisdictions, including the UK and USA, and ranked each by the opacity they offer. It shows that initiatives promoted to date have made little impact in breaking the secrecy that facilitates illicit financial flows including those related to bribery, crime and tax abuse.

Tax planning

A first important international standard on the issue of tax planning by companies are the OECD Guidelines for Multinational Enterprises. Chapter X on Taxation states that "enterprises should comply with all tax laws and regulations in all countries in which they operate and should exert every effort to act in accordance with both the letter and the spirit of those laws and regulation".[245]

The Tax Justice Network and the Association for Accountancy and Business Affairs have issued a Code of Conduct for Taxation.[246] The code states that "taxable transactions are recorded where their economic benefit can be best determined to arise." This means that companies should report income to tax authorities where it undertakes economic activity and refrain from shifting income earned in the country to locations with lower tax rates to avoid taxation. Section 3 of this *Code of Conduct for Taxation* provides general guidelines on how companies should deal with the issue of tax planning:

- Tax planning seeks to comply with the spirit as well as the letter of the law;
- Tax planning seeks to reflect the economic substance of the transactions undertaken;
- No steps are put into a transaction solely or mainly to secure a tax advantage.

The British investment manager Henderson Global Investors has published Responsible Tax, a very useful publication that describes a set of principles that should guide tax decision-making at leading companies, proposes ways of improving disclosure on tax to investors and others, and suggests a framework companies could use to assess their approach to tax.[247]

Transparency and country-by-country tax reporting

Apart from paying their due share of taxes, companies should also report on the amount of tax they pay annually. Generally, only companies listed on a stock exchange are obliged to publish their tax payments in their annual reports. The problem is that these tax figures are only presented at the group level (on a consolidated basis) and not for every country in which the multinational is active. As a result, it is difficult to determine whether a company is shifting profit to low tax jurisdictions in order to avoid tax, or to what extent it is involved in other forms of tax avoidance or evasion.

This issue has gained some attention within the extractive industry under the Extractive Industries Transparency Initiative, a coalition of governments, companies, civil society groups and investors that have established criteria for full publication and verification of company payments and government revenues from oil, gas and mining. The Publish What You Pay coalition has a similar focus and also advocates that all extractive sector companies publish what they pay in tax and other ways to each government to whom they have liability.[248] The Revenue Watch Institute suggest that the transparency of these data should be enhanced within the extractive sector by requiring that the contracts for oil, gas, mining and forestry sectors should all be on public record.

This call for companies to disclose country-by-country data on commercial performance and taxes can be applied to all companies and sectors. Global Witness, the Tax Justice Network and the Task Force on Financial Integrity and Economic Development have all taken a lead on this issue, supported by many NGOs around the world. The latest publication of the Task Force on Financial Integrity and Economic Development explains the benefits of country-by-country reporting and calls for certain tax information to be published by a multinational corporation.[249]

The accounting world is slowly moving in this direction as well. In November 2009, a new reporting standard named International Financial Reporting Standard (IFRS) 8 Operating Segments, developed by the International Accounting Standards Board (IASB), became mandatory. The IASB did not include country-by-country reporting in their requirement but promised to examine its merits in the future.[250]

The G3 Guidelines of the Global Reporting Initiative have a performance indicator on tax that also stresses the need for country-by-country reporting. Companies should report: "all company taxes (corporate, income, property, etc.) and related penalties paid at the international, national, and local levels. This figure should not include deferred taxes because they may not be paid. For organizations operating in more than one country, report taxes paid by country. The organization should report which definition of segmentation has been used."[251]

3.8.3 Contents of a bank policy

The following elements should be incorporated in the bank's tax policy:

Essential elements

The bank will, in its own operations:

- Ensure that all banking services and products offered by the bank will be in compliance with the letter as well as the spirit of tax laws;
- Not incorporate branches in - or use in any other way - tax havens in locations identified as secrecy jurisdictions by the Tax Justice Network;
- Refrain from offering *offshore banking services* to its' private clients;
- Refrain from assisting companies in tax planning, with the main (or only) goal to secure tax advantages.

Furthermore, the bank will not invest in companies that:

- Were convicted for tax evasion and have not strengthened their procedures to ensure tax compliance in the future.

Additional elements

The bank will only invest in companies that:

- Publicly disclose country-by-country data on the following with respect to income and taxes:
- The name of each country in which the company and all its affiliates operate;
- The company's financial performance in every country, including sales and purchases (both third party and intra-group transactions), labour costs and employee numbers, financing costs and pre-tax profit;
- The tax charge included in its accounts for the country in question;
- Details on the cost and net book value of its physical fixed assets located in each country;
- Details of its gross and net assets in total for each country in which operates;
- The tax charge for the year split between current and deferred tax;
- The actual tax payments made to the country's government in the period;
- The liabilities (and assets, if relevant) owing for tax and equivalent charges at the beginning and end of each accounting period;
- Deferred taxation liabilities for the country at the start and close of each accounting period.
- Publicly disclose the following when active in the extractive industries:
- All its exploration and production contracts;
- A full breakdown of all those benefits paid to the government of each country, specified to oil, gas and minerals.

3.8.4 Scoring table

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

0. The bank has no investment policy on this issue;
1. The bank:
    - has only adopted or signed onto a voluntary standard or initiative (relevant for this issue, see paragraph 5.2); or
    - has developed its own policy, but it is vaguely worded without clear commitments;

2. The bank has developed its own policy, that includes at least half of the essential elements;
3. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking; or
   - this includes the essential elements in its asset management;
4. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking as well as its asset management; or
   - this includes both the essential and additional elements in its lending and investment banking; or
   - this includes both the essential and additional elements in its asset management;
5. The bank has developed its own policy and this includes both the essential and additional elements in its lending and investment banking as well as its asset management.

For more information regarding the scoring methodology refer to paragraph 1.5.

3.8.5 Results

Only three banks have been awarded points for the issue of taxation. Itaú UniBanco mentions the subject briefly in its policy on corruption. KBC has a *Responsible Tax Strategy* which states: "Tax avoidance is allowed, but tax evasion is NEVER permitted (tax evasion is fraud, a violation of tax law)." Contrary to the opinion of BankTrack, KBC sees tax planning as part of a bank's advisory services. Likewise, Société Générale's approach to tax havens does not appear as if the bank will "refrain from offering offshore banking services to its private clients" at all.

TABLE 19 SCORES FOR POLICIES ON TAXATION

Itaú Unibanco	1	Crédit Agricole	0	Natixis	0
KBC	1	Credit Suisse	0	Nedbank	0
Société Générale	1	DekaBank	0	Nordea	0
ABN Amro	0	Deutsche Bank	0	Rabobank	0
ANZ	0	Dexia	0	RBC	0
Banco Bradesco	0	Fortis	0	RBS	0
Banco do Brasil	0	Goldman Sachs	0	Santander	0
Bangkok Bank	0	HSBC	0	Standard Chartered Bank	0
Bank of America	0	ICBC	0	Scotiabank	0
Bank of China	0	Industrial Bank	0	SMBC	0
Bank of Tokyo	0	ING	0	Standard Bank	0
Barclays	0	Intesa Sanpaolo	0	UBS	0
BBVA	0	JPMorgan Chase	0	UniCredit	0
BNP Paribas	0	Kasikornbank	0	WestLB	0
China Construction Bank	0	Mizuho	0	Westpac	0
Citi	0	Morgan Stanley	0		
Commonwealth Bank	0	National Australia Bank	0		

3.9 TOXICS

3.9.1 What is at stake?

Man-made toxics are in use all around us, from pesticides to cosmetics and baby bottles to computers. Although more than 80,000 chemicals are now in commercial use, only 14% of those used in the largest volumes have the minimum amount of data publicly available to make an initial assessment of their impacts on the environment, public health or fetal sensitivity.

During their manufacture and use, toxics are released into the environment. They can travel vast distances by air or water and are also absorbed by wildlife and humans through the skin or ingested in food and water. Hazardous man-made toxics have now contaminated every environment on earth, and many ecosystems and species have been adversely affected. Up to 300 man-made toxics have been found in humans.[252]

Previous experiences with chemicals such as CFCs causing ozone depletion, DDT's impacts on birds and wildlife, bioaccumulation of PCBs and other persistent organic pollutants, has shown that their adverse impacts were identified only after significant problems had surfaced. The commercial usage of these toxics was phased out much too late to prevent widespread contamination of environment, wildlife and humans. This suggests that a precautionary approach must be taken, especially with chemicals such as PBDE (poly brominated diphynyl ethers) that make modern-use flame-retardants, which have a structure very similar to PCBs that have already been shown to be so persistent and harmful.

The international community increasingly recognises the need to ensure more effective assessment of the long-term impacts of toxics on public health and the environment, particularly those that are persistent and bio accumulate in the environment. But regulation has lagged behind new scientific understanding, and has often come too late to stop widespread contamination of the environment, wildlife and humans -and may be too late to stop irreversible health effects. All actors involved should therefore take a precautionary stand and ban the use of all chemicals of which the impacts are not well known. This precautionary principle should specifically be applied to two classes of toxics:[253]

- *Endocrine Disrupting Chemicals (EDCs)*, such as BPA, phthalates and BFRs, which block, mimic or otherwise interfere with naturally produced hormones. Hormones are the body's chemical messengers that control how an organism develops and functions. Wildlife and humans are exposed daily to these pervasive toxics that have already caused numerous adverse effects in wildlife and are most likely affecting humans as well.
- *Very Persistent and Very Bioaccumulative chemicals (VPVBs)*, which break down slowly or not at all, and accumulate in the bodies of wildlife and people. VPVBs can be passed from mother to child in the uterus and via breast milk.

A bank's policy should ensure that it will only be involved in investments in companies that adhere in a systematic way to the precautionary principle. Such methods need to address several aspects, including:

- adequate knowledge of toxics in order to determine the degree of control needed;
- the need to control toxics during their production, use and end of life;
- the need for post-marketing surveillance to ensure all potentially harmful toxics have been properly controlled;
- an early warning system that tracks scientific developments to identify future areas of concern.

3.9.2 Selected standards and initiatives

The international community has addressed and developed benchmarks for the concerns expressed in the previous paragraph.

Regulation of production and consumption of dangerous toxics

International agreements have banned or are phasing out a number of particularly dangerous or toxic chemicals. Examples of these include:

- The Montreal Protocol on Ozone Depleting Substances (ODS) and its related amendments and revisions, prohibits the production and use of ozone-depleting substances such as chlorofluorocarbons, hydro chlorofluorocarbons, halons and methyl bromide.[254]

- The Stockholm Convention on Persistent Organic Pollutants (POPs) since May 2004 bans twelve persistent organic pollutants (POPs), including dieldrin, chlordane, heptachlor and PCBs. POPs are toxics that remain intact in the environment for long periods, become widely distributed geographically, accumulate in the fatty tissue of living organisms and are toxic to humans and wildlife. Discussions are continuing to include more POPs in the convention. WWF has recommended another 20 POPs for inclusion, some of which were listed under the Stockholm Convention during the latest conference in May 2009. Governments added nine new chemicals under the international treaty and decided to further reduce global DDT reliance.[255]
- Other agreements ban toxics intended for use in warfare,[256] and pesticides that are classified as highly or extremely hazardous.[257] In addition, widely adopted action plans require the phasing-out or the strict regulation of other chemicals such as DDT, dioxins and furans,[258] leaded petrol and asbestos.[259]

Impact assessment of new and existing toxics

Assessments will lead to a more precautionary approach to the introduction, manufacture and use of toxics in products where impacts are uncertain.

- Following the *United Nations Conference for Environment and Development (UNCED)* in Rio de Janeiro in June 1992 and the establishment of the Intergovernmental Forum on Chemical Safety (IFCS), the Bahia Declaration on Chemical Safety was announced in October 2000. This declaration included the commitment of the partners to strengthen efforts for implementation of a Globally Harmonised System (GHS) for classification and labelling of chemicals. At the *World Summit for Sustainable Development* in Johannesburg in August 2002, the implementation framework of GHS was agreed upon.[260]
- In February 2006, the International Conference on Chemicals Management (ICCM) adopted the Strategic Approach to International Chemicals Management process (SAICM), a policy framework for international action on chemical hazards. SAICM recommends measures to help participating countries achieve safe and sustainable use of toxics in a timely and efficient manner.
- In June 2007, the European directive Registration, Evaluation and Authorisation of Chemicals (REACH) entered into force. The simultaneously established European Chemicals Agency (ECHA) and REACH aim to protect humans and environment from chemicals whilst not undermining the EU chemical industry.[261]

Management of chemical by-products and waste

The international community increasingly requires the sound management of chemicals and their by-products and waste so as to minimise risks to public health and the environment.

- The Johannesburg Plan of Implementation, agreed upon at the 2002 *World Summit on Sustainable Development*, set the goal of achieving sound chemical management throughout the world by 2020.[262] To meet this target, the SAICM process will set detailed goals and standards for chemical safety.
- Under the Basel Convention, governments have agreed to "minimise the generation and ensure adequate disposal of hazardous wastes and other wastes".[263] Stockpiles and waste containing listed toxics under the Stockholm Convention must be managed in a way that is "protective of human health and the environment".[264]
- Hazardous waste and certain toxics and pesticides cannot be exported to developing countries except in limited circumstances, and only with the prior informed consent of the importing country, according to the Rotterdam Convention.[265]
- The FAO International Code of Conduct on the Distribution and Use of Pesticides includes sections on the storage and disposal of pesticides.

Specific sector standards

Many relevant initiatives regarding the production and usage of toxics exist, of which just a few are mentioned here:

- The UN Food and Agriculture Organisation (FAO) publishes and regularly updates a list of banned substances for the agricultural sector, which is rigorously implemented by many countries. FAO also issued the International Code of Conduct on the Distribution and Use of Pesticides, setting out voluntary, internationally accepted standards for the handling, storage, use and disposal of pesticides. Furthermore, FAO developed the Pesticide Stock Management System (PSMS), an application to help reduce the creation of obsolete pesticides and enable countries to plan strategies for responding more effectively to pest outbreaks.[266]
- The Responsible Care initiative was developed in 1985

by the chemical industry to address broad stakeholder concerns surrounding chemical production and improve the chemical industry's reputation. Part of the Responsible Care programme are the global initiative on High Production Volume (HPV) chemicals in 1998, launched by the global chemical industry, through the International Council of Chemical Associations (ICCA), as a first step towards producing harmonised data sets on the intrinsic hazards of approximately 1,000 HPV substances. Another initiative under Responsible Care is the Long-Range Research Initiative (LRI), launched in 1999, which funds independent research in order to improve the risk assessment of chemicals in relation to public health.[267] The Responsible Care Global Charter and Global Product Strategy (GPS) has been in development since 2004.

- Since August 2006 Greenpeace International has been publishing the Green Electronics Guide every quarter. The guide ranks the leading mobile and PC manufacturers on their global policies and practice on eliminating harmful chemicals and on taking responsibility for their products once they are discarded by consumers. Many of the companies have changed their policies in response to this publication.[268]
- The Electronic Industry Citizen Coalition (EICC) adopted a Code of Conduct in 2004 that establishes standards to ensure that working conditions in the electronics industry supply chain are safe and that business operations are environmentally responsible.
- The International Oeko-Tex Association tests textile products for harmful substances according to Oeko-Tex Standard 100, which provides a scientifically founded evaluation standard for the human ecological safety of textiles. Other textile standards, such as GOTS, IVN, and Organic Exchange (also) ensure the use of organic fibres and thus preventing consumers for getting in contact with residues of harmful pesticides used during production.

3.9.3 Contents of a bank policy

Toxics regulation and management is changing continuously. All stakeholders involved in the production and usage should meet the standards set by the precautionary approach and increasing concerns of long-term impacts on human health, reproduction and the environment.

Banks involved in investments in the toxics industry as well as sectors using significant amounts of toxics, such as agriculture, the textile industry and the electronics industry, should ensure that the companies they invest in are following standards explained above. For an issue that is dominated by uncertainty about future impacts, the precautionary principle should be overarching. This means that toxics can only be used in production processed when their safety is proven scientifically.

The following elements should be incorporated in a bank's policy:

Essential elements

The bank will only invest in companies that:

- Ban a number of particularly dangerous or toxic chemicals following the standards listed in paragraph 3.9.2;
- Use the precautionary approach as a principle before the introducing, manufacturing and using toxics in new products;
- Ensure effective assessment of the long-term impacts of toxics on public health and the environment;
- Comply with REACH, both inside and outside Europe;
- Use and manage chemicals and their by-products and waste sustainably, so as to minimise risks to public health and the environment;
- Prevent export of hazardous waste and certain toxics and pesticides to developing countries, and ensure the prior informed consent of the importing country.

Additional elements

The bank will:

- Pay close attention to sectors using significant amounts of toxics, such as agriculture, the textile industry and the electronics industry by using specific sector standards;
- Promote social and environmental certification according to standards set by multi-stakeholder initiatives of products and production systems in which toxics are needed.

3.9.4 Scoring table

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

0. The bank has no investment policy for this issue;
1. The bank:
   - has only adopted or signed onto a voluntary standard or initiative (relevant for this issue, see paragraph 5.2); or
   - has developed its own policy, but it is vaguely worded without clear commitments;
2. The bank has developed its own policy, that includes at least half of the essential elements;
3. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking; or
   - this includes the essential elements in its asset management;
4. The bank has developed its own policy and:
   - this includes the essential elements in its lending and investment banking as well as its asset management; or
   - this includes both the essential and additional elements in its lending and investment banking; or
   - this includes both the essential and additional elements in its asset management;
5. The bank has developed its own policy and this includes both the essential and additional elements in its lending and investment banking as well as its asset management.

For more information regarding the scoring methodology refer to paragraph 1.5.

3.9.5 Results

Because the UN Global Compact covers the issue of toxics, signatories are awarded one point. Only Barclays, HSBC and Standard Chartered Bank have developed their own policy, which unfortunately do not cover enough elements to be awarded additional points.

Barclays identified problems related to certain chemicals but does not set preconditions for investments. HSBC excludes “companies involved in the production of chemical weapons and the manufacture, storage and transportation of persistent organic pollutants (POPs), as well as certain hazardous pesticides and industrial chemicals (as defined in the Rotterdam Convention)”, but does not cover other required elements. Standard Chartered Bank only establishes conditions for transportation of hazardous materials.

TABLE 20 SCORES FOR POLICIES ON TOXICS

ABN Amro	1	KBC	1	Bank of America	0
Banco Bradesco	1	Mizuho	1	Bank of China	0
Banco do Brasil	1	Natixis	1	China Construction Bank	0
Bank of Tokyo	1	Nedbank	1	Citi	0
Barclays	1	Nordea	1	DekaBank	0
BBVA	1	Rabobank	1	Goldman Sachs	0
BNP Paribas	1	RBS	1	ICBC	0
Commonwealth Bank	1	Santander	1	Industrial Bank	0
Crédit Agricole	1	Standard Chartered Bank	1	JPMorgan Chase	0
Credit Suisse	1	SMBC	1	Kasikornbank	0
Deutsche Bank	1	Société Générale	1	Morgan Stanley	0
Dexia	1	UBS	1	National Australia Bank	0
Fortis	1	UniCredit	1	RBC	0
HSBC	1	WestLB	1	Scotiabank	0
ING	1	Westpac	1	Standard Bank	0
Intesa Sanpaolo	1	ANZ	0		
Itaú Unibanco	1	Bangkok Bank	0		

4

Transparency and accountability

4.1 TRANSPARENCY

4.1.1 What is at stake?

The recent financial crisis has been the worst since the Great Depression in the 1930s. The immediate cause of the crisis was the bursting of the housing bubble in the United States. An increase in loan incentives such as easy initial terms and a long-term trend of rising housing prices had encouraged borrowers to assume difficult mortgages, in the belief they would be able to quickly refinance at more favourable terms. This increased the issuance of "sub-prime mortgages" to people with poor credit histories and a greater risk of loan default. Once interest rates began to rise and housing prices started to drop, refinancing became more difficult resulting in a massive number of defaults on such mortgages. As such loans were routinely repackaged into other financial products this affected the entire financial system.

Banks have been held widely responsible for selling subprime mortgages despite the risks, and for not sufficiently explaining the risks to the borrowers involved. If there is one lesson to learn from the financial crisis it is that people have a right to know about the impacts and risks of business actions that may directly affect their livelihoods. This applies not only to mortgages, but to all activities of banks and businesses. Unless all stakeholders are fully apprised of an activity's environmental, social and economic benefits, and its costs, risks and potential alternatives, affected people cannot secure their legitimate interests.

Apart from the moral obligation to operate in a transparent manner, an increasing number of companies realise that transparency is in their own interest. It is crucial for a company to be transparent not only towards shareholders, but also towards other stakeholders such as employees, customers, governments, people directly affected by their activities and civil society at large. Every company has to earn its social license to operate, by showing how its activities contribute to the well-being of all stakeholders and by being responsive to their aspirations as well as their grievances.

Being transparent creates a shared base of information on which various stakeholders can build trust and negotiate outcomes. It is often the absence of such a shared knowledge base, and the public perception that company owners and managers are attempting to hide potential impacts, that causes conflicts and opposition to company activities. Greater transparency can also reduce the risk of corruption and prevent the misuse of revenues for expenditures contrary to the public interest, such as military spending. No company can claim significant progress towards sustainability unless its transparency mechanisms and practices meet international standards.

Transparency is even more important to banks than to other companies. For a long time, banks have been viewed as trustworthy institutions with a high level of integrity. This perception was severely damaged by the financial crisis, hampering banks' ability to operate as intermediaries between investors and borrowers of money.

As financiers, banks share a certain level of responsibility for the impacts of their clients' operations with the managers and owners of these companies. Banks therefore have to inform the public not only about their own practices, but also about their clients' activities for which they provide financing. Banks reap benefits from the activities of their debtors and hence carry responsibility for the environmental and social outcomes that result from these activities. To show that they acknowledge this responsibility banks need to be as transparent as possible on the companies, projects and countries they finance.

Transparency can also serve the bank's interests by ensuring that public concerns regarding the activities they plan to finance are raised and resolved before they become conflicts. For this reason, multilateral development banks and many export credit agencies have adopted access to information policies that, while inadequate, still provide basic data on pending transactions. Some financiers in the private sector have likewise developed disclosure policies.[269] These examples prove that it is possible to overcome client confidentiality concerns, which are so often used by banks as an excuse to not disclose information.

4.1.2 Selected standards and initiatives

We distinguish between the mechanisms a bank can adopt to ensure institutional transparency and the mechanisms by which it can ensure deal transparency. The institutional transparency mechanisms can be applied throughout the organisation and refer to all operations of the bank, while deal transparency mechanisms applied to the specific deals the bank is involved in.

Institutional transparency

Each bank is expected to report in an open and systematic way on the steps it has taken towards sustainability. Publications on sustainability should clearly describe what goals banks have formulated concerning social and environmental issues, which goals have been chosen as a priority, which steps have been taken towards reaching them and what have been the results so far.

The G3 Reporting Framework – developed by the Global Reporting Initiative (GRI) – is a useful framework for producing annual sustainability reports, prompting banks to not only describe policies, but also to measure their implementation. The framework contains principles to define report content (materiality, stakeholder inclusiveness, sustainability context, and completeness); principles to define report quality (balance, comparability, accuracy, timeliness, reliability, and clarity); and guidance on how to structure the report.[270]

As some sectors face unique needs that require specialised guidance in addition to the universally applicable core G3 Reporting Framework, the GRI and its partners developed Sector Supplements responding to these needs. The supplements constitute a key part of the G3 Reporting Framework. To address the financial services sector, the GRI and the UNEP Finance Initiative (UNEP FI) published various Financial Services Sector Supplements on issues such as Product Responsibility, Human Rights and Environment.

The G3 Reporting Framework and its Financial Services Sector Supplements are broadly worded and designed for the financial sector as a whole. In addition, banks can choose to respond to GRI indicators in brief and minimal ways, which results in poor disclosure.

A significant step forward would be the full disclosure of all sector, issue and country policies that a bank has adopted, and the extent to which these policies apply to its operations. The value of these policies is seriously diminished when they are kept confidential, as this deprives people affected by the activities of the bank's clients with information about the standards to which the bank's clients are supposed to comply.

Additionally, banks should disclose specific instances of material non-compliance of clients with the bank's policies, standards or contract covenants, and the actions taken to rectify these cases of non-compliance, whether these actions have been successful and, if not, what further action (including the calling-in of loans) have been taken. Such compliance reporting is currently practiced by companies such as Nike, which identifies and describes how its subcontracting facilities are complying with the company's labour standards.

Deal transparency

The most convincing proof of a bank's commitment to transparency lies in the disclosure of all deals the bank is involved in. This includes corporate loans, project finance, investment banking services, asset management and other types of deals, with corporate clients and governments. Stakeholders should be able to find basic details on all such deals on the website of the bank.

Where applicable, social and environmental assessment reports relating to individual deals should be available as well. Banks often hide behind the concept of "client confidentiality" as an excuse not to disclose information on deals. Social and environmental disclosure should not be avoided through the claim of client confidentiality, since most of the environmental and social information relevant for affected people and NGOs does not fall within the narrow margins of business secrets. Moreover, a client's interest in confidentiality should not be overriding unless it outweighs the right of citizens to know about impacts that may directly affect them.

Furthermore, the legitimate parameters of confidentiality vary with the transaction.
For syndicated loans and underwriting agreements this argument is completely irrelevant, as most banks already publish details on their involvement in advertisements in the financial press. For the bank's asset management for its own account, client confidentiality is also not an issue as no client relationship exists with the issuers of the shares and bonds invested in. Only for bilateral loans and investments in private companies could client confidentiality be an issue. Banks can deal with this issue by announcing and agreeing in advance with their clients that their names can be published, clearing the way for more transparency.

The benchmark in this field has been set by multilateral development banks, such as the World Bank, the Asian

Development Bank and others. The International Finance Corporation (IFC) has a strict Policy on Disclosure of Information, which has been in constant development since 1994. IFC gives broad and comprehensive overviews of its activities on its own website, including investment guidelines and business partners. The IFC also makes limited project-specific information available online, including Summaries of Project Information (SPIs), Environmental Assessments (EAs), Environmental Action Plans (EAPs) and Environmental Review Summaries (ERSs).[271] Meanwhile, some export credit agencies, which are subject to their respective countries' freedom of information laws, must disclose even more information upon request.

Commercial banks should work towards a greater deal transparency similar to the IFC's *Policy on Disclosure of Information*. A first step in achieving this would be for the bank to provide a breakdown by economic sector and geographic region of the deals it is involved in by financial product or service (e.g. bilateral loans, syndicated loans, underwriting, investments in shares and bonds, etc.). Such reporting is required in the GRI Financial Services Sector Supplements, and is meant to give stakeholders some sense of the bank's exposure to environmentally and/or socially sensitive areas or sectors.

A second step would be to provide basic details (client name, amount, purpose, maturity) on the deals which the bank has concluded on the bank's website. Apart from loans to companies, details should also be published on loans made to governments and state-owned enterprises. In countries with opaque and weak governance, transparency is critical to prevent such loans from being misappropriated. It also gives the countries' parliaments the opportunity to scrutinise these loans.

Banks should also create disclosure policies and practices that would require clients to make information about environmental and social impacts available to affected communities. This would be similar to the disclosure requirements the Equator Principles banks are supposed to apply to Category A transactions, which require clients to provide affected people and NGOs with timely and adequate information about proposed activities in an appropriate language and manner.

4.1.3 Contents of a bank policy

As this paragraph focuses on transparency by banks themselves, the bank's policy primarily applies to the bank's own operations (institutional transparency). The elements for deal transparency can be applied to lending and investment banking and/or asset management and have been recorded as such in the scoring table.

In order to comply with the policy regarding deal transparency, a bank should obtain certain disclosures from its clients. As this is a logical consequence of the policy, this requirement has not been included as a separate element below.

Essential elements

The bank will, with respect to institutional transparency:

- Publish an externally verified annual sustainability report, which meets the basic requirements of the G3 Reporting Framework and its Financial Services Sector Supplements;
- Publish all of its sector and issue policies.

Additional elements

The bank will, with respect to institutional transparency:

- report on cases of non-compliance with its policies and on actions taken to rectify these cases and to avoid non-compliance in the future;
- Be responsive to stakeholder requests for specific information on the bank's policies and procedures.

The bank will, with respect to deal transparency:

- Provide on its website a list with the basic details of the corporate investments (loans, underwriting, private equity, investments in shares and bonds) it is involved in;
- Disclose information on pending deals and on deals rejected because they do not meet the criteria in the bank's issue and sector policies.

4.1.4 Scoring table

The considerations above lead to the following scoring table with regard to institutional and deal transparency:

0. The bank has no procedures regarding transparency;
1. The bank has signed onto the Global Reporting Initiative (GRI), but does not use its framework for reporting or has published a sustainability report without external verification;
2. The bank's procedures include half of the essential elements;
3. The bank's procedures include all of the essential elements;
4. The bank's procedures include the essential elements and:
   - include the additional elements in its lending and investment banking; or
   - include the additional elements in its asset management;
5. The bank's procedures include both the essential and additional elements in its lending and investment banking as well as its asset management.

For more information regarding the scoring methodology refer to paragraph 1.5.

4.1.5 Results

Many banks answer to civil society's call to publish a sustainability report. In this research we have evaluated 44 sustainability reports from the selected 49 banks. We also examined whether they have used external verification and the GRI framework.

It is remarkable that not all 35 signatories of the Global Reporting Initiative are users of the GRI framework for reporting. Six signatories did not use GRI for their sustainability report and two banks did not even publish such a report at all. Of the other signatories, nineteen published a sustainability report using the GRI framework and external verification and were rewarded two points. Eleven of the fourteen banks that have not signed GRI did publish a sustainability report and five of these banks used external verification (BNP Paribas, China Construction Bank, Bank of China, Dexia and Westpac). The last three also used the GRI framework and received two points.

Four banks have received three points because they published an externally verified CSR Report using the GRI framework and also publicly disclosed all their sector and issue policid (Banco Bradesco, HSBC, ING, Intesa Sanpaolo). Only a few banks put some information regarding major deals on their website. Banks that have adopted the Equator Principles usually disclose the number of projects that were reviewed 'under Equator'. The majority of the banks does not disclose any deal information.

TABLE 21 SCORES FOR POLICIES ON TRANSPARENCY

Banco Bradesco	3	Nedbank	2	Deutsche Bank	1
HSBC	3	Nordea	2	Goldman Sachs	1
ING	3	Rabobank	2	Industrial Bank	1
Intesa Sanpaolo	3	RBS	2	JPMorgan Chase	1
ABN Amro	2	Santander	2	Kasikornbank	1
ANZ	2	Standard Chartered Bank	2	KBC	1
Banco do Brasil	2	Standard Bank	2	Mizuho	1
Bank of China	2	UBS	2	RBC	1
Barclays	2	UniCredit	2	Scotiabank	1
BBVA	2	Westpac	2	SMBC	1
Crédit Agricole	2	Bank of America	1	Société Générale	1
Dexia	2	Bank of Tokyo	1	WestLB	1
Fortis	2	BNP Paribas	1	Bangkok Bank	0
ICBC	2	China Construction Bank	1	DekaBank	0
Itaú Unibanco	2	Citi	1	Morgan Stanley	0
National Australia Bank	2	Commonwealth Bank	1		
Natixis	2	Credit Suisse	1		

4.2 ACCOUNTABILITY

4.2.1 What's at stake?

In paragraph 4.1, transparency is defined as openness and communication with regard to all relevant information. But transparency alone is not enough. Access to all relevant information is a precondition to ensure accountability -to hold company managers, owners and financiers responsible for activities that impact other stakeholders. Responsible companies accept their obligation to be accountable and establish appropriate procedures and mechanisms to ensure compliance with established policies and to ensure that complaints and grievances are adequately addressed.

Accountability can improve a company's credibility with its various stakeholders. When a company takes responsibility for activities that may have adverse impacts, it often has a positive effect on the stakeholders' perception that a company genuinely cares about being sustainable and is trying their best to achieve this.

Companies are under increasing scrutiny wherever they operate. Critics can (at times rightly) accuse companies of 'green washing' and make continued attacks on their operations if no credible, effective, and objective mechanism exists for communities to challenge whether promises made are kept. An increasing number now recognise the need for a credible, predictable, objective, and cost-effective fact-finding mechanism. Such mechanisms provide a forum to address the allegations, rumours, and other concerns that can arise in project-affected communities, and can offer companies an opportunity to hold civil society groups accountable by forcing them to subject their allegations to independent evaluation.[272]

Accountability applies to banks just as much as to other companies. As intermediaries and financiers, they share the responsibility for the possible impacts of their client's operations. Bank therefore could be held accountable not only for their own actions, but also for the actions of the clients for which they provide financing.

4.2.2 Selected standards and initiatives

There is a difference between the mechanisms a bank can adopt to ensure institutional accountability and to ensure deal accountability.

Institutional accountability

Institutional accountability refers to all mechanisms and procedures the bank has adopted to ensure that its sustainability commitments are implemented throughout the organisation and applied to all relevant financial services. A first mechanism would be internal audits of the bank's *Environmental and Social Risk Management System*, including its sector and issue financing policies. Based upon these audits, steps should be taken by the bank's management to improve procedures and tools.

A second mechanism could be performing external audits of the bank's *Environmental and Social Risk Management System*. A well-known external environmental standard is ISO 14001, which is used by banks to audit the environmental consequences of its internal operations (e.g. paper use). However, ISO 14001 is not suited to audit sector and issue financing policies. For an external audit of the bank's issue and sector financing policies another standard should be used.

Institutional accountability is further increased when the results of these (internal and/or external) audits are made public, and the bank engages with stakeholders about these results.

However, the most important accountability mechanism entails consulting civil society groups regularly on the bank's sector and issue financing policies. To make this consultation effective, policies must be translated into languages understood by local stakeholders and civil society. This consultation should be a genuine two-way process: if the bank is not prepared to take the concerns, grievances and other inputs of civil society groups seriously, the process is useless. Credible concerns should lead to the adaptation or revision of policies and procedures.[273]

The organization AccountAbility has developed the AA1000 Series of Standards, a combination of accounting, auditing and reporting standards. The AA1000 Series consist of the AA1000 AccountAbility Principles Standard –providing a framework to better identify, understand, prioritise and respond to responsibility challenges; the AA1000 Assurance Standard –used to provide assurance on publicly available sustainability information; and the AA1000 Stakeholder Engagement Standard– providing a framework to help organisations ensure stakeholder engagement processes are robust and deliver results.[274]

Deal accountability

Apart from accountability at the institutional level, the bank should also recognise its accountability to local communities and other stakeholders affected by specific deals and transactions. The sector and issue financing policies adopted by the bank are supposed to prevent or –in some unavoidable cases– mitigate or fairly compensate negative impacts on such stakeholders. Therefore, there should be a mechanism in place to ensure recourse for external stakeholders in case the bank's policies are not properly applied.

The bank's clients have the first responsibility in dealing with environmental or social problems arising from their activities. Accordingly, the client should establish and manage a community grievance mechanism. Such a mechanism is already required for large impact projects financed under the Equator Principles but can be expanded to other businesses.

This does not relieve a bank from its duty to ensure that its clients comply with the standards set in the bank's sector and issue financing policies.

Banks should therefore establish a *Bank Policy Complaint Mechanism* for local and other stakeholders who are affected by bank-financed activities, as well as for NGOs that legitimately defend broader social and environmental interests. The mechanism should enable these stakeholders to file a complaint based on non-compliance with relevant sector and issue financing policies by a bank's client. Most of the multilateral development banks and several export credit agencies (ECAs) have put such mechanisms in place.[275]

A *Bank Policy Complaint Mechanism* is different from the general procedures for customer complaints. Rather, a *Bank Policy Complaint Mechanism* should deal with complaints and grievances in a serious and structured way and should therefore function independently -free from undue influence and pressure from companies, governments or NGOs. Further, the *Bank Policy Complaint Mechanism* should follow a codified procedure, ensure that the bank is obliged to respond to complainants and react to the final recommendations of the mechanism.[276] This *Bank Policy Complaint Mechanism* could be set up and managed by an individual bank, or it may use mechanisms that are created within a group of committed banks -for example the banks that adopted the *Equator Principles*.

4.2.3 Contents of a bank policy

As this paragraph focuses on accountability by banks themselves, the bank's policy primarily applies to the bank's own operations (institutional accountability). The elements for deal accountability can be applied to lending and investment banking and/or asset management and have been recorded as such in the scoring table.

Essential elements

The bank will, with respect to institutional accountability:

- Conduct and publish the results of an internal and/or external audit of its *Environmental and Social Risk Management System* and its sector and issue financing policies;
- Conduct stakeholder engagement processes on its sector and issue policies that comply with the AA1000 Stakeholder Engagement Standard or a similar standard.

Additional elements

The bank will, with respect to deal accountability:

- Set up an independent *Bank Policy Complaint Mechanism* for all deals in which the bank is involved and adequately responds and reacts to the complaints in order to rectify and avoid them in the future;
- Report publicly on the complaints for specific deals filed through the *Bank Policy Complaint Mechanism* and on actions taken to address these complaints and to avoid them in the future;
- Require its clients to establish and manage a community grievance system through which communities can report environmental or social problems arising from their activities, and appropriate actions are taken by the

client to remediate the problems and to avoid them in the future.

4.2.4 Score table

The considerations above lead to the following scoring table with regard to institutional and deal accountability:

0. The bank has no procedures regarding transparency and accountability;
1. The bank has an internal and/or external audit system in place to audit its *Environmental and Social Risk Management System* and its sector and issue investment policies, but does not publish the results of these audits; or
   perform stakeholder engagement but not in accordance with AA1000;
2. The bank's procedures include half of the essential elements;
3. The bank's procedures include all of the essential elements;
4. The bank's procedures include the essential elements and:
   - include the additional elements in its lending and investment banking; or
   - include the additional elements in its asset management;
5. The bank's procedures include both the essential and additional elements in its lending and investment banking as well as its asset management.

For more information regarding the scoring methodology refer to paragraph 1.5.

4.2.5 Results

The 22 banks that are rewarded one point either have a system in place to audit their *Environmental and Social Risk Management System* and investment policies but do not publish the results, or perform stakeholder engagement but not in accordance with AA1000 Stakeholder Engagement Standard (SES), or both. As none of the banks have both published their audits and use the AA1000 SES for stakeholder engagement, no bank is awarded more than two points.

Eight banks use the AA1000 SES for their engagement activities and received two points. Other banks report about their activities with stakeholders, meetings with organisations or advise of CSR experts. Banks do have complaint mechanisms for customers but not regarding deals.

TABLE 22 SCORES FOR POLICIES ON ACCOUNTABILITY

Intesa Sanpaolo	2	Fortis	1	Bangkok Bank	0
Itaú Unibanco	2	Goldman Sachs	1	Bank of America	0
National Australia Bank	2	HSBC	1	Bank of China	0
Nedbank	2	ICBC	1	Bank of Tokyo	0
Rabobank	2	ING	1	Barclays	0
RBS	2	KBC	1	China Construction Bank	0
Santander	2	Nordea	1	Commonwealth Bank	0
Scotiabank	2	RBC	1	DekaBank	0
Westpac	2	SMBC	1	Industrial Bank	0
ANZ	1	Société Générale	1	JPMorgan Chase	0
BBVA	1	Standard Bank	1	Kasikornbank	0
BNP Paribas	1	UBS	1	Mizuho	0
Citi	1	UniCredit	1	Morgan Stanley	0
Crédit Agricole	1	WestLB	1	Natixis	0
Credit Suisse	1	ABN Amro	0	Standard Chartered Bank	0
Deutsche Bank	1	Banco Bradesco	0		
Dexia	1	Banco do Brasil	0		

5

Bank profiles

5.1 INTRODUCTION

This chapter presents the aggregate results of the evaluation of the investment policies and the transparency and accountability procedures of all 49 banks reviewed in this report. The following paragraphs provide for each of the banks a summary of their scores and a list of collective standards adopted by the bank.

A more detailed version of each bank profile is available on the BankTrack website, including links to all publicly available policies, sustainability reports and other relevant documents.

5.2 COLLECTIVE STANDARDS

The scoring of each bank is partially based on collective voluntary standards adopted by that bank. Examples of such standards are the Equator Principles, UN Principles for Responsible Investment, UN Global Compact, and others. To sign up to a standard can be considered as a commitment by a bank to apply certain sustainability criteria to its financial services. Whether this indeed happens depends on further implementation of these standards into the investment policy of a bank. For this reason we have compared the content of these collective standards with the scoring tables for specific sector and issue policies, as described in Chapter 3 and Chapter 4.

Collective standards have been taken into account only where they are relevant for a particular sector or policy. The scores provided for adopting a collective standards are awarded to all signatories of these standards, unless their own, individual investment policy received a higher score.

The scoring for each collective standard is based on the following:

Carbon Disclosure Project

The Carbon Disclosure Project (CDP) impels companies and other organisations to calculate and disclose the carbon footprint of their operations and assess their exposure to climate risk, thus providing information on the climate impact of every participant. For financial institutions, the initiative is relevant in order to determine exactly which part of this carbon output can be attributed to their own financing of a company.

As there are no standards or (exclusion) criteria that have a direct and mandatory effect on banks' investments in companies which do not disclose their carbon emissions, the CDP is regarded to be a 'vaguely worded policy with no clear commitments'. Banks that have adopted the CDP are accredited with one point for their climate change policy. If an adopting bank only supplies data on its operational GHG emissions to the CDP it is rewarded zero points.

Carbon Principles

The Carbon Principles (CbP) are a procedural approach for assessing carbon risks faced by companies building new electric power plants in the United States. The principles were designed to address the risks associated with regulatory uncertainty, and were a response to growing public concern over the proliferation of plans for more than ones hundred new coal-fired power plants in the United States. By adopting the CbP banks commit to encourage clients to pursue cost-effective energy efficiency, renewable energy and other low-carbon alternatives to conventional generation and to evaluate financial and operational risks to fossil fuel projects through their due diligence process.

The CbP apply to all financial services within the United States electric power industry. However, as the principles do not contain any exclusion criteria for investments in e.g. coal-fired power and nuclear energy and power, they do not correspond with the essential elements of a bank policy for climate change and electricity generation. Signing up to the CbP is hence regarded as a 'vaguely worded policy with no clear commitments' and accredited with one point for Electricity generation and one point for climate change. For more details on the CbP we refer to BankTrack's evaluation paper.

Climate Principles

The Climate Principles (CmP) are a voluntary framework to guide the financial sector in managing climate change. By adopting the CmP banks commit to minimise their operational carbon footprint and to make business decisions that will reduce climate change risks and allow the development of climate-change related opportunities.

The CmP are not restricted to a specific financial service; they apply to all financial services offered by banks. However, supporting the initiative does not have a direct and mandatory effect on banks' financial services, as the application of particular elements of the principles are voluntary. Signing up to the CmP is hence regarded as a 'vaguely worded policy with no clear commitments' and accredited with one point for Climate change. For more details on the CmP we refer to BankTrack's evaluation paper.

Equator Principles

The Equator Principles (EP) are a set of voluntary standards that commit signatory banks to take social and environmental risks into account when providing project finance, and to adhere to the environmental and social guidelines (Performance Standards) of the International Finance Corporation (IFC) of the World Bank Group.

The issues Biodiversity and Indigenous peoples are separately addressed in the EP, including some, but not all essential elements to be included in a bank's policy. Signatories to the EP are therefore accredited one point on these issues.

To determine the final scoring on sector policies we have taken into account the limited scope of the EP. The EP only apply to project finance and advisory services, which is a niche market within the financial sector. During the year 2009, the global project finance market had a volume of only US$ 179.7 billion, compared to US$ 2,257 billion for the global syndicated loans market and US$ 6,447 billion for the global bond and equity market. The EP therefore apply to no more than 2% of an average bank's financing activities.[277]

However, during the last five years, project finance is applied more frequently in the electricity generation (45%), oil and gas (34%), and mining (8%) sectors than in other sectors.[278] Taking this into account, we estimate that the EP apply to a considerable share of a bank's activities in the financing of these specific sectors. For the sector policies on mining, oil and gas and power generation this results in being accredited with one point.

Extractive Industries Transparency Initiative

The Extractive Industries Transparency Initiative (EITI) supports the verification and full publication of company payments and government revenues from oil, gas and mining. Institutional investors, including the asset management arm of banks, can sign up to the Investors' Statement on Transparency in the Extractives Sector as supporters and thus encourage both their clients and resource-rich countries to support the initiative.

The EITI criteria apply only to the mining and oil and gas sectors. As they mainly focus on financial transparency, they do not establish sustainability criteria for their clients in these sectors and do not correspond with the essential elements of a bank policy for Mining and Oil and gas. Banks signing up to EITI through their asset management arm are therefore accredited with one point for their policies on these industries.

UN Global Compact

The UN Global Compact (UNGC) is a set of ten voluntary principles. Signatories promise to avoid complicity to human rights violations, adhere to labour standards, protect the environment, and avoid corruption. As a result, the UNGC cover seven of the issues identified in this study: Biodiversity, Climate change, Corruption, Human rights, Indigenous peoples, Labour and Toxics.

Supporting the initiative is voluntary and does not restrict banks' financial services. Moreover, the UNGC do not require banks to verify whether the companies they invest in uphold the same principles, which is part of the essential elements of a bank policy for the issue policies selected. Signing the UNGC is therefore regarded as a 'vaguely worded policy with no clear commitments' and accredited with one point on seven sustainability issues.

UNEP Finance Initiative

The United Nations Environment Programme Finance Initiative (UNEPFI) is a global partnership between the UNEP and the financial sector. The UNEPFI promotes investment in clean and renewable energy by financial institutions and other investors. UNEPFI works with over 170 financial institutions who are signatories to the UNEPFI Statements, and a range of other partner organizations to develop and promote linkages between the environment, sustainability and financial performance. The UNEP Statement by Financial Institutions on the Environment & Sustainable Development apply to all financial services.

However, supporting the initiative is voluntary and does not restrict banks' financial services. Furthermore, the statement does not contain any of the essential elements described in the environmental issues (Biodiversity, Climate change and Toxics). There exists no external mechanism to verify a bank's compliance. Merely signing up to the UNEP Statement is therefore not regarded as an investment policy and accredited with zero points for any of the environmental issues.

UN Principles for Responsible Investment

The UN Principles for Responsible Investment (UNPRI) are developed by institutional investors that recognised the increasing relevance of environmental, social and corporate governance (ESG) issues. The UNPRI only apply to asset management.

Which issues should be considered by signatories in their investment decisions remains unclear as they are not specifically mentioned. As such, the statement does not contain any of the essential elements. Supporting the initiative is voluntary and does not restrict banks' asset management activities. Furthermore, there exists no external mechanism to verify a bank's compliance. Merely adopting the UNPRI is therefore not regarded as an investment policy and accredited with zero points on any of the issues.

Wolfsberg Principles

The Wolfsberg Principles (WP) have been developed since 2002 through a collaboration of twelve banks named the Wolfsberg Group. The WP provide guidance to banks on how to deal with issues such as money laundering, corruption and the financing of terrorism. They have been produced to address deficiencies in areas 'yet to be fully articulated by lawmakers and regulators'.

The WP are not restricted to a specific financial service, but apply to all financial services offered by banks. Although the WP are very detailed and cover some of the essential elements described in the bank policy for corruption, they do not cover all. Signing up to the WP is hence accredited with one point for corruption.

Table 23 provides a summary of the scores that are awarded to a bank for signing up to one or more of these collective standards.

TABLE 23 SCORING OF COLLECTIVE STANDARDS

		CDP	CbP	CmP	EP	EITI	UNGC	UNEPFI	UNPRI	WP
Sector policies										
1	Agriculture	0	0	0	0	0	0	0	0	0
2	Fisheries	0	0	0	0	0	0	0	0	0
3	Forestry	0	0	0	0	0	0	0	0	0
4	Military industry and arms trade	0	0	0	0	0	0	0	0	0
5	Mining	0	0	0	1	1	0	0	0	0
6	Oil and gas	0	0	0	1	1	0	0	0	0
7	Power generation	0	1	0	1	0	0	0	0	0
Issue policies										
1	Biodiversity	0	0	0	1	0	1	0	0	0
2	Climate change	1	1	1	0	0	1	0	0	0
3	Corruption	0	0	0	0	0	1	0	0	1
4	Human rights	0	0	0	0	0	1	0	0	0
5	Indigenous peoples	0	0	0	1	0	1	0	0	0
6	Labour	0	0	0	0	0	1	0	0	0
7	Operation in conflict zones	0	0	0	0	0	0	0	0	0
8	Taxation	0	0	0	0	0	0	0	0	0
9	Toxics	0	0	0	0	0	1	0	0	0

5.3 BANK PROFILES

5.3.1 ABN Amro - Netherlands

ABN Amro: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	1	ABN Amro Forestry Policy / Policy on Palm oil
4	Military industry and arms trade	1	ABN Amro Defence Policy
5	Mining	1	ABN Amro Mining Policy
6	Oil and gas	1	ABN Amro Oil and gas Policy
7	Power generation	1	ABN Amro on Dams
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	Global Compact
2	Climate change	1	CDP / Global Compact
3	Corruption	1	Global Compact
4	Human Rights	2	ABN Amro Statement on Human Rights / Global Compact
5	Indigenous Peoples	1	Global Compact
6	Labour	2	ABN Amro Statement on Human Rights / Global Compact
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	1	Global Compact
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	2	GRI / Policies disclosed
2	Accountability	0	

Comments BankTrack:
ABN Amro has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Global Reporting Initiative (GRI)
- UN Global Compact (UNGC)

ABN Amro in the past –before it was bought by a consortium of RBS, Fortis and Santander and subsequently split up and nationalised- developed a series of policies and statements covering almost all sectors and issues of this research. However, ABN Amro in its current form has not disclosed its policies to the public, but placed short summaries on its Dutch website. Where applicable they are rewarded one or two points.

5.3.2 ANZ - Australia

ANZ: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	2	ANZ Forests policy / ANZ Water policy
2	Fisheries	0	
3	Forestry	2	ANZ Forests policy
4	Military industry and arms trade	1	ANZ Defence Policy
5	Mining	1	ANZ Mining and Minerals policy / Equator Principles
6	Oil and gas	1	Equator Principles
7	Power generation	1	ANZ Climate Change policy / ANZ Greenhouse and Energy policy / Equator Principles
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	ANZ Forests policy / Equator Principles
2	Climate change	1	ANZ Climate Change policy / ANZ Greenhouse and Energy policy / ANZ Environment Charter / Carbon Disclosure Project
3	Corruption	1	ANZ Code of Conduct and Ethics / ANZ Anti-Money Laundering & Counter Terrorism Financing Program
4	Human Rights	1	ANZ Human Rights policy
5	Indigenous Peoples	1	Equator Principles
6	Labour	0	
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	0	
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	2	Externally verified GRI report / Not all policies disclosed
2	Accountability	1	Stakeholder engagement but not according to AA1000 SES / Audit results of Environmental and Social Risk Management System and investment policies not published / Only handling of client complaints

Comments BankTrack:
ANZ has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Equator Principles (EP)
- Global Reporting Initiative (GRI)
- UNEP Finance Initiative (UNEPFI)

ANZ has published on its website summaries of its policies on forests, energy, water, and mining, describing the criteria for decisions on transactions which have a potential impact on the environment, or raise social policy or ethical issues.

ANZ's *Forests policy* comprises some of the essential elements to be included in a bank's forestry policy. However, with respect to sustainable forest management certification (e.g. FSC), ANZ's policy is to engage customers to advocate this certification, instead of explicitly requesting it. Because ANZ has developed its own policy that includes half of the essential elements, the policy is accredited two points.

Together, ANZ's *Forests policy* and *Water policy* contain some of the essential elements to be included in a bank's agriculture policy. However, since the elements on GMOs, pesticides and animal welfare are not included, the policy is accredited two points.

ANZ's *Climate Change policy* and *Greenhouse and Energy Policy* (among others) do not exclude investments in companies that generate coal-fired power or nuclear energy and power, develop new coal-fired power plants, develop nuclear energy projects, develop large scale hydro power plants, or develop carbon capture and storage projects. Together, not halve of the essential elements are included in the policies, which are therefore accredited one point.

ANZ's *Defence policy* explicitly prohibits the direct financing of controversial weapons including cluster munitions and anti-personnel mines, but gives no detail on other controversial weapons (e.g. nuclear, chemical and bacterial) nor on arms trade or weapon delivery. For this reason, the policy is accredited one point.

In the document *ANZ and Human Rights* the bank states that ANZ has "enhanced its client screening process by developing industry specific advisory notes that help to identify key social, human rights and environmental issues in each sector we service." However, clear criteria are not described and the policy is therefore accredited one point.

ANZ Code of Conduct and Ethics and the summary of *ANZ Anti-Money Laundering & Counter Terrorism Financing Program* explain the approach to prevent corruption and money laundering. This includes training of employees, reporting of suspicious matters and ongoing customer/transaction monitoring and customer identification processes and procedures. As it does not include detailed investment criteria ANZ receives one point on the issue Corruption.

5.3.3 Banco Bradesco - Brazil

Banco Bradesco: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	0	
5	Mining	1	Equator Principles
6	Oil and gas	1	Equator Principles
7	Power generation	1	Equator Principles
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	Equator Principles / Global Compact
2	Climate change	1	Bradesco and Climate Change / Carbon Disclosure Project / Global Compact
3	Corruption	1	Know Your Collaborator Policy and Guidelines against Corruption, Money Laundering and Terrorism Financing / Global Compact
4	Human Rights	1	Global Compact
5	Indigenous Peoples	1	Equator Principles / Global Compact
6	Labour	1	Global Compact
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	1	Global Compact
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	3	Transparency and Disclosure of Information Policies / Externally verified GRI report / All policies disclosed / No details on individual deals
2	Accountability	0	No internal or external audit mentioned / External Ombudsman, but only for client complaints

Comments BankTrack:
Banco Bradesco has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Equator Principles (EP)
- Global Reporting Initiative (GRI)
- UN Global Compact (UNGC)

5.3.4 Banco do Brasil - Brazil

Banco do Brasil: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	0	
5	Mining	1	Equator Principles
6	Oil and gas	1	Equator Principles
7	Power generation	1	Equator Principles
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	Equator Principles / Global Compact
2	Climate change	1	Banco do Brasil Socio-Environmental Responsibility Charter / Carbon Disclosure Project / Global Compact
3	Corruption	1	Global Compact
4	Human Rights	1	Banco do Brasil Socio-Environmental Responsibility Charter / UNGC
5	Indigenous Peoples	1	Equator Principles / Global Compact
6	Labour	1	Banco do Brasil Socio-Environmental Responsibility Charter / Consultation of list of companies involved in degrading forms of labour and slave labour / Global Compact
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	1	Global Compact
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	2	Externally verified GRI report / No policies / No details on individual deals
2	Accountability	0	No internal or external audit mentioned / External Ombudsman, but only for client complaints

Comments BankTrack:
Banco do Brasil has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Equator Principles (EP)
- Global Reporting Initiative (GRI)
- UN Global Compact (UNGC)

Banco do Brasil's *Socio-Environmental Responsibility Charter* states that the bank undertakes procedures to operate according to universal values such as human rights, fundamental labour principles and rights, and principles on environment and development. However, since the bank has not set any clear policies or criteria for its clients and investments, no additional points are accredited.

According to its *Annual Report 2008* (p.57 and 99), Banco do Brasil excludes from financing those companies included in the list of the Brazilian Ministry of Work and Employment, which identifies companies that subject their employees to degrading forms of labour or slave labour. As this covers only part of the essential elements of a bank's labour policy, no additional points are granted.

5.3.5 Bangkok Bank - Thailand

Bangkok Bank: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	0	
5	Mining	0	
6	Oil and gas	0	
7	Power generation	0	
Issue policies		**Score**	**Policy document**
1	Biodiversity	0	
2	Climate change	0	
3	Corruption	0	
4	Human Rights	0	
5	Indigenous Peoples	0	
6	Labour	0	
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	0	
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	0	
2	Accountability	0	

Comments BankTrack:
Bangkok Bank has not signed up to any collective policies.

5.3.6 Bank of America - United States

Bank of America: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	2	Bank of America Forests Practices / Bank of America Forest Certification
4	Military industry and arms trade	0	
5	Mining	1	Equator Principles
6	Oil and gas	1	Equator Principles
7	Power generation	1	Bank of America Coal Policy / Carbon Principles / Equator Principles
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	Equator Principles
2	Climate change	1	Bank of America Climate Policy Principles / Bank of America Climate Change Position / Carbon Disclosure Project / Carbon Principles
3	Corruption	0	
4	Human Rights	0	
5	Indigenous Peoples	1	Equator Principles
6	Labour	0	
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	0	
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	1	GRI report, however last year was 2006 and no external audit was performed / All policies disclosed / No deal transparency
2	Accountability	0	No internal or external audit mentioned / Only handling of client complaints

Comments BankTrack:
Bank of America has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Carbon Principles (CbP)
- Equator Principles (EP)
- Global Reporting Initiative (GRI)
- UNEP Finance Initiative (UNEPFI)

Bank of America's *Coal Policy*, *Climate Policy Principles* and *Climate Change Position* set only minor investment criteria (reduction of financed emissions with 7% in the bank's energy & utilities portfolio) and do not exclude investment in coal-fired power or nuclear energy and power. In addition, the bank states on its website that it actively supports carbon capture and storage projects, which, according to BankTrack, is a false solution to mitigating climate change. For

these reasons, the power generation sector and the issue on climate change are accredited with one point.
Bank of America's *Forests Practices* comprise some of the essential elements to be included in a bank's forestry policy. However, with respect to sustainable forest management certification (e.g. FSC), the bank's policy is to procure only forest products whose fibre is third-party certified according to an accepted standard like FSC, while the bank's clients are not requested to do the same. As such only half of the essential elements are included and the policy is therefore accredited two points.

5.3.7 Bank of China - China

Bank of China: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	0	
5	Mining	0	
6	Oil and gas	0	
7	Power generation	0	
Issue policies		**Score**	**Policy document**
1	Biodiversity	0	
2	Climate change	0	
3	Corruption	0	
4	Human Rights	0	
5	Indigenous Peoples	0	
6	Labour	0	
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	0	
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	2	Externally verified GRI report / No policies / No deal transparency
2	Accountability	0	No internal or external audit mentioned / Only handling of client complaints

Comments:
Bank of China complies with the Chinese government's mandatory Green Credit Policy[279], which was launched in July 2007. In accordance with this policy, Bank of China states in its CSR Report 2008 that it requires clients to comply with corporate environmental protection laws as a prerequisite for loans and worked with China's Ministry of Environmental Protection to implement a system for managing environmental information of corporate clients. However, information about the content and results of these policies and measures are not publicly available. As such, it can only be scored with zero points.

5.3.8 Bank of Tokyo-Mitsubishi UFJ - Japan

Bank of Tokyo – Mitsubishi UFJ: scoring on policies and transparency & accountability			
Sector policies		Score	Policy document
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	0	
5	Mining	1	Equator Principles
6	Oil and gas	1	Equator Principles
7	Power generation	1	Equator Principles
Issue policies		Score	Policy document
1	Biodiversity	1	Equator Principles / Global Compact
2	Climate change	1	Bank of Tokyo – Mitsubishi UFJ Environmental Statement and Policy / Bank of Tokyo – Mitsubishi UFJ Environmental Action Policy / Carbon Disclosure Project / Global Compact
3	Corruption	1	Global Compact
4	Human Rights	1	Global Compact
5	Indigenous Peoples	1	Equator Principles / Global Compact
6	Labour	1	Global Compact
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	1	Global Compact
Transparency and Accountability		Score	Procedures
1	Transparency	1	CSR Report, but not according to GRI and without external verification / All policies disclosed in CSR report / No deal transparency
2	Accountability	0	No internal or external audit mentioned / Only handling of client complaints

Comments BankTrack:
Bank of Tokyo – Mitsubishi UFJ has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Equator Principles (EP)
- Global Reporting Initiative (GRI)
- UN Global Compact (UNGC)
- UNEP Finance Initiative (UNEPFI)
- UN Principles for Responsible Investment (UNPRI)

Bank of Tokyo – Mitsubishi UFJ's *Environmental Statement and Policy* focuses on reducing the bank's operational footprint and disregards the impact the bank has via its investments. The latter is included in Bank of Tokyo – Mitsubishi UFJ's

Environmental Action Policy. This policy supports investment in renewable energy and climate-friendly technologies, but does not exclude investment in fossil fuels. It is therefore accredited one point.

Bank of Tokyo – Mitsubishi UFJ's *CSR Report* mentions some of the sectors and issues that are benchmarked in this report, but provides no clear (investment) criteria on what the bank finds acceptable and unacceptable.

5.3.9 Barclays - United Kingdom

Barclays: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	1	Barclays Guidance Note on Agriculture and Fisheries
2	Fisheries	1	Barclays Guidance Note on Agriculture and Fisheries
3	Forestry	1	Barclays Guidance Note on Forestry and Logging
4	Military industry and arms trade	1	Barclays Defence Sector policy
5	Mining	1	Barclays Guidance Note on Mining and Metals / Equator Principles
6	Oil and gas	1	Barclays Guidance Note on Oil and Gas / Equator Principles
7	Power generation	1	Barclays Guidance Note on Power Generation, Supply and Distribution / Barclays Guidance Note on Infrastructure / Equator Principles
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	Barclays Guidance Note on Forestry and Logging / Equator Principles
2	Climate change	1	Barclays Environmental policy / Carbon Disclosure Project
3	Corruption	1	Barclays Statement on Bribery and Corruption / Barclays Statement on Anti-Money Laundering / Wolfsberg Principles
4	Human Rights	2	Barclays Statement on Human Rights
5	Indigenous Peoples	1	Barclays Guidance Notes on various sectors / Equator Principles
6	Labour	2	Barclays Statement on Human Rights / Barclays Guidance Notes on various sectors
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	1	Barclays Guidance Note on Chemicals and Pharmaceuticals
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	2	Externally verified Sustainability Report, but not according to GRI / All policies disclosed / No deal transparency
2	Accountability	0	No internal or external audit mentioned / Only handling of client complaints

Comments BankTrack:
Barclays has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Equator Principles (EP)
- Global Reporting Initiative (GRI)
- UNEP Finance Initiative (UNEPFI)
- Wolfsberg Principles (WP)

Barclays' *Environmental and Social Impact Assessment Policy* is not only applied to project finance transactions but also to other financing transactions "where there is a known application of funds to a potentially sensitive project". For these type of transactions an Environmental and Social Impact Assessment by an independent consultant is mandatory and the Equator Principles are applied. As Barclays does not make clear which percentage of all financing deals in specific sectors is assessed in this way, no extra points are awarded for this broader application of the Equator Principles.

Barclays has a sophisticated procedure for *Environmental and Social Risk Assessment in Lending* in place. As part of this procedure, Barclays has developed ten guidance documents for its credit officers which describe the main environmental and social risks in over fifty sectors. The content guidance notes "include an overview of each industry's regulatory situation, and guidance about the sort of measures we would expect companies in that sector to be taking to identify their risks and implement the appropriate actions and controls." Barclays has produced the following guidance notes, which are not published on the website but which are available on request to everybody interested:

- Agriculture and fisheries
- Metals and mining
- Oil and gas
- Power generation, supply and distribution
- Chemicals, pharmaceuticals manufacturing and bulk storage
- General Manufacturing
- Utilities and waste management
- Infrastructure (including ports, pipelines and dams)
- Service industry
- Forestry and logging

The content of the guidance notes is generally close to the international standards and best practices as described in this report. Credit officers are encouraged to pay attention to the relevant issues, but no clear preconditions for financial services are set. The guidance notes are therefore regarded as "policies without clear commitments" and scored with one point.

Barclays' *Defence Sector policy* excludes trade in, not production of controversial weapons, especially exports to oppressing regimes, from investment. However, no such statements are made for the production of these weapons. The policy is therefore accredited one point.

Barclays' *Statement on Corporate Conduct and Ethics* covers only the element of preventing employees from paying and receiving bribes and further refers to the Wolfsberg Principles or national legislation on anti-money laundering. The policy is accredited one point.

Barclays' Statement on Bribery and Corruption requires its employees not to be involved in corruption and bribery. In addition, *Barclays' Statement on Anti-Money Laundering* talks about "establishing and maintaining risk based customer due diligence, identification, verification and "know your customer" procedures, including enhanced due diligence for those customers presenting higher risk; screening of existing and prospective customers; and establishing and maintaining risk based systems and procedures to monitor customer accounts and activity." It does explicitly state that it will identify the ultimate beneficial owner or controller of funds offered or that it will identify Politically Exposed Persons (PEPs). Barclays' policies cannot be accredited more than one point.

5.3.10 BBVA - Spain

BBVA: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	2	BBVA Principles, Criteria and Rules of Procedure for finance applications involving the defence sector
5	Mining	1	Equator Principles
6	Oil and gas	1	Equator Principles
7	Power generation	1	Equator Principles
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	Equator Principles / Global Compact
2	Climate change	1	BBVA Environmental Policy / Carbon Disclosure Project / Global Compact /
3	Corruption	1	Global Compact
4	Human Rights	1	BBVA Commitment to Human Rights / Global Compact
5	Indigenous Peoples	1	Equator Principles / Global Compact
6	Labour	1	BBVA Commitment to Human Rights / Global Compact
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	1	Global Compact
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	2	Externally verified GRI report / No policies / No details on individual deals
2	Accountability	1	Stakeholder engagement / Handling of client, employee and supplier complaints / No audit

Comments BankTrack:
BBVA has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Equator Principles (EP)
- Global Reporting Initiative (GRI)
- UN Global Compact (UNGC)
- UNEP Finance Initiative (UNEPFI)
- UN Principles for Responsible Investment (UNPRI)

BBVA's *Principles, Criteria and Rules of Procedure for finance applications involving the defence sector* excludes weapon transactions under certain conditions or with certain destinations, and therefore not all transactions or investment. In addition, no such statements are made for the production of weapons. For these reasons, the policy is accredited one point.

BBVA's *Environmental Policy* mainly focuses on the bank's own operations instead on its indirect impact through its investment.

BBVA's *Commitment to Human Rights* states that it shall promote and respect human rights and labour rights in all the transactions that BBVA maintains with its customers, suppliers, employees and those communities in which it pursues its business and operations. It requires its clients to adhere to the human rights declaration but does not mention other important international conventions, women's rights or indigenous peoples' rights. These issue policies are therefore accredited one point.

5.3.11 BNP Paribas - France

BNP Paribas: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	1	BNP Paribas and the armament sector
5	Mining	1	Equator Principles
6	Oil and gas	1	Equator Principles
7	Power generation	1	Equator Principles
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	Equator Principles / Global Compact
2	Climate change	1	BNP Paribas Ten main lines of approach to environmental responsibility / Carbon Disclosure Project / Global Compact
3	Corruption	1	Global Compact
4	Human Rights	1	Global Compact
5	Indigenous Peoples	1	Equator Principles / Global Compact
6	Labour	1	Global Compact
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	1	Global Compact
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	1	Externally verified Sustainability Report, but not according to GRI / No policies / No deal transparency
2	Accountability	1	External audit / Only handling of clients and employees' complaints

Comments BankTrack:
BNP Paribas has signed up to the following collective policies:Carbon Disclosure Project (CDP)

- Equator Principles (EP)
- UN Global Compact (UNGC)
- UNEP Finance Initiative (UNEPFI)
- UN Principles for Responsible Investment (UNPRI)

BNP Paribas' S*tatement on the Armament Sector* excludes investments in companies producing anti-personnel mines and it states not to hold any assets connected with the manufacture of anti-personnel mines within its actively managed mutual funds. However, not all controversial weapons are mentioned and no criteria are set for companies that deliver weapons to dictatorial, corrupt regimes, terrorist groups and parties in open conflict. This statement is therefore accredited one point.

BNP Paribas' *Ten main lines of approach to environmental responsibility* mainly focus on the bank's own operations instead on its indirect impact through its investment.

5.3.12 Citi - United States

Citibank: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	1	Citi ESRM Policy
2	Fisheries	1	Citi ESRM Policy
3	Forestry	2	Citi ESRM Policy / Citi Sustainable Forestry Policy Sector Standard
4	Military industry and arms trade	1	Citi ESRM Policy
5	Mining	1	Equator Principles
6	Oil and gas	1	Equator Principles
7	Power generation	1	Carbon Principles / Equator Principles
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	Equator Principles
2	Climate change	1	Citi Statement on Climate Change / Carbon Principles
3	Corruption	1	Wolfsberg Principles
4	Human Rights	1	Citi Statement on Human Rights
5	Indigenous Peoples	1	Equator Principles
6	Labour	1	Citi ESRM Policy
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	0	
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	1	Non-verified Citi Citizenship Report using GRI / No policies disclosed / No deal transparency
2	Accountability	1	Internal audits by ESRM Unit and Audit and Risk Review Unit / Stakeholder engagement / Only handling of client complaints

Comments BankTrack:
Citi has signed up to the following collective policies:

- Carbon Principles (CbP)
- Equator Principles (EP)
- UNEP Finance Initiative (UNEPFI)
- Wolfsberg Principles (WP)

Citi's *Environmental and Social Risk Management (ESRM) Policy* is based on the standards of the Equator Principles, but covers a broader range of financing. ESRM Covered Transactions are transactions in emerging markets that meet a certain threshold amount per product type and must be reviewed and receive the appropriate ESRM risk category. Those transactions with sensitive environmental and social risks require elevated review and approval from appropriate senior credit officers. However, the ESRM policy will be applied to part of the transaction and the policy itself is not shared with the public. Citi's website about the ESRM policy and Citi's Citizenship Reports does not provide enough detail about standards for different sectors. Criteria such as the exclusion of activities or transactions that involve significant conversion or degradation of critical habitat or utilize forced labour or harmful child labour do not meet all essential elements of a good bank policy. The ESRM policy is therefore accredited one point at the relevant issues and sectors.

Citi's ESRM Policy also includes a *Sustainable Forestry Sector Standard* requires an action plan for the achievement of FSC certification within a certain timeframe, but only for companies where a significant threshold of concern has been raised about the legality of their operations. For companies undertaking commercial logging in "high risk" countries an action plan for the achievement of independent certification (not necessarily FSC) within a certain time frame is also required. Forestry operations that significantly degrade or convert critical natural habitat are a precluded activities. The policy is accredited two points.

Regarding mining, Citi's *Mountaintop Removal Mining Environmental Due Diligence Process* is incorporated in the evaluation of companies that engage in MTR extraction in Central Appalachia. But the details of this process are unknown, no additional points are granted.

Citi's Statement on Climate Change is merely focused on what government policies should look like instead of assuming responsibility as a company. Furthermore, in its comments Citi stresses that it has a number of robust climate risk-assessment criteria as outlined in the Carbon Principles, Equator Principles and via the IFC Performance Standards and EHS Guidelines. These documents and comments give no additional points.

Citi's *Statement on Human Rights* requires its clients to adhere to the Human Rights Declaration but mentions the ILO core conventions with regard to its employees only. The Statement furthermore refers to the ESRM Policy standards which includes application of the IFC Performance Standard on Indigenous Peoples. Citi does not mention other important international conventions that are part of the International Bill of Human Rights and pays attention to women's rights explicitly. As said earlier the ESRM Policy is not public and applies to part of the transactions. The issues Human Rights, Labour and Indigenous Peoples are accredited one point.

5.3.13 China Construction Bank - China

China Construction Bank: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	0	
5	Mining	0	
6	Oil and gas	0	
7	Power generation	0	
Issue policies		**Score**	**Policy document**
1	Biodiversity	0	
2	Climate change	0	
3	Corruption	0	
4	Human Rights	0	
5	Indigenous Peoples	0	
6	Labour	0	
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	0	
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	1	Externally verified non-GRI Sustainability Report / No policies / No deal transparency
2	Accountability	0	Only handling of client complaints

Comments:
China Construction Bank has not signed up to any collective policies.

China Construction Bank developed its own green credit policy -in line with the Green Credit Policy directive launched by the Chinese government in July 2007.[280] In its CSR Report 2008, China Construction Bank states that it requires clients to comply with corporate environmental protection laws as a prerequisite for loans; developed industry-specific guidelines for lending to energy- and pollution-intensive sectors; implements a system for managing environmental information of corporate clients from energy- and pollution-intensive sectors; and developed an early warning system to alert departments when they are close to meeting quotas for lending to energy- and pollution-intensive sectors. However, information about the content of these policies and measures are not publicly available. As such, it can only be scored with zero points.

In 2008, the bank disclosed the amount of lending it cut to environmentally risky projects and clients, as well as the amount of lending it increased to renewable energy projects.

5.3.14 Commonwealth Bank- Australia

Commonwealth Bank: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	0	
5	Mining	0	
6	Oil and gas	0	
7	Power generation	0	
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	Global Compact
2	Climate change	1	Commonwealth Bank Environment Policy / Colonial First State Global Asset Management Climate Change Position Statement / Carbon Disclosure Project / Global Compact
3	Corruption	1	Anti-money Laundering and Counter Terrorism Financing Disclosure statement /UNGC
4	Human Rights	1	Global Compact
5	Indigenous Peoples	1	Global Compact / CBA Reconciliation Action Plan
6	Labour	1	Global Compact
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	1	Global Compact
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	1	Non-verified Sustainability Report 2009 not using GRI / Not all policies disclosed / No deal transparency
2	Accountability	0	No internal or external audit mentioned / Only handling of client complaints / No stakeholder engagement

Comments:
Commonwealth Bank has signed up to the following collective policies:

- United Nations Environment Program Finance Initiative (UNEPFI)
- United Nations Global Compact (UNGC)
- United Nations Principles for Responsible Investment (UNPRI)
- Carbon Disclosure Project (CDP)

The *Commonwealth Bank's Credit Policy* is an internal policy. The bank's asset manager, Colonial First State Global Asset Management (CFSG AM), has published a *Responsible Investment Policy Statement* repeating the UN Principles for Responsible Investments and has no clear commitments. These policies cannot be accredited any points.

Commonwealth Bank's *Environmental Policy* focuses on both the bank's direct and indirect impact on the environment. However, no clear investment criteria are set. The policy is therefore accredited one point.
The Commonwealth Bank's carbon reduction target (stated on website) applies to its own emissions, while BankTrack expects a bank also to set portfolio reduction targets. The Climate Change Position Statement of Commonwealth Bank's asset management division Colonial First State Global Asset Management (CFSG AM) does not include clear criteria for taking into account into its asset management. The policies are accredited one point.

Commonwealth Bank's *Anti-money Laundering and Counter Terrorism Financing Disclosure statement* includes the elements on identifying the ultimate beneficial owner or controller of funds offered and on politically exposed persons (PEPs). How the bank prevents corruption in its own operations and of its clients is unclear. The bank is accredited one point for this issue.

Commonwealth Bank's *Reconciliation Action Plan* shows its commitment to Indigenous people and the partnerships with communities, individuals and organisations but is not clear on the criteria for lending. It receives only one point.

KPMG has only reviewed the sustainability metrics on pages 52 and 53 of the Commonwealth Bank Sustainability Report 2009 and not the entire report. Also the GRI Framework for reporting was not used. Hence the bank is accredited one point on Transparency. The asset management division has published a report that outlines progress towards implementing the PRI in 2008. Such reports are not taken into account in the scoring system for transparency but it is worth mentioning.

5.3.15 Credit Agricole - France

Crédit Agricole: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	1	CA Sustainable Development Compendium
5	Mining	1	Equator Principles / Extractive Industries Transparency Initiative
6	Oil and gas	1	Equator Principles / Extractive Industries Transparency Initiative
7	Power generation	1	Equator Principles
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	Equator Principles / Global Compact
2	Climate change	1	Carbon Disclosure Project / Climate Principles / Global Compact
3	Corruption	1	Global Compact
4	Human Rights	1	Crédit Agricole Human Rights Charter / Global Compact
5	Indigenous Peoples	1	Equator Principles / Global Compact
6	Labour	2	Crédit Agricole Human Rights Charter / Global Compact
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	1	Global Compact
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	2	Externally verified GRI Sustainable Development Compendium / No policies / No deal transparency
2	Accountability	1	Internal audit but results not published / Only handling of client complaints

Comments:
Crédit Agricole has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Climate Principles (CmP)
- Equator Principles (EP)
- Extractive Industries Transparency Initiative (EITI)
- Global Reporting Initiative (GRI)
- UN Global Compact (UNGC)
- UN Principles for Responsible Investment (UNPRI)

BankTrack scored Crédit Agricole and Crédit Agricole CIB (the former Calyon) as one financial institution.

Crédit Agricole's *Human Rights Charter* does require its clients to respect human rights and labour rights and carries out due diligence on customers to ensure that the Group does not unwittingly participate in human rights violations, whether directly or indirectly. But the charter does not mention the right of indigenous peoples and pay explicit attention to women's rights. This policy is therefore accredited with one point on Human Rights. With regard to labour the *Human Rights Charter* does mention all fundamental principles of ILO and is accredited two points.

Crédit Agricole states in its *2008 Sustainable Development Compendium* that it "took a restrictive position in its direct investments for its own account, in companies that were found to be involved in the production, storage and marketing of antipersonnel mines and cluster bombs." This policy is accredited one point because its summary in the *Sustainable Development Compendium* does not mention all weapons included in the essential elements.

5.3.16 Credit Suisse - Switzerland

Credit Suisse: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	0	
5	Mining	1	Equator Principles
6	Oil and gas	1	Equator Principles
7	Power generation	1	Carbon Principles / Equator Principles
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	Equator Principles / Global Compact
2	Climate change	1	Credit Suisse Climate Change Position / Carbon Disclosure Project / Carbon Principles / Global Compact
3	Corruption	1	Credit Suisse on Anti-money Laundering / Global Compact / Wolfsberg Principles
4	Human Rights	1	Credit Suisse on Human Rights / Global Compact
5	Indigenous Peoples	1	Equator Principles / Global Compact
6	Labour	1	Global Compact
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	1	Global Compact
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	1	Non-verified *Citizenship Report* using GRI/ No policies disclosed / No deal transparency
2	Accountability	1	Internal audit of Reputational Risk Review Process, but no publication of results / Only handling of client complaints

Comments BankTrack:
Credit Suisse has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Carbon Principles (CbP)
- Equator Principles (EP)
- Global Reporting Initiative (GRI)
- UN Global Compact (UNGC)
- UNEP Finance Initiative (UNEP FI)
- UN Principles for Responsible Investment (UNPRI)
- Wolfsberg Principles (WP)

Credit Suisse's Climate Change Position is only focused on operational emissions. For financed emissions the statement refers to the Carbon Disclosure Project. Therefore, no additional points are granted for this policy.

On its website Credit Suisse adheres to the UN Declaration of Human Rights and "recognizes its responsibility to respect human rights within its sphere of influence." The bank specifies these relationships as follows: "As regards corporate clients, who may conduct business activities that potentially impact human rights, the bank-wide Reputational Risk Review Process needs to be applied." This policy does not include the essential elements for Human Rights, hence they will not be accredited more points it already received for signing the UN Global Compact.

This is also the case for Corruption. Although the bank mentions the identification and monitoring of Politically Exposed Persons (PEP) specifically, its anti-money laundering regulations on the website refer to the Wolfsberg Principles the bank has adopted.

5.3.17 DekaBank - Germany

DekaBank: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	0	
5	Mining	0	
6	Oil and gas	0	
7	Power generation	0	
Issue policies		**Score**	**Policy document**
1	Biodiversity	0	
2	Climate change	1	Carbon Disclosure Project
3	Corruption	0	
4	Human Rights	0	
5	Indigenous Peoples	0	
6	Labour	0	
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	0	
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	0	No sustainability report / No policies disclosed / No deal transparency
2	Accountability	0	No internal or external audit mentioned / Only handling of client complaints / No stakeholder engagement

Comments BankTrack:
DekaBank has signed up to the following collective policies: Carbon Disclosure Project (CDP)

5.3.18 Deutsche Bank - Germany

Deutsche Bank: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	1	Deutsche Bank Credit Directive No. 1 “Defense Equipment”
5	Mining	1	Deutsche Bank Greenfilter Statement
6	Oil and gas	1	Deutsche Bank Greenfilter Statement
7	Power generation	1	Deutsche Bank Greenfilter Statement
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	Global Compact
2	Climate change	1	Deutsche Bank Greenfilter Statement / Corporate Responsibility at Deutsche Bank / Carbon Disclosure Project / Global Compact
3	Corruption	1	Global Compact / Wolfsberg Principles
4	Human Rights	1	Global Compact
5	Indigenous Peoples	1	Global Compact
6	Labour	1	Global Compact
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	1	Global Compact
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	1	Non-verified GRI Corporate Social Responsibility Report / Not all policies disclosed / No deal transparency
2	Accountability	1	Internal and external audit / Only handling of client complaints

Comments:
Deutsche Bank has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Global Reporting Initiative (GRI)
- UN Global Compact (UNGC)
- UNEP Finance Initiative (UNEPFI)
- UN Principles for Responsible Investment (UNPRI)
- Wolfsberg Principles (WP)

The *Greenfilter Statement* shows the commitment of Deutsche Bank to "offer products that steer investments into low-carbon companies". The guidelines to assess the transactions are not disclosed and apply to carbon intensive sectors. Deutsche Bank's document *Corporate Responsibility at Deutsche Bank* also addresses the issue of climate change and makes commitments regarding the bank's own operations and regarding investments in renewable energy sources. However, the bank does not exclude investments in companies that generate coal-fired power or nuclear energy and power, develop new coal-fired power plants, develop nuclear energy projects, develop large scale hydro power plants, or develop carbon capture and storage projects. For this reason, the documents are rewarded with one point at the issue climate change and the sectors power generation, oil and gas and mining.

In its *CSR Report 2008* Deutsche Bank states that it pays "attention to business operations involving rain forests, timber / forestry, dams, climate change, carbon dioxide, and mining. Any transactions that fall into these categories require the special audit of our Senior Management." The criteria that are applied to these transactions remain unclear.

Deutsche Bank has developed *Credit Directives* and published part of it in the *CSR Report 2008*. *Credit Directive No. 1* states that Deutsche Bank wishes "to ensure that we are not involved in any transactions relating to the sale or purchase of specific weapons, incl. antipersonnel and mines, cluster bombs, or atomic, biological, and chemical (ABC) weaponry. Any transactions that fall into these categories require the special audit of our Senior Management." Because Deutsche Bank only mentions the trade in and not the production of such weapons, it does not cover the essential element controversial weapons. Hence, the policy is accredited one point.

Sustainability Guideline for Handling Hazardous Materials holds guidelines for the banks own operations only. No points are accredited to this policy.

5.3.19 Dexia - Belgium

Dexia: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	X	Dexia has indicated not to be involved in this sector over the last three years.
2	Fisheries	X	Dexia has indicated not to be involved in this sector over the last three years.
3	Forestry	X	Dexia has indicated not to be involved in this sector over the last three years.
4	Military industry and arms trade	1	Dexia Armaments Policy
5	Mining	1	Dexia Energy Policy / Equator Principles / Extractive Industries Transparency Initiative
6	Oil and gas	1	Dexia Energy Policy / Equator Principles / Extractive Industries Transparency Initiative
7	Power generation	1	Dexia Energy Policy / Equator Principles
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	Equator Principles / Global Compact
2	Climate change	1	Dexia Energy Policy / Carbon Disclosure Project / Global Compact
3	Corruption	1	Dexia Group Compliance Charter / Code of Business Ethics / Global Compact
4	Human Rights	1	Global Compact
5	Indigenous Peoples	1	Equator Principles / Global Compact
6	Labour	1	Global Compact
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	1	Global Compact
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	2	Externally verified Sustainability Report using GRI framework / Not all policies disclosed
2	Accountability	1	Internal audit on financing policies / Handling of customer complaints

Comments BankTrack:
Dexia has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Equator Principles (EP)
- Extractive Industries Transparency Initiative (EITI)
- UN Global Compact (UNGC)
- UNEP Finance Initiative (UNEPFI)
- UN Principles for Responsible Investment (UNPRI)

With regard to the issue Corruption, Dexia comments that this is addressed in its group *Compliance Charter* and *Code of Business Ethics*. It prohibits employees from entering into conflicts of interest, as well as forbids bribes and corruption. Anti-Money Laundering/Anti-Terrorist Financing international standards are reflected in different group policies. Various mechanisms are in place as to minimize the risk that Dexia entities be used for money laundering purposes. As these policies are not disclosed it is unclear whether all essential elements are included. Hence, Dexia receives one point for corruption.

The *Dexia Armaments Policy* does not exclude investments in the armaments sector as a whole but is defines specific criteria for various banking services. For traditional asset management Dexia excludes investments in weapons with a legal ban, such as cluster munitions and landmines. On SRI funds it follows certain exclusion rules, amongst others the exclusion of companies involved in production and trade of antipersonnel mines, cluster munitions, nuclear weapons, depleted uranium weapons and chemical or biological weapons. Furthermore Dexia will not "have holdings in companies in the armaments sector", applies extremely selective criteria to project finance and grants no loans to companies "when more than 50% of the turnover is generated by the manufacture of armaments responding: to the satisfaction of an offensive intervention objective; [and] assets responding to an objective of research, development and manufacture of offensive weapons". Because these criteria only match with the essential element on controversial weapons for SRI funds management and not for the other activities it is accredited one point.

Dexia's *Energy Policy* states that "Dexia does not exclude a priori the provision of financing, advisory or other financial services to any part of the energy sector, to the extent that the above objectives and specific sub-sector guidelines described herein may be met." As this benchmark emphasises exclusion of investments in coal-fired power and nuclear power generation, the extraction of coal, oil and gas and unconventional oil reserves Dexia's Energy sector policy cannot be accredited more than one point at the sectors Power generation, Oil and Gas, and Mining.

Although the views of Dexia regarding exclusion of certain investments do not match those of BankTrack, it must be acknowledged that Dexia's Energy policy is well designed. For example, investment decisions are guided by the objective to implement an energy transition from the current energy mix to one that is consistent with a stabilisation of CO_2 at 450 ppm by 2030: "It is Dexia policy to remain 30% below the above-stated intensity target of its portfolio of power generation assets. Dexia will thus evaluate on a regular basis the CO_2 intensity of its portfolio so as to insure the respect of this target." Such specific reduction targets are rarely mentioned in a bank's policy.

5.3.20 Fortis Bank Nederland - Netherlands

Fortis Bank Nederland: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	1	Fortis Agri Core Values
2	Fisheries	0	
3	Forestry	1	Fortis Agri Core Values
4	Military industry and arms trade	2	Fortis Defence Industry Policy
5	Mining	1	Equator Principles
6	Oil and gas	1	Equator Principles
7	Power generation	1	Equator Principles / Fortis Energy financing overview
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	Equator Principles / Global Compact
2	Climate change	1	Fortis Environmental Statement / UNGC
3	Corruption	1	Global Compact
4	Human Rights	2	UNGC / Fortis Human Rights Statement / Fortis Burma Policy
5	Indigenous Peoples	1	Equator Principles / UNGC
6	Labour	1	Global Compact
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	1	Global Compact
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	2	Externally verified CSR Report using GRI framework / Not all policies clearly disclosed
2	Accountability	1	Stakeholder engagement

Comments BankTrack:
Fortis Bank Nederland has signed up to the following collective policies:

- Equator Principles (EP)
- Global Reporting Initiative (GRI)
- UN Global Compact (UNGC)
- UNEP Finance Initiative (UNEPFI)

Fortis' *Energy financing overview*, derived from the bank's CSR report 2007 and the *Energy Finance Brochure* (celebrating 10 years renewable energy financing), show that with respect to Power generation Fortis will continue to focus on both conventional (including nuclear) and renewable energy. This sector is therefore accredited with one point.

The *Fortis Defence Industry Policy* states that the bank does not want to finance any activity related to anti-personnel mines, cluster munitions, nuclear, biological and chemical weapons. Although it includes trade of these weapon systems, the policy does not mention controversial trade (delivery to for example dictatorial regimes) explicitly and is thus accredited two points.

Fortis' *Environmental Statement* describes both the organisational and investment goals relating to climate change, but does not set any clear and measurable criteria. For this reason, the statement is accredited one point.

Fortis' Human Rights Statement includes halve of the elements and is accredited two points. *Fortis' Burma Policy* shows that it takes human rights violations very seriously by excluding investments in countries with a dictatorial regime.

Details of Fortis' *Shipping Sustainability Assessment Tool* are not disclosed and the lending requirements remain unclear.

Only a summary of *Fortis Agri Sustainability Policy* is available through its *Palm Oil Supplement*. It describes the *Agri Core Values,* that are straightforward standards to which agricultural clients must comply. The general policy was not disclosed and this summary does not provide enough (detailed) information to conclude that half or all essential elements are in place. Hence, Fortis receives one point for the sectors Agriculture and Forestry.

In the course of 2010 Fortis will merge with ABN Amro into one bank under the name ABN Amro

5.3.21 Goldman Sachs - United States

Goldman Sachs: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	2	Goldman Sachs Environmental Policy Framework
4	Military industry and arms trade	0	
5	Mining	1	Extractive Industries Transparency Initiative
6	Oil and gas	1	Extractive Industries Transparency Initiative
7	Power generation	0	
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	Goldman Sachs Environmental Policy Framework
2	Climate change	1	Goldman Sachs Environmental Policy Framework / Carbon Disclosure Project
3	Corruption	1	Wolfsberg Principles
4	Human Rights	0	
5	Indigenous Peoples	2	Goldman Sachs Environmental Policy Framework
6	Labour	0	
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	0	
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	1	Non-verified Environmental Report 2008 / no use of GRI format
2	Accountability	1	Stakeholder engagement but not based on AA1000 standard

Comments BankTrack:
Goldman Sachs has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Extractive Industries Transparency Initiative (EITI)
- UN Principles for Responsible Investment (UNPRI)
- Wolfsberg Principles (WP)

Goldman Sachs' Environmental Policy Framework is a rather general document, describing Goldman Sachs actions with regard to sustainability practices. It focuses mainly on internal issues, such as lowering energy and paper use. With regard to customer relation Goldman Sachs believes "it is important to take the environmental impacts and practices of our clients and potential clients into consideration as we make business selection decisions." The requirements apply to project finance and Goldman Sachs will "seek to apply the general guidelines to debt and equity underwriting transactions, to the initiation of loans and to investment banking advisory assignments where the use of proceeds is specified to be used

for potentially environmentally damaging projects and where Goldman Sachs is the lead book runner or arranger."
With regard to forestry, the *Environmental Policy Framework* states that the bank will not finance forestry activities in High Conservation Value areas, gives preference to projects with FSC certification (only for projects that impact high conservation value forests) and makes a statement on non-violation of the rights of indigenous communities. Because certification for sustainable forest management is not required for all logging operations the policy covers only half of the essential elements and is accredited two points at the sector Forestry.

Regarding climate change and biodiversity the Framework does not include clear commitments and thus receives one point.

5.3.22 HSBC - United Kingdom

HSBC: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	1	HSBC and Oil Palm
2	Fisheries	0	
3	Forestry	4	HSBC Forest Land and Forest Products Sector Guideline / HSBC and Oil Palm
4	Military industry and arms trade	1	HSBC Chemicals Industry Sector Guideline
5	Mining	1	HSBC Mining and Metals Sector Policy / Equator Principles / Extractive Industries Transparency Initiative
6	Oil and gas	1	HSBC Energy Sector Policy / Equator Principles / Extractive Industries Transparency Initiative
7	Power generation	2	HSBC Energy Sector Policy / HSBC Freshwater Infrastructure Sector Guideline / Equator Principles
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	HSBC Forest Land and Forest Products Sector Guide / HSBC Freshwater Infrastructure Sector Guideline / Equator Principles / Global Compact
2	Climate change	1	HSBC Energy Sector Policy / Carbon Disclosure Project / Climate Principles / Global Compact
3	Corruption	1	Global Compact / Wolfsberg Principles
4	Human Rights	1	Global Compact
5	Indigenous Peoples	1	Equator Principles / Global Compact
6	Labour	1	Global Compact
7	Operation in conflict zones	1	HSBC Mining and Metals Sector Policy
8	Taxation	0	
9	Toxics	1	HSBC Chemicals Industry Sector Guideline / Global Compact
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	3	Externally verified Sustainability Report 2008, using GRI Framework and Financial Sector Performance / All policies disclosed
2	Accountability	1	Internal auditing system for risk management / Stakeholder engagement in place / No third party complaint mechanism

Comments:
HSBC has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Climate Principles (CmP)
- Equator Principles (EP)
- Extractive Industries Transparency Initiative (EITI)
- Global Reporting Initiative (GRI)
- UN Global Compact (UNGC)
- UNEP Finance Initiative (UNEPFI)
- UN Principles for Responsible Investment (UNPRI)
- Wolfsberg Principles (WP)

HSBC Environmental Risk Standard is a generally worded document providing examples of sectors where the bank seeks to minimise environmental, credit and reputational risk. No detailed criteria for such risk assessments are given and thus the policy is not accredited any points.
HSBC's *Energy Sector Policy* states that "HSBC will continue to support existing energy and industrial sectors" and will work to promote energy and transport efficiency. The *HSBC Freshwater Infrastructure Sector Guideline* requires the World Commission on Dams Framework for dams. Because of this, HSBC's policy on power generation includes half of the essential elements necessary for receiving two points. The *HSBC Freshwater Infrastructure Sector Guideline* also includes protected areas for its investment decisions and thus it receives one point at Biodiversity too.

As the HSBC *Forest land and forest product guidelines* requires clients to obtain independently verified certification for timber operations and supply of timber products to HSBC's standard. This standard is based on the principles and criteria of the FSC certification scheme. As HSBC includes the other essential elements as well and the policy applies both to lending and investment banking services and to asset management it is accredited four points.

HSBC's Statement on Oil Palm does not only refer to forests, it also includes requirements for management of plantations that match with elements of a good agriculture policy. As the policy is very limited, focusing only on palm oil plantations, it receives only one point.

HSBC *Chemical Industry Sector Guidelines* excludes investments in "companies involved in the production of chemical weapons and the manufacture, storage and transportation of persistent organic pollutants (POPs), as well as certain hazardous pesticides and industrial chemicals (as defined in the Rotterdam Convention)." Apart from this the policy mentions no other essential elements of the issue Toxics and therefore receives only one point.

The *Defence Policy, Mining and Metals Sector Policy* and the *Chemical Industry Sector Guidelines* together excludes investments in nuclear weapons, chemical weapons, cluster munitions and landmines, but the policy does not include bacterial weapons nor controversial trade. Hence, it is accredited one point for the sector policy Military industry and arms trade.

The *Mining and Metals Sector Policy* states that HSBC will not support the "mining or trading of rough diamonds not certified under the Kimberley Process Certification Scheme" and restricts support for "operations in areas where there are credible allegations of human rights violations". While these are certainly elements of a good policy it does not cover half of the essential elements on Operations in Conflict Zones, therefore HSBC is accredited one point.

5.3.23 Industrial Bank - China

Industrial Bank: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	0	
5	Mining	1	Equator Principles
6	Oil and gas	1	Equator Principles
7	Power generation	1	Equator Principles
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	Equator Principles
2	Climate change	1	Carbon Disclosure Project
3	Corruption	1	Industrial Bank's Statement on money laundering
4	Human Rights	0	
5	Indigenous Peoples	1	Equator Principles
6	Labour	0	
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	0	
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	1	Annual Report 2008 including CSR in Appendix / not all policies disclosed
2	Accountability	0	Customer complaints handling only / Nothing on stakeholder engagement

Comments BankTrack:
Industrial Bank has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Equator Principles (EP)
- UNEP Finance Initiative (UNEPFI)

Industrial Bank's *Policy on Environmental and Social Risk Management* adheres to China's laws and regulations but it is unclear what the specific criteria for lending and investment banking services are. Industrial Bank's *green credit policy*, which is based on the Green Credit Policy directive put forth by the Chinese Government in July 2007[281], is mentioned in its Annual Report 2008. This reads that the bank "took environmental factors into consideration when reviewing and approving credit". In 2008 Industrial Bank developed various detailed credit policies and instructions for key industries that include principles to, amongst others, ban loans for industries with backward technologies, heavy pollution and resource wasting. The Annual Report 2009 reports about improvements being made in the banks' Environmental and Social Risk

Management of Operations. But detailed policies are not disclosed and as the description in the Annual Reports provides not enough information, no points are accredited.

In the Statement of Industrial Bank's policy to prevent money laundering and financing of terrorism the banks writes that "anonymous accounts are never established, and we don't have correspondent-banking activities, direct or indirect business relationships with any banks that are not physically present in any country (shell banks)". Furthermore it adheres to China's laws and regulation which implement the recommendations developed by the Financial Action Task Force ("FATF"). The policy is accredited one point.

5.3.24 Industrial and Commercial Bank of China (ICBC) - China

ICBC: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	0	
5	Mining	0	
6	Oil and gas	0	
7	Power generation	0	
Issue policies		**Score**	**Policy document**
1	Biodiversity	0	
2	Climate change	1	Carbon Disclosure Project
3	Corruption	0	
4	Human Rights	0	
5	Indigenous Peoples	0	
6	Labour	0	
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	0	
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	2	CSR Report 2008 with Assurance Report and using GRI framework and Financial Service Sector Supplement / no policies disclosed
2	Accountability	1	Stakeholder engagement / only customer complaint mechanism

Comments:
Industrial and Commercial Bank of China (ICBC) has signed up to the following collective policies:
- Carbon Disclosure Project (CDP)

The ICBC *Social Responsibility Report 2008* states that "we intensified support for energy efficient and environmentally friendly areas by further promoting "green credit" and strictly controlling loans to energy- and pollution-intensive sectors." Furthermore, ICBC says it requires clients to comply with corporate environmental protection laws as a prerequisite for loans; developed industry-specific policy measures for energy- and pollution-intensive sectors; and implemented a system for managing environmental information of corporate clients. This policy is based on the Green Credit Policy directive put forth by the Chinese Government in July 2007[282]. Information about the content and results of this *green credit policy* is not publicly available. As such, it can only be scored zero points.

5.3.25 ING Group - Netherlands

ING: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	2	ING Forestry & Plantations Sector Policy
4	Military industry and arms trade	3	ING Defence Policy
5	Mining	1	ING Natural Resources & Chemicals Sector Policy / Equator Principles / Extractive Industries Transparency Initiative
6	Oil and gas	1	ING Natural Resources & Chemicals Sector Policy / Equator Principles / Extractive Industries Transparency Initiative
7	Power generation	1	Equator Principles
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	ING Forestry & Plantations Sector Policy / ING Natural Resources & Chemicals Sector Policy / Equator Principles / Global Compact
2	Climate change	1	Carbon Disclosure Project / Global Compact
3	Corruption	1	Global Compact
4	Human Rights	2	ING Human Rights Statement / Global Compact
5	Indigenous Peoples	1	ING Forestry & Plantations Sector Policy / ING Natural Resources & Chemicals Sector Policy / Equator Principles / Global Compact
6	Labour	2	ING Human Rights Statement / Global Compact
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	1	Global Compact
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	3	Verified CSR Report 2008 using GRI framework / All policies disclosed
2	Accountability	1	Internal audits on Business Principles and underlying financing policies / Only customer complaint mechanism

Comments BankTrack:
ING has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Equator Principles (EP)
- Extractive Industries Transparency Initiative (EITI)
- Global Reporting Initiative (GRI)
- UN Global Compact (UNGC)
- UNEP Finance Initiative (UNEPFI)
- UN Principles for Responsible Investment (UNPRI)

ING has developed a framework for corporate responsibility throughout its business. It starts with the *ING Business Principles*, on which a range of in-depth policies are based for daily activities. ING *Environmental and Social Risk policies* are used in its business lines to manage financial and reputational risk and to help clients to be more socially and environmentally responsible. ING has shortly described the following policies: Forestry and Plantations Sector Policy, Manufacturing & Agriculture Sector Policy, Natural Resources (Oil, Gas and Mining) & Chemicals Sector Policy, Defence Policy and Fur Policy. Those that provide enough information to be accredited any points are commented below but in most cases these summaries are too short to provide information about the criteria for ING's investments.

ING Forestry & Plantations sector policy does not require FSC Certification for operations in forestry and plantations management or for the entire wood chain. The policy includes all other elements (impact on natural habitats, human rights, indigenous peoples rights and endangered species, protected areas), and is therefore accredited two points for the sector policy Forestry.

The description of *ING Natural Resources & Chemicals* sector policy is vaguely worded and includes only a clear statement that "ING refrains from engaging in the financing of plants in UNESCO World Heritage Sites, IUCN protected areas and areas registered by the Ramsar Convention." It is accredited one point.

ING Defence policy excludes investments in controversial arms trade and the production of controversial weapons. This policy applies to lending and investment banking and partly to asset management. It is accredited three points.

ING's *Environmental Statement* is targeted at the group's operational activities, and does not cover its clients' impacts.

ING´s *Human Rights Statement* recognizes the UN Universal Declaration of Human Rights (UDHR). It applies to employees and in addition, ING will support the aims of the UDHR, International Labour Organisation (ILO) Core Conventions within its sphere of influence and wherever permitted by law. In addition, the *Environmental and Social Risk Policies* include the rights of Indigenous Peoples. As this includes half or all essential elements, it receives one extra point next to the already accredited points for signing the *UN Global Compact,* on the issues of human rights and labour.

5.3.26 Intesa Sanpaolo - Italy

Intesa Sanpaolo: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	1	Intesa Sanpaolo Arms Sector policy
5	Mining	1	Equator Principles
6	Oil and gas	1	Equator Principles
7	Power generation	1	Equator Principles
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	Equator Principles / Global Compact
2	Climate change	1	Carbon Disclosure Project / Global Compact
3	Corruption	1	Global Compact
4	Human Rights	1	Intesa Sanpaolo Code of Ethics / Global Compact
5	Indigenous Peoples	1	Equator Principles / Global Compact
6	Labour	2	Intesa Sanpaolo Code of Ethics / Global Compact
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	1	Global Compact
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	3	Externally verified Sustainability Report 2008 using GRI framework / all policies disclosed
2	Accountability	2	Stakeholder engagement using AA1000 APS / Audit on S&E Risk Management System but not published / Ethical and Social complaints mechanism

Comments BankTrack:
Intesa Sanpaolo has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Equator Principles (EP)
- Global Reporting Initiative (GRI)
- UN Global Compact (UNGC)
- UNEP Finance Initiative (UNEPFI)

Intesa Sanpaolo states that the bank 'envisages the discontinuation of its involvement in financial transactions related to the trading and manufacture of weapons, weapon components and related products, even though permitted by the 185/90 law.' This looks like a commitment that no new contracts in the sector are allowed, but it remains unclear which banking activities are covered by with 'financial transactions'. As the title of its policy refers to "import, export and transit transactions" only, it seems unlikely that this policy bans investments in companies that produce controversial weapons. Moreover, specific weapon systems are not listed in the document.

Intesa Sanpaolo's *Environmental Policy* takes into account the indirect impacts on the environment and therefore considers environmental risk in assessing a customer's creditworthiness. It applies the Equator Principles to project finance operations and develops tools to encourage renewable energy. However, further details of the investment policy and risk assessment are not disclosed. This policy is not accredited additional points.

The *Code of Ethics* acknowledges adherence to the Universal Declaration of Human Rights and the ILO Declaration. Furthermore, "Intesa Sanpaolo undertakes to promote, in all of the Group's companies and in all the countries in which it operates, behaviours that abide by these principles in all its stakeholder relations", including customer relations. Intesa Sanpaolo has established mechanisms to ensure compliance with its Code. As the Code does not pay explicit attention to women's' rights and the rights of indigenous people, not all essential elements of a bank's policy for Human rights are included and it is accredited only one point. With regard to Labour, Intesa Sanpaolo supports the fundamental conventions of the ILO Declaration and includes half of the essential elements.

The bank refers to its Code of Ethics to stress that it has a Bank Complaint Mechanism: "Any kind of stakeholder (hence also unrelated parties which are affected by the Bank's lending activities) can write to the provided mailbox for complaints, also anonymously. The writer is protected from any form of retaliation, discrimination or penalization, and the Bank ensures maximum confidentiality, except in cases otherwise indicated by law." This meets part but not all of the additional elements on accountability. The bank does receive two points for its stakeholder engagement according to AA1000 standard.

5.3.27 Itaú Unibanco - Brazil

Itaú Unibanco: scoring on policies and transparency & accountability			
Sector policies		Score	Policy document
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	0	
5	Mining	1	Equator Principles
6	Oil and gas	1	Equator Principles
7	Power generation	1	Equator Principles
Issue policies		Score	Policy document
1	Biodiversity	1	Equator Principles / Global Compact
2	Climate change	1	Carbon Disclosure Project / Global Compact
3	Corruption	1	Corporate policy for the fight against corruption an bribery / Corporate Policy for the Prevention and Fight Against Illegal Activities / Global Compact
4	Human Rights	1	Global Compact
5	Indigenous Peoples	1	Equator Principles / Global Compact
6	Labour	1	Global Compact
7	Operation in conflict zones	0	
8	Taxation	1	Corporate policy for the fight against corruption an bribery
9	Toxics	1	Global Compact
Transparency and Accountability		Score	Procedures
1	Transparency	2	Sustainability Report 2008 using GRI framework including Finance Sector Performance and Limited Assurance Report / no sector and issue policies
2	Institutional Accountability	2	Stakeholder engagement using AA1000 APS / External audit for Risk Management / Only handling of client complaints

Comments BankTrack:
Itaú Unibanco has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Equator Principles (EP)
- Global Reporting Initiative (GRI)
- UN Global Compact (UNGC)
- UNEP Finance Initiative (UNEPFI)

Itaú Unibanco has developed a general *Sustainability Policy*, with a reference to the development and refinement of internal policies and mechanisms for managing indirect impacts of financial transactions. As detailed criteria for lending and investment banking and asset management remain unclear and other policies are not disclosed no points are accredited to this policy. The *Sustainability Report 2008* mentions existence of a *Social-Environmental Risk Policy*, but this is not publicly disclosed and cannot be assessed for this benchmark research.

Itaú Unibanco's Corporate Policy for the Fight against Corruption and Bribery and its Corporate Policy for the Prevention and Fight against Illegal Activities mention that it will monitor transactions of Political Exposed Persons, identify the beneficial owner and that it prevents its employees from corruption. Because Itaú Unibanco makes an exception for 'Éventual Clients' - one whose relationship is casual, "the client, owner or beneficiary of funds related to transaction or financial service is identified in case of operations that offer risk of money laundering or terrorism financing, in observance of the regulatory agencies' guidelines". This creates a perfect opportunity for money launderers. We do not consider the essential element of identification of the beneficial owner fulfilled and therefore the policy is accredited one point for Corruption.

Regarding Taxation the *Corporate Policy for the Fight against Corruption and Bribery* only mentions explicitly it will not accept tax evasion and thus it is accredited one point for Taxation.

5.3.28 JP Morgan Chase - United States

JPMorgan Chase: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	3	JPMorgan Chase Forestry and Biodiversity Policy
4	Military industry and arms trade	0	
5	Mining	1	Equator Principles
6	Oil and gas	1	Equator Principles
7	Power generation	1	Carbon Principles / Equator Principles
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	JPMorgan Chase Forestry and Biodiversity Policy / Equator Principles
2	Climate change	1	JPMorgan Chase Climate Change policy and commitments / Carbon Principles / Equator Principles
3	Corruption	1	Wolfsberg Principles
4	Human Rights	1	JPMorgan Chase on Human Rights
5	Indigenous Peoples	2	JPMorgan Chase statement Indigenous communities / Equator Principles
6	Labour	0	
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	0	
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	1	Use of GRI in 2007 CR Report, but not in 2008 CR Update / No external verification / Not all policies disclosed
2	Accountability	0	No audit of E&S Risk Management / No complaints mechanism

Comments:

JPMorgan Chase's *Environmental Risk Management Policy* states that: "JPMorgan Chase will apply the Equator Principles, as appropriate, to all loans, debt and equity underwriting, financial advisories and project-linked derivative transactions where the use of proceeds is designated for potentially damaging projects." And the private equity division conducts an environmental review as part of their investment decision process for direct investments in companies in environmentally sensitive industries. Because this policy is not translated into detailed policies and it is unclear to which industries it is applied to, this commitment has not resulted in higher scores than JP Morgan Chase already received for adopting the Equator Principles.

JPMorgan Chase's *Statement on Human Rights* explicitly mentions its responsibility for promoting respect for human rights towards clients: "In our client relationships we seek to incorporate respect for human rights and demonstrate a commitment to fundamental principles of human rights through our own behaviour." As this policy does not include all essential elements it is accredited one point.

JPMorgan Chase has a *Forestry and Biodiversity Policy* which is applied to its Investment Bank and Commercial Bank. The bank prefers FSC certification when it finances "forestry projects that impact high conservation value forests, unless a comparable assessment process underpins a conservation plan". Thus, such a certification scheme is not required for all logging operations but still covers half of the essential elements for a forestry policy (about protection of high conservation areas and indigenous peoples). The policy is accredited two points. Although the title of this policy refers to biodiversity, it does not cover all elements mentioned at this issue. As a result the policy is accredited one point. The same situation occurs for the issue Indigenous peoples.

JP Morgan Chase has also developed a separate statement about *Indigenous communities*. This statement covers almost all essential elements and includes the requirement that the borrower should provide an Impact Assessment (an additional element), but it does not include explicit attention to women's rights.

Although the *Climate Change Policy* of JPMorgan Chase encourages clients that are large greenhouse gas emitters to develop carbon mitigation plans, and although the bank will add carbon disclosure and mitigation to its client review process, it does not include significant reduction targets or the exclusion of the coal, oil and gas industry. The policy is thus accredited one point.

5.3.29 Kasikorn Bank - Thailand

Kasikornbank: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	0	
5	Mining	0	
6	Oil and gas	0	
7	Power generation	0	
Issue policies		**Score**	**Policy document**
1	Biodiversity	0	
2	Climate change	0	
3	Corruption	0	
4	Human Rights	0	
5	Indigenous Peoples	0	
6	Labour	0	
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	0	
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	1	Annual Report includes CSR reporting / no policies disclosed / no deal information
2	Accountability	0	Customer complaints mechanism / no (audit on) social and environmental risk management

Comments BankTrack:
Kasikornbank has not signed up to any collective policies.

Kasikorn's CSR Policy is reflected at pages 199-243 on Corporate Governance of its *Annual Report 2008*, but describes only operational business activities. Except "The Bank shall refrain from granting credit support to any projects that violate the environmental laws of the country", no criteria for investments are included. As Kasikorn Bank has not disclosed any detailed investment policies, no points are accredited.

5.3.30 KBC - Belgium

KBC: scoring on policies and transparency & accountability			
Sector policies		Score	Policy document
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	2	KBC Statement on Controversial Weapons
5	Mining	1	Equator Principles
6	Oil and gas	1	Equator Principles
7	Power generation	1	KBC AM Nuclear Energy Policy / Equator Principles
Issue policies		Score	Policy document
1	Biodiversity	1	Equator Principles / Global Compact
2	Climate change	1	Carbon Disclosure Project / Global Compact
3	Corruption	1	Global Compact
4	Human Rights	1	KBC Statement on Human Rights / Global Compact
5	Indigenous Peoples	1	Equator Principles / Global Compact
6	Labour	1	Global Compact
7	Operation in conflict zones	0	
8	Taxation	1	KBC Group Responsible Tax Strategy
9	Toxics	1	Global Compact
Transparency and Accountability		Score	Procedures
1	Transparency	1	Non-verified Sustainability Report using GRI / not all policies disclosed /
2	Accountability	1	Stakeholder engagement / Internal audits of policy compliance / Only handling of employees and clients' complaints

Comments BankTrack:
KBC has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Equator Principles (EP)
- Global Reporting Initiative (GRI)
- UN Global Compact (UNGC)
- UN Principles for Responsible Investment (UNPRI)

KBC's *Statement on Controversial Weapons* is developed by its Asset Management arm, but it applies to all the bank's financing activities. As it only includes the essential element on the production of controversial weapon systems and not the element on delivery of weapons to dictatorial, corrupt regimes, terrorist groups and parties in open conflict, this policy is accredited with two points.

KBC's *Statement on Human Rights* refers to the UN Universal Declaration on Human Rights and ILO Fundamental Principles and Rights at Work, but does clarify whether these principles play a role in its investment policies. It also does not pay explicit attention to women's rights or indigenous peoples' rights. One point is granted.
KBC Group *Responsible Tax Strategy* includes a statement that "Tax avoidance is allowed, but tax evasion is NEVER permitted (tax evasion is fraud, a violation of tax law)." KBC also perceives legitimate tax planning as part of its tax advisory services. Although BankTrack appreciates the development of this policy (as only a few banks have done so), the policy does not exceed mere compliance with law. Hence it is accredited only one point.

KBC's *Anti-Corruption Policy Statement* is vaguely worded without clear commitments except that it prevents employees from accepting or paying bribes.

"KBC Belgium aims to minimise the indirect environmental impact caused by its customers and suppliers. Contractors and suppliers of products and services must satisfy sustainability requirements, including environmental obligations." With regard to customers, the *KBC Environmental Policy* states that it will take into account environmental risks in the risk analyses performed in respect of credit facilities and insurance policies. Except reference made to the Equator Principles, no details are disclosed. No points are accredited to this policy.

KBC Asset Management has developed a *Nuclear Energy Policy*, which states that it is not the long term solution for addressing climate change but one of the solutions on the short term. Therefore it has set specific conditions regarding investment in companies that own or manage a nuclear power plant. However, KBC AM does not exclude nuclear energy and power plants as a whole and has no criteria in place for investments in coal-fired power and dams. Hence, its sector policy on Power generation is accredited one point.

5.3.31 Mizuho - Japan

Mizuho: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	X	
2	Fisheries	X	
3	Forestry	X	
4	Military industry and arms trade	0	
5	Mining	1	Equator Principles
6	Oil and gas	1	Mizuho Checklist Oil and Gas Development (Offshore) / Equator Principles
7	Power generation	1	Equator Principles
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	Equator Principles / Global Compact
2	Climate change	1	Carbon Disclosure Project / Global Compact
3	Corruption	1	Global Compact
4	Human Rights	1	Global Compact
5	Indigenous Peoples	1	Equator Principles / Global Compact
6	Labour	1	Global Compact
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	1	Global Compact
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	1	GRI / no policies disclosed except summaries / CSR Report with third party opinion /
2	Accountability	0	No audit on investment policies / Only handling of clients' complaints / annual but very limited stakeholder dialogue

Comments:

Mizuho comments that "It is not practical for Mizuho to have an Agriculture Policy because the lending to the industry is extremely limited. See the "Consolidated Outstanding Loans by Industry for FY2008:"

Industry	Composition
Manufacturing	12.79
Agriculture	0.06
Forestry	0.00
Fishery	0.00
Mining	0.18
Construction	2.40
Utilities (Electricity, Gas, Water)	1.22
Communication	1.19
Transportation	4.83

Mizuho also has very limited lending for the sectors forestry and fishery. Because Mizuho demonstrates convincingly that it is not active in a sector included in this research, the absence of a sector policy is not scored.

According to Mizuho, the bank has compiled 35 Environmental Guidelines by Industry Sector, including “Oil and Gas Development (Onshore)” and “Oil and Gas Development (Offshore)”, “Petrochemicals Manufacturing”, “Petroleum Refining”, “Pulp and Paper Mills”, “Mixed Fertilizer Plants”, “Nitrogenous Fertilizer Plants” and “Cement Manufacturing”. Except for Oil and Gas Development (Offshore), these policies are not shared with the public and they cannot be scored in this benchmark. Although the Checklist for Oil and Gas Development (Offshore) presents a range of criteria, based on the IFC Performance Standards, it is used for project finance activities solely and cannot be scored because the essential elements should at least be applied to all lending and investment banking services or asset management.

Mizuho also provided an overview of *Environmental Policies and Structures*, which shows the environmental related activities that are implemented by Mizuho. It has an *Environmental Risk Management Assessment* for project finance in place and the bank stimulates its clients to reduce their environmental impact, it also has preferential lending schemes. Nevertheless, the requirements for lending in general remain unclear; which follows from its *CSR Reports 2008* and 2009 as well. Mizuho recognizes the company’s role in stimulating its customers to reduce greenhouse gas emissions, for example by the preferential loan schemes Eco-Special and Eco-Assist, but it sets no requirements to lending in general.

Mizuho comments on human rights saying that “Our respect for Human Rights is specified in *The Mizuho Code of Conduct* (...). While this principle does not have a direct impact on our business partners’ operations, we understand that our engagement with business partners gives rise to an indirect impact on the realization of human rights in our projects.”

Likewise, the bank comments on its Indigenous peoples policy, which according to them is specified in The Mizuho Code of Conduct: “The Mizuho Code of Conduct (Complying with Laws and Regulations) - As a comprehensive financial group operating on a global basis, Mizuho will not only be bound by the laws, regulations and societal norms of Japan, but will also respect international rules and the laws, regulations, customs and cultures of the countries and local communities in which it operates.”
Finally, the bank’s comments on labour show part of its Code of Conduct, which only targets its employees. Moreover, the entire Code of Conduct is neither disclosed, nor do we know whether it is formally adopted, also the level of detail is low. Therefore no extra points are accredited for human rights, indigenous peoples or labour. The bank scores one point at these issues for its membership of the UN Global Compact.

5.3.32 Morgan Stanley - United States

Morgan Stanley: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	2	Morgan Stanley Environmental Policy Statement
4	Military industry and arms trade	0	
5	Mining	0	
6	Oil and gas	0	
7	Power generation	1	Carbon Principles
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	Morgan Stanley Environmental Policy Statement
2	Climate change	1	Morgan Stanley Environmental Policy Statement / Carbon Disclosure Project / Carbon Principles
3	Corruption	1	Morgan Stanley Global Anti-Corruption Policy
4	Human Rights	1	Morgan Stanley Human Rights Statement
5	Indigenous Peoples	2	Morgan Stanley Environmental Policy Statement
6	Labour	0	
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	0	
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	0	No CSR report in 2008
2	Accountability	0	Internal review on Environmental Policy / Nothing on complaints / No stake-holder engagement

Comments BankTrack:
Morgan Stanley (MS) has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Carbon Principles (CbP)

Morgan Stanley acknowledges its responsibility to respect human rights and refers to the UN Universal Declaration of Human Rights. In addition, Morgan Stanley's *Environmental Policy Statement* mentions the rights of indigenous peoples. Because these policy documents do not recognize the full International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work, and also do not pay explicit attention to women's rights it does not cover half of the essential elements. Hence, the policy on Human Rights is rewarded one point.

Morgan Stanley's *Environmental Policy Statement* takes various sectors and issues into account. We have rated those sectors and issues that are mentioned specifically or match with (some of) the requirements in this Statement. Regarding the sector Forestry Morgan Stanley "will strive to protect the highest conservation values in forests" and therefore prefers "to finance logging companies that employ, or are actively considering, credible third-party verified management systems (such as the system developed by the Forest Stewardship Council)" for projects that impact high conservation value forests. It also pays explicit attention to the rights of indigenous peoples and free, prior and informed consultation. Together these requirements cover half of the essential elements and the Statement therefore receives two points.

Biodiversity is also addressed in this Statement, but it includes not enough of the required elements to receive two points for it. The issue of indigenous peoples is accredited two points as this policy misses explicit attention for the role of women, but it does include half of the essential elements. Regarding climate change, this policy does not set specific reduction targets or exclude investments in coal and oil and gas extraction projects and as such it cannot be accredited additional points.

Morgan Stanley has a *Global Anti-Corruption Policy* in place. It is an internal document but the bank's comments that it prevents its employees from corruption and bribery and takes into account the relevant country's score on the Transparency International's Corruption Perceptions Index when conducting due diligence on its transactions. The bank is accredited one point on the issue of corruption.

5.3.33 National Australia Bank - Australia

National Australia Bank: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	0	
5	Mining	1	Equator Principles
6	Oil and gas	1	Equator Principles
7	Power generation	1	Equator Principles
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	Equator Principles
2	Climate change	1	Carbon Disclosure Project
3	Corruption	1	Nathional Australia Bank Code of Conduct
4	Human Rights	0	
5	Indigenous Peoples	1	Equator Principles
6	Labour	0	
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	0	
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	2	Corporate Responsibility Report 2008 using GRI, with limited assurance / No policies disclosed
2	Accountability	2	Stakeholder engagement using AA1000 APS / Only complaints handling of non-compliance Australian banking code and customer complaints

Comments BankTrack:
National Australia Bank has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Equator Principles (EP)
- Global Reporting Initiative (GRI)
- UNEP Finance Initiative (UNEPFI)

Both the *Corporate Responsibility* and the *Environmental Policy* of National Australia Bank does not include details on criteria for making investment decisions. Although the latter recognises that the bank's operations have a direct impact on the environment and the lending policy "includes where appropriate, environmental risk assessment", these policies cannot be rewarded any points.

Regarding the issue of Corruption it is important to note that National Australian Bank has included this in its *Code of Conduct* to prevent employees from paying or accepting bribes and to ensure that they report any suspicious activity such as money laundering. As the other essential elements are not part of this Code or any other policy, National Australian Bank receives one point.

5.3.34 Natixis - France

Natixis: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	1	Natixis Non-investment policy
5	Mining	0	
6	Oil and gas	0	
7	Power generation	0	
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	Global Compact
2	Climate change	1	Carbon Disclosure Project / Global Compact
3	Corruption	1	Global Compact
4	Human Rights	1	Global Compact
5	Indigenous Peoples	1	Global Compact
6	Labour	1	Global Compact
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	1	Global Compact
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	2	Externally verified Annual Report 2008 using GRI indicators / no policies disclosed
2	Accountability	0	No stakeholder engagement or reporting about it

Comments BankTrack:
Natixis has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Global Reporting Initiative (GRI)
- UN Global Compact (UNGC)

Natixis has not disclosed investment policies relating to any issues of this benchmark. Natixis' *Annual Report 2008* holds a chapter on sustainable development in which reference is made to its increasing investments in renewable energy and the use of scorecards to rate the potential environmental impact of financing projects. Details of the criteria are not disclosed.

The annual report further states that Natixis has adopted a policy of non-investment in companies linked to the manufacture, trade and stockpiling of landmines and cluster bombs for both lending and investment banking and asset management. Because other controversial weapons and the most controversial forms of arms trade (the delivery of weapons to dictatorial, corrupt regimes, terrorist groups and parties in open conflict) are not part of this non-investment policy, it includes none of the essential elements. Natixis receives one point for its military industry sector policy.

5.3.35 Nedbank - South Africa

Nedbank: scoring on policies and transparency & accountability			
Sector policies		Score	Policy document
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	0	
5	Mining	1	Equator Principles
6	Oil and gas	1	Equator Principles
7	Power generation	1	Equator Principles
Issue policies		Score	Policy document
1	Biodiversity	1	Equator Principles / Global Compact
2	Climate change	1	Nedbank Climate Change Position Statement / Carbon Disclosure Project / Global Compact
3	Corruption	1	Global Compact
4	Human Rights	1	Global Compact
5	Indigenous Peoples	1	Nedbank Environmental Policy / Equator Principles / Global Compact
6	Labour	1	Global Compact
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	1	Global Compact
Transparency and Accountability		Score	Procedures
1	Transparency	2	Sustainability Report using GRI framework / Limited Assurance of Report / undisclosed policies
2	Accountability	2	Internal audit on Environmental Policy / Stakeholder engagement using AA1000 PS / Only clients complaint mechanism

Comments BankTrack:
Nedbank has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Equator Principles (EP)
- Global Reporting Initiative (GRI)
- UN Global Compact (UNGC)
- UNEP Finance Initiative (UNEPFI)

The group has an *Environmental Policy* in place, addressing both its operational activities and investments and including requirements on implementation of the policy: the group will "determine if a client or project falls into some high-risk sectors that would require a more detailed investigation into the project or client's activities." Although the document is rather vague on the contents of the policy with regard to project finance, it refers specifically to involuntary re-settlements, land tenure and investments in renewable energy in addition to the Equator Principles. Overall, its content is not detailed enough to be rewarded more than the points Nedbank already receives for signing collective policies.
As Nedbank acknowledges it's crucial role in enabling the transition from a carbon intensive economy to more efficient low carbon alternatives it is committed to developing innovative financing solutions to facilitate investment in clean energy and energy efficiency projects; to financing a number of renewable energy projects; to be involved in the origination of clean development mechanism projects and to investigate the viability of setting portfolio-wide carbon reduction targets. However, its *Climate Change Position Statement* does not exclude investments in carbon intensive sectors and thus this policy is rewarded one point.

5.3.36 Nordea - Sweden

Nordea: scoring on policies and transparency & accountability			
Sector policies		Score	Policy document
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	0	
5	Mining	1	Equator Principles
6	Oil and gas	1	Equator Principles
7	Power generation	1	Equator Principles
Issue policies		Score	Policy document
1	Biodiversity	1	Equator Principles / Global Compact
2	Climate change	1	Carbon Disclosure Project / Global Compact
3	Corruption	1	Global Compact
4	Human Rights	1	Global Compact
5	Indigenous Peoples	1	Equator Principles/ Global Compact
6	Labour	1	Global Compact
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	1	Global Compact
Transparency and Accountability		Score	Procedures
1	Transparency	2	CSR report with assurance review (no audit!) and use of GRI indicators
2	Accountability	1	Stakeholder engagement started / No audit / Only client complaints procedures

Comments BankTrack:
Nordea has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Equator Principles (EP)
- Global Reporting Initiative (GRI)
- UN Global Compact (UNGC)
- UNEP Finance Initiative (UNEPFI)
- UN Principles for Responsible Investment (UNPRI)

The *Environmental Policy* of Nordea focuses mainly on its operational activities. About its customers “Nordea considers environmental risks in investment and lending decisions, but the company in question has the responsibility for how environmental considerations affect its business.” Moreover, it is “the responsibility of business area and unit managers to determine the necessity of more detailed policies.” As a result this policy show no commitments related to lending and investment banking services or asset management at all and is awarded zero points.

Nordea’s first *CSR Report 2008* highlights its renewed CSR strategy and its business activities regarding project finance, asset management, microfinance and emissions trading. Although details are not disclosed the report also mentions the development of an additional tool to the Environmental Risk Assessment Tool (ERAT) in order to better handle the corporate social responsibility risks in the corporate lending process, the so-called Social and Political Risk Assessment Tool (SPRAT). BankTrack recommends Nordea to disclose its underlying principles and criteria in order to be able to assess Nordea’s investment policies for this benchmark report.

5.3.37 Rabobank - Netherlands

Rabobank: scoring on policies and transparency & accountability			
Sector policies		Score	Policy document
1	Agriculture	3	Rabobank Food and Agricultural Supply Chain Policies / Rabobank Group´s approach to gene technology / Rabobank Animal Welfare Statement
2	Fisheries	3	Rabobank Wild Catch Supply Chain Policy / Rabobank Aquaculture Supply Chain Policy
3	Forestry	2	Rabobank Forestry Supply Chain Policy
4	Military industry and arms trade	2	Rabobank Statement on the Weapon Industry
5	Mining	2	Rabobank Mining Supply Chain Policy / Equator Principles
6	Oil and gas	2	Rabobank Oil & Gas Supply Chain Policy / Equator Principles
7	Power generation	1	Equator Principles
Issue policies		Score	Policy document
1	Biodiversity	1	Equator Principles / Global Compact
2	Climate change	1	Carbon Disclosure Project / Global Compact
3	Corruption	1	Global Compact / Wolfsberg Principles
4	Human Rights	2	Rabobank Human Rights Policy Specification / Global Compact
5	Indigenous Peoples	2	Rabobank Human Rights Policy Specification / Equator Principles / Global Compact
6	Labour	2	Rabobank Human Rights Policy Specification / Global Compact
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	1	Global Compact
Transparency and Accountability		Score	Procedures
1	Transparency	2	Externally verified (KPMG) Sustainability Report using GRI framework / undisclosed policies and criteria / no deal information
2	Accountability	2	Stakeholder engagement based on AA1000 APS / Only customer complaints handling / No audit of risk management

Comments BankTrack:
Rabobank has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Equator Principles (EP)
- Global Reporting Initiative (GRI)
- UN Global Compact (UNGC)
- UNEP Finance Initiative (UNEPFI)
- UN Principles for Responsible Investment (UNPRI)
- Wolfsberg Principles (WP)

Rabobank's CSR issue lists (for example on Chemical Industry, Leisure Industry and Farm inputs sector) are not publicly available and can therefore not be scored in this benchmark.

The performance of Rabobank Group's clients is assessed according to ten key aspects of corporate social responsibility: corruption and/or bribery, poor labour conditions, forced labour, child labour, discrimination, pollution, depletion of scarce natural resources, cruelty to animals, poor treatment of indigenous peoples, and products/services that impose health or safety risk to consumers. "The assessment is carried out as standard practice in accordance with the *Credit Risk Management (CRM) Credit Manual* and is intended to generate material information required for the ultimate credit assessment." As details of the CRM Credit Manual are not disclosed we can only reward the specific policies published at the relevant sectors and issues.

As a supplement to the CSR section of the CRM Credit Manual Rabobank has developed seven *Food and Agricultural Supply Chain Policies*: biofuels, cotton, coffee, cocoa, palm oil, soy and sugarcane. They are a supplement to the CSR section of the KRM Credit Manual Each policy describes the issues in the sector and investment criteria. For example the *Soy Supply Chain Policy* states that Rabobank expects its clients in the soy food and agribusiness to devote extra attention and care to the origins of soy. It has therefore identified issues of which the client is requested to provide further information. The criteria of the soy supply chain assessment are derived from the Principles of the Round Table of Responsible Soy (RTRS), Criteria for Corporative Responsibility of Soy Buyer Enterprises and the Basel Criteria for Responsible Soy Production. The Palm Oil Supply Chain Policy's criteria focus on avoiding deforestation. Together with the *Rabobank Animal Welfare Statement* and *Rabobank approach to gene technology*, all essential elements of an agriculture sector policy are included. The policies apply to all commercial banking services such as credit facilities, project finance, advisory services and trade finance. Rabobanks' policies and are rewarded three points.

The *Wild Catch Supply Chain Policy* and the *Aquaculture Supply Chain Policy* also requires conditions for investments that cover the essential elements of the sector fisheries. Hence it is accredited 3 points. The bank tolerates other certification schemes besides FSC in its *Forestry Supply Chain Policy*. It receives two points because it covers half of the essential elements.

Rabobank's *Mining Supply Chain Policy* and *Oil & Gas Supply Chain Policy* both include not all but certainly half of the essential elements. To some extent the policy even meets additional elements. However, both policies are accredited two points.

Rabobank's *Human Rights Policy Specification* serves as a framework to bring its *Human Rights Statement* and *Code of Conduct* into practice. It concerns the actions of the Rabobank itself and especially the actions of its (prospective) business partners. The policy covers five topics: Employee discrimination, Forced labour, Child labour, Poor working conditions, Violation of the rights of indigenous peoples. With regard to the issues Human rights, Labour rights and Indigenous peoples' rights the policy includes at least half of the essential elements. Therefore, the policy is rewarded two points.

Rabobank's *Statement on the Weapon's Industry* says it "does not wish to be involved in financing or investing with its own funds in any activity that is related to 'controversial' weapons. The following weapons are currently considered controversial: cluster bombs, landmines, nuclear weapons and biological or chemical weapons." Furthermore, the bank must make certain that the potential use of the arms to be supplied will not play a role in causing conflict or increasing tension and therefore have a negative impact on peace, safety and stability in the region. The policy includes both essential elements as lending criteria and therefore receives three points.

Biodiversity is embedded as one of the material issues in the supply chain policies, but does not cover all or half of the essential elements. The issue of toxics is only addressed in the Food and Agricultural Supply Chain Policies. Both issues are not accredited additional points.

5.3.38 RBC - Canada

Royal Bank of Canada: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	X	RBC comments
3	Forestry	1	RBC Environmental Blueprint
4	Military industry and arms trade	2	RBC comments
5	Mining	1	Equator Principles
6	Oil and gas	1	Equator Principles
7	Power generation	1	Equator Principles
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	RBC Environmental Blueprint / Equator Principles
2	Climate change	1	RBC Environmental Blueprint / Carbon Disclosure Project
3	Corruption	2	RBC Anti-Corruption and Anti-Bribery Policy / RBC Financial Group Global Approach to Anti-Money Laundering
4	Human Rights	0	
5	Indigenous Peoples	1	RBC Environmental Blueprint / Equator Principles
6	Labour	0	
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	0	
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	1	Use of GRI Framework for CSR Report 2009 / not all policies are disclosed / no deal information
2	Accountability	1	Use of stakeholder engagement / RBC Environmental Blueprint, internal audits / Only handling of clients' complaints / no audit results published

Comments BankTrack:
Royal Bank of Canada has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Equator Principles (EP)
- Global Reporting Initiative (GRI)
- UNEP Finance Initiative (UNEPFI)

RBC has an internal policy on lending to the agricultural sector (see comments of RBC below). However, the investment requirements are not publicly disclosed, and therefore no points can be accredited to this policy.

RBC's *Environmental Blueprint: Policy, Priorities and Objectives* contains three priority issues: climate change, biodiversity and water. This policy includes both operational and customer impacts. Of the latter RBC will "support transactions and business activities of qualified parties intending to reduce emissions of greenhouse gases, improve water quality and availability, or facilitate adaptation to climate change" and "track and review the greenhouse gas emission intensity of large industrial emitters in our lending portfolio to assess the potential risks and identify potential opportunities associated with forthcoming regulation of these emissions", but sets no reduction targets or give any further details. In RBC's *CSR Report 2008* it becomes clear that RBC undertakes carbon risk assessment of its lending portfolio. Still, the policy can only be rewarded one point for the issue of climate change, This is also the case for the issue of biodiversity.

Regarding Forestry, RBC's Environmental Blueprint says the bank will "not engage in new financing activities with corporations operating unsustainably in tropical rainforests, High Conservation Value Forests, or UNESCO World Heritage Sites" and it asks "that large corporate clients in the forest products sector be certified by the Forest Stewardship Council, Canadian Standards Association or acceptable alternative, or be committed to achieving certification within five years." Moreover RBC requires that clients consider the potential impacts of proposed projects to affected communities. As RBC only asks large corporate clients to have FSC certification and the bank will also accept an alternative certification system, this does not match with the essential elements of the issue Forestry. RBC receives one point.

Although the Environmental Blueprint does recognize indigenous peoples and RBC believes that companies "must consider the impacts of their operations on affected communities, and particularly communities of indigenous peoples" the commitment expressed does not include all essential elements.

RBC's CSR Report 2009 explains responsible lending at RBC and states that "RBC will not support or finance transactions that are directly related to trade in or manufacturing of material for nuclear, chemical, and biological warfare, landmines or cluster bombs". This statement is part of RBC's internal policies. It does only cover half of the essential elements and is accredited two points.

As can be learned from RBC's CSR Report and website, RBC has an *Anti-Corruption and Anti-Bribery Policy* that prohibits its employees from paying or receiving bribes. RBC also established policies and procedures to identify potential money laundering risks. As such these policies include half of the essential elements of Corruption.

5.3.39 RBS - United Kingdom

RBS: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	1	RBS Defense Sector Statement
5	Mining	1	Equator Principles
6	Oil and gas	1	Equator Principles
7	Power generation	1	Equator Principles
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	Equator Principles / Global Compact
2	Climate change	1	Carbon Disclosure Project / Global Compact
3	Corruption	1	Global Compact
4	Human Rights	1	RBS Group Position on Human Rights / Global Compact
5	Indigenous Peoples	1	Equator Principles / Global Compact
6	Labour	1	Global Compact
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	1	Global Compact
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	2	Use of GRI framework in externally verified Sustainability Report / policies undisclosed /
2	Accountability	2	Stakeholder engagement with AA1000 APS / Only handling of clients' complaints

Comments BankTrack:
Royal Bank of Scotland has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Equator Principles (EP)
- Global Reporting Initiative (GRI)
- UN Global Compact (UNGC)
- UNEP Finance Initiative (UNEPFI)

The *RBS Group Policy Protecting the Environment* contains a summary of the requirements that must be attained by the Group to be compliant with this policy. Besides recognising operational impact, RBS also incorporates environmental risk into management of risks. As details of the policy are for RBS use only it remains unclear what its lending and investment banking criteria are. The *RBS brochure on Environment* only presents RBS commitments and projects to assist the long-term transition to a low-carbon economy, but no policies on lending and investment banking or asset management to do so. Thus, both the policy and the brochure on environment are accredited zero points.

The *RBS Group Position on Human Rights* reads: "RBS is committed to respecting and upholding human rights in all areas of our operations and within our sphere of influence." RBS mentions its expectation of customers and also states that it assesses each lending, investment and services decision on an individual basis through its defined risk and credit committee procedures. The RBS position refers only to the UN Declaration on Human Rights while the benchmark finds the ILO Declaration on the Fundamental Rights at Work, as well as explicit reference to women's rights and rights of indigenous peoples also important. This position statement is rewarded one point.

The *RBS Defense Sector Statement* only includes the element on the production of controversial weapons, and not the element on trade and delivery of weapons to controversial regimes. Moreover, the statement does not list all controversial weapon systems required, therefore this statement can only be rewarded one point.

5.3.40 Santander - Spain

Santander: scoring on policies and transparency & accountability			
Sector policies		Score	Policy document
1	Agriculture	1	Santander Social and Environmental Policy
2	Fisheries	1	Santander Social and Environmental Policy
3	Forestry	1	Santander Social and Environmental Policy
4	Military industry and arms trade	1	Santander Social and Environmental Policy
5	Mining	1	Equator Principles
6	Oil and gas	1	Equator Principles / Santander Social and Environmental Policy
7	Power generation	1	Equator Principles / Santander Social and Environmental Policy
Issue policies		Score	Policy document
1	Biodiversity	1	Equator Principles / Global Compact / Santander Social and Environmental Policy
2	Climate change	1	Carbon Disclosure Project / Global Compact
3	Corruption	2	Santander Money-Laundering Prevention Policy and Code of Conduct / Global Compact / Wolfsberg Principles
4	Human Rights	2	Global Compact / Santander Social and Environmental Policy
5	Indigenous Peoples	1	Equator Principles/ Global Compact / Santander Social and Environmental Policy
6	Labour	1	Global Compact / Santander Social and Environmental Policy
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	1	Global Compact / Santander Social and Environmental Policy
Transparency and Accountability		Score	Procedures
1	Transparency	2	Verified CSR Report 2008 using GRI framework / not all issue and sector policies disclosed
2	Accountability	2	Stakeholder engagement according to AA1000 SES / Only handling of clients' complaints / No audit results on social and environmental risk management and policies published

Comments BankTrack:
Santander has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Equator Principles (EP)
- Global Reporting Initiative (GRI)
- UN Global Compact (UNGC)
- UNEP Finance Initiative (UNEPFI)
- Wolfsberg Principles (WP)

Santander's own *Environmental Policy* is solely targeted at the bank's operational footprint. Financed emissions are not considered and therefore this policy is accredited no points.

Santander's *Social and Environmental Policy* include requirements for project finance on issues like: biodiversity conservation and sustainable management of natural resources, labour standards, prevention of contamination and the emission of hazardous waste, community health and safety, land acquisition and voluntary resettlement, indigenous villages and cultural heritage. The Group pays special attention to the social and environmental risks of the sectors: agriculture, fishing, livestock and forestry, infrastructure, tourist developments, energy (dams, renewable energies, gas and oil), aquifers (desalting plants, wastewater treatment plants), games and betting, and weapons. Apart from some exclusion criteria there are no specific requirements for companies and the policy seems to apply to project finance only. As such it is a repetition of the Equator Principles and the document cannot be accredited additional points were it is already granted points for signing these or other collective policies. Because this policy also mentions agriculture, fishing, forestry and military industry it will be accredited one point on these sectors too.

Santander's *Group Global Policy on Money-Laundering Prevention* includes a comprehensive chapter on customer acceptance. It states that amongst others, "(P)ersons with businesses that make it impossible to verify the legitimacy of their activities or the source of funds" will not be accepted as a customer and that "Customers who are high-level public officials and their family members, and well known personalities wishing to open accounts outside their native countries (Pep's)" will only be accepted with prior authorization from the Analysis and Resolution Committee (CAR) in the relevant country. Santander's *Code of Conduct* addresses the prevention of employees from paying or receiving bribes. Thus, Santander's customer acceptance policy includes FATF Recommendations 5 and 6. Together, these policies are awarded two points for covering half of the essential elements on Corruption.

5.3.41 Scotiabank - Canada

Scotiabank: scoring on policies and transparency & accountability			
Sector policies		Score	Policy document
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	0	
5	Mining	1	Equator Principles
6	Oil and gas	1	Equator Principles
7	Power generation	1	Equator Principles
Issue policies		Score	Policy document
1	Biodiversity	1	Equator Principles
2	Climate change	1	Scotiabank Sustainability Report / Carbon Disclosure Project
3	Corruption	0	Anti-Money Laundering and Anti-Terrorist Financing Policy Statement
4	Human Rights	0	Scotiabank Guidelines for business conduct
5	Indigenous Peoples	1	Equator Principles
6	Labour	0	
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	0	
Transparency and Accountability		Score	Procedures
1	Transparency	1	Non-verified CSR Report using GRI framework / undisclosed policies /
2	Accountability	2	Stakeholder engagement / Only handling of clients' and employees' complaints / Internal audits of risk management

Comments BankTrack:
Scotiabank has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Equator Principles (EP)
- Global Reporting Initiative (GRI)
- UNEP Finance Initiative (UNEPFI)

Scotiabank's *Environmental paper policy* is only about paper use and reduction within its own business operations. Although Scotiabank does mention lending policies on environment in its *Annual Report 2008*, this is not publicly available: "(...) Scotiabank has a Board approved environmental policy. The policy guides our day-to-day operations, lending practices, supplier agreements and the management of our real estate holdings. It is supplemented by specific policies and practices relating to individual business lines." The *Annual Report 2008,* as well as the *CSR Report 2008* also states that Scotiabank has rolled out climate risk assessment procedures and training in relation to corporate lending, but the contents of this assessment are again, unclear.

Scotiabank's research report *Alternative & Renewable Energy. The Choice of a New Generation* presents an outlook as well as a review of the market, investment, and technology trends for various renewable power generation fuel sources, including wind, solar, geothermal, run-of-river hydro, biomass, wave, tidal, and ocean power. Although it provides a solid basis for an investment policy on power generation it remains unclear on what base lending decisions of Scotiabank are being made.

The *Anti-Money Laundering / Anti-Terrorist Financing Policy Statement* disclosed on the website does not gain any points because it only states that the Scotiabank Group has policies and procedures in place. The details of these policies are not disclosed.

Scotiabank's *Guidelines for business conduct* does not consider human and labour rights practices of Scotiabank's clients and therefore does not gain any points.

5.3.42 Société Générale - France

Société Générale: scoring on policies and transparency & accountability			
Sector policies		Score	Policy document
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	1	Société Générale Financing of Arm Industry
5	Mining	1	Equator Principles
6	Oil and gas	1	Equator Principles
7	Power generation	1	Société Générale Financing of Nuclear Energy / Equator Principles
Issue policies		Score	Policy document
1	Biodiversity	1	Equator Principles / Global Compact
2	Climate change	1	Société Générale Environmental Policy / Carbon Disclosure Project / Global Compact
3	Corruption	1	Global Compact / WP
4	Human Rights	1	Global Compact
5	Indigenous Peoples	1	Equator Principles / Global Compact
6	Labour	1	UN Principles for Responsible Investment / Global Compact
7	Operation in conflict zones	0	
8	Taxation	1	Société Générale on Tax havens
9	Toxics	1	Global Compact
Transparency and Accountability		Score	Procedures
1	Transparency	1	Annual Report includes CSR without using GRI indicators / not all policies disclosed
2	Accountability	1	Internal audit includes environmental risks / no complaint mechanism but customer satisfaction surveys

Comments BankTrack:
Société Générale has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Equator Principles (EP)
- Global Reporting Initiative (GRI)
- UN Global Compact (UNGC)
- UNEP Finance Initiative (UNEPFI)
- UN Principles for Responsible Investment (UNPRI)
- Wolfsberg Principles (WP)

Société Générale has a commodities business line procedure (*Nathetic*), which covers some agricultural issues and the extractive industries. The standards and requirements of this procedure are not publicly available and can therefore not be graded.

Société Générale's SERA approach (Socially and Environmentally Responsible Approach) has added similar procedures to deal specifically with social and environmental issues at project finance and other finance activities. The standards and requirement that projects have to comply with remain unclear.

Société Générale's policies on sector financing (arms industry, nuclear energy and merchant vessels) hardly incorporate standards or (exclusion) criteria, hence the policies cannot be granted more than one point.

Also, Société Générale states on its website that the bank has restricted set-up activities in tax-havens. However, the bank "does not rule out working in these countries providing they already have an effective financial and banking sector that meets the economic needs of a local or international customer base". Thus, the bank does not discourage its clients to avoid taxes, rather the contrary.

Société Générale's own *Environmental Policy* strictly follows the contents of UNEP FI, Global Compact and OECD Guidelines. Its own policy remains a 'vague statement' without standards and criteria, and hence does not improve the score for any of the sectors or issues.

Société Générale's *Human Resources Policies* on the website are mainly focused on its own employees and supply chain, not on its clients and their HR practices.

5.3.43 Standard Bank - South Africa

Standard Bank: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	1	Standard Bank comment no policies
5	Mining	1	Equator Principles
6	Oil and gas	1	Equator Principles
7	Power generation	1	Equator Principles
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	Equator Principles
2	Climate change	1	Carbon Disclosure Project
3	Corruption	0	
4	Human Rights	1	Standard Bank on Human Rights and Labour
5	Indigenous Peoples	1	Equator Principles
6	Labour	1	Standard Bank on Human Rights and Labour
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	0	
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	2	Externally verified Sustainable Report with GRI G3 index / No policies disclosed / No detailed deal information
2	Accountability	1	Stakeholder engagement / Complaint Mechanism and Information Disclosure Policy / No audit on Risk Management

Comments BankTrack:
Standard Bank has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Equator Principles (EP)
- Global Reporting Initiative (GRI)

In a written comment Standard Bank explains its lending and investment banking activities and how to ensure responsible environment and social performance of customers. It states that as a general rule, additional to endorsing the Equator Principles, Standard Bank does not fund any projects in the arms industry. However, this is not publicly disclosed in a bank policy. Likewise, it is unclear what preconditions the bank has for investments regarding other issues as the bank's policies are not publicly available.

Standard Bank states on its website that it “recognises and observes the human rights embedded in South Africa’s Constitution” and explains in their comments which human rights are embedded in the constitution and which ILO conventions South Africa has ratified in its comments. This is not the same as respecting the International Bill of Human Rights or the ILO Declaration. The description of the Code of Ethics does not provide enough information to conclude that (half of) the essential elements are part of the banks policies. Hence, Standard Bank is therefore accredited only one point for Human Rights and for Labour.

5.3.44 Standard Chartered Bank - United Kingdom

Standard Chartered Bank: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	1	Standard Chartered Bank Position Statement Biofuels and Forestry and Palm oil
2	Fisheries	0	
3	Forestry	2	Standard Chartered Bank Position Statement Forestry and Palm oil /
4	Military industry and arms trade	1	Standard Chartered Bank on Defence Equipment and Armaments
5	Mining	1	Standard Chartered Bank Position Statement Mining and Metals / Equator Principles
6	Oil and gas	1	Standard Chartered Bank Position Statement Oil and Gas and Transportation of Hazardous Materials / Equator Principles
7	Power generation	2	Standard Chartered Bank Position Statements Dams, Fossil-Fuelled Power Generation and Nuclear / Equator Principles
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	Equator Principles / Global Compact
2	Climate change	1	Standard Chartered Bank Position Statement Climate Change Standard Chartered Bank Environmental Policy / Carbon Disclosure Project / Climate Principles / Global Compact
3	Corruption	2	Standard Chartered Bank Policy for the Prevention of Money Laundering / Standard Chartered Bank Group Code of Conduct / Global Compact
4	Human Rights	1	Standard Chartered Bank Human Rights Policy / Standard Chartered Bank Policy on oppressive regimes / Global Compact
5	Indigenous Peoples	1	Equator Principles/ Global Compact
6	Labour	1	Standard Chartered Bank Position Statement Child Labour / Global Compact
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	1	Standard Chartered Bank Position Statement Ship Breaking and Transportation of Hazardous Materials / Global Compact
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	2	GRI signatory / Policy documents disclosed / Sustainable Review / only deal information regarding project finance
2	Accountability	0	

Comments:
Standard Chartered Bank (SCB) has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Climate Principles (CmP)
- Equator Principles (EP)
- Global Reporting Initiative (GRI)
- UN Global Compact (UNGC)
- UNEP Finance Initiative (UNEPFI)

Standard Chartered Bank's *Environmental Policy, Human Rights policy* and its *Statement on Oppressive Regimes* say that issues are taken into account in making lending decisions and give consideration to the presence of environmental en social risks. However, standards or (exclusion) criteria are not mentioned, therefore the policies cannot be scored higher than one point.

Standard Chartered Bank's *Group Environmental and Social Risk Policy* is targeted at clients. It does not go further than compliance to local and national law and adherence to the Equator Principles. In this policy the criteria are not disclosed, therefore this document cannot be awarded any points.

Standard Chartered Bank developed *Sector and Issue Position Statements* to provide guidance on banking activities in sectors with high potential for social or environmental impact. The statements set out standards and practices to be followed in and apply to all lending and investment banking services (lending, equity and/or debt capital markets activities, project finance and advisory work) provided by the bank to new and existing clients. The statements also complement and reinforce Standard Chartered's commitment to the Equator Principles. Apart from the sectors and issues mentioned in the table above, Standard Chartered Bank also has position statements on Tobacco and Gaming and Gambling.

Most position statements are far reaching and contain preconditions for the bank's clients but do not include all basic elements this benchmark expects a bank policy to have. Thus, Standard Chartered Bank's position statements are awarded one or two point(s) at the sectors and issues they apply to. For example, the position statements related to climate change include some, but not half of the essential elements. Therefore this policy is accredited one point. But the Standard Chartered Bank *Position Statement Forestry and Palm oil* is awarded two points for Forestry because it misses only one essential element. We recommend including an element (or developing a policy) about respecting the land rights of Indigenous peoples.

Standard Chartered Bank excludes the manufacture or distribution of controversial weapons, transactions involving a third party broker and arms trade to countries with an oppressive regime. But the *Defence Equipment and Armaments* statement applies only to lending while the bank also provides other investment banking services to companies. It is likely that the bank still invests in companies producing controversial weapons; hence this policy is awarded one point.

Standard Chartered Bank *Policy for the Prevention of Money Laundering* includes FATF Recommendation 5 on the identification of the beneficiary owner of funds, but not Recommendation 6 on Political Exposed Persons. However, the website of Standard Chartered Bank states that the bank launched an improved screening tool to help identify PEPs in 2008. Furthermore, Standard Chartered Bank Group Code of Conduct states demands the following from its employees: "Reject bribery and corruption: You must not give or accept bribes nor engage in any form of corruption." Standard Chartered Bank receives two points for including at least half of the essential elements.

5.3.45 Sumitomo Mitsui Banking Corporation (SMBC) - Japan

Sumitomo Mitsui: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	0	
5	Mining	1	Equator Principles
6	Oil and gas	1	Equator Principles
7	Power generation	1	Equator Principles
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	Equator Principles / Global Compact
2	Climate change	1	Sumitomo Mitsui Environmental Policy / Carbon Disclosure Project / Global Compact
3	Corruption	1	Global Compact
4	Human Rights	1	Global Compact
5	Indigenous Peoples	1	Equator Principles / Global Compact
6	Labour	1	Global Compact
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	1	Global Compact
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	1	Signatory GRI / CSR report with third party opinion / GRI indicators on website / No clear individual CSR policies
2	Accountability	1	Internal auditing

Comments BankTrack:
Sumitomo Mitsui Financing Group (SMFG) has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Equator Principles (EP)
- Global Reporting Initiative (GRI)
- UN Global Compact (UNGC)
- UNEP Finance Initiative (UNEPFI)

Sumitomo Mitsui's *Environmental Policy* provides little information on the bank's impact on climate change via its investment activities (financed emissions) and hence the bank does not score points on this issue.

5.3.46 UBS - Switzerland

UBS: scoring on policies and transparency & accountability			
Sector policies		Score	Policy document
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	0	
5	Mining	1	Extractive Industries Transparency Initiative
6	Oil and gas	1	Extractive Industries Transparency Initiative
7	Power generation	0	
Issue policies		Score	Policy document
1	Biodiversity	1	Global Compact
2	Climate change	1	UBS Addressing Climate Change / Carbon Disclosure Project / Global Compact
3	Corruption	1	Global Compact / Wolfsberg Principles
4	Human Rights	1	UBS Statement on Human Rights / Global Compact
5	Indigenous Peoples	1	Global Compact
6	Labour	1	Global Compact
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	1	Global Compact
Transparency and Accountability		Score	Procedures
1	Transparency	2	Externally verified sustainability report using GRI-G3 framework / no policies disclosed / no detailed deal information
2	Accountability	1	Internal audit system of environmental risk management and policies

Comments BankTrack:
UBS has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Extractive Industries Transparency Initiative (EITI)
- Global Reporting Initiative (GRI)
- UN Global Compact (UNGC)
- UNEP Finance Initiative (UNEPFI)
- UN Principles for Responsible Investment (UNPRI)
- Wolfsberg Principles (WP)

As one of the founders of the Carbon Disclosure Project, UBS actively engaged other investors in climate change issues, develops investor products and financing services, and describes its own reduction targets and activities, but standards and criteria for its lending and investment activities are not disclosed. UBS' document *Addressing Climate Change* cannot be awarded any points.

UBS' *Statement on Human Rights* sets out the approach to promote and respect human rights standards within its sphere of influence, in line with the endorsement of UN Global Compact. In the case of employees, standards are supported through a human resource policy. UBS furthermore strives to assess the business practice of significant supplier and takes human rights into account when vetting prospective clients and executing transactions. Details remain unclear: this statement is too vague to be awarded any additional points.

UBS' *Group Environmental Policy* mainly addresses operational policies and no investment activities except a reference to the UBS *Risk Management and Control Principles*. The *UBS Responsible Supply Chain Standard* is a repetition of the UN Global Compact principles. Both statements are not awarded points to the issues that are awarded a point because of endorsement of UN global Compact.

5.3.47 Unicredit - Italy

UniCredit: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	3	UniCredit Weapons Policy
5	Mining	1	UniCredit Mining Policy (forthcoming) / Equator Principles
6	Oil and gas	1	Equator Principles
7	Power generation	1	UniCredit Nuclear energy policy / Equator Principles
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	Global Compact
2	Climate change	1	UniCredit on Climate Change / UniCredit's Environmental Sustainability Program / Carbon Disclosure Project / Global Compact
3	Corruption	1	Global Compact
4	Human Rights	1	Global Compact
5	Indigenous Peoples	1	Global Compact
6	Labour	1	Global Compact
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	1	Global Compact
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	2	Externally verified sustainability report using GRI-G3 indicators / not all policies disclosed
2	Accountability	1	External audits but no results published

Comments BankTrack:
UniCredit signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Equator Principles
- Global Reporting Initiative (GRI)
- UN Global Compact (UNGC)
- UNEP Finance Initiative (UNEPFI)

UniCredit has a *General Group Credit Policy*, which is partly based on World Bank Standards. Which standards are used and how they are translated in financing requirements is not described or made public. Therefore, no points are granted.

UniCredit announced a 'green deal' with WWF in May 2009. This *Environmental Sustainability Program* includes activities in three areas: assessment of and reduction in internal emissions, assessment of and reduction in financed emissions and the development of specific "environmental governance" tools. The programme on financed emissions focuses on the development of a new range of "green" products and specific loan products for clients, always with a focus on energy efficiency and renewable energy sources on the one hand and consolidation of the ability to develop solutions that favour the reduction in CO_2 emissions through the development of financial products associated with energy efficiency projects and the use of renewable energy sources on the other. Therefore this approach is rewarded one point at the issue of Climate change.

UniCredit has an *Environmental Statement*, in which it sets specific improvement objectives both for the direct as well as the indirect impacts, including lending and project financing activities, of its own business operations. But the specific details of criteria and preconditions its clients have to adhere to remain unclear as this *Statement* refers to the Credit Strategies and Policies. A separate document called *Environmental Policy* also shows no clear commitments and therefore these documents are not granted any points.

UniCredit has published a sector policy on nuclear energy to address the special challenges posed by the nuclear sector and to minimize environmental, social and credit risks. The policy states that "financing the development or construction of nuclear power plants is permitted, subject to the application of the strictest safety standards and the best available technology." The policy covers part of the subjects of the sector Power generation, but does not match with the essential elements that states that a bank should exclude nuclear power generation from investment. UniCredit receives one point on Power generation.

UniCredit is still working on the development of a *Mining Policy*. Once this policy is shared with the public, points can be granted.

The *Weapons Policy* is awarded three points because UniCredit includes all essential elements in its lending and investment banking: it abstains from involvement of the production of weapons banned by international treaties and the recipients must guarantee that weapons purchased are used for defence and security reasons only (controversial trade).

5.3.48 WestLB - Germany

WestLB: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	1	WestLB Policy for Environmental and Social Issues
2	Fisheries	1	WestLB Policy for Environmental and Social Issues
3	Forestry	2	WestLB Policy for Environmental and Social Issues
4	Military industry and arms trade	1	WestLB Policy for Environmental and Social Issues
5	Mining	1	WestLB Policy for Environmental and Social Issues / Equator Principles
6	Oil and gas	1	WestLB Policy for Environmental and Social Issues / Equator Principles
7	Power generation	2	WestLB Policy for Environmental and Social Issues / Coal Policy / Equator Principles
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	WestLB Policy for Environmental and Social Issues / Equator Principles / Global Compact
2	Climate change	1	WestLB Policy for Environmental and Social Issues / Carbon Disclosure Project / Global Compact
3	Corruption	1	West LB Compliance Guidelines / WestLB's Policy for Environmental and Social Issues / Global Compact
4	Human Rights	2	WestLB Policy for Environmental and Social Issues / Global Compact
5	Indigenous Peoples	1	WestLB Policy for Environmental and Social Issues / Equator Principles / Global Compact
6	Labour	2	WestLB Policy for Environmental and Social Issues / Global Compact
7	Operation in conflict zones	0	
8	Taxation	0	
9	Toxics	1	WestLB Policy for Environmental and Social Issues / Global Compact
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	1	Non-verified Sustainability Report 2009 using GRI indicators / not all policies disclosed
2	Accountability	1	Internal audit on credit risk management but no publication of results / Stakeholder engagement but not according to AA1000 standard / No complaint mechanism

Comments BankTrack:
WestLB has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Equator Principles (EP)
- Global Reporting Initiative (GRI)
- UN Global Compact (UNGC)
- UNEP Finance Initiative (UNEPFI)

WestLB's Policy for Environmental and Social Issues, applies to all business units of WestLB AG and all transactions with national and international clients and covers a number of issues of this benchmark. However, most of them are general commitments and worked out in separate not (yet) published policies.

WestLB's Policy for Environmental and Social Issues refers to production and/or trade of military equipment that violates national and international law, but only mentions land mines and stray ammunition.

WestLB's Policy for Environmental and Social Issues holds biomass as a separate issue, and acknowledges the risks involved for safeguarding nutrition, destruction of protected areas, ecological damages and social risk. As a consequence it commits itself to regulate details within the framework of a sector policy, but this is not published yet. For now WestLB only refers to the criteria of the Roundtable on Sustainable Palmoil. Moreover, a sector policy on biomass or bio energy does not pay attention to agriculture in a broad sense. This policy is too limited and therefore we only reward one point to the issue of agriculture.

Regarding forestry WestLB "will endeavour to engage in business transactions in this sector with clients which are certified by FSC or comply with accepted similar standards or trade in or process corresponding products." It does not cover the elements like "the bank will invest in companies that meet all requirements for FSC-certification" but elements about protection of high conservation areas and indigenous peoples are included in the Policy. Hence, it is accredited two points on Forestry.

WestLB's policies (Policy for Business Activities related to Coal-Fired Power Generation and Policy for Environmental and Social Issues) do not exclude coal fired and nuclear power generation. As it does require the WCD recommendations for dams it includes half of the essential elements. On its power generation sector policy WestLB is accredited two points.

WestLB' Compliance Guidelines includes elements on anti-money laundering: employees must ascertain the identity of the customer or the ultimate beneficial owner of funds offered and "comply with additional requirements if the country of the counterpart is placed on the FATF-List of non-cooperative countries". It also prevents employees from accepting gifts and benefits. Further requirements are laid down in West LB's internal Anti-Money-Laundering Group Policy. Overall the disclosed policies do not include half of the elements and thus WestLB receives one point on Corruption.

5.3.49 Westpac - Australia

Westpac: scoring on policies and transparency & accountability			
Sector policies		**Score**	**Policy document**
1	Agriculture	0	
2	Fisheries	0	
3	Forestry	0	
4	Military industry and arms trade	0	
5	Mining	1	Equator Principles
6	Oil and gas	1	Equator Principles
7	Power generation	1	Equator Principles
Issue policies		**Score**	**Policy document**
1	Biodiversity	1	Westpac on Biodiversity / Equator Principles / Global Compact
2	Climate change	1	Westpac Climate Change Position Statement/ Carbon Disclosure Project / Global Compact
3	Corruption	1	Global Compact
4	Human Rights	1	Westpac on Human Rights / Global Compact
5	Indigenous Peoples	1	Westpac's Indigenous peoples action plan/ Group Statement of Indigenous Australian, Maori and Pacific Island Community Involvement / Equator Principles/ Global Compact
6	Labour	1	Global Compact
7	Operation in conflict zones	0	
8	Taxation	0	PWC Total Tax Contribution Project
9	Toxics	1	Global Compact
Transparency and Accountability		**Score**	**Procedures**
1	Transparency	2	Externally verified Annual Review and Sustainability Report using GRI guide-lines / externally verified Stakeholder Impact Report / not all policy and standards disclosed
2	Accountability	2	Stakeholder engagement through AA1000 assurance / audit results of risk management system not published / only customer complaint mechanism

Comments BankTrack:
Westpac has signed up to the following collective policies:

- Carbon Disclosure Project (CDP)
- Equator Principles (EP)
- Global Reporting Initiative (GRI)
- UN Global Compact (UNGC)
- UNEP Finance Initiative (UNEPFI)
- UN Principles for Responsible Investment (UNPRI)

Westpac states that all lending decisions are underpinned by the bank's *Environmental Policy*, stating that "appraisal of business customers' applications for finance includes an assessment of the potential environmental risk along with other risks. Where appropriate, specific measures to manage environmental risk aspects may be required as a condition of lending". However, in the details of this policy, no explicit financing requirements are described, or disclosed to the public. Therefore this policy cannot be granted any points yet.

On Biodiversity, Westpac has a short statement on its website that does not compile any of the essential or additional elements of a bank policy.

The aim of the *Westpac Climate Change Position Statement* is to set out Westpac's perspective on the science, politics, economics and social impacts of climate change; the role of the finance sector in the transition to a low-carbon economy; and Westpac's response so far. In this statement Westpac has also set out a 2008-2012 action plan. While Westpac is committed to contributing to the development of clean technology, energy efficiency and renewable energy resources and is developing tools to address climate change issues. But for the immediate term it will continue to support clients in the fossil fuel based economy. Its action plan also speaks of participating in carbon trading markets and only has emission reduction targets for its own business operations. This Position Statement is positive but does not hold the essential elements. It is not rewarded more than one point.

Westpac's *Human Rights' policy*, *Business Principles* and *Principles on Governance and Ethical Practice* respect and support various international agreements. However, these agreements are non-binding statements, mostly on government level, and Westpac does not describe procedures for (potential) clients that do not comply with these principles. In the *Business Principles*, the bank elaborates on human and labour rights of its own employees ("our employment practices promote fundamental human rights"), and those of employees of their suppliers ("we avoid involvement with third parties where we are concerned there could be the potential for breaches or abuses of fundamental human rights"). The bank does not make a clear statement on the human rights being violated by some of their clients, nor do the actions that Westpac will undertake to counteract them.

Westpac has various partnerships with Indigenous representative organisations and offers support to indigenous people through programs mentioned in the Indigenous people's action plan. Westpac's main partnerships are through the Indigenous Enterprise Partnerships (IEP) in Cape York and the Indigenous Capital Assistance Scheme (ICAS). Nevertheless, in its lending decisions, it has no (disclosed) policy that excludes or sets strict requirements to borrowers that negatively impact the life and environment of indigenous communities. In the *Business Principles*, Westpac explicitly mentions the "role of the government in resolving ownership issues" and does not describe any influence that possible violations of land-rights may have on the bank's lending decisions.

Westpac has complaint mechanisms for its employees and customers, which are described in the *Business Principles*. Third parties that are affected by Westpac's financing activities can contact the 'customer complaint' division, but there is no particular mechanism for third party grievances.

In June 2007 KPMG recommended to Westpac "to consider developing prescriptive policies and guidelines". Westpac responded that it is considering the recommendations and is looking to finalise its response and ESG lending policies. [283] The *Stakeholder Impact Report 2008* says about it: "However, policies for biodiversity, human rights and climate change discussed in last year's report have not yet been published. (...)This year all loans in our institutional bank required level one environmental screening with 92% also requiring level two screening. We are working to provide further guidance on areas of high risk or high exposure for these assessments." In 2009, no new lending policies have been disclosed. Westpac's Annual Report 2008 includes "Responsible lending and investment practices embedded in key processes" as an objective for 2013.

6

Conclusions

6.1 COLLECTIVE STANDARDS

To foster sustainable development and meet the expectations of civil society, banks need to develop adequate and robust investment policies on important sectors and critical issues. These policies should be used to screen their (prospective) clients against or to select the right assets. As a first step, banks can adopt collective standards and initiatives already existing in the financial sector. Because most collective policies cover only a limited number of the seven important sectors and nine crucial issues evaluated in this report, and their content is usually very vague, the relevance of adopting such collective standards is very limited. Nevertheless, some standards have been accredited one point at relevant issues and sectors (see paragraph 5.2).

With the exception of seven banks (Bangkok Bank, Bank of China, China Construction Bank, Citi, Fortis, JPMorgan Chase and Kasikornbank), most banks selected for this research signed up to the Carbon Disclosure project. Citi and JPMorgan Chase instead signed the Carbon Principles and Fortis signed some other collective standards, but the other banks did not undersign any of the standards.

The Equator Principles, UNEP Finance Initiative, Global Reporting Initiative and UN Global Compact are also very popular among the banks in this research: about 70% signed these standards. Most of the banks that have committed themselves to the Equator Principles or to the UN Global Compact also signed the Global Reporting Initiative. About half of the banks, 23, have signed all four of these initiatives.

Table 24 presents an overview of the number of banks that have adopted the different collective standards and initiatives evaluated in this research.

TABLE 24 OVERVIEW OF STANDARDS AND NUMBER OF SIGNATORIES IN THIS RESEARCH

Standard or initiative	Number of signatories
Carbon Disclosure Project	42
Equator Principles	36
UNEP Finance Initiative	35
Global Reporting Initiative	35
UN Global Compact	32
UN Principles for Responsible Investment	19
Wolfsberg Principles	13
Extractive Industries Transparency Initiative	8
Carbon Principles	6
Climate Principles	5

6.2 CONTENT OF POLICIES

As the relevance of adopting collective standards and initiatives is limited, banks need to develop adequate and robust investment policies themselves. When compared to the situation in 2007, more banks have developed policies that cover some of the sectors and issues. That is to say, more policies have been evaluated in this research. A lot of banks still do not disclose their policies and there might be very good policies with a major influence on a sector that is not published by a bank. Seven banks have no policies, or have not published their policies, at all: Bangkok Bank, Bank of China, China Construction Bank, DekaBank, Industrial and Commercial Bank of China, Kasikornbank and Nordea.

Table 25 further shows that Forestry and Military industry and arms trade are the sectors for which banks often develop policies. Within the issue policies, Climate change and Human rights are most popular. Compared to other sectors and issues, it seems that Human rights, Military industry and arms trade and Power generation all gained attention, because the number of polices has increased more than other sectors and issues since the previous report.

TABLE 25 NUMBER OF BANKS WHICH HAVE DEVELOPED SECTOR AND ISSUE POLICIES IN 2010 AND 2007

Sector policies	No. of banks in 2010	Part of total in 2010	Part of total in 2007	Issue policies	No. of banks in 2010	Part of total in 2010	Part of total in 2007
Agriculture	9	18%	20%	Biodiversity	11	22%	13%
Fisheries	6	12%	7%	Climate change	28	57%	69%
Forestry	16	33%	29%	Corruption	15	31%	-
Military industry and arms trade	24	49%	27%	Human Rights	24	49%	27%
Mining	11	22%	9%	Indigenous Peoples	13	27%	11%
Oil and Gas	11	22%	9%	Labour	13	27%	9%
Power generation	14	29%	9%	Operation in conflict zones	1	2%	-
				Taxation	3	6%	2%
				Toxics	5	10%	7%

None of the 49 banks have developed policies for all sectors and issues, although Barclays and WestLB come close: only Taxation and Operation in conflict zones are not covered by their policies. These banks also represent two common approaches to developing a policy. WestLB has developed one general *Social and Environmental Policy* which highlights the crucial issues and the ways the bank take these into account in their decision making on investments in various sectors. Other banks, such as Barclays, have developed policies for each sector, including the hot topics and the investments criteria of the bank. As banks can have a fairly good policy on one sector and a poor policy on the other with both approaches, the results of this research do not indicate that one of them is the best solution for drafting investment policies.

A few banks indeed have developed some sector policies which meet the essential elements of a good investment policy (Forestry, Military industry and arms trade). They can set an important example for other banks. Regarding issues, the quality of the policies is generally lower, with some policies covering just half of the essential elements. More specifically, the issue policies often only display the bank's commitment with regard to its own operations. Overall, the quality of the investment policies developed by the 49 banks researched is fairly poor. The content of many policies is vague, hardly expresses any commitment and usually lacks clear criteria and objectives.

6.3 TRANSPARENCY AND ACCOUNTABILITY

As investors, banks share a certain level of responsibility for the impacts of their clients' operations together with the managers and owners of these companies. Banks therefore have to inform the public not only about their own practices, but also about their clients' activities for which they provide financing. Hence, banks need to be as transparent and accountable as possible with regard to their investments in companies, projects and countries.

With regard to transparency there is some progress since the 2007 report. 44 out of the 49 banks (instead of 34 out of 45) now meet some basic level of transparency by publishing an externally verified annual sustainability report following the basic requirements of the GRI Sustainability Reporting Guidelines and its Financial Services Sector Supplements. Hardly any bank exceeds this basic level, by offering extensive insight into the investment policies it has developed. Regarding individual deals, transparency is much poorer. No bank publishes a list with the basic details of the deals it was involved in. Some provide a sector breakdown or the amount and number of projects reviewed under the Equator Principles.

Only 22 banks show a basic level of institutional accountability, by having internal or external audit system in place to audit its Environmental and Social Risk Management and its investment policies or use some form of stakeholder engagement. While 8 eight banks do use the AA 1000 Stakeholder Engagement Standard and receive two points, no bank exceeds this level by publishing both the results of the audits and use of the AA1000. Even fewer banks show any form of accountability to local communities and other stakeholders affected by specific deals the banks are involved in.

Overall, transparency and accountability of these 49 international banks is poor. Banks should therefore carefully consider how they can improve their transparency and accountability mechanisms.

6.4 FINAL REMARKS

When looking at the results of this study, it must be kept in mind that this study only provides an assessment of a bank's investment policies and that it does not judge the banks operations in total. There are other tools and studies to provide civil society with information regarding (operational) activities of banks. The dodgy deals pages on BankTrack's website for example show whether banks are involved in controversial projects and how they are exercising their influence to achieve sustainable development. The report underlines that the investment policies should be implemented in a rigorous and effective way, to ascertain that no clients are financed which do not meet the policies' criteria. And the report emphasizes that, in developing and implementing such policies, banks should be transparent and accountable to the outside world on the process and its results.

Furthermore, one should realize that this study is a snapshot on where 49 large, international banks stand in developing adequate investment policies on critical sectors and issues. While the snapshot does not show a very pleasant picture yet, BankTrack certainly acknowledges that several banks have made progress over the past few years. Many of them continue to move forward, which is illustrated among other things by the existence of various draft policies, which could not be taken into account in this study yet.

This report aims to encourage all 49 banks, as well as their peers which are not covered in this report, to move further and faster. Poor scores on specific sector and issue policies or on transparency and accountability practices should be regarded by each bank as an encouragement to improve their policies and practices, using the guidance provided in this report. Banks can be powerful and important agents of change, which can help to achieve sustainable development on the global level. Let's Close the Gap.

Appendix 1 Overview of all bank scores

No.	Bank	Agriculture	Fisheries	Forestry	Military industry and arms trade	Mining	Oil and gas	Power generation	Biodiversity	Climate change	Corruption	Human Rights	Indigenous Peoples	Labour	Operation in conflict zones	Taxation	Toxics	Transparency	Accountability
1	ABN Amro	0	0	1	1	1	1	1	1	1	1	2	1	2	0	0	1	2	0
2	ANZ	2	0	2	1	1	1	1	1	1	1	1	1	0	0	0	0	2	1
3	Banco Bradesco	0	0	0	0	1	1	1	1	1	1	1	1	1	0	0	1	3	0
4	Banco do Brasil	0	0	0	0	1	1	1	1	1	1	1	1	1	0	0	1	2	0
5	Bangkok Bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	Bank of America	0	0	2	0	1	1	1	1	1	0	0	1	0	0	0	0	1	0
7	Bank of China	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0
8	Bank of Tokyo	0	0	0	0	1	1	1	1	1	1	1	1	1	0	0	1	1	0
9	Barclays	1	1	1	1	1	1	1	1	1	1	2	1	2	0	0	1	2	0
10	BBVA	0	0	0	1	1	1	1	1	1	1	1	1	1	0	0	1	2	1
11	BNP Paribas	0	0	0	1	1	1	1	1	1	1	1	1	1	0	0	1	1	1
12	China Construction Bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0
13	Citi	1	1	2	1	1	1	1	1	1	1	1	1	1	0	0	0	1	1
14	Commonwealth Bank	0	0	0	0	0	0	0	1	1	1	1	1	1	0	0	1	1	0
15	Crédit Agricole	0	0	0	1	1	1	1	1	1	1	1	1	2	0	0	1	2	1
16	Credit Suisse	0	0	0	0	1	1	1	1	1	1	1	1	1	0	0	1	1	1
17	DekaBank	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0
18	Deutsche Bank	0	0	0	1	1	1	1	1	1	1	1	1	1	0	0	1	1	1
19	Dexia	0	0	0	1	1	1	1	1	1	1	1	1	1	0	0	1	2	1
20	Fortis	1	0	1	2	1	1	1	1	1	1	2	1	1	0	0	1	2	1
21	Goldman Sachs	0	0	2	0	1	1	0	1	1	1	0	2	0	0	0	0	1	1
22	HSBC	1	0	4	1	1	1	2	1	1	1	1	1	1	1	0	1	3	1
23	ICBC	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	2	1
24	Industrial Bank	0	0	0	0	1	1	1	1	1	1	0	1	0	0	0	0	1	0
25	ING	0	0	2	3	1	1	1	1	1	1	2	1	2	0	0	1	3	1
26	Intesa Sanpaolo	0	0	0	1	1	1	1	1	1	1	1	1	2	0	0	1	3	2
27	Itaú Unibanco	0	0	0	0	1	1	1	1	1	1	1	1	1	0	1	1	2	2
28	JPMorgan Chase	0	0	2	0	1	1	1	1	1	1	1	2	0	0	0	0	1	0
29	Kasikornbank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0
30	KBC	0	0	0	2	1	1	1	1	1	1	1	1	1	0	1	1	1	1
31	Mizuho	×	×	×	0	1	1	1	1	1	1	1	1	1	0	0	1	1	0
32	Morgan Stanley	0	0	2	0	0	0	1	1	1	1	1	2	0	0	0	0	0	0
33	National Australia Bank	0	0	0	0	1	1	1	1	1	1	0	1	0	0	0	0	2	2
34	Natixis	0	0	0	1	0	0	0	1	1	1	1	1	1	0	0	1	2	0
35	Nedbank	0	0	0	0	1	1	1	1	1	1	1	1	1	0	0	1	2	2
36	Nordea	0	0	0	0	1	1	1	1	1	1	1	1	1	0	0	1	2	1
37	Rabobank	3	3	2	3	2	2	1	1	1	1	2	2	2	0	0	1	2	2
38	RBC	0	×	1	2	1	1	1	1	1	2	0	1	0	0	0	0	1	1
39	RBS	0	0	0	1	1	1	1	1	1	1	1	1	1	0	0	1	2	2
40	Santander	1	1	1	1	1	1	1	1	1	2	2	1	1	0	0	1	2	2
41	Standard Chartered Bank	1	0	2	1	1	1	2	1	1	2	1	1	1	0	0	1	2	0
42	Scotiabank	0	0	0	0	1	1	1	1	1	0	0	1	0	0	0	0	1	2
43	SMBC	0	0	0	0	1	1	1	1	1	1	1	1	1	0	0	1	1	1
44	Société Générale	0	0	0	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1
45	Standard Bank	0	0	0	1	1	1	1	1	1	0	1	1	1	0	0	0	2	1
46	UBS	0	0	0	0	1	1	0	1	1	1	1	1	1	0	0	1	2	1
47	UniCredit	0	0	0	3	1	1	1	1	1	1	1	1	1	0	0	1	2	1
48	WestLB	1	1	2	1	1	1	2	1	1	1	2	1	2	0	0	1	1	1
49	Westpac	0	0	0	0	1	1	1	1	1	1	1	1	1	0	0	1	2	2

Appendix 2 References

1 WWF UK and BankTrack, "Shaping the Future of Sustainable Finance – Moving from Paper Promises to Performance", WWF UK and BankTrack, January 2006.
2 BankTrack, "Mind the Gap – Benchmarking credit policies of international banks", BankTrack, December 2007.
3 Agriculture vs protected areas, Sara Scher, Ecoagriculture Partners, on website ID21 (www.id21.org), Viewed in August 2009.
4 Agriculture, P.Smith e.a., in: Climate Change 2007: Mitigation - Contribution of Working Group III to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change, B. Metz e.a., Cambridge University Press, Cambridge / New York, August 2007; PEAT-CO_2 - Assessment of CO_2 emissions from drained peatlands in SE Asia, Aljosja Hooijer et al., Delft Hydraulics, Delft, 7 December 2006.
5 Livestock's Long Shadow - Environmental Issues and Options, Henning Steinfeld e.a., Food and Agriculture Organization, Rome, November 2006.
6 Livestock's Long Shadow - Environmental Issues and Options, Henning Steinfeld e.a., Food and Agriculture Organization, Rome, November 2006.
7 Website GRAIN (www.grain.org), Viewed in August 2009.
8 Website Oxfam International (www.oxfam.org.uk), Viewed in August 2009.
9 Website Rainforest Alliance (www.rainforest-alliance.org), Viewed in Augustus 2009.
10 Website FLO (www.fairtrade.net), Viewed in August 2009.
11 Website Sustainable Food Laboratory (www.sustainablefoodlab.org), Viewed in August 2009.
12 Segunda Minuta para Consulta Pública - Princípios e Critérios de Verificação, Iniciativa Brasileira sobre Verificação da Atividade Agropecuária, July 2009.
13 The OECD Guidelines for Multinational Enterprises - revision 2000, Organisation for Economic Co-operation and Development, Paris, June 2000.
14 Website HCV Resource Network (www.hcvnetwork.org), Viewed in August 2009.
15 Report of the Second Meeting of the Ad Hoc, Open-Ended, Inter-Sessional Working Group on Article 8(j) and Related Provisions of the Convention on Biological Diversity, UNEP/CBD/WG8J/2/6/Add.1, Washington D.C., 27 November 2001.
16 Convention on the Elimination of All Forms of Discrimination against Women, United Nations General Assembly, New York, 18 December 1979.
17 Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy - Fourth Edition, International Labour Organization (ILO), Genève, March 2006.
18 Social Responsibility Criteria for Companies that Purchase Soy and Soy Products - Outcome of a discussion among Brazilian environmental and social movements, February - May 2004.
19 Soy processors extend Amazon deforestation moratorium. Jess Halliday, FoodNavigator, 29 juli 2009.
20 Website Roundtable on Sustainable Palm Oil (www.rspo.org), Viewed in August 2009.
21 Website École Polytechnique Fédérale de Lausanne (cgse.epfl.ch), Viewed in August 2009; Global Principles and Criteria for Sustainable Biofuels Production, Version Zero for Global Stakeholder Feedback, EPFL Energy Center, Lausanne, 30 October, 2008.
22 Website Sustainable Food Laboratory (www.sustainablefoodlab.org), Viewed in August 2009.
23 Cramer criteria voor duurzame biomassa geformaliseerd. Press release NEN, Delft, 3 March 2009;
24 Website World Cocoa Foundation (www.worldcocoafoundation.org), Viewed in August 2009; Website Federation of Cocoa Commerce (www.cocoafederation.com), Viewed in August 2009.
25 Website Utz Certified (www.utzcertified.org), Viewed in August 2009; Website Max Havelaar (www.maxhavelaar.ch), Viewed in August 2009.
26 Website Better Cotton Initiative (www.bettercotton.org), Viewed in August 2009.
27 Estimating overcapacity in the global fishing fleet, Gareth Porter, WWF, Gland, 1998; Towards Sustainable Fishing, WTO, Genève, November 2007.

28 The state of World Fisheries and Aquaculture 2008, Food and Agriculture Organization of the United Nations, Rome, February 2009.

29 Impacts of Biodiversity Loss on Ocean Ecosystem Services, Boris Worm et al., Science Magazine Vol. 314. no. 5800, 3 November 2006, pp. 787 - 790.

30 Visserij in de Noordzee - Samen sterk voor een zee vol vis(sers), Kustwerkgroep van Natuurpunt, Oostende, 2008; Bottom trawling impacts, clearly visible from space. Elliott Norse, Marine Conservation Biology Institute, Boston, 15 February 2008.

31 Towards Sustainable Fishing, WTO, Genève, November 2007.

32 FAO, Rome Consensus on World Fisheries (1995).

33 Website WWF (www.panda.org), Viewed in August 2009.

34 Fish Dish - Exposing the unacceptable face of seafood, WWF International - Global Marine Programme, Gland, September 2006.

35 Website FAO (www.fao.org/fishery/topic/14798/en), Viewed in November 2009

36 The Changing Nature of High Seas Fishing: How Flags of Convenience Provide Cover for Illegal, Unreported and Unregulated Fishing, M. Gianni & W. Simpson, Australian Department of Agriculture, Fisheries and Forestry, International Transport Workers' Federation, and WWF International, 2005.

37 Website End of the Line (www.endoftheline.com), Viewed in August 2009.

38 The state of World Fisheries and Aquaculture 2008, Food and Agriculture Organization of the United Nations, Rome, February 2009.

39 United Nations Convention on the Law of the Sea, United nations, New York, 10 December 1982, Articles 118-119.

40 Agreement for the Implementation of the Provisions of the United Nations Convention on the Law of the Sea of 10 December 1982 relating to the Conservation and Management of Straddling Fish Stocks and Highly Migratory Fish Stocks, United Nations, New York, 8 September 1995, Article 5(a).

41 Code of Conduct for Responsible Fisheries, UN Food and Agriculture Organization, Rome, 1995, Article 7.2.1.

42 Agreement for the Implementation of the Provisions of the United Nations Convention on the Law of the Sea of 10 December 1982 relating to the Conservation and Management of Straddling Fish Stocks and Highly Migratory Fish Stocks, United Nations, New York, 8 September 1995, Article 5(d)-(e).

43 Code of Conduct for Responsible Fisheries, UN Food and Agriculture Organization, Rome, 1995, Article 6.2.

44 Policy Proposals and Operational Guidance for Ecosystem-Based Management of Marine Capture Fisheries, T. Ward, T. Tarte, E. Hegerl & K. Short, WWF International, Gland, 2002.

45 Agreement for the Implementation of the Provisions of the United Nations Convention on the Law of the Sea of 10 December 1982 relating to the Conservation and Management of Straddling Fish Stocks and Highly Migratory Fish Stocks, United Nations, New York, 8 September 1995, Article 5(h); FAO Fisheries Code, Article 6.3.

46 Code of Conduct for Responsible Fisheries, UN Food and Agriculture Organization, Rome, 1995, Article 7.2.1.

47 Code of Conduct for Responsible Fisheries, UN Food and Agriculture Organization, Rome, 1995, Article 7.6.10.

48 FAO, Rome Consensus on World Fisheries (1995).

49 Straddling Stocks Agreement, Article 5(h); FAO Fisheries Code, Articles 6.3, 7.1.8.

50 Code of Conduct for Responsible Fisheries, UN Food and Agriculture Organization, Rome, 1995, Article 6.6.

51 Code of Conduct for Responsible Fisheries, UN Food and Agriculture Organization, Rome, 1995, Article 7.6.4.

52 Code of Conduct for Responsible Fisheries, UN Food and Agriculture Organization, Rome, 1995, Article 8.4.2.

53 UN General Assembly Resolution Nos. 44-225, 45-197, and 46-215; ICCAT Recommendation by ICCAT Relating to Mediterranean Swordfish, ICCAT Rec. 03-04 (Nov. 2003) (banning all uses of driftnets in the Mediterranean Sea); European Union Ban on Driftnets in Mediterranean and Baltic Seas.

54 International Commission for the Conservation of Atlantic Tunas (ICCAT), Recommendation by ICCAT Concerning the Conservation of Sharks Caught in Association with Fisheries Managed by ICCAT (Oct. 2004); Inter-American Tropical Tuna Commission, Resolution on the Conservation of Sharks Caught in Association with Fisheries in the Eastern Pacific Ocean, Res. C-05-03, 24 June 2005.

55 International Plan Of Action For Reducing Incidental Catch Of Seabirds In Longline Fisheries, UN Food and Agriculture Organization, Rome, 1999; Website WWF (www.panda.org), Viewed in August 2009.

56 Report of the Expert Consultation on the Marking of Fishing Gear, Victoria, British Colombia,14-19 July 1991. FAO Fisheries Report 485, FIIT/R485, UN Food and Agriculture Organisation, Rome, July 1991; Supplement to FIIT/R485 (Sup.) " Recommendations on the Marking of Fishing Gear", UN Food and Agriculture Organisation, Rome, 1993.

57 Website Oceana (www.oceana.org), Viewed in August 2009.

58 Implementation of the International Plan of Action to Deter, Prevent and Eliminate Illegal, Unreported and Unregulated Fishing, UN Food and Agriculture Organization, Rome, 2002.

59 The Changing Nature of High Seas Fishing: How Flags of Convenience Provide Cover for Illegal, Unreported and Unregulated Fishing, M. Gianni & W. Simpson, Australian Department of Agriculture, Fisheries and Forestry, International Transport Workers' Federation, and WWF International, 2005.

60 FAO-CITES agreement promotes sustainable fish trade, UN Food and Agriculture Organization, 3 October 2006, Geneva/Rome.

61 Code of Conduct for Responsible Fisheries, UN Food and Agriculture Organization, Rome, 1995, Article 7.6.9.

62 Guidelines For The Ecolabelling Of Fish And Fishery Products From Marine Capture Fisheries, UN Food and Agriculture Organization, Rome, November 2005.

63 Website Marine Stewardschip Council (eng.msc.org), Viewed in August 2009.

64 Sustained growth of MSC labelled products continues, Press release MSC, London, 11 March 2008.

65 Countries welcome new guidelines on shrimp farming, UN Food and Agriculture Organization, Rome, 11 September 2006.

66 Code of Conduct for Responsible Fisheries, UN Food and Agriculture Organization, Rome, 1995, Article 9.

67 Website Global Aquaculture Alliance (www.gaalliance.org), Viewed in August 2009.

68 Guidance notes are not publicly available on the website of Barclays but can be obtained by anyone interested in receiving them.

69 State of the World's Forests 2009, Food and Agriculture Organisation, Rome, April 2009.

70 Websites USAID (www.usaid.gov) en World Bank (www.worldbank.org), Viewed in August 2009.

71 Pulping the South: Industrial Tree Plantations in the World Paper Economy, Ricardo Carrere and Larry Lohmann, World Rainforest Movement, Zed Books, London / New Jersey, 1996.

72 Website USAID (www.usaid.gov), Viewed in August 2009; State of the World's Forests 2009, Food and Agriculture Organisation, Rome, April 2009.

73 Website WWF International (www.panda.org), Viewed in August 2009.

74 Stern Review on the economics of climate change, Cambridge, 27 October 2006.

75 Forest Law Enforcement, Governance and Trade (FLEGT) - Proposal For An EU Action Plan, COM (2003) 251 final, European Commission, Brussels, 21 May 2003.

76 Forests in Post-Conflict Democratic Republic of Congo - Analysis of a Priority Agenda, Debroux, L., Hart, T., Kaimowitz, D., Karsenty, A. and Topa, G. (Eds.), A joint report by teams of the World Bank, Center for International Forestry Research (CIFOR) and others, Jakarta, February 2007.

77 Investigation Report - Cambodia: Forest Concession Management and Control Pilot Project (Credit No. 3365-KH and Trust Fund. 26419-JPN), Inspection panel of the World Bank, Washington, 30 March 2006.

78 Oosting, P., "The fate of forests to be cleared up at Copenhagen, How world leaders deal with forestation in the Copenhagen climate talks later this year presents a number of risks and opportunities for investors", *Ethical Investor*, September 2009.

79 Website WorldBank (web.worldbank.org), Viewed in August 2009.

80 Forest Law Enforcement, Governance and Trade (FLEGT) - Proposal For An EU Action Plan, COM (2003) 251 final, European Commission, Brussels, 21 May 2003.

81 Global Forest Footprints. How businesses around the world contribute to deforestation – the risks of inaction and the opportunity for change. Forest Footprint Disclosure Project, Global Canopy Foundation, Oxford, June 2009,

82 Footprints in the forest, FERN, Moreton in Marsh, February 2004.

83 Website FSC (www.fsc.org), Viewed in August 2009.

84 High Conservation Value Forests: The concept in theory and practice, WWF International, Gland, February 2007.

85 Website HCV Resource Network (www.hcvnetwork.org), Viewed in August 2009.

86 Working group of the Commission on Human Rights to elaborate a draft declaration in accordance with paragraph 5 of the General Assembly resolution 49/214 of 23 December 1994, Human Rights Council - Resolution 2006/2, Geneva, 29 June 2006.
87 Report of the Second Meeting of the Ad Hoc, Open-Ended, Inter-Sessional Working Group on Article 8(j) and Related Provisions of the Convention on Biological Diversity, UNEP/CBD/WG8J/2/6/Add.1, Washington D.C., 27 November 2001.
88 WWF Guidelines for Investment in Operations that Impact Forests, WWF, Gland, September 2003.
89 Global Forest Footprints. How businesses around the world contribute to deforestation – the risks of inaction and the opportunity for change. Forest Footprint Disclosure Project, Global Canopy Foundation, Oxford, June 2009.
90 SIPRI Yearbook 2009: Armaments, Disarmament and Inter-
national Security, Summary, SIPRI, Stockholm, June 2009.
91 SIPRI Yearbook 2008: Armaments, Disarmament and International Security, SIPRI, Stockholm, June 2008.
92 Arms Without Borders - Why a Globalised Trade Needs Global Controls, Amnesty International, Iansa and Oxfam International, October 2006; Close, H. and R. Isbister, "Good conduct? Ten years of the EU Code of Conduct on Arms Exports", *Saferworld*, June 2008.
93 Human Development Report 2003 - Millennium Development Goals: A compact among nations to end human poverty, United Nations Development Programme (UNDP), New York, June 2003.
94 Financing misery with public money - European Export Credit Agencies and the financing of arms trade, Marijn Peperkamp, Frank Slijper and Martin Broek, ENAAT Research Group, Amsterdam, May 2007.
95 International Trade Administration: National Export Strategy 2000, United States Trade Promotion Co-ordinating Committee, Washington, March 2000.
96 Small Arms Survey, "Small Arms Survey 2002: Counting the Human Cost", *Oxford University Press*, 2002, p. 63.
97 International Humanitarian Law in Brief, Website International Committee of the Red Cross (www.icrc.org), Viewed in August 2009.
98 Vandenbroucke, E., and Boer, R., "Worldwide investments in Cluster Munitions - a shared responsibility", *IKV Pax Christi and Netwerk Vlaanderen*, October 2009; Docherty, B. , "Staying True to the Ban on Cluster Munitions. Understanding the Prohibition on Assistance in the Convention on Cluster Munitions", *Human Rights Watch*, June 2009, pp. 18-19; IKV Pax Christi, "Press release: Ook investeringen in producenten van clustermunitie verboden", IKV Pax Christi, Utrecht, 8 December 2009.
99 20 Juli 2004 - Wet betreffende bepaalde vormen van collectief beheer van beleggingsportefeuilles, Federale Overheidsdienst Financien, Brussels, 9 March 2005.
100 België bant investeringen in clustermunitie - Nieuwe Belgische wet is wereldprimeur, Press release Netwerk Vlaanderen, Brussels, 2 March 2007.
101 UN arms embargoes: an overview of the last ten years, Oxfam International, London, 16 March 2006; Sanctions or restrictive measures in force (measures adopted in the framework of the CFSP), European Union - DG External Relations, April 2007 (http://ec.europa.eu/external_relations/cfsp/sanctions/measures.htm);
102 Council Common Position 2008/944/CFSP of 8 December 2008 defining common rules governing control of exports of military technology and equipment. Official Journal of the European Union, Brussels, 13 december 2008.
103 Overwhelming majority of world's governments vote to start work on an international Arms Trade Treaty, Press release Control Arms Campaign, London, 27 October 2006; Website Control Arms Campaign (www.controlarms.org), Viewed in August 2009; World's Biggest Arms Traders Promise Global Arms Treaty, Press release Control Arms Campaing, London, 30 October 2009.
104 Blood At The Crossroads. Making The Case For A Global Arms Trade Treaty, Amnesty International, London, November 2008; Israel-OPT. Fuelling conflict: foreign arms supplies to Israel/Gaza. Amnesty International, London, February 2009.
105 Compilation of Global Principles for Arms Transfers, Control Arms Campaign, London, 9 August 2006.
106 Women, communities and mining: the gender impacts of mining and the role of gender impact assessment, Oxfam Australia, December 2009.
107 Auty, R.M., "Sustaining Development in Mineral Economies - The Resource Curse Thesis", *Routledge*, London/New York, 1993.
108 Manhattan Pulls Out After $60 Million Tambogrande Loss, Business News America, February 2005.
109 Website International Maritime Organisation (www.imo.org), Viewed in August 2009.
110 Striking A Better Balance, World Bank Extractive Industries Review, Volume 1, Washington D.C., December 2003.
111 Website Association for Responsible Mining (www.communitymining.org), Viewed in August 2009.

112 Website EITI (www.eitransparency.org), Viewed in August 2009; Factsheet EITI, London, August 2005.
113 Website Publish What You Pay (www.publishwhatyoupay.org), Viewed in August 2009.
114 Striking A Better Balance: The Extractive Industries Review, World Bank, Washington, 2003.
115 General Assembly resolution 1803 (XVII) on “Permanent Sovereignty over Natural Resources”, United Nations, New York, 14 December 1962.
116 General Assembly resolution 2158 (XXI) on “Permanent Sovereignty over Natural Resources”, United Nations, New York, 25 November 1966.
117 Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy - Fourth Edition, International Labour Organization (ILO), Genève, March 2006.
118 Website Kimberley Process (www.kimberleyprocess.com), Viewed in August 2009.
119 Website Council for Responsible Jewellery Practices (www.responsiblejewellery.com), Viewed in August 2009.
120 Website Madison Dialogue (www.madisondialogue.org), Viewed in August 2009.
121 Website Roundtable on Sustainable Platinum Group Metals (www.sustainable-platinum.org), Viewed in August 2009.
122 Auty, R.M., “Sustaining Development in Mineral Economies - The Resource Curse Thesis”, *Routledge*, London/New York, 1993.
123 Manhattan Pulls Out After $60 Million Tambogrande Loss, Business News America, February 2005.
124 Website International Maritime Organisation (www.imo.org), Viewed in August 2009.
125 The fifteen Governments that have signed the OSPAR convention are Belgium, Denmark, Finland, France, Germany, Iceland, Ireland, Luxembourg, The Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and United Kingdom. Website OSPAR Convention (www.ospar.org), Viewed in November 2009.
126 Convention for the Protection of the Marine Environment of the North-East Atlantic (the “OSPAR Convention”), Paris, 22 September 1992.
127 OSPAR Decision 98/3 on the Disposal of Disused Offshore Installations, Ministerial Meeting of the OSPAR Commission, Sintra, 22-23 July 1998.
128 Guidelines for Minimising Acoustic Disturbance to Marine Mammals from Seismic Surveys, Joint Nature Conservation Committee, Aberdeen, April 2004; Website JNCC (www.jncc.gov.uk), Viewed in August 2009.
129 Website EITI (www.eitransparency.org), Viewed in August 2009; Factsheet EITI, London, August 2005.
130 Website Publish What You Pay (www.publishwhatyoupay.org), Viewed in August 2009.
131 Striking A Better Balance: The Extractive Industries Review, World Bank, Washington, 2003.
132 General Assembly resolution 1803 (XVII) on “Permanent Sovereignty over Natural Resources”, United Nations, New York, 14 December 1962.
133 General Assembly resolution 2158 (XXI) on “Permanent Sovereignty over Natural Resources”, United Nations, New York, 25 November 1966.
134 World Energy Outlook 2008, International Energy Agency, Paris, France, 2008.
135 Global Trends in Sustainable Energy Investment 2009 - Analysis of Trends and Issues in the Financing of Renewable Energy and Energy Efficiency, UNEP, Paris, France, June 2009.
136 Quality Kilowatts: A normative-empirical approach to the challenge of defining and providing sustainable electricity in developing countries, SINTEF Energy Research, June 2009.
137 Dams and Development: A New Framework for Decision-making - The Report of the World Commission on Dams, Earthscan Publications, London and Sterling, November 2000.
138 Uranium 2007: Resources, Production and Demand, Nuclear Energy Agency,
139 Nuclear Energy Outlook 2008, Nuclear Energy Agency, Issy-les-Moulineaux, France, 16 October 2008.
140 Citizen’s Guide to the World Commission on Dams, International Rivers Network, Berkeley, 2002; To Dam or not to Dam?: Five years on from the World Commission on Dams, WWF Global Freshwater Programme, Zeist, November 2005.
141 Millennium Ecosystem Assessment - Ecosystems and Human Well-being: Synthesis, Island Press, Washington DC, December 2005.
142 UN Convention on Biological Diversity, Rio de Janeiro, June 1992, Article 14.1(a).

143 Decisions Adopted By The Conference Of The Parties To The Convention On Biological Diversity At Its Sixth Meeting, The Hague, 7-19 April 2002.
144 Website UN Convention on Biological Diversity (www.cbd.int/2010-target/implementation/achievements.shtml), Viewed in November 2009.
145 UN Convention on Biological Diversity, Rio de Janeiro, June 1992, Article 8(a), 8(d).
146 United Nations Convention on the Law of the Sea, United Nations, New York, 10 December 1982.
147 Convention Concerning the Protection of the World Cultural and Natural Heritage, UNESCO, Paris, November 1972.
148 Convention on Wetlands of International Importance especially as Waterfowl Habitat, Ramsar, Iran, 2 February 1971, as amended by the Protocol of 3 December 1982 and the Amendments of 28 May 1987, Unesco, Paris, 13 July 1994.
149 Council Directive of 21 May 1992 on the conservation of habitats and of wild fauna and flora (92/43/EEC), European Commission, Brussels, 21 May 1992.
150 Website HCV Resource Network (www.hcvnetwork.org), Viewed in August 2009.
151 Convention on the Conservation of Migratory Species of Wild Animals, Unesco, Bonn, June 1979.
152 See among others: International Convention for the Regulation of Whaling (1946); Agreement on the Conservation of Polar Bears (1973); North Pacific Fur Seal Convention (1911); Convention for the Conservation of Antarctic Seals (1972); Inter-American Convention for the Conservation of Sea Turtles (1996).
153 UN Convention on Biological Diversity, Rio de Janeiro, June 1992.
154 United Nations Convention on the Law of the Sea, United Nations, New York, 10 December 1982, Article 196.
155 UN Convention on Biological Diversity, Rio de Janeiro, June 1992.
156 Cartagena Protocol on Biosafety to the Convention on Biological Diversity, Cartagena, January 2000.
157 UN Convention on Biological Diversity, Rio de Janeiro, June 1992, Article 15(5).
158 Website Business and Biodiversity (www.businessandbiodiversity.org), Bezocht in augustus 2008; Website Wildlife Trusts (www.wildlifetrusts.org), Bezocht in augustus 2008.
159 Biodiversity, the next challenge for financial institutions?, Ivo Mulder, IUCN, Gland, June 2007.
160 Climate Change 2007: The Physical Science Basis - Contribution of Working Group I to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change, S. Solomon, D. Qin, M. Manning, Z. Chen, M. Marquis, K.B. Averyt, M.Tignor and H.L. Miller (eds.), Cambridge University Press, March 2007; Stern Review on the economics of climate change, Cambridge, 27 October 2006.
161 Climate Change 2007: The Physical Science Basis - Contribution of Working Group I to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change, S. Solomon, D. Qin, M. Manning, Z. Chen, M. Marquis, K.B. Averyt, M.Tignor and H.L. Miller (eds.), Cambridge University Press, March 2007.
162 Climate Change 2007: Impacts, Adaptation and Vulnerability - Working Group II Contribution to the Intergovernmental Panel on Climate Change Fourth Assessment Report, IPCC, Geneva, 13 April 2007; Stern Review on the economics of climate change, Cambridge, 27 October 2006.
163 A Challenging Climate 2.0: what banks must do to combat climate change, BankTrack, December 2009.
164 Website GHG Protocol (www.ghgprotocol.org), Viewed in September 2009.
165 Website Carbon Disclosure Project (www.cdproject.net), Viewed in September 2009.
166 Website Carbon Disclosure Standards Board (www.cdsb-global.org), Viewed in September 2009.
167 Climate Solutions: WWF's vision for 2050, Karl Mallon, Greg Bourne and Richard Mott, WWF International, Gland, May 2007.
168 Investing In Sustainability - Progress and performance among the UK's listed house-builders – revisited, WWF UK en Insight Investment, September 2005.
169 Environmentally sustainable transport. Futures, strategies and best practices. Guidelines for environmentally sustainable transport (EST) presented and endorsed at the international conference held from 4th to 6th October 2000 in Vienna, Austria, OECD.
170 Global Corruption Report 2009. Corruption and the Private Sector. Transparency International, September 2009; Website Transparency International (www.transparency.org), Viewed in October 2009.
171 Undue Diligence: how banks do business with corrupt regimes. Global Witness, March 2009.

172 Global Corruption Report 2009. Corruption and the Private Sector. Transparency International, September 2009; Website Transparency International (www.transparency.org), Viewed in October 2009.
173 United Kingdom: Phase 2bis: report on the application of the convention on combating bribery of foreign public officials in international business transactions and the 1997 recommendation on combating bribery in international business transactions. OECD, Paris, October 2008; Progress Report OECD Anti-Bribery Convention 2009. Transparency International, Berlin, June 2009.
174 Leaders' Statement: The Pittsburgh Summit, 24-25 September 2009 (www.pittsburghsummit.gov/mediacenter/129639.htm).
175 Website Wolfsberg Group (www.wolfsberg-principles.com), Viewed in October 2009.
176 Universal Declaration of Human Rights, United Nations General Assembly resolution 217 A (III), United Nations, New York, 10 December 1948.
177 Universal Declaration of Human Rights, United Nations General Assembly resolution 217 A (III), United Nations, New York, 10 December 1948.
178 The UN Human Rights Norms For Business: Towards Legal Accountability, Margaret Wachenfeld, Amnesty International, London, January 2004.
179 Human Rights, Banking Risks – Incorporating Human Rights Obligations in Bank Policies, BankTrack, Utrecht, February 2007. See also 'protect, respect and remedy; a framework for business and human rights' Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, Dr. John Ruggie
180 Universal Declaration of Human Rights, United Nations General Assembly resolution 217 A (III), United Nations, New York, 10 December 1948.
181 International Covenant on Civil and Political Rights, United Nations General Assembly Resolution 2200A(XXI) UN Doc. A/6316 (1966), United Nations, New York, 16 December 1966; International Covenant on Economic, Social and Cultural Rights, United Nations General Assembly Resolution 2200A (XXI), U.N. Doc. A/6316 (1966), United Nations, New York, 16 December 1966.
182 Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights, United Nations Sub-Commission on the Promotion and Protection of Human Rights resolution 2003/16 - UN Doc. E/CN.4/Sub.2/2003/12/Rev.2, United Nations, New York, August 2003.
183 Website Amnesty International (www.amnesty.org), Viewed in September 2009.
184 Promotion and Protection of all Human Rights, Civil, Political, Economic, Social and Cultural Rights, including the Right to Development - Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, Artikel 107, Dr. John Ruggie, Human Rights Council, New York, 7 April 2008.
185 Website Office of the United Nations High Commissioner for Human Rights (http://www2.ohchr.org/english/issues/trans_corporations/index.htm), Viewed in August 2009; Protect, Respect and Remedy: a Framework for Business and Human Rights - Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises (A/HRC/8/5), United Nations, New York, 7 April 2008.
186 Business and human rights: Towards operationalizing the "protect, respect and remedy" framework, United Nations Human Rights Council (A/HRC/11/13), 22 April 2009.
187 Website UN Global Compact (www.unglobalcompact.org), Viewed in September 2009.
188 Human Rights, Banking Risks – Incorporating Human Rights Obligations in Bank Policies, BankTrack, Utrecht, February 2007.
189 Extracting Sustainable Advantage? A review of how sustainability issues have been dealt with in recent IFC & MIGA extractive industries projects, World Bank Compliance Advisor Ombudsman, Washington DC, April 2003.
190 "Study Guide: The Rights of Indigenous Peoples", Website University of Minnesota, Human Rights Library (www1.umn.edu/humanrts/edumat/studyguides/indigenous.html), Viewed in January 2010;
191 Finding Common Ground: Indigenous Peoples and Their Association with the Mining Sector, IIED & MMSD, London, January 2004.
192 Website Business for Social Responsibility (www.bsr.org), Viewed in September 2009.
193 International Covenant of Economic, Social and Cultural Rights, Geneva, 1966; The International Covenant of Civil and Political Rights, Geneva, 1976, Article 1.

194 Working group of the Commission on Human Rights to elaborate a draft declaration in accordance with paragraph 5 of the General Assembly resolution 49/214 of 23 December 1994, Human Rights Council - Resolution 2006/2, Geneva, 29 June 2006; United Nations adopts Declaration on Rights of Indigenous Peoples, Press release United Nations, New York, 13 September 2007.
195 Working group of the Commission on Human Rights to elaborate a draft declaration in accordance with paragraph 5 of the General Assembly resolution 49/214 of 23 December 1994, Human Rights Council - Resolution 2006/2, Geneva, 29 June 2006.
196 Convention Concerning Indigenous and Tribal Peoples in Independent Countries, ILO Convention No. 169, Geneva, 27 June 1989, Articles 13-15.
197 Report of the Second Meeting of the Ad Hoc, Open-Ended, Inter-Sessional Working Group on Article 8(j) and Related Provisions of the Convention on Biological Diversity, UNEP/CBD/WG8J/2/6/Add.1, Washington D.C., 27 November 2001.
198 Finding Common Ground: Indigenous Peoples and Their Association with the Mining Sector, IIED & MMSD, London, January 2004.
199 Vienna Declaration and Programme of Action, adopted by the World Conference on Human Rights, Vienna, 25 June 1993, Part I, Paragraph 10.
200 Working group of the Commission on Human Rights to elaborate a draft declaration in accordance with paragraph 5 of the General Assembly resolution 49/214 of 23 December 1994, Human Rights Council - Resolution 2006/2, Geneva, 29 June 2006.
201 Convention Concerning Indigenous and Tribal Peoples in Independent Countries, ILO Convention No. 169, Geneva, 27 June 1989, Article 7.1.
202 Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights, United Nations Sub-Commission on the Promotion and Protection of Human Rights resolution 2003/16 - UN Doc. E/CN.4/Sub.2/2003/12/Rev.2, United Nations, New York, August 2003, Paragraph 10.
203 Dams and Development: A New Framework for Decision-making - The Report of the World Commission on Dams, Earthscan Publications, London and Sterling, November 2000.
204 Strategies and Procedures on Socio-Cultural Issues as Related to the Environment, Inter-American Development Bank, Environment Committee, Washington D.C., June 1990.
205 UNDP and Indigenous Peoples: A Policy of Engagement, U.N. Development Programme, New York, August 2001.
206 Convention Concerning Indigenous and Tribal Peoples in Independent Countries, ILO Convention No. 169, Geneva, 27 June 1989.
207 International Finance Corporation's Performance Standards on Social & Environmental Sustainability, International Finance Corporation, Washington, 30 April 2006.
208 Operational Policy on Indigenous Peoples - Draft, Inter-American Development Bank, Washington D.C., September 2005.
209 Broad backing for new UN guidelines to eliminate caste discrimination. Press release IDSN and Anti-Slavery International, Geneva, 17 September 2009.
210 Beijing Declaration of Indigenous Women - NGO Forum, UN Fourth World Conference on Women, Article 44, 1995.
211 Development Without Conflict: The Business Case for Community Consent, Steven Herz, Jonathan Sohn, Antonio La Vina, World Resources Institute, Washington, May 2007.
212 Website United Nations Population Fund (www.unfpa.org), Viewed in September 2009.
213 A full overview is to be found in the Ilolex database (www.ilo.org/ilolex/).
214 Freedom of Association and Protection of the Right to Organize Convention, ILO Convention No. 87 (1948); Right to Organize and Collective Bargaining Convention, ILO Convention No. 98 (1949).
215 Forced Labour Convention, ILO Convention No. 29 (1930); Abolition of Forced Labour Convention, ILO Convention No. 105 (1957).
216 Minimum Age Convention, ILO Convention No. 138 (1973); Worst Forms of Child Labour Convention, ILO Convention No. 182 (1999).
217 Discrimination (Employment and Occupation) Convention, ILO Convention No. 111 (1958); Equal Remuneration Convention, ILO Convention No. 100 (1951).
218 Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy - Fourth Edition, International Labour Organization (ILO), Geneva, March 2006.

219 Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy - Fourth Edition, International Labour Organization (ILO), Geneva, March 2006, Articles 16, 18, 20.
220 Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy - Fourth Edition, International Labour Organization (ILO), Geneva, March 2006, Article 22.
221 Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy - Fourth Edition, International Labour Organization (ILO), Geneva, March 2006, Articles 25-27.
222 Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy - Fourth Edition, International Labour Organization (ILO), Geneva, March 2006, Articles 30, 32.
223 Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy - Fourth Edition, International Labour Organization (ILO), Geneva, March 2006, Article 34.
224 Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy - Fourth Edition, International Labour Organization (ILO), Geneva, March 2006, Article 38.
225 Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy - Fourth Edition, International Labour Organization (ILO), Geneva, March 2006, Article 57.
226 Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy - Fourth Edition, International Labour Organization (ILO), Geneva, March 2006, Article 58.
227 Website UN Global Compact (www.unglobalcompact.org), Viewed in September 2009.
228 Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights, United Nations Sub-Commission on the Promotion and Protection of Human Rights resolution 2003/16 - UN Doc. E/CN.4/Sub.2/2003/12/Rev.2, United Nations, New York, August 2003.
229 The OECD Guidelines for Multinational Enterprises - Revision 2000, OECD, Paris, June 2000.
230 Convention on the Rights of the Child - Adopted and opened for signature, ratification and accession by General Assembly resolution 44/25 of 20 November 1989, entry into force 2 September 1990, in accordance with article 49, United Nations, New York, September 1990.
231 Website ILO SafeWork (www.ilo.org/public/english/protection/safework/standard.htm), Viewed in September 2009.
232 Beyond deaths and injuries: The ILO's role in promoting safe and healthy jobs, dr. Sameera Al-Tuwaijri et al., ILO, Genève, June 2008.
233 Prepared Remarks by SRSG Dr. John G. Ruggie, Public Hearings on Business and Human Rights, Sub-Committee on Human Rights, European Parliament, Brussels, 16 April 2009.
234 From Conflict to Peacebuilding – the Role of Natural Resources and the Environment, United Nations Environment Programme, Nairobi, 2009.
235 Business and human rights: The Role of business in weak governance zones, International Organisation of Employers, International Chamber of Commerce and the Business and Industry Advisory Committee, Geneva, December 2006.
236 Follow the Money: The Finance of Illicit Resource Extraction, Jonathan M. Winer and Trifin J. Roule, contribution in Natural Resources and Violent Conflict, The World Bank, Washington D.C., 2006
237 The social irresponsibility of corporate tax avoidance: Taking CSR to the bottom line", John Christensen and Richard Murphy, Development, 47 (3), 2004, p. 37-44.
238 Secrecyjurisidictions.com, Glossary, Richard Murphy, 2009 http://www.secrecyjurisdictions.com/component/glossary/?id=194
239 Closing the floodgates: collecting tax to pay for development - Report commissioned by the Norwegian Ministry of Foreign Affairs, Tax Justice Network, London, February 2007.
240 The Price of Offshore, The Tax Justice Network, 2005
241 Death and Taxes, Christian Aid, 2008
242 Resolution of the Council and of the Representatives of the Governments of the Member States meeting within the Council on 1 December 1997 on a code of conduct for business taxation, Official Journal of the European Communities, Brussels, 6 January 1998.
243 Harmful tax competition: An emerging global issue, Organisation for Economic Co-operation and Development, Paris, January 1998, p 21-23.

244 List of Unco-operative Tax Havens, Website OECD (www.oecd.org), Viewed in August 2009.
245 The OECD Guidelines for Multinational Enterprises - revision 2000, Organisation for Economic Co-operation and Development, Paris, June 2000.
246 Code of Conduct on Taxation – Exposure Draft, Richard Murphy, Association for Accountancy and Business Affairs & Tax Justice Network UK, London, May 2007.
247 Responsible Tax, Henderson Global Investors, London, October 2005.
248 Website EITI (www.eitransparency.org), Viewed in September 2009; EITI Fact Sheet. EITI, Oslo, May 2009.
249 Richard Murphy. Country by country reporting: holding multinational corporations to account wherever they are. Task Force on Financial Integrity and Economic Development, 2009
250 IASB issues convergence standard on segment reporting, Press release International Accounting Standards Board, London, 30 November 2006.
251 Performance Indicator EC1, Website Global Reporting Initiative, Viewed in September 2009.
252 Website WWF International (www.panda.org/about_our_earth), Viewed in September 2009.
253 Website WWF International (www.panda.org/about_our_earth), Viewed in September 2009.
254 Montreal Protocol on Substances that Deplete the Ozone Layer, and adjustments and amendments, Ozone Secretariat UNEP, Nairobi, May 2000.
255 Stockholm Convention on Persistent Organic Pollutants, Stockholm, 23 May 2001; Stockholm Convention: "New POPs" - Screening Additional POPs Candidates, WWF, Gland, April 2005; Governments unite to step-up reduction on global DDT reliance and add nine new chemicals under international treaty. Press release Stockholm Convention, Geneva, 9 May 2009.
256 Website Biological and Toxin Weapons Convention (www.opbw.org), Viewed in September 2009.
257 WHO Recommended Classification of Pesticides by Hazard and Guidelines to Classification 2004, International Programme on Chemical Safety, WHO, Geneva, June 2006.
258 Stockholm Convention on Persistent Organic Pollutants, Stockholm, 23 May 2001, Article 3b and Article 5.
259 Strategic Approach to International Chemicals Management, Website UNEP (www.unep/ch/saicm), Viewed in September 2009.
260 Beyond REACH – Chemical safety and sustainability concerns, Ethical Investment Research Services, London, May 2006.
261 Beyond REACH – Chemical safety and sustainability concerns, Ethical Investment Research Services, London, May 2006.
262 Johannesburg Plan of Implementation, United Nations, New York, August 2003; Beyond REACH – Chemical safety and sustainability concerns, Ethical Investment Research Services, London, May 2006.
263 Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal, first proposed in 1987, Basel, 2 December 2005.
264 The Basel Ban, Decision II/12, adopted at the Second Conference of the Parties of the Basel Convention, Geneva, 25 March 1994; Website Basel Action Network (www.ban.org), Viewed in September 2009.
265 Rotterdam Convention on Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, Rotterdam, 1998; Website Rotterdam Convention (www.pic.int), Viewed in September 2009.
266 Website FAO (www.fao.org), Viewed in September 2009.
267 Beyond REACH – Chemical safety and sustainability concerns, Ethical Investment Research Services, London, May 2006.
268 Guide to Greener Electronics - Version 12, Greenpeace International, Amsterdam, July 2009.
269 For example, Italy-based Banca Etica not only publishes information about its loans (names, terms of contract, including the capital amount granted), but it also discloses which deals are pending for review by an external "Ethical Committee".
270 Website Global Reporting Initiative (www.globalreporting.org), Viewed in October 2009.
271 Website IFC (www.ifc.org), Viewed in October 2009.
272 "Narrowing the Accountability Gap: Toward a New Foreign Investor Accountability Mechanism", Natalie L. Bridgeman and David B. Hunter, Georgetown International Environmental Law Review, Volume 20.
273 The do's and don'ts of sustainable banking, BankTrack, Utrecht, 28 November 2006.
274 Website AccountAbility (www.accountability21.net), Viewed in August 2007.
275 See for instance the World Bank Inspection Panel, IFC's and MIGA's Compliance Advisor/Ombudsman, the EBRD's Independent Recourse Mechanism, and the JBIC's Efforts for Environmental Conservation, Viewed in October 2009.

276 The do's and don'ts of sustainable banking, BankTrack, Utrecht, 28 November 2006.
277 Thomson One Database, Viewed in January 2009; Thomson Reuters Debt Capital Markets Review, 4th quarter 2009, 31 December 2009.
278 Thomson One Database, Viewed in December 2009.
279 Matisoff, A. and M. Chan, "The Green Evolution", Friends of the Earth US / BankTrack, November 2008, available as of 26 March 2010 at: http://www.banktrack.org/download/the_green_evolution_environmental_policies_and_practice_in_the_chinese_banking_sector/green_evolution_2008_foe_final.pdf
280 Matisoff, A. and M. Chan, "The Green Evolution", Friends of the Earth US / BankTrack, November 2008, available as of 26 March 2010 at: http://www.banktrack.org/download/the_green_evolution_environmental_policies_and_practice_in_the_chinese_banking_sector/green_evolution_2008_foe_final.pdf
281 Matisoff, A. and M. Chan, "The Green Evolution", Friends of the Earth US / BankTrack, November 2008, available as of 26 March 2010 at: http://www.banktrack.org/download/the_green_evolution_environmental_policies_and_practice_in_the_chinese_banking_sector/green_evolution_2008_foe_final.pdf
282 Matisoff, A. and M. Chan, "The Green Evolution", Friends of the Earth US / BankTrack, November 2008, available as of 26 March 2010 at: http://www.banktrack.org/download/the_green_evolution_environmental_policies_and_practice_in_the_chinese_banking_sector/green_evolution_2008_foe_final.pdf
283 An Enhanced Approach To Embedding Environmental, Social And Governance (ESG) Considerations In Business And Institutional Lending, Westpac, June 2007.

BankTrack
Vismarkt 15
6511 VJ Nijmegen
Netherlands
T: 31-24-3249220
E: info@banktrack.org
www.banktrack.org