

RELATÓRIO DE PESQUISA 2018

Uma análise das
políticas e diretrizes
socioambientais dos
nove maiores bancos
do Brasil



GuiaDosBancos® Responsáveis

Relatório de Pesquisa 2018

Uma análise das políticas e diretrizes
socioambientais dos nove maiores bancos do Brasil

Novembro de 2018



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NOTAS

Os bancos serão citados sempre em ordem alfabética. Nos destaques por tema, quando as notas forem diferentes, a citação será em ordem decrescente de nota.

Todos os documentos citados são públicos e disponibilizados nos websites das respectivas instituições financeiras.



GLOSSÁRIO / GUIA DE ABREVIações

BCB: Banco Central do Brasil

Cerflor: Certificação brasileira de manejo florestal

CLT: Consolidação das Leis do Trabalho

CVM: Comissão de Valores Mobiliários

Elementos de Avaliação: Unidades básicas que refletem princípios, a partir dos quais são avaliados os bancos

FEBRABAN: Federação Brasileira de Bancos

FFGI: Fair Finance Guide International

FSC: *Forest Stewardship Council*

GEEs: Gases do Efeito Estufa

GBR: Guia dos Bancos Responsáveis

GRI: Global Reporting Initiative

IBAMA: Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis

IFC: *International Finance Corporation*

MPMEs: Micro, Pequenas e Médias Empresas

OIT: Organização Internacional do Trabalho

ONU: Organização das Nações Unidas

Profundo: Consultoria holandesa responsável pela metodologia do Fair Finance Guide International

PRSA: Política de Responsabilidade Socioambiental

RSA: Responsabilidade Socioambiental

SARB: Sistema de Autorregulação Bancária da Febraban

SNUC: Sistema Nacional de Unidades de Conservação da Natureza



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1. INTRODUÇÃO

Quase todos os brasileiros utilizam os serviços prestados pelos bancos – seja para receber salário, movimentar dinheiro, fazer poupança, investimentos ou empréstimos (ou tudo isso junto). Dessa forma, remuneramos os bancos de várias formas: principalmente pelas tarifas e juros que pagamos e serviços que contratamos. Se guardamos dinheiro neles ou fazemos algum investimento, o dinheiro que fica lá é repassado por meio de empréstimos para terceiros. Mas o cliente não sabe quem são esses terceiros.

Com o nosso dinheiro, o banco aumenta seu capital e pode fazer mais investimentos que considere estratégicos. Ou ainda, pode emprestar para empresas ou projetos dos mais diversos setores. E se você usa um banco ou subsidiária dele para canalizar seus investimentos, ele também influenciará sobre onde seu dinheiro será investido.

Para permitir que você tome decisões mais conscientes de serviços financeiros, o Idec desenvolve desde 2011 o GBR. Nele, você pode saber quais os padrões exigidos pelos bancos para as empresas que ele financia e investimentos que ele faz. E também se ele é transparente, respeita o direito dos consumidores e se promove a inclusão financeira e a igualdade de gênero.

E se você não gostar da conduta do seu banco, reclame. O site do GBR permite que você envie mensagens de satisfação ou insatisfação com seu banco, deixando-o assim atento às melhores práticas. Se sua opção for mudar para um banco mais responsável, o site também te explica como mudar de banco.

A edição de 2018 do estudo de políticas de responsabilidade socioambiental do GBR apresenta duas novidades, a inclusão de mais um banco e um novo tema “Igualdade de Gênero”.

Com a inclusão do Banco Nacional de Desenvolvimento Econômico e Social (BNDES), passando de 8 para 9 bancos avaliados (Banco do Brasil, Bradesco, BNDES, BTG Pactual, Caixa, Itaú-Unibanco, Safra, Santander e Votorantim). O banco de desenvolvimento brasileiro é o 5º maior banco em ativos do País e tem grande relevância em diversos setores basilares para a economia brasileira pois é um agente executor de políticas públicas do governo federal. Está presente no microcrédito, no financiamento a grandes projetos e por meio de seus investimentos fortalece os “campeões nacionais”. Suas operações podem ser diretas ou indiretas, esta última por meio de outros bancos.



Com a inclusão do tema “Igualdade de Gênero”, o estudo passou a avaliar 18 temas agrupados em três categorias (transversais, setoriais e operacionais):

Temas transversais: Mudanças climáticas, Corrupção, Igualdade de gênero, Direitos humanos, Direitos trabalhistas, Meio ambiente e Impostos

Temas setoriais: Armas, Alimentos, Florestas, Setor imobiliário e habitação, Mineração, Óleo e gás e Geração de energia

Temas operacionais: Direitos do consumidor, Inclusão financeira, Remuneração e Transparência e prestação de contas

Vale destacar que apesar da grande diferença do perfil econômico e financeiro entre os bancos, a avaliação de políticas reflete uma variável que não segue a dimensão de participação do banco no mercado e também da sua carteira de ativos. A forma como os bancos tornam públicas suas políticas de investimentos e sustentabilidade poderia refletir melhor essa variável. A adoção de políticas, como será visto na análise dos elementos, aponta para pequenas ações, como a simples publicação da política existente já contribuiria para dar mais transparência e apontar o compromisso dos bancos e das empresas que recebem os financiamentos.

O objetivo final da avaliação de políticas dos bancos é promover o desenvolvimento sustentável, através de investimentos que reduzam os impactos ao meio ambiente, respeito a igualdade de gênero, direitos humanos e trabalhistas. Já que os bancos são responsáveis por financiar todas as atividades econômicas, eles têm um papel primordial de zelar por essas questões. Bem como proporcionar aos clientes das instituições bancárias mais subsídios que possibilitem a escolha de bancos comprometidos e transparentes para movimentar seu dinheiro, investirem e guardarem suas economias.

O GBR é parte do Fair Finance Guide international (Guia Internacional de Finanças Responsáveis), formado pela coalizão internacional de onze países (Alemanha, Brasil, Bélgica, França, Holanda, Índia, Indonésia, Japão, Noruega, Suécia e Tailândia) e coordenado pela [Oxfam Novib](#).

A metodologia é desenvolvida pela consultoria holandesa Profundo juntamente das organizações da sociedade civil que compõem as coalizões em cada um dos países do FFGI. Ela passa por revisões a cada dois anos baseadas nas sugestões dos bancos avaliados em todos os países da rede e atualizando-se com os padrões e desenvolvimentos internacionais em matérias de responsabilidade social corporativa mais recentes.

2. PROCESSO DE PESQUISA

A avaliação de políticas socioambiental dos bancos no âmbito do Fair Finance Guide International é bienal e acontece nos 11 países da rede. No intervalo são feitos



estudos de caso e também uma atualização da metodologia, que é internacional e unificada para todos os membros do FFG desde 2014.

Documentos utilizados

A avaliação foi realizada a partir de documentos públicos disponibilizados pelos bancos em suas páginas virtuais. Os documentos são dos mais diversos, e incluem questões financeiras, de governança e de sustentabilidade, dentre outras. No total foram utilizados 272 documentos. Buscamos todos os documentos que poderiam conter políticas e diretrizes dos bancos em seus *sites* de sustentabilidade, de relações com investidores, de relacionamento com o cliente, entre outros.

Dentre os principais documentos analisados estão: Relatório Anual, Relatório de Sustentabilidade, PRSA, Relatório de Ouvidoria, Código de Ética, Política de Privacidade, Relatório de Gerenciamento de Riscos, Formulário de Referência, Demonstrações Financeiras Consolidadas (em IFRS e BRGAAP), Programa de Integridade, políticas setoriais ou temáticas, páginas de educação financeira e páginas de crédito à pessoa física.

Grande parte desses documentos atendem às exigências internacionais de gestão de governança e auditoria fiscal, como é o caso do relatório anual e de sustentabilidade. A maioria dos bancos os elabora em conformidade com padrões internacionais de relatoria, sobretudo o Global Reporting Initiative (GRI). Na seção do tema “Transparência e Prestação de Contas”, a utilização desses padrões é analisada.

Escolha das Instituições Financeiras

Foram analisados os nove maiores bancos do País, segundo o total de ativos: Banco do Brasil (BB), Itaú Unibanco, Caixa Econômica Federal (CEF), Banco Bradesco, Banco Nacional de Desenvolvimento Econômico e Social (BNDES), Santander Brasil, BTG Pactual, Banco Safra e Banco Votorantim.

O BNDES, que é um banco de desenvolvimento, passou a fazer parte da análise neste ano de 2018, dada sua relevância no contexto nacional. Entretanto, ele tem várias singularidades por não ser um banco de varejo, que serão pontuadas ao longo do relatório.

Tabela 1 - Classificação dos bancos por total de ativos

Banco	Ativo total (em R\$ milhões)
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BB	1.448,9
Itaú	1.387,5
Caixa	1.272,4
Bradesco	1.071,3
BNDES	836,2
Santander	728,5
BTG Pactual	171,1
Safra	161,0
Votorantim	98,1

Fonte: IF.data, BCB. Dados de 06/2018.

Etapas da pesquisa

A presente avaliação de políticas dos bancos estendeu-se de julho a novembro de 2018. A seguir, são detalhadas as etapas que foram seguidas pelo GBR, em conformidade com as práticas estabelecidas e seguidas em todos os países participantes do FFGI.

Primeira etapa – início da avaliação: anúncio aos bancos sobre o início da pesquisa e chamada para comentar sobre a metodologia de avaliação, para que seus comentários fossem levados para a próxima atualização metodológica, que ocorrerá em 2019. O Idec também convidou-os para reuniões objetivando esclarecer o papel da instituição no processo de pesquisa e para detalhar o funcionamento do projeto e da metodologia.

Segunda etapa – análise documental: coleta e apreciação de documentos públicos, banco por banco. Após a coleta, esses documentos foram analisados em busca das políticas avaliadas em cada um dos temas pesquisados. Quando uma política era encontrada, a pontuação devida era atribuída em uma planilha com todos os elementos de avaliação da metodologia, colocando a referência de onde foi encontrada a política (documento, página e citação). A planilha é explicada na seção de metodologia.



Terceira etapa – revisão interna e externa: primeiramente é feita a revisão das avaliações, banco por banco, internamente ao próprio Idec. Posteriormente as planilhas são remetidas à consultoria holandesa Profundo, que audita os resultados e faz o controle de qualidade, garantindo a consistência na aplicação da metodologia em todos os 11 países da rede FFGI. Ao receber os comentários da Profundo, são feitos os ajustes necessários e as notas de todos os bancos são consolidadas.

Quarta etapa – revisão pelos bancos: cada banco recebeu sua planilha individual e teve um prazo para responder esclarecimentos requisitados pelos responsáveis pela pesquisa e averiguar se houve alguma imprecisão na compreensão de suas políticas. Também foi dado espaço para os bancos se comprometerem por escrito com mudanças até a próxima avaliação de políticas do GBR, em 2020. Foram enviadas orientações detalhadas para a revisão e recomendações de mudanças simples que poderiam ser feitas no próximo ano.

Na mesma correspondência sugerimos realizar reuniões bilaterais com cada um dos avaliados para analisar o desempenho específico de cada um e sugerir mudanças. Esse convite também foi feito à Comissão de Responsabilidade Social e Sustentabilidade da Febraban, que é um dos principais fóruns de debate sobre questões de sustentabilidade entre os bancos brasileiros. Na reunião com a Febraban, o Idec apresentaria os resultados gerais e os gargalos que encontramos nas políticas dos bancos.

Quinta etapa – finalização das notas e redação do relatório final: havendo terminado todas as reuniões e recebido todas as respostas dos bancos, os pesquisadores auferiram as informações e fizeram as alterações que foram necessárias nas notas. Ao finalizar os ajustes, foi redigido o presente relatório.

Lançado o relatório, o relacionamento com os bancos não termina. O objetivo é que ele seja contínuo, já que estudos de caso são feitos entre as avaliações de políticas. Ademais, o diálogo perene permite acompanhar com mais clareza o processo de aprimoramento de políticas dos bancos.

Diálogo com os bancos

Como explanado na seção anterior, em diversos momentos do processo de avaliação de políticas foi incentivada a participação dos bancos, que poderia inclusive ocasionar aumento das suas notas. Dentre os motivos do mau desempenho, está o entrave ao diálogo com o Idec no âmbito do GBR.

Os bancos **Banco do Brasil, Bradesco, BTG Pactual e Itaú** comunicaram por e-mail e por telefone que o diálogo com o Idec se daria exclusivamente por meio da Federação Brasileira de Bancos - Febraban. O banco **Santander** não se manifestou.

A Febraban foi convidada através de ofício para um diálogo com os bancos, mas declinou do convite do Idec para a reunião em que os resultados da avaliação



seriam debatidos. Como justificativa, respondeu que os bancos estão focando seus esforços em outras iniciativas para o setor financeiro, como a consulta pública sobre os “Princípios de operações bancárias responsáveis” (*Principles for Responsible Banking*) da Iniciativa Financeira do PNUMA (Programa das Nações Unidas para o Meio Ambiente) e o atendimento às recomendações do Conselho de Estabilidade Financeira (*Financial Stability Board*) quanto à transparência dos impactos das mudanças climáticas no setor financeiro.

Além de não utilizarem a oportunidade que tinham para esclarecer pontos de imprecisão, a negativa ao diálogo também contradiz políticas dos próprios bancos. Os bancos **BB**, **Bradesco** e **Itaú** se comprometem, em seus documentos públicos, a dialogar com a sociedade civil, mas no caso do GBR não houve esse diálogo.

Na primeira fase de pesquisa, tivemos reuniões bastante frutíferas com o **BNDES** e o Banco **Safra**. A **Caixa** e o Banco **Votorantim** também se engajaram nas três primeiras etapas, pedindo esclarecimentos e fazendo comentários via telefone e e-mail. Entretanto, na fase de revisão pelos bancos, somente **BNDES** e Banco **Safra** responderam e se comprometeram com mudanças.

O **Safra** se demonstrou bastante aberto ao diálogo, envolvendo a alta administração no processo de melhoria e publicidade das políticas do banco. A partir do diálogo com o Idec, ele publicou diversas políticas que já praticava internamente e criou ou aprimorou outras. Não à toa, foi o banco que teve o maior acréscimo de nota desde a última avaliação e que apresentou propostas que refletirão em maior desempenho na próxima avaliação de políticas.

Quanto ao **BNDES**, como executor de políticas públicas do governo federal, o banco se vê frequentemente envolvido em polêmicas e por isso preza pelo diálogo com a sociedade civil para evitar que haja mal entendidos. Em um primeiro momento, apresentamos o funcionamento do GBR e da metodologia de avaliação e o banco pontuou singularidades de um banco de desenvolvimento público que deveriam ser levadas em consideração. Em uma última reunião, o banco esclareceu diversas de suas políticas e procedimentos.

Os casos de **BNDE** e **Safra** são similares ao que acontece nos outros países do Fair Finance Guide International. Na Noruega, por exemplo, os bancos reúnem todos seus especialistas em sustentabilidade e áreas temáticas e constroem com o FFGI uma agenda de integração de melhores práticas às suas operações.

3. METODOLOGIA DE AVALIAÇÃO

Os critérios de avaliação foram formulados com base em princípios e acordos internacionais conforme estabelecidos na metodologia e denominados como elementos de avaliação, cuja as quantidades variam de acordo com o tema



pesquisado. **A metodologia na íntegra (em inglês) e sua versão executiva em português podem ser encontradas no [site do GBR](#).**

Os elementos de avaliação são formulados de forma a acompanharem o progresso das políticas do banco. Por isso há elementos que abordam questões mais triviais, de fácil integração, questões intermediárias, e, por fim, padrões mais avançados. Estes últimos demonstrariam já um comprometimento evoluído do banco com a responsabilidade socioambiental e refletiriam uma nota mais alta.

A pontuação foi atribuída aos bancos de acordo com o conteúdo dos documentos públicos, que explicitam as políticas que traduzem sua responsabilidade socioambiental. Entre os 18 temas avaliados, o número de elementos de avaliação por tema está entre 12 a 33. A listagem de cada elemento de avaliação encontra-se no [Apêndice](#) do presente relatório.

Esquema de pontuação

As políticas de responsabilidade socioambiental dos bancos foram avaliadas em temas, através da existência ou não, em cada uma delas, de elementos que medem a preocupação das instituições financeiras com os aspectos ambientais, sociais e econômicos de seus investimentos.

A pontuação dos bancos em cada tema foi obtida a partir de suas notas em cada um dos elementos que a compõe. Para se avaliar um elemento, inicialmente, verificou-se sua presença no conteúdo das políticas do banco, concedendo então uma pontuação básica (chamada de Conteúdo da Política), que é binária (0 ou 1) e corresponde a 50% da nota do elemento.

Os 50% restantes da nota de cada elemento dependem da existência de políticas e práticas (descritas nos documentos do banco disponíveis ao público) que garantam a consideração desse elemento em cada uma das quatro modalidades de investimento (12,5% cada): créditos corporativos, *project finance*, investimentos proprietários e gestão de recursos de terceiros (*asset management*).

Em todos os casos, a pontuação também é binária (0 ou 1). Se a instituição financeira não é ativa em determinado setor avaliado ou não possui uma das modalidades de investimento, é atribuído um 'n.a.' (não aplicável) e este setor ou modalidade não é considerado para o cálculo da pontuação final.

A figura abaixo ilustra o cálculo da pontuação dos elementos no tema Direitos Trabalhistas:



Elementos 'Direitos Trabalhistas'	Iniciativas e padrões aplicáveis	Conteúdo da política	Crédito corporativo	Project finance	Investimentos proprietários	Gestão de recursos de terceiros	Escopo da política	Pontuação total
Peso		50,0%	12,5%	12,5%	12,5%	12,5%	100,0%	
<i>Os seguintes elementos são cruciais para uma política em relação às empresas em que a instituição financeira investe:</i>								
Empresas apoiam a liberdade de associação e o reconhecimento efetivo do direito à negociação coletiva.		1	1	1	0	0	75%	0,8
Todas as formas de trabalho forçado ou compulsório são inaceitáveis.		1	1	0	0	0	63%	0,6
Trabalho infantil é inaceitável.		1	1	1	0	0	75%	0,8

Para a coluna 'Iniciativas e padrões aplicáveis' é atribuída uma pontuação de "1" caso o banco seja signatário ou tenha aderido a iniciativas internacionais como os Princípios do Equador, Pacto Global das Nações Unidas, Padrões de Desempenho do International Finance Corporation (IFC), entre outros. Essa pontuação garante automaticamente um ponto para a coluna Escopo da Política. O objetivo dessa pontuação é premiar o banco por incluir diretrizes internacionais em suas políticas, demonstrando seu comprometimento com as questões socioambientais relativas ao elemento em análise.

O escopo da aplicação de cada elemento às modalidades de investimento é materializado no percentual chamado de Escopo da Política. A pontuação final do elemento reflete este escopo.

Excepcionalmente, o tema Setor Imobiliário e Habitação, além das quatro modalidades de investimentos detalhadas acima, inclui uma quinta coluna referente a financiamento imobiliário.

Além disso, nos temas Direitos do Consumidor e Inclusão Financeira, a ferramenta de avaliação não é aplicada às modalidades de investimentos da instituição financeira, mas sim para os seguintes produtos disponibilizados aos clientes: conta corrente e poupança; crédito rotativo; empréstimos pessoais; empréstimos imobiliários e investimentos pessoais e seguros.

Já para o tema Remuneração, as quatro dimensões de avaliação do escopo são, ao invés das modalidades de investimento, os grupos de colaboradores aos quais as políticas de remuneração são aplicáveis: todos os funcionários; conselho de administração; diretoria executiva; e tomadores de risco.

A pontuação total de cada tema é determinada pela média aritmética da pontuação do banco nos elementos que compõem o respectivo tema, multiplicando-se esse resultado por 10.

Pontuação no tema (ou setor) = soma das pontuações de cada elemento x 10



número total de elementos do tema (ou setor)

A imagem abaixo exemplifica o cálculo do resultado de um banco.

Elementos do Tema	Iniciativas e padrões aplicáveis	Conteúdo da política	Crédito corporativo	Project finance	Investimentos proprietários	Gestão de recursos de terceiros	Escopo da política	Pontuação total
Peso		50,0%	12,5%	12,5%	12,5%	12,5%	100,0%	
Elemento 1		1	n.a.	n.a.	n.a.	n.a.	n.a.	1,0
Elemento 2		1	1	n.a.	0	0	67%	0,7
Elemento 3		1	1	1	0	0	75%	0,8
Elemento 4		1	0	0	1	0	63%	0,6
Elemento 5		1	0	0	1	1	75%	0,8
Elemento 6		n.a.	0	0	0	0	n.a.	n.a.
Elemento 7		0	0	0	0	0	0%	0,0
Elemento 8	0	0	0	0	0	0	0%	0,0
Elemento 9		1	1	1	1	1	100%	1,0
Elemento 10	1	1	1	0	0	0	63%	0,6
Resultado final do banco no tema		7,8					77%	6,0

Esquema de cores

Para melhor visualização, as notas são comunicadas por meio de números (na escala de 0 a 10 ou de 0% a 100%) e cores. O esquema de cores visa facilitar a interpretação dos dados e está dividido em intervalos de 19%, como consta na tabela abaixo.

Tabela 2 – Intervalos de pontuação e suas respectivas cores

Cor	Pontuação
ROXO	0 – 19%
VERMELHO	20 – 39%
LARANJA	40 – 69%
AMARELO	60 – 79%
VERDE	80 – 100%

A partir de outubro de 2018, a representação cromática passou a ser unificada em todos os países do FFGI, o que representa uma ligeira mudança em comparação aos padrões utilizados pelo GBR até a última avaliação de políticas, em 2016. Na ocasião



as cores eram as mesmas, mas os intervalos eram: 0 – 14%, 15 – 39%, 40 – 54%, 55 – 74% e 75 – 100%.

4. ANÁLISE GERAL

Os resultados dos bancos na 7ª edição do Guia dos Bancos Responsáveis apresentam poucos avanços relativamente a 2016 na adoção de políticas de gestão de investimentos e de crédito, sobretudo na exigência de políticas de responsabilidade socioambiental das empresas que recebem seus financiamentos.

Todavia, é perceptível uma melhora qualitativa das políticas e de desenvolvimento de programas de melhoria contínua em sustentabilidade. Alguns bancos, como por exemplo BB, Bradesco, BTG Pactual, Caixa, Itaú e Santander publicam metas e desafios para o curto e médio prazo, em diversas áreas, como atendimento ao consumidor e financiamento da economia verde.

Foram investigados 18 temas, totalizando 345 elementos de avaliação. O desempenho médio dos 9 bancos numa escala de 0 a 10, não ultrapassou 3, ou seja, 30% das políticas avaliadas.

O BNDES foi o banco mais bem colocado, com 4,3 de nota. Dentre os bancos de varejo, o Santander apresentou o melhor desempenho, obtendo o resultado de 3,5. O menor resultado foi obtido pelo Banco BTG Pactual que ficou com 2,0.

Tabela 3 – Avaliação média dos bancos

Banco	Nota
BNDES	4,3
Santander	3,5
Caixa Itaú	3,3
BB	3,2
Bradesco	3,0
Votorantim	2,4
Safra	2,1
BTG Pactual	2,0

A nota média mostra uma clara divisão dos bancos em 3 grupos:

- **na dianteira encontra-se o BNDES**, isolado com 4,3;
- **em seguida há um pelotão de 5 bancos com notas entre 3 e 3,5**: Santander com 3,5; Caixa e Itaú com 3,3; Banco do Brasil com 3,2 e Bradesco com 3,0;



- **por fim, na retaguarda encontram-se os bancos com pontuação de 2 a 2,4:** os bancos Votorantim, com 2,4; Safra com 2,1 e BTG Pactual com 2,0.

Dentro dos grupos, a diferença de nota é muito pequena: 5% no segundo e 4% no terceiro. A diferença é tão pequena que as notas médias não contribuem para uma visualização completa do desempenho comparativo entre os bancos, somente entre os grupos. **Por isso, a análise mais importante é aquela por tema, que pode ser vista na Tabela 4 (abaixo).**

O BNDES é um banco de fomento e busca, por meio de seus financiamentos e investimentos, incentivar setores estratégicos da economia e contribuir para a crescente responsabilidade socioambiental dos empreendimentos e projetos de grande porte no país. Ainda que esteja em 1º lugar na nota média e na maioria dos temas, o mau desempenho em diversos temas é um sinal de alerta, que será debatido em profundidade nas próximas seções.

Dentre os bancos múltiplos, não é coincidência que os grupos de pontuação se dividam conforme a classificação de seus ativos. Os 4 maiores bancos (BB, Bradesco, Caixa e Itaú) são mais cobrados por política, devido ao seu tamanho e presença nacional há décadas. Logo, é natural que pontuem melhor. BB e Caixa têm o diferencial de serem bancos públicos (sendo o primeiro de capital misto) e consequentemente contraem uma responsabilidade ainda maior de não empregar dinheiro público em atividades que impactem negativamente na sociedade e na natureza. Os três bancos do terceiro grupo, BTG Pactual, Safra e Votorantim são menores e atuam em nichos, portanto é natural a pontuação menor.

De fato, se formos fazer uma análise qualitativa, BB, Caixa, Itaú e Santander estão, a grosso modo, no mesmo patamar no quesito RSA. Logo, era de se esperar a nota final encontrada. Os 3 bancos públicos (BB, BNDES e Caixa), entretanto, são os únicos que têm políticas setoriais para os setores mais sensíveis. O Santander Brasil segue políticas setoriais do Grupo do qual faz parte. Bradesco e Itaú, ainda que não tenham políticas setoriais, têm compromissos com direitos humanos e políticas gerais que os faz pontuar relativamente bem nos temas transversais. O Bradesco, ainda assim, carece de políticas se comparado aos outros bancos, o que justifica sua colocação por último dentre os bancos grandes.

A posição de liderança do Santander entre os maiores bancos foge da regra geral. Ele é o 5º maior banco múltiplo, mas tem a 1ª posição na nota média do GBR pelo 2º ano consecutivo. O motivo principal é devido à sua política sobre armas, que somou 4,6 pontos. Se pontuasse como seus pares no tema, ou seja, zero, a pontuação média do banco cairia para 3,2, empatado com o Banco do Brasil.

Apesar de ser líder na média geral, o Santander é líder em somente 2 temas, enquanto o Itaú, que tem menor nota média, é o 1º colocado em 3 temas. Isso mostra como na verdade não é só a média geral que importa, mas sim o desempenho em cada um dos temas.



Na Tabela 5 é possível verificar quantas posições de liderança cada banco tomou por tema. Foram considerados os 1º, 2º e 3º colocados em cada tema, desde que tenham obtido notas acima de 1.

O BNDES, além de ter a melhor nota média, também teve destaque nos temas, alcançando a dianteira em 10 dos 18 temas. BB, Itaú e Santander se destacam nas posições de liderança, enquanto Bradesco e Caixa têm menos destaque. Porém, o Bradesco não liderou nem vice liderou em nenhum tema, devido à carência de políticas que foi citada anteriormente. Safra e Votorantim estiveram no pódio duas vezes, mas tiveram bom desempenho em diversos temas. O BTG Pactual só teve uma posição de destaque, no tema Florestas, no qual tem subsidiárias com políticas bem avançadas.

Tabela 4 – Panorama de pontuação por banco e por tema

BANCO TEMA	Banco do Brasil	BNDES	Bradesco	BTG Pactual	Caixa	Itaú	Safra	Santander	Votorantim	MÉDIA POR TEMA
Mudanças Climáticas	1,3	1,6	1,4	0,2	1,0	2,0	0,0	1,1	0,5	1,0
Corrupção	4,8	7,8	4,8	4,6	4,2	5,6	5,3	4,8	5,0	5,2
Igualdade de Gênero	1,8	2,4	1,1	0,7	1,2	1,8	0,7	1,8	1,1	1,4
Direitos Humanos	4,2	5,5	4,0	2,5	4,8	3,8	3,1	3,6	2,5	3,8
Direitos Trabalhistas	6,9	6,8	6,8	3,6	6,5	7,1	4,3	7,0	5,5	6,3
Meio ambiente	6,5	7,1	6,2	4,0	6,2	6,2	4,4	6,3	6,1	6,3
Impostos	0,0	2,5	0,6	0,0	3,1	0,6	0,0	1,2	0,6	1,0
Armas	0,0	0,0	0,0	0,0	0,0	0,0	2,5	4,6	0,0	0,8
Alimentos	3,5	4,5	2,8	2,2	3,0	3,0	2,0	2,7	2,7	2,9
Florestas	3,3	2,4	2,0	4,1	2,4	2,0	1,0	2,6	1,9	2,4
Setor Imobiliário e Habitação	0,5	0,5	0,5	0,3	2,5	0,5	0,3	1,1	0,5	0,7
Mineração	2,6	5,2	2,6	2,0	2,3	2,6	1,5	2,6	2,7	2,7
Óleo e Gás	3,4	3,4	3,1	2,2	2,8	3,1	1,5	3,1	3,2	2,9
Geração de Energia	2,2	4,7	1,7	1,9	2,5	2,2	1,3	2,7	2,2	2,4
Direitos do Consumidor	3,6	5,4	3,8	1,8	4,3	6,9	4,8	5,0	3,8	4,4
Inclusão Financeira	7,9	8,8	6,6	3,1	6,9	5,7	3,1	6,4	3,8	5,8
Remuneração	2,1	1,7	2,0	1,9	1,8	2,4	0,5	3,1	0,0	1,7
Transparência e Prestação de Contas	3,0	6,8	3,6	0,9	3,1	4,0	1,0	3,4	1,3	3,0

Tabela 5 – Posições de liderança por tema

Banco	1º lugar	2º lugar	3º lugar	Total
BB	1	5	4	10
BNDES	10	3	0	13
Bradesco	0	0	4	4
BTG Pactual	1	0	0	1
Caixa	2	1	4	7
Itaú	3	4	3	10
Safra	0	1	1	2
Santander	2	4	6	12
Votorantim	0	2	0	2



Ainda que um banco se destaque em relação ao outros, em termos absolutos as notas médias são muito ruins, bem como na maioria dos temas. Somente 4 temas obtiveram médias gerais maiores que 5: Corrupção, Direitos Trabalhistas, Meio Ambiente e Inclusão Financeira. Mais grave ainda, 4 temas tiveram nota média menor ou igual a 1: Mudanças Climáticas, Impostos, Armas e Setor imobiliário e habitação. Com avaliação zero ou próximas de 1,0, esses temas impactam fortemente o desempenho médio e derrubam a média geral por banco. **Logo, deveriam ser foco de atenção das instituições financeiras para melhorar suas políticas.**

A Tabela 6 mostra a classificação das notas individuais (por banco) e médias por tema dentro da divisão cromática proposta pelo FFGI. **É notável que somente o BNDES em Inclusão Financeira obteve um nota verde**, questão detalhada na análise do tema. Também é de observar-se que a nota máxima média atingida em um tema setorial foi 2,9 (Alimentos e Óleo e Gás), o que levanta um sinal vermelho para a criação e aprimoramento de políticas em setores sensíveis.

Tabela 6 – Notas por tema segundo classificação por cor

Cor	Pontuação	Nº de notas por tema	Nº de notas médias por tema
ROXO	0 – 19%	54	6
VERMELHO	20 – 39%	37	7
LARANJA	40 – 69%	27	4
AMARELO	60 – 79%	21	1
VERDE	80 – 100%	1	0

Legislação

Os bancos brasileiros se beneficiam do escopo regulatório brasileiro. Como temos leis ambientais boas em alguns setores, eles pontuam por exigir o cumprimento da legislação pelas empresas que ele financia. Uma das leis que aparece em diversos temas (Direitos Humanos, Alimentos, Florestas, Mineração, Óleo e Gás, Geração de energia) é a própria Constituição Federal, mais especificamente seu artigo 231, referente ao fato do aproveitamento dos recursos hídricos, da pesquisa e a lavra das riquezas minerais em terras indígenas só poderem ser efetivadas com autorização do Congresso Nacional, ouvidas as comunidades afetadas, ficando-lhes assegurada participação nos resultados da lavra. O direito de associação garantido pela Constituição também pontua em direitos trabalhistas.

No que diz respeito a direitos trabalhistas, a CLT (Consolidação das Leis do Trabalho) também é passível de pontuação, já que garante o pagamento de salário mínimo e estipula um máximo de horas trabalhadas. Quanto a questões ambientais, são



considerados o Sistema Nacional de Unidades de Conservação (SNUC), a Lei nº 11.105/2005 sobre biossegurança e o processo de licenciamento ambiental, incluindo o estudo e relatório de impacto ambiental (EIA e RIMA) e resoluções do Conama (Conselho Nacional do Meio Ambiente). Esses elementos são repetidos também na maioria dos temas setoriais.

Os pontos por legislação são aplicáveis igualmente a todos os bancos avaliados, nas categorias créditos corporativos e *project finance*, que ocorrem majoritariamente em solo nacional. Ou seja, esses pontos são um patamar mínimo de pontuação para todos bancos avaliados. Também pontuam igualmente para todos os bancos um normativo de autorregulação bancária (SARB 002/2008) a Resolução 4283/2013 do BCB, ambos em Inclusão Financeira.

É importante fazer duas ressalvas quanto aos pontos por legislação.

Primeiramente, não basta exigir o cumprimento da legislação: o banco precisa ter mecanismos de monitoramento de conformidade com ela e garantir que as empresas remediem descumprimentos ou impactos negativos que venham a ocorrer. Além disso, as empresas nas quais os bancos investem não operam somente no Brasil, mas também no exterior, onde as leis podem ser mais fracas. Por isso **é importante que os bancos não somente exijam o cumprimento de legislação, mas que escrevam diretrizes básicas que precisam ser cumpridas pelas empresas em qualquer país que atue.**

Para aqueles bancos com operações significativas no exterior, essa recomendação é ainda mais importante. Após a última avaliação de políticas do GBR, em 2016, o Idec recomendou ao BTG Pactual e ao Itaú-Unibanco que deixassem claro se suas políticas socioambientais são aplicadas fora do Brasil, especialmente nos locais onde a legislação é mais frágil que a brasileira. Foi solicitado que informassem se sua Política de Risco Socioambiental era aplicada aos seus investimentos em outros países, deixando claro principalmente como são endereçados padrões de âmbito nacional (como portarias do Ministério de Trabalho e Emprego e do Iphan), ou que tornassem público se tivessem um conjunto de diretrizes e critérios específico para as operações de suas subsidiárias no exterior.

Em resposta, o Itaú informou que a adesão aos Princípios do Equador alcançava todas as unidades do Grupo e que avaliaria a sugestão dada de inserir um maior detalhamento sobre unidades externas no Relatório Anual e/ou tornar as políticas das unidades externas públicas futuramente. Na atual avaliação foi possível verificar que o Grupo deixou mais claro em seus documentos e políticas o escopo geográfico de aplicação, mas ainda não tornou públicas as políticas das unidades externas nos documentos da Holding. O BTG Pactual, por sua vez, não respondeu ao Idec e não incorporou a sugestão até o lançamento do GBR 2018.



Princípios do Equador e Padrões do IFC

Para além de políticas individuais, a metodologia do GBR também prevê pontuação por adesão à pactos voluntários do sistema financeiro. Eles geram pontuação automática nos temas que cobrem, como indicado na tabela abaixo. Pontos por esses acordos coletivos e por legislação são comunicados juntamente na tabela porque muitos dos padrões se sobrepõem à legislação brasileira.

Fazem parte dos Princípios para o Investimento Responsável da ONU (PRI, na sigla em inglês) as subsidiárias/áreas de gestão de recursos de terceiros de **BB, Bradesco, BTG Pactual, Caixa, Itaú, Santander e Votorantim**. Como banco de fomento, focado em pessoa jurídica, o BNDES não atua nessa categoria de investimento.

Já os Princípios do Equador, Padrões de Desempenho do IFC e Diretrizes Ambientais, de Saúde e de Segurança do Grupo Banco Mundial, iniciativas focadas na categoria de financiamento de projetos (*project finance*), possui aderência de **quase todos** os bancos avaliados, exceto **BNDES, BTG Pactual e Safra**. Este último não opera essa modalidade de crédito e o primeiro tem grande carteira nele, logo a adesão aos Princípios pelo BNDES teria um impacto muito maior que para os outros bancos. O **Itaú** diz que desenvolveu uma metodologia própria baseada nos Padrões de Desempenho do IFC, mas não detalha se ela incorpora todos os princípios do padrão.

Tabela 7 – Pontos atribuídos por legislação, Princípios do Equador, Padrões de Performance do IFC e Diretrizes Ambientais, de Saúde e de Segurança

TEMA	Nota legislação	Nota legislação + padrões e acordos coletivos
Mudanças Climáticas	0	0,5
Corrupção	0	0
Igualdade de Gênero	0	0,4
Direitos Humanos	0,6	2,5
Direitos Trabalhistas	1,6	5,2
Meio ambiente	4,0	6,1
Impostos	0	0
Armas	0	0
Alimentos	2,0	2,7
Florestas	0,5	1,9
Setor Imobiliário e Habitação	0,3	0,5
Mineração	1,6	2,3
Óleo e Gás	1,6	2,7
Geração de Energia	1,4	1,7



Direitos do Consumidor	0	0
Inclusão Financeira	1,5	1,5
Remuneração	0	0
Transparência e Prestação de Contas	0	0
MÉDIA	0,8	1,6

5. ANÁLISE POR BANCO

Banco do Brasil

O Conglomerado Financeiro Banco do Brasil (BB) ficou na 5ª colocação no resultado geral com a nota média 3,2 e se destacou em três temas com notas acima da média 5 na escala de 0 a 10: Inclusão Financeira (7,9); Direitos Trabalhistas (6,9) e Meio Ambiente (6,5).

O BB é um banco de capital misto, sendo que 54% das suas ações pertencem ao governo, assim como a presidência do banco é uma escolha política. Como banco múltiplo, possui a segunda maior carteira de ativos no Brasil. A sua atuação é bastante ampliada no segmento corporativo, de varejo e também agrícola, exigindo do banco políticas de responsabilidade socioambiental nos vários temas avaliados.

O banco apresentou avanços no aprimoramento de suas políticas, mas o desempenho por temas ainda é muito baixo. Mesmo assim, foram observadas melhorias na metade dos temas avaliados. Os temas Corrupção, Direitos Trabalhistas, Direitos Humanos, Meio Ambiente, Alimentos, Florestas, Setor Imobiliário, Óleo & Gás e Inclusão Financeira poderiam alcançar melhor desempenho se os bancos possibilitassem o diálogo para identificação das políticas ou se simplesmente as tornassem públicas.

A nota alcançada no tema da Inclusão Financeira foi a segunda maior entre os nove bancos e reflete os avanços do Banco do Brasil na formulação de políticas de acessibilidade, com presença em 99,8% dos municípios do Brasil para atender todos os segmentos do banco. Intensificou o uso do canal *mobile* como forma de reduzir o consumo de recursos naturais e ampliação do acesso virtual e maior interatividade com o cliente. Ampliação dos contratos de crédito e custeio para agricultores familiares, acessibilidade aos produtos sem exigir garantias para MPMEs e expansão do microcrédito, inclusive em parceria com o BNDES.

O segundo melhor resultado do banco foi em Direitos Trabalhistas com a nota 6,9. Como nos demais bancos, esse tema apresenta um desempenho acima da média em razão de dois novos elementos atribuídos ao tema, sobre seguir os Princípios e Direitos Fundamentais do Trabalho da OIT. Nesse caso, o ponto atribuído foi pelo



cumprimento da legislação brasileira, como critério de avaliação concedido pela coalizão brasileira.

Apesar de apresentar avanços importantes nas políticas setoriais, o BB é um dos poucos bancos brasileiros que pontua sobre os elementos que dizem respeito à cadeia de suprimentos das empresas financiadas pelo banco. Mas é preciso aprimorar e tornar público os compromissos para mitigar os riscos socioambientais e reduzir os impactos de seus financiamentos e investimentos.

O Banco tem a Agenda 30 BB, com metas concretas em diversos aspectos de RSA. Assim, sua nota tende a aumentar nas próximas avaliações.

Banco Bradesco

O Conglomerado Financeiro Bradesco obteve a nota média 3,0 e ficou na 6ª posição no ranking mantendo o mesmo desempenho obtido nas avaliações anteriores. As políticas do banco são pontuadas basicamente por legislação e por adesão aos Princípios do Equador/Padrões IFC nos temas setoriais. O banco não estabelece metas de médio e longo prazo e não detalha ou torna públicas as políticas.

O Bradesco é um banco privado de capital nacional, com uma atuação predominantemente no mercado nacional. Possui a carteira com o quarto maior volume de ativos do país, atrás apenas do Itaú, Banco do Brasil e Caixa.

O melhor desempenho do Bradesco, onde conseguiu notas acima da média (5), foi nos temas: Meio Ambiente 6,2; Inclusão Financeira 6,6 e Direitos Humanos 6,8, a maior nota do banco. Em todos esses temas, o resultado foi beneficiado pela atribuição de pontos pela legislação brasileira, o que tende a piorar na próxima avaliação, quando a coalizão brasileira acompanhará os demais países e somente as políticas próprias do banco serão consideradas.

No tema Armas, a nota zero se repete desde o início da avaliação. Esse é o pior resultado em quase todos os bancos, pela mesma razão de não apresentarem políticas claras de não financiar a produção, comércio e exportação total ou parcial de qualquer tipo de armas e componentes.

O Bradesco, apesar de possuir uma estrutura muito pequena no exterior, não detalha os resultados alcançados nas agências ou subsidiárias. O detalhamento desse resultado contribuiria com as políticas de Transparência e Impostos.

Banco Nacional de Desenvolvimento Econômico e Social (BNDES)

No primeiro ano que o Banco Nacional de Desenvolvimento Econômico e Social – BNDES é avaliado pela metodologia do GBR, obteve a melhor nota alcançada entre os



nove bancos avaliados, com 4,3 e o melhor resultado já alcançado por um banco desde a primeira edição do guia.

O BNDES é um banco público federal, que tem como principal objetivo o financiamento de longo prazo, realizando investimentos em todos os segmentos da economia. Como banco de investimentos não atua no mercado de varejo e possui a sua atividade vinculada ao Ministério do Planejamento, Orçamento e Gestão, atualmente ocupa a 5º posição em volume de ativos no país.

Com avaliação acima da média, numa escala de 0 a 10, o BNDES obteve excelentes resultados em oito dos dezoito temas avaliados. Nos temas operacionais, apenas o tema remuneração ficou com nota baixa. Entre os temas transversais, a maioria obteve notas acima da média. Mas entre os sete temas setoriais, onde se concentram os investimentos e créditos, apenas o tema Mineração alcançou nota acima da média e, consequentemente derrubou a nota geral do banco.

O melhor desempenho alcançado pelo BNDES foi no tema Inclusão Financeira, com 8,8. O banco adota políticas que visam atender a população em situação de extrema pobreza, como financiamento de cisternas para erradicação de doenças, pela gestão do “Fundo Amazônia” para a preservação da biodiversidade e assistência da população ribeirinha e também pelos canais de inclusão e mobilidade para a promoção do microcrédito.

A segunda maior nota foi no tema Corrupção, com 7,8, também o melhor resultado entre os nove banco avaliados. O banco se destaca nesse tema porque integra questões sobre corrupção nas políticas operacionais, de fornecedores e subcontratados das empresas que financia.

Considerando o tema transversal mais sensível na política do BNDES, o banco obteve a segunda menor nota no tema “Mudanças Climáticas (1,6). Apesar do resultado insatisfatório, o banco aponta ações para melhorar a atuação e responsabilidade do banco, como o Plano de Implementação da PRSA 2018-2020, recém-aprovado pela Diretoria e Conselho de Administração do BNDES, que prevê ações para promover maior alinhamento da estratégia do BNDES à Mudança do Clima.

Nos temas Armas e Setor Imobiliário, o BNDES obteve nota zero e 0,5 respectivamente, como a maioria dos demais bancos avaliados. Em Armas, a resposta do banco alegou que os tratados do qual o Brasil faz parte e os trâmites obrigatórios para atual exportação de bens de uso militar, sob responsabilidade conjunta do Ministério das Relações Exteriores e do Ministério da Defesa, assegurariam o cumprimento de alguns dos elementos de avaliação. Mas nesse caso, o compromisso do banco deve ir além da expectativa da lei, formulando sua política de responsabilidade socioambiental no tema. [Na seção do tema Armas](#) essa questão é explicada em detalhe.

O tema Setor imobiliário e habitação, apresenta 18 elementos avaliados, em quase todos os bancos o resultado foi nulo. O BNDES não financia empreendimentos



imobiliários, mas é importante acionista de empresas do ramo. Mas apresenta políticas específicas para essas empresas.

Banco BTG Pactual

O BTG Pactual (Conglomerado) ficou com a nona e última posição no ranking do GBR com a nota média 2,0, numa escala de 0 a 10. Apesar de muito baixo, o resultado alcançado pelo banco é superior ao resultado anterior. O banco não alcançou a média em nenhum dos 18 temas avaliados. Mas o seu desempenho melhorou nos temas: Corrupção (4,6), seguida por Floresta (4,1) e Meio Ambiente (4,0). Além de melhor resultado na avaliação atual, as notas apresentaram avanços expressivos em relação ao resultado anterior. Os piores resultados ficaram com Impostos e Armas, onde o banco tirou zero nos dois temas.

O BTG Pactual é um banco privado de capital nacional, que atua no segmento de mercado de *investment banking*, *wealth management* e *global asset management*. O banco atua em nichos de mercado com gestão de recursos de terceiros e também é um gestor de ativos florestais do mundo. O BTG Pactual ocupa a 7ª posição em volume de ativos financeiros no Brasil.

No desempenho geral do banco, houve uma melhora da nota do banco graças à incorporação das diretrizes do Pacto Global da ONU aos critérios de responsabilidade socioambiental do banco. Entretanto, faz-se necessária a multiplicação das políticas de sustentabilidade e setoriais para que a pontuação melhore na próxima avaliação de políticas.

O BTG Pactual também apresenta resultados muito insatisfatórios com notas inferiores a 1 em seis temas: Impostos e Armas (0); Mudanças Climáticas (0,2); Setor Imobiliário (0,3); Igualdade de Gênero (0), e Transparência (0,9). Além dos resultados que pouco agregam aos temas centrais do sistema financeiro, a disponibilidades de documentos que apresentam os compromissos políticos do banco requer uma padronização com a identidade do banco presente nos conteúdos disponibilizados no seu *website*.

Caixa Econômica Federal

A Caixa obteve uma nota geral de 3,3, empatada com o Itaú, mas no critério de avaliação de resultados individuais ficou com a 4ª posição no ranking. O desempenho do banco no período apresentou pequenos avanços em alguns temas e ele se destacou por desenvolver Guias de Boas Práticas Socioambientais nos últimos anos para temas de grande relevância.

A Caixa Econômica Federal é um banco público que atua no mercado financeiro como banco de varejo e também é responsável pelas operações de programas sociais de governo como: Fundo de Garantia do Tempo de Serviço (FGTS), Programa de



Integração Social (PIS), Habitação Popular, Bolsa Família e Seguro desemprego entre outros. É vinculada ao Ministério da Fazenda e ocupa a 3º posição em volume de ativos financeiros.

Como responsável por operar os programas voltados à inclusão social, cidadania e proteção ao trabalhador, a Caixa se destaca com melhores resultados na avaliação dos temas: Inclusão Financeira (6,9), sustentada por políticas e programas para a promoção da inclusão financeira através do Programa de Solidariedade Social. Se destaca também no tema Direitos Trabalhistas (6,5), com políticas voltadas para *Project Finance* por aderir aos Padrões de Desempenho da IFC.

No tema Meio Ambiente (6,2) o desempenho da Caixa é atribuído a adesão do banco aos Princípios do Equador e por adotar as normas do IFC ao analisar riscos e garantir as melhores condições ambientais para as categorias de financiamentos concedidos pelo banco.

Itaú-Unibanco

O Itaú Unibanco Holding atingiu a nota 3,3 juntamente com a Caixa, mas obteve melhor desempenho nas notas por tema e ficou com a terceira colocação no ranking. O banco alcançou notas acima da média em cinco temas: Direitos Trabalhistas 7,1; Direitos do Consumidor 6,9; Meio Ambiente 6,2; Inclusão Financeira 5,7 e Corrupção 5,6.

O Itaú Unibanco é o maior conglomerado financeiro de capital privado nacional, ocupa a primeira posição em volume de ativos do mercado. O atual banco é resultado da fusão de dois grandes bancos, o Itaú e o Unibanco, realizada em 2008. O conglomerado expandiu sua atuação também em outros países, principalmente o Chile, através da aquisição do CorpBanca realizada em 2014, resultando na marca local Itaú CorpBanca, a quarta maior no país.

O Itaú apresenta um resultado semelhante ao da edição anterior, avanços ainda são muito tímidos. Os temas setoriais apresentaram notas abaixo da média e a manutenção de resultados insuficientes requer um aprimoramento das políticas ou mais transparência para que seja possível identificar o comprometimento do banco com as questões socioambientais.

Nem todo mau desempenho é resultado de uma ausência de política. Em vários casos, a política existe mas o banco não torna clara a sua concepção e resultado. Nesse exemplo do Itaú, o banco explica que a categorização socioambiental de projetos é realizada por uma ferramenta desenvolvida pelo próprio banco, utilizando como referência os Padrões de Desempenho do IFC. É notável a iniciativa, pois demonstra internalização de compromissos. Contudo, não há esclarecimento sobre quais aspectos dos padrões ele realmente incorpora.



Banco Safra

O Safra obteve a nota 2,1 e ficou na 7ª posição no ranking. Em sua segunda avaliação do GBR, o resultado ficou muito abaixo da média, mas o banco apresentou avanços na edição atual do estudo. As melhores notas alcançadas pelo banco foram atribuídas aos temas: Corrupção (5,3); Direitos dos Consumidores (4,8); Meio Ambiente (4,4) e Direitos Trabalhistas (4,3).

Desde o início da pesquisa, o Safra buscou participar da avaliação de desempenho através de reuniões para discutir a metodologia e as notas alcançadas. A iniciativa do banco contribuiu para o alinhamento e a visibilidade proporcionada às suas políticas de responsabilidade socioambiental.

O Safra é um banco privado brasileiro, com atuação segmentada em empresas e pessoas físicas com alto poder aquisitivo. Em termos de ativos, o banco ocupa a nona posição em volume de ativos financeiros.

Após a consolidação dos resultados, o banco Safra revisou a pontuação alcançada nos temas (Igualdade de Gênero, Direitos Trabalhistas, Direitos Humanos, Meio Ambiente e Armas), melhorando seu desempenho. O banco apresentou as diretrizes e princípios que norteiam as relações de negócios para promover a liberdade de associação e reconhecimento do direito à negociação coletiva, eliminação do trabalho forçado, abolição do trabalho infantil e eliminação da discriminação políticas setoriais em matéria e emprego.

O Safra foi o segundo banco a apresentar políticas que expressa o seu compromisso de não manter qualquer tipo de relacionamento comercial, financiamento de empresas e subsidiárias que fabricam, comercializam ou distribuem armas químicas ou biológicas, armas nucleares e munição contendo urânio.

Banco Santander Brasil

O Santander alcançou o resultado de 3,5 e ficou na segunda colocação no ranking de geral da avaliação de políticas do GBR 2018. O desempenho do banco se destaca nos temas: Direitos Trabalhistas 7,0; Inclusão Financeira 6,4; Meio Ambiente 6,3 e Direitos do Consumidor 5,0. No tema “Armas”, o Santander obteve 4,6. Assim como nas avaliações anteriores, ele sempre pontuou no tema, apresentando uma política ampla seguindo as determinações da matriz do banco espanhol. Na definição da política o Santander informa que não manterá qualquer tipo de relacionamento comercial com



organizações (ou suas subsidiárias, independentemente de sua atividade) que fabricam, comercializam ou distribuem armas.

O Banco Santander (Brasil) SA, é uma subsidiária do banco espanhol do mesmo nome, possui capital privado de origem internacional. O banco passou a operar no Brasil em 1982 e adquiriu o Banespa, banco paulista, em 2000, o que lhe deu ganho de escala. Atualmente, o banco ocupa a sexta posição entre os nove maiores banco em volume de ativos no Brasil.

A maior nota em Direitos Trabalhistas se deve à legislação e aos padrões internacionais aos quais o banco adere. Mas também por ele basear sua política na Declaração da OIT sobre os Princípios e Direitos Fundamentais no Trabalho e por cumpri-la também na relação com seus fornecedores.

No tema “Meio Ambiente” o Santander declara que não se envolverá em nenhuma das seguintes atividades: desmatamento de áreas declaradas de alto valor ecológico ou social de floresta por organismos internacionais.

Banco Votorantim

O banco Votorantim na sua segunda avaliação obteve a nota 2,4. O resultado é baixo mas apresenta uma pequena evolução no desempenho geral. As notas dos banco nos temas operacionais e setoriais ficaram abaixo da média. O melhor desempenho ficou com os temas transversais, Com notas acima da média nos temas Corrupção, 5,0, Direitos Trabalhistas 5,5 e Meio Ambiente 6,1. Salientamos que o resultado também é afetado pelo peso da legislação e muitas vezes pelo banco não tornar públicas o conteúdo de suas políticas.

O Banco Votorantim, é um bancos privado de capital nacional e sua composição societária é constituída pela participação do Banco do Brasil e do Grupo Votorantim. As suas operações se concentram em vários nichos de mercados como por meio de conjunto de controladas, cmo BV Leasing, BV Financeira, Votorantim Asset Management e Votorantim Corretora.

O relatório anual de 2017 foi publicado somente após a conclusão do presente estudo. Assim, foi dada a oportunidade de o banco incluir as políticas divulgadas no relatório de 2018 na fase de revisão pelos bancos. Foi enviada uma análise mais detalhada indicando para eventuais ajustes a serem feitos, mas não houve resposta.



6. ANÁLISE POR TEMA

A seguir, os temas são analisados individualmente, com análises gerais, em grupo e individuais. É importante ressaltar que as seções "Destaques por banco" não são exaustivas, ou seja, não trazem a avaliação individual do banco por completo, mas sim pontos em que ele se sobressai ou se diferencia. Essas seções trazem as informações que estão na descrição das respectivas notas no site do GBR.

No geral, o desempenho é muito heterogêneo, havendo temas com pontuações baixíssimas e outros com pontuações acima de 5. Para melhor visualização, abaixo apresentamos as notas médias por tema em ordem decrescente e sua classificação por cor.

Tabela 8 – Notas médias por tema em ordem decrescente

TEMA	Nota
Direitos Trabalhistas	6,1
Meio Ambiente	5,9
Inclusão Financeira	5,8
Corrupção	5,2
Direitos do Consumidor	4,4
Direitos Humanos	3,8
Transparência e Prestação de Contas	3
Alimentos Óleo e Gás	2,9
Mineração	2,7
Florestas Geração de Energia	2,4
Remuneração	1,7
Igualdade de Gênero	1,4
Impostos Mudanças Climáticas	1
Armas	0,8
Setor Imobiliário e Habitação	0,7



6.1 Temas transversais:

Mudanças climáticas

O tema “**Mudanças Climáticas**” diz respeito às emissões de gases do efeito estufa (GEEs). Busca-se avaliar as medidas que os bancos tomam para diminuir a emissão desses gases. Por um lado, por meio de suas próprias emissões diretas e indiretas e pela sua carteira de financiamentos. Por outro, demandando ou incentivando das empresas nas quais investe e financia redução das suas emissões. No Apêndice, todos os elementos de avaliação estão listados na íntegra.

Tabela 9 – Classificação no tema Mudanças Climáticas

Banco	Nota
Itaú	2,0
BNDES	1,6
Bradesco	1,4
BB	1,3
Santander	1,1
Caixa	1,0
Votorantim	0,5
BTG Pactual	0,2
Safrá	0

Dada a importância do tema, esse é um dos elementos em que a metodologia do GBR é mais rígida e por isso a nota média dos bancos é mais baixa. Entretanto, de fato as políticas dos bancos no tema são pouco ambiciosas, no geral.

Ainda que todos se comprometam a reduzir suas emissões diretas de GEEs, somente **BB, Bradesco, Itaú e Santander** têm metas **mensuráveis** de redução direta e indireta. O **BNDES** e a **Caixa** têm produtos e diretrizes que buscam essa redução também.

Há duas iniciativas transnacionais importantes para o setor financeiro sobre divulgação e redução de emissões de GEEs: a Força-Tarefa sobre Divulgações Financeiras Relacionadas com o Clima (TCFD na sigla em inglês) e o CDP (*Carbon Disclosure Project*, Projeto de Divulgação de Carbono na tradução livre para o português). Enquanto a primeira ainda é pouco popular entre os bancos brasileiros, a



última já é bastante utilizada, demonstrando crescente preocupação dos bancos com mudanças climáticas.

Apenas **Bradesco**, **Itaú** e **Santander** fazem parte do projeto piloto da Iniciativa Financeira do PNUMA para a implantação das recomendações do TCFD. Quanto ao CDP, a **maioria** dos bancos participa, com exceção de **BNDES**, **Safra** e **Votorantim**.

Destaques por banco:

Em 2017, o percentual dos ativos do **Itaú** alocados em setores que não apresentam riscos para o consumidor ou para terceiros, ou que não estiveram alocados em setores de produção ou distribuição de combustíveis fósseis e derivados foi de 98,97%. Além disso, o banco desenvolveu um estudo para mensurar seus impactos ambientais indiretos, aqueles provocados pela cadeia de fornecimento e pelos produtos bancários.

O tema Mudanças Climáticas recebe destaque no Plano de Implementação da PRSA 2018-2020 do **BNDES**, buscando promover maior alinhamento da estratégia do banco à mudança do clima. Outra ênfase que ele dá é a participação no Programa IPACC II, relacionado à integração da adaptação à mudança do clima em projetos de investimento público, contando com a coordenação técnica da Agência Alemã de Cooperação Internacional (GIZ, na sigla em alemão). O banco também tem papel fundamental no reflorestamento.

Além de começar a publicar informação em conformidade com a TCFD, o **Bradesco**, por meio de sua subsidiária de gestão de recursos de terceiros (BRAM), tem o compromisso de promover as recomendações da TCFD entre empresas e investidores.

O **BB** se destaca por estimular o uso do crédito para redução e absorção de GEEs, apoiando iniciativas sobretudo de crédito agrícola. Também encoraja pequenos e médios produtores agrícolas a adotar tecnologias de baixa emissão de GEEs, treinando agentes responsáveis por preparar e monitorar os projetos. Para mitigar impactos decorrentes do tema, utiliza ferramentas como o Zoneamento Agrícola de Risco Climático (Zarc) e o Sistema Referencial Técnico Agropecuário (RTA).

O **Santander** coloca meta de reduzir seu consumo de energia e suas emissões de CO₂ em 9% e criou um produto, o Plano Empresário Sustentável, que dá uma maior porcentagem de financiamento e uma menor taxa global para empreendimentos imobiliários com boas práticas ambientais como instalação de painéis solares.

A **Caixa** se distingue por recomendar a elaboração de inventário de GEEs para grandes projetos nos setores de energia, agricultura e pecuária. Também incentiva adoção de práticas ecoeficientes por meio do financiamento à compra de máquinas que reduzem emissões e uso de matéria-prima.



O **Votorantim** pontua somente por adesão aos Princípios do Equador e Padrões de Performance do IFC.

O **BTG Pactual** pontua somente por ser parte do CDP.

Ainda que haja por parte do **Safr** uma preocupação de diminuir a emissão de CFCs ao modernizar Centro de Processamento de Dados da matriz, não há um plano de ação concreto e contínuo no tema mudança do clima.

Corrupção

Em “**Corrupção**” são avaliadas as políticas internas dos bancos e das empresas nas quais ele investe ou financia. Também espera-se que haja uma política para ambos (banco e empresas) proibindo qualquer tipo de propina e reportando sobre a participação em práticas de incidência na tomada de decisão de normas internacionais e legislação (práticas de lobby). No Apêndice, todos os elementos de avaliação estão listados na íntegra.

Tabela 10 – Classificação no tema Corrupção

Banco	Nota
BNDES	7,8
Itaú	5,6
Safr	5,3
Votorantim	5,0
BB Bradesco Santander	4,8
BTG Pactual	4,6
Caixa	4,2

Todos os bancos têm uma boa pontuação nesse tema porque diversos elementos de avaliação vão na mesma linha das preocupações preponderantes no Brasil. **Todos** os bancos pontuaram nos elementos de 1 a 5, garantindo um mínimo de 42% da nota (4,2).

Todos os bancos proíbem o envolvimento de suas subsidiárias e de seus funcionários com propinas e outras vantagens indevidas (oferecimento, promessa, oferta ou demanda, cobrindo assim corrupção ativa e passiva). Também têm, sem exceção, políticas contra lavagem de dinheiro, prevenção ao financiamento do terrorismo e da proliferação e um procedimento de “Conheça seu Cliente” (KYC na sigla em inglês). Esses aspectos são objeto também de uma autorregulação bancária (SARB nº



011/2013), mas todos os bancos pontuaram por suas políticas individuais, disponibilizadas em seus websites.

Destaques por banco:

A discrepância da nota do **BNDES** relativamente aos outros bancos se deve às políticas que tem para as empresas que financia. O banco incentiva padrões de conduta e controles internos mínimos, mas seu principal destaque é a integração de questões sobre corrupção nas políticas operacionais, de fornecedores e subcontratados das empresas financiadas pelo banco.

Se a empresa financiada participa de licitações, o Questionário de Integridade pergunta se ela tem procedimentos para prevenir fraude e atividades ilegais. Neste questionário, também é indagado se a empresa coloca em seus contratos cláusulas de padrões éticos e proibição de fraudes. Em caso de resposta negativa, medidas são tomadas e a empresa é monitorada mais de perto. O mesmo acontece se na ficha cadastral a empresa negar que garante a interrupção e correção de possíveis fraudes identificadas e pronta remediação dos seus estragos. Nos contratos do banco é demandado que as empresas notifiquem se fornecedores de projetos se envolverem em práticas ilegais, corrupção inclusa.

O **Itaú** ficou na segunda colocação no tema porque é único dentre todos os bancos que reporta sobre suas atividades de incidência com os Poderes Executivo e Legislativo em níveis federais, estaduais e municipais. São transparentes em seu Relatório Anual Consolidado sobre como levam esse processo e trazem exemplos concretos.

O **Safra** tem entre suas políticas a exigência e o monitoramento da conformidade com a legislação sobre corrupção. Dessa forma, garante que as empresas que ele financia tomem atitude caso seja levantada suspeita de corrupção.

Para além das pontuações que todos os bancos obtiveram (política interna de propina e outras vantagens indevidas, procedimento de KYC e política contra lavagem de dinheiros e financiamento do terrorismo), o **Votorantim** tem em seu Código de Conduta uma manifestação de repúdio à corrupção também nas empresas com as quais de relaciona.

Além do **Itaú**, **BB**, **Bradesco** e **Santander** também declaram em seu Questionário ISE que engajam seus clientes no combate à corrupção e, por isso, foi dado ponto nas categorias créditos corporativos e *project finance*.

O **BTG Pactual** pontua somente pelas políticas anteriormente citadas, apresentadas por todos os bancos. O acréscimo de 0,2 se deve a uma pontuação automática por incluir o Pacto Global da ONU nos seus requerimentos para empresas que concede crédito.



Não foram encontrados, nos documentos da **Caixa**, menções sobre propina e outras vantagens indevidas nas empresas nas quais investe ou que financia. Assim, sua pontuação é devido às políticas apresentadas por todos os bancos.

Igualdade de gênero

O novo tema, “**Igualdade de Gênero**”, leva em consideração as políticas dos bancos sobre igualdade salarial, assédio e representatividade das mulheres nos cargos da alta administração. Os pontos também são atribuídos se o banco colocar requerimentos relativos ao tema para as empresas na quais investe ou que financia. É um tema de crescente importância e muito debatido, dada a participação minoritária de mulheres em cargos de poder e a discriminação que sofrem. No Apêndice, todos os elementos de avaliação estão listados na íntegra.

Tabela 11 – Desempenho no tema Igualdade de Gênero

Banco	Nota
BNDES	2,4
BB Itaú Santander	1,8
Caixa	1,2
Bradesco Votorantim	1,1
BTG Pactual Safr	0,7

Todos os bancos têm uma pontuação ruim no tema porque, de fato, há poucas políticas efetivas que busquem igualdade de gênero, tanto na estrutura interna das instituições financeiras quanto nas empresas por ela financiadas. Por exemplo, ainda que os bancos **Safra** e **Santander** reconheçam a igualdade salarial como um princípio da instituição, nenhum deles explica como operacionaliza esse princípio.

Em **nenhum** dos bancos avaliados há um patamar mínimo de 30% de mulheres nos altos cargos administrativos e **nenhum** publica políticas para aumentar o acesso delas a essas posições. Mas **BB**, **Itaú** e **Santander** têm uma política de desenvolvimento profissional para mulheres, consequentemente ficando melhor pontuados. Foram essas políticas que os colocou em segundo lugar.

Todos os bancos têm políticas que demonstram tolerância zero com todas as formas de discriminação de gênero e assédio. Entretanto, somente o **BNDES** tem políticas próprias que garantam a igualdade de gênero nas empresas que eles financiam.



Todos os outros pontuam por políticas internas à instituição financeira e Padrões de Desempenho do IFC (para os quais ele se aplica)

Os bancos **BB, Itaú e Santander** são signatários dos Princípios de Empoderamento das Mulheres (*Women's Empowerment Principles*), uma iniciativa da ONU Mulheres que embasa a ação corporativa para promover a igualdade de gênero. Se incentivassem a aplicação dos princípios às empresas para as quais fornecem crédito ou nas quais investem, os bancos pontuariam em outros 3 elementos.

BB, BNDES, Caixa e Itaú participaram do Programa Pró-Equidade de Gênero e Raça do Governo Federal, uma iniciativa que visava disseminar novas concepções na gestão de pessoas e na cultura organizacional para alcançar a igualdade entre mulheres e homens no mundo do trabalho.

Destaques por banco

O **BNDES** se destaca de diversas formas neste tema. Suas políticas de mineração e para o Fundo Amazônia diferenciam os riscos de direitos humanos enfrentados por homens e mulheres. Entre as cláusulas contratuais para operações diretas de financiamento do banco, consta que a empresa tome todas as medidas ao seu alcance para impedir que fornecedores, de produto ou serviço essencial para a execução do projeto/operação, pratiquem atos que importem em discriminação de raça ou gênero.

A Agenda 30 do **BB** adotou a meta de nomeação de mulheres em cargos de 1ª Gestora de Unidades de Negócios e identificou oportunidades de aumentar a participação das mulheres nas funções em que foram observados maior percentual de desigualdade de gênero, de modo que foram criados indicadores para indução da nomeação desse público.

O **Santander** alega valorizar a equidade de gênero, com igualdade de salários, e tem a meta de que a quantidade de mulheres em posições de liderança executiva salte dos atuais 18,3% para 24% até 2019.

O **Itaú** alega ter como diretriz incentivar a ascensão de mulheres, de forma a equilibrar a representatividade ao longo da pirâmide da organização. O banco busca assim exercer seu potencial de influência ao disseminar o princípio da equidade em sua cadeia de valor.

Bradesco, Caixa e Votorantim pontuam somente por colocarem-se contra a discriminação de gênero e o assédio em todas as suas formas, além de pontuação automática dos Padrões de Desempenho do IFC. A **Caixa** tem 0,1 a mais na pontuação pelo elemento de igualdade salarial não ser aplicável a ela, já que seu corpo de funcionários é contratado por concurso público, com salário pré-fixado.



BTG Pactual e **Safra** pontuam somente por evidenciarem seu repúdio à discriminação e ao assédio baseados em gênero.

Direitos humanos

No tema "**Direitos Humanos**" são avaliadas as exigências que os bancos colocam para as empresas que financiam ou nas quais investem. Elas têm um processo para identificar e prevenir impactos negativos nos direitos humanos que suas atividades e projetos podem gerar. Também há consideração a direitos humanos específicos, como os das crianças. No Apêndice, todos os elementos de avaliação estão listados na íntegra.

Tabela 12 – Classificação no tema Direitos Humanos

Banco	Nota
BNDES	5,5
Caixa	4,8
BB	4,2
Bradesco	4,0
Itaú	3,8
Santander	3,6
Safra	3,1
BTG Pactual	2,5
Votorantim	

Há um mínimo de 0,6 de nota, devido à pontuação por legislação, referente ao direito originário às terras indígenas e usufruto exclusivo reconhecido na Constituição Federal brasileira. O patamar sobe para 2,5 somando-se os pontos automáticos para os bancos que aderem aos Princípios do Equador e Padrões de Performance do IFC. Mais detalhes sobre os pontos de legislação são oferecidos no [capítulo 4](#) deste relatório.

No geral, os bancos comunicam bem suas diretrizes no tema para créditos corporativos e *project finance*. Entretanto, deixam de ter um desempenho melhor por não evidenciarem suas políticas no tema para as empresas que recebem seus investimentos proprietários e sobretudo aqueles investimentos decorrentes das suas atividades de gestão de recursos de terceiros.

Também **falta entre os bancos avaliados referência em padrões e iniciativas internacionais de direitos humanos**, como os Princípios Orientadores das Nações Unidas sobre Negócios e Direitos Humanos (UNGP na sigla em inglês). Somente **Itaú** e **Santander** citam explicitamente os UNGP, que serviram de inspiração para suas respectivas políticas em direitos humanos. Os Princípios Orientadores trazem



patamares mínimos sobre os quais as empresas devem consolidar suas políticas de direitos humanos.

BB, BNDES, Bradesco, Caixa, Itaú e Safra mostram em suas políticas que as empresas devem ter um compromisso com os direitos humanos. Mas só **BNDES, Bradesco e Safra** deixam clara a necessidade de um processo de *due diligence* e remediação para além daquele exigido pelos Princípios do Equador.

Itaú e Safra mencionam explicitamente os direitos das crianças nas políticas para as empresas que financia ou em que investe. Os outros bancos repudiam trabalho infantil, mas a menção unicamente a esse item pontua no tema Direitos Trabalhistas. O **BNDES** menciona claramente direitos das mulheres.

Os bancos públicos, **BB, BNDES e Caixa** se diferenciam pois demandam que as companhias que recebem seus financiamentos estabeleçam ou participem de mecanismos efetivos de queixa para indivíduos e comunidades que sejam impactadas negativamente por projetos. Não à toa, foram os três melhores colocados. **BNDES e Caixa** também têm uma preocupação especial com o entorno de projetos que não foi identificada nos outros bancos.

Destaques por banco:

O **BNDES** se destaca por ser o único banco que evidencia as políticas no tema para a categoria de investimentos proprietários, por meio da Política Socioambiental em Mercado de Capitais. Ela estabelece como condição para o investimento que haja a avaliação do atendimento de exigências sociais legais e verificação do atendimento das políticas do BNDES relativas à inclusão de pessoas com deficiência e a inexistência de prática de atos que importem em discriminação de raça ou gênero. Além disso, pode se prever indicadores socioambientais que deverão ser acompanhados ao longo do investimento, somado a Plano de Ação monitorado por órgãos da administração da companhia.

A **Caixa** se distingue por incluir em sua avaliação de regularidade socioambiental, além da Funai, autorização da Fundação Palmares, em projetos de setores sensíveis. O banco ressalta o monitoramento especializado dos projetos e a necessidade de mitigação em caso de desrespeito aos direitos humanos.

No âmbito dos Princípios do Equador, o **BB** exige de empreendimentos a constituição de um Sistema de Gestão Ambiental e Social, contemplando o respeito aos direitos humanos e com previsão de ações preventivas e mitigadoras. Nesses casos, o cliente fica obrigado a criar mecanismo de reclamação de fácil acesso e sem custos ao reclamante.

A política de direitos humanos do **Bradesco** tem como diretriz básica disseminar em seus negócios e relações o respeito e a proteção aos direitos humanos internacionalmente reconhecidos. A partir de 2017, 100% das operações que compõem o escopo de análise de risco socioambiental passaram a considerar



aspectos de direitos humanos, sendo realizado por meio de acompanhamento de notícias, mesmo para operações e/ou projetos que demandam análise somente por questões ambientais.

O **Itaú** se destaca por inspirar-se nos UNGP para elaborar sua política de direitos humanos e alega lutar contra a exploração sexual de crianças. Se destaca por adotar as diretrizes de embargo estabelecidas pela Agência de Controle de Ativos Estrangeiros dos EUA (OFAC, na sigla em inglês), pela ONU e pelo Conselho da União Europeia.

O **Santander** Brasil tem uma política de direitos humanos mais tímida que a da sua organização-mãe na Espanha, mas se destaca por ter sido inspirada nos UNGP.

O **Safra** tem uma política específica para direitos humanos, em que ressalta que em caso de desrespeito aos direitos humanos promovidos pelas atividades e negócios do banco, buscar minimizar e reparar de forma tempestiva os impactos observados.

O **BTG Pactual** pontua exclusivamente por legislação e por incorporar os princípios do Pacto Global da ONU às suas diretrizes para o crédito.

O **Votorantim** pontua exclusivamente por legislação, Princípios do Equador e Padrões de Performance do IFC.



Direitos trabalhistas

No tema "**Direitos Trabalhistas**", busca-se as políticas dos bancos para garantir os direitos aos trabalhadores das empresas nas quais investem ou para as quais fornecem empréstimos, bem como para as subcontratadas e cadeia de suprimentos dessas empresas. Avalia-se também se há a demanda de corrigir conformidade com leis trabalhistas caso sejam desrespeitadas. No Apêndice, todos os elementos de avaliação estão listados na íntegra.

Tabela 13 – Classificação no tema Direitos trabalhistas

Banco	Nota
Itaú	7,1
Santander	7,0
BB	6,9
BNDES Bradesco	6,8
Caixa	6,5
Votoranti m	5,5
Safra	4,3
BTG Pactual	3,6

Este é o tema com maior média geral entre todos os 18 pesquisados, o que se deve principalmente à legislação brasileira e Aos Padrões de Desempenho do IFC, que juntos garantem 5,2 de nota. As regras da CLT e o direito constitucional de livre associação garantem um mínimo de 1,6 por legislação. Ainda assim, este é um tema em que, de fato, há grande comprometimento dos bancos avaliados.

Todos os bancos, sem exceção, ressaltam a necessidade de conformidade com as leis trabalhistas brasileiras para empresas que queiram fazer empréstimos. Também são **todos** que enfatizam a proibição de trabalho infantil e análogo à escravidão nas empresas para que prestam serviços financeiros, se destacando uma **maioria** que cita utilizar como referência a Lista Suja do Trabalho Escravo do Ministério do Trabalho e Emprego.

Esse cenário pode levar à conclusão de que o cenário é muito favorável para os direitos trabalhistas no país. Sem dúvidas é um avanço que haja comprometimento com o tema, mas provavelmente o monitoramento de conformidade, tanto por parte dos bancos quanto pelos órgãos competentes, está aquém do ideal. É sabido que na prática o trabalho análogo à escravidão e precarizado ainda persiste, dentre outras violações à CLT.



De fato, a pontuação não é melhor porque para além das exigências do IFC, aplicável somente a *project finance*, poucos bancos vão além em outras categorias avaliadas (crédito corporativo, investimentos proprietários, gestão de recursos de terceiros).

Somente **BNDES** e **Caixa** integram cláusulas sobre conformidade com a legislação trabalhista no caso de terceirizadas das empresas que recebem seus financiamentos.

Apenas **BB** e **BNDES** ressaltam a necessidade de uma política sólida de saúde e segurança no trabalho. Nenhum banco menciona trabalhadores imigrantes, a pontuação neste elemento é exclusivamente por Padrões de Desempenho do IFC.

Destaques por banco:

O **Itaú** se inspira nas convenções fundamentais da OIT para suas políticas no tema. Ainda que não inove muito, tem políticas que abrangem quase todos elementos avaliados. Internamente, tem cláusulas de sustentabilidade nos contratos com seus fornecedores.

O **Santander** baseia sua política na Declaração da OIT sobre os Princípios e Direitos Fundamentais no Trabalho. Ele tem também um código de conduta para fornecedores.

O **BB** também se referencia na OIT para sua política. Ele alega checar conformidade com obrigações trabalhistas e de seguridade social antes de realizar pagamentos a fornecedores e nega crédito a clientes que submetem trabalhadores a formas degradantes de trabalho ou os mantêm em condições análogas à escravidão.

Nas operações diretas de financiamento do **BNDES**, há a declaração da empresa quanto a adotar medidas e ações destinadas à segurança e medicina do trabalho que possam vir a ser causados em decorrência do projeto. Entretanto, seu maior destaque é que, entre as cláusulas contratuais para financiamento direto, consta que a empresa tome todas as medidas ao seu alcance para impedir que fornecedores, de produto ou serviço essencial para a execução do projeto/operação, pratiquem atos que importem em trabalho infantil ou trabalho escravo.

O **Bradesco** se destaca por ser um dos poucos bancos a enfatizar em seus documentos o direito à livre associação e à barganha coletiva. Tem um monitoramento sistemático das práticas nas relações de trabalho para empresas fornecedoras de serviços de risco social.

A **Caixa** tem a singularidade de exigir, nas suas políticas setoriais, o cumprimento da legislação trabalhista inclusive para trabalhadores terceirizados. Recomenda a implantação de um sistema de controle e monitoramento para o cumprimento desses requisitos na construção civil e na pecuária incentiva a adoção de sistema que inclua informações sobre a estratégia, políticas e práticas adotadas pelos fornecedores.



Além dos pontos de legislação e padrões e princípios internacionais, o **Votorantim** rechaça nos seus negócios e atividades qualquer utilização de mão de obra análoga à escrava ou infantil.

Dentre as diretrizes e princípios básicos que norteiam as relações de negócios do **Safra** está a Declaração da OIT sobre os Princípios e Direitos Fundamentais no Trabalho, se destacando por ser um dos poucos a listar todos os princípios desta declaração.

O que coloca o **BTG Pactual** para além dos pontos de legislação neste tema é o fato de ele ter desenvolvido um procedimento específico para analisar todos os fornecedores contratados pelo próprio banco, onde garante regularidade com as leis trabalhistas, incluindo por mecanismos contratuais. Desde 2016 todos fornecedores são monitorados.

Meio ambiente

O tema "**Meio Ambiente**" avalia as políticas de responsabilidade socioambiental dos bancos para questões ambientais no geral: fauna, flora, gestão de água e áreas de alto valor de conservação. No Apêndice, todos os elementos de avaliação estão listados na íntegra.

Tabela 14 – Classificação no tema Meio Ambiente

Banco	Nota
BNDES	7,1
BB	6,5
Santander	6,3
Bradesco Caixa Itaú	6,2
Votorantim	6,1
Safra	4,4
BTG Pactual	4,0

Esse tema é o que tem maior peso de legislação: 40% da nota é garantida por ela. Pontuam as exigências do licenciamento ambiental (especialmente a Resolução CONAMA Nº 237/1997); a Lei Nº 9.985/2000, que institui o SNUC; a Lei Nº 11.105/2005, sobre biossegurança e o requerimento de Licença Cites, responsabilidade do IBAMA. Para os bancos que aderem aos Princípios do Equador, Padrões de Performance do IFC e Diretrizes Ambientais, de Saúde e Segurança do Grupo Banco Mundial o patamar mínimo de nota é 6,1.



Percebe-se que as notas oscilam muito próximas dos patamares mínimos, ou seja, o fato de Meio Ambiente ter a segunda média mais alta dentre os temas se deve principalmente à legislação brasileira e aos padrões internacionais aos quais 6 dentre os 9 bancos avaliados aderem.

Não obstante, é fato que **todos** os bancos alegam demandar a regularidade das empresas financiadas com a legislação ambiental brasileira e que a contratação do crédito se dá com o cumprimento dos requisitos de mitigação do impacto ambiental. Contudo, assim como em "Direitos Trabalhistas" há falhas no monitoramento das carteiras de crédito das instituições financeiras. Caso contrário, não haveria desmatamento ou uso de madeira ilegal no país, considerando que os bancos avaliados concentram mais de 85% da carteira de crédito no país.

Para as empresas em que os bancos investem seus recursos próprios, há maior detalhamento neste tema em geral, relativamente a outros. Na categoria gestão de recursos de terceiros poucas diretrizes ambientais são colocadas mesmo neste tema.

Destaques por banco

O principal destaque do **BNDES** é o fato de suas políticas também abrangerem seus investimentos proprietários, o que o põe em vantagem em relação aos outros. Ele se sobressai também por ser o único banco a colocar nos contratos que a beneficiária tome todas as medidas ao seu alcance para impedir que fornecedores, de produto ou serviço essencial para a execução do projeto/operação, pratiquem atos que importem em crime contra o meio ambiente. Neles também há a cláusula de declaração da beneficiária, que inclui a declaração de estar regular perante os órgãos do meio ambiente, podendo o banco declarar vencimento antecipado no caso de falsidade das declarações.

Além de defender uso racional de agrotóxicos e redução da emissão de gases, o **BB** também se sobressai no tema porque integra na sua política considerações para a cadeia de suprimentos da empresa que financia. Em alguns setores, na análise de crédito verifica-se se a companhia buscando financiamento adota a política de priorizar compras de fornecedores com sistemas de gestão ambiental.

O **Santander** tem critérios de exclusão de clientes envolvidos com desmatamento e alega prestar especial atenção em processos que envolvem impacto em florestas de alto valor ecológico e social.

As políticas públicas de **Bradesco**, **Caixa** e **Itaú** demonstram ir pouco além do que está colocado na legislação, nos Princípios do Equador e Padrões de Desempenho do IFC.

A pontuação do **Votorantim** é exclusivamente por legislação, Princípios do Equador e Padrões de Desempenho do IFC.



O **Safra**, além de ponto de legislação, se destaca por propor o encerramento de relacionamento nos casos comprovados de alta exposição ao risco socioambiental. Faz também análise por meio de geolocalização de presença em possíveis áreas de preservação ambiental e/ou indígena.

O **BTG Pactual** pontua somente por legislação, por não apresentar políticas próprias detalhadas.

Impostos

Em “**Impostos**” o GBR espera que os bancos sejam transparentes quanto aos impostos que pagam, subsídios que recebem e o quanto faturam e lucram na maioria dos países em que operam, sobretudo para evitar que haja sonegação de impostos.

Há também elementos de avaliação referentes à transparência sobre o pagamento de impostos nas empresas em que os bancos investem ou para as quais concede financiamentos. No Apêndice, todos os elementos de avaliação estão listados na íntegra.

Tabela 15 – Classificação no tema Impostos

Banco	Nota
Caixa	3,1
BNDES	2,5
Santander	1,2
Bradesco Itaú Votorantim	0,6
BB BTG Pactual Safra	0

A maioria dos bancos têm suas operações concentradas no mercado brasileiro, mas ainda assim estão presentes em inúmeros países. As exceções são o conglomerado **Itaú-Unibanco**, que tem subsidiárias que estão entre os 4 maiores bancos de varejo no Chile, Paraguai e Uruguai; e o **BTG Pactual**, que se propõe a ser um banco de investimento latino-americano e tem presença continental.

Entre os bancos avaliados, somente **Caixa** e **BNDES** não estão presentes em paraísos fiscais, pontuando em um dos elementos de avaliação. Entre os outros, **Bradesco** e **Itaú** têm políticas contra evasão fiscal, mas somente o **Santander**, por meio de uma política do Grupo, tem uma política contra a elisão fiscal. E somente **BNDES**,



Bradesco e **Santander** têm políticas dizendo que seus funcionários estão proibidos de orientar clientes a praticarem elisão ou evasão fiscal.

Tabela 16 – Presença dos bancos avaliados em paraísos fiscais[1]

Banco	País(es)
BB	Ilhas Cayman, Emirados Árabes Unidos (Dubai) e Singapura
Bradesco	Ilhas Cayman, Hong Kong e Luxemburgo
BTG Pactual	Bermudas, Ilhas Cayman, Hong Kong e Luxemburgo
Itaú	Bahamas, Ilhas Cayman e Suíça
Safra	Ilhas Cayman e Luxemburgo
Santander	Ilhas Cayman
Votorantim	Bahamas

Ademais, é importante notar a presença dos grupos dos quais os bancos fazem parte, já que a atuação se dá em rede com todas as subsidiárias. O Grupo J. Safra, do qual o Banco **Safra** faz parte, está presente também em Bahamas, Catar, Emirados Árabes Unidos, Gibraltar, Hong Kong, Ilhas Guernsey, Mônaco, Panamá, Singapura e Suíça. Já o Grupo Santander, do qual o Banco **Santander** Brasil faz parte, tem presença também em Jersey, Guernsey e Ilha de Man.

A presença em paraísos fiscais não é um problema por si só, pois esses são fontes importantes de captação no mercado internacional. Entretanto, é preocupante que não haja uma política da maior parte dos bancos contra evasão e elisão fiscal, o que puxa a nota média do tema para baixo.

As notas no tema são baixas porque os bancos brasileiros não têm a política de discriminar, país por país, seu faturamento, lucro, número de funcionários, pagamento de impostos e subsídios (se) recebidos. **Para pontuar um mínimo de 0,6 o banco precisa reportar essas informações para três quartos dos países em que opera**, seja por meio de subsidiárias ou agências. Somente **BNDES** e **Caixa** cumprem com esse elemento, por terem presença internacional menor que os outros bancos.

Ainda que o Brasil seja o principal país na carteira de todos os bancos, como mencionado anteriormente, **o detalhamento dos dados demandado pela metodologia de avaliação demonstra o compromisso das instituições financeiras com a transparência e respeito à legislação tributária.** Em outros



países do FFGI, a pontuação é melhor porque há uma maior preocupação dos bancos em reportar esses detalhes país por país, seja nas demonstrações financeiras ou nos relatórios anuais.

Além da questão dos impostos da própria instituição financeira, há uma ausência total de políticas sobre o tema para as empresas nas quais os bancos investem ou para as quais concedem empréstimos. **Nenhum** banco apresenta políticas para os elementos relativos a essas empresas.

[1] Utilizamos como referência para definição a lista de paraísos fiscais da Oxfam. Disponível em https://d1tn3vj7xz9fdh.cloudfront.net/s3fs-public/file_attachments/bn-blacklist-whitewash-tax-havens-eu-281117-en_0.pdf

Destaques por banco:

A **Caixa** se destaca por não operar em nenhum paraíso fiscal e por informar se teve ajuda financeira do governo.

O **BNDES** não opera em nenhum paraíso fiscal e está fechando sua única subsidiária na Inglaterra, passando a operar exclusivamente no Brasil.

O **Santander** se destaca neste tema por ser o único banco que tem uma política contra evasão e elisão fiscal. Também é um dos poucos que alega não orientar seus clientes a evadirem ou evitarem impostos.

A pontuação do **Bradesco** consiste somente de sua política que desencoraja ações de "otimização" de impostos de clientes, fornecedores e parceiros.

O **Itaú** pontua somente por detalhar com clareza os incentivos fiscais que obteve do governo brasileiro em seu Relatório Anual Consolidado.

O **Votorantim** se destaca por ser um dos poucos bancos a reportar país por país sobre seus ativos.

Os documentos de **BB**, **BTG Pactual** e **Safra** não trouxeram nenhuma informação ou política passível de pontuação.



6.2 Temas setoriais:

Em quase todos os temas setoriais há a preocupação com as atividades de financiamento e investimento do banco no meio ambiente e nas comunidades tradicionais. Por isso na maioria dos temas (com exceção de Armas e Habitação e Setor Imobiliário) são avaliados a consulta prévia e o consentimento quando da realização de projetos em terras indígenas ou de comunidades tradicionais e o impactos nos Patrimônios Mundiais listados pela UNESCO. Quanto ao meio ambiente, avalia-se a prevenção de impactos negativos em Zonas Úmidas cobertas pela Convenção de Ramsar, áreas protegidas que estão listadas nas categorias de I a IV da União Internacional para a Conservação da Natureza (IUCN na sigla em inglês) e áreas de alto valor de conservação (HCS na sigla em inglês). No caso do Brasil, todos são cobertos por legislação.

Armas

No tema “**Armas**”, os elementos de avaliação traduzem a expectativa de que os bancos não financiem e nem invistam em empresas envolvidas na produção, manutenção e distribuição de minas terrestres, munições de fragmentação (*cluster*) e armas biológicas, químicas ou nucleares. Também avalia se o banco tem políticas para que as empresas envolvidas na produção de armas ou outros dispositivos militares (aviões, tanques, sistemas de tecnologia, etc.) nas quais ele investe ou para as quais fornece crédito, mas não venda seus produtos a países que violam gravemente os direitos humanos, que estejam sob embargo da ONU, envolvidos em guerras não autorizadas pelo Conselho de Segurança da ONU ou que usam parte desproporcional de seu orçamento para a compra de armas, dentre outros. Ou seja, não são consideradas somente a produção de armas nesse elemento, mas sim toda a indústria de defesa/bélica. No Apêndice, todos os elementos de avaliação estão listados na íntegra.

Tabela 17 – Desempenho no tema Armas

Banco	Nota
Santander	4,6
Safr	2,5
BB	0
BND	
Bradesco	
BTG	
Pactual	
Caixa	
Itaú	
Votorantim	



Ainda que este setor não seja relevante na carteira de investimentos dos bancos, seria importante que informassem a parcela da carteira atribuída ao setor e explicitar seus compromissos para que os investimentos não sejam aplicados a atividades controversas, como as avaliadas pelo GBR. Os bancos poderiam, por exemplo, informar que não financiam a produção e comércio de armas químicas ou munições de fragmentação.

O Brasil é signatário de tratados que banem diversas armas, como minas terrestres, armas químicas e biológicas, mas não é signatário do tratado que bane munições de fragmentação (*cluster*) que continuam sendo fabricadas. Para operarem no país as indústrias bélicas precisam de autorização, inclusive para desenvolver novos produtos. Para exportar seus produtos, essas indústrias dependem de autorização dos Ministério da Defesa e das Relações Exteriores. Até o momento, o que o MD reporta é que analisa as vendas sob critérios como risco ao próprio Brasil e para países aliados, não havendo critérios humanitários obrigatórios. A análise do MRE não é obrigatória quando são vendidas armas de calibre inferior a 45 e, quando é feita, tampouco é vinculante.

O Tratado de Comércio de Armas, regime internacional que torna obrigatória nesta análise a inclusão de critérios como risco humanitário e de desvio para organizações criminosas, só entrou em vigor no Brasil no dia 12 de novembro de 2018 por causa da demora para ratificá-lo.

Tendo em vista todas essas questões, não é possível pontuar os bancos por legislação e os processos obrigatórios para exportação não garantem que as armas não cairão nas mãos erradas. Ademais, as empresas do setor que recebem crédito dos bancos avaliados ou que recebem investimentos a partir dos seus serviços de gestão de recursos de terceiros, não necessariamente operam exclusivamente no Brasil.

Destaques por banco:

A política do setor de defesa do Grupo Santander, adotada pelo **Santander** Brasil, proíbe qualquer tipo de negócio do Grupo com organizações (ou suas subsidiárias, independente das atividades delas) que produzam, comercializem ou distribuam minas antipessoais; bombas de fragmentação (*cluster*); armas biológicas, químicas ou nucleares e munição contendo urânio empobrecido.

Quanto ao destino dos produtos, o banco analisa, dentre outros, os riscos de eles causarem ou exacerbarem conflitos armados ou tensões existentes e se há sérias razões para acreditar que a entrega será desviada de seu destino original. É uma política que vem sendo aprimorada a cada avaliação do GBR e fez o banco pontuar em metade dos 16 elementos de avaliação deste tema.



Uma das grandes novidades do GBR 2018 foi o posicionamento do banco **Safra** no tema. O banco revisou sua Política de Direitos Humanos e incluiu a diretriz de não manter qualquer tipo de relacionamento comercial e/ou de financiamento com organizações (ou suas subsidiárias, independentemente de sua atividade) que fabricam, comercializam ou distribuem armas químicas, biológicas e nucleares ou munição contendo urânio.

A produção ou comércio de armas e munição é colocado pelo **Bradesco** como uma atividade econômica com exposição ao risco socioambiental e, portanto, demanda uma análise de risco socioambiental. As operações de crédito com valor a partir de R\$ 25 milhões que envolvem o setor devem obrigatoriamente ser encaminhadas para essa análise. Se o valor for inferior ao estipulado, pode haver encaminhamento se forem identificados potenciais riscos socioambientais. O banco garante que nesses casos há inclusão de cláusulas contratuais específicas para o controle e acompanhamento desses riscos.

O **Itaú** possui uma Lista de Atividades Restritas, entre as quais está a produção e comércio de material bélico, armas de fogo e munições. Empresas cujas atividades estejam incluídas nesta lista passam por procedimentos específicos para a concessão de crédito. Para esse setor são realizadas pesquisas de mídia direcionadas ao tipo de negócio e demandados aos clientes o preenchimento de questionários específicos.

Entretanto, as políticas de **Bradesco** e **Itaú** são insuficientes para pontuação no tema, uma vez que ambos não informam quais são as restrições impostas ou mesmo quais diretrizes gerais orientam as restrições.

O **BNDES** menciona explicitamente que não financia o comércio de armas. O banco também esclareceu ao GBR que não financia a produção de armas, mas somente outros produtos do setor, como radares, sistemas de monitoramento, dentre outras tecnologias. Ele se baseia sobretudo nos tratados dos quais o Brasil é signatário e nos trâmites legais para exportação de armas. Para mais detalhes sobre o posicionamento do banco, consultar a sua carta de resposta no capítulo anterior.

Todavia, o **BNDES** é uma importante fonte de financiamento para empresas que atuam no setor bélico, inclusive na produção de armas. Assim, seria importante a criação de uma política do banco para este setor. Pelos motivos mencionados anteriormente, não é possível pontuar por legislação e por isso o banco teve nota zero.

Nos documentos de **BB**, **BTG Pactual**, **Caixa** e **Votorantim** não foi encontrada nenhuma menção ao tema.

Alimentos

Em “**Alimentos**” a agropecuária e o agronegócio são abordados. Espera-se que o banco priorize conceder crédito ou que incentive as empresas que financia a reduzir o uso de agrotóxicos e fazer boa gestão da água (reutilização e redução do consumo). O incentivo à agricultura orgânica e a selos e certificações de *commodities* também



são considerados. No Apêndice, todos os elementos de avaliação estão listados na íntegra.

Tabela 18 – Desempenho no tema Alimentos

Banco	Nota
BNDES	4,5
BB	3,5
Caixa Itaú	3,0
Bradesco	2,8
Santander Votorantim	2,7
BTG Pactual	2,2
Safra	2,0

Na nota deste tema, 2,7 pontos representam legislação e pontuação automática por Princípios do Equador e Padrões de Performance do IFC. No quesito legislação (2,0), os elementos de avaliação são cobertos pelas exigências do licenciamento ambiental (especialmente a Resolução CONAMA Nº 237/1997); pela Lei Nº 9.985/2000, que institui o SNUC e pela Lei Nº 11.105/2005, sobre biossegurança.

A alimentação saudável e sustentável e a redução do consumo de agrotóxicos são tópicos de ação prioritária do Idec, e são tratados no tema. Entretanto, somente **BB** e **Caixa** têm políticas para redução do uso de agrotóxicos.

Também são **BB** e **Caixa**, os únicos a demonstrarem uma preocupação com o bem-estar animal e com a poluição dos efluentes gerados por esse setor específico, garantindo que as empresas que eles financiam façam a devida gestão do lixo e do uso de água. Nenhum dos bancos avaliados tem uma política de uso prudente de antibióticos em animais para abate.

Apenas **BB**, **BNDES** e **Caixa** têm políticas setoriais específicas para o setor. Seu posicionamento, junto com o **Itaú**, no pódio do tema, é de se esperar devido à proeminência desses quatro bancos no crédito agrícola, sobretudo o **BB**.

Destaques dos bancos

As diretrizes socioambientais para a pecuária bovina do **BNDES**, aplicável a todas as categorias de investimentos, demanda que as empresas se comprometam a manter a lista de seus fornecedores atualizada e verificar o cumprimento das regras por parte deles, para acompanhamento da regularidade ambiental da cadeia de fornecimento. As empresas também são obrigadas a ter sistema de rastreabilidade da cadeia produtiva de bovinos para garantir regularidade ambiental.

O **BB** apoia projetos que adotem práticas sustentáveis de produção agropecuária, tais como agricultura orgânica, sistemas agroflorestais, Sistema de Produção Integrada



Agropecuária (PI Brasil) e Bem-Estar Animal. Manteve em 2017 a liderança na contratação de financiamentos no âmbito do Programa de Agricultura de Baixo Carbono (ABC), coordenada pelo Ministério da Agricultura.

A **Caixa** incentiva técnicas de produção de baixo carbono para grandes projetos de pecuária e agricultura e a reutilização de água no sistema produtivo.

O **Itaú** inclui também critérios de sustentabilidade na concessão do crédito, como consumo de água e energia e geração de efluentes líquidos e rejeitos sólidos.

O **Bradesco** pontua por legislação, Princípios do Equador e Padrões de Desempenho do IFC, com 0,1 adicional pelo incentivo à redução de emissão de GEEs.

O **Santander** e o **Votorantim** pontuam somente por legislação, Princípios do Equador e Padrões de Desempenho do IFC.

Além de pontuar por legislação, o **BTG Pactual** tem 0,2 referente ao Pacto Global da ONU.

O **Safra** pontua somente por legislação.

Florestas

O tema "**Florestas**" diz respeito aos setores extrativista vegetal e de papel e celulose. Ele avalia as políticas dos bancos para o desmatamento, certificação e uso de produtos químicos. No Apêndice, todos os elementos de avaliação estão listados na íntegra.

Tabela 19 – Desempenho no tema Florestas

Banco	Nota
BTG Pactual	4,1
BB	3,3
Santander	2,6
BNDES Caixa	2,4
Bradesco Itaú	2,0
Votorantim	1,9
Safra	1,0

Há um mínimo de 0,5 de nota, devido à pontuação por legislação, referente ao direito originário às terras indígenas e usufruto exclusivo reconhecido na Constituição Federal brasileira. O patamar sobe para 1,9 somando-se os pontos automáticos para os bancos que aderem aos Princípios do Equador, Padrões de Performance do IFC e Diretrizes Ambientais, de Saúde e de Segurança do Grupo Banco Mundial.



Este tema é o único liderado pelo BTG Pactual. Isso se deve ao fato de uma especialização do Grupo neste setor, por meio de suas subsidiárias TTG Brasil Investimentos Florestais, sediada no Brasil, e Timberland Investments Group (TIG), sediada no EUA mas com extensa área de floresta plantada no Brasil. Outra singularidade do tema é que foi onde mais houve pontuação na categoria gestão de recursos de terceiros, já que essas subsidiárias do BTG Pactual atuam nesta categoria.

Todos os bancos têm políticas contra o desmatamento. Mas apenas **BB, BTG Pactual, Caixa e Santander** explicitam medidas que previnem o uso de madeira ilegalmente cortada ou comercializada. **BTG Pactual e Santander** exigem a certificação FSC.

BB e BTG Pactual têm nas suas **políticas específicas** para florestas plantadas considerações sobre questões sociais, ambientais e de governança nas cadeias de suprimento e subcontratadas das empresas que recebem seus financiamentos e investimentos, respectivamente. A **Caixa** também tem uma política setorial, mas não aborda essas questões.

Destaques por banco

O **BTG Pactual** tem neste tema sua segunda maior nota e sua única posição de liderança na avaliação de políticas. Por meio das subsidiárias, garante que haja rastreabilidade e certificação da madeira em toda a cadeia produtiva. O banco não gere florestas tropicais e nem locais onde haja patrimônios da humanidade e alega não adquirir propriedades onde a aquisição da terra teria um impacto adverso em populações indígenas. Também se compromete a não investir os ativos de seus clientes onde é conhecido o alto valor de conservação.

A subsidiária do BTG Pactual, TIG, busca utilizar as aplicações de agrotóxicos de forma a maximizar sua eficácia e diminuir seus impactos no ambiente. Em 2016, 96% das propriedades tiveram prescrições de agrotóxicos individualizadas para sua necessidade. Quando populações de espécies ameaçadas de extinção estão nas áreas por ela administradas, há proteção e monitoramento da saúde dos animais.

O **BB** ficou na segunda colocação, pois tem diversas políticas contra desmatamento. Ele condiciona a extensão do crédito rural no bioma amazônico à evidência de regularidade fundiária e ambiental das propriedades, apoia as estratégias nacionais de redução do desmatamento e requer comprovantes de legalidade e sustentabilidade de produtos florestais usados na construção civil. Se destaca também por ter políticas para cadeia de suprimentos e terceirizadas: verifica se empresas do setor de papel e celulose priorizam compras de fornecedores com sistemas de gestão ambiental e reconhece empresas do setor de papel e celulose que comprovem a exigência de adequação socioambiental de seus contratados/terceirizados.



O **Santander** se destaca por não se envolver com clientes que não utilizem madeira certificada, segundo sua política.

O **BNDES** acorda um plano de ações de melhorias (se necessário) e de indicadores socioambientais para monitoramento e avaliação durante todo o ciclo de participação do banco no capital social da investida. Nas Operações de Subscrição de Valores Mobiliários envolvendo grandes empresas que geram grande impacto, o instrumento jurídico que formalizar a operação deverá prever a obrigação de divulgação de Relatório de Sustentabilidade.

No Guia de Boas Práticas Socioambientais para florestas plantadas, a **Caixa** se preocupa, entre outras, com as questões de organismos geneticamente modificados e recursos hídricos. Se destaca por incentivar certificação FSC ou Cerflor no caso de supressão de espécies de alto valor econômico.

Bradesco e Itaú, além da pontuação por legislação e iniciativas internacionais aos quais aderem, pontuando 0,1 a mais devido às suas colocações contra desmatamento.

O **Votorantim** pontua somente por legislação, Princípios do Equador, Padrões de Desempenho do IFC e Diretrizes Ambientais, de Saúde e de Segurança do Grupo Banco Mundial.

O **Safra**, além do ponto de legislação, pontua também por reconhecer e enforcing conformidade com a Declaração da OIT sobre os Princípios e Direitos Fundamentais no Trabalho.

Setor Imobiliário e Habitação

O tema “**Setor Imobiliário e Habitação**” avalia as políticas dos bancos sobre sua carteira de crédito imobiliário. É uma preocupação dos elementos de avaliação o bem-estar dos moradores dos projetos imobiliários, os materiais usados na construção (sobretudo madeira e cimento, que têm os maiores impactos) e a eficiência energética dos edifícios. No Apêndice, todos os elementos de avaliação estão listados na íntegra.

Além das 4 categorias de investimentos, este tema traz também a categoria “crédito imobiliário” na pontuação por escopo.

Tabela 20 – Desempenho no tema Setor Imobiliário e Habitação

Banco	Nota
Caixa	2,5
Santander	1,1
BB BNDES	0,5



Bradesco Itaú Votorantim	
BTG Pactual Safra	0,3

Juntamente com “Armas” é o tema em que há o pior desempenho na avaliação de políticas do GBR 2018. 7 dos 9 bancos avaliados só pontuam em um elemento por legislação (cumprimento da CLT) – **BNDES, BTG Pactual e Safra** - e por legislação e Padrões de Desempenho do IFC – **BB, Bradesco, Itaú e Votorantim**. O cenário é bastante desanimador, considerando a importância da construção civil para a economia brasileira e o déficit habitacional do país.

Destaques por banco:

Cabe pontuar uma singularidade do **BNDES**: ele não financia empreendimentos imobiliários, tais como edificações residenciais. Assim, não é esperado que ele tenha políticas de financiamento para esse setor. Entretanto, a sua subsidiária BNDESPAR é acionista em grandes empresas do ramo de construção civil e por isso o tema continua válido para o banco, já que é ativo na categoria “investimentos proprietários”. Ponto por legislação foi atribuído para esta categoria, no que consiste toda a nota do tema.

Não é surpresa a liderança da **Caixa** neste tema, já que ela é a principal financiadora da habitação no país, tendo um forte viés social. Seu Guia de Boas Práticas para a Construção Civil garante que o empreendedor deve possuir estrutura de saúde e segurança bem consolidado e também se preocupa com o entorno de projetos.

Desde 2009, a iniciativa “Madeira Legal” monitora o uso de madeiras de origem legal em todas as obras de empreendimentos habitacionais financiados pelo banco. Para as unidades do Minha Casa Minha Vida são mandatórios os sistemas de aquecimento solar de água, exceto nas regiões Nordeste e Norte.

Um importante destaque da política da **Caixa** é a vinculação de terceirizadas, que devem dar boas condições de trabalhos a seus funcionários. O banco também garante a sustentabilidade no setor por meio do Selo Casa Azul, que apesar de limitado é significativo. É uma política de classificação socioambiental de empreendimentos habitacionais, que busca reconhecer projetos que adotem soluções mais eficientes aplicadas à construção, uso, ocupação e manutenção de edificações, visando incentivar o uso racional dos recursos naturais e melhorar a qualidade da habitação e seu ambiente.

O **Santander**, por sua vez, não fornece crédito para empresas que extraíam ou façam uso de madeira nativa não certificada (com os selos FSC ou Cerflor), segundo sua PRSA. Ademais, em 2017 o banco criou o produto Plano empresário Sustentável na



qual o cliente que financiar empreendimentos imobiliários com boas práticas ambientais terá uma maior porcentagem de financiamento e uma menor taxa global.

Mineração

No tema "**Mineração**" são verificadas possíveis restrições à atividade que os bancos possam ter, bem como os padrões mínimos de gestão ambiental, governança e redução de impacto (durante e depois da exploração) que demandam das empresas atuantes no setor. Também são considerados incentivos ou obrigações de certificação de certos minerais e itens de corrupção e impostos, frequentemente problemáticos neste setor. No Apêndice, todos os elementos de avaliação estão listados na íntegra.

Tabela 21 – Desempenho no tema Mineração

Banco	Nota
BNDES	5,2
Votorantim	2,7
BB	2,6
Bradesco	
Itaú	
Santander	
Caixa	2,3
BTG Pactual	2,0
Safra	1,5

Há um mínimo de 1,6 de nota¹, devido à pontuação por legislação. Os bancos recebem pontuação em créditos corporativos e *project finance* em 7 elementos de avaliação. Os dispositivos legais que levam cobrem os elementos avaliados são as exigências do licenciamento ambiental (especialmente a Resolução CONAMA Nº 237/1997); a Lei Nº 9.985/2000, que institui o SNUC; a Lei Nº 12.334/2010, que estabelece a Política Nacional de Segurança de Barragens; o Capítulo VIII do Título VIII da Constituição Federal, referente aos povos indígenas; e por fim a CLT. Mais detalhes sobre os pontos de legislação são oferecidos no [capítulo 4](#) deste relatório.

O desempenho dos bancos neste tema se deve basicamente à legislação e à pontuação automática por Princípios do Equador, Padrões de Performance do IFC e Diretrizes Ambientais, de Saúde e Segurança do Grupo Banco Mundial, que garantem 2,3 de nota.

Por ora somente **BB** e **BNDES** têm políticas específicas para este setor.

¹ Para os bancos atuantes em todas as categorias de investimento e serviços financeiros avaliadas. Como BNDES e Safra não estão no mercado de gestão de recursos de terceiros e *project finance*, respectivamente, o patamar é 1,5.



Destaques por banco:

O **BNDES** é o único dentre os bancos avaliados a incentivar as empresas do setor a adotar iniciativas internacionais de melhores práticas, como a Iniciativa de Transparência para Indústrias Extrativas (EITI na sigla em inglês), os Princípios para o Desenvolvimento Sustentável do Conselho Internacional de Mineração e Metais (ICMM na sigla em inglês) e os Princípios Voluntários de Segurança e Direitos Humanos da Organização das Nações Unidas. Por isso pontua em muito mais elementos que os outros, ficando na primeira colocação.

Além disso, a Política Socioambiental para o Setor de Mineração do **BNDES** também prevê participação das partes impactadas pelo projeto no processo de licenciamento ambiental, investimentos sociais voltados para a comunidade e conformidade com os direitos humanos e saúde e segurança do trabalhador e da comunidade.

O banco **Votorantim** tem em seu Código de Conduta uma manifestação de repúdio à corrupção também nas empresas com as quais se relaciona, que também pontua neste tema.

O **BB** se destaca por ter políticas específicas para o setor de mineração, o que é um grande avanço. Todavia, as diretrizes apresentadas pontuaram nos mesmos elementos e categorias de investimento em que foi fornecido ponto por legislação. Ou seja, ainda que tenha ficado com a mesma pontuação, foi majoritariamente por políticas próprias, e não por legislação.

Bradesco, Itaú e Santander além de pontuar por legislação e padrões aos quais aderem, também declaram em seu Questionário ISE que engajam seus clientes no combate à corrupção e, por isso, foi dado ponto nas categorias créditos corporativos e *project finance*.

A **Caixa** pontua exclusivamente por legislação e padrões e princípios aos quais adere.

O **BTG Pactual** pontua por legislação e tem um acréscimo de 0,4 por incorporar o Pacto Global da ONU nas suas decisões de financiamento.

O **Safra** pontua por legislação.



Óleo e gás

Por ser uma indústria extrativista, "**Óleo e Gás**" é um tema muito parecido com "Mineração", tanto nos elementos de avaliação quanto nos resultados. São avaliadas possíveis restrições à atividade que os bancos possam ter, bem como os padrões mínimos de gestão ambiental, governança e redução de impacto (durante e depois da exploração) que são demandados das empresas atuantes no setor. Também são considerados itens de corrupção e impostos, frequentemente problemáticos neste setor. No Apêndice, todos os elementos de avaliação estão listados na íntegra.

Tabela 22 – Desempenho no tema Óleo e gás

Banco	Nota
BB BNDES	3,4
Votorantim	3,2
Bradesco Itaú Santander	3,1
Caixa	2,8
BTG Pactual	2,2
Safra	1,5

Há um mínimo de 1,6 de nota², devido à pontuação por legislação. Os bancos recebem pontuação em créditos corporativos e *project finance* em 6 elementos de avaliação. Os dispositivos legais que cobrem os elementos avaliados são as exigências do licenciamento ambiental (especialmente a Resolução CONAMA Nº 237/1997); a Lei Nº 9.985/2000, que institui o SNUC; o Capítulo VIII do Título VIII da Constituição Federal, referente aos povos indígenas; e por fim a CLT. Mais detalhes sobre os pontos de legislação são oferecidos no [capítulo 4](#) deste relatório.

É digno de nota que **nenhum** banco avaliado tem políticas para xisto betuminoso, rocha sedimentar que ocupa pouco espaço no debate público brasileiro, apesar de o país ter grandes reservas.

O desempenho dos bancos neste tema se deve basicamente à legislação e à pontuação automática por Princípios do Equador, Padrões de Performance do IFC e Diretrizes Ambientais, de Saúde e Segurança do Grupo Banco Mundial, que garantem, junto da legislação, 2,7 de nota.

² Para os bancos atuantes em todas as categorias de investimento e serviços financeiros avaliados. Como BNDES e Safra não estão no mercado de gestão de recursos de terceiros e *project finance*, respectivamente, o patamar é 1,5.



Destaques por banco:

O **BB** tem uma política para petróleo e gás em que alega apoiar empreendimentos que eliminem ou reduzam os riscos ao meio ambiente e ao ser humano e que utilizem tecnologias limpas. Também argumenta ponderar propostas de empresas que disponham de capacidade para implementar ações de prevenção e preparação de resposta nacional a incidentes de poluição e/ou contaminação por óleo e seus derivados. Se destaca por reconhecer empresas do setor que comprovem a exigência de adequação socioambiental de seus contratados/terceirizados.

O **BNDES** se destaca por sua Política Socioambiental de Atuação em Mercado de Capitais (aplicável também a outros setores, mas com especial relevância na pontuação deste). Ela prevê sensibilizar os beneficiários dos seus investimentos a incorporar o conceito de "eficiência". Nas Operações de Subscrição de Valores Mobiliários envolvendo grandes empresas que geram grande impacto, o instrumento jurídico que formalizar a operação deverá prever a obrigação de divulgação de Relatório de Sustentabilidade.

O banco **Votorantim** tem em seu Código de Conduta uma manifestação de repúdio à corrupção também nas empresas com as quais se relaciona, que também pontua neste tema.

Bradesco, Itaú e Santander além de pontuar por legislação e padrões aos quais aderem, também declaram em seu Questionário ISE que engajam seus clientes no combate à corrupção e, por isso, foi dado ponto nas categorias créditos corporativos e *project finance*.

A **Caixa** pontua exclusivamente por legislação e padrões e princípios aos quais adere.

O **BTG Pactual** pontua por legislação e tem um acréscimo de nota por incorporar o Pacto Global da ONU nas suas decisões de financiamento.

O **Safra** pontua por legislação.

Geração de energia

No tema "**Geração de Energia**" é avaliado se o banco tem linhas de financiamento para energia renovável e metas para aumentar a participação desse tipo de energia em sua carteira. Também são verificadas possíveis restrições a fontes de energia controversas (carvão, combustível fóssil, nuclear e grandes hidrelétricas) e as exigências que os bancos colocam para projetos neste setor e para as empresas que nele operam. No Apêndice, todos os elementos de avaliação estão listados na íntegra.



Tabela 23 – Desempenho no tema Geração de energia

Banco	Nota
BNDES	4,7
Santander	2,7
Caixa	2,5
BB Itaú Votorantim	2,2
BTG Pactual	1,9
Bradesco	1,7
Safra	1,3

Há um patamar mínimo de 1,4 na nota, devido à pontuação por legislação. Os bancos recebem pontuação pela Lei 9985/200, que institui o SNUC, pelas exigências do licenciamento ambiental e pelo Capítulo VIII do Título VIII da Constituição Federal, referente aos povos indígenas. Para os bancos que adotam Princípios do Equador, Padrões de Performance do IFC e Diretrizes Ambientais, de Saúde e Segurança do Grupo Banco Mundial, o patamar de pontuação foi 1,7. Mais detalhes sobre os pontos de legislação e padrões internacionais são oferecidos no [capítulo 4](#) deste relatório.

A grande discrepância de nota entre o **BNDES** e os outros bancos se deve ao fato de banco de desenvolvimento não financiar mais termelétricas a carvão e a combustíveis fósseis desde 2017. Desde então, somente termelétricas a gás são abrangidas nos leilões de geração de energia. A política, no entanto, só se aplica às categorias de créditos corporativos e *project finance*, excluindo-se os investimentos proprietários.

Somente **BB**, **BNDES** e **Caixa** têm uma política para este setor, que é de extrema relevância na economia brasileira e que gera impactos. Entretanto, **quase todos** os bancos, exceto **BTG Pactual** e **Safra**, apresentam linhas de financiamento específicos para geração de energia renovável (eólica, solar, maremotriz, pequenas e médias centrais hidrelétricas e geotermal).

Destaques por banco:

Além de não financiar geração de energia a carvão e a combustível fóssil, o **BNDES** dá condições melhores de financiamento para geração de energia limpa, como por exemplo, com prazos de amortização maiores. Em 2017, projetos de energia alternativa corresponderam a 61% de todos os projetos aprovados pelo banco na área de energia, a maior porcentagem entre todos os bancos avaliados.

O **Santander** se destaca por ser o único banco que tem uma meta mensurável para aumentar o financiamento de energia renovável (no caso, a solar), renovando um compromisso que foi cumprido em 2017.



Para projetos no setor de energia, a **Caixa** avalia e monitora a conformidade com normas e diretrizes socioambientais. A consulta a comunidades tradicionais e autorização da Fundação Palmares, para além da FUNAI, são demandadas para projetos no setor.

Os bancos **BB**, **Itaú** e **Votorantim** pontuam por legislação e padrões aos quais aderem e por terem linhas de crédito para energia renovável. O **BB** tem políticas setoriais para energia elétrica, abrangendo os mesmos elementos que foram pontuados por legislação. Este banco ressalta que evita garantir apoio a iniciativas que aumentam a perda da biodiversidade e dos serviços ambientais, em conformidade com o Padrão de Desempenho nº 6 da IFC.

Além dos pontos de legislação, o **BTG Pactual** ganha pontuação automática por incorporar princípios do Pacto Global da ONU aos requisitos para empresas que recebem seus financiamentos.

A pontuação do **Bradesco** é exclusivamente por legislação, Princípios do Equador e Padrões de Performance do IFC.

O **Safra** pontua exclusivamente por legislação. Como o banco não é atuante em *project finance*, a pontuação é recebida para créditos corporativos, totalizando 1,3.

6.3 Temas operacionais:

Direitos do consumidor

Em “**Direitos do consumidor**” são avaliadas as matérias que dizem respeito ao dia-a-dia do relacionamento dos clientes com os bancos. Dentre os elementos avaliados, está a existência ou não de uma política do banco para evidenciar os direitos dos consumidores e os riscos de seus produtos e serviços, bem como a existência ou não de uma política de prevenção e responsabilização em caso de roubo, furto e fraude envolvendo caixas eletrônicos, agências bancárias e serviços digitais.

Também são abordados dois temas de atuação prioritária do Idec: proteção de dados e superendividamento. Quanto ao primeiro, avalia-se a política de tratamento de dados de clientes e as condições para sua coleta, processamento, uso e compartilhamento. Quanto ao segundo, os bancos pontuam se tiverem uma política de prevenção ao superendividamento, uma política de renegociação de dívidas e iniciativas efetivas de educação financeira. No Apêndice, todos os elementos de avaliação estão listados na íntegra.

O escopo das políticas não é avaliado como nos temas transversais e setoriais, mas sim em cinco outras categorias: contas corrente e poupança; crédito rotativo; crédito pessoal; crédito imobiliário e investimento pessoal e seguro.



É importante ressaltar também que esta é uma avaliação de políticas, então pode ser que o banco alegue ter uma política, mas ela não é cumprida na prática do dia-a-dia da agência. Por isso o GBR realiza estudos de caso, para verificar se a prática condiz com as políticas.

Tabela 24 – Desempenho no tema Direitos do Consumidor

Banco	Nota
Itaú	6,9
BNDES	5,4
Santander	5,0
Safra	4,8
Caixa	4,3
Bradesco Votorantim	3,8
BB	3,6
BTG Pactual	1,8

Este é um dos temas com as maiores notas gerais, em grande parte devido ao Brasil dispor de uma grande base de políticas e iniciativas que podem contribuir para uma melhor relação entre as instituições financeiras e seus clientes, como o Código de Defesa do Consumidor, Código de Regulação e Melhores Práticas da Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais (Anbima) e diretrizes da Febraban.

Todos os bancos, sem exceção, comunicam em seus documentos que respeitam a privacidade dos dados de seus clientes. Entretanto, o **Itaú** e o **Safra** são os únicos bancos a publicar as diretrizes para sua coleta, processamento, uso e compartilhamento dos dados de seus clientes. A **Caixa** e o **Santander** publicam as diretrizes somente para os seus canais digitais e/ou websites.

Também **todos** os bancos avaliados garantem que haja um mecanismo de admissão e resolução de queixas de clientes (o que é uma obrigação regulamentar), mas somente o **Bradesco** e o **Votorantim** têm um compromisso público e metas claras para reduzir as reclamações de clientes. Com exceção de **BTG Pactual** e **Safra**, os relatórios de ouvidoria divulgam os resultados do monitoramento de reclamações, como o número de queixas, as principais questões, as instituições onde as queixas foram registradas e em quais canais foram recebidas.

BNDES, Bradesco, Caixa e Itaú têm políticas de acessibilidade a pessoas com necessidades especiais em suas agências, serviços eletrônicos e plataformas digitais. Nos casos de BB e Santander só agências físicas foram incluídas. **BTG Pactual, Safra e Votorantim** não trazem menção explícita à acessibilidade.



Ainda que venda casada seja proibida pelo Código de Defesa do Consumidor, ela ainda é muito comum. Somente os bancos **Itaú** e **Safra** têm uma política própria que explicita sua proibição a esse crime.

Quase todos os bancos alegam evidenciar os direitos dos clientes e o risco de produtos e serviços, as exceções são **BNDES**, **Bradesco** e **BTG Pactual**. No caso do último pode ser por causa recente incorporação da pessoa física e seu portfólio enquanto **BTG Pactual**, e para o **BNDES** por não trabalhar com esse grupo diretamente.

Destaques por banco:

A posição de liderança do **Itaú** se deve à sua Política de Segurança da Informação e Cibersegurança, ao Programa para Pessoas Endividadas e suas políticas contra venda casada e de informação pré-contratual de crédito imobiliário. É o único a comunicar quem são os seus correspondentes bancários de forma clara e o único que criou um do aplicativo de serviços financeiros para pessoas menos familiarizadas com tecnologia e com celulares mais simples.

Já o **BNDES**, por terceirizar o relacionamento com pessoas físicas através do microcrédito, tem vários itens não aplicáveis neste tema, o que altera a ponderação de sua nota e o coloca na segunda posição. Qualitativamente ele está no mesmo patamar dos bancos na casa dos 3 pontos, mas se destaca por ter reformulado seu website conforme as melhores práticas de acessibilidade e por qualificar seus correspondentes por meio da iniciativa Trein@ BNDES.

Para além do que é feito pela maioria dos bancos, o **Santander** se destaca pela disponibilidade de informações pré-contratuais do crédito imobiliário e por detalhar os resultados do monitoramento de reclamações. Possui também uma política de prevenção ao superendividamento baseado em dados comportamentais.

O **Safra** tem a sua 2ª maior nota neste tema pois apresenta uma política concreta sobre prevenção e tratamento do superendividamento e se destaca por ser um dos poucos bancos a detalhar como lida com os dados pessoais de seus clientes e por ter uma política contra venda casada.

Além das políticas em consonância com os outros bancos, a **Caixa** se destaca na informação sobre crédito imobiliário e seu site tem inclusive tradução para linguagem de sinais.

Assim como a maioria dos outros bancos, o **Bradesco** e o **Votorantim** têm uma política de tratamento não discriminatório de clientes e de revelar riscos de produtos e serviços. Ambos se destacam por terem metas de redução das reclamações de clientes. O **Bradesco** tem uma política de acessibilidade a plataformas físicas e digitais e o **Votorantim** é um dos que comunica melhor o monitoramento feito pela Ouvidoria.



Ainda que tenha um patamar mínimo de políticas como os outros bancos, o **BB** ficou com a antepenúltima posição porque não vai além desse patamar, por exemplo, garantindo acessibilidade só em agências físicas. Ele tem disponível uma plataforma para renegociação de dívidas, mas uma política de prevenção e tratamento do superendividamento.

O **BTG Pactual** pontua somente por obrigações básicas como o tratamento adequado de reclamações, oferecimento de uma análise de perfil do investidor e respeito ao sigilo dos dados de clientes. No Código de Ética do Grupo só está clara a proibição de tratamento discriminatório entre colaboradores, sem explícita menção a clientes.

Inclusão financeira

O tema "**Inclusão Financeira**" busca avaliar se os bancos têm políticas, produtos e serviços específicos para a população mais carente e micro, pequenas e médias empresas (MPMEs). Todavia, a instituição financeira não deve tirar vantagem da vulnerabilidade desses grupos e, portanto, os elementos de avaliação também cobrem aspectos de educação financeira. No Apêndice todos elementos de avaliação estão listados na íntegra.

O escopo das políticas não é avaliado como nos temas transversais e setoriais, mas sim em cinco outras categorias: contas correntes e poupança; crédito rotativo; crédito pessoal; crédito imobiliário e investimento pessoal e seguro.

Tabela 25 – Desempenho no tema Inclusão Financeira

Banco	Nota
BNDES	8,8
BB	7,9
Caixa	6,9
Bradesco	6,6
Santander	6,4
Itaú	5,7
Votorantim	3,8
BTG Pactual Safra	3,1

Nesse tema, 1,5 da nota é representada por uma resolução do Banco Central e por um normativo de autorregulação da Febraban. A primeira é a Resolução 4283/2013, que garante a provisão de informação clara na contratação de operações e no oferecimento de serviços financeiros. Ela pontua no elemento de número 7, referente à disponibilidade de termos e condições na língua nacional. Já o normativo de autorregulação bancária pontua para o elemento 11, que diz respeito à obrigação de movimentação mínima na conta para mantê-la ativa. No Brasil não existe essa



obrigação e por isso todos os bancos pontuaram em conformidade com as regras estabelecidas no Normativo SARB 002/2008.

O tema se destaca por ter a **3ª maior média por tema de toda a avaliação (5,8)** e por ser o único com uma nota classificada como verde, ou seja, acima de 80%. O resultado indica que há, em geral, uma preocupação dos bancos com o tema, ainda que haja muito a evoluir, sobretudo no quesito endividamento das famílias.

A **maioria** dos bancos têm produtos e serviços para a população mais carente e MPMEs e direcionam pelo menos 10% dos seus empréstimos a MPMEs. As exceções são **BTG Pactual, Safra e Votorantim**, o que é coerente com sua atuação em nichos de mercado. Todavia, só **BB e Caixa** têm programas de crédito imobiliário para a população de baixa renda, com destaque para o Minha Casa Minha Vida (Caixa).

Com exceção de **BTG Pactual e Safra, todos** os outros alegam integrar a educação financeira em seus portais e produtos e serviços. Porém, falta a **todos** os bancos iniciativas que extrapolem as regulações e evidenciem os direitos dos consumidores e riscos de produtos e serviços oferecidos a MPMEs e clientes de baixa instrução. Essa ausência de ênfase pode ser lida como um aproveitamento da vulnerabilidade da população mais pobre.

Como era de se esperar, a liderança ficou com os três bancos públicos, o que segue a lógica de seu desenvolvimento histórico atrelado à bancarização da população brasileira e às políticas públicas federais. Também é coerente a 4ª colocação com o **Bradesco**, cuja presença nacional e centenário foco na pessoa física fazem-no merecedor da 4ª colocação. **BB, Bradesco e Caixa** pontuam pela sua presença em todo o território nacional, em áreas rurais, urbanas e isoladas.

Nas plataformas de crédito pessoal e microcrédito, só foram encontradas informações sobre tempo de processamento de crédito nos casos de **BNDES, Itaú e Santander**. Ou seja, é um aspecto do acesso a informação que deve ser melhorado na maioria dos bancos.

Destaques por banco:

A nota 8,8 do **BNDES** deve ser vista com cautela. A maioria dos elementos avaliados não são aplicáveis ao banco, já que ele não lida em suas operações diretas com pessoas físicas, o que aumenta a ponderação de cada elemento. Entretanto, ele faz jus à pontuação, pois o microcrédito que oferece é um importante instrumento de inclusão financeira. 42% dos desembolsos totais do banco foram para o microcrédito, maior porcentagem entre todos os 9 bancos avaliados. O programa garante suporte e capacitação ao microempreendedor, conforme os critérios do Programa Nacional do Microcrédito Produtivo Orientado (PNMPO).

O **BB** também tem um programa de Microcrédito Produtivo Orientado que, segundo o banco, educa sobre o uso do dinheiro. O banco está presente em 99,8% dos



municípios brasileiros e é proeminente no financiamento de moradias em áreas rurais.

A **Caixa** se destaca por ter agências flutuantes servindo a região Norte e agências itinerantes, além de ter uma preocupação com a presença em áreas pouco desenvolvidas e pouco povoadas. É o banco que mais populariza o acesso à moradia, com repasse de recursos do governo e com o FGTS. Tem diversos produtos visando a inclusão dos mais pobres, se colocando em seus documentos como agente de desenvolvimento socioeconômico e inclusão no país.

O **Bradesco** está presente em todos os municípios brasileiros. Tem dezenas de produtos e processos visando a inclusão financeira. Um destaque é a "Operação Calamidade", que quantifica e indeniza segurados envolvidos em tragédias naturais o mais rápido possível.

O **Santander** não é um banco com agências espalhadas uniformemente pelo país, mas sua subsidiária Prospera Microcrédito tem crescente capilaridade e oferece empréstimos mesmo quando o microempreendedor não tem garantias para apresentar. Possui também o Programa Avançar para apoiar o crescimento de pequenas e médias empresas, mas não tem linha de crédito imobiliário para o público mais desfavorecido.

O **Itaú** tem menos produtos focados na população carente se comparado a outros bancos, apesar de aumentar o foco nesse público. Ainda assim, o microcrédito representa mais de 10% de sua carteira de crédito. Destaca-se por apresentar o programa "Educação Financeira Integrada com Ação Preventiva".

O **Votorantim** tem o patamar básico de pontuação dos outros bancos, mas se destaca pela iniciativa de educação financeira que promove com públicos externos e entre os seus funcionários e de sua subsidiária, BV Financeira.

BTG Pactual e **Safra** têm a pontuação básica por resolução do BC e autorregulação bancária, por terem gratuidade (no caso do primeiro) ou tarifas módicas (no segundo) para abertura de conta e por proverem serviços bancários digitais e sem marca (Banco 24 Horas). Todavia, não obtêm qualquer destaque no tema nem oferecem produtos aos públicos menos favorecidos.

Remuneração

O tema "**Remuneração**" diz respeito aos bônus e salários dentro da instituição financeira. Ele tem dois principais aspectos: um deles é verificar se a remuneração variável está atrelada a questões socioambientais, confirmando assim o compromisso dos bancos com a questão socioambiental. O outro é a proporção que os bônus representam na remuneração total e sua distribuição entre a alta administração e os trabalhadores em geral. No Apêndice, todos os elementos de avaliação estão listados na íntegra.



A pontuação por escopo exclusiva neste tema. São considerados: o grupo todo, (conselho de) diretores, gerência sênior e tomadores de risco. O penúltimo grupo inclui as pessoas que são responsáveis por certas divisões, portfólios, departamentos internos, etc. que operam diretamente sob os diretores e o Conselho de Administração. Já o último grupo é composto por banqueiros de investimento, corretores de bolsa e gerentes de salas de negociação.

Tabela 26 – Desempenho no tema Remuneração

Banco	Nota
Santander	3,1
Itaú	2,4
BB	2,1
Bradesco	2,0
BTG Pactual	1,9
Caixa	1,8
BNDES	1,7
Safra	0,5
Votorantim	0

Este é um dos temas mais difíceis de encontrar informação. **BB, BNDES, Bradesco, Caixa, Itaú e Santander** têm seus funcionários como importantes partes interessadas e dedicam extensas páginas de seus relatórios anuais com esse grupo. Todavia, informações específicas sobre políticas de bônus são escassas. Em parte isso se deve à não priorização deste componente relativamente a outros, como saúde do trabalhador. Outro importante motivo é o fato de as negociações sobre o tema frequentemente ocorrem bilateralmente com os respectivos sindicatos da categoria.

Para os bancos de capital aberto o Formulário de Referência, exigência da CVM, facilita encontrar informação sobre a remuneração variável das diretorias e conselhos. Ainda assim, frequentemente as variáveis de cálculo ou o peso delas não são explicados em detalhe.

Bradesco, Itaú, Safra e Santander têm bônus baseados na satisfação dos clientes. **BB, BNDES, Bradesco, Itaú e Santander** baseiam seus bônus, dentre outros aspectos, à melhoria do impacto socioambiental das práticas operacionais e administrativas da instituição financeira. A pontuação varia de acordo com quais grupos de funcionários a política se aplica. **Nenhum** dos bancos avaliados considera no cálculo da remuneração variável a melhoria do impacto socioambiental dos investimentos e financiamentos da instituição.

O salário mais alto na instituição não excede o mais baixo em mais de 20 vezes nos casos de **BB e Bradesco**, onde a razão é maior que 10 e menor que 20, segundo informado nos respectivos Questionários ISE. No **Itaú** e no **Santander** a razão é maior que 30, logo, não pontuam.



Destaques por banco:

No **Santander**, a satisfação do cliente é uma variável de cálculo da remuneração variável na maioria dos funcionários, inclusive para a alta administração. Metas socioambientais do banco também são consideradas no cálculo em todos níveis hierárquicos. O principal destaque é que quase a totalidade da remuneração do Conselho de Administração é fixa.

Somente no caso do **Itaú**, pelo menos um terço do bônus é baseado em critérios não financeiros (para Diretoria). Metas socioambientais do banco também são consideradas no cálculo em todos níveis hierárquicos.

O **BB** se destaca por ter indicadores ligados à sustentabilidade que são utilizados para calcular a remuneração variável de empregados e diretores estatutários. Os indicadores inclusive abordam envolvimento em causas sociais e voluntárias e uso eficiente de recursos.

O **Bradesco** é um dos poucos que informa que o salário mais alto não excede em 20 vezes o mais baixo na Organização. Também integra impacto socioambiental e satisfação do cliente no cálculo de remuneração variável.

O **BTG Pactual** não informa se utiliza variáveis socioambientais no cálculo de bônus, mas tem boa pontuação porque não há remuneração variável, benefícios ou incentivos de longo prazo para indivíduos que são apenas membros do Conselho de Administração.

Na **Caixa** é vedado participação nos lucros para membros do Conselho de Administração. Não há outras informações passíveis de pontuação.

O **BNDES** se destaca por publicar a remuneração mensal de todos os seus diretores e conselheiros em seu website. Todos receberam menos de 20% de bônus em 2017.

A pontuação do **Safra** se deve à consideração de “satisfação do cliente” no bônus de seus colaboradores.

Não foi encontrada informação sobre bônus no banco **Votorantim**.

Transparência e Prestação de Contas

O tema “**Transparência e Prestação de Contas**” avalia o nível de transparência com a qual a instituição financeira comunica e reporta suas diretrizes de responsabilidade socioambiental, o escopo de seus investimentos e financiamentos e o diálogo com as partes interessadas. Também avalia sua prestação de contas com a sociedade. No Apêndice, todos os elementos de avaliação estão listados na íntegra.



É um tema de especial importância porque níveis maiores de clareza e transparência implicam em maior compreensão da atuação socioambiental do banco. Não à toa, o posicionamento dos bancos neste tema ficou semelhante ao ranqueamento geral.

Tabela 27 – Desempenho no tema Transparência e Prestação de Contas

Banco	Nota
BNDES	6,8
Itaú	4,0
Bradesco	3,6
Santander	3,4
Caixa	3,1
BB	3,0
Votorantim	1,3
Safra	1,0
BTG	0,9
Pactual	

No geral, os bancos brasileiros comunicam mal os dados sobre as empresas nas quais investem seus recursos próprios e de terceiros (clientes). Dentre os argumentos está o sigilo bancário, mas outros bancos ao redor do mundo encontraram maneiras de aumentar a transparência sem ferir esse princípio básico. Somente o BNDESPAR e a CAIXAPAR, subsidiárias de **BNDES** e **Caixa** para investimentos proprietários, publicam claramente o nome das empresas nas quais investem.

BNDES, Bradesco, Itaú e Santander publicam um detalhamento das suas carteiras por região, tamanho e indústria ou setor, o que já é muito importante para identificar as prioridades do banco. **BB, BNDES, Bradesco, Caixa, Itaú e Santander** publicam o número de empresas com quais tiveram interação em questões socioambientais. Enquanto **BB** e **Bradesco** publicam somente para *project finance*, em consonância com os Princípios do Equador, **Caixa, Itaú e Santander** publicam também para créditos corporativos. Além dessas categorias, o **BNDES** traz também essas informações para investimentos proprietários.

Uma importante medida de transparência é o desenvolvimento de relatórios anuais e/ou de sustentabilidade que tragam informações relevantes para todas as partes interessadas nas atividades do banco. Uma das melhores formas que se tem de fazer isso é utilizando as diretrizes para Relatórios de Sustentabilidade da Global Reporting Initiative (GRI), que sistematiza e facilita a definição de materialidade (relevância) e procura por informações. Os padrões já são amplamente utilizados dentre os bancos brasileiros, conforme apresentado na tabela a seguir.



Tabela 28 – Adesão aos Padrões GRI

Não utiliza	BTG Pactual, Safra, Votorantim
Utiliza alguns indicadores do GRI	BNDES
Relatório em conformidade com os GRI Standards: opção essencial ou (<i>Core or Comprehensive options</i>)	BB, Bradesco, Caixa, Itaú, Santander

Para maior credibilidade dos relatórios de sustentabilidade, uma auditoria externa por uma terceira parte independente é essencial. Os relatórios de sustentabilidade (ou as informações de sustentabilidade) de **BB, Bradesco, Caixa, Itaú e Santander** mostram um relatório de asseguração limitada sobre as informações de sustentabilidade.

Outro aspecto relevante da prestação de contas é a abertura ao diálogo com a sociedade civil e outras partes interessadas. O próprio GBR consiste em uma oportunidade dos bancos colocarem em prática suas políticas de engajamento, como mencionado no [capítulo 2](#). Nos relatórios de sustentabilidade (ou em seus websites), **BB, BNDES, Caixa, Itaú e Santander** reportam sobre o engajamento com partes interessadas.

Destaques por banco:

O **BNDES** é sem dúvidas o banco mais transparente da avaliação, pois tem um portal de Transparência no seu website onde qualquer pessoa pode verificar quanto foi emprestado ou investido em cada empresa em cada setor e região do país. É um nível de detalhamento que nenhum outro banco tem.

O **Itaú** é um dos poucos bancos a publicar o detalhamento de sua carteira de *project finance* em uma tabela combinando dados sobre setor e região. Se destaca também por publicar como se dá seu engajamento com a sociedade.

O **Bradesco** se destaca por ter um mecanismo de queixas relacionado a Direitos Humanos direcionado ao público interno e externo. Também é um dos poucos bancos a publicar o detalhamento de sua carteira de *project finance* em uma tabela combinando dados sobre setor e região.

O **Santander** se destaca por publicar seu relatório anual com base nos resultados do engajamento que tem com partes interessadas.

A **Caixa** se destaca por publicar no relatório de sustentabilidade o nome de todas empresas em que têm participação acionária.

O **BB** cumpre com requisitos dos Princípios do Equador e de regulações.

O **Votorantim** se destaca por sua subsidiária Votorantim Asset Management publicar em seu *website* os posicionamentos para votações em fundos nos quais tem voto.



Também é um dos poucos bancos a trazer por escrito um compromisso de cooperação de boa fé com mecanismos judiciais e não judiciais de solução de controvérsias.

O **Safra** pontua por sua PRSA e por ter um canal de denúncias para chamado Canal de Combate à Corrupção e a Ilícitudes, que recebe denúncias também de não clientes sobre atos ilícitos de qualquer natureza relacionados às atividades da instituição.

O **BTG Pactual** pontua somente por obrigações que têm: desenvolver uma PRSA e publicar o mapa de votação de suas assembleias.

REFERÊNCIAS

Herder, A., Brink H., and M. Riemersma (2018, March 1), Fair Finance Guide International Methodology 2018, Amsterdam, The Netherlands: Profundo.

APÊNDICE 1

Elementos de avaliação traduzidos livremente para o português

Quanto aos elementos que sofreram alterações ou foram adicionados em 2018, as mudanças estarão pontuadas segundo a seguinte legenda:

- * leve alteração no elemento em relação à metodologia de 2016
- ** alteração substancial no elemento em relação à metodologia de 2016
- *** novo elemento (adicionado em 2018)

Em caso de dissonância interpretativa com a redação original em inglês, prevalece a versão oficial na língua estrangeira.

Mudanças climáticas

Os seguintes elementos são cruciais para uma política em relação às operações internas da instituição financeira:



1 *	Para as suas próprias emissões de gases de efeito estufa, diretas e indiretas, a instituição financeira estabelece objetivos de redução mensuráveis que estão alinhados com a limitação do aumento da temperatura global ao máximo de 1.5°C.
2	Para as emissões financiadas de gases do efeito estufa, ou seja, as emissões das empresas nas quais a instituição financeira investe, a instituição financeira divulga a sua participação nas emissões das empresas e projetos de energia nos quais investe.
3	Para as emissões financiadas de gases do efeito estufa, ou seja, as emissões das empresas nas quais a instituição financeira investe, a instituição financeira divulga sua participação em todas as empresas e projetos de energia nos quais investe.
4 *	Para suas emissões de gases do efeito estufa financiadas <i>[ou seja, as emissões das empresas em que a instituição financeira investe]</i> , a instituição financeira estabelece objetivos de redução mensuráveis que estão alinhados com a limitação do aumento da temperatura global ao máximo de 1.5°C.
5 ***	A instituição financeira mensura e divulga impactos relacionados às mudanças climáticas, em consonância com as recomendações da Força-Tarefa sobre Divulgações Financeiras Relacionadas com o Clima (TCFD, na sigla em inglês)
6	A política tem um limite máximo de 30% para o financiamento de um investimento em geração de energia de carvão e mineração de carvão.
7	A política tem um limite máximo de 30% para o financiamento de um investimento em geração de energia de combustíveis fósseis e extração de petróleo e gás.
8	A política tem um limite máximo de 0% para o financiamento de um investimento em geração de energia de carvão e mineração de carvão.
9	A política tem um limite máximo de 0% para o financiamento de um investimento em geração de energia de combustíveis fósseis e extração de petróleo e gás.
<i>Os seguintes elementos são cruciais para uma política em relação às empresas que a instituição financeira financia ou nas quais investe:</i>	
10	As empresas divulgam suas emissões diretas indiretas de gases do efeito estufa.



11	As empresas reduzem suas emissões diretas e indiretas de gases do efeito estufa.
12	As empresas trocam combustíveis fósseis por energia renovável.
13	Usina termelétrica a carvão sem sequestro de carbono (isto é, sem captura e armazenamento de carbono operacional) é inaceitável.
14	A geração de energia à base de carvão é inaceitável.
15	A geração de energia à base de combustível fóssil é inaceitável.
16	A mineração de carvão é inaceitável.
17	A extração de petróleo a partir de xisto betuminoso é inaceitável.
18	A extração de petróleo e gás é inaceitável.
19	É inaceitável a conversão de áreas turfeiras e de alta captura de carbono para o desenvolvimento agrícola.
20	A produção de biomateriais está em conformidade com os 12 princípios da Mesa Redonda sobre Biomateriais Sustentáveis (<i>Roundtable on Sustainable Biomaterials</i> - RSB).
21	A compensação de CO2 são certificados de acordo com o Gold Standard.
22	As empresas possibilitam aos fornecedores dos países em desenvolvimento - principalmente no setor agrícola - adaptar-se às consequências das alterações climáticas.
23	As empresas não participam de lobby (tentativa de influenciar decisões tomadas pelos reguladores) voltado ao enfraquecimento de uma política climática.
24	As empresas incorporam critérios sobre mudança climática em seus contratos e políticas operacionais.
25	As empresas incluem cláusulas contratuais com critérios sobre mudança climática em seus contratos com subcontratadas e fornecedores.



Corrupção

<i>Os seguintes elementos são cruciais para uma política em relação às operações internas da instituição financeira:</i>	
1	Oferecer, prometer, dar e exigir, direta ou indiretamente, propinas e outras vantagens indevidas a fim de conquistar e manter acordos e outras vantagens indevidas é inaceitável.
2 **	A instituição financeira tem uma política contra lavagem de dinheiro.
3 **	A instituição financeira tem uma política para prevenir o financiamento do terrorismo e da proliferação.
4	A instituição financeira verifica corretamente o Proprietário Beneficiário Final (PBF) de uma empresa.
5	A instituição financeira aplica salvaguardas adicionais quando inicia relações comerciais com pessoas politicamente expostas, direta ou indiretamente.
6	A instituição financeira divulga a sua participação nos processos de normas e legislação (práticas de lobby) internacionais de tomada de decisão.
<i>Os seguintes elementos são cruciais para uma política em relação às empresas que a instituição financeira financia ou nas quais investe:</i>	
7	As empresas divulgam publicamente o nome, data de nascimento, nacionalidade, residência, número e quantidade de ações, e se aplicável, o tamanho da participação ou controle na empresa, dos proprietários beneficiados ou donos.
8	Oferecer, prometer, dar e exigir, direta ou indiretamente, propinas e outras vantagens indevidas a fim de conquistar e manter acordos e outras vantagens indevidas, é inaceitável.
9	As empresas têm um sistema de gestão pelo qual pode ser realizada ação imediata se funcionários ou fornecedores forem condenados por corrupção.
10	As empresas informam sobre a sua participação nos processos tomada de decisão sobre normas internacionais e legislação (práticas de lobby).



11	As empresas integram critérios sobre impostos e corrupção em seus contratos e políticas operacionais.
12	As empresas incluem cláusulas de cumprimento com critérios sobre impostos e corrupção em seus contratos com subcontratadas e fornecedores.

Igualdade de Gênero (tema novo)

<i>Os seguintes elementos são cruciais para uma política em relação às operações internas da instituição financeira:</i>	
1	A instituição financeira possui uma política de tolerância zero com todas as formas de discriminação de gênero que digam respeito ao emprego e à ocupação, incluindo assédio verbal, físico e sexual.
2	A instituição financeira possui sistemas operantes para promover ativamente a igualdade salarial.
3	A instituição financeira possui sistemas operantes para prevenir e mitigar a discriminação de gênero com suas clientes.
4	A instituição financeira garante pelo menos 30% de participação e acesso igualitário de mulheres às posições de nível sênior.
5	A instituição financeira garante pelo menos 40% de participação e acesso igualitário de mulheres às posições de nível sênior.
6	A instituição financeira proporciona desenvolvimento profissional orientado para trabalhadores de modo a promover o acesso igualitário de mulheres às posições de nível sênior.
<i>Os seguintes elementos são cruciais para uma política em relação às empresas que a instituição financeira financia ou nas quais investe:</i>	
7	As empresas possuem um compromisso com políticas que diferenciem as ameaças a direitos humanos enfrentadas por mulheres e por homens.



8	As empresas possuem uma política de tolerância zero com todas as formas de discriminação de gênero, incluindo assédio verbal, físico e sexual.
9	As empresas possuem sistemas operantes para lidar ativamente com a equidade salarial.
10	As empresas possuem sistemas operantes para prevenir e mitigar a discriminação de gênero com suas clientes.
11	As empresas garantem pelo menos 30% de participação e acesso igualitário de mulheres às posições de nível sênior.
12	As empresas garantem pelo menos 40% de participação e acesso igualitário de mulheres às posições de nível sênior.
13	As empresas proporcionam desenvolvimento profissional orientado, e quando necessário educação e treinamento, para trabalhadores de modo a promover o acesso igualitário de mulheres às posições de nível sênior.
14	As empresas incluem critérios de gênero e de direitos das mulheres em seus contratos e políticas operacionais.
15	As empresas incluem cláusulas concernentes ao cumprimento de critérios de gênero e de direitos das mulheres em seus contratos com subcontratadas e fornecedores.

Direitos humanos

Os seguintes elementos são cruciais para uma política em relação às operações internas da instituição financeira:

- | | |
|---|--|
| 1 | A instituição financeira respeita todos os direitos humanos descritos nos Princípios Orientadores das Nações Unidas sobre Negócios e Direitos Humanos (UNGPs). |
|---|--|

Os seguintes elementos são cruciais para uma política em relação às empresas que a instituição financeira financia ou nas quais investe:



2	As empresas respeitam todos os direitos humanos conforme descrito nos Princípios Orientadores das Nações Unidas sobre Empresas e Direitos Humanos (UNGPs)
3	As empresas possuem uma política em que as próprias explicitamente se comprometem a respeitar os direitos humanos.
4	As empresas possuem um processo de diligência sobre direitos humanos para identificar, prevenir, mitigar e considerar para saber como eles direcionam o seu impacto sobre os direitos humanos.
5	As empresas possuem processos para permitir a reabilitação de qualquer impacto negativo que elas podem ter causado ou contribuído.
6 ***	As empresas estabelecem ou participam de mecanismos efetivos de apresentação de reclamações (<i>grievance mechanisms</i>), no nível operacional, para os indivíduos e comunidades que possam ter sofrido impactos adversos.
7	As empresas evitam conflitos sobre direitos fundiários e adquirem recursos naturais apenas após engajar-se em consulta às comunidades locais e na obtenção de consentimento livre, prévio e informado (CLPI) quando se trata de povos indígenas.
8	As empresas evitam conflitos sobre direitos fundiários e adquirem recursos naturais apenas com o consentimento livre, prévio e informado (CLPI) dos usuários da terra envolvidos.
9	As empresas demonstram ter atenção especial com o respeito aos direitos das mulheres, especialmente para evitar discriminação e melhorar a igualdade de tratamento entre homens e mulheres.
10 *	As empresas têm uma atenção especial ao respeito dos direitos das crianças.
11 *	As empresas não permitem assentamentos, incluindo suas atividades econômicas, em territórios ocupados, em respeito ao Direito Humanitário Internacional.
12	As empresas incorporam critérios sobre direitos humanos em seus contratos e políticas operacionais.
13	As empresas incluem cláusulas contratuais com critérios sobre direitos humanos em seus contratos com subcontratadas e fornecedores.



Direitos trabalhistas

<i>Os seguintes elementos são cruciais para uma política em relação às operações internas da instituição financeira:</i>	
1 ***	A instituição financeira respeita a Declaração da OIT sobre os Princípios e Direitos Fundamentais do Trabalho.
2 ***	A instituição financeira integra pelo menos os padrões trabalhistas da Declaração da OIT sobre os Princípios e Direitos Fundamentais do Trabalho em seus contratos e políticas operacionais.
<i>Os seguintes elementos são cruciais para uma política em relação às empresas que a instituição financeira financia ou nas quais investe:</i>	
3	As empresas encorajam a liberdade de associação e o reconhecimento efetivo do direito à negociação coletiva.
4	Todas as formas de trabalho forçado ou compulsório são inaceitáveis.
5	O trabalho infantil é inaceitável.
6	A discriminação em relação a emprego e função é inaceitável.
7	As empresas pagam um salário mínimo aos seus empregados.
8	As empresas aplicam um máximo de horas de trabalho.
9	As empresas têm uma sólida política de saúde e segurança.
10	As empresas asseguram igualdade de tratamento e condições de trabalho aos trabalhadores migrantes.
11	As empresas têm um sistema de gestão transparente para monitorar e, se necessário, adequar-se ao cumprimento das normas sobre direito do trabalho.
12	As empresas estabelecem procedimentos sobre como lidar e processar as reclamações de empregados e como resolver as violações e conflitos, preferencialmente em consulta com o sindicato pertinente.
13	As empresas incorporam critérios sobre direitos trabalhistas em seus contratos e políticas operacionais.
14	As empresas incluem cláusulas contratuais com critérios sobre direitos trabalhistas em seus contratos com subcontratadas e fornecedores.



Meio Ambiente

Os seguintes elementos são cruciais para uma política em relação às empresas que a instituição financeira financia ou nas quais investe:	
1 *	As empresas evitam impactos negativos em áreas de Alto Valor de Conservação (HCV, na sigla em inglês) nas suas operações comerciais e nas áreas que gerenciam.
2 *	As empresas evitam impactos negativos em áreas protegidas que se enquadram nas categorias I-IV da União Internacional de Conservação da Natureza (IUCN, na sigla em inglês) nas suas operações comerciais e nas áreas que gerenciam.
3 *	As empresas evitam impactos negativos sobre áreas que se enquadram como Patrimônio Mundial da UNESCO nas suas operações comerciais e nas áreas que gerenciam.
4 *	As empresas evitam impactos negativos sobre áreas protegidas que se enquadram no âmbito da Convenção de Ramsar sobre Zonas Úmidas nas suas operações comerciais e nas áreas que gerenciam.
5 *	As empresas evitam consequências negativas para as populações ou grupo de espécies de animais que estão na Lista Vermelha da IUCN de espécies ameaçadas.
6	O comércio de espécies animais e vegetais ameaçadas de extinção estão em conformidade com as condições estabelecidas pela Convenção de Washington sobre o Comércio Internacional das Espécies da Flora e da Fauna Selvagens em Perigo de Extinção (CITES, na sigla em inglês).
7	É considerado inaceitável o comércio de espécies animais e vegetais ameaçadas de extinção que estão na lista do Comércio Internacional das Espécies da Flora e da Fauna Selvagens em Perigo de Extinção (CITES, na sigla em inglês).
8	As atividades na área de materiais genéticos e engenharia genética ocorrerão apenas caso cumpram com os requisitos de permissão e de processamento, tal como descrito na Convenção da ONU sobre Diversidade Biológica e nas Diretrizes de Bonn correlatas ou no Protocolo de Nagoya.



9	A produção ou o comércio de organismos vivos geneticamente modificados pode ocorrer apenas se a permissão foi obtida a partir do país importador e todas as exigências do Protocolo de Cartagena foram cumpridas.
10	As empresas evitam a introdução de espécies exóticas invasoras em ecossistemas.
11	As empresas realizam análises de estresse hídrico e evitam impactos negativos em regiões de alto estresse hídrico. <i>[NOVO]</i>
12	As empresas não iniciam operações em áreas com estresse hídrico pré-existente e operações que disputem recursos com as necessidades das comunidades. <i>[NOVO]</i> As companhias realizam estudos de impacto ambiental na biodiversidade, concernentes às consequências totais de seus projetos de larga escala, tendo como parâmetro mínimo o GRI 304: Biodiversity 2016 e outras diretrizes relevantes.
13 *	As empresas fazem uma avaliação de impacto ambiental sobre as consequências totais do projeto sobre a biodiversidade, tendo como parâmetro mínimo o GRI 304: <i>Biodiversity 2016</i> e outros padrões relevantes.
14	As empresas incorporam critérios sobre meio ambiente em seus contratos e políticas operacionais.
15	As empresas incluem cláusulas contratuais com critérios sobre meio ambiente em seus contratos com subcontratadas e fornecedores.

Impostos

Os seguintes elementos são cruciais para uma política em relação às operações internas da instituição financeira:

1 **	Para pelo menos três quartos dos países em que a instituição financeira opera, ela relata, país por país, sobre as suas receitas, lucros, FTEs, subsídios recebidos dos governos e pagamentos de impostos para os governos.
2	Para cada país em que a instituição financeira opera, ele relata, país por país, sobre as suas receitas, custos, lucro, subsídios recebidos dos governos e pagamentos de impostos para os governos.



3	Para cada país que a instituição financeira opera, ela divulga o total de ativos país por país.
4	A instituição financeira não aconselha as empresas a criarem estruturas corporativas internacionais com o objetivo principal de evitar impostos, nem participam em operações com tais estruturas.
5	A instituição financeira não participa de transações financeiras com estruturas internacionais cujo principal objetivo é evitar ou sonegar impostos.
6 **	A instituição financeira publica informações relevantes sobre quaisquer decisões fiscais específicas que possa ter recebido das autoridades fiscais.
7 *	A instituição financeira não possui subsidiárias, filiais ou associadas em jurisdições que não taxem corporações ou com práticas fiscais perniciosas, a menos que tenha atividade [local] substancial e seus lucros sejam gerados por atividades econômicas locais.
8 *	As instituições financeiras não fornecem serviços financeiros a empresas em paraísos fiscais, a menos que a empresa tenha atividade substancial e seus lucros sejam gerados por atividades econômicas locais.
<i>Os seguintes elementos são cruciais para uma política em relação às empresas que a instituição financeira financia ou nas quais investe:</i>	
9	As empresas publicam toda a estrutura do grupo, incluindo entidades indiretamente controladas.
10 *	As empresas publicam uma explicação das atividades, funções e acionista principal de cada subsidiária, sucursal, <i>joint venture</i> ou afiliada localizada em jurisdições que não taxem corporações ou com práticas fiscais perniciosas
11	Para cada país no qual a empresa opera, ela divulga país por país a receita, lucro, FTEs, subsídios do governo e pagamentos realizados para governos.
12	As empresas centram sua estrutura empresarial internacional e as suas operações internacionais de uma forma que isso reflita a substância econômica das atividades e operações realizadas, sem quaisquer medidas voltadas a assegurar uma vantagem fiscal.
13 **	As empresas publicam informações relevantes sobre quaisquer decisões fiscais específicas que possa ter recebido das autoridades fiscais.



14	As empresas tornam públicas, na medida do legalmente e praticamente possível, a decisão de qualquer julgamento ou arbitragem ao qual elas, ou qualquer de suas subsidiárias, estejam envolvidas, com relação a disputas fiscais, seja em um tribunal ou outro ambiente de arbitragem.
15	As empresas têm um sistema de gestão pelo qual pode ser realizada ação imediata se funcionários ou fornecedores forem condenados por corrupção ou evasão fiscal.
16	As empresas integram critérios sobre impostos e corrupção em seus contratos e políticas operacionais.
17	As empresas incluem cláusulas de cumprimento com critérios sobre impostos e corrupção em seus contratos com subcontratadas e fornecedores.

Armas

Os seguintes elementos são cruciais para uma política em relação às empresas que a instituição financeira financia ou nas quais investe:

1	A produção, manutenção e comércio de (partes importantes de) minas terrestres são inaceitáveis.
2	A produção, manutenção e comércio de (partes importantes de) armas de fragmentação são inaceitáveis.
3	A produção, manutenção e comércio de armas nucleares, incluindo partes importantes de armas nucleares, em ou para países que ainda não ratificaram o Tratado de Não-Proliferação de Armas Nucleares é inaceitável.
4	A produção, manutenção e comércio de armas nucleares, incluindo partes importantes de armas nucleares são inaceitáveis.
5	A produção, manutenção e comércio de (partes importantes de) armas químicas são inaceitáveis.
6	A produção, manutenção e comércio de (partes importantes de) armas biológicas são inaceitáveis.



7	Bens que são essenciais para fins militares, mas que também podem ser usados em produtos civis (tecnologia de "dupla utilização"), são considerados bens militares quando têm de fato fins militares.
8	O fornecimento de armas e sistemas de armas, sistemas de transporte militar, e outros bens militares para países que estão sob um embargo das Nações Unidas ou União Europeia, é inaceitável.
9 *	O fornecimento de armas e sistemas de armamentos, transporte militar, e outros equipamentos militares é inaceitável se houver um risco grande de que as armas sejam usadas para violações graves dos direitos humanos e do direito humanitário internacional.
10 *	O fornecimento de armas e sistemas de armas, transporte militar, e outros equipamentos militares para regimes que violam severamente os direitos humanos é inaceitável.
11 *	O fornecimento de armas e sistemas de armas, transporte militar, e outros equipamentos militares a partes envolvidas em conflitos é inaceitável, a menos que as partes estejam agindo em conformidade com uma resolução do Conselho de Segurança da ONU.
12	O fornecimento de armas e sistemas de armas, transporte militar, e outros equipamentos militares a países que expostos a corruptos é inaceitável.
13	O fornecimento de armas e sistemas de armas, transporte militar, e outros equipamentos militares a países com um estado debilitado ou fragilizado é inaceitável.
14	O fornecimento de armas e sistemas de armas, transporte militar, e outros equipamentos militares para países que consomem uma parcela desproporcional do seu orçamento na aquisição de armas, é inaceitável.
15	A política não menciona exceções para certos tipos de investimento, financiamento e / ou classes de ativos da instituição financeira.
16	A política não menciona exceções para atividades ou projetos que não estejam relacionadas com a produção de armas.

Alimentos

Os seguintes elementos são cruciais para uma política em relação às empresas que a instituição financeira financia ou nas quais investe:



1	Empresas respeitam o direito à alimentação adequada.
2	As empresas respeitam a Declaração da OIT sobre os Princípios e Direitos Fundamentais no Trabalho.
3	As empresas evitam conflitos sobre direitos de terra e adquirem recursos naturais apenas por engajar-se em séria consulta às comunidades locais e na obtenção de consentimento livre, prévio e informado (CLPI) quando se trata de povos indígenas.
4	As empresas evitam conflitos sobre direitos de terra e adquirem recursos naturais apenas com o consentimento livre, prévio e informado (CLPI) dos usuários da terra envolvidos.
5 *	As empresas evitam impactos negativos em áreas protegidas que se enquadram nas categorias I-IV da União Internacional de Conservação da Natureza (IUCN, na sigla em inglês) nas suas operações comerciais e nas áreas que gerenciam.
6 *	As empresas evitam impactos negativos sobre áreas que se enquadram como Patrimônio Mundial da UNESCO nas suas operações comerciais e nas áreas que gerenciam.
7 *	As empresas evitam impactos negativos sobre áreas protegidas que se enquadram no âmbito da Convenção de Ramsar sobre Zonas Úmidas nas suas operações comerciais e nas áreas que gerenciam.
8	As atividades na área de materiais genéticos e engenharia genética ocorrerão apenas caso cumpram com os requisitos de permissão e de processamento, tal como descrito na Convenção da ONU sobre Diversidade Biológica e nas Diretrizes de Bonn correlatas ou no Protocolo de Nagoya.
9	A produção ou o comércio de organismos vivos geneticamente modificados pode ocorrer apenas se a permissão foi obtida a partir do país importador e todas as exigências do Protocolo de Cartagena foram cumpridas.
10	As empresas respeitam as Cinco Liberdades dos Animais.
11	Métodos muito restritos para instalação dos vitelos (em caixas), galinhas (em gaiolas) e porcas (em cubículos de alimentação) são inaceitáveis.
12	As empresas reduzem o tempo limite no transporte de animais a no máximo 8 horas.



13 ***	As empresas têm um uso prudente de medicamentos antimicrobiais (antibióticos) em animais destinados à produção de alimentos, de modo a minimizar a resistência antimicrobiana.
14	As empresas reduzem suas emissões diretas e indiretas de gases do efeito estufa.
15	As empresas reduzem suas emissões diretas de gases do efeito estufa e de substâncias nocivas, como material particulado, óxido de nitrogênio e amônia.
16	É inaceitável a conversão de ações turfeiras e de alta captura de carbono para o desenvolvimento agrícola.
17	As empresas usam pesticidas o mínimo possível e, se necessário, apenas de uma forma responsável.
18	As empresas usam o mínimo possível de água.
19	As empresas evitam a poluição da água.
20	As empresas realizam análises de estresse hídrico e evitam impactos negativos em regiões de alto estresse hídrico.
21	As empresas não iniciam operações em áreas com estresse hídrico pré-existente e operações que disputem recursos com as necessidades das comunidades.
22	As empresas utilizam iniciativas e padrões relevantes para matérias-primas (mencionados na seção 3.4.2 da metodologia).
23	As empresas são certificadas de acordo com os critérios dos sistemas de certificação (mencionados na seção 3.4.2 da metodologia a respeito deste tema) para todas as matérias-primas que produzem.
24 *	As empresas publicam um relatório de sustentabilidade que contém (uma quantidade de) informações dos Padrões GRI.
25 *	Grandes empresas e multinacionais publicam um relatório de sustentabilidade que é elaborado de acordo com os Padrões GRI (Opção Essencial ou Abrangente).
26 *	As empresas integram critérios ambientais, sociais e de governança em seus contratos e políticas operacionais.
27 *	As empresas incluem cláusulas sobre o cumprimento de critérios ambientais, sociais e de governança em seus contratos com subcontratados e fornecedores.



Florestas

<i>Os seguintes elementos são cruciais para uma política em relação às empresas que a instituição financeira financia ou nas quais investe:</i>	
1 *	As empresas evitam impactos negativos em áreas de Alto Valor de Conservação (HCV, na sigla em inglês) nas suas operações comerciais e nas áreas que gerenciam.
2 *	As empresas evitam impactos negativos nas áreas de de Alto Estoque de Carbono (HCS, na sigla em inglês) nas suas operações comerciais e nas áreas que gerenciam.
3	As empresas de toda a cadeia de suprimento de madeira evitam o uso de madeira ilegalmente cortada e negociada.
4	As fábricas de papel e celulose restringem o uso de produtos químicos e a poluição do solo, água e ar, utilizando as melhores técnicas disponíveis.
5	As empresas madeireiras respeitam os direitos das comunidades locais e indígenas sobre o uso justo e equitativo das florestas.
6	As empresas evitam conflitos sobre direitos de terra e adquirem recursos naturais apenas por engajar-se em séria consulta às comunidades locais e na obtenção de consentimento livre, prévio e informado (CLPI) quando se trata de povos indígenas.
7	As empresas evitam conflitos sobre direitos de terra e adquirem recursos naturais apenas com o consentimento livre, prévio e informado (CLPI) dos usuários da terra envolvidos.
8 *	As florestas voltadas à produção e as plantações de madeira são certificados de acordo com os critérios de manejo florestal do Forest Stewardship Council (FSC).
9 *	As cadeias produtivas de comércio de madeira e as empresas da cadeia de derivados da madeira (incluindo celulose, papel, chapas, móveis) são certificados de acordo com os critérios do FSC para a Cadeia de Custódia.
10 *	As empresas de setores com grande impacto em florestas (incluindo a silvicultura e a indústria de papel) reportam sua pegada florestal ao projeto Forest Footprint Disclosure (FFD).



11 *	As empresas publicam um relatório de sustentabilidade que contém (uma quantidade de) informações dos Padrões GRI.
12 *	Grandes empresas e multinacionais publicam um relatório de sustentabilidade que é elaborado de acordo com os Padrões GRI (Opção Essencial ou Abrangente).
13 *	As empresas integram critérios ambientais, sociais e de governança em seus contratos e políticas operacionais.
14	As empresas incluem cláusulas sobre o cumprimento de critérios ambientais, sociais e de governança em seus contratos com subcontratados e fornecedores.

Setor imobiliário e habitação

<i>Os seguintes elementos são cruciais para uma política em relação às empresas que a instituição financeira financia ou nas quais investe:</i>	
1 **	As empresas respeitam a Declaração da OIT sobre os Princípios e Direitos Fundamentais no Trabalho.
2 ***	As empresas trabalham para o melhoramento sistemático na segurança e na saúde dos trabalhadores e desenvolvem uma cultura preventiva no campo da saúde e da segurança.
3	As empresas de construção apenas utilizam madeira certificada de acordo com os critérios do <i>Forest Stewardship Council</i> (FSC).
4	As empresas de construção usam materiais reciclados e recicláveis e materiais reciclados em caso de demolição.
5	As empresas de construção implementam o <i>Cement Action Plan</i> da Iniciativa de Sustentabilidade do Cimento (<i>Cement Sustainability Initiative</i>).
6 *	Grandes empresas e multinacionais publicam um relatório de sustentabilidade que é elaborado de acordo com os Padrões GRI (Opção Essencial ou Abrangente).
7	As empresas de construção agem de forma responsável na reconstrução de casas, seguindo as orientações das diretrizes do UNEP SBCI na reconstrução sustentável em países afetados por desastres.



8	Espera-se que empresas de construção e cooperativas de habitação considerem os Cinco Princípios de Planejamento para Bairros Sustentáveis (<i>Five Principles of Sustainable Neighbourhood Planning</i>).
9	Novos edifícios são concebidos de forma a se adequarem a vários tipos de inquilinos, ou podendo ser facilmente adaptado para atender vários tipos de inquilinos.
10	Proprietários de imóveis têm uma política de transformação de edifícios vagos em sua carteira.
11 *	Novos edifícios são projetados de acordo com os mais altos padrões de eficiência energética, em consonância com a <i>EU Energy Performance Directive</i> .
12	As medidas de redução de energia e metas de redução de efeito estufa são parte dos planos de manutenção de vários anos com relação às carteiras de propriedade imobiliária da instituição financeira.
13	A cada ano, o desempenho energético de pelo menos 10% da carteira de crédito imobiliário total é melhorado, utilizando as melhores tecnologias disponíveis e viáveis sobre as medidas de redução de energia e redução das emissões de gases do efeito estufa.
14 **	Novos imóveis estão dentro dos primeiros 50% sistemas de certificação de sustentabilidade.
15 **	Imóveis renovados e casas reconstruídas estão dentro dos primeiros 50% sistemas de certificação de sustentabilidade.
17	Os fundos imobiliários atingem pelo menos 50 pontos no índice <i>Global Real Estate Sustainability Benchmark</i> .
18	Proprietários e gestores imobiliários respeitam os direitos das comunidades locais que vivem em áreas de projeto antes do desenvolvimento do projeto e não expulsam e realocam sem o consentimento livre, prévio e informado.
19	Proprietários e gestores imobiliários respeitam os direitos dos inquilinos que vivem em seus projetos imobiliários e não expulsam e realocam sem o consentimento livre, prévio e informado.
20 *	As empresas integram critérios ambientais, sociais e de governança em seus contratos e políticas operacionais.



21 *	As empresas incluem cláusulas sobre o cumprimento de critérios ambientais, sociais e de governança em seus contratos com subcontratados e fornecedores.
22	Empresas do setor da habitação e imobiliário integram critérios sociais, económicos e ambientais em seus contratos e políticas operacionais.
23	As empresas do setor habitacional e imobiliário incluem cláusulas sobre a observância dos critérios sociais, económicos e ambientais em seus contratos com empreiteiros e fornecedores.
24	As instituições financeiras divulgam informações sobre a eficiência energética das casas e edifícios financiados com Financiamento imobiliário.
25	As instituições financeiras implementam uma política para melhorar a eficiência energética das casas e edifícios financiados com Financiamento imobiliário.
26	As instituições financeiras possuem um ambicioso objetivo, com meta no horizonte de tempo, para melhorar a sua carteira de Financiamento imobiliário.
27	As instituições financeiras oferecem empréstimos e serviços de hipoteca para clientes que lhes permitam tornar sua propriedade mais sustentável.
28	As instituições financeiras aplicam o Código de Conduta para os Empréstimos Hipotecários com base na EU Mortgage Credit Directive.
29	As instituições financeiras que emitem títulos lastreados em financiamento imobiliário são transparentes sobre os aspectos de sustentabilidade dos edifícios (por exemplo, a eficiência energética).
30	As instituições financeiras só investem em títulos lastreados em Financiamento imobiliário se há transparência suficiente sobre os aspectos de sustentabilidade dos edifícios (por exemplo, a eficiência energética).

Mineração



Os seguintes elementos são cruciais para uma política em relação às empresas que a instituição financeira financia ou nas quais investe:

1 *	As empresas evitam impactos negativos em áreas protegidas que se enquadram nas categorias I-IV da União Internacional de Conservação da Natureza (IUCN, na sigla em inglês) nas suas operações comerciais e nas áreas que gerenciam.
2 *	As empresas evitam impactos negativos sobre áreas que se enquadram como Patrimônio Mundial da UNESCO nas suas operações comerciais e nas áreas que gerenciam.
3 *	As empresas evitam impactos negativos sobre áreas protegidas que se enquadram no âmbito da Convenção de Ramsar sobre Zonas Úmidas nas suas operações comerciais e nas áreas que gerenciam.
4 *	As empresas minimizam o risco de acidentes fazendo uso das melhores técnicas disponíveis e desenvolvendo um roteiro sólido para situações de crise (chamado "plano de contingência").
5	As empresas não operam em locais onde as consequências de um acidente para o meio ambiente são incontrolláveis.
6	As empresas reduzem a extração de resíduos e gerenciam e processam isso de uma forma responsável.
7	A disposição fluvial e submarina de rejeitos é inaceitável.
8	As empresas realizam análises de estresse hídrico e evitam impactos negativos em regiões de alto estresse hídrico.
9	As empresas não iniciam operações em áreas com estresse hídrico pré-existente e operações que disputem recursos com as necessidades das comunidades.
10	As empresas incluem os efeitos de uma mina na saúde local e no meio ambiente, após seu fechamento, em planos para o desenvolvimento de novas minas.
11 *	As empresas garantem a recuperação dos ecossistemas após a conclusão das atividades comerciais, para todos os projetos da indústria extrativa (ou seja, isso é incluído como uma atividade no planejamento e no orçamento do projeto).



12 **	As empresas respeitam a mineração em pequena escala e artesanal e melhoram o desenvolvimento sustentável econômico e social em nível local.
13	As empresas respeitam a Declaração da OIT sobre os Princípios e Direitos Fundamentais no Trabalho.
14	As empresas evitam conflitos sobre direitos de terra e adquirem recursos naturais apenas por engajar-se em séria consulta às comunidades locais e na obtenção de consentimento livre, prévio e informado (CLPI) quando se trata de povos indígenas.
15	As empresas evitam conflitos sobre direitos de terra e adquirem recursos naturais apenas com o consentimento livre, prévio e informado (CLPI) dos usuários da terra envolvidos.
16	As empresas seguem os Princípios Voluntários sobre Segurança e Direitos Humanos para a segurança de seus funcionários e instalações da empresa.
17	As empresas estabelecem processos de remediação e compensação para vítimas de violações de direitos humanos (incluindo mecanismos de reclamação e possibilidades de compensação).
18	As empresas pagam os devidos impostos em todos os países nos quais operam.
19	Para cada país em que as empresas operam, eles relatam país por país sobre as suas receitas, custos, lucros, subsídios recebidos dos governos e pagamentos a governos (por exemplo, os impostos retidos na fonte, os pagamentos por concessões e fiscal da empresa).
20	Oferecer, prometer, dar e exigir, direta ou indiretamente, propinas e outras vantagens indevidas a fim de conquistar e manter acordos e outras vantagens indevidas, é inaceitável.
21	As empresas só operam em zonas de fraca governança ou em áreas afetadas por conflitos se estas são capazes de demonstrar que não são as causadoras e não contribuem para a violação dos direitos humanos.
22	Mineração e comércio de materiais de conflito é inaceitável.
23	A mineração de urânio é inaceitável.
24	A mineração com remoção de cume de montanhas é inaceitável.
25	Estabelecimento de novas minas de carvão é inaceitável.



26	A mineração de carvão é inaceitável.
27	A mineração e comércio de materiais de conflito é inaceitável.
28	As empresas trabalham em consonância com padrões e iniciativas relevantes para determinados minerais (mencionado na secção 3.8.2 da metodologia deste tema).
29 *	As empresas são certificadas de acordo com os critérios de certificações existentes para determinados minerais (citados na secção 3.8.2 da metodologia).
30 *	As empresas publicam um relatório de sustentabilidade que contém (uma quantidade de) informações dos Padrões GRI.
31 *	Grandes empresas e multinacionais publicam um relatório de sustentabilidade que é elaborado de acordo com os Padrões GRI (Opção Essencial ou Abrangente).
32 *	As empresas integram critérios ambientais, sociais e de governança em seus contratos e políticas operacionais.
33 *	As empresas incluem cláusulas sobre o cumprimento de critérios ambientais, sociais e de governança em seus contratos com subcontratados e fornecedores.

Óleo e gás

Os seguintes elementos são cruciais para uma política em relação às empresas que a instituição financeira financia ou nas quais investe:

1 *	As empresas evitam impactos negativos em áreas protegidas que se enquadram nas categorias I-IV da União Internacional de Conservação da Natureza (IUCN, na sigla em inglês) nas suas operações comerciais e nas áreas que gerenciam.
2 *	As empresas evitam impactos negativos sobre áreas que se enquadram como Patrimônio Mundial da UNESCO nas suas operações comerciais e nas áreas que gerenciam.
3 *	As empresas evitam impactos negativos sobre áreas protegidas que se enquadram no âmbito da Convenção de Ramsar sobre Zonas Úmidas nas suas operações comerciais e nas áreas que gerenciam.



4	As empresas minimizam o risco de acidentes (vazamentos de óleo, vazamentos), fazendo uso das melhores técnicas disponíveis e ter um roteiro sólido para situações de crise (o chamado "plano de contingência").
5	As empresas não operam em locais onde as consequências de um acidente para o meio ambiente são incontrolláveis.
6	Empresas reduzem resíduos da extração de óleo e gás e mineração, especialmente da queima de gás natural, e gerenciam e processam estes resíduos de uma maneira responsável.
7	As empresas incluem os efeitos ambientais e de saúde do desmantelamento das instalações de produção, especialmente de plataformas de perfuração offshore, em planos para o desenvolvimento de novos projetos.
8	As empresas realizam análises de estresse hídrico e evitam impactos negativos em regiões de alto estresse hídrico.
9	As empresas não iniciam operações em áreas com estresse hídrico pré-existente e operações que disputem recursos com as necessidades das comunidades.
10	As empresas reduzem os efeitos causados pela pesquisa sísmica em baleias e outros mamíferos marinhos.
11	As empresas respeitam a Declaração da OIT sobre os Princípios e Direitos Fundamentais no Trabalho.
12	As empresas evitam conflitos sobre direitos de terra e adquirem recursos naturais apenas por engajar-se em séria consulta às comunidades locais e na obtenção de consentimento livre, prévio e informado (CLPI) quando se trata de povos indígenas.
13	As empresas evitam conflitos sobre direitos de terra e adquirem recursos naturais apenas com o consentimento livre, prévio e informado (CLPI) dos usuários da terra envolvidos.
14	As empresas seguem os Princípios Voluntários sobre Segurança e Direitos Humanos para a segurança de seus funcionários e instalações da empresa.
15	As empresas têm processos para permitir a reabilitação de qualquer impacto negativo dos direitos humanos que possam ter causado ou contribuído.
16	As empresas pagam os devidos impostos em todos os países nos quais operam.



17	Para cada país em que as empresas operam, eles relatam país por país sobre as suas receitas, custos, lucros, subsídios recebidos dos governos e pagamentos a governos (por exemplo, os impostos retidos na fonte, os pagamentos por concessões e fiscal da empresa).
18	Oferecer, prometer, dar e exigir, direta ou indiretamente, propinas e outras vantagens indevidas a fim de conquistar e manter acordos e outras vantagens indevidas, é inaceitável.
19	As empresas só operam em zonas de fraca governança ou em áreas afetadas por conflitos se estas são capazes de demonstrar que não são as causadoras e não contribuem para a violação dos direitos humanos.
20	A mineração de petróleo de campos de areia de alcatrão é inaceitável.
21	A mineração de petróleo de xisto betuminoso é inaceitável.
22	A mineração de petróleo a partir do carvão liquefeito é inaceitável.
23	A extração de gás de xisto é inaceitável.
24	A perfuração de petróleo e gás no Ártico é inaceitável.
25 *	As empresas publicam um relatório de sustentabilidade que contém (uma quantidade de) informações dos Padrões GRI.
26 *	Grandes empresas e multinacionais publicam um relatório de sustentabilidade que é elaborado de acordo com os Padrões GRI (Opção Essencial ou Abrangente).
27 *	As empresas integram critérios ambientais, sociais e de governança em seus contratos e políticas operacionais.
28 *	As empresas incluem cláusulas sobre o cumprimento de critérios ambientais, sociais e de governança em seus contratos com subcontratados e fornecedores.

Geração de energia

Os seguintes elementos são cruciais para uma política em relação às operações internas da instituição financeira:



1	A instituição financeira financia empresas envolvidas na geração de energia renovável (eólica, solar, hidroelétrica de pequeno e médio porte, geotermal, energia das marés, etc.)
2	A instituição financeira tem uma meta mensurável para aumentar seu financiamento à geração de energia renovável.
3	A instituição financeira tem uma meta mensurável para reduzir seu financiamento à geração de energia de combustíveis fósseis, em termos absolutos ou em relação ao seu financiamento à geração de energia renovável.
<i>Os seguintes elementos são cruciais para uma política em relação às empresas que a instituição financeira financia ou nas quais investe:</i>	
4	Centrais a carvão sem a captura de carbono operacional e de armazenamento são inaceitáveis.
5	Usinas termelétricas a carvão sem sequestro de carbono (ou seja, sem a captura e o armazenamento de carbono) são inaceitáveis.
6	Usinas de energia de combustível fóssil são inaceitáveis.
7	A energia nuclear é inaceitável.
8	Usinas hidrelétricas de grande escala são inaceitáveis.
9 *	As empresas evitam impactos negativos em áreas protegidas que se enquadram nas categorias I-IV da União Internacional de Conservação da Natureza (IUCN, na sigla em inglês) nas suas operações comerciais e nas áreas que gerenciam.
10 *	As empresas evitam impactos negativos sobre áreas que se enquadram como Patrimônio Mundial da UNESCO nas suas operações comerciais e nas áreas que gerenciam.
11 *	As empresas evitam impactos negativos sobre áreas protegidas que se enquadram no âmbito da Convenção de Ramsar sobre Zonas Úmidas nas suas operações comerciais e nas áreas que gerenciam.
12	As empresas evitam conflitos sobre direitos de terra e adquirem recursos naturais apenas por engajar-se em séria consulta às comunidades locais e na obtenção de consentimento livre, prévio e informado (CLPI) quando se trata de povos indígenas.



13	As empresas evitam conflitos sobre direitos de terra e adquirem recursos naturais apenas com o consentimento livre, prévio e informado (CLPI) dos usuários da terra envolvidos.
14	As empresas têm processos para permitir a reabilitação de qualquer impacto negativo dos direitos humanos que eles possam ter causado ou contribuído.
15	A construção de barragens está em conformidade com os 7 princípios da Comissão Mundial de Barragens (WCD, na sigla em inglês).
16	A construção de todos os projetos de infraestrutura aquática está em conformidade com os 7 princípios da Comissão Mundial de Barragens (WCD, na sigla em inglês).
17	A produção de biomateriais está em conformidade com os 12 princípios da Mesa Redonda sobre Biomateriais Sustentáveis (Roundtable on Sustainable Biomaterials - RSB).
18	A instituição financeira publica um relatório de sustentabilidade que contém (uma quantidade considerável) de informações padrões estabelecidos nas Diretrizes G4 da GRI para Relatórios de Sustentabilidade.
19	Grandes empresas e multinacionais de geração de energia publicam um relatório de sustentabilidade configurado conforme as Diretrizes G4 da GRI para Relatórios de Sustentabilidade, incluindo o Suplemento Setorial de Energia Elétrica.
20 *	As empresas integram critérios ambientais, sociais e de governança em seus contratos e políticas operacionais.
21 *	As empresas incluem cláusulas sobre o cumprimento de critérios ambientais, sociais e de governança em seus contratos com subcontratados e fornecedores.

Direitos do consumidor

Os seguintes elementos são cruciais para uma política quanto à relação entre a instituição financeira e seus clientes:

1	A instituição financeira tem uma política de divulgação dos direitos do consumidor e riscos de produtos e serviços.
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2	A instituição financeira tem uma política que estabelece princípios éticos para que o atendimento aos consumidores seja feito de maneira não discriminatória.
3	A instituição financeira garante que os consumidores têm acesso a mecanismos adequados para receber e tratar reclamações e que passem por um processo de diligência
4	A instituição financeira divulga os resultados do monitoramento de reclamações, como o número de queixas, as principais questões, as instituições onde as queixas foram registradas ou em quais canais foram recebidas pelo banco (call-center, site, e-mail, telefone, agências bancárias).
5	A instituição financeira tem compromissos públicos para reduzir as queixas dos consumidores, fixando metas e tornando essas informações acessíveis aos stakeholders.
6	A instituição financeira tem um mecanismo para resolução alternativa de litígios (ADR, em inglês), isto é, um processo independente disponível para resolução de reclamações que não sejam eficientemente resolvidas através dos prestadores de serviços financeiros e de mecanismos internos, tais como Ouvidorias.
7	A instituição financeira tem uma política de equacionamento de dívidas de consumidores superendividados.
8	A instituição financeira tem políticas claras ou um código de conduta a fim de proteger os consumidores contra o excesso de endividamento.
9	A instituição financeira desenvolveu e implementou perfis de risco relativos a seus produtos de investimento.
10	A instituição financeira privada respeita a proteção de dados do cliente, não divulgando a terceiros sem o consentimento do cliente.
11	As informações financeiras e pessoais dos consumidores estão resguardadas por meio de mecanismos de controle e proteção adequados com as orientações de como os dados podem ser recolhidos, processados, mantidos, utilizados e divulgados.
12	A instituição financeira tem uma política e um procedimento claros de responsabilização em caso de roubo, furto e fraude envolvendo clientes em agências bancárias, caixas eletrônicos, internet e agentes autorizados.
13	A instituição financeira publica suas políticas ou procedimentos de cobrança e as empresas que as representam nestes procedimentos.
14	A instituição financeira tem procedimentos e políticas para evitar venda casada ou outras práticas inadequadas.
15	A instituição financeira fornece aos consumidores informações fundamentais sobre os benefícios, riscos e termos do serviço e alterações nas taxas.
16	A instituição financeira tem políticas claras ou um código de conduta sobre informações pré-contratuais em crédito imobiliário.
17	A estrutura de remuneração da instituição financeira para seus prestadores de serviços financeiros e agentes autorizados é desenhada de forma a encorajar uma conduta responsável, um tratamento justo dos consumidores e para evitar conflitos de interesse.



18	A instituição financeira tem um programa para treinar corretamente e qualificar os funcionários e agentes autorizados na comercialização de produtos e serviços para os consumidores.
19	A instituição financeira tem um programa para treinar corretamente e qualificar os funcionários e agentes autorizados sobre os direitos do consumidor e políticas de proteção e práticas.
20 **	A instituição financeira garante que não haja restrições de acesso para os clientes por causa de serviços financeiros baseados em Tecnologia da Informação e Comunicação (TIC).
21	A instituição financeira tem uma política comprometida em fornecer acessibilidade para clientes com deficiências e necessidades especiais em todas as agências físicas e serviços eletrônicos, como em plataformas on-line.

Inclusão Financeira

Os seguintes elementos são cruciais para uma política quanto à relação entre a instituição financeira e seus clientes:	
1	A instituição financeira possui políticas, serviços e produtos voltados especificamente a grupos pobres e marginais.
2	A instituição financeira possui filiais em áreas rurais, não apenas em áreas urbanas.
3	A instituição financeira disponibiliza serviços financeiros online, sem necessidade de dinheiro vivo (<i>cashless</i>) e no celular.
4	Mais de 10% dos empréstimos é destinado a micro, pequenas e médias empresas (MPMEs).
5	A instituição financeira não exige um colateral como garantia para fornecer crédito a MPMEs.
6	A instituição financeira tem uma política de divulgação dos direitos do cliente e os riscos de produtos ou serviços (incluindo risco de superendividamento) oferecidos aos clientes com baixa taxa de alfabetização e MPMEs.
7	Os termos e condições da instituição financeira estão disponíveis em língua nacional/local para os clientes.
8	A instituição financeira possui uma política para elevar a educação financeira de grupos de baixa renda, grupos marginais e MPMEs.
9	A instituição financeira não cobra ou cobra uma taxa razoável aos clientes para abertura de uma conta bancária básica.



10	A instituição financeira não requer um montante mínimo para manter uma conta bancária básica.
11	A instituição financeira possui um padrão e fornece informações sobre o tempo de processamento de crédito.
12	A instituição financeira tem produtos financeiros adequados, acessíveis e convenientes para envio ou recebimento de remessas domésticas através de uma conta.
13	A instituição financeira fornece crédito imobiliário para pessoas de baixa renda.

Remuneração

Os seguintes elementos são cruciais para uma política em relação às operações internas da instituição financeira:	
1	A instituição financeira mantém o direito de recuperar os bônus no caso de, após o pagamento, notar-se que eles haviam sido pagos indevidamente (procedimento chamado de "clawback scheme")
2	O bônus representa, no máximo, 100% do salário anual fixo.
3	O bônus representa, no máximo, 20% do salário anual fixo.
4	O bônus representa, no máximo, 10% do salário anual fixo.
5	A remuneração fixa não ultrapassa vinte vezes o salário mais baixo ou a escala mais baixa de salário no grupo bancário.
6	Pelo menos 60% do bônus é baseado em objetivos de longo prazo (não confundir com os acordos para o pagamento diferido do bônus).
7	Pelo menos um terço do bônus é baseado em critérios não-financeiros.
8	Pelo menos dois terços do bônus é baseado em critérios não-financeiros.
9	O bônus é baseado na satisfação do empregado.
10	O bônus é baseado na satisfação do cliente.
11	O bônus é baseado no impacto socioambiental e práticas operacionais da instituição financeira. [MODIFICADO]
12	O bônus é baseado na melhora dos impactos socioambientais dos investimentos e serviços financeiros realizado pelas instituições financeiras. [MODIFICADO]



Transparência e Prestação de Contas

Os seguintes elementos são cruciais para uma política em relação às operações internas da instituição financeira:

1	A instituição financeira descreve sua estrutura de investimentos e financiamento em relação a questões socioambientais e promove insights sobre como a instituição financeira pode garantir que seus investimentos irão de acordo com as condições estabelecidas na política.
2	A estrutura de financiamento e investimentos da instituição financeira em relação às questões socioambientais é auditado por uma terceira parte e os resultados são publicados.
3	A instituição financeira publica os nomes dos governos nos quais investe.
4	A instituição financeira publica os nomes das empresas nas quais investe.
5	A instituição financeira menciona e descreve todas as empresas (em seu site) para as quais tenha concedido mais de 10 milhões de dólares.
6 *	A instituição financeira divulga os nomes de todas as operações mais relevantes de <i>project finance</i> e de empréstimos corporativos relacionados a projetos, incluindo as informações exigidas pelos Princípios do Equador III.
7 *	A instituição financeira publica uma distribuição de sua carteira por região, tamanho e setor (em consonância com os GRIs FSSD FS6).
8 *	A instituição financeira publica um detalhamento de seu portfólio em uma mesma tabela combinando dados setoriais e regionais.
9 **	A instituição financeira publica uma distribuição suficientemente detalhada de sua carteira, por exemplo, com base nos dois primeiros dígitos da NACE e ISIC.
10 **	A instituição financeira publica uma distribuição suficientemente detalhada de sua carteira, por exemplo, com base nos quatro primeiros dígitos da NACE e ISIC.
11 *	A instituição financeira publica o número de empresas com as quais houve interação em temas sociais e ambientais (em consonância com os GRIs G4 FSSD FS10).
12 *	A instituição financeira publica os nomes das empresas com as quais tenha interagido em temas sociais e ambientais.



13 **	A instituição financeira publica os resultados deste engajamento, incluindo os temas, objetivos e prazos.
14	A instituição financeira publica os nomes das empresas que estão excluídas do investimento devido a questões de sustentabilidade, incluindo as razões da sua exclusão.
15	A instituição financeira publica seu histórico completo de votações.
16 *	A instituição financeira publica um relatório de sustentabilidade que podem conter (uma quantidade de) informações dos Padrões GRI.
17 *	A instituição financeira publica um relatório de sustentabilidade que é elaborado de acordo com os Padrões GRI (Opção Essencial ou Abrangente).
18	O relatório de sustentabilidade da instituição financeira passou por verificação externa.
19	A instituição financeira informa sobre a consulta a organizações da sociedade civil e outras partes interessadas.
20 **	A instituição financeira estabelece ou participa de mecanismos efetivos de reclamações em nível operacional para indivíduos e comunidades que possam ter sido afetadas negativamente pelas atividades com as quais está vinculada.
21 ***	A instituição financeira reporta sobre o processo deste mecanismo de reclamações, incluindo seu progresso e desempenho.
22 *	A instituição financeira compromete-se a respeitar e cooperar de boa fé com mecanismos de solução de controvérsias estatais, judiciais e não judiciais, quando os casos com os quais está conectada são levados a tais mecanismos.



Fair Finance Guide International Methodology 2018

A methodology for the assessment of responsible investment and finance policies of financial institutions



Anniek Herder, Hester Brink, Michel Riemersma

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FairFinanceGuide®
International

About this report

This report has been commissioned by Oxfam Novib on behalf of the Fair Finance Guide International network of civil society organisations. It presents a methodology that is used to assess and rank financial institutions' finance and investment policies regarding their principles on sustainable development and corporate social responsibility. The methodology is developed by Profundo together with the civil society organisations collaborating in Fair Finance Guide International, and is based on international standards and initiatives.

About Profundo

With profound research and advice, Profundo aims to make a practical contribution to a sustainable world and social justice. Quality comes first, aiming at the needs of our clients. Thematically we focus on commodity chains, the financial sector and corporate social responsibility. More information on Profundo can be found at www.profundo.nl.

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Introduction

Ten years after the financial crisis of 2008, which forced governments to bail out banks trying to avoid a total collapse of the financial system, the world faces a new wave of deregulation. Many believe the crisis of 2008 originated from the irresponsible investment and risk-taking behavior of banks across the globe. It showed the huge impact financial institutions have on society as a whole.

While international agreements on strengthening financial sector, regulations have taken some steps to prevent massive bailouts of banks in the future, they fall short of addressing the fundamental changes needed in this sector. Responsible financial institutions are much needed to face all social and environmental challenges the global community is confronted with, a strong and responsible financial sector is needed to efficiently allocate investment funds, find risk-sharing solutions and provide adequate financial services for all.

The burden of the negative social and environmental effects of financial institutions loans and investments is carried disproportionately by people living in poverty. Until now it is mostly civil society organizations that report on these issues and are holding companies and financial institutions accountable for this.

One of these civil society initiatives is the Fair Finance Guide International network, launched in January 2014; based on the experience of the Fair Finance Guide in the Netherlands. The Fair Finance Guide International is a collaborative effort of coalitions from civil society organizations (CSOs) in Belgium, Brazil, France, Germany, India (starting 2018), Indonesia, Japan, the Netherlands, Norway, Sweden and Thailand (starting 2018). In each country, these coalitions set up websites which customers and other interested parties can use to compare the finance and investment policies of their financial institutions on a range of cross-cutting issues and industries. Additionally, the coalitions regularly publish case studies on specific topics, trying to assess if and how the financial institutions apply sustainability criteria in their daily practices. Furthermore, they pressure the assessed banks, insurers and other financial institutions to improve their policy and practice, and influence regulators to develop and impose adequate regulation.

With this project, Fair Finance Guide International will hopefully be successful in stimulating financial institutions to rethink their role in society. Developing clear and ambitious policies on environmental, social and governance issues, is a necessary first step in that direction.

This document presents the Fair Finance Guide International methodology for assessing and ranking financial institutions' policies. Through the collective expertise and experience of all involved in the Fair Finance Guide International we trust this methodology is based on the most current insights and international standards when it comes to environmental, sustainability and human rights issues.

We are convinced this document will help the present and future CSO coalitions collaborating in Fair Finance Guide International as well as the financial institutions across the world, to embark upon this road towards a fair and sustainable financial sector.

We thank all the researchers and experts from the coalitions within the Fair Finance Guide International network as well as the staff from Profundo for their tireless work and contribution to developing this methodology.

Jan Willem van Gelder
director Profundo

Gine Zwart
coordinator Fair Finance Guide international

Chapter 1 Objective and methodology

1.1 Overview

This methodology is meant to verify which sustainability issues play a role in the policy that financial institutions apply when assessing credit requests and selecting investments. It sets out the elements against which Fair Finance Guide International will measure financial institutions' environmental, social and governance criteria in its finance and investment policies. These elements are grouped under three headings:

- cross-cutting themes (see Chapter 2);
- sector themes (see Chapter 3); and
- operational themes (see Chapter 4).

Chapter 1 gives an overview of the objective and methodology of the Fair Finance Guide International. The objective of the Fair Finance Guide International is to encourage corporate social responsibility (CSR) at financial institutions. Section 1.2 describes the principles of CSR and explains the role financial institutions have in promoting CSR amongst companies they invest in or finance. Furthermore, in this section it is explained how the Fair Finance Guide International hopes to stimulate a race to the top by enabling consumers to compare financial institutions' level of social and environmental responsibility.

In section 1.3 five types of financial institutions are listed. The role of commercial banks, investments banks, insurance companies, pension funds and asset managers in the financial sector is explained.

The assessment of investment and finance policies is explained in section 1.4. It describes what issues and sectors are taken into account and how certain principles should be applied by a financial institution to be granted a score. The section elaborates on the scope of investment policies, the sectors that are relevant to particular financial institutions, the documents that should be assessed and the collective policies that could be taken into account.

The Chapter is concluded by section 1.5 on the use of case studies to supplement the Fair Finance Guide International policy review.

1.2 Objective and principles

This methodology has been developed for the Fair Finance Guide International, which is a collaborative effort of CSO coalitions in Belgium, Brazil, France, Germany, India, Indonesia, Japan, the Netherlands, Norway, Sweden and Thailand.

The objective of the Fair Finance Guide International is to encourage corporate social responsibility (CSR) by financial institutions. According to ISO 26000:2010 Guidance on social responsibility, CSR can be defined as the "responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that contributes to sustainable development, including health and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour; and is integrated throughout the organization and practised in its relationships."¹ The OECD Guidelines for Multinational Enterprises argue that corporations should "contribute to economic, environmental and social progress with a view to achieving sustainable development."²

This means companies (including financial institutions) should not only adhere to legislation and regulations in the countries where they operate, but also are expected to comply with widely supported international conventions, standards, and initiatives that recognise sustainability problems and offer solutions for them - even where these standards are not included in local legislation. Companies should comply with these standards in the business operations of their own enterprise and its subsidiaries, but they should also expect their suppliers to comply. (See the EU 2014 Compendium of Corporate Social Responsibility National Public Policies for a comprehensive overview of CSR standards.)³

According to Fair Finance Guide International, financial institutions' CSR efforts should primarily concern their core activity: providing capital. Financial institutions offer their clients a wide range of financial services with which they enable companies, governments, and private clients to acquire capital for all kinds of activities. This can encompass activities that lead to human rights violations or environmental pollution, as well as activities that contribute to ending malnutrition or improving biodiversity.

The question Fair Finance Guide International raises is, therefore, to what extent financial institutions support, through their financial services, activities that contribute to a socially just and sustainable world. According to Fair Finance Guide International, financial institutions should expect companies to whom they provide capital, as well as their suppliers, to comply with widely supported international standards and initiatives.

Financial institutions should record these expectations and make them publicly known in their policies for specific issues and sectors. When assessing these policies, in most cases, legislation and regulations are not explicitly considered, because the Fair Finance Guide assumes that financial institutions expect the companies to whom they provide capital to comply with the law. Due to this focus on financial services, issues related to financial institutions' own business operations, such as their human resources policies and paper, water and energy use, are largely left out of the equation.

In the framework of Fair Finance Guide International, websites are being set up in a number of countries - at present Belgium, Brazil, France, Germany, Indonesia, Japan, the Netherlands, Norway and Sweden - which customers and other interested parties can use to compare the policies *and* practices of the main banking groups in their country. Fair Finance Guide International primarily focuses - through these websites, publications and the media - on consumers who are customers of one of the financial institutions (by means of a current account or checking accountⁱ, savings account, credit card, mortgage loan, insurance, or an investment account).

The Fair Finance Guide International network enables consumers, the media and other interested parties to compare financial institutions and to encourage them (and their subsidiaries in asset management and insurance) to grant financial services in a responsible way.

By comparing financial institutions both on the contents of their policy as well as on the choices they make in practice when supplying financial services, Fair Finance Guide International stimulates competition between financial institutions with regard to Corporate Social Responsibility. The Fair Finance Guide International network hopes to stimulate a process that leads to increasing tightening of social, environmental and economic policies (*race to the top*) and to enhance the constructive role financial institutions can play in creating a just and sustainable world.

i Current Accounts in British English, Checking Accounts in US English.

1.3 Financial sector

1.3.1 Commercial banks

Banks are intermediaries in the money and capital markets: they ensure that the capital of, *inter alia*, private clients and institutions such as pension funds with money to invest, is allocated to (other) private clients and institutions who need money to finance their activities. The banks broadly fulfil this role in two ways:

- Commercial banking: commercial banks use the savings of individuals, organisations, institutions and companies to provide loans and other financial products to other individuals, organisations, institutions and companies. We discuss this role in this section;
- Investment banking: Investment banks do not lend money directly: they are intermediaries between different groups of clients, including companies, governments, wealthy individuals and institutional investors. These clients pay a fee to investment banks for financial services, such as issuing shares or bonds and selling these to investors. We discuss this role in section 1.3.2.

Traditional commercial banks, which usually operate retail banking (for the public) and corporate banking (for businesses and other larger institutions), attract monies from individuals, organisations, institutions and companies in the form of savings or deposits, and invest these monies by providing loans and other financial products to other individuals, organisations, institutions and companies. Banks set out these amounts in their *balance sheets* in two columns: on the right, how the bank has obtained the monies (the *liabilities*), and on the left, how the bank has spent the monies (the *assets*). Below we describe both categories:

- **Liabilities**

The *liabilities* of the bank – all its incoming capital - can be divided into *debts* and own *capital*. The *own capital* represents the monies of the owners of the bank. These can be its shareholders, other financial institutions or - in case of a *cooperative bank*, its members, who may be its customers, employees or other local banks. Their capital consists of:

- monies raised by selling shares in the bank; and
- the net profit the bank has made in past years.

The *debts* of the bank include all other monies it attracts, including:

- monies that private clients, institutions and companies have deposited in current (checking) and savings accounts;
- loans from other banks;
- bonds that the bank has sold to investors; and
- financial derivatives: debts due to swapsⁱⁱ, futuresⁱⁱⁱ, or options.

ii A swap is a derived financial product where two parties swap money flows. For example, at an interest swap two banks may swap the interest payments of two loans with one another. The objective of this can be to mitigate the risk of, for example, an interest increase or even to speculate on an interest decrease. So in case of a swap, banks have both a debt as well as an asset.

iii A future is a financial contract between two parties who commit themselves to trade a certain amount of a product or financial instrument for a predetermined price at a given point in time.

- **Assets**

All incoming monies at a bank are invested in various types of *assets*. In other words: the sum of the liabilities is always exactly equal to the sum of the assets. Banks may have invested in the following types of assets:

- the offices and furnishings of the bank itself;
- other real estate, such as offices, parking lots and shopping centres;
- mortgage loans and credit to private clients;
- loans and other types of credit to companies, governments and investors such as hedge funds;
- loans to other banks;
- investments in shares and bonds of companies and in bonds of governments, but also in private equity (see section 1.3.3); and
- investments in financial derivatives: swaps, futures and options.

Not all banks invest in all these types of assets. Savings banks mainly invest in investments in shares and bonds, mortgage banks mainly in mortgage loans and commercial banks mainly in loans to companies and governments. Over the last decades, some commercial banks have started to invest more in financial derivatives.

All monies that have been placed with a bank in current (checking) and savings accounts by private clients, institutions and companies, may in principal be used by the bank for all possible bank investments: from mortgage loans to private clients to investments in international companies and financial derivatives. This means that someone who has placed money in a current or savings account at a bank will not necessarily know what his or her money is used for. Banks are free to invest the monies of savers at their own discretion. Therefore, it is of great importance that banks provide insight into what policy is maintained for its investments.

1.3.2 Investment banks

As well as acting as intermediaries on the money and capital markets in the traditional way discussed in section 1.3.1, some banks are active in *investment banking*^{iv}: this means that rather than lending money directly, they act as intermediaries between different groups of clients, including companies, governments, wealthy individuals and institutional investors. These clients pay a fee to investment banks for their financial services.

Broadly, two main activities can be distinguished:

- *Underwriting*. Investment banks are mainly involved in assisting companies or governments to raise finance by issuing and selling *securities* such as shares and bonds to investors. For companies and governments, selling securities to pension funds, insurance companies, asset management companies and private investors is an important way to attract new capital. The investment bank will value the company, write a prospectus, promote the securities and "underwrite" the securities.

iv The term investment bank may be confusing, as investment banks themselves typically *invest* less than traditional (commercial) banks. Investment banks mainly help other financial institutions to invest.

Underwriting means that the investment bank buys the securities from the company for a fixed price and in the days after that, tries to sell the securities to institutional investors for a slightly higher price. In this way, the revenue for the company is guaranteed. The investment banks aims to ensure that there are sufficient buyers for the securities and that their clients, the companies and governments raising the finance, receive the best possible revenue. On a predetermined date the investment bank purchases the shares and bonds of its client at a fixed price, and sells them to the investors who can sign within a few days.

- *Brokerage* (sometimes called *corporate finance*): in this case, the investment bank doesn't purchase anything itself, but only acts as a broker who mediates between the buyer and the seller.

Investment banking services are mostly provided to listed companies and governments, but they can also be granted to non-listed companies. For most banks that are involved in investment banking, it is a matter of course that they apply the policy for bank investments for these financial services (see section 1.3.1). In the case of *underwriting* this is also very logical, because the banks themselves invest in the respective shares and bonds - although usually only for a few days. The risks the banks take are therefore comparable to those of other bank investments.

In case of banks that are only involved in *brokerage*, the bank does not make an investment, and it is therefore not always the case that the policy for bank investments also applies to brokerage accounts. However, the Fair Finance Guide International believes that for these types of financial services, the same sustainability criteria should apply as for commercial banking, because in this role banks also provide capital to companies and governments.

1.3.3 Insurance companies

An insurance company hedges risks. An insurance is a contract which ensures that the insurance company pays damages to the insurant in certain situations (such as damages caused by fire or by an accident, in the event of death, or for medical costs due to disease) in exchange for a certain premium the insurant pays.

When the parties conclude the contract they don't know whether damages will ever have to be paid or, if so, how much damages will be paid. The insurance companies invest the premiums that people pay for their insurance. This is why insurers are key players on the capital market: they create a flow of society's capital from private people and institutions such as pension funds, towards (other) private people, companies and governments who need money in order to finance their activities.

Insurance companies receive money from several sources and they invest this money in several ways in private people's, companies' and governments' activities. On the insurers' balance sheet these flows are put next to each other: on the right you see how the insurer obtained his money (the *liabilities*), on the left you see how the insurer spent the money (the *assets*). An explanation of these two categories follows:

- **Liabilities**

An insurer's *liabilities* – i.e. all the money the insurer has received – may be divided into obligations and equity. The equity is the money of the insurer's owners. They may be private people, other financial institutions or – in the case of a cooperative insurance company – the insureds themselves. The equities consist of:

- money that has been obtained by selling the insurance company's shares to the owners;
- the net profit made by the insurer over the years.

All other money obtained by the insurer falls within the insurer's obligations. Especially:

- premiums paid by private people, institutions and companies;
- loans of other financial institutions;
- bonds sold by the insurer to investors;
- financial derivatives: debts due to swaps^v, futures^{vi} or options.

- **Assets**

All the money received by an insurer is invested in several kinds of assets (properties and claims). In other words: the liabilities always are always equal to the assets. An insurer may invest in the following types of assets:

- the offices, including furniture, where the insurance company staff works;
- other real estate like office buildings, multi-story car parks and shopping malls;
- mortgage loans and consumer credits to private people;
- loans to other financial institutions;
- investments in i.a. assets and bonds of companies and government bonds, as well as in private equity (see 1.3.3);
- investments in financial derivatives: swaps, futures or options.

Not every single insurance company invests in all these kinds of assets. Moreover, insurers deal with investments on their own account and risks and investments on the policyholder's account. With regard to the latter kinds of insurances, the insured bears the risk more or less. Insureds may decide for some part how their money is invested, usually according to a certain kind of investments profile that brings along either more or less risks. However, in the end the insurer is responsible for the choices made with regard to the investments.

Basically, the insurance company can freely use the premiums paid by private people, institutions and companies, for all kinds of possible investments: varying from mortgage loans to private people, to investments in international companies and financial derivatives. This means that someone who pays insurance premiums, may not know what exactly his or her money is invested in. The insurers are free to invest the insureds' money on their own discretion - including the premiums on their own account. For this reason it is very important that insurers are transparent about their policy regarding investments.

v A swap is a derivative in which two parties swap cash flows. E.g. in the case of an interest swap, two insurers swap the interest payments of two loans. The aim may be a limitation of the risks of, say, an increase of the interest rate or perhaps to speculate upon a decrease of the interest rate. Thus when engaging in a swap transaction the insurer both has a debt as well as property.

vi A future is a financial contract between two parties to buy or sell at specified future date a certain quantity of a product or a financial instrument for a price agreed upon today.

1.3.4 Pension funds

Pension funds are established by employers to provide pensions for their workers when they retire. The fund, paid for by the employer and employees, is a common asset pool meant to generate a stable income over the long term. Larger companies may run their own pension funds, but often a financial intermediary runs the fund. In many countries, pension funds are the largest institutional investors.⁴

Pension funds receive money from their clients, also called participants, and they invest this money in diverse assets and investment strategies.

On the pension fund's balance sheet these flows are put next to each other: on the right you see how the fund obtained his money (the liabilities), on the left you see how the insurer spent the money (the assets). An explanation of these two categories follows:

- **Liabilities**

A pension fund's liabilities – i.e. all the money the pension fund has received – may be divided into technical provisions, financial derivatives and loans. Together they amount to the pay-outs that a pension is obligated to make.

- **Assets**

The money received by pension funds is invested in different types of assets:

- public listed equities, consisting of publicly traded stocks of large corporations;
- corporate bonds that are issued by a corporation to raise money to expand its business;
- government bonds that are issued by a national government to fund public services, goods or infrastructure;
- private equity, consisting of investments in unlisted companies, ranging from venture capital investments in start-ups, to mezzanine financing for established companies aiming for a trade sale or public listing, to buy-outs of public companies;⁵
- commodities, which are natural resources or derivatives of natural resources, like food, energy and metals;
- hedge funds, which are aggressively managed portfolios of investments that use advanced investment strategies such as leveraged, long, short and derivative positions in both domestic and international markets with the goal of generating high returns;⁶
- real estate, consisting of a wide range of products including home ownership for individuals, direct investments in rental properties and office and commercial space for institutional investors, publicly traded equities of real estate investment trusts, and fixed-income securities based on home-loans or other mortgages.

In 2014, the average asset allocation of the seven largest pension markets in the world (Australia, Canada, Japan, Netherlands, Switzerland, United Kingdom, United States) was: 42.3% equities, 30.6% bonds, 2.3% cash and 24.8% other assets (including property and other alternative).⁷

There is a growing recognition among pension funds and an increasing demand from stakeholders that Environmental, Social and Governance (ESG) issues are a fundamental part of assessing the value and performance of investments. Pension funds' investor views and motivations to adopt responsible investment strategies are embedded in five main interrelated categories: fiduciary duty, risk management, financial performance, expectations from stakeholders and universal ownership. The pension fund has a fiduciary duty that involves creating optimal value for the participant of the fund. Value in this case includes both financial return and ESG considerations.⁸

ESG factors are an important dimension of investment expectations and ESG factors should be part of a pension funds' overall expectations for their fund's performance. Furthermore, pension funds should make sure that the asset managers they hire act in line with the pension funds' risk management procedures as well as with participants expectations. As a vast majority of pension funds have outsourced management tasks to external providers and to create a shared vision of ESG risks and possibilities, the pension fund should communicate a coherent set of ESG expectations to agents acting on their behalf.⁹ Pension funds as 'universal owners' are investors in a broad cross-section of the economy and they should use their position as capital providers to deny notorious polluters and human rights offenders access to capital, stimulate the large majority of companies to invest in sustainable development and production methods and grant smaller, truly innovative companies easier access to capital.¹⁰

Many investors refer to the Principles for Responsible Investment (PRI) or the UN Global Compact. Financial institutions that adhere to the PRI or the UN Global Compact inherently already make an intentional statement on ESG issues. This shows their awareness on the subject and intention to apply responsible (financing) policies to their investment decisions. Being a member of the PRI or adhering to the Global Compact, however, is not a guarantee for sustainable practices.

1.3.5 Asset managers

Often, large financial institutions do not only provide capital to companies and governments by means of corporate loans or investments and investment banking. They may also have one or more subsidiaries which are involved in asset management. These asset management subsidiaries invest in shares, companies and government bonds along with other types of investments. They do so with monies from private investors, pension funds, policy holders and other clients. For these asset management activities, financial institutions don't always apply the same policy that they apply for their lending and investment banking.

This is to some extent due to the differences between saving and investing. Savers cannot choose where their money is invested, but on the other hand they enjoy the security of a relatively fixed savings interest rate and, in many countries, a government guarantee on savings deposits.

However, investors are generally more at risk, although their returns may be higher. Moreover, investors are free to make choices as to how their money is invested. For example, they can choose from the range of investment funds the financial institution offers them (often including funds marketed as 'sustainable'). Therefore, some financial institutions do not see the need to apply a 'responsible investment policy' to all asset management activities: it is reasoned that the investing clients who consider this important will opt for the sustainable funds the financial institution offers.

The Fair Finance Guide International primarily focuses on customers with a current or savings account at a bank. For them, the main concern is which policy the bank applies for its lending and other financial services. The policy that the subsidiaries of the bank apply for asset management is not directly relevant for these savers, because the money of savers is not managed by these asset management subsidiaries. Yet, many savers do consider the policy of the financial institution for asset management to be important. As clients, they expect that their bank operates responsibly in all these aspects, including in its asset management, regardless of whether this concerns investments with their own savings.

For customers of a financial institution's asset management division (i.e. investors), insurance customers or customers who commission the financial institution to invest for them (i.e. *private banking* customers), an assessment of the policy for asset management is also important.

The Fair Finance Guide International believes that financial institutions may also be expected to act in a responsible way regarding their activities in the field of asset management, and therefore, the policy of the financial institutions towards asset management is also assessed. In making the decision to include an assessment of the policy for asset management, it was of great importance for the Fair Finance Guide International that most financial institutions can play a role in creating a just and sustainable world through their asset management activities. As asset managers, they can choose which investments to offer to their clients. Such choices may have consequences for the availability of capital for companies and governments.

1.4 Assessment of policies

1.4.1 Themes

The Fair Finance Guide International has chosen to assess the policies that the investigated financial institutions apply to the investment categories corporate credits, project finance, asset management for own account and asset management for the account of clients, with regard to cross-cutting themes and sector themes. The cross-cutting themes entail the main international sustainability issues that are paramount to the work of the organisations behind the Fair Finance Guide International and are relevant to all or most of the industrial sectors a financial institution may finance or invest in:

- Animal welfare
- Climate change
- Corruption
- Gender equality
- Health
- Human rights
- Labour rights
- Nature
- Tax

The Fair Finance Guide International believes that all financial institutions should have a clear policy on all these cross-cutting themes.

When a financial institution invests in, or grants financial services to, companies in certain sensitive industrial sectors (i.e. those where sustainability problems are particularly likely), then the financial institution should also have specific policies for these sectors. Presently, the Fair Finance Guide International has selected the following sector themes:

- Arms
- Financial sector
- Fisheries
- Food
- Forestry
- Housing and real estate
- Manufacturing industry
- Mining
- Oil and gas
- Power generation

Besides the themes that merely assess a financial institution's investment and finance policy and the expectations therein regarding the investee companies' and/or clients' behaviour, Fair Finance Guide International has also developed themes that only assess the internal operations of a financial institution. These themes are indirectly related to the investment decisions made by the financial institutions and consist of:

- Consumer protection
- Financial inclusion
- Remuneration
- Transparency and accountability

The coalitions that are collaborating in the Fair Finance Guide International network have agreed that a number of themes will be used by all coalitions to assess the selected financial institutions' policies.^{vii} The other themes can be added by coalitions depending on the public debate, the priorities and objectives of the organizations within the coalition.

In the future, new themes may be included in this methodology. For all these themes, the policies of the financial institutions are compared to national and international norms, standards and initiatives for sustainable development and Corporate Social Responsibility, and to other criteria that are considered important in the opinion of the organisations that make up the Fair Finance Guide International.

1.4.2 Contents of policy

To underpin and structure the comparison of financial institutions' policies, this methodology describes the selected cross-cutting themes (in Chapter 2), sector themes (in Chapter 3) and operational themes (Chapter 4). Each selected theme is dealt with in a separate section, beginning with "*What is at stake?*", a description of the sustainability issues involved. This is followed by an overview of applicable and widely supported international standards, such as declarations, conventions, guidelines, certification schemes, and codes of conduct ("*International standards and initiatives*"). Next, the elements a financial institution should include in its policy for investments and financial services are described ("*Assessment elements*").

These elements list the expectations from FFGI network towards financial institutions in the context of their corporate social responsibility. The methodology references a wide range of international standards and initiatives. In many cases, they contain specific requirements of financial institutions or business in general, in which financial institutions invest or finance, which are then listed as assessment element in this document. Other international standards have clear implications for the financial sector or for businesses they invest in or finance, but the standard itself does not specify these at the level needed for the aim of this research. In these cases, the FFGI network has taken the logical implications of the standard and converted these to assessment elements.

vii These are: Climate change, Corruption, Gender equality, Human rights, Labour rights, Nature, Tax, Transparency and Accountability, and Arms.

These assessment elements are formulated as *principles*. Principles can be applied by the financial institutions in various ways, for new and existing investments and financial services. For example, the principles can be included by the financial institutions in the conditions for new loans and be applied as selection criteria for new investments and financial services. For existing loans and investments they can be applied as a guideline for engagement activities and for agreements on improvements with the companies in which the financial institution has existing investments. Based on these principles, financial institutions could ultimately decide to terminate an investment relation.

The Fair Finance Guide International does not comment on the way financial institutions should apply the principles to their investments and financial services, but does expect that they explain their method of working in their policies. The financial institution would *inter alia* have to indicate what the principles mean for various types of investments and financial services. If the financial institution only establishes a certain condition for a specific type of investment or for certain financial services, it is difficult to claim that the financial institution applies a principle. The Fair Finance Guide International believes that principles need to have a meaningful link to the activities or products of a company for all types of investments in companies and all financial services to companies.

Multiple principles consider certain activities to be 'unacceptable' and are worded as: "Activity X is unacceptable". The Fair Finance Guide International strongly disapproves these activities. However, because the Fair Finance Guide International does not comment on the way financial institutions should apply their investment principles, the word 'unacceptable' should not be read as 'excluded'. In other words it should not be considered as the expectation that companies involved in these activities should be excluded immediately. Fair Finance Guide is aware of the different instruments and steps financial institutions could take for implementing such principles. Financial institutions could for example start a clearly defined engagement process to convince the company invested in to stop the unacceptable activity and mention a clear timeframe in which this needs to happen. Fair Finance Guide International does expect a policy that claims to consider certain activities as undesirable or unacceptable includes these steps and is convincing on the implementation. A policy that mentions limitations or exceptions, such as a threshold on revenues companies earn with involvement in the undesired activity, can receive a score for this element. On the other hand it could also lose scores if Fair Finance Guide, having certain expectations of the companies it should apply to, has decided to add elements about these limitations.

When the financial institution explains its method of working, its objectives are of importance, because the financial institution can use them to indicate how and when it will ensure that the entire investing portfolio and all granted financial services comply with the principles formulated in its policy. This is mainly important if the existing portfolio of the financial institution does not yet entirely comply with the policy. Fair Finance Guide International expects that such objectives have been included in the policy and investigates this *inter alia* by means of case studies.

In its assessment of the policies of financial institutions, Fair Finance Guide International does hardly assess the way the financial institution takes decisions on its investments and financial services, but focuses on the underlying *principles* or *expectations* of the financial institution with regard to the companies it finances or invests in. In the tables with assessment elements for each cross-cutting theme and each sector theme, these principles or expectations are introduced as "the following elements are crucial for a policy regarding the companies a financial institution invests in."

The assessment methodology of the Fair Finance Guide International does, however, include four *operational* themes. The assessment elements included in these themes largely concern the business operations of the financial institution, including the way decisions on investments and financial services are taken.

And as a further exception to the rule that the Fair Finance Guide International focuses on the underlying principles of policies and not on implementation, a few elements have been included in the assessment tables for other cross-cutting and sector themes that concern operational activities of the financial institution. These assessment elements are introduced separately as “the following elements are crucial for a policy regarding the financial institution's internal operations.”

1.4.3 Scope of policy

To assess the investment policies of financial institutions, the Fair Finance Guide has developed a number of assessment elements which are deemed crucial for a good policy on the themes which are evaluated by the Fair Finance Guide. These elements are described and explained in Chapter 2, Chapter 3 and Chapter 4. The Fair Finance Guide policy assessment then verifies whether these elements are included in the public policy documents of a financial institution.

However, not only the content, but also the scope of the financial institution's policy document is of importance. Policy documents sometimes cover only a small share of all investments made by the financial institution. This can especially be the case with large international banking groups, which often have a multiple subsidiaries in different countries which offer different products and services to various client groups. As the Fair Finance Guide aims to assess the policies which are applied across the entire banking group, including all subsidiaries, the scope of policy documents is integrated in the assessment methodology.

Experience with the assessment of investment and credit policies learns that there are generally four situations in which a financial institution's policies might insufficiently cover the full scope of all investments made, and financial services offered, by the financial institution:

- The policy is not adopted by all subsidiaries within the financial institution;
- The policy is not applied to all categories of investments and financial services;
- The policy is not applied to all countries the financial institution invests in; and
- The policy is not applied to all activities of a company (e.g. only if the investment is earmarked for certain activities).

The last two situations are found less often and are not always mentioned in the policies themselves. The third is also, if mentioned, often part of risk assessment procedures. As these are difficult to trace back to policies and in order to simplify the scoring model, the Fair Finance Guide does not take those situations into account further.

In order to take into account the first two situations in its scoring methodology, the Fair Finance Guide has selected four categories of investments (or financial services) that are considered relevant for most financial institutions the Fair Finance Guide investigates. This selection is based on the description of the various types of financial institutions in section 1.3 and on research done on the scope of the investment and credit policies of financial institutions. To assess the scope of the policies of a financial institution, the Fair Finance Guide considers the following categories of investments (or financial services):

- **Corporate credits**

Financial institutions provide loans and other forms of credits to (listed and unlisted) companies, which allow the companies to finance short-term expenses and/or long-term investments. Corporate credits usually carry an interest rate and are secured by specific assets (as in the case of mortgage loans) or by the entire balance sheet of the company. Further, financial institutions also underwrite shares and bond issuances for companies. This service to companies is also included in corporate credits category for the Fair Finance Guide assessment. Obviously, the scope of corporate credits does not include loans and credits to private customers.

- **Project finance**

Financial institutions also provide loans in the form of project finance. Project finance is considered a specific form of corporate credits to finance a specific infrastructure or industrial project. Unlike corporate credits, the loan is secured by the projected cash flows of the project rather than by the balance sheet(s) of its sponsor(s), i.e. the company/companies involved in the project.

- **Asset management for own account**

Financial institutions invest their money in shares and (sovereign and corporate) bonds and other types of securities. This investment can be done by purchasing individual stocks and bonds or through mutual funds. Since these investments require specialization, it is mostly done through an asset manager. This can be the financial institution's asset management subsidiary or an external asset management company, and is often referred to as externally managed assets or assets managed by third party. Whether the assets are managed internally or by a third party, these investments are listed on the financial institutions' balance sheet and therefore called asset management for own account.

- **Asset management for the account of clients**

The financial institutions also offer investment solutions such as mutual funds or index trackers to their clients. These clients could be institutional investors like pension funds, churches, insurance companies, but also private customers (in which case the asset managers offering the solutions are often referred to as private banking, retail services or wealth management). The management of a client's investments in all types of securities by a financial services company, such as an investment bank, a private bank, an investment manager or an asset manager is called asset management for the account of clients.

Sometimes, clients may demand highly specialised investment products, deviating from standard investments by asset class, geographical coverage, sector coverage or financial vehicle that a financial institution may not offer. In such a scenario, the financial institution outsources the agreed amount of its client's assets to an external asset manager and this is referred to as externally managed assets. Third-party asset managers can provide asset class expertise that may not otherwise be available with in-house investment managers or financial institutions. Again, either managed externally or internally, this is still called asset management for the account of clients.

These investments are usually not listed on the balance sheet of the financial institution. This category includes all funds and mandates which are managed actively or passively for clients, as well as all forms of investment advice offered to clients. The definition of asset management used here does not apply to trading platforms managed by financial institutions, where financial institutions do not provide investment services.

Fair Finance Guide International integrates other investment categories into the scoring model of the sector theme Housing and Real estate and the operational themes Consumer protection and Financial inclusion. These are explained in the themes separately. For each financial institution, the Fair Finance Guide researcher determines which of the investment categories are relevant, as (one or more subsidiaries of) the financial institution is actively making this type of investments or is offering these financial services. How this assessment of relevant categories is made, is explained further in section 1.4.5.

1.4.4 Scoring system

For every theme, the score of each financial institution is based on the proportion of elements included in the policy, corrected for the relevant investment categories that the policy is applied to. In its scoring system, the Fair Finance Guide therefore takes into account both the *contents* and the *scope* of the policies of the financial institution.

This is done in the following way. For each principle included in the policies of the financial institution that corresponds with an element of the Fair Finance Guide methodology a *contents score* of 1.0 is assigned.

This contents score is multiplied by the *scope of the policy*, expressed as a percentage. If the financial institution does not clarify the scope of this policy, it is assumed that 50% of the financial institution's activities are covered. For each investment category to which the financial institution explicitly applies the policy, 12.5% is added. If the policy is applied to all investment categories, the scope is therefore 100% and the *total score* for each element can reach 1.0 as maximum.

The above is based on the assumption that the financial institution is active in all four investment categories mentioned in section 1.4.3. If the financial institution is active in only three, two or one of these investment categories, the basic scope percentage remains 50%. For each investment category to which the policy is explicitly applied, then respectively 16.67%, 25% or 50% is added to the scope. When a financial institution applies its policies to all investment categories it is active in, the scope will therefore always be 100%.

In some situations the content score will not be multiplied by the scope of the policy and thus will be limited to 50%:

- The researcher assessing the policy finds a clear commitment but the scope is unclear;
- the text of the policy is vague, but still quite credible according to the researcher assessing the policy; and
- the financial institution has taken an initiative^{viii} which supports the principle but which is not formally stated in the finance and investment policy and does not cover a whole investment category.

viii Such initiatives could be, among others: setting up or participating in meetings with business clients or other companies and stakeholders; participating in a round table or something similar; signing an investor statement; engaging in collective dialogue; and publishing brochures describing the issues and suggesting solutions or steps.

Fair Finance Guide acknowledges that smaller and locally oriented banks could be less exposed to sustainability risks than financial institutions targeting midsize, large and multinational companies, operating in countries all over the world and with long, complicated supply chains. Therefore it is possible to handle situations differently when a financial institution, in a credible way, can demonstrate that an element is not really relevant. If, due to its business orientation or geographical presence, the financial institution is not exposed to the risk of breaching the principle specified in the assessment element, the element can be considered "not applicable". Elements can also be considered fulfilled if effective national legislation is in place in the countries where all the companies, that a bank lends to or invests in, are active.

The scores for all elements included in a theme are added together and then divided by the total number of elements. This results in the *final score* for a theme. Fair Finance Guide coalitions are free to present the outcome as a single number between 0 and 10 or as a percentage. Each coalition can also attach qualifications of their choice, such as sufficient, good or excellent, to this score.

1.4.5 Determining relevancy

Fair Finance Guide International determines relevancy and materiality of the investment categories and industrial sectors according to the following considerations:

- **Corporate credits**

Fair Finance Guide International expects that a financial institution has a policy for corporate credits if the corporate credits portfolio makes up:

- more than 0.5% of the total balance sheet; or
- a minimum of EUR 50 million of total corporate credits.

The number of corporate loans, the size of the companies receiving the corporate loans and the amount loaned per company are not of importance in assessing the relevancy of this investment category.

- **Project finance**

The Fair Finance Guide International expects that a financial institution has a policy for project finance if the project finance portfolio makes up:

- more than 0.5% of the total balance sheet; or
- a minimum of EUR 50 million of total corporate credits.

The number of project finance loans, the size of the companies or projects receiving the project finance loans and the amount loaned per project are not of importance in assessing the relevancy of this investment category.

- **Private mortgages**

Fair Finance Guide International focuses on the financial relationships between companies and financial institutions. A category like private mortgages therefore initially falls outside the scope of Fair Finance Guide International, but for some banks it is an important asset. However, the sustainability challenges within many of the selected themes are not directly relevant for this type of investment. Fair Finance Guide International only integrates this type of investment into the scoring model of the sector theme Housing and Real estate and the operational themes Consumer protection and Financial inclusion.

- **Asset management for own account**

To determine the relevancy of the investment category 'asset management (or 'investments') for own account', Fair Finance Guide International analyses the following asset classes in the financial institution's financial reporting:

- Government bonds
- Shares and corporate bonds
- Derivatives
- Real estate and securities
- Other/undefined

Fair Finance Guide International does not assess investment policies regarding government bonds. If a financial institution only invests in government bonds, the category 'asset management for own account' is considered as not relevant for this financial institution.

- **Asset management for the account of clients**

A difficulty in assessing the policies on asset management for the account of clients is that they hardly ever share a common policy on all their asset management activities. This is due to the organisation's structure. Financial institutions often have several subsidiaries in the field of asset management, and these could all have their own policies. Often they even use a specific policy for a specific product, like an investment fund or a mandate. In this way there are hundreds or thousands of different investment products that all may have their own specific policy.

Furthermore, not all types of asset management for clients are assessed, because they are not all relevant. The asset management subsidiaries of financial institutions are not always free to choose whether to provide capital to certain companies or governments. And sometimes it is not possible for these asset management companies to deploy instruments on 'responsible investment'. Based on the following criteria it has been determined whether the various asset management activities are included in the assessment:

- Will capital be at the disposal of companies as a result of this kind of asset management?
- Will the financial institution have freedom of choice and/or responsibility when providing this kind of asset management (possibly under certain conditions)?
- Is the financial institution able to use sustainable investment instruments when providing this financial service?

Based on these criteria, Fair Finance Guide International has decided to include the following types of asset management in the scope of the assessment of the policies of each financial institution:

- The financial institution's own investment funds: investment funds that have been assembled and offered by the financial institution itself to private and institutional investors;
- Private banking: all forms of discretionary management of private investors' money, meaning both direct investments in shares and bonds regarding other parties' investment funds;
- External Mandates: investments in shares and bonds or in investment funds, using institutional investors' money (i.e. pension funds, insurance companies);

- Internal client relations: investments in shares and bonds or in investment funds, using internal clients' money (including insurance premiums paid by external clients).^{ix}
- Trading platforms where clients may invest by themselves in shares, bonds and investment funds of other parties (execution only services);

Types of asset management not included in the assessment of the scope of the policy are:

- Advice regarding private banking;
- Taking charge of shares for private or institutional investors (custodian services).

Finally, in order to be able to take into account the scope of responsible investment policies for asset management, Fair Finance Guide International looks at the total volume of assets that are managed and to which a responsible investment policy is applied. If a financial institution has different responsible investment policies for their different products, the policy that applies to the highest part of assets under management will be assessed.

If this is the case for other investment categories, the same rule applies.

• Sectors

General policies often apply to all investments and financial services, while sector policies merely concern a limited part of the investments of a financial institution. Therefore, principles that have been included in the financial institution's sector policy and only apply to companies active in a specific sector do not count for the assessment of the cross-cutting themes.

If the financial institution can prove or explicitly and publicly states that it is not involved with companies operating in a certain sector, the financial institution is not expected to have a policy for this sector. In that case the contents score is not multiplied with scores for the type of investment this applies to, but given the notification "not applicable" (n.a.). If it is the case for all types of investments researched, the sector as a whole can receive this qualification.

If a financial institution does not make an explicit statement that it is not active in a particular sector, the decision for applying n.a. can be made based on information about the portfolio in the annual report(s) of the financial institution and its subsidiaries. For defining the maximum level of investments in one of the investment categories (threshold), Fair Finance Guide International uses the breakdown of the portfolio:

- If the sector is explicitly mentioned in the breakdown of its, for example, corporate credit portfolio, apply n.a. when less than 0.2% and a maximum of EUR 1 million of total corporate credits is lent to that specific sector.
- If the sector is mentioned together with other sectors (e.g. public administration, defence and social security), then apply n.a. when this is together less than 1.0% and a maximum of EUR 5 million of total corporate credits.
- If the sector is not mentioned explicitly, but only overarching and overlapping sectors and definitions such as manufacturing, other, or 'building materials and construction', do not apply n.a.
- The same applies to the other types of investment (project finance, asset management for own account and asset management for the account of clients).

ix Investments using insurance premiums are on the parent company's balance sheet and they therefore fall within the scope of investments using the bank's own resources and are not part of asset management for the account of clients. Since these investments are not part of the banking branch of the financial institution and therefore may not be financed with saver's money, they are categorized as asset management.

- If there is not enough information available regarding the portfolio, the qualification n.a. cannot be given.

Note that the companies operating in a certain sector do not only include primary producers. Also trade, transport, warehousing, processing, and finally, retail companies are part of the supply chain and therefore belong to this sector.

1.4.6 Documents assessed

Fair Finance Guide International expects that the policy of the financial institution, or at least a summary of it, is made public, for example through its website or in the annual report. The name or the topic of the policy document is not relevant, for example elements on labour rights can be included in a human rights policy.

Sometimes a financial institution makes a statement about a decision considering a certain issue in a newsletter or press release. In the first year after publication Fair Finance Guide International will consider this as a valid source of information, but it also expects the financial institution to integrate the decisions in its investments policy – as the employees who will make the decisions about investments will not take all these newsletters, brochures etc. into account. When updating the policy review Fair Finance Guide International will check whether the principle is part of the general policy documents. If a financial institution published a principle in newsletters or documents in the period before the previous update was published, and has not integrated this principle into policy documents, it will not be considered as a principle for this year's policy update.

1.4.7 Scoring standards and initiatives

Ideally, financial institutions write a policy presenting the principles that are used in the process for decision making regarding finance and investments. Alternatively, they can state which international standards and initiatives they expect companies to comply with. Some of the standards and initiatives the FFGI Methodology references, are considered sufficient for scoring when used in the process for decision making regarding finance and investments.

When assessing the policies of financial institutions, not only the policies that the financial institution has developed itself but also the broader standards and initiatives adopted or endorsed by the financial institution are taken into consideration. These include sustainability initiatives which can be undersigned by financial institutions, such as the Equator Principles, and the Principles for Responsible Investment. Undersigning these initiatives represents an obligation to apply certain sustainability criteria on the investments and financial services of a financial institution.

Other initiatives and standards, such as the IFC Performance Standards and the accompanying Environmental, Health and Safety Guidelines, UN Global Compact, the UN Guiding Principles for Business and Human Rights, the OECD Guidelines for Multinational Enterprises and others, cannot be undersigned by financial institutions or it does not include the obligation to apply the criteria to its investments and financial services. But financial institutions can adopt these initiatives, by stating explicitly that they apply in full the procedures and criteria described in these documents when taking financing and investment decisions.

Such an explicit statement of the above mentioned sustainability initiatives and standards, thus means that a financial institution could adhere to one or more of the principles (elements) defined in the assessment methodology, although the element as such is not mentioned in the policy documents of the financial institution itself. Financial institutions that have signed a standard or initiative, or mention a standard or initiative in their policies, and make clear that it is applied to the financing of and investment in companies, therefore receive a content score for each element that is clearly included in that particular standard. This score will be multiplied with the scope score for each investment category to which the policy is explicitly applied as well.

1.5 Case Studies

Fair Finance Guide International hopes to stimulate a process that leads to ever increasing tightening of the norms used by financial institutions (*race to the top*) in social, environmental and economic fields and to enhance the constructive role these financial institutions can play in creating a just and sustainable world. Naturally, the policy the financial institution has formulated is only one of the necessary steps.

Equally important is the issue whether the financial institutions themselves, when making decisions on their investments, in practice comply with the norms recorded in widely supported international standards, such as conventions, guidelines, certifications and codes of conduct. Therefore, in case studies Fair Finance Guide International investigates the operational practices, strategies and instruments and evaluates the investments and financial services of the researched financial institutions. The outcomes of these studies are reported on the websites as well and linked to the themes involved, but do not lead to a downgrade or upgrade of the policy assessment score.

Chapter 2 Cross-cutting themes

2.1 Animal welfare

2.1.1 What is at stake?

Animals are – along with people – sentient beings that deserve respect and protection. Based on this fundamental principle, animal protection organisations advocate measures to protect the welfare of animals. And if successful, animal welfare advocates can look forward to growing interest from society and the corporate world. In a protocol of the [Amsterdam Treaty](#) (1997), and its successor the [Lisbon Treaty](#) (2007), the European Union officially recognizes animals as sentient beings. The plea of animal protection organisations increasingly resonates among European civilians, as the [Eurobarometer](#) shows. To this effect, governments also pay increasing attention to this topic. In other countries outside Europe, animal welfare is also increasingly becoming an issue for the public. The World Animal Protection's plea for a [Universal Declaration on Animal Welfare](#) (UDAW) is signed by over 2 million people all over the world.¹¹

The welfare of animals is also important for the wellbeing and the health of large groups of people. About one billion people depend on the health and productivity of the animals they work with for their income, food and clothing.¹² To this effect, the UN Food and Agriculture Organisation (FAO) has decided to pay more explicit attention to animal welfare. According to the FAO, animal welfare is related to food security, food safety, health, sustainability, working conditions, rural developments, gender equality and social justice.¹³

In 2016, over 70% of the world's farm animals were factory farmed.¹⁴ Mainly in (intensive) livestock farming, the welfare of animals is under pressure because animals are kept in circumstances that are not suitable for the species and are not worthy of the animal's dignity. In intensive livestock farming (including the conventional pig, poultry, meat cattle, rabbit, goat and dairy livestock farming and fish in intensive aquaculture), animals are kept in high concentrations and often undergo un-anaesthetised surgery (cutting tails, clipping beaks, teeth filing, dehorning). Animals hardly have the opportunity to behave naturally (grazing, free ranging, grubbing). Intensive livestock farming is also characterised by a farming system that is landless: animal feed is delivered to the farm and manure has to be removed from the farm. The system is characterised by the absence of a natural cycle and shifting the consequences of environmental pollution (eutrophication and acidification) towards society.¹⁵

Due to changed consumption patterns in emerging markets the worldwide demand for livestock products - meat, dairy products, eggs - is increasing. To meet this demand in a way that pays attention to animal welfare standards is a major challenge.¹⁶ In the current situation, animals are already living without basic needs met, such as adequate space. Intensification in livestock production under current circumstances will therefore almost certainly result in the suffering of even more animals.¹⁷

Ignoring animal welfare and animal health also leads to increasing health risks for humans. Bacteria in humans, food and animals continue to show resistance to the most widely used antimicrobials. A report from the three agencies European Food Safety Authority, the European Medicines Agency and the European Centre for Disease Prevention confirms the link between antibiotic consumption and antibiotic resistance in both humans and food-producing animals. Reducing the unnecessary use of antibiotics will have an impact on the occurrence of resistance.¹⁸ Because the routine

use of antibiotics is instrumental for livestock being reared in densely packed and often unhygienic conditions, a change in animal housing and husbandry practices is necessary to effectively eliminate or reduce the use of antibiotics.¹⁹

Transport over long distances and controlling the conditions prior to and during slaughtering of the animals deserve urgent attention. During transportation animals may have to deal with the following circumstances: bad ventilation, too little space, shortage of food and water, bad treatment during the loading and unloading procedures, bad health conditions of the animals prior to the transport and exposure to germs. Animal transport may therefore result in exhaustion, dehydration, anxiety, injury, diseases and may even lead to the death of the animals involved.²⁰ Slaughter methods in many countries pose severe concerns. Problematic slaughter methods include CO2 stunning for pigs, electrical stunning for poultry via the water bath method and unstunned slaughter.²¹

Outside the livestock industry, animal welfare standards are also of importance in industries like the pharmaceutical and cosmetics industries that often make use of laboratory animals. The international social and political debate is increasingly based on the 3R-strategy on animal testing: Replacement, Reduction and Refinement.²²

Breeding and trading pets has grown into an important industry in many countries. According to animal protection organisations for every lucky companion animal treated as a family member at home, many others experience nothing but suffering, abuse, and sadness. Pet breeders, traders and pet shops further contribute to the overpopulation of companion animals in shelters and on the streets.²³

The fur industry, including farmers, trappers, auction houses, brokers and buyers, design centres, dressers and dyers, manufacturers and retailers, is increasingly facing legal bans.²⁴ Especially in Europe, the industry is responding to the criticism from animal protection organisations that it is morally not acceptable to keep animals solely for their fur, by launching animal welfare assessment programs and certification systems.²⁵

Furthermore, in the recreation industry, animals are deployed for sports and entertainment: equestrianism, circuses, zoos and tourist attractions like elephant riding and shows with birds of prey. And finally, in pleasure pursuits such as hunting, hunting tourism, as well as in fishing and fighting games with pets, the welfare of animals is profoundly at stake.²⁶

Agenda 2030, of which the SDG's are part envisions a world in which humanity lives in harmony with nature and in which wildlife and other living species are protected. Animal welfare is not directly mentioned in the SDGs however it is crucial for achieving many targets within a few SDGs. For example, various targets under SDG 2 Zero Hunger and SDG 3 Good Health and Well-being can't be achieved without ensuring animal welfare in the food production systems.²⁷ Similarly, SDG 12 Responsible Consumption and Production cannot be possible without ensuring animal welfare in the production of food.²⁸ It also covers animal welfare in other sectors such as leather goods and healthcare. Further, SDG 14 Life Below Water and SDG 15 Life of Land also mentions protecting biodiversity. These goals cannot be achieved without adopting responsible practices while dealing with oceans and forests and protecting any form of cruelty on animals.²⁹

The investment and finance policy of financial institutions should take the welfare of animals into account when investing in or financing of companies in all the industries mentioned (livestock, fisheries, fur, pharmaceuticals, cosmetics, pet industry, recreation, sports and entertainment, and fighting pests). This moral obligation follows from recognizing animals as sentient beings capable of feeling pain and stress, as humans do. Furthermore, neglecting the welfare of animals may also have consequences in the fields of health and the environment. When developing policies in this respect, financial institutions can make use of the international standards described in the following section. They should be aware however, that they may not be sufficient to safeguard animal welfare at an appropriate level - either because norms are open for interpretation or requirements are not stringent.

2.1.2 International standards and initiatives

Standards concerning animal welfare differ in scope, application and level of protection they offer. We can differentiate between generally accepted principles, international standards, EU legislation, national law and (inter)national private standards. The main international standards on animal welfare are summarised per topic, followed by assessment elements which are formulated by FFGI as a result:

- **In general**

Wellbeing is the quality of life of animals as experienced by the animals. The Five Freedoms are often taken as a principle for preparing standards on animal welfare. This concept arose from the Brambell Report published in Great Britain in 1965 and the following request of the UK Minister of Agriculture to the Farm Animal Welfare Council (FAWC) to revise the *Welfare Codes* for cattle, pigs, domestic fowl and turkeys. This has led to the following list of five freedoms that can be applied to all animals.

An animal has to live free from:

- Hunger, thirst and malnutrition (direct access to fresh water and solid food to stay healthy and strong).
- Any thermal or physical discomfort (having suitable, comfortable housing that offers tranquillity).
- Pain, injury and diseases (by means of prevention or diagnosing and treating quickly).
- Fear and chronic stress (by circumstances that avoid suffering and stress).
- The denial of natural (species-specific) behaviour (by supplying sufficient space, sufficient and proper provisions and company from animals of the same species).

In a protocol at the Amsterdam Treaty (1997), the European Union officially recognises animals as sentient beings and indicates that European civilians and institutions in the field of agriculture, fishery and science have to take the welfare of animals into account. This protocol has also been fully included as Article 6b in the successor of the *Amsterdam Treaty*, the Lisbon Treaty (2007), which came into force on December 1, 2009.

The World Trade Organization (WTO) Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) encourages its members to base their sanitary measures on international standards, guidelines and recommendations, where they exist.

The [World Organisation for Animal Health \(OIE\)](#) is the WTO reference organisation for standards relating to animal health and zoonoses. Its standards are intended to safeguard the hygienic safety in the trade in animals and animal products. The [Terrestrial Animal Health Code](#), published in 1968, and the [Aquatic Animal Health Code](#), published in 1995, aim to assure the sanitary safety of international trade in terrestrial animals and aquatic animals, and their products. The Codes concern animal health but also include recommendations for animal welfare, mainly with respect to transport, slaughter, and killing animals to prevent the spread of diseases and stray animals. The codes traditionally addressed animal health and zoonoses, but they have, in recent years, expanded to cover animal welfare, animal production food safety, consistent with the expanded mandate of the OIE which is 'to improve animal health worldwide'. The OIEs [Manual of Diagnostic Tests and Vaccines for Terrestrial Animals](#) and [Manual of Diagnostic Tests for Aquatic Animals](#) provide a harmonised approach to disease diagnosis by describing internationally agreed laboratory diagnostic techniques.

[ISO 26000:2010 Guidance on social responsibility](#) recognises the importance of animal welfare in the principle 'Ethical behaviour'. The underlying values - fairness, justice and integrity - imply caring for people, animals and the environment. Ethical behaviour can be encouraged by respecting the welfare of animals, including providing effective resolutions if the organisation affects the life and the existence of animals.³⁰

This leads to assessment element

1	Companies respect the Five Freedoms of animals.
14	Companies integrate animal welfare criteria into their procurement and operational policies.
15	Companies include clauses on the compliance with criteria on animal welfare in their contracts with subcontractors and suppliers.

- **Genetic modification of animals**

The [UN Convention on Biological Diversity \(CBD\)](#) demands that companies that want to have access to genetic material from abroad have to obtain prior permission from the exporting country and have to make clear agreements for the use of the material. The [Bonn Guidelines](#) are recognized as a useful first step in the implementation of relevant provisions of the [UN Convention on Biological Diversity \(CBD\)](#) and are meant to assist stakeholders in developing access to genetic resources and benefit-sharing strategies.

The [Cartagena Protocol on Biosafety to the Convention on Biological Diversity \(Cartagena Protocol\)](#) speaks about Living Modified Organisms (LMOs) which are in every day usage known as Genetically Modified Organisms (GMOs). These are defined as any living organism that possesses a novel combination of genetic material obtained through the use of modern biotechnology. The Cartagena Protocol does not prohibit the use of GMOs in itself but has developed a framework for the safe handling, transport and use of GMOs that may have a harmful effect on biodiversity and human health and entail trans-boundary risks. The protocol also requires permission from the importing country before it is permitted to import GMOs.

These standards aim to protect genetic material and lack provisions on animal welfare when producing and using GMOs. In 2015 the [European Parliament voted to adopt regulation](#) prohibiting the cloning of animals for farming purposes, because this is considered not to be in line with general minimum welfare standards for animals bred or kept for farming purposes (as laid down in Council Directive 98/59/EC). It takes into account that the health and welfare of a significant proportion of cloned animals is seriously affected and mortality is considerably higher than with sexually reproduced animals.³¹

In the Netherlands, the Wet Dieren (Animal act) recognises [the intrinsic value of animals](#), in the sense that reasonably unnecessary breaches of the integrity or welfare of an animal, is not permitted. It prohibits the use of genetic modification techniques for the purpose of sports performance and entertainment and for other purposes a permit is needed that will only be given if the practice does not cause severe consequences for the health and welfare of the animal and there are no ethical objections.

Furthermore, a [resolution issued by the Trans Atlantic Consumer Dialogue \(TACD\)](#) in 2016, expresses consumer concerns about amongst other topics, animal welfare issues related to new genetic engineering techniques aimed at farm animals. The resolution urges US and EU governments to: "Fully consider the welfare of animals altered using new genetic engineering techniques prior to approval."

This leads to assessment element

4	Genetic modification of animals for food and the production of derived food products is unacceptable, unless clear animal welfare benefits can be demonstrated
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• **Laboratory animals**

The European [Convention for the protection of vertebrate animals](#) for experimental and other scientific purposes concerns the use of animals in experiments. [Directive 2010/63/EU](#) revising Directive 86/609/EEC on the protection of animals used for scientific purposes was adopted on 22 September 2010. There is also European legislation for the housing and caring of [laboratory animals](#) and there are rules for assessing animal testing. There is a European ban on conducting animal testing to test [cosmetics](#) and the use of great apes for testing purposes.

In the Netherlands, the [Law on Animal testing](#) applies to laboratory animals.

This leads to assessment element

2	Animal testing for testing cosmetics is unacceptable.
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When planning and conducting animal experiments, one can strive for improvement as described by the researchers W.M.S. Russel and R.L. Burch, in their 3R-strategy *Replacement, Reduction and Refinement*.³²

- Replacement: laboratory animals can be replaced by non-animal alternatives.
- Reduction: the number of animals used, is reduced as much as possible.
- Refinement: Discomfort (pain/inconvenience) of laboratory animals is prevented as much as possible, both prior to, as well as after testing.

The [Directive 2010/63/EU](#) of 2010 "spells out the principle of the 'Three Rs' and makes it a firm legal requirement. The principles of Replacement, Reduction and Refinement must be considered systematically at all times when animals are used for scientific purposes in the EU".³³

There are initiatives from the industry as well. For example in the Netherlands, research institutions have signed the [Animal Experiments Openness Codes](#) in which they oblige themselves "to systematically shift to Replacement, Reduction, and Refinement of animal testing (3 Rs)".

This leads to assessment element

3	Requirements are set for the use of laboratory animals for manufacturing medical products in order to limit animal suffering and the number of animals used as much as possible and demonstrably look for alternatives to animal testing (the so-called 3R-strategy).
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• **Farm animals**

Within the European Union, several conventions have been adopted to protect farm animals. In the [European Convention for the Protection of Animals kept for Farming Purposes](#) (adopted in 1976 and amended in 1992) minimum guidelines for livestock farming with respect to welfare have been included. In addition, conventions on transport ([ETS No. 193](#)) and on slaughter ([ETS No. 102](#)) have been adopted. These conventions are further elaborated in specific rules for certain animal species and topics.

[Council Directive 98/58/EC concerning the protection of animals](#) applies to all farm animals. Furthermore, Council Directives have been adopted on transport and slaughter of animals as well as on the keeping of specific species of animals (broilers, laying hens, pigs, calves). In the long run, some abuses in intensive livestock farming are phased out, such as keeping calves in crates (prohibited since 2007), hens in bare battery cages (prohibited as of 2012) and keeping sows in feeding cubicles (prohibited as of 2013). Note that no specific EU legislation exist for widely farmed animals such as dairy cows, rabbits, ducks, turkeys, trout and salmon. In recent years, out of discontent with the inability of EU standards to safeguard animal welfare, private standard initiatives are flourishing.

This leads to assessment element

6	Extremely restricted housing methods including calves in crates, hens in battery cages and sows in feeding cubicles are unacceptable.
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The International Finance Corporation (IFC) states in its [Good Practice Note](#) that businesses "that address or enhance animal welfare are likely to win or retain a competitive advantage in the global marketplace" ³⁴ and presents some best practices and recommendation for farmers and meat producing companies.

The [Business Benchmark on Farm Animal Welfare](#) is an annual Benchmark of food companies' performance on farm animal welfare, supported by World Animal Protection (WAP), Compassion in World Farming (CIWF) and private equity firm Collier Capital. "It's aims are :³⁵

- To provide investors with the information they need to understand the business implications of farm animal welfare for the companies in which they are invested.
- To provide investors, governments, academics, CSOs, consumers and other stakeholders with an independent, impartial and reliable assessment of individual company efforts to adopt higher farm animal welfare standards and practices.
- To provide guidance to companies interested in improving their management and reporting on farm animal welfare issues.

The benchmark assesses food producers, restaurants and bars and food retailers and wholesalers, covering the entire food supply chain".

Coller Capital also initiated the [Farm Animal Investment Risk and Return \(FAIRR\)](#) initiative, which aims to improve investor’s understanding of risks related to factory farming. FAIRR states that “animal factory farming is exposed to at least twenty-eight environmental, social and governance issues that could significantly damage financial value over the short or long-term. Many of these risks are currently hidden from investors”.³⁶ Investors can join FAIRR and opt for committing to its three principles:³⁷

- Principle 1: We will consider farm animal welfare in our investment decision-making process;
- Principle 2: We will consider including farm animal welfare in our investment monitoring;
- Principle 3: We will support transparency on farm animal welfare issues by the entities in which we invest.

In organic farming, norms for animal welfare are also included. With respect to organic farming, 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 worldwide adhering to the IFOAM norms are included in the [Organic Guarantee System](#).

The *Sustainable Agriculture Network* (SAN) published the [Sustainable Agriculture Standards](#). The norms are based on guidelines of, among others, the United Nations, the European Union and the International Labour Organization and comprise of ten criteria for sustainable agriculture, of which one is about dealing with wild animals on farms.

Intensive livestock farming often fails to meet the Five Freedoms criteria. The Dutch Society for the Protection of Animals therefore introduced the [Better Life Label](#) for animal products. It is specifically aimed at so-called intermediate segments (farming systems that fall between the intensive and the organic livestock farming systems regarding the welfare of animals). This star system (the more stars, the better the animal welfare) has been developed to challenge the corporate world to improve the wellbeing of animals in livestock farming. The quality requirements that the Dutch Society for the Protection of Animals has set for wellbeing are recorded in agreements with suppliers of meat and are checked by independent bodies.

The Global Animal Partnership (GAP) has defined animal welfare in order to improve farming and ranching systems and practices. Under its [GAP 5-Step Animal Welfare Rating Program](#) it has customized standards for each species, including beef, broiler chickens, turkey, sheep, pigs, goats, bison and laying hens. It is interesting to note that as part of its program for broilers chickens, GAP aims to replace fast-growing chicken breeds by 2024.

This leads to assessment element	
7	Companies shift from intensive livestock farming to animal friendly production.
8	Livestock farming companies are certified according to the criteria of certification schemes that include animal welfare requirements (mentioned in section 2.1.2).

- **Fish**

In contrast to other major forms of livestock agriculture, there is a paucity of scientific information on the welfare of fish raised under intensive aquacultural conditions. This reflects an adherence to the belief that these animals have not evolved the salient biological characteristics that are hypothesised to permit sentience. However, there is scientific evidence for the existence of sentience in fish, and in particular, their ability to experience pain, fear and psychological stress. Anatomical, pharmacological and behavioural data suggest that affective states of pain, fear and stress are likely to be experienced by fish in similar ways as in tetrapods. This means that fish have the capacity to suffer, and that welfare considerations for farmed fish should take these states of pain into account.³⁸

The [Global Aquaculture Alliance \(GAA\)](#), which is an initiative from American companies, has developed a system of certification with regard to fish farms. Today there are standards for both shrimp, tilapia and Channel catfish cultivation, as well as for the fish processing industries. In this system animal welfare criteria have been laid down. This applies to pain and anxiety mainly, since science has shown that fish may experience such sensations as well.

Other issues related to fish and fisheries are discussed in section 3.3.

This leads to assessment element

9	Fish farms are certified according to the criteria of certification schemes that include animal welfare requirements (mentioned in section 2.1.2).
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- **Other animals**

The [European Convention for the Protection of Pet Animals](#) (ETS No. 125) contains rules on the protection of pet animals kept for private enjoyment and companionship.

Within the European Union, there are rules for the use of traps to catch animals for their fur ([Council Regulation 3254/91/EEC](#)). There is a ban on the trade in cat and dog fur ([Regulation 1523/2007/EC](#)) and an import ban on seal fur ([Council Directive 83/129/EEC](#) and [Regulation 1007/2009/EC](#)).

In several European countries the farming of animals for fur production has been prohibited..³⁹ As of January 2013 it is illegal in the Netherlands to keep or kill animals if the only objective is using their fur and the activities must be phased out before 2024.⁴⁰

In the Netherlands, the [Nature Conservation Act](#) contains rules on hunting, the authorised means of hunting and damage control.

This leads to assessment element

5	Capturing and/or keeping animals for their skin or fur and manufacturing, trading and selling (derived) fur products is unacceptable.
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According to animal protection organisations, circuses and dolphinariums that deploy animals for entertainment purposes do not meet the Five Freedoms criteria. Animals are unable to show their natural behaviour and suffer fear and chronic stress. Moreover, often use is made of animals that were captured in the wild. According to animal protection organisations, such activities are unacceptable.⁴¹

Various countries have implemented legislation to prohibit the use of (wild) animals in circuses. Below, we will limit the information to the countries currently represented in the Fair Finance Guide International:

- Belgium has a national ban on the use of wild animals in circuses as of March 2014.
- In Brazil, a national ban on the use of wild animals in circuses was adopted in 2009 by the Commission of Education and Culture. In several districts there is a ban on the use of all kinds of animals in circuses.
- In France there is a national ban on the use of certain wild animals in circuses, by means of a positive list, effective from 18 March 2011. Several cities prohibit circuses that use wild animals.
- In the Netherlands, [the prohibition](#) of the use of wild animals in circuses is effective from September 15, 2015.
- In Sweden there is a national ban on the use of certain species of wild animals in circuses, effective from 1994. There is a ban on the use of monkeys, carnivores, rhinos, giraffes, kangaroos, hippos, seals, birds of prey, ostriches, crocodiles and deer.

This leads to assessment element

10	Entertainment activities in which wild animals are involved (including circuses, dolphinariums, fighting games with animals and shows and exhibitions with animals) are unacceptable.
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Compared to circuses and dolphinariums, zoos have objectives such as conservation, research, shelter and education. More attention may be paid to housing that meets the needs of the animal. Still, questions remain about the ethics of keeping non-domesticated animals and the actual contribution by zoos to the conservation of wild populations.

In Europe, there are rules for keeping wild animals in [zoos \(Council Directive 1999/22/EC\)](#). The European Commission published a [Good Practice Document](#) that summarises the current state of knowledge and highlight good practices to support practitioners and member states.

This leads to assessment element

11	Companies guarantee the welfare of animals held captive for activities that have an educational and nature protection objective and in which wild animals are involved in any way (such as zoos).
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- **Transport**

[Council Regulation EC 1/2005](#) lays down rules for livestock transport. In September 2017, the European Commission published [five guides to good practices for the transport of the main livestock species](#). Implementation and enforcement continue to be a grave concern. Welfare risks are exacerbated by the long transport times.⁴²

After the release of shocking footage material in a ZDF documentary and over 1 million signatures from EU citizens, the European Commissioner for Health and Food Safety, Vytenis Andriukaitis, has put animal transport high on the agenda in September 2017. He announced the setup of a sub-group dedicated to live transport within the [EU Platform for Animal Welfare](#) focusing on the need to revise the current system and rules governing long distance animal transport, and put in place a long term strategy to replace this inhumane trade. Ministers from Austria, Belgium, Denmark, Germany, The Netherlands and Sweden have joined the Ministerial Animal Welfare Alliance's call on the European Commission to significantly shorten journey times for live animals and improve transport conditions. The Commission reiterated the need to have more Member States on board.⁴³

This leads to assessment element

12	Companies reduce the time limit of animal transport to a maximum of 8 hours.
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- **Antimicrobial resistance**

According to the World Health Organisation (WHO), antimicrobial resistance (AMR) is one of the biggest threats to global health, food security, and development today. As antibiotics become less effective a growing list of infections are becoming difficult and sometimes impossible to treat. The WHO [Global action plan on antimicrobial resistance](#), endorsed at the World Health Assembly and adopted by the assemblies of the FAO and OIE in 2015, has five strategic objectives: ⁴⁴

1. "to improve awareness and understanding of antimicrobial resistance through effective communication, education and training;
2. to strengthen the knowledge and evidence base through surveillance and research;
3. to reduce the incidence of infection through effective sanitation, hygiene and infection prevention measures;
4. to optimize the use of antimicrobial medicines in human and animal health;
5. to develop the economic case for sustainable investment that takes account of the needs of all countries and to increase investment in new medicines, diagnostic tools, vaccines and other interventions."

The objectives are also aimed at the use of antimicrobials in food-producing animals, for which the WHO has developed specific [guidelines](#). The [OIE Strategy on Antimicrobial Resistance and the Prudent Use of Antimicrobials](#) is aligned with the Global Action Plan. And the FAO has drafted an [Action Plan](#) to support the food and agriculture sector in implementing WHO's Global action plan.

Guidelines on AMR in the [Codex Alimentarius](#) aim to assess the risk to human health associated with the presence in food and animal feed and the transmission through food and animal feed, of AMR micro-organisms and determinants and to provide advice on appropriate risk management.

As the majority of antibiotics produced are given to livestock,⁴⁵ the FAIRR initiative has brought together a coalition of investors that call upon companies to end the routine non-therapeutic use of antibiotics in their [Global investor statement on antibiotic stewardship](#). As part of their engagement, FAIRR has drafted a best practice policy on antibiotics stewardship that includes a number of commitments based on the following principles:⁴⁶

- "Antibiotics should only be used to treat the diagnosed presence of disease in animals, and in limited circumstances to control disease outbreaks. Antibiotics should not be used to promote animal growth or for routine disease prevention.
- Antibiotic use should be supervised by a veterinarian familiar with the premises and the animals.
- Livestock producers should report their use of antibiotics so that oversight agencies and the public can track progress in meeting use-reduction goals and identify resistance risks and trends.
- Livestock producers should rely on better husbandry practices to improve animal health and welfare, and to minimize the need for routine antibiotics use on farms."

This leads to assessment element

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|----|---|
| 13 | Companies apply a prudent use of antimicrobial medicines (antibiotics) in food-producing animals in order to minimize antimicrobial resistance. |
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- **Procurement and supply chains**

Companies are often part of long production chains. They can monitor one another and question how they respect local and national legislation and international norms on animal welfare. The requirements that companies set for their suppliers can be included in contractual agreements. The importance of this also recognised in the [OECD Guidelines for Multinational Enterprises](#). However, these guidelines do not cover the topic of animal welfare.

The importance of animal welfare is recognized in the [OECD/FAO Guidance on Responsible Agricultural Supply Chains](#).

But [ISO 26000:2010 Guidance on social responsibility](#) does acknowledge animal welfare as part of an organisation's responsibility to behave ethically and connects the topic with multiple core subjects. It also recognises the importance of supply chain responsibility, because "the impacts of an organization's decisions or activities can be greatly affected by its relationships with other organizations." A companies' sphere of influence includes relationships within and beyond an organization's supply chain.⁴⁷

In addition, [ISO 20400:2017 Sustainable procurement – Guidance](#) provides guidelines for organizations, independent of their activity or size, on integrating sustainability within procurement, as described in ISO 26000:2010 Guidance on social responsibility. It is intended for stakeholders involved in, or impacted by, procurement decisions and processes.

This leads to assessment element

14	Companies integrate animal welfare criteria into their procurement and operational policies.
15	Companies include clauses on the compliance with criteria on animal welfare in their contracts with subcontractors and suppliers.

2.1.3 Assessment elements

Financial institutions can influence the welfare of animals if they finance or invest in industries where animals are used, captured and/or (re)produced, such as fishery, livestock farming, the pharmaceutical industry and other companies with an animal testing facility like the cosmetics industry, the recreation industry, the fur industry and pet breeding.

The following elements are crucial for a policy regarding the companies a financial institution invests in or finances:

1. Companies respect the Five Freedoms of animals.
2. Animal testing for testing cosmetics is unacceptable.
3. Requirements are set for the use of laboratory animals for manufacturing medical products in order to limit animal suffering and the number of animals used as much as possible and demonstrably look for alternatives to animal testing (the so-called 3R-strategy).
4. Genetic modification of animals for food and the production of derived food products is unacceptable, unless clear animal welfare benefits can be demonstrated
5. Capturing and/or keeping animals for their skin or fur and manufacturing, trading and selling (derived) fur products is unacceptable.
6. Extremely restricted housing methods including calves in crates, hens in battery cages and sows in feeding cubicles are unacceptable.
7. Companies shift from intensive livestock farming to animal friendly production.
8. Livestock farming companies are certified according to the criteria of certification schemes that include animal welfare requirements (mentioned in section 2.1.2).

9. Fish farms are certified according to the criteria of certification schemes that include animal welfare requirements (mentioned in section 2.1.2).
10. Companies guarantee the welfare of animals held captive for activities that have an educational and nature protection objective and in which wild animals are involved in any way (such as zoos).
11. Entertainment activities in which wild animals are involved (including circuses, dolphinariums, fighting games with animals and shows and exhibitions with animals) are unacceptable.
12. Companies reduce the time limit of animal transport to a maximum of 8 hours.
13. Companies apply a prudent use of antimicrobial medicines (antibiotics) in food-producing animals in order to minimize antimicrobial resistance.
14. Companies integrate animal welfare criteria into their procurement and operational policies.
15. Companies include clauses on the compliance with criteria on animal welfare in their contracts with subcontractors and suppliers.

2.2 Climate change

2.2.1 What is at stake?

The climate on earth is changing: globally the temperature is increasing. Due to this, ecosystems are changing and societies are at risk of being struck by floods and cyclones. This process is a direct result of human activities that increase the concentration of greenhouse gases in the atmosphere.⁴⁸

Already in 2006 the influential research report [Stern Review on the Economics of Climate Change](#), predicted that the concentration of greenhouse gases in the atmosphere would be twice as much in 2035 (550 parts CO₂ per million) as it was before the industrial revolution, and that it would cause a rise in temperature of 2°C. This will have an enormous impact on the world, especially when you realise that today it is only 5°C warmer than it was during the last ice age, which ended about 10,000 years ago.⁴⁹

The leading authority on this topic, the [Intergovernmental Panel on Climate Change \(IPCC\)](#) is publishing scientific research on climate change quite regularly. In its [Fifth Assessment Report](#) it concluded that the average global temperature increase since the mid twentieth century has been largely caused by the observed increase of greenhouse gases concentrations (such as carbon dioxide, methane, nitrogen oxide and some other gases), released by human activity. The main greenhouse gas is carbon dioxide (CO₂), which is released with the combustion of fossil fuels. The fifth IPCC-report states that it is *highly likely* that human activities have caused more than 50% of the noticed temperature increase between 1951 and 2010.⁵⁰

Recent climate changes have had widespread impacts on human and natural systems:⁵¹

- The globally average land and ocean surface temperature show a warming of 0.85 °C over the period 1880 to 2012;
- Glaciers have continued to shrink, spring snow cover had continued to decrease, and permafrost temperatures have increased;
- Over the period 1901 to 2010, global mean sea level rose by 19 cm.

The IPCC has also presented four scenarios (Representative Concentration Pathways, RCPs) for future climate change in the fifth report. The best case scenario is that the rise in temperature will stay under 2°C, but it is still very likely that:⁵²

- heat waves will occur more often and last longer;
- extreme precipitation events will become more intense and frequent in many regions;

- the ocean will continue to warm and acidify; and
- global mean sea level to rise - in ranges of 26 to 82 cm.

These developments not only lead to extraordinary and unprecedented risks for the global environment, but can also have profound and disastrous consequences for mankind economically, socially, as well as for human health. The *Stern Review* as well as IPCC reports and reports of other organisations predict the following climate change consequences:⁵³

- Melting glaciers will cause a steep increase in the average water level of some rivers. The availability of water will increase in some areas, while elsewhere drought and a lack of drinking water will occur.
- Of all plant and animal species globally, 15 to 40% are at risk of extinction if the average temperature increases by more than 2°C. This will lead to a rapid degradation of ecosystems and the acidification of oceans, which in turn will have major consequences for marine ecosystems. Global climate belts will shift, with drastic consequences for flora and fauna.
- Climate change undermines food security. While the global food production will increase with local temperatures that increase between 1-2°C, it in turn will decrease as soon as the temperature increases further. Higher frequencies of periods of drought, floods, hurricanes and heat waves will also affect the production of local crops; mainly in areas close to the equator that already produce little food.
- Climate change will increase the risk of peat fires worldwide, leading to substantial and sustained CO₂ emissions as peat fires can smoulder for years and have the highest CO₂ production of all fires. Haze caused by peat fires also causes serious long-term health problems.⁵⁴
- Coastal areas will be exposed to increased risks by the increasing sea level and coastal erosion. Not only coral reefs and *wetlands* are at risk, but also huge cities in developed and developing countries. The melting or breaking down of ice floes will ultimately threaten the residential areas of 1 in every 20 people.
- If the existing climate change scenario becomes a reality, almost half the world's population will be living in areas of high water stress by 2030. This is including between 75 million and 250 million people in Africa. Furthermore, water scarcity in some arid and semi-arid places will cause the displacement of between 24 million and 700 million people.⁵⁵
- Poor communities are even more vulnerable because their adaptability is limited and because they are more dependent for their livelihood on climate sensitive provisions such as local water and food supplies.⁵⁶
- The climate changes will influence the health of millions of people, mainly of those who have difficulty in adapting. Those groups already physically weakened by malnutrition are the most vulnerable for the expected increase in heat waves, floods, storms, fires and droughts, metabolic diseases and parasitic diseases such as malaria or dengue.⁵⁷

Depending on future developments, according to the IPCC in the 21st century, globally the temperature will increase between 0.3°C and 4.8°C on average. This will increase the likelihood of severe, pervasive and irreversible impacts for people and ecosystems. To reduce climate change risks both mitigation and adaptation are necessary. In order to reduce the global temperature rise to 2°C it is necessary that the average emission should be reduced with 40 to 70% by 2050 compared to the level of emissions in 2010.⁵⁸

While in 2020 the energy related emission of CO₂ should not exceed 32 Gigatonnes, in 2014 global energy related emissions already reached 32.2 Gt. According to the [IEA](#), the objective not to increase the average temperature on earth by more than 2°C will be very difficult to realise if CO₂-emissions keep increasing at this speed.⁵⁹

During the 21st session of the Conference of the Parties (COP21) in Paris in 2015, 195 nations decided to aim for keeping the global temperature rise preferably below 1.5 °C, in 2100. The agreement also recognized that much greater emission reduction efforts will be required than submitted by the countries in their intended nationally determined contributions.⁶⁰ Calculations of Climate Action Tracker confirm that these country plans would result in around 2.7 °C of warming in 2100. If only a few countries would increase their reduction targets, this would already reduce the 1.5 °C gap by 20-34%.⁶¹

Companies in various industries will be confronted with climate change consequences and risks in the economic, social and health care fields. Climate change itself brings new legislation on mitigating emissions, but at the same time new opportunities and innovations. Companies that produce, process, transport, or use fossil fuels in large volumes will first be required to consider changing their *business model*. Research has indicated that up to eighty per cent of the world's coal reserves, thirty per cent of known oil reserves and fifty per cent of gas reserves are not burnable if the world is to stay below the goal of a maximum of 2°C of climate warming, which does not even address the goal of limiting warming to 1.5°C.⁶² Buying out or compensating CO₂-emission should only be considered as a last resort. There are projects for CO₂-storage and CO₂-removal from the atmosphere, but research shows that a lot of these types of projects do not lead to concrete greenhouse gas reductions and moreover may have negative consequences for other sustainability aspects.⁶³

The Sendai Framework for Disaster Risk Reduction 2015-2030, adopted in March 2015, considers climate change as one of the drivers of disaster risk. Investing in disaster reduction for economic, social, cultural, and environmental resilience of persons, communities and countries and the environment, is one of the four top priorities. "Such measures are cost effective and instrumental to save lives and prevent and reduce losses", the United Nations report argues.⁶⁴

To be able to adapt to the consequences of climate change, large scale investments are required, mainly in developing countries.⁶⁵ In a report published in November 2014 Oxfam International argues that financial goals set in earlier agreements will not be sufficient to close the finance gap. It will be vital to negotiate a finance package that recognises the true scale of the climate change challenge, while remaining responsive to the needs and specific circumstances in given countries. For example, for sub-Saharan Africa alone by 2050 an additional USD 60 billion is needed per annum for a 2°C-consistent international agreement on finance for climate change adaptation.⁶⁶ To win the battle against climate change, the most CO₂-intensive industries - energy, construction, food, heavy industry and transport - have to change structurally.⁶⁷

According to conservative estimations by Eurodad and other civil society organizations (CSOs), developing countries' climate finance needs are thought to be between USD 27 to USD 66 billion per year by 2030 for adaptation and USD 177 billion per year for mitigation'. Global civil society organizations call upon financial institutions to play a major role in financing climate adaptation.⁶⁸

Integrating climate change in financial decision making has evolved from being seen as part of 'extra-financial criteria' or ESG-criteria to a potential major financial risk threatening the business models of companies, and financial stability in general. The Financial Stability Board (FSB) created an industry-led [Task Force on Climate-Related Financial Disclosures \(TCFD\)](#) to identify which financial assets will lose value due to climate related risks and to "develop voluntary, consistent climate-related financial disclosures for use by companies in providing information to lenders, insurers, investors and other stakeholders".⁶⁹ In June 2017 the TCFD published its [Recommendations of the Task Force on Climate-related Financial Disclosures](#). UNEP has initiated an Inquiry into the Design of a Sustainable Financial System (UNEP Inquiry) and has published its [final report](#) in October 2015. It presents policy options to deliver a step change in the financial system's effectiveness in mobilizing capital towards a green and inclusive economy that also addresses climate change risks.⁷⁰

The issue of climate change is central to the UN's SDGs. Climate change is dealt with in SDG 13 Climate Action of the SDGs and includes targets such as strengthening capacity towards climate related hazards, integrating climate change in policies, strategies, and planning.⁷¹ Climate change is also reflected in other SDGs such as SDG 11 Sustainable Cities and Communities, which includes a target to reduce per capita adverse environmental impact of cities by 2030. It also includes making cities resource efficient and mitigating and adapting to climate change.⁷² SDG 2 Zero Hunger includes a target to ensure sustainable food production systems that helps maintain ecosystems, that strengthens capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improves land and soil quality.⁷³ Similarly, one of the targets of SDG 3 Good Health and Well-being is to reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.⁷⁴

For financial institutions, the challenge is to deal with climate change risks in a proactive way, by measuring and reporting the carbon footprint of their financial portfolios and presenting strategies to make their portfolio's consistent with the internationally agreed 2°C limit of temperature increase. This also requires having a strategy for the transition to a low-carbon economy, including the switch from using fossil fuel to renewable energy sources. Besides encouraging companies in which they invest to measure, disclose and reduce emissions, financial institutions should also phase-out investment in and finance of activities with unacceptable high emissions. Therefore, the Fair Finance Guide pays special attention to the characteristics of the commitments made by financial institutions in their so-called divestment policies. Furthermore an investment and finance policy regarding climate change should include criteria for compensation, adaptation and lobbying against governmental climate change regulation.

When developing policies in this respect, financial institutions can make use of the international standards described below.

2.2.2 International standards and initiatives

The main international standards on climate change are summarised per topic, followed by the assessment elements that are formulated by FFGI as a result:

- **Setting measurable reduction objectives**

The climate problem is global by nature and therefore requires an internationally coordinated set of answers. The world community is working on this and has two main international conventions on climate change since the nineties:

- The 1992 [UN Framework Convention on Climate Change \(UNFCCC\)](#) formulates global objectives and principles and asks all member states to annually report their emission of greenhouse gases. Virtually all countries in the world take part in the UNFCCC, including the United States.
- The 1997 [Kyoto Protocol](#) is based on the principles and objectives of the UNFCCC and establishes objectives and timelines for industrialised countries to limit their emissions. On average, the Kyoto Protocol demands an emission reduction (during the period 2008-2012) of 5.2% of the greenhouse gases in comparison to the level of 1990.

Although the Kyoto Protocol is a first step in reducing global emissions of greenhouse gases, scientists argue that the established reduction objectives are far too low to halt climate change, let alone undo it. To limit the global temperature increase to 2 to 2.4°C - which will in any way lead to drastic social, economic, and environmental problems - according to the IPCC, the annual global emission of greenhouse gases should be 40 to 70% lower in 2050 than in the year 2010, on average.⁷⁵

Several United Nations climate change conferences were held with the aim to reach a new agreement which could replace the Kyoto Protocol, but this has not been achieved until 2015. The [21st session of the Conference of the Parties \(COP21\)](#) in Paris in 2015 is considered a historic agreement as it brings 195 nations together in the main aim to keep the global temperature rise below 2 °C, or preferably even below 1,5 °C, in 2100. The agreement also noted that the estimated aggregate greenhouse gas emission levels in 2025 and 2030 resulting from the intended nationally determined contributions do not fall within 2 °C scenarios and recognized that much greater emission reduction efforts will be required. Countries therefore have to submit updated climate plans every five years that are no less ambitious than existing ones. The Paris Agreement, Article 2 (point 1 bullet c), states that it aims to strengthen the global response to climate change by, inter alia: "Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development".⁷⁶

This leads to assessment element

1	For its own direct and indirect greenhouse gas emissions, the financial institution establishes measurable reduction objectives that is aligned with limiting the maximum global temperature increase of 1.5°C.
4	For its financed greenhouse gas emissions the financial institution establishes measurable reduction objectives that is aligned with limiting the maximum global temperature increase of 1.5°C.
11	Companies reduce their direct and indirect greenhouse gas emissions.

- **Measuring and reporting greenhouse gas emissions**

In order to be able to set reduction objectives it is necessary to first measure and report on emissions. Globally, the standards of the [Greenhouse Gas Protocol \(GHG Protocol\)](#) are the most used standards to measure and manage greenhouse gas emissions. Amongst others the GHG Protocol has developed a standard for the emissions of [products](#) and the [corporate value chain](#). The GHG Protocol is consistent with the IPCC guidelines for reporting CO₂-emissions.

Some financial institutions have developed initiatives to standardise and encourage the measurement of carbon footprints by banks and investors. The Dutch [Platform Carbon Accounting Financials \(PCAF\)](#) published its [methodology for carbon accounting](#) of mortgages, listed equity, project finance, commercial real estate, corporate debt, corporate loans (including SMEs) and government bonds in 2017.

The [Carbon Disclosure Project](#) (CDP) is a coalition of institutional investors that asks the world's largest companies to release their annual emissions and other information on climate change. The CDP also acts as the Secretariat for the [Climate Disclosure Standards Board](#) (CDSB), established at the annual meeting of the World Economic Forum in 2007, as a response to the increased demand for standardised reporting guidelines for financial information related to climate change. Its [Climate Change Reporting Framework](#) was launched in September 2010 and last edited in 2012.

The [Portfolio Decarbonisation Coalition](#) (PDC), by the UNEP, CDP and the UNEP Finance Initiative, also strives to encourage financial markets to drive economic decarbonisation.

The [Montréal Carbon Pledge](#), launched in September 2014, commits investors to measure and publicly disclose the carbon footprint of their investment portfolios on an annual basis.

The [Asset Owners Disclosure Project](#) (AODP) encourages asset managers, insurance groups and pension funds to be transparent about the CO₂-emissions and identifying climate change risks concerning their portfolios. The AODP will publish rankings on asset managers, insurance groups and pension funds in 2018. The methodology is "fully aligned to the TCFD recommendations for the sector".⁷⁷

In 2017 the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) published its [recommendations](#) for financial institutions and companies.⁷⁸ The recommendations provide a consistent categorization of the financial impacts of climate-related risks and opportunities. The Task Force has also issued a [guidance for the implementation of the recommendations](#), which include sector specific recommendations for the financial sector, as well as other sectors.⁷⁹

The TCFD includes four "widely adoptable recommendations tied to:

- Governance: Disclose the organization's governance around climate-related risks and opportunities;
- Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material;
- Risk management: Disclose how the organization identifies, assesses, and manages climate-related risks; and
- Metrics and targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material."⁸⁰

The TCFD expects companies and financial institutions to disclose direct and indirect emissions and the related risks. In addition, banks "should describe significant concentrations of credit exposure to carbon-related assets. Additionally, banks should consider disclosing their climate-related risks (transition and physical) in their lending and other financial intermediary business activities".⁸¹

This leads to assessment element

- | | |
|---|---|
| 2 | For its financed greenhouse gas emissions, i.e. the emissions of the companies in which the financial institution invests, the financial institution discloses its share of the emissions of the energy companies and projects it invests in. |
| 3 | For its financed greenhouse gas emissions, the financial institution discloses its share of all the companies and projects it invests in. |
-

This leads to assessment element

5	The financial institution measures and discloses climate-related impacts in line with the recommendations by the Task Force on Climate-related Financial Disclosures.
10	Companies disclose their direct and indirect greenhouse gas emissions.

- **Transition to a low-carbon economy**

The third working group that contributed to the IPCC's [Fifth Assessment Report](#), published in 2014, focused on mitigating, or avoiding, climate change, and showed that the world must significantly reduce its reliance on fossil fuels in the coming decades. The IPCC projected that over the next two decades (2010 to 2029), annual investment in conventional fossil fuel technologies for electricity supply sector would decline, with a median projected rate of decline being around 20%. At the same time, annual investment in low-carbon electricity supply (including renewable energy, nuclear power and electricity generation with carbon capture and storage) is projected to rise by 100% compared to 2010 on the same median basis.⁸²

There are various initiatives within the corporate world and the financial industry to make agreements and to exchange experiences on stimulating the transition to a low-carbon economy:

- The [Ceres Investor Network on Climate Risk \(INCR\)](#);
- the [Institutional Investors Group on Climate Change \(IIGCC\)](#); and
- the [Global Business Leadership Platform on Climate Change](#).

Fossil fuel-fired power generation and especially coal-fired power generation, causes high carbon emissions. According to the [Institute for New Economic Thinking of Oxford School](#) the carbon reduction goal of the [Paris Agreement](#) can only be met by complete decarbonisation of the electricity sector: "even under the very optimistic assumption that other sectors reduce emissions in line with a 2°C target, no new emitting electricity infrastructure can be built after 2017 for this target to be met, unless other electricity infrastructure is retired early or retrofitted with CCS".⁸³

The [UN Environment Emissions Gap Report 2017](#) concludes that "it will be important to [r]educe the fossil-based electricity capacity already in place and under construction and avoid planning new coal plants. A gradual phase-out of coal is needed, recognizing that coal-based power generation will remain significant for a number of both developing and industrialized countries until at least 2030".⁸⁴ The UN researchers highlight the risk of investing in fossil fuel-fired power generation: "continued investment in more traditional technologies, especially coal-fired power stations, implies significant technological lock-in and long-term commitment to continued emissions. The assessment shows that between 80 and 90% of coal reserves worldwide will need to remain in the ground, if climate targets are to be reached. This compares with approximately 35% for oil reserves and 50% for gas reserves".⁸⁵

The [World Economic Outlook 2017](#) of the International Energy Agency considers natural gas to be a transition fuel, but only if the industry is "stepping up action to tackle methane leaks along the oil and gas value chain", because "securing clear climate benefits from gas use depends on credible action to minimise leaks of methane –a potent greenhouse gas – to the atmosphere".⁸⁶

[Oil Change International](#) and a coalition of CSOs argue that "the reserves in currently operating oil and gas fields alone, even with no coal, would take the world beyond 1.5°C". The organisations therefore recommend that:

- “No new fossil fuel extraction or transportation infrastructure should be built, and governments should grant no new permits for them.
- Some fields and mines – primarily in rich countries – should be closed before fully exploiting their resources, and financial support should be provided for non-carbon development in poorer countries.
- This does not mean stopping using all fossil fuels overnight. Governments and companies should conduct a managed decline of the fossil fuel industry and ensure a just transition for the workers and communities that depend on it”.⁸⁷

In 2017, Urgewald and partners published [a database](#) that “provides key statistics on over 770 companies whose activities range from coal exploration and mining, coal trading and transport, to coal power generation and the manufacturing of coal plants”,⁸⁸ because “investments in new coal power capacity are incompatible with the Paris climate goals as each new coal plant locks-in high CO2 emissions for decades to come”.⁸⁹

This leads to assessment element

- | | |
|----|---|
| 12 | Companies switch from using fossil fuels to using renewable energy sources. |
| 13 | Unabated coal-fired power generation (i.e. without operational carbon capture and storage) is unacceptable. |
| 14 | Coal-fired power generation is unacceptable. |
| 15 | Fossil fuel-fired power generation is unacceptable. |
| 16 | Coal mining is unacceptable. |
| 17 | Extracting oil from tar sands is unacceptable. |
| 18 | Extracting oil and gas is unacceptable. |
-

Shifting towards a low-carbon economy will mean in practice to move away from high emission generating activities to low emission activities. From this perspective, activities such as extracting fossil fuels and using them for power generation are considered unacceptable (even if they would have operational carbon capture and storage technology). An investment and finance policy that makes such statements is more credible if it is not followed by all kinds of exceptions and thresholds.

This leads to assessment element

- | | |
|---|---|
| 6 | The policy has a maximum threshold of 30% restricting finance of and investment in coal-fired power generation and coal mining. |
| 7 | The policy has a maximum threshold of 30% restricting finance of and investment in fossil fuel-fired power generation and extracting oil and gas. |
| 8 | The policy has a maximum threshold of 0% restricting finance of and investment in coal-fired power generation and coal mining. |
| 9 | The policy has a maximum threshold of 0% restricting finance of and investment in fossil fuel-fired power generation and extracting oil and gas. |
-

- **Biomass for energy generation**

While biofuels can be helpful in reducing greenhouse gas reduction targets, the material for biofuel production (biomass) also carries along some disadvantages. As such, biomass production typically takes place on cropland that was already used for growing food or feed. Most often, soy farmers do thus not deforest themselves. Agricultural production, since it is still necessary, is consequently displaced leading to conversion of forests or natural grasslands to croplands elsewhere.

This process can be recognized as Indirect Land Use Change (ILUC). ILUC is crucially important to assess the sustainability impacts of for instance soy expansion and crops for biofuels in general. ILUC especially concerns first generation biofuels, as second- or third generation biofuels can also be made from waste of feedstock used for food or feed, and hence do not directly require cropland. Hence, no real positive climate impact can be achieved through first-generation biofuels.⁹⁰

In 2010, the Steering Board of the [Roundtable on Sustainable Biomaterials](#) (RSB) approved Version 2 of the principles and criteria for sustainable biomass production, after three years of consultation with stakeholders. The RSB offers [Global Standards](#) that apply to any type of feedstock worldwide and [EU-RED Standards](#) that apply to feedstock entering the EU market and comply with the EU Renewable Energy Directive regarding land-use and GHG criteria.⁹¹ The global RSB Principles are:⁹²

1. Biofuel operations shall follow all applicable laws and regulations.
2. Sustainable biofuel operations shall be planned, implemented, and continuously improved through an open, transparent, and consultative impact assessment and management process and an economic viability analysis.
3. Biofuels shall contribute to climate change mitigation by significantly reducing lifecycle GHG emissions as compared to fossil fuels.
4. Biofuel operations shall not violate human rights or labor rights, and shall promote decent work and the well-being of workers.
5. In regions of poverty, biofuel operations shall contribute to the social and economic development of local, rural and indigenous people and communities.
6. Biofuel operations shall ensure the human right to adequate food and improve food security in food insecure regions.
7. Biofuel operations shall avoid negative impacts on biodiversity, ecosystems, and conservation values.
8. Biofuel operations shall implement practices that seek to reverse soil degradation and/or maintain soil health.
9. Biofuel operations shall maintain or enhance the quality and quantity of surface and ground water resources, and respect prior formal or customary water rights.
10. Air pollution from biofuel operations shall be minimized along the supply chain.
11. The use of technologies in biofuel operations shall seek to maximize production efficiency and social and environmental performance, and minimize the risk of damages to the environment and people.
12. Biofuel operations shall respect land rights and land use rights.

The RSB standards are accompanied by a set of guidelines such as the RSB-Impact Assessment Guidelines and the RSB-Screening Tool.⁹³

The European Parliament intends to reduce the CO₂ emissions of the cultivation for biofuels. By 2020, the EU aims to have 10% of the transport fuel of every EU country coming from renewable sources such as biofuels. Fuel suppliers are also required to reduce the greenhouse gas intensity of the EU fuel mix by 6% by 2020 in comparison to 2010.⁹⁴

This leads to assessment element

20	The production of biomaterials complies with the 12 principles of the Roundtable on Sustainable Biomaterials (RSB).
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- **CO₂-compensation**

CO₂-compensating investments are used by airlines, for example. Many airlines have their own CO₂-compensation price calculation for a *green* seat. The amount of CO₂-emissions is often wrongly estimated, and not all the greenhouse gases that are emitted during flights are mentioned.⁹⁵

The Gold Standard for CO₂-compensating investments - developed by the WWF - identifies investments that do contribute to sustainable development. The Gold Standard contains strict criteria for certification. These criteria are maintained by means of monitoring, reporting and processes of verification.

This leads to assessment element

21	CO ₂ -compensation is certified according to the Gold Standard.
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- **Lobbying practices**

Companies in heavy industries (such as steel company Arcelor Mittal) have successfully lobbied against European intervention in the emission market. Arcelor Mittal's top executive wrote a letter to the European Commission in 2006, in which he threatened to close down the factories if the Commission would put restrictions on the issuing of carbon credits.⁹⁶ In April 2013 the steel and chemical industries' branch organizations wrote a letter to the European Parliament, stating that the emission market should not be changed as this would only increase the costs and aggravate the competition between the industries in Europe.⁹⁷ The Parliament then voted for a proposal, in which the plans had been diluted, as late as July 2013. Similarly, on the 9th of October 2014, TATA Steel wrote a letter to the Dutch government, urging it to consider the competitive position of the company, as well as its role as employer, in the discussions with the European Commission about European climate and energy policy.

In 2012 Sandbag published a report with an overview of Belgian companies that benefit from the *loopholes* in Europe's Emissions Trading System (ETS). According to Sandbag these are all companies that (through their branch organisations) actively lobby against improving the climate policy.⁹⁸

In 2016 Influence Map published a report estimating five oil and gas companies and trade associations "spent almost \$115m per year combined on obstructive climate influencing activities".⁹⁹

This leads to assessment element

22	Companies do not participate in lobbying (attempting to influence decisions made by regulators) aimed at weakening climate policy.
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- **Procurement and supply chains**

Companies are often part of long production chains. They can monitor one another and question how they respect local and national legislation and international norms on climate change. The requirements that companies set for their suppliers can be included in contractual agreements. The importance of this also recognised in the [OECD Guidelines for Multinational Enterprises](#) since its revision in 2011.

Also [ISO 26000:2010 Guidance on social responsibility](#) recognises the importance of supply chain responsibility, because “the impacts of an organization's decisions or activities can be greatly affected by its relationships with other organizations.” A companies’ sphere of influence includes relationships within and beyond an organization’s supply chain.¹⁰⁰

In addition, [ISO 20400:2017 Sustainable procurement – Guidance](#) provides guidelines for organizations, independent of their activity or size, on integrating sustainability within procurement, as described in ISO 26000:2010 Guidance on social responsibility. It is intended for stakeholders involved in, or impacted by, procurement decisions and processes.

This leads to assessment element	
23	Companies integrate climate change criteria in their procurement and operational policies.
24	Companies include clauses on the compliance with criteria on climate change in their contracts with subcontractors and suppliers.

2.2.3 Assessment elements

Investments that take place today determine the CO₂-intensity of all future activities. Therefore, it is crucial that strict reduction objectives are set now and companies are stimulated to emit less CO₂. Being important financiers of energy projects, financial institutions can play a leading role in shifting investments to a less CO₂-intensive economy. Hereby, financial institutions should apply CO₂-avoiding standards in line with the UN-objectives, in order to limit global warming.

The following elements are crucial for a policy regarding the financial institution's internal operations:

1. For its own direct and indirect greenhouse gas emissions, the financial institution establishes measurable reduction objectives that is aligned with limiting the maximum global temperature increase of 1.5°C.
2. For its financed greenhouse gas emissions, i.e. the emissions of the companies in which the financial institution invests, the financial institution discloses its share of the emissions of the energy companies^x and projects it invests in.
3. For its financed greenhouse gas emissions, the financial institution discloses its share of all the companies and projects it invests in.
4. For its financed greenhouse gas emissions the financial institution establishes measurable reduction objectives that is aligned with limiting the maximum global temperature increase of 1.5°C.

x Companies active in the energy sector include the power generation companies itself and the companies involved in producing the sources of energy, including coal, oil, gas, solar, wind, geothermal, nuclear, hydro, biomass, and tidal.

5. The financial institution measures and discloses climate-related impacts in line with the recommendations by the Task Force on Climate-related Financial Disclosures.
6. The policy has a maximum threshold^{xi} of 30% restricting finance of and investment in coal-fired power generation and coal mining.
7. The policy has a maximum threshold of 30% restricting finance of and investment in fossil fuel-fired power generation and extracting oil and gas.
8. The policy has a maximum threshold of 0% restricting finance of and investment in coal-fired power generation and coal mining.
9. The policy has a maximum threshold of 0% restricting finance of and investment in fossil fuel-fired power generation and extracting oil and gas.

The following elements are crucial for a policy regarding the companies a financial institution invests in or finances:

10. Companies disclose their direct and indirect greenhouse gas emissions.
11. Companies reduce their direct and indirect greenhouse gas emissions.
12. Companies switch from using fossil fuels to using renewable energy sources.
13. Unabated coal-fired power generation (i.e. without operational carbon capture and storage) is unacceptable.
14. Coal-fired power generation is unacceptable.
15. Fossil fuel-fired power generation is unacceptable.
16. Coal mining is unacceptable.
17. Extracting oil from tar sands is unacceptable.
18. Extracting oil and gas is unacceptable.
19. Conversion of peatland and high-carbon stocks for agricultural development is unacceptable.
20. The production of biomaterials complies with the 12 principles of the Roundtable on Sustainable Biomaterials (RSB).
21. CO₂-compensation is certified according to the Gold Standard.
22. Companies do not participate in lobbying (attempting to influence decisions made by regulators) aimed at weakening climate policy.
23. Companies integrate climate change criteria in their procurement and operational policies.
24. Companies include clauses on the compliance with criteria on climate change in their contracts with subcontractors and suppliers.

2.3 Corruption

2.3.1 What is at stake?

Corruption has significant negative consequences on the political, social and environmental fields. On the political field, corruption forms a large obstacle when developing the rule of law. Government representatives lose their legitimacy when many abuse their office for personal gain. It also undermines the faith of the people in the political system, which leads to frustration and apathy. It clears the way for leaders, whether chosen democratically or not, to appropriate national assets for themselves without supervision. And if corruption is the norm, honest and capable civilians will leave the country.¹⁰¹

xi Examples of thresholds mentioned in policies: revenues, electricity generated, installed capacity, and utilized capacity.

In a lot of countries, the tax system suffers from corrupt practices. It lowers tax revenues and limits the possibilities of the government to meet its obligations.¹⁰² Corruption also has negative economic consequences. It leads to capital flight and to the expenditures of scarce public funds to unprofitable prestige projects, instead of to more necessary types of infrastructure such as schools, hospitals and drinking water supplies. It also hinders the development of markets and disturbs free competition. In addition, corruption leads to large scale plundering of natural resources, such as wood, gemstones and minerals. Large scale, strongly polluting projects are given free rein in a climate of corruption and they often mean public money ends up in private hands.¹⁰³

The Transparency International (TI) [Corruption Perceptions Index](#) shows that corruption mainly occurs in poorer countries. But TI emphasises that for corruption, two parties are involved, the payer as well as the receiver of the bribes. According to the [TI Bribe Payers Index](#), companies from China and Russia are most inclined to pay bribes, but also companies from OECD-countries like Italy and France have a poor reputation in that respect. According to TI, corruption occurs mostly in the construction industry (including public works and real estate).¹⁰⁴ In the Netherlands, the Dutch National Bank (DNB) investigated corruption risks at Dutch banks and insurers. The DNB found out that corruption risks, both connected to internal operations as to clients and investee companies, are sufficiently identified, but are not adequately taken care of.¹⁰⁵

Lobbying practices can have similar effects as corruption. Although lobbying as such cannot be regarded as corruption per se, sometimes lobbyists will go as far in striving to influence legislators and regulators that it could almost be considered as corruption. The influence of the corporate world on the development of international norms is often large and forms an important ground for legislation being behind on certain fields. On the one hand, public institutions have formulated clear rules for their employees to which they must comply in order to prevent bribery and influence. On the other hand the participation of social and commercial organisations in the decision-making process is far from transparent. Canada and the US have mainly been active in providing more clarity in this respect, later followed by the European Union. That is why in these countries and regions, organisations are now obliged to register when they participate in the decision-making process. Organisations that register themselves can therefore make it clear that they work in a transparent and legitimate way.¹⁰⁶

Corruption is covered in SDG 16 Peace, Justice and Strong Institutions. One of the targets of this goal is to substantially reduce corruption and bribery in all their forms. Another target is to develop effective, accountable and transparent institutions at all levels, which also underpins the importance of corruption free institutions.¹⁰⁷ Further, SDG 10 Reduced Inequalities is based on the premises of reducing corruption for increasing equality amongst people and countries.¹⁰⁸ SDG 1 No Poverty indirectly targets the reduction of corruption to completely eradicate poverty.¹⁰⁹

One can expect from responsibly operating financial institutions that they do not deliberately assist clients in moneylaundering and paying or receiving bribes, and that they do not accept or pay bribes themselves. Moreover, financial institutions have the responsibility to only grant financial services to companies that do not engage in corruption and negatively influencing the development of international norms. When developing policies on corruption, financial institutions can make use of the international standards described below.

2.3.2 International standards

The main international standards on corruption are summarised per topic, followed by the assessment elements that are formulated by FFGI as a result:

- **Anti-money laundering and beneficial ownership**

In December 2014 the European Parliament and Council agreed on listing the ultimate owners of companies on central public registers. In May 2015 the EU's [Fourth Anti-Money Laundering Directive \(AMLD\)](#) was developed according to this vote as the [EU Directive 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing](#). Any company and trust registered in an EU member state is required to provide information about its beneficial owner including: name, month and year of birth, nationality, country of residence and as well as the nature and extent of the beneficial interest held.

The international standard in the field of money laundering is set by the [Financial Action Task Force \(FATF\)](#), a work group that was established by the OECD in 1989. The FATF comprises of 37 members, mostly governments of OECD-member states. The FATF aims to promote the successful implementation of legal, regulatory and operational procedures for combating money laundering, the financing of terrorists and other associated threats to the integrity of the international financial system.

The FATF has developed a set of [Forty Recommendations](#) that are considered as the international standards for the combating of money laundering. These recommendations offer guidelines and tools to governments and financial institutions to fight money laundering and criminal earnings at all levels. The recommendations have been published in 1990 and were last updated in October 2016. The FATF has also published several Interpretative Notes, which provide guidance on the application of the guidelines in practice.

Recommendation 12 deals with *Politically Exposed Persons (PEPs)* and their relatives. When dealing with PEPs, financial institutions are required to have enhanced due diligence and risk-management systems in place.

The [Forty Recommendations](#) have been taken over by numerous international institutions, such as the World Bank and the International Monetary Fund (IMF), as well as by the governments of many countries. In May 2015, the European Union processed the latest edition of the Forty Recommendations in the [Fourth AMLD \(EU Directive 2015/849\)](#).

In a 2011 report, [The Puppet Masters](#), the World Bank's [Stolen Asset Recovery Initiative](#) developed a guidance on how to prevent corruption via the hiding of stolen assets. The document examines the links between large-scale corruption by high-level public officials and the concealment of stolen assets through opaque shell companies, foundations, and trusts. The initiative urges all financial institutions to collect beneficial ownership information about the company and continue to monitor whether this information is accurate.¹¹⁰

The [Wolfsberg Group](#), a group of 11 international banks that undertake a lot of activities in the field of *private banking* (banking for rich private clients), published a revised edition of the [Wolfsberg Anti-Money Laundering Principles on Private Banking](#) in May 2012. In these principles, the Forty Recommendations are further elaborated on asset management and private banking. In addition, the Wolfsberg Group has also published various other principles in the field of money laundering, financing of terrorism and corruption.

This leads to assessment element

2	The financial institution has an anti-money laundering policy.
3	The financial institution has a policy to prevent terrorist financing and financing of proliferation.
4	The financial institution properly verifies the ultimate beneficial owner(s) of a company.
7	Companies publicly disclose their ultimate beneficial owner or owners including full name, date of birth, nationality, jurisdiction of residence, number and categories of shares, and if applicable the proportion of shareholding or control.

- **Corruption and bribery**

The [UN Convention against Corruption \(UNCAC\)](#) contains minimum standards in order to prevent corruption as well as money laundering. It explains what states would have to do to prevent, and bring to trial, corruption and money laundering and provides recommendations on international cooperation and recovery of capital. As of November 2017, the convention is signed by 140 nations. In 2011, these nations have agreed to establish a [Mechanism for the Review of Implementation of the UNCAC](#).

The main international standard with respect to fighting international corruption is the [Convention on Combating Bribery of Foreign Public Officials in International Business Transactions](#) of the OECD, which came into force in February 1999. The convention obliges countries to make paying bribes to foreign public officials a criminal offence. As of November 2017, all OECD member countries and eight other countries have ratified the convention, which obliges them to implement this convention in their national legislation.

The [OECD Guidelines for Multinational Enterprises](#) state: "Enterprises should not, directly or indirectly, offer, promise, give, or demand a bribe or other undue advantage to obtain or retain business or other improper advantage." This is further elaborated upon in seven detailed guidelines.

In 2013 Transparency International published the [Business Principles for Countering Bribery](#), a framework that can help companies to draft an effective anti-corruption policy. The [report](#) stresses the importance of implementing principles and policies in anti-bribery programmes. Although a lot of large companies have an anti-corruption policy, the implementation often leaves a lot to be desired and in practice bribes are still regularly being paid. In addition, Transparency International published a similar report to [counter corruption for SMEs](#). To help companies with the implementation of their anti-corruption policy, TI provides the [Corruption Fighters' Tool Kit](#).

The [Wolfsberg Anti-Corruption Guidance](#) (revised, extended and renamed version of the Wolfsberg Statement against Corruption) which includes measures with which financial institutions can prevent corruption in their own organisation and protect themselves against abuse of its institution for corruption.

This leads to assessment element

1	Offering, promising, giving and requiring, either directly or indirectly, bribes and other undue advantages in order to acquire and to maintain assignments and other undue advantages, is unacceptable.
8	Offering, promising, giving and requiring, either directly or indirectly, bribes and other undue advantages in order to acquire and to maintain assignments and other undue advantages, is unacceptable.

This leads to assessment element

9	Companies have a management system which results in immediate actions if suspicions arise that employees or suppliers are guilty of corruption.
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- **Lobby practices**

Non-transparent lobbying practices can have similar effects as corruption. Various national and regional initiatives try to provide insight into the interests of organisations within legislation processes. The European Commission has drafted a voluntary register for interest representatives in 2008 within the framework of the [European Transparency Initiative](#). It aims to inform the public which general or specific interests groups influence the decision-making process of the European institutions and what budget they have. Organisations that register can make clear that they work in a transparent and legitimate way. By registering, they promise to comply with the [Transparency Register Code of Conduct](#). Because the register is voluntary, social organisations call upon the European Commission to adopt the example set by the [United States](#) and [Canada](#) where registration is obliged.

This leads to assessment element

6	The financial institution reports on its participation in the decision-making processes of international norms and legislation (lobby practices).
10	Companies report on their participation in the decision-making processes of international norms and legislation (lobby practices).

- **Procurement and supply chains**

Companies are often part of long production chains. They can monitor one another and question how they respect local and national legislation and international norms on tax and corruption. The requirements that companies set for their suppliers can be included in contractual agreements. The importance of this also recognised in the [OECD Guidelines for Multinational Enterprises](#) since its revision in 2011.

Also [ISO 26000:2010 Guidance on social responsibility](#) recognises the importance of supply chain responsibility, because "the impacts of an organization's decisions or activities can be greatly affected by its relationships with other organizations." A companies' sphere of influence includes relationships within and beyond an organization's supply chain.¹¹¹

In addition, [ISO 20400:2017 Sustainable procurement – Guidance](#) provides guidelines for organizations, independent of their activity or size, on integrating sustainability within procurement, as described in ISO 26000:2010 Guidance on social responsibility. It is intended for stakeholders involved in, or impacted by, procurement decisions and processes.

This leads to assessment element

11	Companies integrate criteria on corruption in their procurement policies and operational policies.
12	Companies include clauses on the compliance with criteria on corruption in their contracts with subcontractors and suppliers.

2.3.3 Assessment elements

For financial institutions, the issue corruption is relevant in two ways. Firstly, international financial institutions are multinational corporations themselves and therefore can be expected to have a policy to prevent corruption. Secondly, corruption is an issue on which financial institutions should assess all the companies they invest in or finance, even if the financial institution does not actively facilitate the corrupt payments made by the company.

The following elements are crucial for a policy regarding the financial institution's internal operations:

1. Offering, promising, giving and requiring, either directly or indirectly, bribes and other undue advantages in order to acquire and to maintain assignments and other undue advantages, is unacceptable.
2. The financial institution has an anti-money laundering policy.
3. The financial institution has a policy to prevent terrorist financing and financing of proliferation.
4. The financial institution properly verifies the ultimate beneficial owner(s) of a company.
5. The financial institution applies additional safeguards when it enters into indirect or direct business relations with Politically Exposed Persons.
6. The financial institution reports on its participation in the decision-making processes of international norms and legislation (lobby practices).

The following elements are crucial for a policy regarding the companies a financial institution invests in or finances:

7. Companies publicly disclose their ultimate beneficial owner or owners including full name, date of birth, nationality, jurisdiction of residence, number and categories of shares, and if applicable the proportion of shareholding or control.
8. Offering, promising, giving and requiring, either directly or indirectly, bribes and other undue advantages in order to acquire and to maintain assignments and other undue advantages, is unacceptable.
9. Companies have a management system which results in immediate actions if suspicions arise that employees or suppliers are guilty of corruption.
10. Companies report on their participation in the decision-making processes of international norms and legislation (lobby practices).
11. Companies integrate criteria on corruption in their procurement policies and operational policies.
12. Companies include clauses on the compliance with criteria on corruption in their contracts with subcontractors and suppliers.

2.4 Gender equality

2.4.1 What is at stake?

Gender refers to socially constructed identities, attributes and roles for women and men.¹¹² In short, gender determines what is expected, allowed and valued in a woman or a man in a given context. Gender equality refers to the equal rights, responsibilities and opportunities of women and men.¹¹³ Equality between women and men requires that women's and men's rights, responsibilities and opportunities do not depend on whether they are born male or female.

While gender inequalities also affect men and transgender and can be applied at the level of sexual orientation (lesbian, gay, bisexual), this chapter focuses on women. Women's constructed identities, attributes and role in society have traditionally lead to a gender imbalance of power between men and women. To offer some examples:

- The poverty rates of women are higher than men's poverty rate, particularly when it comes to non-partnered women with children in developed and developing regions and older women in one-person households;¹¹⁴
- Women have less access to formal financial systems: In 2015, only 58 per cent of women had an individual or joint account at a formal financial institution compared to 64 per cent of men. This shows a gender gap of 7 percentage points globally in comparison with 2011. In developing economies the gender gap remained at 9 percentage points.¹¹⁵
- The legal rights of women remain unequal compared to the rights of men in most of the countries: a World Bank's study concluded that in 90 per cent of 143 countries studied there was at least one legal difference restricting women's economic opportunities and their ability to be economically independent;¹¹⁶
- Women are less likely to be employed than men and, when they are employed, they are more likely to be paid less than their male colleagues or receive insufficient parental leave;¹¹⁷
- Gender-based violence affects at least 35% of women globally.¹¹⁸ Moreover, in the majority of countries, less than half of the women who experienced violence sought help.¹¹⁹
- Women remain a minority among senior managers in the private sector: A study on the Top 200 companies found that companies report an average of 20% women executives to 80% men, while the study showed an average of 10% women, 90% men.¹²⁰

As explained in the theme Human rights (section 2.5) companies can impact the entire range of human rights issues and have an enormous impact on people's lives and the communities in which they operate. For example, the fact that one billion women still do not use or have access to the financial system¹²¹ creates difficulties for women in collecting and saving income, makes women more vulnerable to economic and social exclusion and challenges the effective enjoyment of women's economic, social and cultural rights. Moreover, the highly visible inequality between women and men in leadership and decision-making positions both, in public and private institutions, may infringe the right to equal access to public services and the right to equality and non-discrimination. These situations serve also to illustrate how business activities may create or exacerbate gender inequality.¹²²

The different impacts that business have on gender equality between men and women have been largely documented by CSOs.¹²³ The Gender, Business and Human Rights Reference Group supports that an ostensibly gender-neutral approach to policy making renders invisible important gender issues, and marginalizes women's experience.¹²⁴ Among the recommendations, many CSOs suggest adopting a gender mainstreaming approach.¹²⁵

Gender mainstreaming refers to the process of assessing the implications for women and men of any planned action, including legislation, policies or programmes, in all areas and at all levels.¹²⁶ This is a strategy for making women's as well as men's concerns and experiences an integral dimension of the design, implementation, monitoring and evaluation of policies and programmes. For example, if as a result of large-scale infrastructure project a community is resettled, a gender mainstreaming approach would require companies to consider whether such resettlement may have different, disproportionate or unforeseen impacts on women and men including familial responsibilities, economic opportunities and child care.

Gender equality is addressed in many goals of the SDGs. SDG 5 Gender Equality focuses on improving gender balance in countries. The ambitious targets under this goal include eliminating all forms of gender discrimination, violence, sexual exploitation, early marriages, improving equal rights to economic resources, and strengthening legislation to promote gender equality and empowerment of women.¹²⁷ SDG 10 Reduced Inequalities also aims to empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status by 2030.¹²⁸

SDG 1 No Poverty focuses on eradicating poverty. One of the targets is to ensure that all men and women have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance by 2030. Another target is to create sound policy frameworks at the national, regional and international levels, based on pro-poor and gender-sensitive development strategies.¹²⁹

While SDG 4 Quality Education focuses on ensuring good education to every child, one of the targets states: "By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations."¹³⁰ SDG 8 Decent Work and Economic Growth includes a target to achieve decent work for all men and women with equal pay for work of equal value by 2030.¹³¹

While gender mainstreaming for policies and programmes is a specific focus of international organizations, such as the ILO and the UN, this is not the case for the private sector. For businesses, considering gender specific impact is still an emerging issue. Corporate governance codes and guidelines, including responsible investment and finance policies,¹³² rarely adopt a 'gender perspective' or 'gender mainstreaming approach'. Moreover, Marston concludes in its research that "as of the most recent research, there is little or no systematic guidance to help companies mainstream and report on gender-sensitive practices globally".¹³³ In 2016, Equileap published one of the few tools that exist for measuring gender equality in the private sector.¹³⁴

As shown in section 2.4.2, a large number of international standards exist which could help companies – including financial institutions – to promote gender equality. The policies of financial institutions, both as a direct employer and as an influencer in other parts of the value chain, can have a great impact on achieving gender equality.

2.4.2 International Standards and initiatives

Equality between women and men has been widely recognized in specific human rights and international sustainability standards. The main international standards on gender are summarised below, followed by the assessment elements that are formulated by FFGI as a result:

- **United Nations Charter, the Universal Declaration of Human Rights and the International Bill of Rights**

Gender equality is at the very heart of human rights and United Nations values.¹³⁵ The [United Nations Charter](#) adopted in 1945 establishes as a fundamental principle the "equal rights of men and women".¹³⁶

Moreover, the 1948 [United Nations' Universal Declaration of Human Rights](#) formulates the right to equality and non-discrimination: "Everyone is entitled to all the rights and freedoms set forth in this Declaration, 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".¹³⁷ The right to equality and non-discrimination is also recognized in the United Nations' [International Covenant on Civil and Political Rights](#) and the [International Covenant on Economic, Social and Cultural Rights](#).

This leads to assessment element

- | | |
|---|--|
| 1 | The financial institution has a zero tolerance policy commitment for all forms of gender discrimination with respect to employment and occupation, including verbal, physical and sexual harassment. |
| 8 | Companies have a zero tolerance policy for all forms of gender discrimination including verbal, physical and sexual harassment. |
-

• **Convention on the Elimination of all forms of Discrimination against Women**

The [Convention on the Elimination of all forms of Discrimination against Women \(CEDAW\)](#) is the main international treaty for women's rights. Adopted by the United Nations in 1979, it defines what constitutes discrimination against women and sets up an agenda for national action to end such discrimination.¹³⁸

CEDAW provides the legal basis for developing international legal regulation on women, business and human rights when imposing the obligations to prevent violations by private individuals and actors:

- According to the Committee on the Elimination of all forms of Discrimination against Women (CCEDAW) state parties must "protect women from discrimination by private actors".¹³⁹ In that sense, state parties must "react actively against discrimination against women, regardless of whether such acts or omissions are perpetrated by the State or by private actors."¹⁴⁰
- In addition, state parties must "formulate and implement a policy that is targeted as clearly as possible towards the goal of fully eliminating all forms of discrimination against women and achieving women's substantive equality with men."¹⁴¹ The policy "must be comprehensive" and "apply to both public and private economic spheres".¹⁴² Finally, this "policy must engage the private sector, including business enterprises, the media, organizations, community groups and individuals, and enlist their involvement in adopting measures that will fulfil the goals of the Convention in the private economic sphere".¹⁴³
- Moreover, "the full implementation of the Convention required States to take positive measures to eliminate all forms of violence against women".¹⁴⁴

Although the state party is ultimately responsible for carrying out the obligations under CEDAW, non-state actors, including business entities, play a critical role in ensuring that women enjoy their rights to non-discrimination and substantive equality. For example, in the concluding observations, CEDAW has made recommendations directly to the media and health care providers.¹⁴⁵

This leads to assessment element

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|---|--|
| 1 | The financial institution has a zero tolerance policy commitment for all forms of gender discrimination with respect to employment and occupation, including verbal, physical and sexual harassment. |
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This leads to assessment element	
7	Companies have a policy commitment to differentiate the human rights risks faced by women and men.
8	Companies have a zero tolerance policy for all forms of gender discrimination including verbal, physical and sexual harassment.

- **International Labour Organization**

Gender equality is a main element for the International Labour Organization (ILO) in reaching its primary goal of promoting opportunities for women and men to obtain decent work.¹⁴⁶ This is reflected in relevant international labour standards, but also in the increasing research focus of the ILO on gender equality.¹⁴⁷ The four key ILO gender equality Conventions are the following:

- [The Equal Remuneration Convention \(No. 100\)](#);
- [Discrimination \(Employment and Occupation\) Convention \(No. 111\)](#);
- [Workers with Family Responsibilities Convention \(No. 156\)](#); and
- [Maternity Protection Convention \(No. 183\)](#).

Conventions 100 and 111 are also among the [ILO Declaration on Fundamental Principles and Rights at Work](#), making clear that equality and non-discrimination are also at the very heart of the ILO.

In addition, the ILO has also specifically addressed multinationals and the private sector in its [Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy \(MNE Declaration\)](#). The MNE Declaration contains two relevant references to gender equality that are aligned with ILO Conventions 100 and 111. These are the following:

- Multinational enterprises should be guided by the principle of “equality of opportunity and treatment” throughout their operations.¹⁴⁸
- Multinational enterprises should base hiring procedures on qualifications, skills and experience, and offer staff training on all levels and to avoid discrimination of employees (based on ethnicity, gender or social background).¹⁴⁹

This leads to assessment elements 1, 2, 3, 8 and 9.

This leads to assessment element	
1	The financial institution has a zero tolerance policy commitment for all forms of gender discrimination with respect to employment and occupation, including verbal, physical and sexual harassment.
2	The financial institution has systems in place to actively manage pay equity.
3	The financial institution has systems in place to prevent and mitigate gender discrimination of its customers.
8	Companies have a zero tolerance policy for all forms of gender discrimination including verbal, physical and sexual harassment.
9	Companies have systems in place to actively manage pay equity.

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- **United Nations Guiding Principles on Business and Human Rights**

The United Nations Guiding Principles on Business and Human Rights (UNGPs) make brief, but valuable mention to the principle of non-discrimination and the unique risks women and men face in the context of business activities:

- The preamble reads: "These Guiding Principles should be implemented in a non-discriminatory manner, (...) and with due regard to the different risks that may be faced by women and men".¹⁵⁰
- In addition, when conducting human rights due diligence "business enterprises should pay special attention to any particular human rights impacts on individuals from groups or populations that may be at heightened risk of vulnerability or marginalization, and bear in mind the different risks that may be faced by women and men".¹⁵¹

The Gender, Business and Human Rights Reference Group has elaborated how to integrate a gender perspective into the business responsibility to respect human rights.¹⁵² Its main recommendations are the following:

- Include gender mainstreaming within policies and procedures;
- Collect and analyse sex-disaggregated data for assessing and addressing human rights impacts;¹⁵³

Importantly, the UN Working Group on the issue of human rights and transnational corporations and other business enterprises, as well as the Office of the High Commissioner on Human Rights, are advancing gender within the business and human rights agenda. This provides the opportunity to further elaborate the meaning of the UNGPs for women's rights issues in the context of business and how they can be applied.

This leads to assessment element

7	Companies have a policy commitment to differentiate the human rights risks faced by women and men.
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- **Beijing Declaration and Platform for Action**

The Beijing Declaration and Platform for Action was produced after the 1995 United Nations' Fourth World Conference on Women. The Beijing Declaration contains a standard for gender balance in decision-making positions. According to the Beijing Declaration, women's full participation on the basis of equality in all spheres of society, including participation in the decision-making process and access to power, are fundamental for the achievement of gender equality.¹⁵⁴ With that regard, the Beijing Declaration calls on governments and the private sector for:

"Strategic objective G.1: Take measures to ensure women's equal access to and full participation in power structures and decision-making".¹⁵⁵

This objective has been operationalized by, among other indicators, requiring gender quotas for senior level positions and corporate boards. In that sense, it is relevant to mention that the European Commission has formulated a proposal of a Directive which sets a minimum objective of 40% of the under-represented sex in non-executive board-members position in publicly listed companies in Europe by 2020, or 2018 for public undertakings.¹⁵⁶ Moreover, a number of EU member states, including Belgium, France, the Netherlands, and Sweden have adopted (before the European Commission's Directive proposal) different types of laws, including binding and voluntary gender quotas, for company boards.¹⁵⁷

This leads to assessment element	
4	The financial institution guarantees at least 30% participation and equal access of women at senior level positions. ^{xii}
5	The financial institution guarantees at least 40% participation and equal access of women senior level positions.
11	Companies guarantee at least 30% participation and equal access of women at senior level positions.
12	Companies guarantee at least 40% participation and equal access of women at senior level positions.

• **OECD Guidelines for Multinational Enterprises**

The [OECD Guidelines for Multinational Enterprises](#) also contain relevant standards for responsible enterprise behaviour on gender equality:

- Enterprises are expected to “promote equal opportunities for women and men with special emphasis on equal criteria for selection, remuneration, and promotion, and equal application of those criteria, and prevent discrimination or dismissals on the grounds of marriage, pregnancy or parenthood”.¹⁵⁸
- Moreover, business enterprises should pay special attention to any particular human rights impacts on individuals from groups or populations that may be at heightened risk in particular industry and context, as for example women.¹⁵⁹
- The OECD Guidelines recognizes that companies are often part of long production chains. They can monitor one another and question how they respect local and national legislation and international norms on gender equality. The requirements that companies set for their suppliers can be included in contractual agreements.¹⁶⁰

This leads to assessment element	
1	The financial institution has a zero tolerance policy commitment for all forms of gender discrimination with respect to employment and occupation, including verbal, physical and sexual harassment.
2	The financial institution has systems in place to actively manage pay equity.
3	The financial institution has systems in place to prevent and mitigate gender discrimination of its customers.
6	The financial institution provides targeted professional development for employees to promote equal access for women to senior level positions.
7	Companies have a policy commitment to differentiate the human rights risks faced by women and men.
8	Companies have a zero tolerance policy for all forms of gender discrimination including verbal, physical and sexual harassment.
9	Companies have systems in place to actively manage pay equity.
10	Companies have systems in place to prevent and mitigate gender discrimination of its customers.

xii ‘Senior level positions’ in this methodology implies board of directors, executive positions and senior management. In absolute numbers this percentage means that for a Board of Directors consisting of two or three members, at least one is female, and for a BoD consisting of five members, at least two are female.

This leads to assessment element

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| 13 | Companies provide targeted professional development, and where necessary also education and training, for employees to promote equal access for women to senior level positions. |
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- **IFC Performance Standards**

The relevant [IFC Performance Standards](#) on gender equality are the following:

- "The client will base the employment relationship on the principle of equal opportunity and fair treatment, and will not discriminate with respect to any aspects of the employment relationship, such as recruitment and hiring, compensation (including wages and benefits), working conditions and terms of employment, access to training, job assignment, promotion, termination of employment or retirement, and disciplinary practices".¹⁶¹
- "The client will take measures to prevent and address harassment, intimidation, and/or exploitation, especially in regard to women".¹⁶²

This leads to assessment element

- | | |
|----|--|
| 1 | The financial institution has a zero tolerance policy commitment for all forms of gender discrimination with respect to employment and occupation, including verbal, physical and sexual harassment. |
| 2 | The financial institution has systems in place to actively manage pay equity. |
| 6 | The financial institution provides targeted professional development for employees to promote equal access for women to senior level positions. |
| 8 | Companies have a zero tolerance policy for all forms of gender discrimination including verbal, physical and sexual harassment. |
| 9 | Companies have systems in place to actively manage pay equity. |
| 13 | Companies provide targeted professional development, and where necessary also education and training, for employees to promote equal access for women to senior level positions. |
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- **Women's empowerment principles**

The [Women's Empowerment Principles](#) are a joint undertaking of the Global Compact and UN Women. These principles provide a tool for business to assess and benchmark their own business policies and practices against gender equality international standards. The principles are the following:

- Establish high-level corporate leadership for gender equality. Relevant organizational goals are:
 - Ensure that all policies are gender-sensitive.
- Treat all women and men fairly at work - respect and support human rights and non-discrimination. Relevant organizational goals are:
 - Pay equal remuneration, including benefits, for work of equal value and strive to pay a living wage to all women and men.
 - Ensure that workplace policies and practices are free from gender-based discrimination.
 - Implement gender-sensitive recruitment and retention practices and proactively recruit and appoint women to managerial and executive positions and to the corporate board of directors.

- Ensure the health, safety and well-being of all women and men workers. Relevant organizational goals are:
 - Establish a zero-tolerance policy towards all forms of violence at work, including verbal and/or physical abuse and prevent sexual harassment.
- Promote education, training and professional development for women.
- Implement enterprise development, supply chain and marketing practices that empower women. Relevant organizational goals are:
 - Support gender-sensitive solutions to credit and lending barriers.
 - Ask business partners and peers to respect the company's commitment to advancing equality and inclusion.
 - Ensure that company products, services and facilities are not used for human trafficking and/or labour or sexual exploitation.
- Promote equality through community initiatives and advocacy.
- Measure and publicly report on progress to achieve gender equality. Relevant organizational goals are:
 - Make public the company policies and implementation plan for promoting gender equality.
 - Establish benchmarks that quantify inclusion of women at all levels.
 - Measure and report on progress, both internally and externally, using data disaggregated by sex.
 - Incorporate gender markers into ongoing reporting obligations.

This leads to assessment element

1	The financial institution has a zero tolerance policy commitment for all forms of gender discrimination with respect to employment and occupation, including verbal, physical and sexual harassment.
2	The financial institution has systems in place to actively manage pay equity.
3	The financial institution has systems in place to prevent and mitigate gender discrimination of its customers.
6	The financial institution provides targeted professional development for employees to promote equal access for women to senior level positions.
8	Companies have a zero tolerance policy for all forms of gender discrimination including verbal, physical and sexual harassment.
9	Companies have systems in place to actively manage pay equity.
10	Companies have systems in place to prevent and mitigate gender discrimination of its customers.
13	Companies provide targeted professional development, and where necessary also education and training, for employees to promote equal access for women to senior level positions.

- **The UN Declaration on the Rights of Indigenous Peoples**

The [UN Declaration on the Rights of Indigenous Peoples](#) adopted by the UN General Assembly in 1997 calls on States to pay particular attention to the rights and special needs of indigenous women when measures are taken to ensure continuing improvement of economic and social conditions. It also calls for full protection and guarantees against all forms of violence and discrimination against women.¹⁶³

This leads to assessment element

- | | |
|---|--|
| 1 | The financial institution has a zero tolerance policy commitment for all forms of gender discrimination with respect to employment and occupation, including verbal, physical and sexual harassment. |
| 8 | Companies have a zero tolerance policy for all forms of gender discrimination including verbal, physical and sexual harassment. |
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- **Other guidelines for companies**

The Gender Equality Global Report and Ranking is a private initiative developed by Equileap that aims to accelerate gender equality in the workplace. The ranking is part of a comprehensive tool-kit designed to make the gender performance of public companies transparent and comparable, and to enable corporations to understand how they can improve performance. Equileap scores companies in four categories:

- A: Gender Balance in Leadership and Workforce
- B: Equal Compensation and Work/Life Balance
- C: Policies Promoting Gender Equality
- D: Commitment to Women's Empowerment

Within category A, Equileap measures the percentage of male and female in the Board of Directors, executive positions and senior management.¹⁶⁴

This leads to assessment element

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|----|--|
| 4 | The financial institution guarantees at least 30% participation and equal access of women at senior level positions. ^{xiii} |
| 5 | The financial institution guarantees at least 40% participation and equal access of women senior level positions. |
| 11 | Companies guarantee at least 30% participation and equal access of women at senior level positions. |
| 12 | Companies guarantee at least 40% participation and equal access of women at senior level positions. |
-

- **Procurement and supply chains**

Companies are often part of long production chains. They can monitor one another and question how they respect local and national legislation and international norms on labour rights. The requirements that companies set for their suppliers can be included in contractual agreements. The importance of this has also been recognised in the [OECD Guidelines for Multinational Enterprises](#) since its revision in 2011.

Furthermore, [ISO 26000:2010 Guidance on social responsibility](#) recognises the importance of supply chain responsibility, because "the impacts of an organization's decisions or activities can be greatly affected by its relationships with other organizations." ISO 26000:2010 recognizes that a companies' sphere of influence includes relationships within and beyond an organization's supply chain.¹⁶⁵

xiii 'Senior level positions' in this methodology implies board of directors, executive positions and senior management. In absolute numbers this percentage means that for a Board of Directors consisting of two or three members, at least one is female, and for a BoD consisting of five members, at least two are female.

In addition, ISO 20400:2017 Sustainable procurement – Guidance provides guidelines for organizations, independent of their activity or size, on integrating sustainability within procurement, as described in ISO 26000:2010 Guidance on social responsibility. It is intended for stakeholders involved in, or impacted by, procurement decisions and processes.

This leads to assessment element

14	Companies include gender and women's rights criteria in their procurement and operational policies.
15	Companies include clauses on the compliance with gender and women's rights criteria in their contracts with subcontractors and suppliers.

2.4.3 Assessment elements

The following elements are crucial for a policy regarding the financial institution's internal operations:

1. The financial institution has a zero tolerance policy commitment for all forms of gender discrimination with respect to employment and occupation, including verbal, physical and sexual harassment.
2. The financial institution has systems in place to actively manage pay equity.
3. The financial institution has systems in place to prevent and mitigate gender discrimination of its customers.
4. The financial institution guarantees at least 30% participation and equal access of women at senior level positions.^{xiv}
5. The financial institution guarantees at least 40% participation and equal access of women senior level positions.
6. The financial institution provides targeted professional development for employees to promote equal access for women to senior level positions.

The following elements are crucial for a policy regarding companies a financial institution invests in or finances:

7. Companies have a policy commitment to differentiate the human rights risks faced by women and men.
8. Companies have a zero tolerance policy for all forms of gender discrimination including verbal, physical and sexual harassment.
9. Companies have systems in place to actively manage pay equity.
10. Companies have systems in place to prevent and mitigate gender discrimination of its customers.
11. Companies guarantee at least 30% participation and equal access of women at senior level positions.
12. Companies guarantee at least 40% participation and equal access of women at senior level positions.
13. Companies provide targeted professional development, and where necessary also education and training, for employees to promote equal access for women to senior level positions.

xiv 'Senior level positions' in this methodology implies board of directors, executive positions and senior management. In absolute numbers this percentage means that for a Board of Directors consisting of two or three members, at least one is female, and for a BoD consisting of five members, at least two are female.

14. Companies include gender and women's rights criteria in their procurement and operational policies.
15. Companies include clauses on the compliance with gender and women's rights criteria in their contracts with subcontractors and suppliers.

2.5 Health

2.5.1 What is at stake?

Good health is of great value, for individuals as well as for the economy. Globally, health care costs are rapidly increasing and for a lot of developing countries these costs are hard to bear. Furthermore, illness or handicap decrease labour productivity and also limits the abilities of individuals to contribute to the society in which they live. For this reason it is of great social and economic importance that companies put health on the agenda.

The right to health is an acknowledged human right, which was first formulated in 1946 at the foundation of the World Health Organisation (WHO) as "the enjoyment of the highest attainable standard of health".¹⁶⁶ The right to health is also recognized in the International Covenant on Economic, Social and Cultural Rights (ICESCR) as "the right to enjoy the highest possible standard of physical and mental health".¹⁶⁷ The right to health is also mentioned in Article 25 of the Universal Declaration of Human Rights.

In 2002 the first United Nations Special Representative of the Secretary-General on the Right to Health, Paul Hunt, was appointed. As required by his mandate, Hunt further developed the content of the Right to Health. According to Hunt, the right to health is broader than access to health care and includes safe drinking water, proper sanitary provisions, safe food, housing, healthy working conditions, education and information on health, and gender equality. In addition, the health care provisions have to be accessible to everyone both physically as well as economically, without any distinction made. This interpretation has been accepted by both the Office of the High Commissioner of Human Rights and the Committee on Economic, Social and Cultural Rights.¹⁶⁸

When it comes to responsibilities, the WHO points out that not only governments must take responsibility regarding the right to health, but that companies should do so as well. However, there is not yet (scientific and political) agreement as to the extent and the exact interpretation of this responsibility.¹⁶⁹ According to ISO 26000:2010 Guidance on social responsibility, companies should first prevent affecting the health of their employees, clients, and nearby residents with their products and production processes.¹⁷⁰

Furthermore, companies should ensure that their employees and employees of their suppliers are not exposed to hazardous substances, that they do not incur diseases during their work, and that they do not have to work in dangerous circumstances. According to the United Nations International Labour Organisation (ILO), 2.8 million people die every year as a result of occupational accidents or work-related diseases. The number of non-fatal accidents at work, many of these resulting in extended absences from work, is estimated by the ILO at 374 million each year globally.¹⁷¹

Unsafe or inadequate water, sanitation, and hygiene are linked to transmission of diseases such as cholera, diarrhoea, dysentery. Drinking water contaminated with diarrhoea cause approximately 842.000 million deaths annually. Almost 1 billion people lack access to safe drinking water. Sharp geographic, sociacultural and economic inequalities persist. Women, children, and the economically disadvantaged are the most severely affected by water quality impacts. Sectors such as agriculture, fishing, and animal husbandry all rely on the presence of sufficient and clean water, while climate change, population growth, demographic changes and urbanization pose challenges for water supply systems. Moreover, by 2025, half of the world's population will be living in water-stressed areas. Management of all water resources will need to be improved to ensure provision and quality.¹⁷²

The WHO states that reduction of emissions of greenhouse gasses through better transport, food and energy-use choices can also result in improved health.¹⁷³ Emissions caused by transport are harmful to public health, the European Environment Agency stresses. Especially in cities, air quality levels are a fundamental issue for public health.¹⁷⁴ Air quality is also at risk from an increase of peat fires worldwide, leading to serious air pollution. Haze caused by peat fires can cause serious long-term health problems. The WHO estimates that each year around 110,000 deaths associated with particulate matter exposure in Southeast Asia can be attributed to peat fires.¹⁷⁵

Globally, tens of thousands of chemical compounds are used that are released into the environment during or after the production or use phase. A lot of chemicals can spread far over land and oceans and by plants, animals, and people, including through the skin or the mouth. This is risky because of only around 14% of the most used chemical compounds, information is available on their consequences for the environment, human health, and pregnancies.¹⁷⁶ The use of these chemicals precedes scientific insight into the environmental and health effects of the substances in question. Moreover, legislation is always lagging behind the latest scientific insights. This cannot be used as an excuse to delay measures that prevent harm to the environment and to people's health.¹⁷⁷

Even if everybody complies with the existing rules, it could occur that new, harmful toxic substances spread globally and pose a threat to the environment and to human health - as happened previously with PCBs. Therefore, all parties involved have to do more than comply with the existing rules: as a precaution, the use of any toxic substance of which the consequences are unknown should be terminated. This precautionary principle can be applied widely but certainly has to be applied to two groups of chemicals:¹⁷⁸

- *Endocrine Disrupting Chemicals (EDCs)*: these are chemicals such as BPA, phthalates and BFRs, that block, imitate, or otherwise disturb naturally produced hormones. Hormones are the chemical messengers of the body that control how organisms develop and function.
- *Persistent Organic Pollutants (POPs)*: these are chemicals that degrade slowly in nature or do not degrade at all. Once entered into a human being or animal they accumulate in the body.

As well as preventing harm to nature and health damage to employees, consumers and nearby residents, companies could also consider how to support access to essential health provisions, clean drinking water and adequate sanitation. Furthermore, it is important to pay attention to improving health. Appropriate recommendations include stimulating a healthy lifestyle, discouraging the consumption of unhealthy products and substances and contributing to accessible medication and vaccinations. Special attention should be paid to food for children.¹⁷⁹

One in every four of the world's inhabitants has insufficient access to essential, reliable and affordable health care.¹⁸⁰ According to the WHO, with better access to medication, ten million people that die of avoidable or treatable diseases such as HIV/Aids, malaria and tuberculosis could be saved annually.¹⁸¹ The fight against HIV/Aids, malaria and other diseases is one of the eight Sustainable Development Goals (SDGs). Pharmaceutical companies could play an important role, but presently some hardly invest money in developing vaccines or medication for a lot of common tropical diseases, because the people suffering from these diseases do not represent a group with purchasing power. Also, these companies sometimes stick to their patents as long as possible, which makes it impossible to bring existing medication to the market at an affordable price.¹⁸²

Bacteria in humans, food and animals continue to show resistance to the most widely used antimicrobials for treatment of amongst others tuberculosis, malaria, HIV, and influenza. Antimicrobial resistant-microbes are found in people, animals, food, and the environment (in water, soil and air) and they can spread between people and animals.¹⁸³ In Europe, 7% of all antibiotics used in 2016 were taken without prescription, with two main sources being over-the-counter (OTC) sales and use of leftover antibiotics. Lack of knowledge among patients and pressure on healthcare professionals to provide antibiotics without prescription were highlighted as two key factors contributing to this issue.¹⁸⁴

Reports also confirm the link between antibiotic consumption and antibiotic resistance in both humans and food-producing animals. Reducing the unnecessary use of antibiotics will have an impact on the occurrence of resistance.¹⁸⁵ The WHO considers antimicrobial resistance as a complex problem that endangers achievement of the SDGs and requires coordinated action. Therefore it works closely together with member states, the FAO and OIE.

SDG 3 Good Health and Well-being lays the importance of health in the overall sustainable development of the world. It includes targets to reduce the global maternal mortality ratio, end preventable deaths of new-born and children under 5 years of age, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases, achieve universal health coverage, and many more.¹⁸⁶ Further, SDG 6 Clean Water and Sanitation aims to improve health conditions by targeting to achieve access to adequate and equitable sanitation and hygiene for all. It also targets to improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally, for healthy planet and people.¹⁸⁷

Financial institutions should take all these aspects into account when developing policies on health. To do this, financial institutions can make use of the international standards described below.

2.5.2 International standards and initiatives

The main international standards on health are summarised per topic, followed by the assessment elements that are formulated by FFGI as a result:

- **An adequate standard of living**

According to Article 25 of the Universal Declaration of Human Rights, "everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control".

These rights have also been protected by [The International Covenant on Economic, Social and Cultural Rights \(ICESCR\)](#). Article 12 of this Covenant guarantees the right to an adequate standard of living including adequate food, clothing, housing and continuous improvement of living conditions. This Article has also been interpreted as including access to sufficient water and sanitation.

An important indication of the standard of living for countries is life expectancy. To compare countries, the United Nations developed the [Human Development Index \(HDI\)](#), a combination of per capita income, life expectancy and illiteracy percentage.

Another important indication of the standard of living for countries is if and how the human right to water and sanitation is respected. The Institute for Human Rights and Business has published a report to help business integrate human rights consideration in relation to water into business policies and practices.¹⁸⁸ In 2015 the UN Global Compact launched the [CEO Water Mandate initiative](#) on water and sanitation, which is intended to help companies translate their responsibility to respect these rights into their existing water management policies and practices.

This leads to assessment element

1	Companies prevent the deterioration of the health of employees, clients and nearby residents by products or production processes (according to the precautionary principle).
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• Health and safety at work

Employers are responsible for the health and safety of their employees and this is included in various international standards:

- The [Occupational Health and safety Convention \(No. 155\)](#) adopted in June 1981 by the United Nations International Labour organisation (the ILO) is the main international standard on health and safety at work. The treaty clarifies what responsibilities companies have in this respect and what rights employees have. During the course of time, this convention has been completed and solidified with ILO-conventions that concern specific dangers for the health and safety of employees, such as the [Asbestos Convention](#) and the [Chemicals Convention](#), as well as on specific industries such as the [Safety and health in Agriculture Convention](#), the [Safety and health in Mines Convention](#) and the [Health and safety in Construction Convention](#). Moreover, the ILO publishes the so-called *Codes or Practice* for 35 various industries and issues with concrete measures to improve health and safety.¹⁸⁹
- However, maintaining minimum standards on health and safety proves not to be sufficient, according to the ILO a continuous and systematic pursuit to improve the health and safety of employees is necessary. With that objective in mind, in 2006 the [Promotional Framework for Occupational Health and safety Convention](#) was adopted. In this convention, countries and companies are encouraged to do more to systematically improve the health and safety of employees and develop a preventive culture in the field of health and safety.¹⁹⁰
- The United Nations Food and Agriculture Organisation (FAO) publishes the [International Code of Conduct on the Distribution and Use of Pesticides](#), which sets the standard on the application, processing, and disposal of pesticides.
- The international standard [OHSAS 18001](#) provides guidelines, for a management system, regarding Occupational Health and Safety. This can be applied to all kinds of organisations. Its purpose is guaranteeing the health and safety of both employees and external stakeholders, such as contractors staff and visitors.

This leads to assessment element

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|---|--|
| 1 | Companies prevent the deterioration of the health of employees, clients and nearby residents by products or production processes (according to the precautionary principle). |
| 2 | Companies respect labour rights concerning health and safety at work, as described in the ILO conventions and the MNE Declaration. |
| 3 | Companies work on systematically improving the health and safety of employees and develop a preventive culture in the field of health and safety. |
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- **Ban on production and use of certain toxic substances**

There are various international agreements that prohibit or phase out the production and use of various hazardous or toxic substances. The main examples are:

- The [Montreal Protocol on Ozone Depleting Substances](#) was drafted in September 1987 and has been repeatedly tightened since. The protocol prohibits the production and the use of products that affect the ozone layer, such as chlorofluorocarbons (CFKs and HCFKs), halons and methyl bromide.
- The [Stockholm Convention on Persistent Organic Pollutants](#) was drafted in May 2001. This convention focuses on banning *Persistent Organic Pollutants* (POPs - persistent organic pollutants). POPs are chemicals that remain in the environment for a long period of time and which spread over large areas, accumulate in the fat of living organisms and are highly toxic for human beings and animals. POPs that have been prohibited globally, include DDT, dieldrin, dioxins and PCBs. A lot of these substances have been used in pesticides. The list is updated regularly and the latest change dates back from 2013.¹⁹¹

This leads to assessment element

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|---|---|
| 4 | Companies respect international agreements on the production and the use of hazardous or toxic substances as described in the Montreal Protocol (on substances that deplete the ozone layer). |
| 5 | Companies respect international agreements on the production and the use of hazardous or toxic substances as described in the Stockholm Convention (on POPs). |
-

- **International trade in chemicals and chemical waste**

Dumping chemical waste and chemicals prohibited in their own country and in less developed countries is constrained by two international conventions:

- In the 1989 [Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal](#), clear agreements have been made on the international trade in, and safe processing of, hazardous (chemical) waste. The [178 signatory countries](#) oblige themselves to restrict the international trade in hazardous waste as much as possible, to process hazardous waste as close as possible to the place where it is created and to limit hazardous waste as much as possible.
- The [Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade](#) was established in 1998. The convention determines that pesticides and other hazardous chemicals be prohibited in their own country and may not be exported to other (developing) countries.

This leads to assessment element

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| 6 | Companies respect international agreements on trade in chemicals and chemical waste as stated in the Basel convention. |
| 7 | Companies respect international agreements on trade in chemicals and chemical waste as stated in the Rotterdam convention. |
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- **Control of the environment and health consequences of chemicals**

The international community increasingly acknowledges the need to estimate the possible long-term consequences of chemicals to human health and the environment in advance. The *precautionary principle* entails that companies need to be responsible and proactive in avoiding certain risks. In relation to chemicals, when the risks involved with the use of a substance cannot be satisfactorily quantified and removed, even if a cause and effect relationship has not been fully proven scientifically, then this substance should not be used. The burden of proof for the safety of a chemical should lie with the company and not with the public. This is also the case when a substance is not restricted or regulated by the government. Furthermore, the principle also entails considering alternatives and considering the full impacts of a substance over time.¹⁹²

Various agreements focus on a better analysis of the possible consequences and on a more cautious approach to introducing, producing, and using chemicals of which the effects are uncertain.

- In 1980, the International Programme on Chemical Safety (IPCS) was established by the three United Nations organisations WHO, ILO, and UNEP. The IPCS disseminates scientific knowledge on the environment and health consequences of chemicals and helps governments to enhance their capacity in this field. The IPCS publishes an authoritative classification of pesticides based on the health risks they pose, the WHO Recommended Classification of Pesticides by Hazard.
- During the World Summit for Sustainable Development in Johannesburg in August 2002, it was decided that the Globally Harmonized System of Classification and Labelling of Chemicals (GHS) be introduced, which was revised in 2007. With the GHS system that is now implemented and led by the United Nations Economic Commission for Europe, chemical substances all over the world are classified in the same way. In this way, rapid exchange of information on environmental and health effects is improved.
- In February 2006, the Strategic Approach to International Chemicals Management (SAICM) was adopted by the International Conference on Chemicals Management (ICCM). SAICM, which operates under the flag of the *United Nations Environment Programme* (UNEP), provides governments with a policy framework that can result in chemicals, including chemical waste and by-products, being dealt with in a safe and sustainable way.
- In June 2007, the European regulation for the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) came into force. This regulation was adopted in order to better protect people's health and the environment from the risks of chemical substances. Simultaneously, it should enhance the competitive position of the chemical industry in the EU. It should also ensure a decrease in animal testing. The European Chemicals Agency (ECHA) is in charge of implementing REACH.¹⁹³

Companies must identify and control the risks they run concerning the substances they produce or introduce on the market within the EU. They must show how the substance can be used safely and they must announce to their users how the risks are restricted. If the risks cannot be prevented the authorities may limit the use of these substances, in line with the precautionary principle. Member States or ECHA can also propose a substance to be identified as a [substance of very high concern \(SVHC\)](#). In the long term the most dangerous substances must be replaced. Under REACH all companies in a supply chain of chemical substances (producers, importers, users, buyers) are responsible. REACH relies on the precautionary principle and is an example of how this can be operationalised.¹⁹⁴

- The European Union has various reference documents for emissions of harmful substances to water and air for several industries, for example regarding the [Ceramic Manufacturing Industry](#) or for the [Manufacture of Organic Fine Chemicals](#). These dictate the use of the [Best Available Technology \(BAT\)](#). European companies are also expected to comply with the European standards outside the EU and other companies may be expected to follow the example of these European standards.
- The [OECD Guidelines for Multinational Enterprises](#) recommend companies to educate and train their employees in issues concerning the environment and health and safety, including the handling of toxic substances. In addition, companies should ensure that their products and services meet all health and safety standards for consumers. Companies also have to inform consumers on this.

This leads to assessment element

8	Companies reduce the emission of harmful substances (to soil, water, and air) by making use of the best available technologies (BAT).
9	Companies restrict the use of chemicals suspected to be harmful to health in scientific literature and, if necessary, only in a responsible way (precautionary principle).

- **Access to medicine**

The standard on access to medicine is set by the [Access to Medicine Index](#). The index shows that the 20 largest pharmaceutical companies significantly vary in their efforts to give patients in developing countries more access to affordable medication and vaccines. The last edition of the index was published in 2016 and found moderate progress since the 2014 edition. All companies improved in at least one measure and two companies have made significant leaps in their performance.¹⁹⁵

The Access to Medicine Index is supported by 60 leading global investment institutions that combined manage over USD 5.31 trillion. The investors call it a tool which “may be useful to assess the long-term value of pharmaceutical companies.”¹⁹⁶

This leads to assessment element

10	Pharmaceutical companies ensure that patients with avoidable and treatable diseases have the right to access to medication.
11	Patients with avoidable and treatable diseases have the right to access to medication.

- **Antimicrobial resistance**

According to the World Health Organisation (WHO), antimicrobial resistance is one of the biggest threats to global health, food security, and development today. As antibiotics become less effective, a growing list of infections are becoming difficult and sometimes impossible to treat. The WHO [Global action plan on antimicrobial resistance](#), endorsed at the World Health Assembly and adopted by the assemblies of the FAO and OIE in 2015, has five strategic objectives:¹⁹⁷

1. "to improve awareness and understanding of antimicrobial resistance through effective communication, education and training;
2. to strengthen the knowledge and evidence base through surveillance and research;
3. to reduce the incidence of infection through effective sanitation, hygiene and infection prevention measures;
4. to optimize the use of antimicrobial medicines in human and animal health;
5. to develop the economic case for sustainable investment that takes account of the needs of all countries and to increase investment in new medicines, diagnostic tools, vaccines and other interventions."

The plan involves various industrial sectors (agriculture and food, pharmaceutical industry, finance, healthcare), but also regulatory bodies and consumers. Regarding antimicrobial medicines for humans, it is important to promote prudent use of antibiotics, in line with the recommendations from the European Commission report [Antimicrobial Resistance and causes of non-prudent use of antibiotics in human medicine in the EU](#).

This leads to assessment element

12	Companies apply a prudent use of antimicrobial medicines (antibiotics) in human beings in order to minimize antimicrobial resistance.
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- **Bottle feeding**

According to figures of the [World Health Organisation](#) (WHO) 1.5 million children die annually and even more get sick because they are not breastfed. Breastfeeding is demonstrably better for the health of infants than bottle-feeding. However, the number of women who are breastfeeding is declining worldwide. An important cause is the advertisement of bottle feeding that makes many parents unnecessarily switch to bottle feeding. Therefore, since 1981 the WHO's [International Code of Marketing of Breast-milk Substitutes](#) has prohibited advertising breast-milk substitutes. Virtually all countries in the world have signed this code, but not all countries have included the code and the later signed resolutions in their own legislation.

The [International Baby Food Action Network](#) (IBFAN) is therefore committed to realise that manufacturers always and everywhere comply with the WHO-code and the additional resolutions.

The [Access to Nutrition Index](#) provides a ranking of companies that produce breast-milk substitutes (BMS), in which the compliance of manufacturers of BMS manufacturers with the WHO Code and subsequent World Health Assembly resolutions is assessed.¹⁹⁸

This leads to assessment element

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| 13 | Manufacturers of bottle-feeding comply with the WHO-code and additional resolutions on advertisement for breast-milk substitutes. |
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- **Passive smoking**

The [Framework Convention on Tobacco Control](#) of the [World Health Organisation \(WHO\)](#) is ratified by 168 states. Governments, but also companies, can make use of the measures and recommendations to reduce the demand and supply of tobacco and passive smoking.

A number of governments however, has not yet developed relevant legislation regarding this topic. In 2017, the [UN Global Compact](#) excluded the tobacco industry from its initiative, citing the incompatible nature of the industry with sustainability: "Tobacco products are fundamentally misaligned with UNGC's commitment to advancing business action towards 2030 Agenda's Sustainable Development Goal 3 (SDG 3) to "[e]nsure healthy lives and promote well-being for all at all ages", and is in direct conflict with the right to public health. The latest WHO report on the global tobacco epidemic published on 19 July 2017 stated that the tobacco industry continues to hamper government efforts to fully implement life- and cost-saving interventions, and as such interferes with health regulations."¹⁹⁹

While Fair Finance Guide International expects companies to comply with the WHO Framework Convention on Tobacco Control, it also scores policies that divest from the tobacco industry.

This leads to assessment element

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|----|--|
| 14 | Tobacco manufacturers comply with the WHO Framework Convention on Tobacco Control and additional resolutions on the protection of current and future generations against the health, social, environmental and economic consequences of (passive) smoking. |
|----|--|
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- **Procurement and supply chains**

Companies are often part of long production chains. They can monitor one another and question how they respect local and national legislation and international norms on labour rights. The requirements that companies set for their suppliers can be included in contractual agreements. The importance of this has also been recognised in the [OECD Guidelines for Multinational Enterprises](#) since its revision in 2011.

Furthermore, [ISO 26000:2010 Guidance on social responsibility](#) recognises the importance of supply chain responsibility, because "the impacts of an organization's decisions or activities can be greatly affected by its relationships with other organizations." ISO 26000:2010 recognizes that a companies' sphere of influence includes relationships within and beyond an organization's supply chain.²⁰⁰

In addition, [ISO 20400:2017 Sustainable procurement – Guidance](#) provides guidelines for organizations, independent of their activity or size, on integrating sustainability within procurement, as described in ISO 26000:2010 Guidance on social responsibility. It is intended for stakeholders involved in, or impacted by, procurement decisions and processes.

This leads to assessment element

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|----|---|
| 15 | Companies integrate health criteria in their procurement and operational policies. |
| 16 | Companies include clauses on the compliance with criteria on health in their contracts with subcontractors and suppliers. |
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2.5.3 Assessment elements

A solid policy on health should ensure that financial institutions only finance or invest in companies that take their responsibility towards health seriously and act based on the precautionary principle. The following elements are crucial for a policy regarding the companies a financial institution invests in or finances:

1. Companies prevent the deterioration of the health of employees, clients and nearby residents by products or production processes (according to the precautionary principle).
2. Companies respect labour rights concerning health and safety at work, as described in the ILO conventions and the MNE Declaration.
3. Companies work on systematically improving the health and safety of employees and develop a preventive culture in the field of health and safety.
4. Companies respect international agreements on the production and the use of hazardous or toxic substances as described in the Montreal Protocol (on substances that deplete the ozone layer)
5. Companies respect international agreements on the production and the use of hazardous or toxic substances as described in the Stockholm Convention (on POPs).
6. Companies respect international agreements on trade in chemicals and chemical waste as stated in the Basel convention.
7. Companies respect international agreements on trade in chemicals and chemical waste as stated in the Rotterdam convention.
8. Companies reduce the emission of harmful substances (to soil, water, and air) by making use of the best available technologies (BAT).
9. Companies restrict the use of chemicals suspected to be harmful to health in scientific literature and, if necessary, only in a responsible way (precautionary principle).
10. Pharmaceutical companies ensure that patients with avoidable and treatable diseases have the right to access to medication.
11. Patients with avoidable and treatable diseases have the right to access to medication.
12. Companies apply a prudent use of antimicrobial medicines (antibiotics) in human beings in order to minimize antimicrobial resistance.
13. Manufacturers of bottle-feeding comply with the WHO-code and additional resolutions on advertisement for breast-milk substitutes.
14. Tobacco manufacturers comply with the WHO Framework Convention on Tobacco Control and additional resolutions on the protection of current and future generations against the health, social, environmental and economic consequences of (passive) smoking.
15. Companies integrate health criteria in their procurement and operational policies.
16. Companies include clauses on the compliance with criteria on health in their contracts with subcontractors and suppliers.

2.6 Human rights

2.6.1 What is at stake?

Human rights are rights and freedoms inherent to all human beings, whatever their nationality, place of residence, sex, national or ethnic origin, colour, religion, language, or any other status.²⁰¹ The rights and freedoms that are generally considered as human rights comprise of civil and political rights – such as the right to life, freedom of expression and equality before the law – and economic, social and cultural rights – such as the right to an adequate standard of living, the right to food, work and education. Human rights also include collective rights, such as the rights to development and self-determination.

On 10 December 1948, the United Nations General Assembly adopted the Universal Declaration of Human Rights (UDHR) that for the first time in human history spelled out 30 basic civil, political, economic, social and cultural rights that all human beings should enjoy. It has over time been widely accepted as the fundamental principles of human rights that everyone should adhere to. Through a series of international human rights treaties and other instruments these inherent human rights have developed into a body of legal international human rights. While international treaties and customary law form the backbone of international human rights law, other instruments, such as declarations, guidelines and principles adopted at the international level contribute to its understanding, implementation and development.

There are particular groups who, for various reasons, are vulnerable or have traditionally been victims of violations and consequently require special protection for the equal and effective enjoyment of their human rights, such as women and girls, children, disabled persons, migrant workers and indigenous peoples. Specific human rights instruments, such as the Convention on the Rights of the Child or the Convention on the Elimination of All Forms of Discrimination against Women, have been developed to set out additional guarantees for persons belonging to these groups.²⁰² Descent-based discrimination, including discrimination against members of communities based on forms of social stratification such as caste and analogous systems of inherited status, is a concern in a number of countries.²⁰³

Globalisation presents new and complex challenges for the protection of human rights. Economic players, especially multinational companies that operate across national borders, have gained unprecedented power and influence across the world. Companies have an enormous impact on people's lives and the communities in which they operate. Sometimes the impact is positive - jobs are created, new technology improves lives and investment in the community translates into real benefits for those who live there. But there are also countless instances when corporations impact negatively, such as when exploiting weak and poorly enforced domestic regulation.

In some industrial sectors, such as the extractive sector, the risks for human rights abuses are particularly high. Traditional livelihoods can be destroyed as land is contaminated and water supplies polluted. In this scenario, economic, social and cultural rights at stake are for example the right to food, work, housing, health and a healthy environment. Moreover, the impact can be particularly severe for certain specific groups, such as indigenous peoples because their way of life and their identity is often closely related to their land. Furthermore, far too often, companies operating across borders are involved in severe abuses, such as child labour, forced labour or forced evictions. In addition, affected communities are frequently denied access to information about the impact of company operations. This means that they are excluded from participating in decisions that affect their lives. And, often when communities attempt to get justice, they are thwarted by ineffective legal systems, corruption or powerful state-corporate alliances. Worryingly, when the poor cannot secure justice, companies learn that they can exploit poverty without consequences.²⁰⁴

Under international human rights law, states have an obligation to protect human rights, which requires taking measures by states to ensure that other actors, including companies, do not undermine or violate human rights. Importantly, the fact of government failure to protect human rights does not absolve the non-state actor from responsibility for their adverse human rights impacts. As also described in section 2.6.2 it is now widely accepted that companies have a responsibility to respect human rights.

The corporate responsibility to respect human rights was formulated in 2008 within the *Prospect, Respect and Remedy Framework* that the former UN Special Representative of the Secretary-General on the issue of human rights and transnational companies and other business enterprises, Prof. John Ruggie formulated. This Framework rests on three pillars.²⁰⁵

- the state duty to protect against human rights abuses by third parties, including business enterprises;
- the corporate responsibility to respect human rights; and
- the need for greater access by victims to effective remedy, both judicial and non-judicial.

At the request of the UN Human Rights Council (HRC), Ruggie operationalised his Framework, resulting in the United Nations Guiding Principles on Business and Human Rights (UNGPs) which were unanimously endorsed by the HRC in June 2011.²⁰⁶ The UNGPs are currently considered the main global standard addressing the risks of adverse impacts on human rights that are linked to business activities. It is well established that this corporate responsibility also applies to the entire range of financial institutions and actors, including commercial banks, retail banks, investment banks, rating agencies, financial service providers, and institutional investors.²⁰⁷

In 2014 the United Nations Human Rights Council adopted resolution 26/9 "to establish an open-ended intergovernmental working group on transnational corporations and other business enterprises with respect to human rights, whose mandate shall be to elaborate an international legally binding instrument to regulate, in international human rights law, the activities of transnational corporations and other business enterprises."²⁰⁸ The third session to discuss the elements for a draft legally binding instrument was held in 2017.²⁰⁹

The topic of human rights is quite central to the SDGs. It forms the basis of many goals such as SDG 1 No Poverty, SDG 2 Zero Hunger, SDG 3 Good Health and Well-being, SDG 4 Quality Education, SDG 5 Gender Equality, SDG 6 Clean Water and Sanitation, SDG 10 Reduce Inequalities, and SDG 16 Peace, Justice and Strong Institutions.²¹⁰ Additionally, SDG 8 Decent Work and Economic Growth also aims to: “eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.” It also includes a target on protecting labour rights and promoting safe and secure working environment for all workers, including migrant workers, in particular women migrants, and those in precarious employment.²¹¹

2.6.2 International standards and initiatives

The main international standards on human rights are summarised per topic, followed by the assessment elements that are formulated by FFGI as a result:

- **International Bill of Human Rights**

Because companies can have an impact on virtually the entire spectrum of internationally recognized human rights, their responsibility to respect applies to all such rights. In practice, some human rights may be at greater risk than others in particular industries or contexts, and therefore these should be the focus of heightened attention. However, situations may change, so all human rights should be the subject of periodic review.

An authoritative list of the core internationally recognized human rights is contained in the International Bill of Human Rights, consisting of the [Universal Declaration of Human Rights](#) and the main instruments through which it has been codified: the [International Covenant on Civil and Political Rights \(ICCPR\)](#) and the [International Covenant on Economic, Social and Cultural Rights \(ICESCR\)](#), coupled with the principles concerning fundamental rights in the eight ILO core conventions as set out in the Declaration on Fundamental Principles and Rights at Work (for the latter, see section 2.7).

On 10 December 1948, the UN General Assembly adopted the Universal Declaration of Human Rights (UDHR), including civil, political, economic, social and cultural rights and freedoms in a single international human rights instrument. Examples include the right to life, to freedom of movement, to peaceful assembly, to thought, conscience and religion. According to the UDHR, everyone is entitled to all these rights and freedoms 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.

The [International Covenant on Civil and Political Rights \(ICCPR\)](#) was adopted in 1966 and comprises 55 articles that focus on civil and political rights and freedoms, such as the freedom of religion and expression, the freedom from torture, right to privacy, the right to a fair trial, or the rights participate in political and public life.

The [International Covenant on Economic, Social and Cultural Rights \(ICESCR\)](#) was adopted in 1966 and comprises of 31 articles related to the workplace, social security, family life, participation in cultural life, or access to housing, food, water, health care and education. The content of the rights protected by the ESCR has been elaborated by the Committee on Economic, Social and Cultural Rights. According to this committee, State Parties to the Covenant have to make sure that water and food are available, accessible and of good quality.²¹² The right to health refers to the right to a healthy living environment as well as the right to physical and mental health.²¹³

This leads to assessment element

- | | |
|---|---|
| 1 | The financial institution respects all human rights as described in the United Nations Guiding Principles on Business and Human Rights. |
| 2 | Companies respect all human rights as described in the United Nations Guiding Principles on Business and Human Rights. |
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- **United Nations Guiding Principles on Business and Human Rights**

The United Nations Guiding Principles on Business and Human Rights (UNGPs) establishes that companies, including financial institutions, should respect human rights. The responsibility to respect human rights is a global standard of expected conduct for all companies wherever they operate. It exists independently of States' abilities and/or willingness to fulfil their own human rights obligations, and does not diminish those obligations. And it exists over and above compliance with national laws and regulations protecting human rights.

The responsibility to respect human rights requires that companies:²¹⁴

- Avoid causing or contributing to adverse human rights impacts through their own activities, and address such impacts when they occur; and
- Seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts.

According to Principle 15 of the UNGPs, in order to meet the responsibility to respect human rights, companies should have in place:

- A *policy commitment* to meet their responsibility to respect human rights;
- A *human rights due-diligence process* to identify, prevent, mitigate and account for how they address their impacts on human rights; and
- Processes to enable the *remediation* of any adverse human rights impacts.

UNGPs 16 to 24 provide operational guidance on how the required policies and processes should be put into practice.

Regarding the responsibility to conduct due-diligence to seek to prevent or mitigate an adverse impact, it is recognized that financial institutions may have hundreds to thousands of clients, and that it may not always be practical to conduct extensive due-diligence on each of them. The UNGPs and OECD Guidelines instead expect companies, including financial institutions, to identify general areas where the risk of adverse impacts is most significant and to prioritize due-diligence on their clients accordingly, through screening and monitoring clients when the risk is high, and/or when a risk is brought to the attention of the company (e.g. by an external stakeholder).

If a company identifies a risk that will *cause* an adverse impact, it is within its powers to cease or prevent that impact and should make sure to do so. If a company identifies a risk of *contributing* to an adverse impact, it has control over its contribution and should therefore cease or prevent its contribution and use its leverage with other entities also contributing to the adverse impact to persuade them to cease or prevent any further impacts and to mitigate any remaining impacts to the greatest extent possible. In both cases, the enterprise should provide or *contribute to a remedy*.

If a company identifies a risk or is made aware of adverse impacts being *directly linked* to its operations, products, and services through its business relationships, it should seek to use its leverage to influence the entity causing the adverse impact to prevent or mitigate that impact and future impacts. This can be done by the company itself or in co-operation with other entities, as appropriate.

In July 2017, the OHCHR published an interpretative advice note on the banking sector's responsibilities for managing the human rights impacts of its finance. The OHCHR stressed that banks can contribute to adverse human rights impacts through their finance. In such circumstances, the bank may be responsible for remediating the human rights impact together with its client. The OHCHR also stated that a bank may be directly linked to a human rights impact through its finance, without contributing to it, in which case it would not be responsible for remedying the impact, although it may take a role in doing so.²¹⁵

This leads to assessment element

1	The financial institution respects all human rights as described in the United Nations Guiding Principles on Business and Human Rights.
2	Companies respect all human rights as described in the United Nations Guiding Principles on Business and Human Rights.
3	Companies have a policy commitment to meet their responsibility to respect human rights.
4	Companies have a human rights due diligence process to identify, prevent, mitigate and account for how they address their impact on human rights.
5	Companies have processes to enable the remediation of any adverse human rights impact which they cause or to which they contribute.

• **Grievance mechanisms**

In the UNGPs, John Ruggie, mentions the lack of grievances procedures as a weak point of companies. In an earlier report Ruggie indicated that "In the absence of an effective grievance mechanism, the credibility of such initiatives and institutions may be questioned."²¹⁶

Guiding Principle 29 therefore expects companies to establish or participate in effective operational-level grievance mechanisms for individuals and communities who may be adversely impacted. Guiding Principle 31 details the criteria to ensure the effectiveness of grievance mechanisms. It also includes expectation that mechanisms must be:²¹⁷

- Legitimate;
- Accessible;
- Predictable;
- Equitable;
- Transparent;
- Rights-compatible;
- A source of continuous learning, and
- Based on engagement and dialogue.

This leads to assessment element

6	Companies establish or participate in effective operational-level grievance mechanisms for individuals and communities who may be adversely impacted.
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- **Land rights, conflicts and forced evictions**

Human rights, particularly economic, social and cultural (ESC) rights, play a central role in land-related issues. However, there is no explicit recognition of a 'human right to land' within international human rights instruments. Those who face threats to their land rely on other rights, such as the right to food, the right to water, the right to housing and the right to work. These rights are included in the above mentioned [International Covenant on Economic, Social and Cultural Rights \(ICESCR\)](#).²¹⁸

The right to adequate housing encompasses the right to live in security, peace and dignity. To realize this right, governments have an obligation to guarantee security of tenure, which essentially means a set of arrangements in the context of housing and land that will protect the occupants from forced evictions and other threats and harassment.²¹⁹

As noted by the UN Special Rapporteur on Adequate Housing Raquel Rolnik: "Involuntary resettlement amounts to a forced eviction when it occurs without the provision of, and access to, appropriate forms of legal or other protection."²²⁰ The effects of forced evictions can be very serious, especially for people who are already living in poverty. The former UN Commission on Human Rights (current Human Rights Council) has described forced evictions as a "gross violation of human rights, particularly the right to adequate housing."²²¹

The protection measures that should be applied to all evictions have been clearly articulated in the [Basic Principles and Guidelines on Development-based Evictions](#) (2007) developed by the former UN Special Rapporteur on Adequate Housing, Miloon Kothari. The principles reflect existing standards and jurisprudence on this issue and include detailed guidance on steps that should be taken prior to, during and following evictions in order to ensure compliance with relevant principles of international human rights law.

The former UN Special Rapporteur on the right to food, Olivier de Schutter, has developed a set of [core principles](#) and measures to address the human rights challenge of large-scale land acquisition and leases. These principles include the notion that any shifts in land use can only take place with the free, prior and informed consent of the local communities concerned. This is particularly important for indigenous communities, in view of the discrimination and marginalization they have been historically subjected to.²²²

The FAO developed the [Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security \(VGGT\)](#) in 2012, to improve the governance of tenure of land, fisheries and forests with the overarching goal of achieving food security for all and to support the progressive realization of the right to adequate food in the context of national food security.

Furthermore, in May 2011, the [Tirana Declaration](#) was adopted by over 150 representatives of civil society organisations, social movements, grassroots organizations, international agencies, and governments - including the members and strategic partners of the International Land Coalition (ILC) such as the World Bank, FAO, IIED and the IFAD. The Declaration defines land grabbing as: "acquisitions or concessions that are one or more of the following:

1. in violation of human rights, particularly the equal rights of women;
2. not based on free, prior and informed consent of the affected land-users;
3. not based on a thorough assessment, or are in disregard of social, economic and environmental impacts, including the way they are gendered;
4. not based on transparent contracts that specify clear and binding commitments about activities, employment and benefits sharing, and;

5. not based on effective democratic planning, independent oversight and meaningful participation.”

This leads to assessment element

7	Companies prevent conflicts over land rights and acquire natural resources only by engaging in meaningful consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous peoples.
8	Companies prevent conflict over land rights and acquire natural resources only with free, prior and informed consent (FPIC) of the land users involved.

- **Indigenous peoples’ rights**

Indigenous peoples often face a number of land related challenges. Some of the most commons include forced evictions due to development projects, discrimination, failure to respect and support indigenous modes of production such as pastoralism and subsistence hunting/gathering, dismissal of their customary systems of governing land and other natural resources, or disregard of their sacred sites and the spiritual relationship with their lands. Moreover, indigenous peoples’ traditional lands are often located in remote areas that have fragile ecosystems which makes them more vulnerable to natural disasters.²²³

The [UN Declaration on the Rights of Indigenous Peoples](#), adopted in 2007, sets out the individual and collective rights of indigenous peoples, including their right to self-determination and to maintain and strengthen their distinct political, legal, economic, social and cultural institutions. The Declaration also prohibits discrimination against indigenous peoples. Moreover, it recognizes the rights of indigenous peoples to their land, habitat and other resources that they traditionally own, cultivate or otherwise use. In addition, indigenous people are guaranteed in the Declaration the right not to be forcibly removed from their lands or territories, and that no relocation shall take place without their free, prior and informed consent (FPIC) and after agreement on just and fair compensation and, where possible, with the option of return.

On the other hand, article 8(j), the [Convention on Biological Diversity](#) (CBD), adopted in 1992, considers the fair and equal use and the advantages of biological diversity, and requires that traditional knowledge of indigenous and local communities can only be used with their permission. According to the related Nagoya Protocol this also applies to access to and utilization of genetic resources. Furthermore, the [Akwé: Kon Guidelines](#) require the conduct of cultural, environmental and social impact assessments regarding developments proposed to take place or which are likely to impact on sacred sites and on lands and waters traditionally occupied or used by indigenous and local communities.

International Labour Organisation (ILO) has also developed relevant international standards for indigenous peoples. [ILO Convention Nr.169](#) on the *Identification of indigenous and tribal peoples* protects countries and habitats of indigenous peoples. The convention describes measures to protect the rights of these peoples on the use of areas they had traditionally access to and that are important for their livelihood and traditional activities. It includes the right of indigenous peoples to Free, Prior and Informed Consent (FPIC) on decisions that can influence their habitats and natural resources.^{xv}

The [Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security \(VGGT\)](#) were adopted by the FAO in 2012 to serve as a reference and to provide guidance to improve the governance of tenure of land, fisheries and forests with the overarching goal of achieving food security for all and to support the progressive realization of the right to adequate food in the context of national food security. The VGGT refer to the need for states and other actors to recognize the “social, cultural, spiritual, economic, environmental and political value” of lands, fisheries and forests to indigenous peoples. The VGGT refer to the [UN Declaration on the Rights of Indigenous Peoples](#) and require participation, meaningful consultation and FPIC when indigenous lands or territories are affected.

At the regional level, it is relevant to highlight that the *Inter-American Development Bank* recognises in its [Operational Policy on Indigenous Peoples](#) that the life and the culture of peoples that live in voluntary isolation or have not yet been in contact with the outside world have to be protected against potential investments. The bank obliges itself not to invest in or finance any project that may have negative consequences for these peoples.²²⁴

This leads to assessment element

7	Companies prevent conflicts over land rights and acquire natural resources only by engaging in meaningful consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous peoples.
8	Companies prevent conflict over land rights and acquire natural resources only with free, prior and informed consent (FPIC) of the land users involved.

- **Women’s rights**

The main international treaty for women’s rights [Convention on the Elimination of All Forms of Discrimination against Women \(CEDAW\)](#) was adopted in 1979. The CEDAW describes the global consensus on the changes that should take place to realize women’s rights.. The Convention defines discrimination against women as “...any distinction, exclusion or restriction made on the basis of sex which has the effect or purpose of impairing or nullifying the recognition, enjoyment or exercise by women, irrespective of their marital status, on a basis of equality of men and women, of human rights and fundamental freedoms in the political, economic, social, cultural, civil or any other field.”

xv In its Working Paper on FPIC the United Nations Workgroup Indigenous Peoples of the Sub-Commission on the Promotion and Protection of Human Rights describes the right of indigenous peoples to Free, Prior Informed Consent (FPIC) on decisions that can influence their habitats and natural resources. The FPIC-principle requires the full and timely publication of information on the potential consequences of proposed investment plans. Communities have the right to respond to this in a negotiation process. This gives them more influence in decision-making processes, offers them the opportunity to negotiate any direct advantages and to speak out in favour of or against the plans.

Equal participation of indigenous women during consultation procedures (based on the FPIC-principle) has to be guaranteed. The [Beijing Declaration of Indigenous Women](#) requires “equal political participation in the Indigenous and modern structures of socio-political structures and systems at all levels”.

The [UN Declaration on the Rights of Indigenous Peoples](#) calls on States to pay particular attention to the rights and special needs of indigenous women when measures are taken to ensure continuing improvement of economic and social conditions. It also calls for full protection and guarantees against all forms of violence and discrimination against women.

See for more information the theme Gender equality in section 2.4.

This leads to assessment element

9	Companies have special attention for respecting the rights of women, especially to prevent discrimination and to improve equal treatment of men and women.
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- **Children’s rights**

The [Convention on the Rights of the Child](#), adopted in 1989, contains the fundamental rights of children that State Parties need to respect, protect and fulfil, including the rights to survival, to be able to fully develop, to be protected from harmful influences, abuse and exploitation and to fully participate in the family and in social and cultural life.

In 2012, UNICEF, UN Global Compact and Save the Children released the [Children’s Rights and Business Principles](#), which is the first comprehensive set of principles to guide companies on the full range of actions they can take in the workplace, marketplace and community to respect and support children’s rights.

Moreover, the [UN Declaration on the Rights of Indigenous Peoples](#) calls on States to pay particular attention to the rights and special needs of indigenous children when measures are taken to ensure continuing improvement of economic and social conditions. It also calls for full protection and guarantees against all forms of violence and discrimination against children.²²⁵

This leads to assessment element

10	Companies have special attention for respecting the rights of children.
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- **Activities in occupied territories**

[International humanitarian law \(IHL\)](#) applies in situations of armed conflict. It seeks to limit the effects of armed conflict by protecting persons who are not participating in hostilities, for example civilians, and by restricting and regulating the means and methods of warfare by combatants. IHL is inspired by considerations of humanity and aims to mitigate human suffering. IHL also includes provisions for situations of occupation and sets out obligations for the party occupying an areas to ensure the rights of the population in that area.

IHL regulating occupation is described in the [Fourth Geneva Convention](#) from 1949, most of which has become customary international law. Among others, this convention prohibits transfer of the occupying country’s population into the territory, forcible transfer and confiscation of private land and property of the protected population, and changing the laws of the occupied territory. It also sets out that some of these violations (e.g. forcible transfer) amount to war crimes.

Settlements in occupied territory are consequences of, maintain and constitute various violations of IHL and customary international law. Beyond that, settlements and the infrastructure that enables settlements also violate human rights of the protected population, triggering human rights responsibilities of enterprises.²²⁶

The UNGPs prescribes that enterprises should respect human rights and IHL. Therefore, companies that endorsed the UNGPs are expected to have knowledge of both human rights and IHL, to ensure that the conduct of the businesses they support is in line with it. Companies need to make sure they do not enable settlements, including their economic activities, in occupied territories.

This leads to assessment element

11	Companies do not enable settlements, including their economic activities, in occupied territories in respect of International Humanitarian Law.
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- **Other guidelines for companies**

The OECD Guidelines for Multinational Enterprises are recommendations by governments to multinational corporations. They contain voluntary guidelines and standards for responsible enterprise behaviour in line with relevant legislation. According to the guidelines, companies have to respect the human rights of people affected by their activities. In the update of 2011, the recommendations were entirely aligned with the Ruggie Framework and its UNGPs.

This leads to assessment element

1	The financial institution respects all human rights as described in the United Nations Guiding Principles on Business and Human Rights.
2	Companies respect all human rights as described in the United Nations Guiding Principles on Business and Human Rights.
12	Companies integrate human rights criteria into their procurement and operational policies.

The ISO 26000:2010 Guidance on social responsibility recognise the importance of human rights. In this guideline for social responsibility of organisations, 'respect for human right is one of the seven principles. In the core issue, the main underlying topics – risk situations, due diligence, avoiding complicity, solving grievances, discrimination and vulnerable groups, civil and political rights, economic, social and cultural rights and fundamental principles and labour rights – are elaborated further into actions and expectations.²²⁷

ISO 26000:2010 also recognize the importance of integrating human rights criteria in procurement. The guidelines state that companies are often part of long production chains, and ask companies to monitor one another as well as question how they respect local and national legislation and international norms on labour rights. The requirements that companies set for their suppliers can be included in contractual agreements.

In addition, ISO 20400:2017 Sustainable procurement – Guidance provides guidelines for organizations, independent of their activity or size, on integrating sustainability within procurement, as described in ISO 26000:2010 Guidance on social responsibility. It is intended for stakeholders involved in, or impacted by, procurement decisions and processes.

This leads to assessment element

- | | |
|----|---|
| 1 | The financial institution respects all human rights as described in the United Nations Guiding Principles on Business and Human Rights. |
| 2 | Companies respect all human rights as described in the United Nations Guiding Principles on Business and Human Rights. |
| 12 | Companies integrate human rights criteria into their procurement and operational policies. |
| 13 | Companies include clauses on compliance with human rights criteria in their contracts with subcontractors and suppliers. |
-

The [UN Global Compact](#) also contains relevant principles, which are the following:

- Businesses should support and respect the protection of internationally proclaimed human rights.
 - Businesses should make sure that they are not complicit in human rights abuses.
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This leads to assessment element

- | | |
|---|---|
| 1 | The financial institution respects all human rights as described in the United Nations Guiding Principles on Business and Human Rights. |
| 2 | Companies respect all human rights as described in the United Nations Guiding Principles on Business and Human Rights. |
| 4 | Companies have a human rights due diligence process to identify, prevent, mitigate and account for how they address their impact on human rights. |
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2.6.3 Assessment elements

Although financial institutions are usually not directly involved in violations of human rights, they can be held jointly responsible if the companies or governments in which they invest violate human rights. After all, the responsibility to respect human rights requires companies not only not to cause, or contribute to, a negative impact on human rights with their own activities, but also to try to prevent or mitigate a negative impact on human rights made by their business relationships; when such is directly linked to their own operations, products or services, even if they did not contribute to this impact directly.²²⁸

The following elements are crucial for a policy regarding the financial institution's internal operations:

1. The financial institution respects all human rights as described in the United Nations Guiding Principles on Business and Human Rights.

The following elements are crucial for a policy regarding the companies a financial institution invests in or finances:

2. Companies respect all human rights as described in the United Nations Guiding Principles on Business and Human Rights.
3. Companies have a *policy commitment* to meet their responsibility to respect human rights.
4. Companies have a *human rights due diligence process* to identify, prevent, mitigate and account for how they address their impact on human rights.
5. Companies have processes to enable the *remediation* of any adverse human rights impact which they cause or to which they contribute.
6. Companies establish or participate in effective operational-level grievance mechanisms for individuals and communities who may be adversely impacted.

7. Companies prevent conflicts over land rights and acquire natural resources only by engaging in meaningful consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous peoples.
8. Companies prevent conflict over land rights and acquire natural resources only with free, prior and informed consent (FPIC) of the land users involved.
9. Companies have special attention for respecting the rights of women, especially to prevent discrimination and to improve equal treatment of men and women.
10. Companies have special attention for respecting the rights of children.
11. Companies do not enable settlements, including their economic activities, in occupied territories in respect of International Humanitarian Law.
12. Companies integrate human rights criteria into their procurement and operational policies.
13. Companies include clauses on compliance with human rights criteria in their contracts with subcontractors and suppliers.

2.7 Labour rights

2.7.1 What is at stake?

Protecting people in their working environment is a fundamental responsibility of companies and governments. According to [the International Labour Organisation \(ILO\)](#), employees have the right to:

- good working conditions: a safe and healthy workplace, no discrimination;
- good labour conditions: remuneration, working hours, provisions, etc.; and
- respect of their labour rights: no child- or forced labour, the freedom of association, the right to collective bargaining and other rights.

All companies have to be able to prove that their employees work in a safe environment, that they are not discriminated against or mistreated, that they can deal freely with colleagues, labour unions and representative organisations, and that they are remunerated in a fair way for their services. These basic rights apply to all employees, regardless of their race, gender or religion. Meeting these conditions helps when developing a strong work force that can contribute to the development of sustainable *human capital*. In addition, ensuring labour rights can contribute to the democratisation of societies, which leads to a more favourable investment climate for the corporate world.

Higher wages and more stringent maximum working hours, investments in professional training and respect for equality lead to better trained and more satisfied employees. In addition, safety requirements are essential to prevent accidents and to minimise the number of people that need health care. Protection of employment agreements can encourage employees to think innovatively and choose new paths. Furthermore, developing direct communication channels between employees and employers and setting up grievance and mediation procedures can contribute to productivity growth and to a greater stability of the labour market.²²⁹

Special attention for the position of women in the labour market is also important. If women earn an income, this contributes strongly to the health and productivity of families and even communities, as well as to improved prospects for their children and future generations.²³⁰ The [UN Convention on the Elimination of All Forms of Discrimination Against Women](#) endorses the right of women not to be discriminated against regarding education, labour relations, and economic and social activities. Working environments where men and women are treated equally are of great importance in helping to reduce poverty and improve standards of living. In addition, it is important that such factors are also considered for women during and around the period of pregnancy. [Sustainable Development Goal 5 \(SDG5\)](#) is aimed at ending discrimination against women and girls and eliminating all forms of violence against women and girls.

The financial and economic crises of recent years have also had an impact on the job market: there is less security and more precarious work for employees. In 2015, the rate of global unemployment reached 197.1 million – over 27 million higher than before the crisis. However, even among wage and salaried workers, job insecurity is a major problem, as less than half have a permanent contract. The ILO concludes that the world community is facing a challenge to strengthen labour market institutions and ensure the proper design of social protection systems. In particular, financial reform is required to ensure that financial institutions perform their role of channelling resources into the real economy and into investments for sustainable enterprise expansion and job creation.²³¹

This is also the aim of SDG 8 Decent Work and Economic Growth: “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”.²³² One of the targets aims to: “eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.” But it also includes a target on protecting labour rights and promoting safe and secure working environment for all workers, including migrant workers, in particular women migrants, and those in precarious employment.²³³ SDG 10 Reduced Inequalities is also related to labour rights and working conditions as it focuses on adopting and improving fiscal, wage and social protection policies for achieving greater equality.²³⁴

The policies of financial institutions have to ensure they only invest in or finance companies that respect labour rights and provide decent jobs, ensuring proper working conditions. When developing policies in this respect, financial institutions can make use of the international standards described below.

2.7.2 International standards and initiatives

The main international standards on labour rights are summarised per topic, followed by the assessment elements that are formulated by FFGI as a result:

- **ILO fundamental principles**

The body that internationally establishes labour standards is the United Nations [International Labour organisation \(ILO\)](#) in which governments, employers, and employees cooperate. Up to now, the ILO has adopted 189 agreements (conventions) and 201 recommendations that combined deal with a wide spectrum of labour issues.^{xvi}

xvi For a complete overview see the NORMLEX database, online:

www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:1:0::NO::, viewed in December 2017.

With the adoption of the [ILO Declaration on Fundamental Principles and Rights at Work](#) in 1998, the ILO identified eight of its conventions as “fundamental” or “core” conventions. These eight cover four topics that are considered as the fundamental principles and rights at work:

- The freedom of association and the effective recognition of the right to collective bargaining;²³⁵
- The elimination of all forms of forced and compulsory labour;²³⁶
- The effective abolition of child labour;²³⁷ and
- The elimination of discrimination in respect of employment and occupation.²³⁸

In some countries, some of these principles and rights are not yet guaranteed within financial institutions’ internal operations and supply chain policies. Therefore, it is necessary to have policies in place regarding the relevant ILO principles that apply to financial institutions themselves.²³⁹

This leads to assessment element

1	The financial institution respects the ILO Declaration on Fundamental Principles and Rights at Work.
2	The financial institution integrates at least the labour standards of the ILO Declaration on Fundamental Principles and Rights at Work in its procurement and operational policies.
3	Companies uphold the freedom of association and the effective recognition of the right to collective bargaining.
4	All forms of forced and compulsory labour are unacceptable.
5	Child labour is unacceptable.
6	Discrimination in respect of employment and occupation is unacceptable.

- **Working conditions**

Another leading ILO document is the [Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy \(MNE Declaration\)](#), adopted in 1977. The MNE Declaration focuses on the responsibility of companies and specifically on their dealings with labour issues. The revision of 2017 takes into account new labour standards adopted by the International Labour Conference, the UN Guiding Principles on Business and Human Rights and the 2030 Agenda for Sustainable Development, in particular on SDG 8 (Decent Work and Economic Growth).²⁴⁰ The MNE Declaration shows the responsibilities of both governments and companies regarding the following topics:

- General policies
- Employment promotion
- Social security
- Elimination of forced or compulsory labour
- Effective abolition of child labour: minimum age and worst forms
- Equality of opportunity and treatment
- Security of employment
- Training
- Wages, benefits and conditions of work
- Safety and health
- Freedom of association and the right to organize
- Collective bargaining
- Consultation

- Access to remedy and examination of grievances
- Settlement of industrial disputes

This leads to assessment element

6	Discrimination in respect of employment and occupation is unacceptable.
7	Companies pay a living wage to their employees.
8	Companies apply a maximum of working hours.
9	Companies have a solid health and safety policy.
11	Companies ensure equal treatment and working conditions for migrant workers.
12	Companies have a clear management system to monitor and, if needed, correct compliance with norms on labour law.

- **Living wage**

The ILO describes a living wage as “the level of wages sufficient to meet the basic living needs of an average-sized family in a particular economy.”²⁴¹ ILO documents referring to living wage include the ILO Constitution and its preamble, the 2017 [ILO Tripartite Declaration on Principles concerning Multinational Enterprises and Social Policy \(MNE Declaration\)](#) and the 2008 [ILO Declaration on Social Justice for a Fair Globalization](#).

The [United Nations Universal Declaration of Human Rights](#) (1948) states that “everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity”.²⁴² In addition, the 2011 [OECD Guidelines for Multinational Enterprises](#) recommend paying a wage that “should be at least adequate to satisfy the basic needs of the workers and their families”.²⁴³ Standards on workers’ rights and conditions such as those put forth by the organisations [Ethical Trading Initiative](#) and [Fair Wear Foundation](#), [Global Living Wage Coalition](#) also mention that a living wage should provide discretionary income in addition to cover the family’s basic needs and be earned within a standard working week.

The common ground of the above definitions is that a ‘living wage’ is regarded as a family income earned within a standard working week, should be sufficient to meet basic needs, usually conceived of as the ability to obtain adequate food, clean water, shelter, clothes, education, healthcare, transport and energy, and provide some discretionary income.²⁴⁴

Workers in many producing countries are not paid enough to support themselves and their families. While some of these countries do have a legal minimum wage, it is often much lower than a living wage.

This leads to assessment element

7	Companies pay a living wage to their employees.
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- **Children’s rights**

The United Nations [Convention on the Rights of the Child](#) supports the appeal for the effective abolition of child labour.

This leads to assessment element

5	Child labour is unacceptable.
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- **Women's rights**

The [UN Convention on the Elimination of All Forms of Discrimination Against Women](#) endorses the right of women not to be discriminated against regarding education, labour relations and economic and social activities.

See for more information on this topic the theme Gender equality (section 2.4) and the theme Human rights (section 2.5).

This leads to assessment element

6	Discrimination in respect of employment and occupation is unacceptable.
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- **Migrant workers**

The [United Nations Convention on the Protection of the Rights of All Migrant Workers and Their Families](#) adopted in 1990 emphasises the connection between migration and human rights and aims to protect migrant workers and their families. The Convention does not bring any new rights for migrants into existence, but intends to guarantee equal treatment and working conditions for migrants and nationals.

This leads to assessment element

10	Companies ensure equal treatment and working conditions for migrant workers.
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- **Health and safety**

[Occupational Health and Safety Assessment Series \(OHSAS 18001\)](#) was developed as an international standard which should help companies to manage health and safety risks at work. This standard provides guidelines for a risk management system. It applies to all kinds of organisations and it serves to guarantee the health and safety of both employees and external stakeholders, for example construction staff and visitors.

[OHSAS 18001](#) means that risks are surveyed structurally and evaluated too. The standard has been developed by the OHSAS Project Group, which is a consortium of i.a. certification organisations, governments and representatives of the industries. Presently, the standard is administered by the British Standards Institution (BSI).

This leads to assessment element

9	Companies have a solid health and safety policy.
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- **Other guidelines for companies**

Various guidelines for companies endorse the four fundamental ILO principles and rights at work, as well as the MNE Declaration:

- According to the [United Nations Guiding Principles on Business and Human Rights \(UNGPs\)](#), the responsibility of companies includes the fundamental principles of the ILO, together with the International Bill of Human Rights;
- The [UN Global Compact](#) has added the four fundamental ILO principles and rights at work to the ten principles of responsible business;
- The [IFC Performance Standards](#) are used in decision-making on financing by the International Finance Corporation;
- After the revision in 2011, the [OECD Guidelines for Multinational Enterprises](#) are entirely aligned with the UNGPs and also contain principles for supply chain responsibility;

- The [ISO 26000:2010 Guidance on social responsibility](#) recognise the importance of labour rights and good working conditions by the so-called core issue on labour practice and make various actions and expectations on a variety of related topics.²⁴⁵
- International companies can conclude an [International Framework Agreement \(IFA\)](#) with an international umbrella union. In an IFA, set agreements can be established on labour conditions, working conditions, and labour rights for all employees, and sometimes also subsidiaries and suppliers of the enterprise. The international employer's organisation IOE has written papers about drafting an IFA.

- **Procurement and supply chains**

Companies are often part of long production chains. They can monitor one another and question how they respect local and national legislation and international norms on labour rights. The requirements that companies set for their suppliers can be included in contractual agreements. The importance of this has also been recognised in the [OECD Guidelines for Multinational Enterprises](#) since its revision in 2011.

Furthermore, [ISO 26000:2010 Guidance on social responsibility](#) recognises the importance of supply chain responsibility, because "the impacts of an organization's decisions or activities can be greatly affected by its relationships with other organizations." ISO 26000:2010 recognizes that a companies' sphere of influence includes relationships within and beyond an organization's supply chain.²⁴⁶

In addition, [ISO 20400:2017 Sustainable procurement – Guidance](#) provides guidelines for organizations, independent of their activity or size, on integrating sustainability within procurement, as described in ISO 26000:2010 Guidance on social responsibility. It is intended for stakeholders involved in, or impacted by, procurement decisions and processes.

The [United Nations Guiding Principles on Business and Human Rights](#) include a due diligence process in order to identify, prevent, mitigate and account for how companies address their adverse human rights impacts. The process "should cover adverse human rights impacts that the business enterprise may cause or contribute to through its own activities, or which may be directly linked to its operations, products or services by its business relationships."²⁴⁷

Usable standard regarding labour rights and supply chain responsibility are the [SA8000 Standard](#), the [FTSE4 Good Supply Chain Labour Standards Criteria](#) and [Fair Labour Association's Workplace Code of Conduct](#).

This leads to assessment element

13	Companies integrate labour rights criteria in their procurement and operational policies.
14	Companies include clauses on the compliance with criteria on labour rights in their contracts with subcontractors and suppliers.

2.7.3 Assessment elements

Like other companies, financial institutions are expected to respect local, national, and international labour-related legislation and legal systems, and to endorse the four fundamental ILO principles, labour rights and the MNE Declaration in all their spheres of influence (as employers, in investees and in their production chains).

The following elements are crucial for a policy regarding the financial institution's internal operations:

1. The financial institution respects the ILO Declaration on Fundamental Principles and Rights at Work.
2. The financial institution integrates at least the labour standards of the ILO Declaration on Fundamental Principles and Rights at Work in its procurement and operational policies.

The following elements are crucial for a policy regarding the companies a financial institution invests in or finances:

3. Companies uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. All forms of forced and compulsory labour are unacceptable.
5. Child labour is unacceptable.
6. Discrimination in respect of employment and occupation is unacceptable.
7. Companies pay a living wage to their employees.
8. Companies apply a maximum of working hours.
9. Companies have a solid health and safety policy.
10. Companies ensure equal treatment and working conditions for migrant workers.
11. Companies have a clear management system to monitor and, if needed, correct compliance with norms on labour law.
12. Companies establish procedures on how to deal with and process employee complaints and how to solve violations and conflicts, preferably in consultation with the relevant trade union.
13. Companies integrate labour rights criteria in their procurement and operational policies.
14. Companies include clauses on the compliance with criteria on labour rights in their contracts with subcontractors and suppliers.

2.8 Nature

2.8.1 What is at stake?

The biological diversity of planet earth - its ecosystem diversity, species diversity and genetic diversity - forms a complex web of life that is of great importance to the economic and social development of our society, for our culture and for our leisure facilities. The accelerating decline of the global biodiversity (nature) is one of the most urgent environmental concerns. The loss of biodiversity imposes huge potential costs and risks, such as the destruction of habitats, the loss of the functions of ecosystems, the threat of the food supply and the loss of medicinal plants.²⁴⁸ The care for the natural riches of the world is a moral and ethical responsibility for all mankind.

In 2016, the UNEP released the Global Environmental Outlook (GEO-6): Regional Assessments. These are six separate reports that offer detailed examinations of the environmental issues affecting each of the world's six regions: the Pan-European region, North America, Asia and the Pacific, West Asia, Latin America and the Caribbean, and Africa. The reports find that the world shares a host of common environmental threats that are quickly becoming worse in many parts of the world. For example, in almost every region, the combination of population growth, rapid urbanization, rising levels of consumption, desertification, land degradation and climate change lead to countries suffering from severe water scarcity. These worrying trends are also making it increasingly hard for the world to feed itself, warn the reports. Despite the negative outlook, the reports conclude that there is still time to change course on several issues.²⁴⁹

According to the Intergovernmental Panel on Climate Change (IPCC) "impacts from recent climate-related extremes, such as heat waves, droughts, floods, cyclones and wildfires, reveal significant vulnerability and exposure of some ecosystems and many human systems to current climate variability".²⁵⁰ IPCC argues that climate change will alter the structure and functioning of most ecosystems, it will reduce biodiversity and therefore compromise the ecosystem services required by life on earth: "A large fraction of species faces increased extinction risk due to climate change during and beyond the 21st century, especially as climate change interacts with other stressors (high confidence). Most plant species cannot naturally shift their geographical ranges sufficiently fast to keep up with current and high projected rates of climate change in most landscapes; most small mammals and freshwater molluscs will not be able to keep up at the rates projected under RCP4.5 and above in flat landscapes in this century (high confidence). Future risk is indicated to be high by the observation that natural global climate change at rates lower than current anthropogenic climate change caused significant ecosystem shifts and species extinctions during the past millions of years."²⁵¹

Preserving nature is adequately recognized by the SDGs and specifically by the SDGs 14 and 15, Life Below Water and Life on Land, respectively, which focus on targets to preserve nature. SDG 14 Life Below Water includes targets to reduce marine pollution, sustainably manage and protect marine and coastal ecosystems, minimize and address the impacts of ocean acidification, effectively regulate harvesting and end overfishing, illegal and destructive fishing practices, and many more.²⁵² Similarly, SDG 15 Life on Land promotes the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation, restore degraded land and soil, reduce the degradation of natural habitats, halt the loss of biodiversity and many more.²⁵³

Furthermore, SDG 2 Zero Hunger focuses on ensuring food security to everyone without compromising on nature.²⁵⁴ SDG 3 Good Health and Well-being targets to substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination, which indirectly safeguard nature, not only the well-being of people.²⁵⁵ SDG 6 Clean Water and Sanitation includes a target to improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally. This target also contributes in preserving the nature.²⁵⁶

According to the Partnership for European Environmental Research, *greening* the economy requires "that natural assets continue to provide the resources and ecosystem services on which our well-being relies".²⁵⁷ A study of this group of European academics concluded: "transitioning to green economies is never purely based on win-win solutions, but requires taking into account potential trade-offs among multiple goals, across sectors and international leakage. The case studies indicate the need for far-sighted and multiple-source planning of funding of green economy initiatives".²⁵⁸ This highlights the need for financial institutions to take into account natural assets in their financing policies.

The investment policy of financial institutions should ensure that financial institutions are only involved in investments in companies and governments that aim to prevent further loss to natural riches and also put this principle into systematic practice. When developing policies in this respect, financial institutions can make use of the international standards described in section 2.8.2.

2.8.2 International standards and initiatives

The 1992 [UN Convention on Biological Diversity \(CBD\)](#) aims to globally protect and use biological diversity in a sustainable manner. The CBD demands that signatory countries include the topic of biodiversity in the legal procedures that assess the effects of activities on the environment (environmental impact assessments). Virtually all countries in the world have signed the convention.²⁵⁹

In April 2002, the signatory countries of the CBD agreed that they will “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 the benefit of all life on Earth”.²⁶⁰ In November 2010, the CBD achieved a new agreement, in which it was agreed that 10% of the oceans are marked as natural areas, more stringent laws have to be created to protect fish and that the amount of protected land will grow from 13% to 17%.²⁶¹

The main international standards on nature are summarised per topic, followed by the assessment elements that are formulated by FFGI as a result:

- **Protection of ecosystems and habitats**

Various international agreements require the protection of ecosystems and natural habitats:

- The [UN Convention on Biological Diversity \(CBD\)](#) demands that each member state establishes a system to preserve the biodiversity in protected areas, or ensure the protection of ecosystems in other ways.
- The [UN Convention on the Law of the Sea \(UNCLOS\)](#) obliges all signatory countries to protect and preserve the biodiversity in ocean areas. The protection of specific ocean areas is dealt with in the [Regional Seas Conventions](#), which falls under the [UN Environmental Programme \(UNEP\)](#). Also, the [International Coral Reef Initiative](#) focuses on specific ocean areas.
- The biodiversity in areas that are important on environmental and cultural grounds falls under the protection of the [UNESCO World Heritage Convention](#).
- For *wetlands* (swamps and bogs), which are rich in biodiversity, there is the [Ramsar Convention on Wetlands](#) that ensures protection and proper management of these areas.
- The [International Union for Conservation of Nature \(IUCN\)](#) has developed a system that categorises natural areas in six categories and indicates in which areas biodiversity has to be protected (category I to IV). In addition, the IUCN provides guidelines for companies on how to deal with fields that fall within these [Protected Area Management Categories](#). In 2000, a resolution was adopted on the IUCN World Conservation Congress that calls upon all states not to allow investments in oil, gas and extractive industry projects in the protected areas (categories I to IV).
- The [United Nations Environmental Assembly](#) adopted a [resolution on pollution mitigation by mainstreaming biodiversity into key sectors](#) in 2017: “The resolution aims at strengthening efforts to integrate conservation and sustainable use of biodiversity in various sectors such as agriculture, fisheries and aquaculture, tourism, mining and energy, infrastructure and manufacturing among others. It also points to the need to prevent and reduce pollution from these sectors”.²⁶²

This leads to assessment element

- | | |
|---|---|
| 1 | Companies prevent negative impacts on High Conservation Value (HCV) areas within their business operations and the areas they manage. |
|---|---|
-

This leads to assessment element

	Companies prevent negative impacts on protected areas that fall under the categories I-IV of the International Union for Conservation of Nature (IUCN) within their business operations and the areas they manage.
2	Companies prevent negative impacts on UNESCO World Heritage sites within their business operations and the areas they manage.
3	Companies prevent negative impacts on protected areas that fall under the Ramsar Convention on Wetlands within their business operations and the areas they manage.

- **Protection of plant and animal species**

The most obvious step for the preservation of biodiversity is the protection of endangered species of flora and fauna. A leading report of endangered species is the [IUCN Red List of Threatened Species](#). The habitat of these endangered species is protected by the [Convention on the Conservation of Migratory Species of Wild Animals](#) (1979). This treaty also aims to restrict exploitation of areas where wild and endangered migratory animal species reside. Other global and regional conventions prohibit or restrict the commercial exploitation of whales, migratory birds, polar bears, sea turtles and seals.²⁶³ Companies should have policies in place to avoid negative consequences to the habitats of endangered species.

This leads to assessment element

5	Companies prevent negative impacts for the populations or the number of animal species that are on the IUCN Red List of Threatened Species.
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- **Trade in endangered species**

The [Convention on International Trade in Endangered Species of Wild Fauna and Flora \(CITES\)](#) sets stringent conditions for the international trade in all endangered species with demands for national legislation from the countries that have ratified the convention. CITES applies three lists with species that are more or less threatened with extinction. Animal and plant species included in Appendix I may only be traded in exceptional situations, while the trade in species included in Appendix II is monitored to ensure that they are not endangered. Appendix III concerns species that are endangered in at least one country and where other countries are asked for help in monitoring the trade.²⁶⁴

Companies should at least adhere to the conditions of CITES, but preferably refrain from trade in species on all appendices of the CITES list.

Except for the protection of endangered animal species, conservation of nature requires that animal species that are not (yet) endangered are not unduly captured. The CBD demands that countries "restore habitats and use their resources in a sustainable way to ensure species diversity".²⁶⁵ This topic is also dealt with in section 3.4.2 on Food and section 3.5.2 on Forestry.

This leads to assessment element

6	Trade in endangered plant and animal species complies with the CITES conditions.
7	Trade in endangered plant and animal species that are on the CITES lists is unacceptable.

- **Protection of genetic material**

The [UN Convention on Biological Diversity \(CBD\)](#) demands that companies that want to have access to genetic material from abroad have to obtain prior permission from the exporting country and have to make clear agreements for the use of the material.

The [Bonn Guidelines](#) are recognized as a useful first step in the implementation of relevant provisions of the CBD and are meant to assist stakeholders in developing access to genetic resources and benefit-sharing strategies.

The [Cartagena Protocol on Biosafety to the Convention on Biological Diversity \(Cartagena Protocol\)](#) speaks about Living Modified Organisms (LMOs) which are in every day usage known as Genetically Modified Organisms (GMOs). These are defined as any living organism that possesses a novel combination of genetic material obtained through the use of modern biotechnology. The Cartagena Protocol does not prohibit the use of GMOs in itself but has developed a framework for the safe handling, transport and use of GMOs that may have a harmful effect on biodiversity and human health and entail trans-boundary risks. The protocol also requires permission from the importing country before it is permitted to import GMOs.

This leads to assessment element

8	Activities in the field of genetic materials and genetic engineering only take place if they meet the permission and processing requirements as described in the UN Convention on Biological Diversity and the related Bonn Guidelines or Nagoya Protocol.
9	Production of, or trade in, living genetically modified organisms can only take place if permission has been obtained from the importing country and all requirements of the Cartagena Protocol have been met.

- **Invasive alien species**

Nature is also threatened by the intended and unintended introduction of [invasive alien species](#). When these are outside their natural habitat, they can drive off indigenous species and take over their habitat. *Exotic invaders* can be found all over the world, but mainly pose a problem for the ecosystems of islands. Therefore, the UNCLOS and the CBD both require that member states prevent the import and introduction of alien species in order to keep it under strict control.

On 1 January 2015 the [EU Regulation 1143/2014 on Invasive Alien Species](#) entered into force. This Regulation seeks to address the problem of invasive alien species in a comprehensive manner so as to protect native biodiversity and ecosystem services, as well as to minimize and mitigate the human health or economic impacts that these species can have. Amongst others, Member States will have to draw up a list of invasive species, perform risk assessment and set up early detection measures.²⁶⁶

This leads to assessment element

10	Companies prevent the introduction of invasive alien species in ecosystems.
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- **Water use**

Given the growing challenge of water scarcity, it is vital that companies and financial institutions become aware of their own influences on water related problems. First of all, companies should engage with stakeholders in order to learn how to avoid negative impacts and limit their water use wherever possible. However, this alone is not sufficient, commitments to improve practices are necessary. Companies should be aware of the possible negative effects their operations could have in a possible location for business operations.

This should consider effects both in the short term and in the long term, in order to, for example, prevent competing with communities for water, now and in the foreseeable future. Companies should measure and calculate their water use. Furthermore, serious efforts to curb pollution of water resources and negative effects on other water users are also required. Finally, companies should be able to demonstrate that they are saving water and set goals to improve this. Various initiatives, guidelines and standards have emerged in recent years, to help companies address water risk.

Initiatives companies could participate in and learn from are:

- The UN Global Compact's [CEO Water Mandate](#) is a public-private initiative designed to assist companies in the development, implementation and disclosure of water sustainability policies and practices.
- The [guidance](#) by the UNEP and CEO Water Mandate on [Corporate Water Accounting: An Analysis of Methods and Tools for Measuring Water Use and Its Impacts](#).
- The [European Water Partnership](#); and
- The [Water Footprint Network](#), which also has a standard on assessing a global water footprint.

There are several guidelines and water 'footprinting' methods as well as voluntary disclosure initiatives for calculating water use, water risk, understanding water issues and creating a sound water strategy, such as:

- The [CDP's Water Program](#), to calculate and publish corporate water use throughout the supply chain;
- The [GEMI Water Sustainability Tool](#);
- The [WBCSD Global Water Tool](#);
- The [AWS International Water Stewardship Standard](#) is a useful standard, supported by a verification process, that defines a set of water stewardship criteria and indicators for how water should be stewarded at a site and catchment level in an environmentally, socially, and economically beneficial manner.

This leads to assessment element

11	Companies conduct water scarcity impact assessments and prevent negative impacts in water scarce regions.
12	Companies do not start new operations in areas where water scarcity is pre-existing and operations would compete with the needs of communities.

- **Other guidelines for companies**

The High Conservation Value (HCV) concept was initially conceived within the framework of certification of forest management and wood products (High Conservation Value Forests or HCVF), but can be applied to all ecosystems and natural living environments. The [HCV Resource Network](#) has developed national implementation guidelines, local projects, training and workshops.

In April 2006, the [Voluntary Guidelines on Biodiversity-Inclusive Impact Assessments](#) were published by the CBD. These guidelines include clear instructions on how nature criteria can be included in environmental impact assessments.

In Great Britain the [EarthWatch Institute](#) and others are working on involving companies in the preservation of biodiversity. They have drafted a road map specifically for companies, based on [10 principles of engagement](#), including the preparation of a strategic biodiversity plan, the integration of biodiversity standards in regular quality measurements and the protection of nature in the procurement policy. The [Wildlife Trust](#) has developed a [biodiversity benchmark](#). Both initiatives mainly focus on companies that own land or are responsible for land management.

The IUCN manages a website with approaches and conservation tools for companies: [Conservation tools](#).

The [ISO 26000:2010 Guidance on social responsibility](#) states that organisations behave socially responsible if they value and protect biodiversity; value, protect and restore ecological services; use land and natural resources in a sustainable way and develop areas in an environmentally responsible way.²⁶⁷

In recent years, drafting a sustainability report has become commonplace. The best known guideline for this is the [Global Reporting Initiative \(GRI\) Reporting Framework](#), of which the latest edition has been presented in 2016: "The G4 Guidelines have been superseded by the [GRI Sustainability Reporting Standards \(GRI Standards\)](#). The GRI Standards will be required for all reports or other materials published on or after 1 July 2018 – the G4 Guidelines remain available until this date".²⁶⁸ GRI encourages financial institutions to not only describe their sustainability policy, but to also measure the respective implementation. The GRI Standards holds specific disclosures on biodiversity, [GRI 304: Biodiversity 2016](#).

The [International Finance Corporation's \(IFC\) Performance Standard 6 concerning Biodiversity Conservation and Sustainable Management of Living Natural Resources](#) determines how companies should operate in order to avoid negative consequences on areas of high biodiversity value, including impact on natural habitats as well as endangered and endemic species. The requirements in the standard have been guided by the Convention on Biological Diversity.

The UNEP FI has introduced the [Natural Capital Declaration on the Rio + 20 Earth Summit](#) in June 2012. Signatories of this initiative will show their commitment to integrate natural capital (natural resources and the ecosystem services the earth produces from them) and criteria into their financial products.

In 1994, the [Global Ecolabelling Network \(GEN\)](#) was founded. This non-profit association aims to improve, promote and develop the eco-labelling of products and the creditability of eco-labelling programs worldwide. It associates third-party, environmental performance recognition and certification and labelling organizations.

A useful methodology to quantify the biodiversity impact of companies and sectors is provided by the [Dutch Benchmark Biodiversity](#) of research agency CE Delft.

In 2017, the ISO developed an [environmental management standard](#) to guide the development of proper practices in combating land degradation and desertification. The first part of the standard, [ISO 14055-1:2017](#), elaborates the good practices framework. An accompanying document (ISO/TR 14055-2), which is currently under development, will be launched to provide supportive regional case studies on how to apply the framework to a range of land degradation cases.

Several very large companies, notably traders in the palm oil sector such as Archer Daniels Midland and Wilmar International (the latter controls roughly 45% of the global market in palm oil), have adopted '[No Deforestation, No Peat, No Exploitation](#)' (NDPE) policies in recent years. These policies set a high benchmark, often allowing no deforestation, no peat development and no conflicts, in their own operations or in their supply chain. Although in these first cases directed at the palm oil sector, financial institution may apply the policies to other sectors causing deforestation, peat loss and conflicts as well.²⁶⁹

This leads to assessment element 13.

This leads to assessment element

13	Companies make an environmental impact assessment on the total consequences of a large scale project on biodiversity, at least according to GRI 304: Biodiversity 2016 or other relevant standards (mentioned in section 2.8.2).
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- **Procurement and supply chains**

Companies are often part of long production chains. They can monitor one another and question how they respect local and national legislation and international norms on labour rights. The requirements that companies set for their suppliers can be included in contractual agreements. The importance of this has also been recognised in the [OECD Guidelines for Multinational Enterprises](#) since its revision in 2011.

Furthermore, [ISO 26000:2010 Guidance on social responsibility](#) recognises the importance of supply chain responsibility, because "the impacts of an organization's decisions or activities can be greatly affected by its relationships with other organizations." ISO 26000:2010 recognizes that a companies' sphere of influence includes relationships within and beyond an organization's supply chain.²⁷⁰

In addition, [ISO 20400:2017 Sustainable procurement – Guidance](#) provides guidelines for organizations, independent of their activity or size, on integrating sustainability within procurement, as described in ISO 26000:2010 Guidance on social responsibility. It is intended for stakeholders involved in, or impacted by, procurement decisions and processes.

This leads to assessment element

14	Companies integrate criteria on nature into their procurement and operational policies.
15	Companies include clauses on the compliance with criteria on nature in their contracts with subcontractors and suppliers.

2.8.3 Assessment elements

Financial institutions can influence the protection of nature, especially if they invest in or finance industries with a potentially large influence on nature, such as forestry, the extractive industry, the oil and gas industry, fishery, water supply and infrastructure and industries that make use of genetic material, such as agriculture, biotechnology, the medical industry and the cosmetic industry.

For companies there are various grounds for putting biodiversity high on the agenda. This includes more stringent rules to protect ecosystems and more stringent supervision, increased costs in product chains that depend on certain ecosystems, changes in consumption patterns and pressure from society and social organisations. Moreover, new commercial chances for companies arise in situations where commerce and nature management go hand in hand. Financial institutions can capitalise on this development.²⁷¹

In order to address the risks for natural areas and other threats to biodiversity, financial institutions have to draft an investment policy in line with international conventions and national legislation. The following elements are crucial for a policy regarding the companies a financial institution invests in or finances:

1. Companies prevent negative impacts on High Conservation Value (HCV) areas within their business operations and the areas they manage.
2. Companies prevent negative impacts on protected areas that fall under the categories I-IV of the International Union for Conservation of Nature (IUCN) within their business operations and the areas they manage.
3. Companies prevent negative impacts on UNESCO World Heritage sites within their business operations and the areas they manage.
4. Companies prevent negative impacts on protected areas that fall under the Ramsar Convention on Wetlands within their business operations and the areas they manage.
5. Companies prevent negative impacts for the populations or the number of animal species that are on the IUCN Red List of Threatened Species.
6. Trade in endangered plant and animal species complies with the CITES conditions.
7. Trade in endangered plant and animal species that are on the CITES lists is unacceptable.
8. Activities in the field of genetic materials and genetic engineering only take place if they meet the permission and processing requirements as described in the UN Convention on Biological Diversity and the related Bonn Guidelines or Nagoya Protocol.
9. Production of, or trade in, living genetically modified organisms can only take place if permission has been obtained from the importing country and all requirements of the Cartagena Protocol have been met.
10. Companies prevent the introduction of invasive alien species in ecosystems.
11. Companies conduct water scarcity impact assessments and prevent negative impacts in water scarce regions.
12. Companies do not start new operations in areas where water scarcity is pre-existing and operations would compete with the needs of communities.
13. Companies make an environmental impact assessment on the total consequences of a large scale project on biodiversity, at least according to GRI 304: Biodiversity 2016 or other relevant standards (mentioned in section 2.8.2).
14. Companies integrate criteria on nature into their procurement and operational policies.
15. Companies include clauses on the compliance with criteria on nature in their contracts with subcontractors and suppliers.

2.9 Tax

2.9.1 What is at stake?

For each democratic society, tax revenues are essential to finance public provisions such as health care, education, infrastructure and social security. Research shows that a fair system of taxation contributes more to the development of a healthy, democratic society than revenues from development aid or from the export of raw materials. As in order to raise taxes, the development of a capable and reliable civil service is required, while conversely civilians that have to pay tax expect a lot more of, and are more involved with, the public administration. Democratisation is often the result of striving for higher tax revenues.²⁷²

Also, companies benefit from the public provisions in the countries where they operate and therefore have responsibility to pay tax in every country and to be open about it. Yet, a lot of international operating financial institutions, companies and rich private clients benefit from international differences in tax percentages and loop holes in national tax legislation to significantly reduce their overall tax burden (tax planning). Furthermore, multinational enterprises (MNEs) often lack transparency on tax payments.²⁷³

Thereby, they often make use of shell companies in tax havens that are not only known for their low tax rates but also for their lack of financial transparency. How much tax is ultimately paid, and in which country, quickly eludes everybody. A lot of international financial institutions have branches in tax havens to help their clients *and* to limit their own tax payments. If these type of constructions violate the law, this is called tax evasion, but even if this is not the case - in case of tax avoidance - this type of behaviour is contrary to the Corporate Social Responsibility principles: it is socially irresponsible to deprive governments of the revenues they need to develop their country socially and economically.²⁷⁴

The [Tax Justice Network](#) (TJN) estimated in 2012 that the 'super rich' have channelled between USD 21 and USD 32 billion of untaxed capital to tax havens.²⁷⁵ In addition, TJN also estimated that in 2012 US multinationals alone shifted between USD 500 and USD 700 billion of revenues, "mostly to countries where these profits are not taxed, or taxed at very low rates".²⁷⁶

Developing countries annually lose more than USD 100 billion in tax revenues through tax evasion and avoidance by companies.²⁷⁷ A 2014 report of [IMF](#) explored the "broader macroeconomic and development impact of corporate tax spill overs, including wider issues of tax competition between national governments". The IMF argues that national tax laws and international tax arrangements should be transformed to prevent base erosion and profit shifting (BEPS). "Our technical assistance work in developing countries frequently encounters large revenue losses through gaps and weaknesses in the international tax regime", the IMF argues. Relative to all tax revenues, this can be up to 10-15%.²⁷⁸ The IMF has indicated that developing countries are more vulnerable to BEPS activities of multinational companies than OECD countries.²⁷⁹

The annual USD 100 billion developing countries' governments lose due to tax avoidance by MNEs, is more than the amount that developing countries, according to the [United Nations Sustainable Development Goals](#), need to install a global safety net to eradicate extreme poverty in all countries.²⁸⁰ It also corresponds with the OECD estimation that developing countries annually lose more than three times the development aid received to tax revenues in tax havens.²⁸¹

Tax is not directly addressed in the SDGs, however there are many goals that cannot be achieved without effective and corruption free tax policies and practices. For example SDG 16 Peace, Justice and Strong Institutions focuses on reducing corruption and bribery in all forms. This would also mean transparent and just tax practices for companies.²⁸² SDG 17 Partnerships for the Goals encourages strengthening of domestic resource mobilization, including through international support to developing countries to improve domestic capacity for tax and other revenue collection. Additionally, SDG 1 No Poverty and SDG 10 Reduced Inequalities are not possible to achieve without the tax revenues paid by companies as they are essential to finance public provisions.²⁸³

One can expect from responsibly operating financial institutions that they do not deliberately assist clients in avoiding taxes and that they do not avoid taxes themselves. Moreover, financial institutions have the responsibility to only grant financial services to companies that pay the taxes owed in the countries where they operate. When developing policies on taxes, financial institutions can make use of the international standards described below.

2.9.2 International standards and initiatives

The main international standards on tax are summarised per topic, followed by the assessment elements that are formulated by FFGI as a result:

- **Harmful tax practices by governments**

Tax havens are often very small countries that almost entirely depend of the revenues from activities related to tax avoidance and tax evasion.²⁸⁴ In 2015 the European Commission published its first [list of international tax havens](#). The list contains third countries listed by Member States for tax purposes. The list does therefore not make use of a defined set of criteria and does not give sufficient guidance in defining tax havens. The list is updated annually.²⁸⁵ The EU published a [blacklist of non-cooperative tax jurisdictions](#) (tax havens) in late 2017. The list consists of only 17 countries. [Oxfam has applied the EU's own criteria](#) "to the 92 countries screened by the EU, as well as to the 28 EU member states. According to the analysis, at least 35 non-EU countries should be included in the EU tax haven blacklist, and 4 EU member states: Ireland, Luxembourg, the Netherlands and Malta".²⁸⁶

Countries with harmful preferential tax regimes try to lure corporate investments offering fiscal advantages to certain groups of companies. These measures stimulate tax avoidance by multinational corporations and decrease the tax revenues of other states.²⁸⁷ The OECD monitors countries within the [Global Forum on Transparency and Exchange of Information for Tax Purposes](#). To this effect, OECD and non-OECD countries cooperate in the implementation of an internationally accepted standard for taxes.²⁸⁸ However, civil society organisations have outlined several weaknesses of the Global Forum process and called for a more inclusive process under the auspices of the UN.²⁸⁹

In 2018, the Tax Justice Network published its latest [Financial Secrecy Index](#), on which [112 locations](#) or so-called global *secrecy jurisdictions* have been identified and listed by their level of transparency. The term 'secrecy jurisdictions' can be interchanged with the term tax haven, but emphasizes suspension from disclosure (of information). Tax Justice Network furthermore recognizes the large amount of illicit financial flows in poor countries, but at the same time recalls 'the other side of the coin', namely 'those jurisdictions that encourage and facilitate illicit financial flows, by providing an environment of secrecy that allows these outflows to remain hidden, and largely untaxed. Contrary to OECD, Tax Justice Network has not suspended its list of secrecy jurisdictions'.²⁹⁰

This leads to assessment element

- | | |
|----|---|
| 1 | For at least three quarters of the countries in which the financial institution operates, it reports country-by-country on its revenues, profit, FTEs, subsidies received from governments and tax payments to governments. |
| 4 | The financial institution does not advise clients to set up international structures with the main purpose to avoid or evade taxes. |
| 7 | The financial institution does not have subsidiaries, branches or associates in jurisdictions with no or zero corporate tax or in jurisdictions with harmful corporate tax practices, unless they have substance and their profits are generated by from local economic activities. ^{xvii} |
| 8 | The financial institution does not provide financial services to companies in tax havens, unless the company has substance and its profits are generated by from local economic activities. |
| 9 | Companies publish their full group structure, including indirectly and jointly-owned entities. |
| 10 | Companies publish an explanation of the activities, functions and ultimate shareholder of every subsidiary, branch, joint venture or affiliates located in jurisdictions with no or zero corporate tax practices or in jurisdictions with harmful corporate tax practices. ^{xviii} |
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- **Tax disputes**

If a company is involved in a adjudication or arbitration case regarding a tax dispute, it should publish information on this dispute, Christian Aid, Oxfam and ActionAid argue: “Resolving unsettled disputes between corporate taxpayers and tax authorities increasingly happens outside court settings, particularly where it involves more than one tax authority and the taxpayer invokes the growing number of arbitration clauses in tax treaties. While there may be advantages to arbitration, as with tax settlements, a key challenge it presents is a potential lack of accountability about how both taxpayer and tax authorities have behaved over disputes often involving millions of dollars of tax revenues (especially in the case of transfer pricing disputes). A voluntary commitment to publishing the results of arbitration, where it is used as an alternative to court, would compensate for this potential accountability deficit and help to build the reputation of a company among its stakeholders as a transparent and responsible taxpayer”.²⁹¹

This leads to assessment element

- | | |
|----|---|
| 14 | Companies make public, to the extent legally and practically possible, the decision of any adjudication or arbitration to which it, or any of its subsidiaries, is a party, undertaken to resolve a tax dispute, whether in a court or in an arbitration setting. |
| 15 | Companies have a management system which results in immediate actions if suspicions arise that employees or suppliers are guilty of facilitating tax evasion. |
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^{xvii} Jurisdictions with harmful corporate tax practices refer to the countries on the EU blacklist that fail the EU's fair tax criterion 2.2.

^{xviii} Jurisdictions with harmful corporate tax practices refer to the countries on the EU blacklist that fail the EU's fair tax criterion 2.2.

- **Tax planning by multinational companies**

The [OECD Guidelines for Multinational Enterprises](#) expects companies to have a responsible tax policy. On taxes, the guidelines mention that “It is important that enterprises contribute to the public finances of host countries by making timely payment of their tax liabilities. In particular, enterprises should comply with both the letter and spirit of the tax laws and regulations of the countries in which they operate. Complying with the spirit of the law means discerning and following the intention of the legislature.”²⁹²

In 2015 the UN PRI has drafted an [Engagement Guidance on Corporate Tax Responsibility](#), providing guidance to investors on why and how to engage with investees involved in tax planning. The UN PRI argues tax planning risks for investors can be severe and cover a large number of portfolio companies. Aggressive corporate tax planning can:²⁹³

- create earnings risk and lead to governance problems;
- damage reputation and brand value;
- cause macroeconomic and societal distortions.

Investors can use the [Investor Guide: Integration of tax in responsible investment](#) of VBDO and PwC to design and implement a responsible tax strategy. The report urges investors to apply their own tax principles to investee companies as well.

In June 2017 the European Commission has proposed new transparency rules for intermediaries that design or sell potentially harmful tax schemes: “Intermediaries will have to report any cross-border arrangement that contains [...] characteristics, which might indicate that the arrangement is set up to avoid paying taxes”.²⁹⁴ The characteristics are listed in the [Proposal for a Council Directive amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements](#).

This leads to assessment element

4	The financial institution does not advise clients to set up international structures with the main purpose to avoid or evade taxes.
5	The financial institution does not participate in transactions with international structures of which the main purpose is to avoid or evade taxes.
7	The financial institution does not have subsidiaries, branches or associates in jurisdictions with no or zero corporate tax or in jurisdictions with harmful corporate tax practices, unless they have substance and their profits are generated by from local economic activities. ^{xix}
8	The financial institution does not provide financial services to companies in tax havens, unless the company has substance and its profits are generated by from local economic activities.
11	For each country in which companies operate, they report country-by-country on their revenues, profit, FTEs, subsidies received from governments and payments to governments (e.g. withholding taxes, payments for concessions and company tax).
12	Companies focus their international enterprise structure and their international transactions in a way that reflects the economic substance of the activities and transactions undertaken, without any steps made primarily to secure a tax advantage.

^{xix} Jurisdictions with harmful corporate tax practices refer to the countries on the EU blacklist that fail the EU's fair tax criterion 2.2.

- **Tax rulings**

[OECD BEPS Action 5](#) provides for an international system for exchange of international tax rulings between tax authorities. A framework to transmit rulings to other jurisdictions is not sufficient to be transparent. CSOs argue that “in line with the general principle that tax-responsible companies will be able to justify the key determinants of their tax position to public stakeholders as well as to revenue authorities, a tax-responsible company should be able to publish such rulings”.²⁹⁵

This leads to assessment element

6	The financial institution publishes key information of any company-specific tax ruling it has obtained from tax authorities.
13	Companies publish key information of any company-specific tax ruling it has obtained from tax authorities.

- **Country-by-Country reporting**

There have been various other steps to improve the *Country-by-Country (CbC)* reporting of multinational companies. CbC reporting makes it possible to determine how much taxes and other payments are made by companies to governments and to which extent companies relocate revenues to other countries to avoid or evade tax payment.

In the [G4 Sustainability Reporting Guidelines](#) of the Global Reporting Initiative (GRI) the breakdown of tax payments per country is also included. *Economic Performance Indicator EC1* asks companies to report on the “Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.” In this last category it is requested to report on: “all company taxes and related penalties paid at the international, national, and local levels. (..) Report taxes paid by country for organisations operating in more than one country.” In the new [GRI Sustainability Reporting Standards \(GRI Standards\)](#), GRI Disclosure 201-4 requires companies to report on the “total monetary value of financial assistance received by the organization from any government during the reporting period”, while GRI Disclosure 201-1 requires companies to report on “payments to government by country”.²⁹⁶

During the G20 conference in Moscow in July 2013 the OECD presented an [Action Plan on Base Erosion and Profit Shifting \(BEPS\)](#), resulting in a 2015 report introducing fifteen guidelines for modernising tax systems and to prevent tax avoidance by multinationals.²⁹⁷

In 2015 the OECD published a [Country-By-Country Reporting Implementation Package](#), containing a model legislation for reporting of country-by-country data on tax, profits, other key financials and employment to tax authorities. These data are considered key to assess tax risks. However, the OECD system involves confidential reporting to a home country tax authority only, followed by exchange of information between tax authorities.

The EU already adopted the [EU Capital Requirements Directive IV \(2013/36/EU\)](#) in 2013, which applies to credit institutions and investment firms with their residence in one or more of the EU Member States. This obliges financial institutions to provide full Country-by-Country (CbC) reporting on the following topics:²⁹⁸

- name(s), nature of activities and geographical location
- turnover
- number of employees on a full time equivalent basis

- profit or loss before tax
- tax on profit or loss
- public subsidies received

Some banks also provide other relevant data per country, such as total assets.²⁹⁹ Oxfam International analysis shows that data on assets per country provides useful additional information. Furthermore, the analysis shows that the country-by-country data are difficult to interpret if they do not match with the consolidated financial accounts.³⁰⁰

However, organisations such as the [Tax Justice Network](#) and [Eurodad](#) believe that public country-by-country reporting should not be restricted to specific industries, but should apply to all companies operating in more than one country.

Responding to this call, in 2016 the EU Commission “adopted a proposal for a directive which requires multinational groups to publish a yearly report on profits and tax paid in each country where they are active (country-by-country reporting). This report will enable citizens to assess multinationals’ tax strategies and to see how much they contribute to welfare in each country”.³⁰¹ In July 2017 the European Parliament voted in favour of [this proposal](#) for public country-by-country reporting, arguing that: “The proposal aims at adding geographical information linking corporate taxes and actual profits, in line with the principle that enterprises should pay tax where they actually make profits. This objective, which can be broadened to the dimensions of corporate social responsibility and fair taxation, is distinct from the reporting obligation aimed at protecting shareholders, investors and other stakeholders. The existing requirement to publish financial statements meets the latter objective, which is specifically directed at the public at large. Under EU law it covers limited liability companies established in the EU. However, this publicly available information does not always make it possible for outsiders to construct a breakdown on a country-by-country basis, hence the reason for CBC reporting.”³⁰²

The Parliament therefore [slightly amended the Commission’s proposal](#), “which broadens the scope of the Directive so that public CbC reporting applies to non-EU MNE groups, having an annual consolidated turnover of or exceeding €750 million, with undertakings or branches within the EU, irrespective of whether the undertaking or branch is of medium or large size as defined in the Accounting Directive”.³⁰³ The adjusted proposal has to be adopted by both the European Parliament and the Council. Currently, member states are negotiating about the Council position and after that the Council will negotiate with the European Parliament. [Transparency International argues](#) the proposal leaves a loophole that allows some companies to not report on their tax payments.

This leads to assessment element

1	For at least three quarters of the countries in which the financial institution operates, it reports country-by-country on its revenues, profit, FTEs, subsidies received from governments and tax payments to governments.
2	For each country in which the financial institution operates, it reports country-by-country on its revenues, profit, FTEs, subsidies received from governments and tax payments to governments.
3	For each country in which the financial institution operates, it reports country-by-country on its total assets.
9	Companies publish their full group structure, including indirectly and jointly-owned entities.

- **Procurement and supply chains**

Companies are often part of long production chains. They can monitor one another and question how they respect local and national legislation and international norms on tax. The requirements that companies set for their suppliers can be included in contractual agreements. The importance of this also recognised in the [OECD Guidelines for Multinational Enterprises](#) since its revision in 2011.

Also [ISO 26000:2010 Guidance on social responsibility](#) recognises the importance of supply chain responsibility, because “the impacts of an organization's decisions or activities can be greatly affected by its relationships with other organizations.” A companies’ sphere of influence includes relationships within and beyond an organization’s supply chain.³⁰⁴

In addition, [ISO 20400:2017 Sustainable procurement – Guidance](#) provides guidelines for organizations, independent of their activity or size, on integrating sustainability within procurement, as described in ISO 26000:2010 Guidance on social responsibility. It is intended for stakeholders involved in, or impacted by, procurement decisions and processes.

This leads to assessment element

16	Companies integrate criteria on tax in their procurement policies and operational policies.
17	Companies include clauses on the compliance with criteria on tax in their contracts with subcontractors and suppliers.

2.9.3 Assessment elements

For financial institutions, the issue of taxes is relevant in three ways. Primarily, international financial institutions are multinational corporations themselves and therefore they have to pay the owed taxes by the letter of the law as well as in the spirit of the countries in which they operate. Financial institutions can be expected to be transparent in their tax payments.

Secondly, virtually all financial services that financial institutions grant to companies and rich private clients have a tax component. Because large amounts are involved in business loans, financing projects and investments, tax planning can often result in significant savings for clients. Thirdly, taxes is an issue on which financial institutions should assess all their investees, even if the financial institution does not actively cooperate with tax avoidance of the company.

The following elements are crucial for a policy regarding the financial institution's internal operations:

1. For at least three quarters of the countries in which the financial institution operates, it reports country-by-country on its revenues, profit, FTEs, subsidies received from governments and tax payments to governments.
2. For each country in which the financial institution operates, it reports country-by-country on its revenues, profit, FTEs, subsidies received from governments and tax payments to governments.
3. For each country in which the financial institution operates, it reports country-by-country on its total assets.
4. The financial institution does not advise clients to set up international structures with the main purpose to avoid or evade taxes.
5. The financial institution does not participate in transactions with international structures of which the main purpose is to avoid or evade taxes.
6. The financial institution publishes key information of any company-specific tax ruling it has obtained from tax authorities.

7. The financial institution does not have subsidiaries, branches or associates in jurisdictions with no or zero corporate tax or in jurisdictions with harmful corporate tax practices, unless they have substance and their profits are generated by from local economic activities.^{xx}
8. The financial institution does not provide financial services to companies in tax havens, unless the company has substance and its profits are generated by from local economic activities.

The following elements are crucial for a policy regarding the companies a financial institution invests in or finances:

9. Companies publish their full group structure, including indirectly and jointly-owned entities.
10. Companies publish an explanation of the activities, functions and ultimate shareholder of every subsidiary, branch, joint venture or affiliates located in jurisdictions with no or zero corporate tax practices or in jurisdictions with harmful corporate tax practices.^{xxi}
11. For each country in which companies operate, they report country-by-country on their revenues, profit, FTEs, subsidies received from governments and payments to governments (e.g. withholding taxes, payments for concessions and company tax).
12. Companies focus their international enterprise structure and their international transactions in a way that reflects the economic substance of the activities and transactions undertaken, without any steps made primarily to secure a tax advantage.
13. Companies publish key information of any company-specific tax ruling it has obtained from tax authorities.
14. Companies make public, to the extent legally and practically possible, the decision of any adjudication or arbitration to which it, or any of its subsidiaries, is a party, undertaken to resolve a tax dispute, whether in a court or in an arbitration setting.
15. Companies have a management system which results in immediate actions if suspicions arise that employees or suppliers are guilty of facilitating tax evasion.
16. Companies integrate criteria on tax in their procurement policies and operational policies.
17. Companies include clauses on the compliance with criteria on tax in their contracts with subcontractors and suppliers.

^{xx} Jurisdictions with harmful corporate tax practices refer to the countries on the EU blacklist that fail the EU's fair tax criterion 2.2.

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Chapter 3 Sector themes

3.1 Arms

3.1.1 What is at stake?

Arms can kill, maim and destroy. Therefore, they are a threat to the most fundamental human right: the right to life. Arms are deployed in wars and armed conflicts between and within states, by government forces as well as armed groups that do not belong to a state (also known as non-state actors). Armed conflicts threaten the safety of millions of people around the world. Moreover, small arms are not only used in armed conflicts but also in conflicts between individuals, within families and between groups and gangs. Nowadays, there are about 875 million small arms in circulation.³⁰⁵

States have the right - and indeed the obligation - to protect their citizens and individually or collectively defend security interests. States' responsibilities towards public security include regulating, checking and monitoring the manufacture, transfer, possession, stockpiling and use of arms. Yet, in practice there has been a lack of expediency to governments and multilateral bodies (such as the United Nations Security Council) to monitor the international arms trade. Civil society research reports show how the arms industry, despite existing regulatory regimes, continues to sell arms to human rights abusing regimes and conflict zones.³⁰⁶

In 2016, total global military expenditure had an estimated value of EUR 1,600 billion. On average, military expenditure was about 2.2% of the Gross National Product (GNP). The United States spending of EUR 580 billion accounted for 36% of global military expenditure, followed at a large distance by China (13%), Russia (4.1%), Saudi Arabia (3.8%), India (3.3%) and France (3.3%). Military expenditure increased in Asia and Oceania, Europe (Central, Eastern and Western) and North America.³⁰⁷

There seems to be a relationship between military expenditure and the socio-economic development of poor countries. Globally, military expenditure counts for about 9% of total public spending. In developing countries - where there is a large need for investments in agriculture and food, education, health care and infrastructure - military expenditure is often a significant barrier to reaching the Sustainable Development Goals (SDGs).³⁰⁸ According to the 2015-2016 figures of the SIPRI Military Expenditure Database, Chad (15.4%), Myanmar (15.7%) and Congo (16.5%) are examples of developing countries that spent a significant amount of their total government budget on military material.³⁰⁹

The harmful effect of military expenditure on human development is further aggravated by debts made for purchasing military equipment. An estimated 15 to 20% of global indebtedness is related to military spending. In many developing countries, interest payments on military debts surpass the expenditures on health care and education.³¹⁰

Perhaps more than any other legal trade, international arms trade is also strongly connected to corruption.³¹¹ Despite the fact that arms trade only constitutes for 1% of global trade, studies by SIPRI suggest that corruption in the arms trade contributes roughly to 40% of all corruption in global transactions.³¹² Transparency International estimates that corruption in the arms trade leads to a loss of USD 20 billion annually.³¹³ A large part of arms exports goes to developing countries and emerging economies³¹⁴ and through corruption, public funds are diverted from spending on economic and social development and may end up fueling conflict.

While one of the targets of SDG 16 Peace, Justice and Strong Institutions is to reduce illicit financial and arms flows by 2030, arms industry also pose serious threat to other SDG goals.³¹⁵ For example, SDG 1 No Poverty, SDG 2 Zero Hunger, SDG 3 Good Health and Well-being, and SDG 10 Reduced Inequalities cannot be achieved with ongoing investments in arms trade as it has a double impact.³¹⁶ Firstly, by attracting investments that could have been used otherwise in achieving economic development. Secondly, by its use, the affected population is deprived of many basic needs.

The industry needs to be thoroughly and structurally reformed to ensure, as a minimum, that:

- No arms are produced which do not distinguish between combatants and non-combatants (i.e. which violate International Humanitarian Law);
- Arms are not supplied to repressive regimes, fragile states, and non-state actors;
- Corruption is eliminated and transparency in reporting is improved;
- Products and services supplied/sold do not affect the sustainable development of poor countries.

As long as these structural changes do not occur in the arms industry, investing in this industry imposes large corporate social responsibility (CSR) risks. Financial institutions could finance or invest in companies that are involved in corrupt practices or in trade with oppressive regimes. Hence, it is of great importance that financial institutions implement a policy for this industry that is based on the international standards described below.

3.1.2 International standards and initiatives

The main international standards on arms are summarised per topic, followed by the assessment elements that are formulated by FFGI as a result:

- **International humanitarian law**

International Humanitarian Law (IHL) is a collection of leading international agreements that constitute the rules concerning armed conflicts. The objective of IHL is to limit civilian suffering from armed conflicts. It protects people who do not participate in hostilities and limits the means and methods of warfare. An important principle is that distinction has to be made during warfare (including with the use of arms) between soldiers and civilians: civilians should not be a target in warfare.³¹⁷

This leads to assessment element

1	Production of, maintenance of, and trade in anti-personal landmines, including important parts of landmines, is unacceptable.
2	Production of, maintenance of, and trade in cluster munitions, including important parts of cluster munitions, is unacceptable.
3	Production of, maintenance of, and trade in nuclear weapons, including important parts of nuclear weapons, in or to countries that have not ratified the Non-proliferation Treaty is unacceptable.
4	Production of, maintenance of, and trade in nuclear weapons, including important parts of nuclear weapons, is unacceptable.
5	Production of, maintenance of, and trade in chemical weapons, including important parts of chemical weapons, is unacceptable.
6	Production of, maintenance of, and trade in biological weapons, including important parts of biological weapons, is unacceptable.

- **Specific weapon systems**

There are various international conventions that concern the production, the use, the storage, and the trade of specific weapon systems:

- The 1970 Nuclear Non-proliferation Treaty (NPT) aims to prevent the spread of nuclear arms.
- The 1975 Biological and Toxin Weapons Convention (BWC) prohibits the use of biological and toxin weapons.
- The 1980 Convention on Certain Conventional Weapons (CCW) aims to ban or restrict the use of weapons that are considered to cause unnecessary or unjustifiable suffering to combatants or to affect civilians indiscriminately.
- The 1997 Chemical Weapons Convention (CWC) prohibits chemical arms.
- The 1997 Mine Ban Treaty prohibits anti-personnel landmines.
- The 2008 Convention on Cluster Munitions (CCM) bans cluster munitions.
- The 2017 Treaty on the Prohibition of Nuclear Weapons bans nuclear weapons.

International conventions and national legislation on arms rarely explicitly include prohibitions on financial investments. However, civil society organisations and a growing group of states interpret investments in cluster munitions as banned under the CCM. Article 1 (1) c of this convention reads: "Each State Party undertakes never under any circumstances to assist, encourage or induce, in any way, anyone to engage in any activity prohibited to a State Party under this Convention."³¹⁸

An increasing group of countries has expressed that article 1.1c, according to their understanding, also includes a ban on financial assistance. Australia, Bosnia and Herzegovina, Cameroon, Canada, Colombia, Congo DR, the Republic of Congo, Costa Rica, Croatia, the Czech Republic, France, Ghana, Guatemala, the Holy See, Hungary, Lao PDR, Lebanon, Madagascar, Malawi, Malta, Mexico, Niger, Norway, Rwanda, Senegal, Slovenia, the United Kingdom and Zambia have all said to interpret the article in such a way that investments in cluster munitions are or can be seen as prohibited under the convention. Belgium, Ireland, Italy, Liechtenstein, Luxembourg, the Netherlands, New Zealand, Samoa, Spain and Switzerland have adopted laws to prohibit (different kinds of) investments in cluster munitions.³¹⁹ The Treaty on the Prohibition of Nuclear Weapons, in article 1(e) also prohibits 'assistance' to the production of nuclear weapons.³²⁰

This leads to assessment element

1	Production of, maintenance of, and trade in anti-personal landmines, including important parts of landmines, is unacceptable.
2	Production of, maintenance of, and trade in cluster munitions, including important parts of cluster munitions, is unacceptable.
3	Production of, maintenance of, and trade in nuclear weapons, including important parts of nuclear weapons, in or to countries that have not ratified the Non-proliferation Treaty is unacceptable.
4	Production of, maintenance of, and trade in nuclear weapons, including important parts of nuclear weapons, is unacceptable.
5	Production of, maintenance of, and trade in chemical weapons, including important parts of chemical weapons, is unacceptable.
6	Production of, maintenance of, and trade in biological weapons, including important parts of biological weapons, is unacceptable.

In addition to the weapon systems that are already prohibited by international conventions, the United Nations' [Convention on Certain Conventional Weapons](#) (CCW) is considering how to address the concerns related to lethal autonomous weapon systems (LAWS). Following a November 2017 meeting, [22 countries support a prohibition on LAWS](#). The [Campaign to Stop Killer Robots](#), a coalition of civil society organizations, defines LAWS as fully autonomous weapons, that can select and engage targets without meaningful human control over individual attacks.

There are [various legal, ethical and security concerns](#) regarding LAWS. A legal concern is that LAWS are unlikely to be able to adhere to International Humanitarian Law and Human Rights Law. They would also create an accountability vacuum regarding who is responsible for an unlawful act. A security concern is that the deployment of LAWS could lower the threshold for the use of force and reduce the incentive to find political solutions to end conflicts. LAWS could lead to a new international arms race, which would have destabilising effects and threaten international peace and security. The proliferation of LAWS could enable dictators, non-state armed actors or terrorists to acquire these weapons. A fundamental ethical concern is that a machine should never be allowed to make the decision over life and death. This decision cannot be reduced to an algorithm.

Due to these concerns the Campaign to Stop Killer Robots calls on states to install a legally binding instrument that pre-emptively prohibits the development, production and deployment of LAWS.³²¹ Likewise, [over 3,000 artificial intelligence and robotics experts](#) and [116 industry leaders](#) call for regulation of LAWS, but also [religious leaders](#), [Nobel peace Laureates](#) and the [European Parliament](#) are in favor of a ban.

The FFGI calls on financial institutions to follow the example of the [Norwegian Government Pension Fund Global](#) to develop expertise and understanding of this upcoming issue, as LAWS will most likely be deemed controversial investments in the near future.

- **International arms trade**

It is of course never allowed to supply arms to countries on which an embargo is imposed. Besides, supplying arms to countries where people lack basic freedoms or where armed conflicts rage, is undesirable. Likewise, in countries most receptive to corruption, in fragile states, or where a relatively high share of public spending is for the military, there is a serious risk that delivering arms enhances violations of human rights and/or contribute to creating more poverty.³²²

There are various initiatives to regulate arms trade in order to, for instance, prevent arms from being delivered to repressive regimes or countries in conflict.

Organisations such as the United Nations Security Council and other multilateral organisations have the (international) authority to establish arms embargoes against certain countries or armed troops. Mostly, embargoes are established following involvement in conflicts involving serious violations of human rights.^{xxii}

xxii For an extensive up-to-date overview, see SIPRI's Arms Embargoes Database:
<http://www.sipri.org/databases/embargoes>.

Some arms embargoes are partial in nature. For example, the EU embargo against China is understood to ban the export of “lethal” goods³²³, whereas the only politically binding EU embargo against Egypt relates to goods that might be used for internal repression.³²⁴ This research does not make such distinctions, because in most cases, transferring arms to countries under a partial embargo means supporting repressive regimes.

Other embargoes only apply to so-called non-government forces (NGF's). In this research, the countries' territories, within which the NGF's under an embargo operate, are also considered controversial with regard to arms trade. These countries should by definition be considered as weak or fragile states, as the government does not have a monopoly on the use of violence within its own territory. Consequently, it is not uncommon that arms supplied to government forces of fragile states end up with NGF's.³²⁵

This leads to assessment element

8	Supply of arms and weapon systems, military transport systems, and other military goods to countries that are under a United Nations or relevant multilateral arms embargo, is unacceptable.
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- **Human rights law and international humanitarian law**

The Arms Trade Treaty (ATT) is a multilateral treaty that regulates the international trade in conventional arms. It was adopted on 2 April 2013 by the General Assembly of the United Nations with a large majority of votes. After obtaining the required 50 ratifications, the treaty entered into force on 24 December 2014.³²⁶ The ATT describes how it regulates the conventional weapons trade: "At the heart of the ATT is the obligation on countries that have joined it to make an assessment of how the weapons they want to transfer will be used. They must determine if the arms would commit or facilitate genocide, crimes against humanity, war crimes and serious human rights violations. Each state must assess if there is an overriding risk that a proposed arms export to another country will be used for or contribute to serious human rights abuses. If so, those arms must not be sent. [...] The Treaty [also] sets out guidelines for states that are importing weapons, and requires importers and exporters to cooperate in sharing information necessary to make the above assessment. It also includes obligations for countries that have weapons transiting through their borders and for brokering activities. [...] The Treaty covers conventional weapons (meaning not nuclear, chemical or biological). The arms specifically mentioned in the Treaty are battle tanks, armoured combat vehicles, large-caliber artillery systems, combat aircraft, attack helicopters, warships, missiles and missile launchers and small arms and light weapons. Ammunition, as well as the parts and components that make up weapons systems, also fall under its regulation".³²⁷ The treaty is open to additional regulations on future military technologies.³²⁸

During the process of drafting and negotiating the ATT, Amnesty International has insisted on including the so-called Golden Rule on Human Rights and Humanitarian Law in the ATT. The Golden Rule specifies that "all governments must avoid trade in arms - also military arms, munitions and gear - when there is a substantial risk that the weapons be used for severe violations of international human rights and humanitarian rights."³²⁹ In the ATT the term *overriding risk* has been chosen for the aforementioned *substantial* risk. Taken into account that the humanitarian principles that form the basis of the ATT, this means -according to the Control Arms Campaign- that states are not allowed to export in case of a 'substantial or clear' risk of the arms being used for violations of human or humanitarian rights.³³⁰

This leads to assessment element

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|----|---|
| 9 | Supply of arms and weapon systems, military transport systems, and other military goods is unacceptable if there is an overriding risk that the arms will be used for serious violation of international human rights and humanitarian law. |
| 10 | Supply of arms and weapon systems, military transport systems, and other military goods to countries that severely violate human rights, is unacceptable. |
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- **Controversial arms trade**

The EU has also recognized the need for a system to control arms transfers. Its 2008 Common Position “defining common rules governing control of exports of military technology and equipment” contains eight criteria, aimed at, among others, preventing military exports likely to be used in the country of final destination for internal repression, in internal or international conflicts. The EU arms export policy also contains measures to facilitate implementation by the member states and improve cooperation between the member states. The EU criteria are summarized below.³³¹

- Respect for international commitments of Member States, in particular sanctions decreed by the UN Security Council and the EU, as well as agreements on non-proliferation and other international obligations;
- The respect of human rights and international humanitarian law in the country of destination;
- The internal situation in the country of final destination, as a function of the existence of tensions or armed conflicts;
- Preservation of regional peace, security and stability;
- The national security of the Member States and of territories whose external relations are the responsibility of a Member State, as well as that of friendly and allied countries;
- The behaviour of the buyer country with regard to the international community, as regards in particular its attitude to terrorism, the nature of its alliances and respect for international law;
- The risk that equipment will be diverted within the buyer country or re-exported under undesirable conditions;
- The compatibility of the arms exports with the technical and economic capacity of the recipient country, taking into account the desirability that states should achieve their legitimate needs of security and defence with the least diversion for armaments of human and economic resources, e.g. through considering the recipient country’s relative levels of military and social spending.

The [EU Common Military List](#) should be used to define if a product should be considered as military equipment. Equipment that can be used for both civilian and military applications, should be considered as military equipment when they have a non-civilian purpose.

This leads to the assessment element 7.

This leads to assessment element

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| 7 | Goods that are essential for military purposes, but can also be used for civilian products (‘dual-use’ goods), are considered as military goods when they have a non-civilian purpose. |
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Several lists and initiatives can serve to illustrate positions of countries relating to issues covered by these criteria:

- Most of the countries where people lack freedom can be looked up in the index of the Freedom House. This is an independent American non-profit organisation that ever since 1941 has stood up for democracy and freedom all over the world. The Freedom House annually publishes [Freedom in the World](#). This publication assesses 195 countries and 14 related and disputed territories with regard to Political Rights and Civil Rights.
- In addition, the Economist's [Democracy Index](#) provides a snapshot of the state of democracy worldwide. The report covers almost the entire population of the world and the vast majority of the world's states (micro states are excluded). The Democracy Index is based on five categories:³³²
 - electoral process and pluralism;
 - civil liberties;
 - the functioning of government;
 - political participation; and
 - political culture.

Countries are placed within one of four types of regimes: full democracies, flawed democracies, hybrid regimes, and authoritarian regimes.

Countries that have been caught up in armed conflicts are ranked in the [Uppsala Conflict Data Program](#). Also [The Global Peace Index](#) of Vision of Humanity, an Australian research institute, is a useful tool. It assesses the extent to which countries live in peace or are caught up in conflicts, using 23 indicators.

The [Government Defence Anti-Corruption Index](#) [Corruption Perception Index](#) of Transparency International is the first global analysis of corruption risk within military establishments worldwide. It assesses and compares levels of corruption risk and vulnerability across countries.

The [Fragile States Index](#) can be used for identifying fragile states. This Index is published by Foreign Policy, an American magazine and the Fund for Peace, an American research institute. The Fragile States Index assesses 178 states, using 12 social, economic, political and military indicators in order to indicate which states are most vulnerable to violent internal conflicts and social decline.

In order to indicate which countries spend a great part of their government budget on arms the publications of the [Stockholm International Peace Research Institute \(SIPRI\)](#) may be used. SIPRI is an independent Swedish research institute for peace and security. Among many others things, they publish data on levels of relative military spending.

This leads to assessment element

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| 11 | Supply of arms and weapon systems, military transport systems, and other military goods to parties involved in conflict is unacceptable, unless to parties acting in accordance with a UN Security Council resolution. |
| 12 | Supply of arms and weapon systems, military transport systems, and other military goods to countries that are sensitive to corruption, is unacceptable. |
| 13 | Supply of arms and weapon systems, military transport systems, and other military goods to countries having a failed or fragile state, is unacceptable. |
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14	Supply of arms and weapon systems, military transport systems, and other military goods to countries that spend a disproportionate part of their budget on purchases of arms, is unacceptable.
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- **Exceptions for certain types of investments or activities**

The policy of a financial institution should not include exceptions for certain types of investment, financing and/or asset classes of the financial institution. Furthermore, the policy should not include exceptions for activities or projects that are not related to the production of weapons.

This leads to assessment element

15	The policy does not mention exceptions for certain types of investment, financing and/or asset classes of the financial institution.
16	The policy does not mention exceptions for activities or projects that are not related to the production of weapons.

3.1.3 Assessment elements

Even more so than in other sectors, financial institutions have to carefully consider their investments in arms manufacturers and traders. First of all, because it concerns lethal products with potentially devastating effects, but also because the industry is hardly transparent and has a history of corruption and violations of the law. With outstanding loans and/or investments in this industry, financial institutions can get involved in transactions related to very serious violations of human rights, armed conflicts, corruption, and the production of controversial or banned weapons.

The following elements are crucial for a policy regarding the companies a financial institution invests in or finances:

1. Production of, maintenance of, and trade in anti-personal landmines, including important parts of landmines, is unacceptable.
2. Production of, maintenance of, and trade in cluster munitions, including important parts of cluster munitions, is unacceptable.
3. Production of, maintenance of, and trade in nuclear weapons, including important parts of nuclear weapons, in or to countries that have not ratified the Non-proliferation Treaty is unacceptable.
4. Production of, maintenance of, and trade in nuclear weapons, including important parts of nuclear weapons, is unacceptable.
5. Production of, maintenance of, and trade in chemical weapons, including important parts of chemical weapons, is unacceptable.
6. Production of, maintenance of, and trade in biological weapons, including important parts of biological weapons, is unacceptable.
7. Goods that are essential for military purposes, but can also be used for civilian products ('dual-use' goods), are considered as military goods when they have a non-civilian purpose.
8. Supply of arms and weapon systems, military transport systems, and other military goods to countries that are under a United Nations or relevant multilateral arms embargo, is unacceptable.
9. Supply of arms and weapon systems, military transport systems, and other military goods is unacceptable if there is an overriding risk that the arms will be used for serious violation of international human rights and humanitarian law.

10. Supply of arms and weapon systems, military transport systems, and other military goods to countries that severely violate human rights, is unacceptable.
11. Supply of arms and weapon systems, military transport systems, and other military goods to parties involved in conflict is unacceptable, unless to parties acting in accordance with a UN Security Council resolution.
12. Supply of arms and weapon systems, military transport systems, and other military goods to countries that are sensitive to corruption, is unacceptable.
13. Supply of arms and weapon systems, military transport systems, and other military goods to countries having a failed or fragile state, is unacceptable.
14. Supply of arms and weapon systems, military transport systems, and other military goods to countries that spend a disproportionate part of their budget on purchases of arms, is unacceptable.
15. The policy does not mention exceptions for certain types of investment, financing and/or asset classes of the financial institution.
16. The policy does not mention exceptions for activities or projects that are not related to the production of weapons.

Financial institutions that publicly state they exclude the arms industry (both upstream and downstream companies) from their finance and investment universe because of the sustainability risks involved, but that do not publish a detailed policy document with all the expectations covered by the above assessment elements, will receive a score of 10. If this commitment is made for one or more but not all four FFGI investment categories, a content score and scope score for the relevant categories will be given for all assessment elements.

3.2 Financial sector

3.2.1 What is at stake?

In an increasingly globalised world, financial institutions play a crucial role in the global division of financial means. Most governments and companies depend on financial institutions to invest and to provide products and services. The investments of financial institutions take place in a global marketplace where their monies can be deployed in all industries and on all continents in virtually any social activity, including financial institutions that only have offices in their own country.

This ubiquity creates opportunities and risks. Because their monies are deployed in all corners of the world, financial institutions are in a unique position to play a role in the social changes that are necessary to enable a sustainable and socially just future. They can invest in or finance new products and production processes with which energy is saved and sustainable energy provision is encouraged, with which income and development opportunities are offered in developing countries or with which millions of people can get access to health care. In order to reach all of the Sustainable Development Goals (SDGs) an active role for financial institutions is indispensable.³³³

The 2016 publication of UNEP and the Institute for Human Rights and Business, Human Rights and Sustainable Finance, states: "the international human rights framework is an integral part of defining the purpose of the financial system in serving society. The framework calls for the financial system at systemic, client, and consumer levels to avoid harming people's rights, make finance accessible to all, and create innovative financial policies, regulations, products, and services to help build a resilient economy and society".³³⁴

However, this important role also has a downside: often investments by financial institutions are used for activities that harm the environment, human rights and development opportunities. There are countless examples of financial institutions that, often without sufficiently realising it, enable large-scale deforestation with their monies, as well as the construction of polluting mines, supplying arms to oppressive regimes and factories where labour rights are violated.³³⁵ Also, the credit crisis shows that many financial institutions have been led by purely financial motives, where they have neglected assessing the risks of their investments - for the financial institution itself, but also for society.³³⁶

The role of financial institutions is also well recognised in achieving the SDGs. While many SDGs focus on increasing financial inclusion, the overall economic growth and prosperity can't be achieved without responsible investments and lending decisions by the financial institutions. For instance, goals such as SDG 1 No Poverty, SDG 2 Zero Hunger, SDG 7 Affordable and Clean Energy, and SDG 13 Climate Action require responsible investing and financing decisions by the financial institutions.³³⁷

Many governments and banking regulators are currently launching guidelines and initiatives to push the banks in their country to invest more responsibly. Internationally, the [Sustainable Banking Network](#), created by IFC, forms a group of banking regulators and associations that are interested in sustainable banking policies, guidelines and practices and collective learning of its members. To promote the integration of sustainability in investment practices in the financial sector, in 2016 UNEP FI, PRI and the Generation Foundation have launched a three year programme to integrate sustainability into investors' fiduciary duties. The goal of the project is "to mobilise investors to uphold the full remit of fiduciary duty and take full account of material sustainability factors in investment practices".³³⁸

From the report [Environmental and Social Risk Due Diligence in the Financial Sector](#) it becomes clear that financial institutions increasingly establish sustainability conditions for the companies and governments in which they invest. Similar initiatives are visible through China's [Green Credit Guidelines](#), Indonesia's [Sustainable Finance Roadmap](#) and Brazil's regulation on environmental and social responsibility (CMN Resolution No. 4,327 and [CMN Resolution No. 4,557](#)). On a global level, UN Environment and the World Bank published a [Roadmap for a sustainable financial system](#).

Complementary to this, financial institutions should also set conditions to the loans they supply to other financial institutions, to prevent that, via a detour, their monies still end up at the companies and governments in which they do not want to invest. The investment policy of financial institutions should ensure that financial institutions only lend money to other financial institutions that also take their social responsibilities seriously. When developing policies for this industry, financial institutions can make use of the international standards described below.

3.2.2 International standards and initiatives

The main international standards on the financial sector are summarised per topic, followed by the assessment elements that are formulated by FFGI as a result:

- **Business operations**

As for other international companies, financial institutions may be expected to comply with general guidelines for responsible business operations in their relations with employees, clients, governments, and the wider society. The most well-known examples are the [UN Global Compact](#), which formulates ten principles of responsible business, the [OECD Guidelines for Multinational Enterprises](#), in which a wide range of social and environmental topics are addressed and [ISO 26000:2010 Guidance on social responsibility](#), in which the social responsibility of organisations is described in 7 principles and 7 core issues.

Also sustainability reporting is important. The framework [GRI Sustainability Reporting Standards \(GRI Standards\)](#), and the [GRI G4 Financial Services Sector Disclosure](#), may, amongst others, be used for such reporting. For small and medium enterprises (SMEs), less elaborate sustainability reporting is required. SMEs can report on the GRI disclosures that are relevant to their operations, for example by following the [High5! Approach](#).

This leads to assessment element

1	Financial institutions report on their tax payments to governments for each country where they operate.
2	Financial institutions do not participate in transactions nor provide advice for safeguarding tax advantages as the main objective.
5	Financial institutions endorse the UN Global Compact principles.
6	Financial institutions endorse the OECD Guidelines for Multinational Enterprises
13	Financial institutions publish a sustainability report that may contain (a number of) disclosures from the GRI Standards.
14	Financial institutions publish a sustainability report that is set up in accordance with the (Core or Comprehensive option of) GRI Standards.

- **Management of social and environmental risks**

There are various guidelines that stimulate financial institutions to pay more attention to the possible social and environmental risks of their investments. Led by the [United Nations Environmental Programme](#), in 1992 the [UNEP Finance Initiative \(UNEP FI\)](#) has been established. By now, more than 200 banks, insurance companies and other financial institutions from all over the world have [signed](#) the [UNEP FI statement](#), in which they commit to integrate social and environmental criteria in all of their business activities. UNEP FI organises all kinds of meetings and work groups to help the signatories bring this objective into practice. The organisation has launched a guidance note that should help the financial institutions with developing their policies and published the [Roadmap for a Sustainable Financial System](#) in 2017.

In 2017 the OECD published a guidance document on [Responsible Business Conduct for Institutional Investors](#). It "explains the application of the OECD Guidelines for Multinational Enterprises in the context of institutional investors. The paper highlights key considerations for institutional investors in carrying out due diligence that will help to identify and respond to environmental and social risks."³³⁹

This leads to assessment element

7	Financial institutions endorse the OECD Guidelines for Multinational Enterprises
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8	Financial institutions endorse the UNEP FI declaration.
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- **Asset management**

Through the UNEP Finance Initiative, in April 2006 an international group of asset management companies, investment funds and pension funds launched the [Principles for Responsible Investment \(PRI\)](#). The signatories promise to from now on “integrate environmental, social and governance issues in their investment decisions”. The PRI makes various suggestions on how to take these topics into consideration, such as purchasing sustainability analysis and developing active voting and engagement policies. By November 2017, the PRI has been signed by 1,856 institutional investors (pension funds, insurance companies and asset management companies) and service providers.³⁴⁰ Many of the signatories are subsidiaries and sister companies of large international banks.³⁴¹

This leads to assessment element

8	Financial institutions endorse the PRI declaration.
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- **Money laundering and terrorist financing**

The international standard in the field of money laundering is set by the [Financial Action Task Force \(FATF\)](#), a work group that was established by the OECD in 1989. The FATF comprises of 37 members, mostly governments of OECD-member states. The FATF aims to promote the successful implementation of legal, regulatory and operational procedures for combating money laundering, the financing of terrorists and other associated threats to the integrity of the international financial system.

The FATF has developed a set of [Forty Recommendations](#) that are considered as the international standards for the combating of money laundering. These recommendations offer guidelines and tools to governments and financial institutions to fight money laundering and criminal earnings at all levels. The recommendations have been published in 1990 and were last updated in October 2016.. The FATF has also published several Interpretative Notes, which provide guidance on the application of the guidelines in practice.

The Forty Recommendations have been taken over by numerous international institutions, such as the World Bank and the International Monetary Fund (IMF), as well as by the governments of many countries. In February 2013, the European Union processed the latest edition of the Forty Recommendations in the [Fourth AMLD \(EU Directive 2015/849\)](#).

The [Wolfsberg Group](#), a group of 11 international banks that undertake a lot of activities in the field of *private banking* (banking for rich private clients), published a revised edition of the [Wolfsberg Anti-Money Laundering Principles on Private Banking](#) in May 2012. In these principles, the Forty Recommendations are further elaborated on asset management and private banking. In addition, the Wolfsberg Group has also published various other principles in the field of money laundering, financing of terrorism and corruption.

This leads to assessment element

9	Financial institutions comply with the FATF recommendations.
10	Financial institutions comply with the Wolfsberg Principles.

- **Project financing**

In June 2003, a group of leading banks on the project financing market launched the Equator Principles, together with World Bank subsidiary International Finance Corporation. The principles relate to project financing, a specific type of company financing intended for large, complicated projects. This is one of the ways in which mines, oil and gas plants, chemical factories, roads, railways, dams and other types of infrastructure are being financed. The Equator Principles have been signed by 91 financial institutions. Jointly, these financial institutions represent a major part of the global project financing market.

The Equator Principles are intended to recognise, assess and control the social and environmental risks of project financing. For this purpose, the risk assessment procedures and the Performance Standards of the International Finance Corporation are followed. This means that all financing requests for projects with a value of USD10 million or more are divided into three categories based on their expected effects. Depending on the category, an environmental impact assessment and an environment management plan are requested. Also, social and environment conditions can be included in financing contracts and regular reporting from clients on these topics is required.³⁴²

By now the principles are updated for the third time. The Equator Principles 3 have been published in June 2013. The most important changes are:

- The scope has been widened, with transitional loans and project related corporate loans.
- More transparency about the assessment is expected due to obligation to publish reports.
- There should be more attention for *due diligence* regarding human rights and climate change.

In November 2017 the Equator Principles Association announced it will soon start the process that should lead to the Equator Principles 4 in 2019: "The aim of the process will be on a targeted update to the EPs – 'EP4' – that will consider the key issues of scope of applicability, human rights (inclusive of the rights of Indigenous Peoples), and climate change, amongst others. [...] While EP3 is still in effect, and in view of the period that EP4 revision will take, a clarification note on some specific aspects regarding application of the EPs in Designated Countries will be developed and issued publicly by the Association."³⁴³

This leads to assessment element

11	For project financing, financial institutions apply the Equator Principles.
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- **Bond issuances**

The International Capital Market Association (ICMA) in 2014 created the Green Bond Principles (GBP) and lastly updated them in March 2015. The principles are voluntary guidelines that recommend transparency and disclosure, and promote integrity in the development of the fast growing Green Bond market by clarifying the approach for issuance of a Green Bond.

Thereby Green Bonds are defined as projects and activities that will promote progress on environmentally sustainable activities as defined by the issuer (Principle 1) and in line with the issuer's project process for evaluation and selection (Principle 2). The management of Green Bond proceeds should be traceable within the issuing organization (Principle 3) and issuers should report at least annually on use of proceeds (Principle 4). As for the current market situation, four types of Green Bonds can be defined: Green Use of Proceeds Bonds, Green Use of Proceeds Revenue Bonds, Green Project Bonds and Green Securitised Bonds.³⁴⁴

This leads to assessment element

12	For bonds issuances, financial institutions apply the Green Bond Principles.
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- **Sustainable banking**

In January 2003, the civil society organizations network [BankTrack](#) launched the [Collevechio Declaration on Financial Institutions and Sustainability](#). The declaration calls upon financial institutions to accept six obligations that explain the expectations of society regarding the role and responsibilities of financial institutions. It concerns the obligation for sustainability, not causing any harm, responsibility, accountability, transparency and sustainable markets and regulations.³⁴⁵

In November 2006, the Collevechio Declaration was further elaborated in the handbook: [The do's and don'ts of Sustainable Banking](#). This handbook provides a lot of concrete and practical advice to banks that want to make their business activities sustainable: where banks have to start, what they have to pay attention to, which challenges they face and what has to be avoided.

This leads to assessment elements 2, 3 and 4.

This leads to assessment element

2	Financial institutions do not participate in transactions nor provide advice for safeguarding tax advantages as the main objective.
3	Financial institutions are not active in risky trade and investment activities (trade in options, futures and other derivatives) on their own account, other than covering the financial risks of their credit provision.
4	Financial institutions have drafted investment policies on sensitive industries and crucial issues, based on international treaties and conventions.

3.2.3 Assessment elements

To prevent that the monies of a financial institution still end up at companies, governments, and other parties that do not trade according to the principles of the financial institution via detours, it is important to establish rules for financial relations with other commercial banks and multilateral banks. This mainly concerns loans to other banks and investments in shares and bonds of other banks.

The following elements are crucial for a policy regarding the companies a financial institution invests in or finances:

1. Financial institutions report on their tax payments to governments for each country where they operate.
2. Financial institutions do not participate in transactions nor provide advice for safeguarding tax advantages as the main objective.
3. Financial institutions are not active in risky trade and investment activities (trade in options, futures and other derivatives) on their own account, other than covering the financial risks of their credit provision.
4. Financial institutions have drafted investment policies on sensitive industries and crucial issues, based on international treaties and conventions.
5. Financial institutions endorse the UN Global Compact principles.
6. Financial institutions endorse the OECD Guidelines for Multinational Enterprises

7. Financial institutions endorse the UNEP FI declaration.
8. Financial institutions endorse the PRI declaration.
9. Financial institutions comply with the FATF recommendations.
10. Financial institutions comply with the Wolfsberg Principles.
11. For project financing, financial institutions apply the Equator Principles.
12. For bonds issuances, financial institutions apply the Green Bond Principles.
13. Financial institutions publish a sustainability report that may contain (a number of) disclosures from the GRI Standards.
14. Financial institutions publish a sustainability report that is set up in accordance with the (Core or Comprehensive option of) GRI Standards.

3.3 Fisheries

3.3.1 What is at stake?

Over three quarters of the world's waters have already been fished up to or beyond their biological limits.³⁴⁶ As a result of this, the FAO reported in 2016 that 31.4% of fish stocks were estimated as overfished, with 58.1% as fully fished and 10.5% as underfished.³⁴⁷ In 2013, the ten most productive fish species accounted for roughly 27% of the world's marine capture. Most of these stocks are fully fished and, therefore, do not show any potential for increases in production. Some stocks are overfished and need to be restored in order to show increases in production.³⁴⁸ Besides the potential collapse of fisheries, impacts of ecosystem changes can affect many species. For example, research also shows that a shortage of krill leads to a decrease in the penguin population.³⁴⁹ Fisheries can be located in the sea, in freshwater bodies or even on land, including many different forms of fishing and aquaculture. The sector has a wide variety of issues from land tenure, tax evasion, environmental problems, labour risks, water use and water quality, health management, food safety, disease control, animal welfare and genetic engineering.³⁵⁰

The following problems lead to the depletion of fish stocks:

- Various fishing techniques - such as drift nets - have a large impact on the survival of fish species and other animals that are captured by accident. Examples of these are turtles, seabirds and marine mammals. Other ways of fishing - such as trawling - destroy the natural sea environment and change the composition of the seabed, a composition that is desperately needed to maintain and restore the biodiversity in our oceans.³⁵¹
- Overfishing deprives local fishing communities of their source of food and income. Communities depending on small-scale fishing are already suffering serious consequences, such as the loss of food sovereignty and security.³⁵²
- Globally, governments grant between EUR 27 billion and EUR 35 billion of subsidies to the fishing industry.³⁵³ These government subsidies lead to undue investments in the fishing fleet and in this way overfishing is stimulated. In the long term, such subsidy policies also lead to major economic damage for the fishing industry itself. The report [Paying for Overfishing](#) stated in July 2013 that due to overfishing EUR 3.2 billion of economic value is lost within the EU annually. The main reason for this is that the reduced fish stock will impact the fishing companies' turnover and leads to job loss in the industry.³⁵⁴ The [Jobs Lost at Sea](#) report states that if fish is caught in a sustainable way in Europe, this would provide 100,000 jobs annually.

- Bycatch occurs where fish (or other animal species) are captured inadvertently during fishing and are afterwards mostly thrown back into the ocean. On average, at least 7.3 million tons of marine life are caught incidentally, in some industries the percentage of bycatch is far more than that of the target catch.³⁵⁵ Tropical shrimp trawling accounts for up to 62% of all global discarded catch. Of every kilo of shrimp caught, on average 1.65 kg of bycatch is netted and subsequently discarded. However, this number could be much higher, especially where bycatch reduction devices have not been implemented.³⁵⁶
- Fishing gear lost or left behind at sea (so-called ghost fishing) can cause unintended catch and entanglement of fish and other marine animals and is environmentally polluting, with the fish catch getting wasted as well.³⁵⁷
- A significant problem for the sustainable management of fisheries is the *illegal, unregulated and unregistered* (IUU) fishing that violates international and national protective measures for fishing. It often concerns boats that use so-called *flags of convenience*: the boats are registered in countries that do not monitor their fishing industry, or do so ineffectively.³⁵⁸ Many communities that rely on fishing as a source of income and food also suffer from IUU. It is estimated that losses from illegal catch alone cost West-Africa as much as USD 1.3 billion annually. In Senegal IUU loss is estimated at around USD 300 million in 2012, which is equivalent to 2% of the GDP.³⁵⁹

Because wild catch has decreased in recent years, the increase in fish production is due to the development of fish farms.³⁶⁰ Fish farming is often praised because it could be of importance for the diversification of revenues and the diet of poor coastal communities. Yet, fish farming can also have negative effects on, for example, the mangroves and coastal *wetlands*, on the water quality and on the genetic variation of local fish species. The [FAO Code of Conduct for Responsible Fisheries](#) asks countries to ensure that the harmful consequences of fish farms on the environment are quantified and minimised.

Also, in the socio-economic field there are often problems involving fish farms, such as social conflicts around land rights, loss of employment and revenue sources and poor working conditions. And because some fish species need a disproportionate amount of proteins to grow (for one kilogram of salmon three kilos of protein is needed, and for each kilo of tuna ten kilograms of protein is needed), fish farms are also advised to switch to vegetarian fish species such as catfish and tilapia.³⁶¹

Nevertheless, fisheries as a sector has a large role to play in the SDGs. Some of the issues related to fisheries are targeted in the SDG 14 Life Below Water. This goal aims to regulate harvesting and end overfishing, illegal, unreported and unregulated fishing and destructive fishing practices and implement science-based management plans, in order to restore fish stocks in the shortest time feasible by 2020. The other targets aims to cut fisheries subsidies that contribute to overcapacity and overfishing, illegal, unreported and unregulated fishing by 2020. SDG 14 Life Below Water also targets increasing the economic benefits to small island developing states and least developed countries from the sustainable use of marine resources, including through sustainable management of fisheries, aquaculture and tourism.³⁶² Besides, SDG 14 Life Below Water, there are other SDGs that are directly linked to sustainable fishing practices such as SDG 1 No Poverty, SDG 2 Food Security, SDG 3 Good Health and Well-being, SDG 12 Responsible Consumption and Production and SDG 13 Climate Action.³⁶³

If the current situation does not improve, decreasing fish stocks reduces the capacity for recovery and has many socio-economic consequences, next to the environmental dangers.³⁶⁴ Action against overfishing is also crucial for small scale fishing communities because they are at risk of losing their income and sources of food supply due to industrial overfishing. In order to make the fishing industry sustainable, the following changes are necessary:

- Abrogation of harmful fishing techniques such as drift nets and trawls;
- Fishing more selectively, making use of equipment that prevents the catch of other species - such as other fish, birds and mammals;
- A strong reduction in the fish quota for many fish species; and
- Respecting the rights of population groups that depend on small-scale fisheries.

Although the latter two changes have to be driven by national and international legislation, the investment policy of financial institutions can offer support to the first two changes. The policy of the financial institution has to ensure that financial institutions only invest in or finance fishing companies that do not use harmful fishing techniques or have untargeted bycatch. Investments in fish processing companies can only take place if it is ensured that no harmful fishing techniques are being used or untargeted bycatch takes place in the supply chain. When developing policies for this industry, financial institutions can make use of the international standards described in the following section.³⁶⁵

3.3.2 International standards and initiatives

International conventions and codes of conduct agreed under the supervision of the Food and Agriculture Organisation of the United Nations (FAO), show clear agreement with respect to the management of fish stocks. The [UN Convention on the Law of the Sea \(UNCLOS\)](#), the [UN Straddling Stocks Agreement](#) and the [FAO Code of Conduct for Responsible Fisheries](#), contain clear objectives on the sustainable use and management to safeguard international fishing waters. The FAO Code was established in 1995 as a framework for international efforts to encourage fishing activity that is sustainable and in harmony with the environment. It provides principles and standards for the conservation, management and development of fisheries around the world. In July 2009, the [World Conservation Union](#) published a [report](#) in which the UNCLOS has been evaluated and in which case studies and recommendations for a sustainable fishing policy and its respective implementation are presented.

Within the conventions described above there is broad agreement on the principles and measures necessary to realise sustainable use and management of international fishing waters. The main international standards on fisheries are summarised per topic, followed by the assessment elements that are formulated by FFGI as a result:

- **Endangered fish species**

The [FAO Code of Conduct for Responsible Fisheries](#) recognises the importance of the protection of endangered fish species. Therefore, trade in a lot of fish species, also of some important commercial species, is presently prohibited or is under the strict supervision of the [Convention on International Trade in Endangered Species of Wild Fauna and Flora \(CITES\)](#).

This leads to assessment element

- | | |
|---|--|
| 1 | Trade in endangered animal species complies with the CITES conditions. |
| 2 | Trade in endangered animal species that are on CITES lists, is unacceptable. |
-

- **Protected areas**

The critical importance of protected marine areas is acknowledged - the so-called Marine Protected Areas (MPAs) - for the maintenance and recovery of the biodiversity of fish and other marine life. In some MPAs, fishing is entirely prohibited (so-called *no-take zones*), in order to allow the ecosystem to restore itself and over time be able to serve as a *reservoir* for the rest of the ocean. These MPAs are part of the IUCN classification, amongst others. However, the IUCN itself has no jurisdiction regarding the implementation of MPAs or no-take zones. (Local) governments, fishery authorities and communities do have this jurisdiction. Furthermore a local government of a fishing community may, independent of the IUCN advice, decide to identify a no-take zone or an MPA for the protection of marine ecosystems, bottom of the sea fauna, breeding areas for fish and fish populations. No-take zones, for example, are a normal method for managing the fish stock (of commercial types of fish) in the fisheries industry.

This leads to assessment element

3	Fishers respect Marine Protected Areas and especially no-take zones.
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- **Harmful fishing and processing techniques**

The FAO Code of Conduct for Responsible Fisheries sets a clear priority for the use of selective and environmentally friendly fishing gear and techniques.³⁶⁶ The Code proposes to prohibit the use of irresponsible fishing techniques³⁶⁷ and in addition requires that the effects of new fishing techniques on living environments are assessed before they are marketed. Also, international standards are drafted that restrict or prohibit the use of certain methods and materials, such as the use of explosives and cyanide,³⁶⁸ the use of drift nets,³⁶⁹ the use of trawls in deep seas and so-called *shark-finning*, where shark fins are cut off and the sharks are thrown back into the ocean.³⁷⁰

This leads to assessment element

4	Harmful fishing techniques (such as trawls, drift nets and shark-finning) are unacceptable.
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- **Minimising by catch**

The FAO Code of Conduct for Responsible Fisheries establishes that "waste, non-target species, both fish and non-fish species, and impacts on associated or dependent species are minimized." Action plans are drafted that reduce the by catch of certain species, mainly seabirds and sharks.

This leads to assessment element

5	Fishers minimise their by catch.
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- **Banning overfishing and restoring fish stocks**

Under the UN Straddling Stocks Agreement countries are obliged "to prevent or prohibit overfishing". Countries and other management companies of fisheries have to do their utmost to restore endangered habitats.³⁷¹ Decisions on these fisheries have to be based on recent scientific evidence and have to be aimed at maintaining and restoring the fish stocks.³⁷² Also, governments have agreed with the FAO to take action to, amongst others, "review the capacity of fishing fleets in relation to sustainable yields of fishery resources and where necessary reduce these fleets".³⁷³

This leads to assessment element

6	Fishers prevent overfishing.
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- **Ghost fishing**

The [MARPOL 73/78 Agreement](#) (1973) first regulated the problem of ghost fishing by prohibiting lowering or sinking fishing gear into the sea. In 1991, the FAO published a series of recommendations for the so-called Marking of Fishing Gear.³⁷⁴ In March 2005, the European Commission released the [Passive Fishing Gear and Beam Trawls Marking and Identification Regulations](#), in which fishing boats are obliged to mark passive fishing gear with the registration number of the boat.

In 2016, [FAO published a Report of the Expert consultation on the Marking of Fishing Gear](#). In the same year, the [Best Practice Framework for the Management of Fishing Gear](#) was published by the Global Ghost Gear Initiative, a cross-sectoral alliance of NGOs and businesses.

This leads to assessment element

7	Fishers do not engage in ghost fishing or they comply with MARPOL or EU regulations.
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- **Illegal, unregulated and unreported fishing (IUU)**

The FAO [IUU Plan of Action](#) seeks to prohibit these practices by convincing countries not to do business with companies that are guilty of IUU fishing. This includes regulations with regard to sailing under 'flags of convenience' (FOCs). FOCs allow for IUU fishing and also present major labour problems. So-called 'FOC countries' allow fishing vessels to fly their country's flag for no charge, without taxation, and do not address any violations of international fisheries laws

FOC fleets are especially active in fishing for commercially valuable species and are also involved in poaching fish in waters of developing coastal countries, which do not have the means to patrol their waters, resulting in negative impacts on local fish stocks, employment and food security.³⁷⁵ In terms of labour issues, FOC fleets typically have very low wages and very bad labour and safety conditions on board. Furthermore, FOC registries make it much more difficult for unions, industry stakeholders and the public to hold ship owners to account.³⁷⁶

The [Sustainable Seafood Finance initiative](#) is a global cooperation aimed at supporting financial institutions in identifying and managing the risks associated with investments in the fishing industry. It also aims to increase transparency and performance of seafood companies. Financial institutions can use the SFF toolkit to manage the risks in their portfolio.³⁷⁷

This leads to assessment element

8	Fishers do not operate under flags of convenience.
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9	Fishers carefully document their catch so the origin of the total catch can be checked.
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- **Fishery management based on ecosystems**

While the former international standards on fishing were developed based on the fish stocks of certain species, the current rules are more often based on entire ecosystems. For example, the [UN Straddling Stocks Agreement](#) not only requires that the fish stocks of the targeted species are maintained, but also that the fish stocks of other fish species that live in the same ecosystem are monitored and protected.

Also, the [FAO Code of Conduct for Responsible Fisheries](#) obliges fishermen to preserve marine ecosystems: so that not only the species being fished, but all fish species that depend on this species or are part of the same ecosystem are protected. This is even further elaborated in FAOs [Ecosystem-Based Management](#) (EBM) framework for fisheries, developed by the WWF. With respect to small-scale fishing in poor countries, the [FAO Code of Conduct for Responsible Fisheries](#) contains guidelines to protect the food security and the livelihoods of fish dependent communities in the poorest countries of the world.

In order to identify sustainable fisheries and fish farms, financial institutions can make use of the Greenpeace [‘Red-Grade’ Criteria for Unsustainable Fisheries](#) and the Greenpeace [‘Red-Grade’ Criteria for Unsustainable Aquaculture](#). In these fact sheets, a number of questions are included with which one can easily establish whether a given company in the fishing industry is sustainable. The indicators are based on the FAO Code of Conduct for Responsible Fisheries.

This leads to assessment element

10	Fishers comply with all elements of the FAO Code of Conduct for Responsible Fisheries.
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- **Certification of sustainable fish and fishing**

The leading organisation on certifying the sustainable catching of fish is the [Marine Stewardship Council](#) (MSC). The MSC certification standards are based on the FAO Code of Conduct for Responsible Fisheries and are the only global standards that are consistent with the [FAO Guidelines for the Ecolabelling of Fish and Fishery Products from Marine Capture Fisheries](#).

The [MSC Principles & Criteria](#) were established in 1999 in an international multi-stakeholder process. At the end of 2016, 296 fisheries in 35 countries were certified as sustainable to the MSC Fisheries Standard. Combined, the MSC certified fisheries consists of 12% of the global marine catch.³⁷⁸ Naturally, as MSC does not provide certification for all types of fisheries, MSC certification for those fisheries cannot be required. Besides standards to certify fisheries, the MSC has also developed a traceability system, the [MSC Chain of Custody Standard](#), by which the origin of certified fish products can be traced throughout the entire production chain.

In the Netherlands, the North Sea Fish Centre has established a standard for North Sea fish. Initially, a [Guarantee of Quality Trademark](#) has been developed for plaice. Sustainable fishing is part of the Quality Trademark because fishermen need to register for a full assessment from the MSC. Furthermore, emphasis is placed on a guaranteed origin (the North Sea). A group of plaice fishermen working closely with the company Queens markets the plaice under the MSC certification. Abroad, plaice is marketed as ‘North Sea Plaice’.³⁷⁹

Also, the [Group of Wadden Islands](#) has drafted guidelines for a number of fish species that can be sold under the [Waddengoud certificate](#), provided it is captured and processed in the Wadden region: shrimp, mullet, sea bass, cockles, mussels, pike-perch, Japanese oysters, sole and smelt. It also includes guidelines for sustainable fishing.³⁸⁰

This leads to assessment element

11	Fishers are certified according to the Marine Stewardship Council (MSC) criteria or comparable standards for at least one fishery in which they operate.
12	Fishers are certified according to the Marine Stewardship Council (MSC) criteria or comparable standards for all fisheries in which they operate.

13	Fish traders and other companies in the production chains for fish and shellfish are certified according to the MSC Chain of Custody standard.
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• Sustainable aquaculture

In August 2006, the [International Principles for Responsible Shrimp Farming](#) were launched. After a process of five years, in which various organisations - such as the [Network for Aquaculture Centres for the Asia-Pacific](#), the WWF, the World Bank and the United Nations Environmental Programme (UNEP) - were involved, an international framework was established that seeks to guarantee sustainability within the shrimp industry.³⁸¹

The [Global Aquaculture Alliance \(GAA\)](#), which is an initiative by American companies, has developed a system of certification with regard to fish farms. Today there are standards for shrimp, tilapia and Channel catfish cultivation, as well as for the fish processing industries. In this system animal welfare criteria have been incorporated, applying mainly to pain and anxiety, as scientific research has shown that fish may experience such sensations as well.

GAA has developed the [Best Aquaculture Practices \(BAP\)](#) facility certification standards, monitored and controlled by ISO 65-accredited certification bodies. BAP certification defines the most important elements of responsible aquaculture and provides quantitative guidelines by which to evaluate adherence to those practices for processing plants, farms, hatcheries and feed mills. The number of BAP-certified facilities worldwide grows daily. BAP is mainly active in the Americas, South East Asia, Australia and New Zealand; within Europe only in Iceland, Norway and the United Kingdom.

In 2010, WWF and IDH (Dutch Sustainable Trade Initiative) founded the [Aquaculture Stewardship Council \(ASC\)](#). The ASC aims to be the world's leading certification and labelling programme for responsibly farmed seafood, by managing the global standards for responsible aquaculture, which were developed by the WWF Aquaculture Dialogues.

ASC collaborates with aquaculture producers, seafood processors, retail and foodservice companies, scientists, conservation groups and consumers in order to:³⁸²

- "Recognise and reward responsible aquaculture through the ASC aquaculture certification programme and seafood label;
- Promote best environmental and social choice when buying seafood; and
- Contribute to transforming seafood markets towards sustainability."

This leads to assessment element

14	Shrimp farms comply with the International Principles for Responsible Shrimp Farming.
15	Fish farms are certified according to the Aquaculture Stewardship Council (ASC) criteria.

• Sustainability reporting

The Global Reporting Initiative (GRI) has drafted guidelines on how to write sustainability reports. Besides the general [G4 Sustainability Reporting Guidelines](#) it also provides sector guidance for a number of industrial sectors. In the [G4 Food Processing Sector Disclosures \(FSSD\)](#), not yet updated but still recommended by GRI to use with its new [GRI Sustainability Reporting Standards \(GRI Standards\)](#), includes guidelines regarding animal welfare, fair trade, health and the wellbeing of consumers, impact on natural resources and the use of packaging. The guideline has been specifically developed for companies involved in processing food and drinks.

For small and medium enterprises (SMEs), less elaborate sustainability reporting is required. SMEs can report on the GRI indicators that are relevant to their operations, for example by following [the High5! Approach](#).

This leads to assessment element

16	Companies publish a sustainability report that may contain (a number of) disclosures from the GRI Standards.
17	Large enterprises and multinational enterprises publish a sustainability report that is set up in accordance with the (Core or Comprehensive option of) GRI Standards.

- **Procurement and supply chains**

Companies are often part of long production chains. They can monitor one another and question how they respect local and national legislation and international norms regarding social, economic and environmental issues. The requirements that companies set for their suppliers can be included in contractual agreements. The importance of this is also recognised in the [OECD Guidelines for Multinational Enterprises](#) since its revision in 2011.

Also [ISO 26000:2010 Guidance on social responsibility](#) recognises the importance of supply chain responsibility, because “the impacts of an organization's decisions or activities can be greatly affected by its relationships with other organizations.” A companies’ sphere of influence includes relationships within and beyond an organization’s supply chain.³⁸³

In addition, [ISO 20400:2017 Sustainable procurement – Guidance](#) provides guidelines for organizations, independent of their activity or size, on integrating sustainability within procurement, as described in ISO 26000:2010 Guidance on social responsibility. It is intended for stakeholders involved in, or impacted by, procurement decisions and processes.

The [United Nations Guiding Principles on Business and Human Rights](#) include a due diligence process in order to identify, prevent, mitigate and account for how companies address their adverse human rights impacts. The process “should cover adverse human rights impacts that the business enterprise may cause or contribute to through its own activities, or which may be directly linked to its operations, products or services by its business relationships.”³⁸⁴

This leads to assessment element

18	Companies integrate environmental, social and governance criteria in their procurement and operational policies.
19	Companies include clauses on the compliance with environmental, social and governance criteria in their contracts with subcontractors and suppliers.

3.3.3 Assessment elements

Financial institutions that invest in or finance the fishing industry should ensure that their investments contribute to the internationally accepted objectives for the sustainable management of fisheries. It is important that the investment policy of financial institutions include the entire production chain of fish and shellfish. Sustainable investments in this industry are important on all levels of the chain, from the catch to the processing and the sale.

The following elements are crucial for a policy regarding the companies a financial institution invests in or finances:

1. Trade in endangered animal species complies with the CITES conditions.
2. Trade in endangered animal species that are on CITES lists, is unacceptable.

3. Fishers respect Marine Protected Areas and especially no-take zones.
4. Harmful fishing techniques (such as trawls, drift nets and *shark-finning*) are unacceptable.
5. Fishers minimise their by catch.
6. Fishers prevent overfishing.
7. Fishers do not engage in ghost fishing or they comply with MARPOL or EU regulations.
8. Fishers do not operate under *flags of convenience*.
9. Fishers carefully document their catch so the origin of the total catch can be checked.
10. Fishers comply with all elements of the FAO Code of Conduct for Responsible Fisheries.
11. Fishers are certified according to the Marine Stewardship Council (MSC) criteria or comparable standards for at least one fishery in which they operate.
12. Fishers are certified according to the Marine Stewardship Council (MSC) criteria or comparable standards for all fisheries in which they operate.
13. Fish traders and other companies in the production chains for fish and shellfish are certified according to the MSC Chain of Custody standard.
14. Shrimp farms comply with the International Principles for Responsible Shrimp Farming.
15. Fish farms are certified according to the Aquaculture Stewardship Council (ASC) criteria.
16. Companies publish a sustainability report that may contain (a number of) disclosures from the GRI Standards.
17. Large enterprises and multinational enterprises publish a sustainability report that is set up in accordance with the (Core or Comprehensive option of) GRI Standards.
18. Companies integrate environmental, social and governance criteria in their procurement and operational policies.^{xxiii}
19. Companies include clauses on the compliance with environmental, social and governance criteria in their contracts with subcontractors and suppliers.^{xxiv}

3.4 Food

3.4.1 What is at stake?

Food production is a key factor in achieving the second of the Sustainable Development Goals: to end hunger, achieve food security and improved nutrition and promote sustainable agriculture.³⁸⁵ The right to food (Article 25 of the Universal Declaration on Human Rights) is the most basic human right, and the food sector has a major role to play so that it can be respected, protected and fulfilled everywhere, always.

The Voluntary Guidelines to Support the Progressive Realization of the Right to Adequate Food in the Context of National Food Security adopted by FAO Council in 2004 reflects the consensus among FAO member countries on what needs to be done in all of the most relevant policy areas to promote food security. In this reference document the right to food is considered as the situation “when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life”.³⁸⁶ It does not only address the final outcome of food security for all, it also proposes ways and tools by which

xxiii If the financial institution has no specific sector policies or does not mention this in its sector policies, but does mention this in cross-cutting policies for at least three themes, the financial institution is deemed to comply with this element.

xxiv If the financial institution has no specific sector policies or does not mention this in its sector policies, but does mention this in cross-cutting policies for at least three themes, the financial institution is deemed to comply with this element.

that goal is reached and achievements maintained in a sustainable manner. Food security has long been regarded as a matter of balancing supply with demand. In the past, policies were limited to increasing agricultural production and/or slowing population growth. Nowadays food security is based on the four pillars: availability, access, utilization and stability.³⁸⁷

The food sector's first objective should be to ensure food security for all human beings and all communities in the world. The sector consists of agricultural companies, including small-scale family producers, food processing companies and retail companies. This diverse group of companies forms the food supply chain. The food processing sector "[i]ncludes all companies that are engaged in processing food, as well as food commodity trading related to food processing and fish processing, and beverage companies. [T]he food processing industry includes a diverse group of companies involved in the processing of products like fish, meat, milk, crops and water. It includes millions of Small & Medium Enterprises (SMEs) worldwide and also some of the largest companies in the world. Many of these companies deliver products directly to consumers, while others specialise in Business-to-Business activities (ingredients, commodity markets). Some companies directly participate in all areas of food production, from farming activities through to final production and retail. Others are concentrated more at the top end of the production chain or buy through commodity markets".³⁸⁸

Nowadays, companies operating in food supply chains are facing major sustainability issues. The demand for agricultural products is growing more rapidly than the world population. One of the reasons for this is that consumption patterns in emerging markets (such as the BRICS-countries: Brazil, Russia, India, China and South Africa) are increasingly starting to resemble those in industrialised countries with an increase in meat and dairy consumption globally. In order to feed the increasing amount of global livestock needed for this pattern, large volumes of raw materials containing protein are needed. Another cause of the growing demand for agricultural raw materials is the development of biofuel production. Biofuel is produced using palm oil, corn and sugar cane as well as other food and feed crops.³⁸⁹

The sharp increase in the global demand for agricultural products leads to economic, social and environmentally related problems:

- Globally, the agriculture industry is the largest contributor to soil depletion, environmental pollution and the degradation of ecosystems. To meet the growing demand for agricultural products, a large share of natural ecosystems and living environments have to make way for agricultural activities.³⁹⁰
- Globally the agricultural industry is the largest user of freshwater resources, using up to 90% of available freshwater in developing countries. Following predictions of population growth and the subsequent increased demand for food, water demand is also expected to increase while availability is decreasing.³⁹¹ Producing animal-based food accounts for almost half of global freshwater withdrawals.³⁹² By 2050, the agricultural sector will have to produce 60% more food globally and 100% more in developing countries. Substantial changes in policy and management, throughout the entire agricultural production chain, are required to ensure that the available water resources are used in the best way possible, to meet growing demands for food and other agricultural products.³⁹³

- Due to the NO₂- and CH₄ emissions, the global agriculture industry is responsible for 10-12% of the global emissions of greenhouse gases, according to the IPCC.³⁹⁴ FAO (2013) calculates that this contribution is even considerably higher: just the livestock sector already represents 14,5% of all human induced green house gasses.³⁹⁵ According to a study by Delft Hydraulics, drainage of bogs and deforestation by the agriculture industry also substantially contributes to the global CO₂-emission. Especially in the production of palm oil, peat land is frequently drained and burned to make room for plantations, leading to substantial greenhouse gas emissions and serious health risks for local and regional populations.³⁹⁶
- The agriculture industry strongly contributes to harmful emissions to the environment, with the role of livestock being particularly significant. According to the Intergovernmental Panel on Climate Change (IPCC), agriculture and deforestation (largely driven by expansion of agricultural land) are responsible for around a quarter of global emissions.³⁹⁷ This is mainly due to the production and processing of cattle feed and the gases produced by cattle as they digest their food. The FAO has calculated that a significant reduction of greenhouse gas emissions is possible if the producers switch to so-called best practices.³⁹⁸ Notably, the world's ten largest food companies emit hundreds of millions of tons GHGs per annum. Implementing best practices at these companies would have major effects.³⁹⁹
- The livestock industry is also responsible for more than half of human ammonia emissions that cause acid rain and acidification of ecosystems. Moreover, the livestock industry uses more than two thirds of all agriculture land available and is responsible for a significant percentage of global water consumption. Global figures are not available, but the contribution of the livestock industry to water pollution through antibiotics, hormones, sediments, fertilisers, pesticides and other chemicals is very high. Research has shown that some meat and poultry producers are responsible for a higher rate of water pollution than large companies in the fossil fuel industry.⁴⁰⁰
- In intensive livestock farming the welfare of animals such as broilers, laying hens, calves and pigs can be threatened, both within production companies as well as during transport to slaughterhouses. Intensive large-scale husbandry also increases the risk of spreading diseases.⁴⁰¹
- Ignoring animal welfare and animal health also leads to increasing health risks for humans. Bacteria in humans, food and animals continue to show resistance to the most widely used antimicrobials. A report from the three agencies European Food Safety Authority, the European Medicines Agency and the European Centre for Disease Prevention confirms the link between antibiotic consumption and antibiotic resistance in both humans and food-producing animals. Reducing the unnecessary use of antibiotics will have an impact on the occurrence of resistance.⁴⁰² Because the routine use of antibiotics is instrumental for livestock being reared in densely packed and often unhygienic conditions, a change in animal housing and husbandry practices is necessary to effectively eliminate or reduce the use of antibiotics.⁴⁰³
- An unintended by-product of agricultural practices in which fire is used (such as unprofessional palm oil production plants), together with (fire-led) deforestation and the draining of peatlands are peatland fires.⁴⁰⁴ Peatland fires contribute up to more than a third of the mean annual global carbon emissions from fossil fuels, and contributed greatly to the largest annual increase in atmospheric CO₂ concentration detected since records began in 1957.⁴⁰⁵ Furthermore, peatland fires can cause serious health problems and widespread destruction, as was the case in 2015 in Indonesia.⁴⁰⁶

- In assessing the sustainability impacts of e.g. soy expansion and biofuel crops in general, it is important to consider Indirect Land Use Change (ILUC). Biofuel production typically takes place on cropland which was previously used for other agriculture such as growing food or feed. Since this agricultural production is still necessary, it may be partly displaced to previously non-cropland such as grasslands and forests. This process is known as indirect land use change (ILUC). While they may not deforest themselves, it is clear that the demand for cash crops does indirectly push these type of companies further into the frontier, leading to ILUC. Especially in the debate on biofuels, ILUC plays a crucial role: when ILUC is taken into account, there is no positive climate impact from first-generation biofuels. Especially those pushing the rangeland frontier into the Amazonian forests, could offset the carbon savings from biofuels.⁴⁰⁷
- In regards to genetically modified organisms (GMOs), there are several concerns about potential unintended health and environmental impacts. Examples include negative impacts on beneficial insects, weed tolerance, new allergens and toxins. Furthermore, concerns also exist about the spreading of harmful traits to weeds and non-GM crops.⁴⁰⁸ While there is an active debate about the safety of GMOs, it is the position of Fair Finance Guide International that at this time GMOs should be avoided, as risks of contamination of other cultivated or wild varieties, as well as side-effects from the crossing of genes from entities that do not belong to the same natural category, cannot be excluded given the current state of scientific knowledge.
- A combination of factors (the varroa destructor, changed habitat, loss of biodiversity, use of pesticides) form a serious threat to the honeybee. In the last few years, the number of bee colonies has decreased by up to a third and a further decrease could lead to a shortage in pollination with large consequences for agriculture harvest. About ninety agricultural products, accounting for a third of the global food production, depend on animal pollination. Honeybees are the main animal pollinator and are responsible for the majority of this pollination.⁴⁰⁹ Research shows that some insecticides can cause a decrease in the production of the number of queen bees and other insecticides negatively influence the number of bees that find their way to their beehive.⁴¹⁰
- A lot of agricultural companies do not comply with internationally recognised labour rights. There are countless examples of forced labour, child labour, low wages and insufficient protection of the health and safety of employees.⁴¹¹
- The development of infrastructure such as roads, railways and waterways goes hand in hand with the development of an export-oriented agriculture industry and can have very negative effects on ecosystems and local societies. The construction of roads in forest areas facilitates, for example, access for poachers and illegal loggers. The construction of infrastructure can also lead to land rights conflicts and rising land prices for the original inhabitants.⁴¹²
- The macroeconomic effects of the agriculture and livestock industry are often detrimental for developing countries due to the often unfavourable terms of trade for these countries, the agriculture subsidies in richer countries and the dumping of subsidised agricultural products in developing countries. This leads to an unfair balance of power in the entire production, distribution and consumption chain. Due to a strong increase in food prices in recent years, more and more people in developing countries are living below the poverty line.⁴¹³ To counter this practice, in 2015 the member states of the World Trade Organization agreed the [Nairobi Ministerial Declaration on export competition](#), which commits them "to exercise utmost restraint with regard to any recourse to all forms of export subsidies and all export measures with equivalent effect".⁴¹⁴ Developing country members "shall eliminate their export subsidy entitlements by the end of 2018".⁴¹⁵

The FAO calculated that an eighth of the global population (842 million people) in the years 2011-2013 suffered from persistent food shortage. While this total is 17% less than in the period 1990-1992, progress still needs to be made. Large differences across regions persist. For example, Sub-Saharan Africa remains the region with the highest prevalence of undernourishment, with modest progress in recent years. Western Asia has shown no progress, while Southern Asia and Northern Africa show slow progress. Significant reductions in both the estimated number and prevalence of undernourishment have occurred in most countries of Eastern and South Eastern Asia, and also in Latin America.⁴¹⁶

To offer a sufficient and nutritious diet to global populations and to enable socio-economic development of poorer countries, unfavourable terms of trade in agricultural products for developing countries have to be addressed and distorting subsidies and dumping practices have to be prohibited.⁴¹⁷ In addition, the use of agricultural fields for the production of biofuels and animal feed has to be discouraged, as it displaces food production for the local population and poses a threat to their right to food security.⁴¹⁸

Another impact on food production and food security is the phenomenon of *land grabbing*. Land grabbing occurs when foreign companies, countries, or investors buy or rent land for large-scale industrial and/or commercial agriculture production oriented on the export market at the expense of land rights of the local communities concerned. Mainly in developing countries, the lack of consultation and transparency for the allocation of land is a problem. Evictions and conflicts over land are often paired with a violation of basic principles, such as an impact assessment, compensation and rehabilitation. As a result, these people are not only deprived of their property and the right to use their land, but also of their familiar habitat, cultural riches and sources of food and income.⁴¹⁹ Besides these direct consequences, there is the problem of the reduced availability of land for local actors. The national market will be aimed more at producing crops for the food and the biofuel industry on the global market and less on sustainable peasant agriculture, for the local and national market for current and future generations.⁴²⁰

The above mentioned developments lead to a global food crisis with catastrophic consequences for many people. People in developing countries spend at least half of their income on food. They can only respond to an increase in food prices by reducing their food consumption and suffering from hunger. Those that are already living on the edge are the most vulnerable, such as the landless, slum dwellers and itinerant labourers. Furthermore, women and children primarily belong to risk groups.⁴²¹

The topic of food is central to SDG 2 Zero Hunger. The goal targets to ensuring everyone has access to nutritious and sufficient food. It further targets to double the agricultural yield and income of small scale food producers by providing access to productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment. Another target is to ensure sustainable food production systems that help maintain ecosystems and strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.⁴²² SDG 3 Good Health and Well-being is also related to good quality, nutritious food for everyone. Further, as mentioned in earlier paragraphs, agriculture as a part of food sector has many issues that directly impact SDG 1 No Poverty, SDG 10 Reduced Inequalities, SDG 12 Ensure Sustainable Consumption and Production Patterns, SDG 13 Climate Action, SDG 14 Life Below Water, and SDG 15 Life on Land.⁴²³

Feeding a growing world population - reaching 9-10 billion people in 2050 - in a sustainable way is one of the major challenges the world is facing. Food security is not only based on global production volumes, but also on access, equality and absence of conflict. All parts of the chain within the food industry - from farmers, middlemen, transporters and processing companies to supermarkets - will have to make an effort in this. Also, financial institutions that invest in or finance companies at all stages of food chains will have to develop policies that take all above mentioned problems into account. When developing an investment policy for this, industry banks can make use of the international standards described in the following section.

3.4.2 International standards and initiatives

In recent years, various initiatives have been set up to develop standards for both the agricultural industry as well as the food industry. Some initiatives focus on general, industry-wide agreements, while others focus on specific crops. The main international standards on food and agriculture are summarised per topic, followed by the assessment elements that are formulated by FFGI as a result:

- **Right to adequate food**

According to Article 25 of the [Universal Declaration of Human Rights](#) "everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control."

These rights have also been protected by [The International Covenant on Economic, Social and Cultural Rights](#). Article 11 of this Covenant guarantees the right to an adequate standard of living including adequate food, clothing, housing and continuous improvement of living conditions.

In its introduction to the core principles on Large-scale land acquisitions and leases, the Special Rapporteur on the Right to Food has said that achieving the right to food could be pursued much more effectively if host States and investors together agree on a certain amount of conditions, according to which investments will be made.⁴²⁴ The following guidelines further show how non-State actors could work this issue.

The FAO [Voluntary Guidelines to Support the Progressive Realization of the Right to Adequate Food in the Context of National Food Security](#), further specifies the right to adequate food and links it to the concept of food security. While the Voluntary Guidelines are written for states, it presents a valuable overview of all the factors determining the realization of the right to food and can therefore be valuable for non-state actors as well.

The right to adequate food can be supported by companies by improving the nutritional value of food. Obesity, malnutrition and chronic diseases related to dietary patterns are influencing the health of one third of the world's population. This also leads to high health care costs. Malnutrition and obesity are related to the quantity and quality of food. The role of food producers on the food patterns of consumers is large.⁴²⁵ The [Access to Nutrition Index \(ATNI\)](#) is a benchmark of the world's largest food companies. It encourages companies to provide consumers access to affordable food and beverages with high nutritional value. The ATNI also encourages companies to "responsibly exercise their influence on consumers' choice and behaviour by improving marketing, labelling and the use of claims that promote healthy diets and active lifestyles".⁴²⁶

The right to adequate food can also be supported by companies by improving smallholders' access to seeds. [The Access to Seeds Index](#), launched in 2016, is a useful tool for investors. It benchmarks the policies and activities of companies in the seed industry, with regard to making seeds available to smallholder farms in developing countries. Smallholder farms are crucial in fulfilling the increasing demand for food in developing countries. "Currently only 2,5% of the seed used by smallholders in sub-Saharan Africa now comes from seed companies".⁴²⁷ The Index tries to encourage seed companies to provide smallholders access to high quality seed, as "to increase yields, improve nutritional quality and cope with climate change".⁴²⁸

This leads to assessment element

1	Companies respect the right to adequate food.
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- **Labour rights**

The circumstances for health and safety in the agriculture and food industry are often below standard due to the use of huge amounts of pesticides that are used. Wages are generally low and negotiating rights are often not respected. It is therefore of great importance that agriculture and food companies adhere to the main codes of conduct of the United Nations International Labour organisation: the 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 \(MNE Declaration\)](#).

For more information and relevant international standards and initiatives see the theme Labour rights (section 2.7.2).

This leads to assessment element

2	Companies respect the ILO Declaration on Fundamental Principles and Rights at Work.
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- **Land rights conflicts and forced evictions**

Human rights, particularly economic, social and cultural (ESC) rights, play a central role in land-related issues. However, there is no explicit recognition of a 'human right to land' within international human rights instruments. Those who face threats to their land rely on other rights, such as the right to food, the right to water, the right to housing and the right to work. These rights are included in the [International Covenant on Economic, Social and Cultural Rights \(ICESCR\)](#).⁴²⁹ Other standards related to land rights conflicts and forced evictions are:

- The [Basic Principles and Guidelines on Development-based Evictions](#)
- The [core principles](#) of the United Nations Special Rapporteur on the right to food
- FAO's [Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security \(VGGT\)](#)
- The [Tirana Declaration](#)

For more information and relevant international standards and initiatives see the theme Human rights (section 2.6.2).

This leads to assessment element

3	Companies prevent conflicts over land rights and acquire natural resources only by engaging in meaningful consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous peoples.
4	Companies prevent conflict over land rights and acquire natural resources only with free, prior and informed consent (FPIC) of the land users involved.

- **Areas of high biodiversity and protected areas**

Agricultural activities may not take place in areas listed in the categories I to IV of the [International Union for Conservation of Nature \(IUCN\)](#), or included in the [UNESCO World Heritage Convention](#) or in the [Ramsar Convention on Wetlands](#). Furthermore, extractive industry projects in areas that fall under the following conventions and initiatives are to be expressly avoided: forests identified with the [High Carbon Stock Approach](#), [Marine Protected Areas](#), [High Conservation Value areas](#) and [IUCN protected areas](#).

Many of these areas are also included in the analyses for investments by [International Finance Corporation's \(IFC\) Performance Standard 6](#) concerning Biodiversity Conservation and Sustainable Management of Living Natural Resources. It determines how companies should operate in order to avoid negative consequences on areas of high biodiversity value, including impact on natural habitats as well as endangered and endemic species. The requirements in the standard have been guided by the [Convention on Biological Diversity](#).

The [United Nations Environmental Assembly](#) adopted a [resolution on pollution mitigation by mainstreaming biodiversity into key sectors](#) in 2017: "The resolution aims at strengthening efforts to integrate conservation and sustainable use of biodiversity in various sectors such as agriculture, fisheries and aquaculture, tourism, mining and energy, infrastructure and manufacturing among others. It also points to the need to prevent and reduce pollution from these sectors".⁴³⁰

This leads to assessment element

5	Companies prevent negative impacts on protected areas that fall under the categories I-IV of the International Union for Conservation of Nature (IUCN) within their business operations and the areas they manage.
6	Companies prevent negative impacts on UNESCO World Heritage sites within their business operations and the areas they manage.
7	Companies prevent negative impacts on protected areas that fall under the Ramsar Convention on Wetlands within their business operations and the areas they manage.

- **Protection of genetic material**

The [FAO's Commission on Genetic Resources for Food and Agriculture](#) observes that management of genetic resources, the primary biological capital for livestock development and vital to food security and sustainable rural development, has been neglected. This has resulted in substantial erosion of genetic diversity. Therefore a trend that is likely to accelerate with the rapid changes affecting the livestock sector in response to massive increases in demand for livestock products.

The [FAO's Second Report on the State of the World's Animal Genetic Resources for Food and Agriculture](#) "provides a comprehensive assessment of the state of livestock biodiversity and its management".⁴³¹ The key findings of the report include:

- "Livestock diversity facilitates the adaptation of production systems to future challenges and is a source of resilience in the face of greater climatic variability; [...]"
- The roles and values of animal genetic resources remain diverse, particularly in the livelihoods of poor people; and [...]"
- Emerging technologies are creating new opportunities and challenges in animal genetic resources management".⁴³²

The [UN Convention on Biological Diversity \(CBD\)](#) demands that companies that want to have access to genetic material from abroad have to obtain prior permission from the exporting country and have to make clear agreements for the use of the material.

The [Bonn Guidelines](#) are recognized as a useful first step in the implementation of relevant provisions of the CBD and are meant to assist stakeholders in developing access to genetic resources and benefit-sharing strategies.

The [Cartagena Protocol on Biosafety to the Convention on Biological Diversity \(Cartagena Protocol\)](#) defines Living Modified Organisms (LMOs, in every day usage also called Genetically Modified Organisms, GMOs) as any living organism that possesses a novel combination of genetic material obtained through the use of modern biotechnology. The Cartagena Protocol does not prohibit the use of LMOs in itself but has developed a framework for the safe handling, transport and use of LMOs that may have a harmful effect on biodiversity and human health and entail trans-boundary risks. The protocol also requires permission from the importing country before it is permitted to import LMOs.

This leads to assessment element

8	Activities in the field of genetic materials and genetic engineering only take place if they meet the permission and processing requirements described in the UN Convention on Biological Diversity and the related Bonn Guidelines or Nagoya Protocol.
9	Production of, or trade in, living genetically modified organisms can only take place if permission of the importing country has been obtained and all requirements of the Cartagena Protocol have been met.

- **Animal welfare**

The concept of the [Five Freedoms](#) are often taken as a starting point for preparing standards on animal welfare.

Within the European Union, several conventions have been adopted to protect farm animals. In the [European Convention for the Protection of Animals kept for Farming Purposes](#) (adopted in 1976 and amended in 1992) minimum guidelines for livestock farming with respect to welfare have been included. In addition, conventions on transport ([ETS No. 193](#)) and on slaughter ([ETS No. 102](#)) have been adopted. These conventions are further elaborated in specific rules for certain animal species and topics.

[Council Directive 98/58/EC concerning the protection of animals](#) applies to all farm animals. Furthermore, Council Directives have been adopted on transport and slaughter of animals as well as on the keeping of specific species of animals (broilers, laying hens, pigs, calves). In the long run, some abuses in intensive livestock farming are phased out, such as keeping calves in crates (prohibited since 2007), hens in bare battery cages (prohibited as of 2012) and keeping sows in feeding cubicles (prohibited as of 2013). Note that no specific EU legislation exist for widely farmed animals such as dairy cows, rabbits, ducks, turkeys, trout and salmon. In recent years, out of discontent with the inability of EU standards to safeguard animal welfare, private standard initiatives are flourishing.

This leads to assessment element

10	Companies respect the <i>Five Freedoms</i> of animals.
11	Very restricted housing methods for calves (in crates), hens (in battery cages) and sows (in feeding cubicles) are unacceptable.

The European Convention for the Protection of Animals during International Transport ([ETS No. 193](#)) sets guidelines for the transport of animals, but does not limit the duration of a journey.

The European Commissioner for Health and Food Safety, Vytenis Andriukaitis, has put animal transport high on the agenda in September 2017. He announced the setup of a sub-group dedicated to live transport within the [EU Platform for Animal Welfare](#) focusing on the need to revise the current system and rules governing long distance animal transport, and put in place a long term strategy to replace this inhumane trade.

This leads to assessment element

12	Companies reduce the time limit of animal transport to a maximum of 8 hours.
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- **Antimicrobial resistance**

According to the World Health Organisation (WHO), antimicrobial resistance (AMR) is one of the biggest threats to global health, food security, and development today. As antibiotics become less effective a growing list of infections are becoming difficult and sometimes impossible to treat.

For more information and relevant international standards and initiatives see the theme Animal welfare and the theme Health (sections 2.1.2 and 2.5.2.).

This leads to assessment element

13	Companies apply a prudent use of antimicrobial medicines (antibiotics) in food-producing animals in order to minimize antimicrobial resistance.
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- **Emissions reduction**

The agriculture industry strongly contributes to harmful emissions, in particular through NO₂- and CH₄ emissions. The role of livestock is of great significance, but also the methane emissions from rice fields and peat land are important greenhouse gasses. The use of fertilisers and pesticides result in pollution of soil and water.

Globally, the standards of the [Greenhouse Gas Protocol \(GHG Protocol\)](#) are the most used standards to measure and manage greenhouse gas emissions. Amongst others the GHG Protocol has developed a standard for the emissions of [products](#) and the [corporate value chain](#). The GHG Protocol is consistent with the IPCC guidelines for reporting CO₂-emissions.

For more information and relevant international standards and initiatives see the theme Climate change and the theme Health (sections 2.2.2 and 2.5.2.).

This leads to assessment element

14	Companies reduce their direct and indirect greenhouse gas emissions.
15	Companies reduce their direct and indirect emissions of harmful substances, such as particulate matter, nitrogen oxide and ammonia.
16	Conversion of peatland and high-carbon stocks for agricultural development is unacceptable.

- **Pesticides**

With respect to the use of pesticides, the FAO has drafted the [International Code of Conduct on the Distribution and Use of Pesticides](#). This code of conduct includes voluntary, internationally accepted norms for the treatment, storage, use and the disposal of pesticides.

This leads to assessment element

16	Conversion of peatland and high-carbon stocks for agricultural development is unacceptable.
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- **Water use**

Given the immense amounts of freshwater being used to produce food globally, amidst growing shortages, it is important that this is done as efficiently as possible. It is vital that companies and financial institutions become aware of their own influences on water related problems. Various initiatives, guidelines and standards have emerged in recent years, to help companies address water risk.

Initiatives companies could participate in and learn from are:

- The UN Global Compact's [CEO Water Mandate](#) is a public-private initiative designed to assist companies in the development, implementation and disclosure of water sustainability policies and practices.
- The [guidance](#) by the UNEP and CEO Water Mandate on [Corporate Water Accounting: An Analysis of Methods and Tools for Measuring Water Use and Its Impacts](#).
- The [European Water Partnership](#); and
- The [Water Footprint Network](#), which also has a standard on assessing a global water footprint.

There are several guidelines and water 'footprinting' methods as well as voluntary disclosure initiatives for calculating water use, water risk, understanding water issues and creating a sound water strategy, such as:

- The [CDP's Water Program](#), to calculate and publish corporate water use throughout the supply chain;
- The [GEMI Water Sustainability Tool](#);
- The [WBCSD Global Water Tool](#);
- The [AWS International Water Stewardship Standard](#) is a useful standard, supported by a verification process, that defines a set of water stewardship criteria and indicators for how water should be stewarded at a site and catchment level in an environmentally, socially, and economically beneficial manner.

This leads to assessment element

18	Companies use as little water as possible.
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19	Companies prevent water pollution.
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20	Companies conduct water scarcity impact assessments and prevent negative impacts in water scarce regions.
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21	Companies do not start new operations in areas where water scarcity is pre-existing and operations would compete with the needs of communities.
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- **Certification and eco-labels**

The demand for sustainable agricultural products is growing, but on the definition of *sustainable* no general agreement has been achieved as yet. However, *eco-labelling* is taking place on a large scale: granting voluntary and binding sustainability labels to agricultural products. A lot of labels are issue specific (for example *organic* or *fair trade* or *GMO-free*) and therefore make use of different standards. As a result, the market for sustainable agricultural products is somewhat opaque.

In February 2008, the Sustainable Agriculture Network (SAN) published the [Sustainable Agriculture Standards](#). The norms are based on the United Nations guidelines, the European Union and the International Labour organisation and are endorsed by the Rainforest Alliance. The standards contain fourteen criteria for sustainable agriculture (on waste management, working conditions, health and safety, the use of chemical and biological additives and genetically manipulated seeds). For certification purposes SAN has developed the [Farm Certification](#) and Chain-of-Custody certification. Both are used in the certification process of sustainable agricultural companies. The SAN also works on an additional sustainable standard for keeping cattle, in which specific topics are dealt with and previous SAN standards for water and waste management are applied to livestock farms.

With respect to organic farming, the International Federation of Organic Agricultural Movements (IFOAM) has developed the Norms for Organic Production and Processing. These comprise of the [IFOAM Basic Standards for Organic Production and Processing](#) and corresponding [Accreditation Criteria](#). All producers worldwide that adhere to the IFOAM norms are included in the [Organic Guarantee System](#).

With respect to fair trade, the [Fair trade Labelling Organizations International](#) (FLO) is industry leading. FLO is a cooperation of twenty certification initiatives that *market* the Fair trade label in their own country. Goods that carry the Fair trade label meet the [Fair trade Production and Trade Standards](#), which include both general norms (on investments in local economies and reducing waste) as well as product specific norms (minimum prices and quality standards).

Through [The 2050 criteria](#), WWF provides an overview of the investments criteria for several agricultural resources. By referring to the best practices in the different sectors WWF provides guidance in the search for certification schemes and trends and developments in the environmental and social field.

This leads to assessment element

22	Companies work with relevant standards and initiatives for raw materials (mentioned in section 3.4.2).
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- **Norms for specific raw materials**

Recently guidelines have been developed for sustainable production and trade for a number of important agricultural products. These guidelines, with the objective to reduce social and environmental problems, are preferably drafted by so-called multi-stakeholder initiatives and roundtables, in which researchers, companies from industries involved, financial institutions, social organisations, and other stakeholders participate. In recent years, the roundtables have defined more and clear standards for the sustainable production of specific crops. Until now multi-stakeholder initiatives for some agricultural products are still lacking, but norms are being drafted by the industry itself. Until these norms have been developed further in consultation with all stakeholders, they are not to be considered as real sustainability norms; but they do offer some guidance in the assessment of companies that produce these agricultural products.

The main examples of norms for specific agriculture crops are:

- **Soy:** If not managed adequately, large scale soy farming causes huge social and environmental damage in Latin America. Clear norms and guidelines are described in the [Basel Criteria for Responsible Soy Production](#), developed by the WWF and Coop Switzerland. Companies will find this non-genetically modified soy expensive, because it needs to be farmed and traded separately, as long as the largest part of the market does not comply with these requirements. The Basel Criteria are also followed in the globally used [ProTerra](#) standard. The [Roundtable on Responsible Soy Association](#) (RTRS), established by organisations and companies in the soy industry, aims to stimulate 'more responsible' production of soy but has less strict requirements. The RTRS Standard that came into force in June 2010 (and was updated in 2013) recognises the environmental and social problems in the soy chain. Other standards are the Sustainable Agriculture Network Standard, [Fairtrade Production and Trade Standards](#), standards for organic farming, [EcoSocial certification](#) and the [Social Responsibility Criteria for Companies that Purchase Soy and Soy Products](#) - developed by the Brazilian Soy Platform. That latter document also places a clear responsibility on financial institutions and other lenders that are involved in financing soy producers. Civil society organizations (CSOs) united in the [Dutch Soy Coalition](#) believe that sustainable soy production cannot be achieved without a significant reduction in meat and dairy consumption in Europe, as well as using European farmed crops as cattle feed instead of imported soy.
- **Palm oil:** In October 2007, the [Roundtable on Sustainable Palm Oil](#) (RSPO) - a multi-stakeholder initiative with more than one hundred members that represent more than one third of the global palm oil trade - adopted the [Principles and Criteria for Sustainable Palm Oil Production](#) (P&C). The P&C is comprised of clear norms on environmental aspects (use of soil, water, chemicals) and social environment (land rights, working conditions, etc.). The norms are based on United Nations, the FAO and the ILO guidelines. In 2016, RSPO introduced additional criteria under the name [RSPO NEXT](#). In 2013, the [Palm Oil Innovators Group](#) (POIG) was established. Within POIG a couple of CSOs (amongst whom WWF and Greenpeace) worked together with palm oil companies in order to improve the RSPO standards.

The [Free and Fair Labor in Palm Oil Production: Principles and Implementation Guidance](#) urges companies to ensure the rights of palm oil workers. It is not intended as a new code of conduct but as a resource that provides companies with detailed implementation guidance. The publication expects companies to adhere to the following seven principles throughout their supply chain:

- The International Labor Organization (ILO) Core Conventions are upheld;
- Ethical hiring and responsible employment are practiced;
- Reasonable production targets, working hours, and leave entitlements are established;
- A living wage is paid;
- Worker health and safety and the welfare of workers and their families are prioritized;
- Access to remedy is guaranteed; and
- Commit to meaningful due diligence, transparency, and disclosure of human rights policies, procedures, and data, with a focus on labour and employment.

- **Sugar cane:** Beside its use in the food industry, sugar cane is increasingly being used as a raw material for biofuel ethanol. Besides huge areas of agricultural land, the sugar industry also uses large quantities of water. The multi-stakeholder Bonsucro unites a number of very large companies and other stakeholders in the industry. The objective of the BSI is to develop international guidelines for sustainable production of sugar cane that can be used by companies and investors worldwide, as well as a certification system. In November 2009, Bonsucro's predecessor, BSI, published a second edition of the [BSI Standard](#), which had been adapted. The standard is comprised of social, environmental and economic norms, focusing on labour rights, the production process and the environment. The Fairtrade Labelling Organizations (FLO) also has a [Product Standard](#) for sugar.
- **Biofuels:** Palm oil, soy and sugar cane are increasingly often being used as a raw material for biofuels. The [Roundtable on Sustainable Biofuels](#) (RSB) is a multi-stakeholder initiative in which companies, scientists and social organisations cooperate. In November 2010, the RSB published the [Global Principles and Criteria for Sustainable Biofuels Production](#), which is comprised of norms on the environment and social aspects based on the international guidelines of the United Nations and the International Labour Organisation. The [Sustainable Food Laboratory](#) also works on the development of a comprehensible assessment of the most sustainable raw materials for biofuels that enables a useful comparison between the different agriculture raw materials.
- **Cocoa:** In 2001, the [Harkin Engel Protocol](#) was drafted to prevent the worst types of child labour on cocoa plantations. Yet, in recent years various examples of child labour on African cocoa plantations came to light. The chain also suffers from unequal power relations, which leads to small cocoa farmers not receiving reasonable prices. In October 2007 the first meeting of the [Roundtable on a Sustainable World Cocoa Economy](#) was held in which farmers, traders, processing companies, governments and social organisations talked about the development of sustainability norms for the cocoa industry. Other initiatives are the [World Cocoa Foundation \(WCF\)](#), which supports programmes for sustainable cocoa farming, and the [Sustainable Tree Crops Programme](#) for the development of the sustainable harvest of cocoa, coffee and cashews in Africa. Some certification labels for sustainable cocoa are: Fairtrade Labelling Organizations (FLO) [Product Standard](#), [organic \(EKO\)](#), [Utz](#) and Rainforest Alliance (SAN Additional Criteria and Indicators for [cocoa](#)).
- **Coffee:** For many years, organisations like [Max Havelaar](#) and - more recently - [Utz Certified](#) have been involved in the certification of coffee. Max Havelaar particularly focuses on small coffee producers and establishes minimum prices for these farmers. The [Common Code for the Coffee Community \(4C\)](#) provides an extensive framework in which both environmental aspects as well as social problems within the coffee industry are covered. For 50 years, the International Coffee Organisation (ICO) has developed standards for responsible coffee. The last ICO agreement was the [International Coffee Agreement 2007](#). There is also a Rainforest Alliance certification mark for coffee, based on the Additional Criteria and Indicators for [coffee](#) by SAN. The Fairtrade Labelling Organizations (FLO) also has a [Product Standard](#) for coffee.
- **Tea:** Tea production is labour intensive and the industry creates jobs in very remote rural areas. Globally, millions of people depend on the production of tea for their income. The price on the world market for tea has fallen dramatically in the past twenty years and, partly due to this, large social problems have arisen in the production of tea. Since 1997 the [Ethical Tea Partnership](#), a joint industry initiative of traders and packers, monitors the working conditions on large plantations. Other certification systems are [Fairtrade](#), [Rainforest Alliance](#) and [Utz Certified](#).

- **Other norms:** Fairtrade Labelling Organizations (FLO) has also [Product Standards](#) for vanilla, fresh fruit and rice. Also, the [Sustainable Agriculture Initiative Platform](#), founded by multinationals in the agricultural industry, develops tools and guidance to support global and sustainable sourcing and agricultural practices. The certification mark [Fair Produce](#) is an initiative of producers and trading companies which should improve the disturbed competitive situation in the mushroom industry.

The list described above is not an exhaustive overview of all the certification schemes and agricultural crops. The initiatives also are in various stages of development and have gained different levels of support, from very concrete and widely supported to quite vague and one dimensional. In virtually all industries, effective verification and control systems still have to be developed so that certification becomes waterproof and any progress in the field of sustainability can be measured. Some initiatives already offer reliable norms on which a policy of financial institutions can be based and others provide starting points.

This leads to assessment element

22	Companies work with relevant standards and initiatives for raw materials (mentioned in section 3.4.2).
23	Companies are certified according to the criteria of the certification schemes for raw materials(mentioned in section 3.4.2).

- **Sustainability reporting**

The Global Reporting Initiative has drafted guidelines on how to write sustainability reports. Besides the general [G4 Sustainability Reporting Guidelines](#) it also provides sector guidance for a number of industrial sectors. In the [G4 Food Processing Sector Disclosures \(FSSD\)](#), not yet updated but still recommended by GRI to use with its new [GRI Sustainability Reporting Standards \(GRI Standards\)](#), includes guidelines regarding animal welfare, fair trade, health and the wellbeing of consumers, impact on natural resources and the use of packaging. The guideline has been specifically developed for companies involved in processing food and drinks. Parts of the guideline are also suitable for companies involved on the side, such as suppliers of pesticides, and take all links in the production chain into account.

For small and medium enterprises (SMEs), less elaborate sustainability reporting is required. SMEs can report on the GRI indicators that are relevant to their operations, for example by following [the High5! Approach](#).

This leads to assessment element

24	Companies publish a sustainability report that may contain (a number of) disclosures from the GRI Standards.
25	Large enterprises and multinational enterprises publish a sustainability report that is set up in accordance with the (Core or Comprehensive option of) GRI Standards.

- **Procurement and supply chains**

Companies are often part of long production chains. They can monitor one another and question how they respect local and national legislation and international norms regarding social, economic and environmental issues. The requirements that companies set for their suppliers can be included in contractual agreements. The importance of this also recognised in the [OECD Guidelines for Multinational Enterprises](#) since its revision in 2011.

Also [ISO 26000:2010 Guidance on social responsibility](#) recognises the importance of supply chain responsibility, because “the impacts of an organization's decisions or activities can be greatly affected by its relationships with other organizations.” A companies’ sphere of influence includes relationships within and beyond an organization’s supply chain.⁴³³

In addition, [ISO 20400:2017 Sustainable procurement – Guidance](#) provides guidelines for organizations, independent of their activity or size, on integrating sustainability within procurement, as described in ISO 26000:2010 Guidance on social responsibility. It is intended for stakeholders involved in, or impacted by, procurement decisions and processes.

The [United Nations Guiding Principles on Business and Human Rights](#) include a due diligence process in order to identify, prevent, mitigate and account for how companies address their adverse human rights impacts. The process “should cover adverse human rights impacts that the business enterprise may cause or contribute to through its own activities, or which may be directly linked to its operations, products or services by its business relationships.”⁴³⁴

A useful tool for companies is the [FAO-OECD Guidance for Responsible Agricultural Supply Chains](#). The Guidance “has been developed to help enterprises observe existing standards for responsible business conduct along agricultural supply chains. These standards include the OECD Guidelines for Multinational Enterprises, the Principles for Responsible Investment in Agriculture and Food Systems, and the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security. Observing these standards helps enterprises mitigate their adverse impacts and contribute to sustainable development”.⁴³⁵ Furthermore, the Guidance contains a step-by-step model for implementing supply chain due diligence in the agricultural sector.

This leads to assessment element

26	Companies integrate environmental, social and governance criteria in their procurement and operational policies. ^{xxv}
27	Companies include clauses on the compliance with environmental, social and governance criteria in their contracts with subcontractors and suppliers. ^{xxvi}

3.4.3 Assessment elements

A reform of the global food and agriculture sector is badly needed in order to improve its contribution to sustainable development and to meeting its responsibility to respect peoples’ right to food. Only through sustainable practices the massive deforestation that presently takes place as a result of the growth of agricultural activities can be reduced. This would protect biodiversity and ecosystems, climate change and fight desertification as well as preventing social problems with respect to the land rights of the local populations. Financial institutions play an important role in the food and agriculture sector as they finance producers, processors and traders of agricultural products. On these grounds, financial institutions carry a shared responsibility for improving the sustainability of this sector.

xxv If the financial institution has no specific sector policies or does not mention this in its sector policies, but does mention this in cross-cutting policies for at least three themes, the financial institution is deemed to comply with this element.

xxvi If the financial institution has no specific sector policies or does not mention this in its sector policies, but does mention this in cross-cutting policies for at least three themes, the financial institution is deemed to comply with this element.

The following elements are crucial for a policy regarding the companies a financial institution invests in or finances:

1. Companies respect the right to adequate food.
2. Companies respect the ILO Declaration on Fundamental Principles and Rights at Work.
3. Companies prevent conflicts over land rights and acquire natural resources only by engaging in meaningful consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous peoples.
4. Companies prevent conflict over land rights and acquire natural resources only with free, prior and informed consent (FPIC) of the land users involved.
5. Companies prevent negative impacts on protected areas that fall under the categories I-IV of the International Union for Conservation of Nature (IUCN) within their business operations and the areas they manage.
6. Companies prevent negative impacts on UNESCO World Heritage sites within their business operations and the areas they manage.
7. Companies prevent negative impacts on protected areas that fall under the Ramsar Convention on Wetlands within their business operations and the areas they manage.
8. Activities in the field of genetic materials and genetic engineering only take place if they meet the permission and processing requirements described in the UN Convention on Biological Diversity and the related Bonn Guidelines or Nagoya Protocol.
9. Production of, or trade in, living genetically modified organisms can only take place if permission of the importing country has been obtained and all requirements of the Cartagena Protocol have been met.
10. Companies respect the *Five Freedoms* of animals.
11. Very restricted housing methods for calves (in crates), hens (in battery cages) and sows (in feeding cubicles) are unacceptable.
12. Companies reduce the time limit of animal transport to a maximum of 8 hours.
13. Companies apply a prudent use of antimicrobial medicines (antibiotics) in food-producing animals in order to minimize antimicrobial resistance.
14. Companies reduce their direct and indirect greenhouse gas emissions.
15. Companies reduce their direct and indirect emissions of harmful substances, such as particulate matter, nitrogen oxide and ammonia.
16. Conversion of peatland and high-carbon stocks for agricultural development is unacceptable.
17. Companies use pesticides as little as possible and, if necessary, only in a responsible way.
18. Companies use as little water as possible.
19. Companies prevent water pollution.
20. Companies conduct water scarcity impact assessments and prevent negative impacts in water scarce regions.
21. Companies do not start new operations in areas where water scarcity is pre-existing and operations would compete with the needs of communities.
22. Companies work with relevant standards and initiatives for raw materials (mentioned in section 3.4.2).
23. Companies are certified according to the criteria of the certification schemes for raw materials(mentioned in section 3.4.2).
24. Companies publish a sustainability report that may contain (a number of) disclosures from the GRI Standards.
25. Large enterprises and multinational enterprises publish a sustainability report that is set up in accordance with the (Core or Comprehensive option of) GRI Standards.

26. Companies integrate environmental, social and governance criteria in their procurement and operational policies.^{xxvii}
27. Companies include clauses on the compliance with environmental, social and governance criteria in their contracts with subcontractors and suppliers.^{xxviii}

3.5 Forestry

3.5.1 What is at stake?

About 30% of the surface of the Earth - almost 4 billion hectares - is covered with forests. Of this, about 271 million hectares are timber plantations. Although these have an entirely different function, the plantations are often classified as 'forest'.⁴³⁶ Forests and plantations play an important role on earth and provide us with a variety of services which are described below.

- It is very difficult to estimate how many people depend on forests for their livelihoods, with important differences between those who live inside forests, those who live near forests and those who are engaged in commercial activities that rely on forests. These categories also overlap and vary along with the definition of 'forest'.⁴³⁷ Nevertheless, some estimates place the number of people who depend on forests for their livelihood at over 1.5 billion people.⁴³⁸
- Hundreds of millions of people - of whom a large part are the original inhabitants of the forest - consider the forest to be their home: their social, cultural, and economic wellbeing is inextricably connected with the forest and the products they find there.⁴³⁹
- Forest ecosystems are the most bio-diverse ecosystems on earth, offering shelter to more than two thirds of all animals and plants living on land.⁴⁴⁰
- Trees grow by extracting CO₂ from the air. Untouched forests serve as carbon storage and are therefore invaluable with regard to climate protection.⁴⁴¹ In 2012 a joint study by two of the world's leading research groups presented findings that estimate that deforestation provides 3.0 billion tons of carbon dioxide a year, thus contributing significantly to global warming. This accounts for 10% of global emissions.⁴⁴² The IPCC in 2014 estimated the CO₂ emissions produced by the agriculture, forestry and other land use (AFOLU) at 12% of global emissions between 2000 and 2009.⁴⁴³
- Forests ensure the fertility of the soil, protect reservoirs and reduce the risk of natural disasters such as floods and avalanches because they hold water resources and prevent soil erosion. These properties have a very positive effect on global agriculture productivity and human health.⁴⁴⁴
- The forest products industry is a source of economic growth and provides timber and other products, such as edible nuts and fruit, medicinal plants, fibres and rubber.⁴⁴⁵ The economic importance of the informal, local trade in timber and other forest products is likely to be much higher. Furthermore, the loss of forests also causes damage to the economy. Deforestation and forest deterioration are responsible for costs that range in the trillions in the world economy.⁴⁴⁶

xxvii If the financial institution has no specific sector policies or does not mention this in its sector policies, but does mention this in cross-cutting policies for at least three themes, the financial institution is deemed to comply with this element.

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- Forestry creates employment, but in this policy there are large differences between the types of forestry. Small scale and informal forestry - often in combination with *agro forestry* - are usually an important source of employment. However, there is a great deal of variation between types of forestry work, within different kinds of forestry work and also between regions.⁴⁴⁷

Despite their importance for human beings and nature, forests are still being destroyed with unprecedented speed. Experts estimate that during the nineties of the last century, about sixteen million hectares of natural forest was lost annually.⁴⁴⁸ Besides deforestation, due to overexploitation there is also a lot of *forest degradation* taking place. This means that forests lose their richness in biodiversity and parts of their social and ecological functions.

Deforestation and forest degradation deprive local communities of their territory and livelihood, lead to loss of biodiversity, soil erosion and a decrease in the surface and groundwater table. In addition, deforestation activities sometimes cause horrible forest fires. Due to air pollution caused by these fires, people can suffer from respiratory problems - such as asthma, bronchitis and pneumonia - as well as other consequences of the fires, such as eye and skin problems. Most forest fires were caused by the destruction of forests for the purpose of expansion of the large-scale pulp industry and palm oil plantations.⁴⁴⁹

Important causes of deforestation and forest degradation are:

- **Non-sustainable and illegal logging.** Non-sustainable logging occurs when forests are cut down so fast that recovery is impossible. Although non-sustainable logging is often illegal, these are two different issues. Not all unsustainable logging is illegal, because the forestry regulations in a lot of countries still fail to take sustainability into account. And not all types of illegal logging are non-sustainable, such as the small scale logging by population groups that live in the forest and depend on small-scale agricultural activities (shifting cultivation).

Illegal logging and forest crime has an estimated worth of billions of USD annually. It is estimated that 50 to 90 % of timber in some tropical countries is suspected to originate from illegal sources or has been logged illegally.⁴⁵⁰ Governments would have been able to use this money for the improvement of health provisions, education, and other public services or for the improvement of sustainable forest management systems.

Also, non-sustainable logging often causes great damage to the environment. Due to the conversion of forests and other bio-diverse areas into timber plantations and secondary (degenerating) forests, biodiversity is lessened.⁴⁵¹ In addition, legal (but non-sustainable) logging exposes the forest to illegal logging and poaching when infrastructure is created.⁴⁵²

Non-sustainable logging, which is often illegal, has negative consequences for the livelihood of population groups that depend on forests. Many of these groups are part of the poorest and most oppressed communities in the world. In some forest rich countries, the forestry industry is very corrupt. Private allocations of licenses and payment for these services by large scale logging companies have increased to such an extent that national legislation is being undermined. As a result, democratic governance and attention to human rights have come under pressure. In some cases the illegal exploitation of forests has been directly linked to large-scale violent conflicts (such as in the Democratic Republic of Congo).⁴⁵³

The sale of illegal wood within the EU remains a serious problem. As a report by the European Commission in February 2016 shows, much more needs to be done to combat the trade in illegal timber. The report states that private sector companies had "not consistently implemented the [due diligence] requirements" and that compliance remains "uneven and insufficient".⁴⁵⁴

- **Conversion of natural forests into timber and pulp plantations.** One of the main causes of non-sustainable logging is the establishment of large-scale pulp, paper and veneer factories. The timber mills in these factories produce a great deal of their respective products and these companies generally fail to make use of the sustainable timber supply. Often, large areas of natural forests are cut down to make room for timber plantations on the exposed land that use fast growing types of tree. Although plantations are sometimes classified as forests - for example in the annual FAO study [State of the World's Forests](#) - they do not offer the same social and ecological functions as natural forests do.

A large share of global logging is destined for industrial paper use and pulp factories are becoming increasingly controversial. The huge monoculture plantations needed to supply modern pulp factories with raw material have serious consequences for biodiversity, water quality, land rights and income provision. Due to this, the factories themselves are very polluting. Stimulated by financial institutions, the industry constructs larger factories than needed, as it is easier to obtain financing for a large factory than for a small one. Financial institutions can therefore exert significant influence in determining which projects ultimately go ahead.⁴⁵⁵

- **Conversion of forests for agriculture.** Agricultural activities in livestock farming and the production of palm oil, soy and corn (for food and biofuel) increasingly use larger and larger land areas. To make way for agricultural activities, forests are cut on a large scale, after which the remaining vegetation is burnt to serve as fertiliser. This system is commonly known as *slash-and-burn*. It is mostly conducted by farmers, however these activities are sometimes connected to large industry players.⁴⁵⁶
- **Conversion of mangroves for fish farming.** Also, for large-scale fish and shell fish growers, forests - in this case mangroves in tropical coastal areas - are destroyed.⁴⁵⁷
- **Development of large-scale industrial and infrastructure projects.** For the development of industry and infrastructure - such as roads, railways, channels, dams, mines, oil and gas plants and pipelines - forests are destroyed.⁴⁵⁸

The [United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries](#) (UN-REDD) is an initiative whereby developing countries are financially stimulated to reduce the emission of greenhouse gases due to deforestation and to invest more in sustainable development. During the [15th United Nations Climate Change Conference](#) in Copenhagen in December 2009, the [Copenhagen Accord](#) agreement was achieved on the need to stop deforestation and forest degradation.

The issues related to forestry are dealt with in SDG 15 Life on Land. It targets to implement sustainable forest management practices and stop all kind of deforestation and promote reforestation by 2020. It also aims to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species. SDG 15 Life on Land also encourages mobilising resources to finance sustainable forest management practices in developing countries.⁴⁵⁹ Forestry, as an industrial sector is also a hurdle in achieving SDG 13 Climate Action. Indirectly, land issues can be a threat to SDG 1 No Poverty and SDG 10 Reduced Inequalities.⁴⁶⁰

This section deals with the forestry industry. The term ‘forests’ include, but are not limited to, natural forests and forest plantations as described by the [Convention on Biological Diversity](#). The forestry industry comprises of all companies that manage forests and the companies that process timber (lumber, pulp, paper, and other wood products). The forestry industry is also comprised of all companies that are involved in trade and the further processing of these products, such as furniture and paper, and therefore includes long supply chains with a lot of different companies in which financial institutions can invest.

As well as having a large influence on the state of the forests in the world, the forestry industry also depends on it. Therefore, the forestry industry deserves a separate policy, besides the investment policy for other industries that contribute to deforestation and forest degradation (such as agriculture, fishing and mining). Financial institutions should develop a stringent investment policy to themselves ensure that they only invest in or finance companies and governments that manage their forests in a way that is not only sustainable for the environment, but is also beneficial to local societies. When developing a policy for this industry, financial institutions can make use of the international standards described below.

3.5.2 International standards and initiatives

The main international standards on the forestry industry are summarised per topic, followed by the assessment elements that are formulated by FFGI as a result:

- **Protected areas and High Conservation Value Forests**

Forestry activities in all protected areas that fall within the categories I-IV of the [World Conservation Union](#), the [UNESCO World Heritage Convention](#) and the [Ramsar Convention on Wetlands](#) require special attention and protection. These areas are dealt with extensively in section on nature. Policies of financial institutions have to be aimed at avoiding investments in forestry activities in these areas.

These areas are also included in the analyses for investments by [International Finance Corporation’s \(IFC\) Performance Standard 6](#) concerning Biodiversity Conservation and Sustainable Management of Living Natural Resources. It determines how companies should operate in order to avoid negative consequences on areas of high biodiversity value, including impact on natural habitats as well as endangered and endemic species. The requirements in the standard have been guided by the [Convention on Biological Diversity](#).

In addition, FSC has developed the [High Conservation Value Forests](#) (HCVFs) concept. HCVFs describe forest areas with special attributes that make them particularly valuable for biodiversity and/or local people, and are defined as “natural landscapes of which the conservation value - including the presence of rare animal species and sacred sites have traditional importance to local or indigenous people.” the objective of assigning an HCVF-label to certain forest areas is to be able to better identify valuable forests, developing suitable protection so important ecological and social economic values remain preserved.⁴⁶¹ The [Global HCVF Toolkit](#), developed by IKEA and ProForest, provides starting points to apply the concept and implementation on a national scale. Organisations supporting HCV Resource Network [HCV Charter](#) can register.

This leads to assessment element

1	Companies prevent negative impacts on High Conservation Value (HCV) areas within their business operations and the forests they manage.
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- **High Carbon Stock**

Different forests have different degrees of carbon storage. The [High Carbon Stock \(HCS\) Approach](#) is a methodology to identify areas of land suitable for plantation development and forest areas that can be protected in the long term. The methodology distinguishes natural forest areas from degraded lands (former forest) that now contain only small trees, shrubs or grasses. HCS forests store a lot of carbon that would be released if converted into plantations, as well as having rich biodiversity values. The methodology was originally developed by Greenpeace, The Forest Trust (TFT) and Golden Agri-Resources (GAR), and is now governed and will be further refined by a multi-stakeholder body called the [High Carbon Stock Approach Steering Group](#). The HCS Approach is now used by plantation companies that have made a commitment to exclude deforestation from their supply chains.⁴⁶²

This leads to assessment element

2	Companies prevent negative impacts on High Carbon Stock (HCS) areas within their business operations and the forests they manage.
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- **Illegal logging and deforestation**

Since 2002, governments of wood producing and consuming countries have organised a number of conferences together with the World Bank. These [Ministerial Conferences on Forest Law Enforcement and Governance \(FLEG\)](#) processes are aimed at reducing illegal logging and the respective trade and corruption in the forestry industry. In order to reach these objectives producers, consumers and donor governments are held accountable to international commitments to increase their efforts. Up to now, FLEG-meetings have taken place in South-East Asia and Australia, Africa, Europe and in North Asia.

In May 2003, the European Commission developed the [Forest Law Enforcement, Governance and Trade \(FLEGT\) Action Plan](#), which was adopted by the EU in 2004. The FLEGT Action Plan establishes a new and innovative approach to prevent illegal logging. This means that legal agreements within the EU that concern trade and exploitation of raw materials are linked to the governance of the developing countries where these raw materials (in this case wood) come from. The action plan describes a series of measures - such as supporting the private industry by keeping illegal timber out of the chain - and it supports measures to prevent investments in illegal logging.

In 2008, the United States were the first country to ban the import, sale and trade of illegal timber and other related products. According to the [Lacey Act](#), importers have to indicate the wood species and the country of origin of most wood species, with heavy fines on importing wood products from illegal sources, regardless of whether this is done intentionally or unintentionally.

In March 2013, the [EU Timber Regulation \(EUTR\)](#) came into force: "Placing illegally harvested timber and products derived from such timber on the EU market for the first time, is prohibited. EU operators – those who place timber products on the EU market for the first time – are required to exercise 'due diligence'. Traders – those who buy or sell timber and timber products already on the market – are required to keep information about their suppliers and customers to make timber easily traceable." Companies can develop their own Due Diligence System or make use of the services of monitoring organisations across the EU.

Several very large companies, notably traders in the palm oil sector such as Archer Daniels Midland and Wilmar International (the latter controls roughly 45% of the global market in palm oil), have adopted '[no deforestation](#)' policies in recent years. These policies set a high benchmark, often allowing no deforestation, no peat development and no conflicts, in their own operations or in their supply chain. Although in these first cases directed at the palm oil sector, financial institution may apply the policies to other sectors causing deforestation, peat loss and conflicts as well.⁴⁶³

The United Nations Climate Summit's [New York Declaration on Forests](#) has been signed by several large companies. The Declaration is a non-legally binding political declaration, which aims to cut natural forest loss with 50% by 2020 and to ultimately end deforestation by 2030. Furthermore, it also promotes the restoration of forests and croplands of an area larger than India. The Declaration has been endorsed by dozens of governments, 30 of the world's largest companies and over 50 influential civil society and indigenous organisations. The associated voluntary [Action Agenda](#) serves as a guide to governments, companies, and organisations regarding the diverse set of actions that can achieve these transformational goals.⁴⁶⁴

The [Soft Commodities Compact](#) initiative of the banks involved in the Banking Environment Initiative (BEI) and the Consumer Goods Forum (CGF) aims "to lead the banking industry in aligning with the CGF's resolution to help achieve zero net deforestation by 2020".⁴⁶⁵ The commitments of the banks include: "Alongside their own due diligence processes, by 2020 Compact banks will confirm that these customers' operations have achieved the same internationally-recognised means of verification that the CGF is prioritising. For each commodity, the starting point is:⁴⁶⁶

- Roundtable on Sustainable Palm Oil (RSPO) certification for palm oil;
- Forest Stewardship Council (FSC) verification or that of a national scheme endorsed against the 2010;
- Programme for the Endorsement of Forest Certification (PEFC) meta standard for timber products;
- Round Table on Responsible Soy (RTRS) certification for soy".

This leads to assessment element

3	Companies throughout the wood supply chain prevent the use of illegally cut and traded timber.
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- **Pulp and paper production**

In 2014 a group of over 120 non-profit organizations endorsed a new [Global Paper Vision](#), to improve sustainability in the paper supply chain. The Global Paper Vision encompasses seven principles, addressing the entire paper life-cycle:

- reduce global paper consumption and promote fair access to paper;
- maximise recycled fibre content;
- ensure social responsibility;
- source fibre responsibly;
- reduce greenhouse gas emissions;
- ensure clean production; and
- ensure transparency and integrity.

This leads to assessment element

4	Pulp and paper factories restrict the use of chemicals and the pollution of soil, water and air by making use of the best available techniques.
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- **Fair and equal use of forests**

In article 8(j), the [Convention on Biological Diversity \(CBD\)](#) also considers the fair and equal use and the advantages of biological diversity and requires that traditional knowledge of indigenous and local communities can only be used with their permission. The [Akwé: Kon Guidelines](#) require the conduct of cultural, environmental and social impact assessments regarding developments proposed to take place or which are likely to impact on sacred sites and on lands and waters traditionally occupied or used by indigenous and local communities.

This leads to assessment element

5	Companies respect the rights of local and indigenous communities on the fair and equal use of forests.
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- **Land rights, conflicts and forced evictions**

Human rights, particularly economic, social and cultural (ESC) rights, play a central role in land-related issues. However, there is no explicit recognition of a 'human right to land' within international human rights instruments. Those who face threats to their land rely on other rights, such as the right to food, the right to water, the right to housing and the right to work. These rights are included in the [International Covenant on Economic, Social and Cultural Rights \(ICESCR\)](#).⁴⁶⁷ Other standards related to land rights conflicts and forced evictions are:

- The [Basic Principles and Guidelines on Development-based Evictions](#)
- The [core principles](#) of the United Nations Special Rapporteur on the right to food
- The [Tirana Declaration](#)

For more information and relevant international standards and initiatives see the theme Human rights (section 2.6.2).

This leads to assessment element

6	Companies prevent conflicts over land rights and acquire natural resources only by engaging in serious consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous peoples.
7	Companies prevent conflict over land rights and acquire natural resources only with free, prior and informed consent (FPIC) of the land users involved.

- **Certification of forest management and the wood product chain**

The [Global Paper Vision](#) emphasises the importance of responsible sourcing "from forest managers that have credible, independent, third-party certification for employing the most environmentally and socially responsible forest management and restoration practices".⁴⁶⁸

Most certification schemes developed to guarantee sustainable forest management, fail in developing and monitoring strict guidelines. Often, this has to do with the involvement of companies from the forestry industry in the certification process. Due to the fact that these companies have a commercial interest in weak certification guidelines, their participation in the process merely enhances the status quo of non-sustainable forest management. This is reflected in the fact that most certification methods do not respect the rights of indigenous peoples and exclude them from the decision-making process and decisions.⁴⁶⁹

The Forest Stewardship Council (FSC) is a certification system that contains this topic in its standards. In the FSC forest owners, forest construction companies, labour unions, social and environmental organisations are represented. The FSC has drafted the 10 Principles of Forest Stewardship. With the corresponding criteria, these principles form the basis of all FSC standards for forest and plantation management. In addition, thousands of wood products carry the FSC Chain of Custody-certificate, which implies that the entire production chain complies with FSC conditions.⁴⁷⁰

There are also other certification systems that are often used, but not considered to be sufficient to guarantee certain human rights and environmental protections. For example, the PEFC criteria also includes requirements that the UN Declaration on the Rights of Indigenous Peoples is observed (including the so-called Free and Prior Informed Consent principle). The PEFC certificates are mainly issued in Europe.⁴⁷¹ Most PEFC-certified wood comes from North America, followed by Europe follows.⁴⁷²

However, PEFC is not considered sufficient for certification by many civil society organizations (CSOs). As PEFC certification takes place on the basis of national standards, it is not possible to derive clear criteria from a PEFC certificate. Among nature and environmental organizations there is unanimity that PEFC standards do not ensure sustainable forestry, especially outside Europe. The Global Paper Vision also states that FSC is currently the only international certification programme meeting their requirements of a good certification programme. Friends of the Earth Netherlands determined unsustainable forestry in 2009 in the United States, Australia and Slovakia in PEFC - certified forests.⁴⁷³ In addition there are, according to WWF and Greenpeace, among others, the following weaknesses of PEFC compared to FSC:⁴⁷⁴

- Woodlands can be converted to monoculture plantations;
- No need to protect endangered plant and animal species; and
- The organization is dominated by the timber industry and there is too little involvement of other stakeholders.

WWF, Greenpeace, Friends of the Earth and the Dutch Centre for Indigenous Peoples (NCIV) have also advised against approval of the Malaysian Timber Certification Scheme (MTCS). According to the CSOs, in MTCS certified woods transformation of forest takes place and constant social conflicts on land rights. Areas for improvement within the PEFC and MTCS management standards include exclusion of natural forest conversion, safeguarding High Conservation Values, better producer communication and addressing greenhouse-gas emissions. MTCS should also better address indigenous peoples' rights and community relations.⁴⁷⁵

Fair Finance Guide International considers PEFC certification and other certification schemes not a sufficient requirement from companies. As these certification schemes do not meet the standards to ensure production of sustainable wood, FSC certification is the only acceptable certification system.

This leads to assessment element

8	Production forests and timber plantations are certified according to the Forest Stewardship Council (FSC) forest management certification.
9	Supply chains of timber traders and companies in the wood product chain (including pulp, paper, veneer, furniture) are certified according to the FSC chain of custody certification.

- **Sustainability reporting**

In September 2003 the World Wildlife Fund (WWF) published [Guidelines for Investment in Operations that Impact Forests](#). These guidelines help financial institutions to identify critical problems in the forestry industry and to develop a forestry policy.

The recently launched [Forest Footprint Disclosure](#) (FFD) project tries to help investors in identifying links between tropical deforestation and the activities and chains of the companies in which they invest. Similar to the Carbon Disclosure Project, questionnaires are sent on behalf of institutional investors. The results - which indicate whether a company has developed 'best in class' in innovative risk control strategies, or did not respond to the request to make its forest footprint public - are collected in an annual report.⁴⁷⁶

The best known guideline for sustainability reporting in general is the [Global Reporting Initiative \(GRI\) Reporting Framework](#), of which the latest edition has been presented in 2016: "The G4 Guidelines have been superseded by the [GRI Sustainability Reporting Standards \(GRI Standards\)](#). The GRI Standards will be required for all reports or other materials published on or after 1 July 2018 – the G4 Guidelines remain available until this date".⁴⁷⁷

For small and medium enterprises (SMEs), less elaborate sustainability reporting is required. SMEs can report on the GRI indicators that are relevant to their operations, for example by following [the High5! Approach](#).

This leads to assessment element

10	Companies in industries with a large impact on forests (including in any case the forestry and paper industry), report their forest footprint to the Forest Footprint Disclosure (FFD) project.
11	Companies publish a sustainability report that may contain (a number of) disclosures from the GRI Standards.
12	Large enterprises and multinational enterprises publish a sustainability report that is set up in accordance with the (Core or Comprehensive option of) GRI Standards.

- **Procurement and supply chains**

Companies are often part of long production chains. They can monitor one another and question how they respect local and national legislation and international norms regarding social, economic and environmental issues. The requirements that companies set for their suppliers can be included in contractual agreements. The importance of this is also recognised in the [OECD Guidelines for Multinational Enterprises](#) since its revision in 2011.

Also [ISO 26000:2010 Guidance on social responsibility](#) recognises the importance of supply chain responsibility, because "the impacts of an organization's decisions or activities can be greatly affected by its relationships with other organizations." A companies' sphere of influence includes relationships within and beyond an organization's supply chain.⁴⁷⁸

In addition, [ISO 20400:2017 Sustainable procurement – Guidance](#) provides guidelines for organizations, independent of their activity or size, on integrating sustainability within procurement, as described in ISO 26000:2010 Guidance on social responsibility. It is intended for stakeholders involved in, or impacted by, procurement decisions and processes.

The United Nations Guiding Principles on Business and Human Rights include a due diligence process in order to identify, prevent, mitigate and account for how companies address their adverse human rights impacts. The process “should cover adverse human rights impacts that the business enterprise may cause or contribute to through its own activities, or which may be directly linked to its operations, products or services by its business relationships.”⁴⁷⁹

This leads to assessment element

- | | |
|----|--|
| 13 | Companies integrate environmental, social and governance criteria in their procurement and operational policies. |
| 14 | Companies include clauses on the compliance with environmental, social and governance criteria in their contracts with subcontractors and suppliers. |
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3.5.3 Assessment elements

Financial institutions can use their influence to prevent deforestation and forest degradation, by establishing a strict policy for investments in the forestry sector. This policy applies to the entire forestry sector, being forestry, logging, pulp, paper and furniture production as well as other wood processing and trade companies.

The following elements are crucial for a policy regarding the companies a financial institution invests in or finances:

1. Companies prevent negative impacts on High Conservation Value (HCV) areas within their business operations and the forests they manage.
2. Companies prevent negative impacts on High Carbon Stock (HCS) areas within their business operations and the forests they manage.
3. Companies throughout the wood supply chain prevent the use of illegally cut and traded timber.
4. Pulp and paper factories restrict the use of chemicals and the pollution of soil, water and air by making use of the best available techniques.
5. Companies respect the rights of local and indigenous communities on the fair and equal use of forests.
6. Companies prevent conflicts over land rights and acquire natural resources only by engaging in serious consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous peoples.
7. Companies prevent conflict over land rights and acquire natural resources only with free, prior and informed consent (FPIC) of the land users involved.
8. Production forests and timber plantations are certified according to the Forest Stewardship Council (FSC) forest management certification.
9. Supply chains of timber traders and companies in the wood product chain (including pulp, paper, veneer, furniture) are certified according to the FSC chain of custody certification.
10. Companies in industries with a large impact on forests (including in any case the forestry and paper industry), report their *forest footprint* to the Forest Footprint Disclosure (FFD) project.
11. Companies publish a sustainability report that may contain (a number of) disclosures from the GRI Standards.
12. Large enterprises and multinational enterprises publish a sustainability report that is set up in accordance with the (Core or Comprehensive option of) GRI Standards.

13. Companies integrate environmental, social and governance criteria in their procurement and operational policies.^{xxix}
14. Companies include clauses on the compliance with environmental, social and governance criteria in their contracts with subcontractors and suppliers.^{xxx}

3.6 Housing and real estate

3.6.1 What is at stake?

The UN estimates that over the next 40 years, the world is expected to build 230 billion square meters in new construction⁴⁸⁰ and 6 out of 10 people will reside in urban areas by 2030. Cities face many demographic, environmental, economic, social and spatial challenges and without effective urban planning, the consequences of the expected urbanization in the next decades will be dramatic. The built environment has direct and indirect, positive and negative impacts on social wellbeing and the livelihoods and prosperity of local communities and individuals. It provides homes, jobs, education and recreational facilities for communities, but lack of proper housing and inadequate and out-dated infrastructure can also lead to escalating poverty and unemployment, safety and crime problems, pollution and health issues.⁴⁸¹

With respect to the environmental impact of real estate, the UNEP estimates that, throughout their life-cycle, buildings account for roughly 40% of all global energy consumption as well as 25% of all water resource withdrawals. Buildings are also responsible for 30% of world-wide and 36% of European Union greenhouse gas emissions.⁴⁸² UNEP's Global Status Report 2017 on buildings and construction reconfirms the significance of the buildings and construction sector in global energy consumption and related emissions. It further states that while efforts to decarbonise the sector are progressing, also accelerated energy-efficiency and a shift away from fossil fuels is needed to achieve net-zero emissions in the buildings sector before 2060. This will require a major shift in financing and investments.⁴⁸³ As a consequence, the real estate sector has the potential to play a significant role to mitigate climate change through reduction of GHG emissions in the built environment.⁴⁸⁴

For real estate investors, improving sustainability can therefore be very profitable. The operating costs of buildings are exposed to fluctuations in energy prices and possible tax effects, due to future regulations regarding energy use and the emission of greenhouse gases. If buildings are constructed to be energy efficient or adapted to be so, this can reduce the operating costs by 14%. This also helps to respond to market developments. It is expected that the demand for sustainable real estate will increase significantly in the coming years. In addition, energy efficient buildings have a higher economic value.⁴⁸⁵

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In terms of environmental sustainability and resource efficiency, it is important to consider the entire life-cycle of a building: from siting, design, construction, operation and renovation to demolition.⁴⁸⁶ The housing and real estate sector can have an important impact in working towards a circular economy. Not only by using sustainable construction materials, but also by re-using, repairing, refurbishing and recycling construction materials and waste in the most sustainable and responsible way possible. The impact of construction projects on ecosystems should be minimised and where possible damage to nature should be restored.⁴⁸⁷ As the building environment can last for decades, in order to avoid vacancy, real estate needs to be designed for multiple and flexible use. Financial institutions can also contribute to transformation of vacant buildings.⁴⁸⁸

The housing and real estate sector is intertwined with several human rights issues and labour practices. Human rights violations can occur through the (in)voluntary displacement and resettlement of people living on - or nearby - land that is to be developed for buildings. Whether voluntary or involuntary, potential impacts may include loss of productive land, loss of employment and income, loss of housing, loss of access to common resources and public services, and social fragmentation. During the construction stage these issues include health and safety considerations, fair wages, reasonable working hours, indenture or forced labour and other workers' rights violations for construction workers.⁴⁸⁹

The right to adequate housing requires that health and safety standards are respected in design, construction, maintenance, renovation and demolition of buildings, in order to protect the occupants and users of buildings. When planning new buildings and living areas, companies should not only consider how to make sustainable buildings but also how urban areas can be designed in such a way that shops are within walking distance, that there is sufficient green space and parks and that there is enough space for vehicles, bikes and pedestrians.

This is recognized in a separate goal as SDG 11 Sustainable Cities and Communities. One of the targets is to ensure access to adequate, safe and affordable housing for all. Another target is to support least developed countries through financial and technical assistance in building sustainable and resilient buildings.⁴⁹⁰ SDG 9 Industry, Innovation and Infrastructure is relevant as it targets amongst others developing quality, reliable, sustainable and resilient infrastructure to support economic development and human well-being, including in urban areas. Other SDGs such as SDG 1 No Poverty, SDG 8 Decent Work and Economic Growth, and SDG 13 Climate Action are also impacted by the housing and real estate sector.⁴⁹¹

In 2016, the UN Conference on Housing and Sustainable Urban Development (Habitat III), adopted the New Urban Agenda.⁴⁹² This blueprint for UN Habitat and partners supports the 2030 Agenda on Sustainable Development, especially SDG 11 Sustainable Cities and Communities, to make cities inclusive, safe, resilient and sustainable and can serve as a starting point for investing and financing in real estate and housing.

3.6.2 International standards and initiatives

The main international standards on housing and real estate are summarised per topic, followed by the assessment elements that are formulated by FFGI as a result:

- **Circular economy in real estate**

Companies active in the housing and real estate sector are expected to take into account the concept of circular economy into their business activities. The [Ellen MacArthur Foundation](#) was amongst the first to define the principles of the circular model:

- Design out waste and pollution
- Keep products and materials in use
- Regenerate natural systems

According to the cooperative [Circle Economy](#), the concept of a *circular economy* is based on the following principles:⁴⁹³

- **Prioritise Regenerative Resources:** Ensure renewable, reusable, non-toxic resources are utilised as materials and energy in an efficient way.
- **Preserve and Extend What's Already Made:** While resources are in-use, maintain, repair and upgrade them to maximise their lifetime and give them a second life through take back strategies when applicable.
- **Use Waste as a Resource:** Utilise waste streams as a source of secondary resources and recover waste for reuse and recycling.
- **Rethink the Business Mode:** Consider opportunities to create greater value and align incentives through business models that build on the interaction between products and services.
- **Design for the Future:** Account for the systems perspective during the design process, to use the right materials, to design for appropriate lifetime and to design for extended future use.
- **Incorporate Digital Technology:** Track and optimise resource use and strengthen connections between supply chain actors through digital, online platforms and technologies that provide insights.
- **Collaborate to Create Joint Value:** Work together throughout the supply chain, internally within organisations and with the public sector to increase transparency and create joint value.

This leads to assessment element

4	Construction companies use recycled and recyclable materials and recycle materials in case of demolition.
9	New buildings are designed as such that they are suitable for multiple tenants, or can be easily adapted to suit multiple tenants.
10	Owners of real estate have a policy on transformation of vacant buildings in their portfolio.

- **Sustainable wood**

In the construction industry a lot of wood is used. The use of certified responsible and sustainable wood guarantees that the wood is produced in a sustainable way, with preservation of biodiversity and good social criteria. Also, the role of forests for carbon sequestration is protected. It is therefore important that construction companies are certified according to the [Forest Stewardship Council \(FSC\)](#) criteria.

For more information see also the sector theme Forestry in section 3.5.2.

This leads to assessment element

3	Construction companies only use wood certified according to the Forest Stewardship Council (FSC) forest management certification
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- **Sustainable cement**

Cement is an important component of concrete and is used extensively in the construction industry. Cement and concrete production has a large environmental footprint, accounting for roughly 5% of global CO₂ emissions.⁴⁹⁴ Concrete and cement production companies can cooperate with the World Business Council for Sustainable Development's [Cement Sustainability Initiative](#). Member companies measure and report emissions follow the CSIs Cement CO₂ and Energy Protocol and set individual targets to reduce CO₂ intensity. At the COP21 in December 2015, members of the WBCSD Cement Sustainability Initiative pledged to reduce their CO₂ emissions by 20-25% by 2030, as part of a new action plan.⁴⁹⁵

Companies can also choose to buy cement from producers who have obtained an [Environmental Product Declaration \(EPD\)](#) for unreinforced concrete. An EPD is a voluntary declaration that provides quantitative information about the environmental impact of a product, using life-cycle assessment (LCA) methodology and verified by an independent third party.

This leads to assessment element

5	Construction companies implement the Cement Action Plan of the Cement Sustainability Initiative.
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- **Energy efficiency**

Energy saving in housing and real estate contributes to mitigating climate change. Energy saving measures also reduce energy costs and improves the comfort of houses and other real estate. According to UNEP's [Emissions Gap Report 2017](#), buildings account for annual energy-related greenhouse gas emissions of 12.6 GtCO₂ in 2030, of which 29% is direct (heating an hot water production) and 71% is indirect (electric appliances and lighting). The report also presents estimates for avoiding emissions in 2030 by constructing near-zero energy buildings and retrofitting existing buildings.

In February 2016, PRI and the United Nations Environment Programme Finance Initiative (UNEP FI), together with stakeholders from the real estate sector and real estate investment community, launched the [Sustainable Real Estate Investment Action Framework Implementing The Paris Climate Agreement](#). It requires real estate investment managers, property owners, asset owners and investors in real estate to set quantitative and material targets to reduce energy, to use clean energy, to improve energy efficiency and monitor results.⁴⁹⁶

In the EU, the 2010 [Energy Performance of Buildings Directive \(EPBD\)](#) and the 2012 [Energy Efficiency Directive \(EED\)](#) are the EU's main legislation regarding energy consumption of buildings. In December 2017, an agreement was made to update the EPBD aimed at accelerating the renovation of buildings and to introduce smart technologies. The 2010 EPBD directive already requires all new buildings to be nearly zero-energy by December 2020. The EU EPBD requires member states to develop legislation regarding the following:⁴⁹⁷

- Energy performance certificates are to be included in all advertisements for the sale or rental of buildings;
- EU countries must establish inspection schemes for heating and air conditioning systems or put in place measures with equivalent effect;
- EU countries must set minimum energy performance requirements for new buildings, for the major renovation of buildings and for the replacement or retrofit of building elements (heating and cooling systems, roofs, walls, etc.); and

- EU countries have to draw up lists of national financial measures to improve the energy efficiency of buildings.

The EU EED is aimed at increasing energy efficiency and decreasing energy use in national buildings in member states: ⁴⁹⁸

- EU countries make energy efficient renovations to at least 3% of buildings owned and occupied by central government;
- EU governments should only purchase buildings which are highly energy efficient; and
- EU countries must draw-up long-term national building renovation strategies which can be included in their National Energy Efficiency Action Plans.

The requirements for and implementation of energy performance certificates vary across the European Union.⁴⁹⁹ In the Netherlands, the EPBD Directive has been transposed via the administrative orders Decision Energy Performance Buildings (Besluit energieprestatie gebouwen, BEG), Rules Energy Performance Buildings (Regeling energieprestatie gebouwen (REG)) and the Building Decree (Bouwbesluit).

In the Netherlands, the National Energy Agreement ("Nationaal Energieakkoord"), an agreement between the government, relevant branch organisations, labour unions and civil society organizations, set an energy target for the built environment as a whole, not only new and public buildings, to become energy efficient and to have an average energy performance grade A (a relatively high efficient energy performance) in 2030.⁵⁰⁰ For example, Aedes, the Dutch branch organisation of social housing corporations in the Netherlands, set the target to improve the average energy efficiency of the total social housing stock from, on average, G-E to B grade in its energy performance certificate by 2020 and to realize affordable renovation projects improving the energy efficiency grade of houses.⁵⁰¹

This leads to assessment element

11	New buildings are designed according to the highest energy efficiency standards, in line with the EU Energy Performance Directive.
12	Energy reduction measures and greenhouse reduction targets are part of the multi-year maintenance plans with regard to the real estate property portfolios of the financial institution.
13	Each year, the energy performance of at least 10% of the total real estate portfolio is enhanced, using the best available and viable technologies regarding energy reduction measures and avoidance of greenhouse gas emissions.
22	Financial institutions report on the energy efficiency of the houses and buildings financed with mortgages.
23	Financial institutions implement a policy to improve the energy efficiency of the houses and buildings financed with mortgages.
27	Financial institutions that issue mortgage-backed securities are transparent about the sustainability aspects of the building stock (e.g. energy efficiency).
28	Financial institutions only invest in mortgage-backed securities if there is sufficient transparency concerning the sustainability aspects of the building stock (e.g. energy efficiency).

- **Sustainable reconstruction after disasters**

The [UNEP Sustainable Reconstruction in Disaster-Affected Countries Practical Guidelines](#) main objective is to help improve the design and construction of houses in disaster-affected countries and also minimise the negative impacts of poorly constructed houses on the environment. The mitigation of natural disaster risks is key, but it takes into account the emissions of greenhouse gases and energy efficiency as well. It also points out the social and economic dimensions of sustainable reconstruction. This involves, amongst others, jobs for the local populations and the affordability of houses.

This leads to assessment element

7	Construction companies act responsibly when reconstructing homes by following the guidelines of UNEP SBCI's guidelines on Sustainable Reconstruction in Disaster-Affected Countries.
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- **Sustainable neighbourhoods**

Real estate and housing projects should be geared towards creating sustainable and liveable neighbourhoods. This means that in developing real estate and housing projects, attention is paid to green zones, connection to public transport and facilities, such as stores, libraries and hospitals.

In the initial phase of a real estate project, real estate developers and housing corporations are expected to take into account the UN Habitat's [Five Principles of sustainable neighbourhood planning](#). They are meant to encourage sustainable urban development by creating liveable and efficient neighbourhoods. The Five Principles are: ⁵⁰²

- Adequate space for streets and an efficient street network: The street network should occupy at least 30 per cent of the land and at least 18 km of street length per km²;
- High density: At least 15,000 people per km², that is 150 people/ha or 61 people/acre;
- Mixed land-use: At least 40 per cent of floor space should be allocated for economic use in any neighbourhood;
- Social mix: The availability of houses in different price ranges and tenures in any given neighbourhood to accommodate different incomes; 20 to 50 per cent of the residential floor area should be for low cost housing; and each tenure type should be no more than 50 percent of the total. Furthermore, the availability of suitable houses for elderly and disabled peoples should be part of the social mix; and
- Limited land-use specialisation: this is to limit single function blocks or neighbourhoods; single function blocks should cover less than 10 per cent of any neighbourhood.

The objectives of these five principles are to: ⁵⁰³

- Promote high density urban growth, alleviate urban sprawl and maximise land efficiency;
- Promote sustainable, diversified, socially equal and thriving communities in economically viable ways;
- Encourage walkable neighbourhoods and reduce car dependency;
- Optimise use of land and provide an interconnected network of streets which facilitate safe, efficient and pleasant walking, cycling and driving;
- Foster local employment, local production and local consumption; and
- Provide a variety of lot sizes and housing types to cater for the diverse housing needs of the community, at densities which can ultimately support the provision of local services.

This leads to assessment element

8	Construction companies and housing corporations are expected to take into account the Five Principles of sustainable neighbourhood planning.
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- **Certification of sustainability performance**

To measure performance regarding sustainability, the real estate industry increasingly uses certifications schemes. The following list is far from exhaustive and presents some of the most used schemes:

- [Building Research Establishment Environmental Assessment Method \(BREEAM\)](#) is a methodology for assessing the sustainability achievement of buildings and fields. In this certification process not only the energy consumption of premises is considered, but also land use, ecology, the construction process, water use, waste, pollution, transport, materials, health and comfort. Within BREEAM, country specific certification schemes are possible in some European countries. There are schemes for existing buildings (refurbishment and fit-out), in-use buildings, new buildings and for communities.⁵⁰⁴ In the Netherlands, the Dutch Green Building Council is responsible for the certification of BREEAM-NL.⁵⁰⁵
- [Leadership in Energy & Environmental Design \(LEED\)](#) is an initiative from the United States promoting environmentally sound construction. The non-profit organisation U.S. Green Building Council applies this certification system globally. "LEED provides building owners and operators with a framework for identifying and implementing practical and measurable green building design, construction, operations and maintenance solutions".⁵⁰⁶ The rating systems address construction and renovation of (among others) schools, retail buildings, healthcare buildings, commercial interiors, homes and neighbourhood development. Projects can earn points in the ranking system by satisfying green building requirements: sustainable building sites, water efficiency, energy performance, using sustainable material and waste reduction.
- The [DGBN Certification System](#), designed by the German Sustainable Building Council (DGBN), provides an objective description and assessment of the sustainability of buildings and urban districts. Quality is assessed over the entire life cycle of the building. The DGBN Certification System can be applied internationally.
- The [Global Real Estate Sustainability Benchmark \(GRESB\)](#) is made for assessing real estate portfolios, infrastructure assets and funds.
- The Urban Land Institute (ULI) Greenprint Center regularly presents the [Greenprint Performance Report](#) with the largest global collection of transparent, verifiable, and comprehensive property data that provides aggregate benchmarks and performance trends for the real estate industry. Investors can measure their progress and portfolio's performance against the Greenprint Performance Report.
- [GPR software](#) delivers various certifications and assessment for the real estate sector. GPR Gebouw (GPR Building) can be used to design or assess the sustainability of buildings or the built environment. GPR Urban Planning measure sustainability of urban developments. GPR Maintenance measures the quality of maintenance scenarios. Assessment are built on five themes: Energy, Environment, Health, Quality of use and Future Value.

This leads to assessment element

11	New buildings are designed according to the highest energy efficiency standards, in line with the EU Energy Performance Directive.
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This leads to assessment element

12	Energy reduction measures and greenhouse reduction targets are part of the multi-year maintenance plans with regard to the real estate property portfolios of the financial institution.
13	Each year, the energy performance of at least 10% of the total real estate portfolio is enhanced, using the best available and viable technologies regarding energy reduction measures and avoidance of greenhouse gas emissions.
14	New real estate score within the top 50% of sustainability certification systems.
15	Redeveloped real estate and renovated houses score within the top 50% of sustainability certification systems.
16	Real estate funds score at least 50 points in the Global Real Estate Sustainability Benchmark.

• **Labour rights**

Observing fundamental labour rights is a big challenge in the construction industry. The most important standard in this field is the [ILO Declaration on Fundamental Principles and Rights at Work](#) from 1998, in which the ILO stated four fundamental principles and rights at work:

- Freedom of association and the right to collective bargaining;⁵⁰⁷
- Banning of all types of forced labour;⁵⁰⁸
- Banning child labour;⁵⁰⁹ and
- Banning discrimination (based on ethnicity, gender, and social background) with respect to offering work or specific positions.⁵¹⁰

Another leading ILO document is the [Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy \(MNE Declaration\)](#), adopted in 1977. The MNE Declaration focuses on the responsibility of companies and specifically on their dealings with labour issues. The revision of 2017 takes into account new labour standards adopted by the International Labour Conference, the UN Guiding Principles on Business and Human Rights and the 2030 Agenda for Sustainable Development, in particular on SDG 8 (Decent Work and Economic Growth).⁵¹¹

For the housing and real estate sector, of special importance are ILO conventions concerning excessive working hours and health and safety risks for labourers in the building sector:

- [No. 155](#) concerning Occupational Safety and Health in the Working Environment, 1981;
- [No. 1](#) concerning Hours of Work (Industry) Convention, 1919; and
- [No. 167](#) concerning Safety and Health in Construction, 1988.

Within the European Union the [Health and Safety at Work Directives](#) are the framework for national legislation on occupational health and safety.

This leads to assessment element

1	Companies respect the ILO Declaration on Fundamental Principles and Rights at Work
2	Companies work towards the systematic improvement of safety and health of employees and develop a preventative culture in the field of health and safety

- **Land rights conflicts and forced evictions**

Human rights, particularly economic, social and cultural (ESC) rights, play a central role in land-related issues. However, there is no explicit recognition of a 'human right to land' within international human rights instruments. Those who face threats to their land rely on other rights, such as the right to food, the right to water, the right to housing and the right to work. These rights are included in the [International Covenant on Economic, Social and Cultural Rights \(ICESCR\)](#).⁵¹² The right to adequate housing encompasses the right to live in security, peace and dignity. To realize this right, governments have an obligation to guarantee security of tenure, which essentially means a set of arrangements in the context of housing and land that will protect the occupants from forced evictions and other threats and harassment.⁵¹³

The protection measures that should be applied to all evictions have been clearly articulated in the [Basic Principles and Guidelines on Development-based Evictions](#) (2007) developed by the former UN Special Rapporteur on Adequate Housing, Miloon Kothari. The principles reflect existing standards and jurisprudence on this issue and include detailed guidance on steps that should be taken prior to, during and following evictions in order to ensure compliance with relevant principles of international human rights law.

Construction companies and real estate corporations should take into account the relocation of people who lose their homes as a result of new building activities. It is important that not only companies that are involved in real estate construction live up to these standards but also companies that are involved in the demolition of houses. Construction companies that demolish existing homes or that build on places where homes were torn down, must also comply with the UN standard.

This leads to assessment element

17	Real estate developers respect the rights of local communities living in project areas before project development and do not evict and relocate them without free, prior and informed consent.
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- **Landlord-tenant relationship**

Financial institutions and real estate companies involved in rental housing can be expected to comply with basic notions of good landlordship and sound rental arrangements. [UN Habitat](#) considers security of tenure, adequate basic infrastructure, such as water supply, sanitation and waste-management facilities, as well as adequate security (all of which should be available at an affordable cost), to be a part of the human right to adequate housing.

From the perspective of considering rental housing as an option to improve housing in African cities, UN Habitat's [Quick Guide 7: Rental Housing](#) gives suggestions for policymakers on amongst others on how to improve landlord-tenants relationships.

The [Tenants Charter](#) of the International Unit of Tenants (IUT) calls for participation in decision-making for tenants and this way have an influence on the quality of the building, collective services and the neighbourhood.

This leads to assessment element

18	Real estate developers respect the rights of tenants living in their real estate projects and do not evict and relocate them without free, prior and informed consent.
19	Real estate owners and managers respect the rights of tenants to participate in decisions regarding renovation and maintenance.

- **Sustainability reporting**

The Global Reporting Initiative (GRI) has drafted guidelines on how to write sustainability reports. Besides the general [G4 Sustainability Reporting Guidelines](#) it also provides sector guidance for a number of industrial sectors. In the [G4 Construction and Real Estate Sector Disclosures \(CRESD\)](#), not yet updated but still recommended by GRI to use with its new [GRI Sustainability Reporting Standards \(GRI Standards\)](#), includes recommendations for reporting on CO₂ emissions, the management and the remediation of polluted soil and the outsourcing of work.

This leads to assessment element

6	Large enterprises and multinational enterprises publish a sustainability report that is set up in accordance with the (Core or Comprehensive option of) GRI Standards.
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- **Procurement and supply chains**

Companies are often part of long production chains. They can monitor one another and question how they respect local and national legislation and international norms regarding social, economic and environmental issues. The requirements that companies set for their suppliers can be included in contractual agreements. The importance of this has also been recognised in the [OECD Guidelines for Multinational Enterprises](#) since its revision in 2011.

Furthermore, [ISO 26000:2010 Guidance on social responsibility](#) recognises the importance of supply chain responsibility, because "the impacts of an organization's decisions or activities can be greatly affected by its relationships with other organizations." ISO 26000:2010 recognizes that a companies' sphere of influence includes relationships within and beyond an organization's supply chain.⁵¹⁴

In addition, [ISO 20400:2017 Sustainable procurement – Guidance](#) provides guidelines for organizations, independent of their activity or size, on integrating sustainability within procurement, as described in ISO 26000:2010 Guidance on social responsibility. It is intended for stakeholders involved in, or impacted by, procurement decisions and processes.

This leads to assessment element

20	Companies integrate environmental, social, and governance criteria in their procurement and operational policies.
21	Companies include clauses on the compliance with environmental, social, and governance criteria in their contracts with subcontractors and suppliers.

- **Mortgage loans and securities**

Financial institutions can provide mortgage loans to private individuals or small businesses. The subprime mortgage crisis in the United States in 2008 showed how the consequences of over-indebtedness are shared among all stakeholders of financial institutions. The [Directive 2014/17/EU \(Mortgage Credit Directive\)](#) of the European Union on credit agreements for consumers relating to residential immovable aims to create a Union-wide mortgage credit market with a high level of consumer protection.⁵¹⁵ It applies to both secured credit and home loans. Member States will have to transpose its provisions into their national law by March 2016. In the Netherlands, the [Code of Conduct for Mortgage Loans](#) provides requirements on the responsibilities of financial institutions towards consumers when issuing mortgage loans.

Financial institutions can also contribute to mitigating climate change by improving the energy efficiency of their mortgage portfolio. They can offer attractive loans for the finance of energy-saving measures (isolation, high-efficient glass, etc.) and renewable energy installations. According to the World Green Building Council under a [green mortgage](#), a bank or mortgage lender offers a house buyer preferential terms if they can demonstrate that the property for which they are borrowing meets certain environmental standards. The [Energy efficient Mortgages Action Plan \(EeMAP\) Initiative](#) aims to create a standardised energy efficient mortgage. In order to boost the decrease of emissions in Europe's building stock, the European Commission is considering to lower [capital requirements](#) for banks in order to help reward consumers investing in energy efficient buildings.

Financial institutions can also offer investment opportunities by issuance of mortgage-backed securities and other financial institutions can then invest in these securities. In both cases, all parties should have sufficient policies for the issuance of, or investments in securities, in terms of transparency and sustainability. This also includes other avenues of participating in the real estate portfolios of other financial institutions.

This leads to assessment element	
22	Financial institutions report on the energy efficiency of the houses and buildings financed with mortgages.
23	Financial institutions implement a policy to improve the energy efficiency of the houses and buildings financed with mortgages.
24	Financial institutions have an ambitious time bound target to improve their mortgage portfolio.
25	Financial institutions actively offer mortgage loans and services to clients to enable them to make their property more sustainable.
26	Financial institutions apply the Code of Conduct for Mortgage Loans based on the EU Mortgage Credit Directive.
27	Financial institutions that issue mortgage-backed securities are transparent about the sustainability aspects of the building stock (e.g. energy efficiency).
28	Financial institutions only invest in mortgage-backed securities if there is sufficient transparency concerning the sustainability aspects of the building stock (e.g. energy efficiency).

3.6.3 Types of financing and asset classes

Financial institutions can be involved in various ways in financing the housing and real estate sector. They can:

- Provide general corporate loans to, and invest in the shares and bonds of, construction companies, contractors and their suppliers, project developers and housing corporations. Such companies are generally falling under the NACE industry classification sections F. Construction and L. Real Estate Activities.⁵¹⁶
- Finance specific home construction and real estate projects.
- Manage real estate investment funds for external investors. These funds usually make direct investments in rental properties and office and commercial space for institutional investors, but also invest in publicly traded equities of real estate investment funds and in mortgage-backed securities.
- Invest in real estate investment funds managed by other asset managers.
- Provide mortgage loans to private clients and small entrepreneurs.
- Resell packages of mortgage loans via securitisations or otherwise.

- Invest in securitisations of mortgage loans that are provided by other financiers.

For financial institutions operating in the housing and real estate sector, a solid policy on housing, construction and real estate is of great importance. In Table 1 the types of financing listed above are related to the various asset classes that financial institutions have on their balance sheet, or have under management for external investors.

Table 1 Asset classes of financial institutions

Asset class	Investment objects
Corporate credits	Loans to construction companies
	Loans to housing corporations
	Loans to project developers
Project finance	Loans to real estate projects
Investments own account	Real estate objects, e.g. rental properties and office and commercial space
	Shares and bonds of construction companies, housing corporations and project developers
	Real estate funds
Asset management	Shares and bonds of construction companies, housing corporations and project developers
	Real estate objects, e.g. rental properties and office and commercial space
	Real estate funds managed by other asset managers
Mortgages	Mortgage-backed securities
	Mortgage loans to private clients and small businesses
	Issuance of mortgage-backed securities

3.6.4 Assessment elements

The Fair Finance Guide International (FFGI) has defined a number of elements to assess the policies of financial institutions investing in or lending to real estate. The assessment elements are listed in Table 2. FFGI expects financial institutions to apply these elements to all investments in, and loans to, the real estate sector. The assessment elements do not apply to office buildings owned by the financial institutions for their own operations.

Not all assessment elements are applicable for all asset classes, as specified in Table 1. In Table 2 the relevance of each asset class for every assessment element is therefore also specified. When an assessment is deemed not relevant, this is indicated with *not applicable (n.a.)*. This means that the FFGI does not expect the financial institution to apply this element when investing in this specific asset class.

In case reference is made to “new real estate”, this refers to buildings in development, in construction or recently completed. The term “new buildings” should not be confused with newly acquired real estate by financial institutions, as this real estate could have been developed some time ago.

In case a financial institution’s real estate portfolio is limited to countries within the European Union, assessment elements 1, 2, 7, 11, 17 and 18 are considered *not applicable*, as these elements are part of legislation or not relevant in a EU context.

Table 2 Assessment elements for Housing and Real estate

Assessment element	Corporate credits	Project finance	Asset management for own account	Asset management for the account of clients	Mortgages
1. Companies respect the ILO Declaration on Fundamental Principles and Rights at Work	yes	yes	yes	yes	n.a.
2. Companies work towards the systematic improvement of safety and health of employees and develop a preventative culture in the field of health and safety	yes	yes	yes	yes	n.a.
3. Construction companies only use wood certified according to the Forest Stewardship Council (FSC) forest management certification.	yes	yes	yes	yes	n.a.
4. Construction companies use recycled and recyclable materials and recycle materials in case of demolition.	yes	yes	yes	yes	n.a.
5. Construction companies implement the Cement Action Plan of the Cement Sustainability Initiative.	yes	yes	yes	yes	n.a.
6. Large enterprises and multinational enterprises publish a sustainability report that is set up in accordance with the (Core or Comprehensive option of) GRI Standards.	yes	yes	yes	yes	n.a.
7. Construction companies act responsibly when reconstructing homes by following the guidelines of UNEP SBCI's guidelines on Sustainable Reconstruction in Disaster-Affected Countries.	yes	yes	yes	yes	n.a.
8. Construction companies and housing corporations are expected to take into account the Five Principles of sustainable neighbourhood planning.	yes	yes	yes	yes	n.a.
9. New buildings are designed as such that they are suitable for multiple tenants, or can be easily adapted to suit multiple tenants.	yes	yes	yes	yes	n.a.
10. Owners of real estate have a policy on transformation of vacant buildings in their portfolio.	yes	n.a.	yes	yes	n.a.
11. New buildings are designed according to the highest energy efficiency standards, in line with the EU Energy Performance Directive.	yes	yes	yes	yes	n.a.
12. Energy reduction measures and greenhouse reduction targets are part of the multi-year maintenance plans with regard to the real estate property portfolios of the financial institution.	yes	n.a.	yes	yes	n.a.
13. Each year, the energy performance of at least 10% of the total real estate portfolio is enhanced, using the best available and viable technologies regarding energy reduction measures and avoidance of greenhouse gas emissions.	yes	n.a.	yes	yes	n.a.
14. New real estate score within the top 50% of sustainability certification systems.	yes	yes	yes	yes	n.a.

Assessment element	Corporate credits	Project finance	Asset management for own account	Asset management for the account of clients	Mortgages
15. Redeveloped real estate and renovated houses score within the top 50% of sustainability certification systems.	yes	n.a.	yes	yes	n.a.
16. Real estate funds score at least 50 points in the Global Real Estate Sustainability Benchmark.	n.a.	n.a.	yes	yes	n.a.
17. Real estate developers respect the rights of local communities living in project areas before project development and do not evict and relocate them without free, prior and informed consent.	yes	n.a.	yes	yes	n.a.
18. Real estate developers respect the rights of tenants living in their real estate projects and do not evict and relocate them without free, prior and informed consent.	yes	n.a.	yes	yes	n.a.
19. Real estate owners and managers respect the rights of tenants to participate in decisions regarding renovation and maintenance.	yes	n.a.	yes	yes	n.a.
20. Companies integrate environmental, social, and governance criteria in their procurement and operational policies. ^{xxx}	yes	yes	yes	yes	n.a.
21. Companies include clauses on the compliance with environmental, social, and governance criteria in their contracts with subcontractors and suppliers. ^{xxxii}	yes	yes	yes	yes	n.a.
22. Financial institutions report on the energy efficiency of the houses and buildings financed with mortgages.	n.a.	n.a.	n.a.	n.a.	yes
23. Financial institutions implement a policy to improve the energy efficiency of the houses and buildings financed with mortgages.	n.a.	n.a.	n.a.	n.a.	yes
24. Financial institutions have an ambitious time bound target to improve their mortgage portfolio.	n.a.	n.a.	n.a.	n.a.	yes
25. Financial institutions actively offer mortgage loans and services to clients to enable them to make their property more sustainable.	n.a.	n.a.	n.a.	n.a.	yes
26. Financial institutions apply the Code of Conduct for Mortgage Loans based on the EU Mortgage Credit Directive.	n.a.	n.a.	n.a.	n.a.	yes
27. Financial institutions that issue mortgage-backed securities are transparent about the sustainability aspects of the building stock (e.g. energy efficiency).	n.a.	n.a.	n.a.	n.a.	yes

xxx ⁱ If the financial institution has no specific sector policies or does not mention this in its sector policies, but does mention this in cross-cutting policies for at least three themes, the financial institution is deemed to comply with this element.

xxxii ⁱⁱ If the financial institution has no specific sector policies or does not mention this in its sector policies, but does mention this in cross-cutting policies for at least three themes, the financial institution is deemed to comply with this element.

Assessment element	Corporate credits	Project finance	Asset management for own account	Asset management for the account of clients	Mortgages
28. Financial institutions only invest in mortgage-backed securities if there is sufficient transparency concerning the sustainability aspects of the building stock (e.g. energy efficiency).	n.a.	n.a.	yes	yes	n.a.

3.7 Manufacturing industry

3.7.1 What is at stake?

The manufacturing industry includes all industries that process materials into new products. Therefore, the manufacturing industry is comprised of various industries like the automotive industry, the chemical industry, the plastics industry, the clothing industry, shipbuilding, the electronics industry, the metallurgical industry, the graphic industry and many other industries. The differences between these industrial activities are often large. The chemical industry is for example characterised by a higher capital and knowledge intensity while other industries are characterised by low capital and knowledge intensity.⁵¹⁷ What these industries generally have in common is that they are characterised by complex chains in which a multitude of suppliers of raw materials, components and semi-finished products play a role.

Globally, a large part of the global work force is working in the manufacturing industry, either for the manufacturers of finished products or for their suppliers. In 2012 about 14% of the global work force worked in the manufacturing industry.⁵¹⁸ Therefore, the development of the manufacturing industry in a country or region also plays an important role in creating employment and economic growth. Since the economic crisis of 2008 a 'reshoring' - trend can be seen in Europe and the United States: jobs in production that were outsourced to low wage countries ('offshoring') are now done in developed economies again.⁵¹⁹

At the same time, the manufacturing industry also has some negative social and environmental aspects. Globalisation and increased international competition ensure that labour conditions and labour rights are regularly under pressure: to be able to compete and ensure employment, employees have little power to resist. This applies to both wealthier, industrialised countries, as well as to less developed countries.⁵²⁰

Some governments create special export zones where the existing labour legislation does not apply, in order to attract manufacturing industry companies. In these zones, companies often pay hardly any tax. In these cases, the added value for the local economy, besides creating poor employment, is virtually nil. Parts are imported; they are assembled and then exported again. Although these zones hardly lead to economic added value, many governments still participate in this process under pressure from international companies that threaten to relocate to another location. There is effectively a *race to the bottom* where countries try to outdo each other by offering the lowest tax rates but also the worst labour rights.⁵²¹

In some branches of the manufacturing industry where low skilled labour is used a lot, such as the clothing and shoe industry and the production of electronic components, child labour, extremely long working days, poor health and safety conditions, poor remuneration and the denial of union rights are commonplace.⁵²² Also, some manufacturing industry branches are highly polluting due to the use of toxic substances in products or production processes. These substances usually end up in the environment sooner rather than later, where pollution of the soil, water and air threatens flora and fauna as well as human health. Examples are the chlorine that is used in the production of the well-known plastic PVC and the many heavy metals that are used in the production of electronics.⁵²³

The large, well-known manufacturers of finished products focus more and more on product development and marketing. The rest of the production process is outsourced and, as a result, the main social and environmental problems do not occur directly within these companies themselves. The problems have been moved to earlier steps in the chain, to their suppliers.⁵²⁴ Two types of suppliers can be distinguished. Firstly, the direct suppliers of semi-finished products and components, of which the factories are often located in export zones or in countries with less strict social and environmental regulations and a less strongly developed supervision and enforcement system. At these types of suppliers, labour issues and problems with air, soil and water pollution around the factory mainly occur.

Even earlier in the production chain we find metals and minerals manufacturers, of oil and gas (for the chemical and plastics industry) and wood, cotton producers and producers of other agricultural products. In these industries labour issues also play a role, but in addition there is also local environmental pollution, deforestation and deterioration of biodiversity as well as land rights conflicts with the local population. Furthermore, the manufacturing industry is a major water user, with expected global increases in demand for water of 400% between 2000 and 2050, leading all other sectors.⁵²⁵

Throughout the entire chain there are negative consequences of flexible labour relations as a result of using intermediaries to hire people. Increasingly fewer people work directly for the companies in the chain; employees are increasingly hired by means of agents, labour brokers, temporary employment agencies and subcontractors. As a result of this, employees generally have fewer rights, worse working conditions, less security and worse labour conditions.⁵²⁶

As the issues related to the manufacturing sector can be broad depending upon what is being produced, the varied scope of the industry also impacts nearly all SDGs. Questionable labour conditions are directly linked with SDG 8 Decent Work and Economic Growth. One of the target of this goal is to achieve employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value by 2030. It further targets to eradicate all forms of forced labour, modern slavery and human trafficking, and child labour.⁵²⁷ Other issues such as environmental pollution, deforestation, deterioration of biodiversity and land conflicts related to the manufacturing of various products pose threats to other SDGs such as SDG 1 No Poverty, SDG 6 Clean Water and Sanitation, SDG 13 Climate Action, SDG 14 Life Below Water and SDG 15 Life on Land.⁵²⁸

The investment policy of financial institutions has to ensure that financial institutions are only involved in investments in companies in the manufacturing industry that take the responsibility to prevent social and environmental problems in their own branches, but also in the branches of their suppliers.⁵²⁹ When developing policies for this industry, financial institutions can make use of the international standards described below.

3.7.2 International standards and initiatives

The main international standards on the manufacturing industry are summarised per topic, followed by the assessment elements that are formulated by FFGI as a result:

- **Harmful substances**

The EU Regulation on [Registration, Evaluation, Authorisation and Restriction of Chemicals \(REACH\)](#) protects people's health and protects the environment against the risks of chemicals. In order to comply with the regulation companies must identify and control the risks connected to the chemicals they produce in Europe or which they launch in the European market. They must show how the chemical may be safely used and they must report measures which reduce risks to the users. If the risks cannot be prevented, the authorities may reduce the use of chemicals. Under REACH all the companies in the supply chain of chemicals (producers, importers, users and buyers) are responsible.

REACH is based on the precautionary principle, which entails that companies need to be responsible and proactive in avoiding certain potential risks. In relation to chemicals, when the risks involved with the use of a substance cannot be satisfactorily quantified and removed, even if a cause and effect relationship has not been fully proven scientifically, then this substance should not be used. The burden of proof for the safety of a chemical should lie with the company and not with the public. A lack of scientific consensus on the possible harmfulness of a chemical is not a sufficient reason to avoid precaution. This is also the case when a substance is not restricted or regulated by the government. Furthermore, the principle also entails considering alternatives and considering the full impacts of a substance over time.⁵³⁰

[OHSAS 18001](#) is an international standard that provides guidelines for a management system with regard to health and safety risks in the workplace (Occupational Health and Safety). It applies to every type of organisation and it serves to safeguard health and safety of employees and stakeholders outside the organisation, such as contractors' staff and visitors. OHSAS 18001 means that risks are structurally surveyed and evaluated.

This leads to assessment element

1	Companies reduce their direct and indirect greenhouse gas emissions.
2	Companies reduce their direct and indirect emissions of harmful substances, such as sulphur dioxide and ammonia.
3	Companies restrict the use of chemicals of which it is suspected in scientific literature that they are harmful to human health and, if necessary, only in a responsible way (precautionary principle).

- **Water use**

Given the growing challenge of water scarcity, it is vital that companies and financial institutions become aware of their own influences on water related problems. Various initiatives, guidelines and standards have emerged in recent years, to help companies address water risk.

Initiatives companies could participate in and learn from are:

- The UN Global Compact's [CEO Water Mandate](#) is a public-private initiative designed to assist companies in the development, implementation and disclosure of water sustainability policies and practices.
- The [guidance](#) by the UNEP and CEO Water Mandate on [Corporate Water Accounting: An Analysis of Methods and Tools for Measuring Water Use and Its Impacts](#).

- The [European Water Partnership](#); and
- The [Water Footprint Network](#), which also has a standard on assessing a global water footprint.

There are several guidelines and water ‘footprinting’ methods as well as voluntary disclosure initiatives for calculating water use, water risk, understanding water issues and creating a sound water strategy, such as:

- The [CDP’s Water Program](#), to calculate and publish corporate water use throughout the supply chain;
- The [GEMI Water Sustainability Tool](#);
- The [WBCSD Global Water Tool](#);
- The [AWS International Water Stewardship Standard](#) is a useful standard, supported by a verification process, that defines a set of water stewardship criteria and indicators for how water should be stewarded at a site and catchment level in an environmentally, socially, and economically beneficial manner.

This leads to assessment element

4	Companies use as little water as possible.
5	Companies prevent water pollution.
6	Companies conduct water scarcity impact assessments and prevent negative impacts in water scarce regions.
7	Companies do not start new operations in areas where water scarcity is pre-existing and operations would compete with the needs of communities.

- **Risk management**

The [ISO 14000 standards](#) for an Environmental Management System (including [ISO 14001](#)) help companies to reduce negative impacts of their production processes on the environment and to structure their business process in such a way that these comply with existing environmental regulations. ISO 14000 standard provide guidance and criteria for establishing an effective management system. Certification will be done by an independent third party. ISO 14000 is an integrated part of the EU [Eco-Management and Audit Scheme \(EMAS\)](#). However, EMAS makes heavier demands on improving performance, reporting and compliance with the law.

This leads to assessment element

8	Companies apply an Environment and Social Risk Management System.
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- **Labour rights**

Complying with fundamental labour rights is a large challenge for a lot of branches of the manufacturing industry. The main standard in this field is the 1998 [ILO Declaration on Fundamental Principles and Rights at Work](#), in which the ILO established four fundamental principles and rights at work:

- Freedom of association and the right to collective bargaining;⁵³¹
- Banning of all types of forced labour;⁵³²
- Banning child labour;⁵³³ and
- Banning discrimination (based on ethnicity, gender, and social background) with respect to offering work or specific positions.⁵³⁴

Another leading ILO document is the [Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy \(MNE Declaration\)](#). The MNE Declaration focuses on the responsibility of companies and specifically on their dealings with labour issues. Besides the reaffirmation of the rights on freedom of association and collective bargaining and the ban on discrimination and forced labour, the agreement calls upon companies to improve working conditions, develop opportunities to improve equal chances and treatment to provide the best possible wages and fringe benefits for employees.

For more information and relevant international standards and initiatives see the theme Labour rights (section 2.7.2).

This leads to assessment element

9	Companies respect the ILO Declaration on Fundamental Principles and Rights at Work.
10	Companies pay a living wage to their employees.
11	Companies work towards the systematic improvement of safety and health of employees and develop a preventative culture in the field of health and safety.

- **Standards and initiatives for specific products**

The Clean Clothes Campaign (CCC) is a coalition of social organisations in 16 European countries that strives for improvement of the working conditions in the global clothing and sports shoes industry. The campaign has developed the [CCC Model Code](#), which companies in this industry can use. The CCC also has published a road map for companies that want to improve the working conditions in their supply chain: preparing a code of conduct for suppliers, implementing the code, organising a credible participation of stakeholders in the initiative, freedom of association and respect of the right to collective bargaining. Following a fire in a clothing factory in Bangladesh the CCC concluded an agreement with a number of large multinational clothing producers in November 2012. Its [Bangladesh Fire and Building Safety Agreement](#) calls on all the companies to invest in (fire) safety in their factories.

Fair Wear Foundation is a multi-stakeholder initiative made up of companies, trade unions and NGOs. The participants are bound to a [code of conduct](#) that is based on the ILO Principles and the Universal Declaration of Human Rights. The code of conduct states that the participants are responsible for the working conditions in the factories with which they cooperate. Each participant therefore regularly checks the working conditions in the chain and, if needed, introduces improvement plans. The Fair Wear Foundation ensures independent monitoring of the implementation of the code of conduct by participating companies.

The [Better Cotton Initiative \(BCI\)](#) is a global multi-stakeholder network of stakeholders from the entire cotton and textile chain. In July 2009, the second edition of the BCI Global Principles, Criteria and Enabling Mechanisms was published, which provides guidelines for the sustainable and fair production of cotton.

The global production of toys mainly takes place in East Asia in companies that are forced by their clients to produce as cheaply as possible. This leads to poor working conditions, low wages, no recognition of labour unions and other violations of labour rights. The [International Council of Toy Industries \(ICTI\)](#) uses labour guidelines in the toy industry.

In February 2006, organisations of chemical companies from all over the world jointly presented the [Responsible Care Global Charter](#). In this document, the chemical industry formulates objectives with respect to health, safety, the environment and communication with all stakeholders in their products and processes.

The Electronic Industry Citizenship Coalition (EICC), a group of companies from the ICT-industry, drafted the [Electronic Industry Code of Conduct](#) in October 2005, which was updated in 2012. This code of conduct sets norms for ICT-companies with respect to the environment, labour, health and safety, management systems and business ethics.

This leads to assessment element

12	Companies in the manufacturing industry work with relevant standards and initiatives for certain products (mentioned in section 3.7.2).
13	Companies in the manufacturing industry are certified according to the criteria of the certification schemes for certain products (mentioned in section 3.7.2).

- **Sustainability reporting**

The best known guideline for sustainability reporting in general is the [Global Reporting Initiative \(GRI\) Reporting Framework](#), of which the latest edition has been presented in 2016: "The G4 Guidelines have been superseded by the [GRI Sustainability Reporting Standards \(GRI Standards\)](#). The GRI Standards will be required for all reports or other materials published on or after 1 July 2018 – the G4 Guidelines remain available until this date".⁵³⁵

For small and medium enterprises (SMEs), less elaborate sustainability reporting is required. SMEs can report on the GRI indicators that are relevant to their operations, for example by following [the High5! Approach](#).

This leads to assessment element

14	Companies publish a sustainability report that may contain (a number of) disclosures from the GRI Standards.
15	Large enterprises and multinational enterprises publish a sustainability report that is set up in accordance with the (Core or Comprehensive option of) GRI Standards.

- **Procurement and supply chains**

Companies are often part of long production chains. They can monitor one another and question how they respect local and national legislation and international norms regarding social, economic and environmental issues. The requirements that companies set for their suppliers can be included in contractual agreements. The importance of this is also recognised in the [OECD Guidelines for Multinational Enterprises](#) since its revision in 2011.

Also [ISO 26000:2010 Guidance on social responsibility](#) recognises the importance of supply chain responsibility, because "the impacts of an organization's decisions or activities can be greatly affected by its relationships with other organizations." A company's sphere of influence includes relationships within and beyond an organization's supply chain.⁵³⁶

In addition, [ISO 20400:2017 Sustainable procurement – Guidance](#) provides guidelines for organizations, independent of their activity or size, on integrating sustainability within procurement, as described in ISO 26000:2010 Guidance on social responsibility. It is intended for stakeholders involved in, or impacted by, procurement decisions and processes.

The [United Nations Guiding Principles on Business and Human Rights](#) include a due diligence process in order to identify, prevent, mitigate and account for how companies address their adverse human rights impacts. The process "should cover adverse human rights impacts that the business enterprise may cause or contribute to through its own activities, or which may be directly linked to its operations, products or services by its business relationships."⁵³⁷

This leads to assessment element

16	Companies integrate environmental, social and governance criteria in their procurement and operational policies.
17	Companies include clauses on the compliance with environmental, social and governance criteria in their contracts with subcontractors and suppliers.

3.7.3 Assessment elements

Before financial institutions invest in or finance companies in the manufacturing industry, a financial institution has to ensure whether the company, as well as its suppliers, meets the relevant international guidelines and agreements in the social and environmental fields. This means that in the investment policy of financial institutions on the manufacturing industry, clear norms have to be drafted.

The following elements are crucial for a policy regarding the companies a financial institution invests in or finances:

1. Companies reduce their direct and indirect greenhouse gas emissions.
2. Companies reduce their direct and indirect emissions of harmful substances, such as sulphur dioxide and ammonia.
3. Companies restrict the use of chemicals of which it is suspected in scientific literature that they are harmful to human health and, if necessary, only in a responsible way (precautionary principle).
4. Companies use as little water as possible.
5. Companies prevent water pollution.
6. Companies conduct water scarcity impact assessments and prevent negative impacts in water scarce regions.
7. Companies do not start new operations in areas where water scarcity is pre-existing and operations would compete with the needs of communities.
8. Companies apply an Environment and Social Risk Management System.
9. Companies respect the ILO Declaration on Fundamental Principles and Rights at Work.
10. Companies pay a living wage to their employees.
11. Companies work towards the systematic improvement of safety and health of employees and develop a preventative culture in the field of health and safety.
12. Companies in the manufacturing industry work with relevant standards and initiatives for certain products (mentioned in section 3.7.2).
13. Companies in the manufacturing industry are certified according to the criteria of the certification schemes for certain products (mentioned in section 3.7.2).
14. Companies publish a sustainability report that may contain (a number of) disclosures from the GRI Standards.
15. Large enterprises and multinational enterprises publish a sustainability report that is set up in accordance with the (Core or Comprehensive option of) GRI Standards.

16. Companies integrate environmental, social and governance criteria in their procurement and operational policies.^{xxxiii}
17. Companies include clauses on the compliance with environmental, social and governance criteria in their contracts with subcontractors and suppliers.^{xxxiv}

3.8 Mining

3.8.1 What is at stake?

Mining and ore refining are highly polluting activities that affect soil and water quality. A lot of extractive industry activities take place in open quarries, due to which the natural habitat of plants and animals is destroyed in large areas. In addition, mining companies use huge amounts of water to separate the minerals in excavated mud or to dump acidic, toxic and even radioactive waste. Rivers that supply people, animals and forests with water are seriously polluted, as are the seas into which these rivers flow. In addition, pollution of waterways leads to erosion. A lot of mines are located in hilly or mountainous areas and when forest vegetation disappears - mainly after rainfall - the soil can start to slide, ending up in local waterways. Erosion can even lead to landslides and fatal floods.⁵³⁸

The consequences of the extractive industry have an effect long after the extractive industry's activities have been finished. Generally, repair work is insufficient to restore nature in the extractive industry areas. Long-term problems - such as the leaking of acid from the mines - can pollute the waterways in the vicinity for decades or even centuries.⁵³⁹ Furthermore, mining ore and also ore refining - even with the use of modern technologies - causes air pollution over a large area.⁵⁴⁰

Both the near environment and the economic, social and cultural rights of local communities are affected by mining. A common problem in the extractive industry is that mining companies do not respect the land rights of the local inhabitants. The companies deprive these communities of large areas of land and forest of which they depend upon for their food and livelihood.⁵⁴¹ In addition, the pollution of the mines can lead to an accumulation of heavy metals in the soil, the water and the air in the vicinity. These metals cause serious health problems if the drinking water supplies of local communities are polluted or destroyed, or if the air is inhaled. Also, the heavy metals harm the health of the local population indirectly, because the crops and animals they need to survive have absorbed the heavy metals.⁵⁴²

In a lot of mining companies the work is very dangerous, with poor working conditions, many accidents and poor safety conditions. Moreover, fundamental labour rights are often not respected and child labour also occurs frequently.⁵⁴³

xxxiii If the financial institution has no specific sector policies or does not mention this in its sector policies, but does mention this in cross-cutting policies for at least three themes, the financial institution is deemed to comply with this element.

xxxiv If the financial institution has no specific sector policies or does not mention this in its sector policies, but does mention this in cross-cutting policies for at least three themes, the financial institution is deemed to comply with this element.

Finally, the extractive industry disturbs the macro-economic development in a lot of countries; this is also referred to as the resource curse.⁵⁴⁴ In developing countries, with no stable political or legal system, the exploitation of metals and minerals from the soil often leads to corruption, irreducible revenues, bad management of the supplies and the unequal division of the revenues within the local communities. The costs related to protecting the environment and to ensuring social cohesion will be borne by the population, or in other words: by those that have made little or nothing from the exploitation. As a result, the extractive industry basically leaves a lot of countries even poorer than prior to the development of the industry. The African Development Bank has calculated that African countries miss out on USD 50-60 billion due to the resource curse. Moreover, the industry regularly leaves countries with conflicts between local population groups, the mining companies and the government.⁵⁴⁵

Some mining companies operate in developing countries yet the related subsidiaries are located in tax havens in order to pay as little tax as possible. According to [Publish What You Pay Norway](#), after the US state Delaware, the Netherlands is the favourite hosting country for mining companies. The ten largest oil companies and mining companies globally that own natural resources in developing countries have hundreds of subsidiaries in the Netherlands. However, under Dutch legislation it is impossible to investigate the fiscal and financial data of these subsidiaries. Therefore, it proved to be very difficult to determine how much revenue companies make from the activities in these countries and how much tax the governments lose.⁵⁴⁶

Some minerals extracted by the mining industry are sourced from areas in which conflict is taking place and the mining and trade of these minerals is involved in the fuelling and financing of this conflict, leading to serious human rights abuses. Important areas to consider are the Democratic Republic of Congo (DCR), Afghanistan, Colombia and Zimbabwe.⁵⁴⁷

Besides large scale mining companies, artisanal, small-scale mining industries are also active in a lot of countries. According to [CASM](#) (Consultative Group for Artisanal and Small-Scale Mining, established by the World Bank) this concerns 13 to 20 million people in about 50 developing countries in 2013. Globally, over one hundred million people fully or partially depend on the industry for their livelihood. These people often belong to the most vulnerable population groups. But small-scale extractive industry activities can also cause environmental problems, enhance material poverty and harm human health. This is because these activities also take place in fragile ecosystems with large degrees of cultural and biological diversity.⁵⁴⁸

The Indigenous Rights Risk Report for the Extractive Industry (U.S) by First Peoples Worldwide, published in October 2013, shows that a lot of mining (92%) in developing countries involves a lot of risks for shareholders. Especially when it concerns mining in or near areas where indigenous peoples live. John Ruggie (the main author of the UN Guiding Principles on Business and Human Rights) calculated that extractive companies lose USD 20 to USD 30 million on average every week when indigenous peoples rise in revolt. Ruggie also points out that the extractive industry estimates that asset managers will spend between five and ten% of their time on 'community engagement issues'. But there are also examples of 50 or even 80%.⁵⁴⁹

SDG 3 Good Health and Well-being is impacted by dangerous working conditions in the mines. Further, the health and well-being of local communities can be compromised when the waste from the mining activities is not properly treated and disposed in the environment. While energy from coal can be affordable and help developing nations to fulfil their energy requirement, it is not a clean form of energy and adversely impacts SDG 7 Affordable and Clean Energy and SDG 13 Climate Action. The labour conditions in the mining sector impact SDG 8 Decent Work and Economic Growth, water pollution impacts SDG 6 Clean Water and Sanitation, and unequal distribution of wealth restricts achieving SDG 10 Reduced Inequalities.⁵⁵⁰

The extractive industry consists of companies that extract, transport, purify and store minerals. The products are then processed and used in several other industries on a large scale, such as the electronics industry, the construction industry and the automotive industry. These industries strongly depend on the extractive industry and to a certain extent are also involved in the negative effects of the mines and refineries on the environment and local communities.

In order to contribute to a more sustainable and socially just world, the extractive industry will have to drastically change course. The policy of financial institutions has to be aimed at only engaging in financial relations with mining companies that are willing to do so. When developing policies for this industry, financial institutions can make use of the international standards described in the following section.

3.8.2 International standards and initiatives

Various international initiatives are involved in the risks that extractive industry pose for human beings and the environment; globally there is increasingly more animus to apply standards to this industry. In addition, there are some international conventions and multi-stakeholder processes that set standards for specific extractive industry activities. The main international standards on the mining industry are summarised per topic, followed by the assessment elements that are formulated by FFGI as a result:

- **Areas of high biodiversity and protected areas**

Extractive industry activities may not take place in areas listed in the categories I to IV of the [International Union for Conservation of Nature \(IUCN\)](#), or included in the [UNESCO World Heritage Convention](#) or in the [Ramsar Convention on Wetlands](#). Furthermore, extractive industry projects in areas that fall under the following conventions and initiatives are to be expressly avoided: forests identified with the [High Carbon Stock Approach](#), [Marine Protected Areas](#), [High Conservation Value areas](#) and [IUCN protected areas](#).

Many of these areas are also included in the analyses for investments by [International Finance Corporation's \(IFC\) Performance Standard 6](#) concerning Biodiversity Conservation and Sustainable Management of Living Natural Resources. It determines how companies should operate in order to avoid negative consequences on areas of high biodiversity value, including impact on natural habitats as well as endangered and endemic species. The requirements in the standard have been guided by the [Convention on Biological Diversity](#).

The [United Nations Environmental Assembly](#) adopted a [resolution on pollution mitigation by mainstreaming biodiversity into key sectors](#) in 2017: "The resolution aims at strengthening efforts to integrate conservation and sustainable use of biodiversity in various sectors such as agriculture, fisheries and aquaculture, tourism, mining and energy, infrastructure and manufacturing among others. It also points to the need to prevent and reduce pollution from these sectors".⁵⁵¹

This leads to assessment element

- | | |
|---|--|
| 1 | Companies prevent negative impacts on protected areas that fall under the categories I-IV of the International Union for Conservation of Nature (IUCN) within their business operations and the areas they manage. |
| 2 | Companies prevent negative impacts on UNESCO World Heritage sites within their business operations and the areas they manage. |
| 3 | Companies prevent negative impacts on protected areas that fall under the Ramsar Convention on Wetlands within their business operations and the areas they manage. |
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- **Crisis response and crisis prevention**

The [International Council on Mining and Metals \(ICMM\) Principle 4](#) requires companies to: "develop, maintain and test effective emergency response procedures in collaboration with potentially affected parties." [International Finance Corporation's \(IFC\) Performance Standard 1](#) also requires companies to have a solid road map for crisis situations and develop a contingency plan.

The FFGI expects companies to refrain from operating in locations where the consequences of an accident for the environment are unmanageable.

This leads to assessment elements 4 and 5.

This leads to assessment element

- | | |
|---|---|
| 4 | Companies mitigate the chance of accidents by making use of the best available techniques and have a solid road map for crisis situations (a 'contingency plan'). |
| 5 | Companies do not operate in locations where the consequences of an accident for the environment are unmanageable. |
-

- **Waste management**

Many environmental problems in the extractive industry concern dealing with extractive waste. The existing standards and guidelines with regard to waste management are:

- The [Convention on the Prevention of Marine Pollution by Dumping of Wastes and other Matter](#) (1972), of the United Nations [International Maritime Organization \(IMO\)](#). The convention prohibits the direct dumping of mercury and mercury compounds into the sea and makes special permits a requirement to dump cyanide and other heavy metals.
- The World Bank [Extractives Industries Review \(EIR, 2003\)](#) advises companies to avoid waste dumping in the sea and in rivers and to look for safer alternatives for the use of cyanide and mercury. The most recent update for this advice is from 2016.
- The [Directive on the Management of waste from the extractive industries](#), published by the European Commission in 2006, requests that European Union member states ensure that extractive waste is managed without endangering human health or the environment, especially water, air, soil, flora and fauna. The member states also need to take the necessary precautions to prohibit the uncontrolled abandonment, dumping and disposal of extractive waste. In 2017, an [assessment of Member States' performance](#) regarding the implementation of the Directive was published.
- GRID-Arendal, a support organisation of UN Environment, published recommendations for a responsible approach to [Mine Tailings Storage](#).

This leads to assessment element

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|---|---|
| 6 | Companies reduce extractive waste and manage and process this in a responsible way. |
| 7 | Riverine tailings disposal and sub-marine tailings disposal is unacceptable. |
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- **Water use**

Given the growing challenge of water scarcity, it is vital that companies and financial institutions become aware of their own influences on water related problems. Various initiatives, guidelines and standards have emerged in recent years, to help companies address water risk. See for more information the theme Nature (section 2.8).

Initiatives companies could participate in and learn from are:

- The UN Global Compact's [CEO Water Mandate](#) is a public-private initiative designed to assist companies in the development, implementation and disclosure of water sustainability policies and practices.
- The [guidance](#) by the UNEP and CEO Water Mandate on [Corporate Water Accounting: An Analysis of Methods and Tools for Measuring Water Use and Its Impacts](#).
- The [European Water Partnership](#); and
- The [Water Footprint Network](#), which also has a standard on assessing a global water footprint.

There are several guidelines and water 'footprinting' methods as well as voluntary disclosure initiatives for calculating water use, water risk, understanding water issues and creating a sound water strategy, such as:

- The [CDP's Water Program](#), to calculate and publish corporate water use throughout the supply chain;
- The [GEMI Water Sustainability Tool](#);
- The [WBCSD Global Water Tool](#);
- The [AWS International Water Stewardship Standard](#) is a useful standard, supported by a verification process, that defines a set of water stewardship criteria and indicators for how water should be stewarded at a site and catchment level in an environmentally, socially, and economically beneficial manner.

This leads to assessment element

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|---|---|
| 8 | Companies conduct water scarcity impact assessments and prevent negative impacts in water scarce regions. |
| 9 | Companies do not start new operations in areas where water scarcity is pre-existing and operations would compete with the needs of communities. |
-

- **Closing depleted mines**

The condition in which exhausted mines are left behind has large consequences for the population and the ecosystems in the vicinity. Negative environmental and health effects can have an impact for years - perhaps even centuries. The [Mining, Minerals and Sustainable Development](#) (MMSD) project asks companies to take the environment and health effects after closing mines into consideration in the plans for the development of the mine and in the assessment of the effects on local communities. This means the future destination of the mine, the provisions to be made and the responsibilities of the mining company need to be taken into account.⁵⁵²

This leads to assessment element

10	Companies include the environmental and health effects of a mine after its closure in plans for the development of new mines.
11	Companies ensure the recovery of ecosystems after commercial activities have been completed, for all extractive industry projects (i.e. this is included as an activity in the planning and the budget of the project).

- **Small scale and artisanal extractive industry**

Small scale and artisanal extractive industry projects - provided they are well managed - can enhance sustainable economic and social development on a local level. The [Alliance for Responsible Mining](#) (ARM) is an independent multi-stakeholder initiative that aims to enhance social justice and wellbeing in the small scale extractive industry by improving social, environmental and working conditions, solid management of the mines and conducting repair work for the ecosystem. In November 2013 the ARM started cooperation with the Swiss Institute for Market Ecology in order to develop an independent certification and auditing system for the Fairmined Standard. In 2014 the [Fairmined Standard for Gold and Associated Precious Metals](#) was launched.

While investment in mining activities may not include direct investment in artisanal or small-scale mining, investment in industrial mining operations does still have consequences for small-scale and artisanal mining. As the [9th principle of the ICMM](#) states, companies should contribute to the social, economic and institutional development of the communities in which they operate. This includes the communities of artisanal and small-scale miners, which often live and work around or near large-scale mines. Large-scale mining operations already engage with artisanal miners and their dependents through community development programs, but certain issues, such as security and human rights, still require attention. In 2010 the ICMM published the report [Working together: How large-scale mining can engage with artisanal and small-scale miners](#), discussing a sound engagement approach with small-scale miners, as key stakeholders for large-scale mining companies.

This leads to assessment element

12	Companies respect small scale and artisanal mining and improve sustainable economic and social development on a local level.
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- **Labour rights**

Besides respecting human rights, it is of great importance that mining companies adhere to the United Nations International Labour Organisation's (ILO) main codes of conduct. 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 \(MNE Declaration\)](#). In addition, specifically for the extractive industry, the 1995 [Safety and Health in Mines Convention](#) should be taken into account. The rights of women in the extractive industry are recognised in the [Iroco Declaration](#).

For more information and relevant international standards and initiatives see the theme Labour rights (section 2.7.2).

This leads to assessment element

13	Companies respect the ILO Declaration on Fundamental Principles and Rights at Work.
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- **Land rights conflicts and forced evictions**

Human rights, particularly economic, social and cultural (ESC) rights, play a central role in land-related issues. However, there is no explicit recognition of a 'human right to land' within international human rights instruments. Those who face threats to their land rely on other rights, such as the right to food, the right to water, the right to housing and the right to work. These rights are included in the [International Covenant on Economic, Social and Cultural Rights \(ICESCR\)](#).⁵⁵³ Other standards related to land rights conflicts and forced evictions are:

- The [Basic Principles and Guidelines on Development-based Evictions](#)
- The [core principles](#) of the United Nations Special Rapporteur on the right to food
- The [Tirana Declaration](#)

For more information and relevant international standards and initiatives see the theme Human rights (section 2.6.2).

In 2004, Oxfam Australia developed a [code of conduct](#) for mining companies on how to deal with the rights of nearby residents. In this code of conduct, five basic rights are defined:

- The right to be heard;
- The right to livelihood, including the rights on suitable re-settlement, compensation, employment and a clean environment;
- The right to basic provisions, such as clean water, education, and health care;
- The right to life and safety; and
- The right to equal treatment.

In the code of conduct, these rights are further elaborated through concrete steps that mining companies would have to take.

In 2013 the [International Council on Mining and Metals \(ICMM\)](#) issued guidelines for its member companies. The Indigenous Peoples and Mining Position Statement deals with the obligations of extractive companies with regard to the indigenous peoples. The guidelines should replace a document from 2008. The most important change is that companies are expected to commit to work to obtain the consent (FPIC) of indigenous peoples for new projects located on lands traditionally owned by or under customary use of indigenous peoples.

This leads to assessment element

- | | |
|----|---|
| 14 | Companies prevent conflicts over land rights and acquire natural resources only by engaging in serious consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous peoples. |
| 15 | Companies prevent conflicts over land rights and acquire natural resources only with free, prior and informed consent (FPIC) of the land users involved. |
-

- **Security and law enforcement**

Companies can get involved in violations of human rights when (private or public) company security officers use violence against nearby residents of the company. This issue is dealt with 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](#). Based on this code of conduct and principles, in a multi-stakeholder process the [Voluntary Principles on Security and Human Rights](#) have been developed that set guidelines for companies for their security methods.

This leads to assessment element

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|----|--|
| 16 | Companies follow the Voluntary Principles on Security and Human Rights for the security of their employees and company premises. |
|----|--|
-

- **Access to remedy**

Mining companies need to respect the rights of local communities affected by mining. The responsibility to respect requires that companies avoid causing or contributing to adverse human rights impacts through their own activities and seek to prevent or mitigate impacts that are directly linked to their operations by their business relationships. According to the [United Nations Guiding Principles on Business and Human Rights \(UNGPs\)](#), if a company identifies a risk or is contributing to an adverse impact, it should cease or prevent its contribution and to mitigate any remaining impacts to the greatest extent possible. Finally, the enterprise should provide for or cooperate in their remediation through legitimate processes. They should establish or participate in effective operational-level grievance mechanisms for individuals and communities who may be adversely impacted.⁵⁵⁴

Since 2000, Oxfam Australia has acted as an ombudsman for the extractive industry. During this period of time, numerous complaints of violations of human rights, environmental pollution and the unequal division of extractive industry revenues have been dealt with. Based on the experience gained, a grievance mechanism for the extractive industry was proposed by Oxfam Australia in 2009 that can deal with grievances, give advice and provide the compliance with standards and recommendations for the grievance mechanism. For a grievance mechanism for the extractive industry to work properly, six conditions have to be met: clear standards, independency, transparent financing, possibilities to force compliance, access to information and accountability. For the time being there is no grievance mechanism that complies with these conditions.

This leads to assessment element

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|----|---|
| 17 | Companies have processes to enable the remediation of any adverse human rights impact which they cause or to which they contribute. |
|----|---|
-

- **Transparency of financial flows**

In the [Extractive Industries Transparency Initiative \(EITI\)](#) a coalition of governments, companies, social organisations and investors have drafted criteria for governments of countries where extractive industry activities take place. The governments are expected to fully publish all revenues they receive from these activities.

The [Publish What You Pay](#) coalition, in which more than over 300 social organisations collaborate, advocates that the mining companies themselves also make their payments to governments publicly known. This means that companies have to report on their tax payments in the countries where they operate. They also have to report on royalties, payments for concessions and such. And important contracts and agreements between governments and mining companies and all bank loans related to the exploitation of raw materials should be made public.

The Global Reporting Initiative has drafted the [G4 Sustainability Reporting Guidelines](#) on how to write sustainability reports. These guidelines state that organisations should report on the payments they make to governments country-by-country (EC1). In the GRI [G4 Mining and Metals Sector Disclosures \(MMSD\)](#), it has been added that mining companies have to report countries of operation that are candidate to or compliant with the EITI and the payments to local communities as part of land use agreements (not purchases).⁵⁵⁵

In the new [GRI Sustainability Reporting Standards \(GRI Standards\)](#), GRI Disclosure 201-4 requires companies to report on the “total monetary value of financial assistance received by the organization from any government during the reporting period”, while GRI Disclosure 201-1 requires companies to report on “payments to government by country”.⁵⁵⁶ The GRI Standards will be required for all reports or other materials published on or after 1 July 2018 – the G4 Guidelines remain available until this date”.⁵⁵⁷ GRI recommends companies to use the G4 Sector Disclosures together with the GRI Standards, even though they are not update yet.⁵⁵⁸

In mid-2010, in the United States the [Dodd-Frank Act](#) (Dodd-Frank Wall Street Reform and Consumer Protection Act) came into force (see also section on conflict minerals). Section 1504 concerns reporting requirements payments to government institutions in relation to the mining of oil, gas and minerals.⁵⁵⁹ In 2017 the act is under attack by US-lawmakers and it is uncertain if the act will remain in place.⁵⁶⁰

In June 2013, the EU adopted [Directive 2013/34/EU](#) which obliges big European companies - both listed and non-listed companies - active in the extractive industries and in the logging of primary forests to publicly report on their payments to governments, broken down per country.

The EU also supports the use of *due diligence* processes in the mining sector.⁵⁶¹ In doing so, the EU partly takes over the Dodd Frank Act, but it does make an exception for conflict minerals. The EU regulation on conflict minerals applies to tin, tantalum, tungsten and gold and enters into force on 1 January 2021. Importers in the EU will be required to report annually on supply chain due diligence to comply with the law.⁵⁶²

This leads to assessment element

- | | |
|----|--|
| 18 | Companies pay the taxes owed in each country where they operate. |
| 19 | For each country in which companies operate, they report country-by-country on their revenues, profit, FTEs, subsidies received from governments and payments to governments (e.g. withholding taxes, payments for concessions and company tax). |
| 20 | Offering, promising, giving and requiring, either directly nor indirectly, bribes or other undue advantages in order to acquire or to maintain assignments or other undue advantages, is unacceptable. |
-

- **Good governance**

In order to minimise the negative consequences of the *resource curse*, it is important that the development of the extractive industry is combined with the development of capable and reliable governance. The World Bank [Extractive Industries Review \(EIR\)](#) advises against stimulating private investments in the extractive industry in countries where governance is ineffective. It also states that the quality of governance has to meet explicit conditions before an extractive industry project can be financed by the World Bank.

The [UNGPs](#) points to heightened risks of involvement in gross human rights abuses in conflict-affected areas. A company should manage its own impact in order to prevent involvement in human rights violations.

The [OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones](#) could be helpful detecting areas where strong governance is needed to avoid human rights abuses or to refrain from doing business.

The [Natural Resource Charter](#) of the [Natural Resource Governance Institute](#) "is a set of principles to guide governments' and societies' use of natural resources so these economic opportunities result in maximum and sustained returns for a country's citizens. It outlines tools and policy options designed to avoid the mismanagement of diminishing natural riches, and ensure their ongoing benefits".⁵⁶³ Although the Charter is primarily aimed at governments and societies, the document also describes responsibilities of state-owned extractive companies and private companies.

This leads to assessment element

- | | |
|----|---|
| 21 | Companies only operate in weak governance zone or conflict-affected areas if they are able to demonstrate that they are not causing or contributing to human rights abuses. |
|----|---|
-

- **Conflict minerals and diamonds**

The problem of proceeds from mineral mining fuelling conflict and civil war has been well-documented for many years, particularly in the Democratic Republic of Congo (DRC) but also in parts of Afghanistan, Colombia, Zimbabwe and elsewhere. Minerals which risk fuelling conflict include gold, coltan (or tantalum), tin (or cassiterite) and wolframite (or tungsten). These resources can enter global supply chains and end up in mobile phones, laptops, jewellery and other products. It is important to note that this includes [blood diamonds or conflict diamonds](#) and [other minerals sourced from conflict zones](#) outside the DRC.

Significant legislation includes [Section 1502 of the Dodd Frank Act](#) (passed in 2010), which requires US-listed companies to carry out due diligence on tantalum, tin, gold or tungsten sourced from DRC and neighbouring countries. It also concerns reporting requirements on the use of conflict raw materials from the Democratic Republic of Congo (DRC) and neighbouring countries. Companies that are listed on the New York Stock Exchange and use minerals from this region have to provide insight into the financial flows and research of whether they contribute to the financing of armed groups.⁵⁶⁴ In 2017 the act is under attack by US-lawmakers and it is uncertain if the act will remain in place.⁵⁶⁵

In May 2017 [the EU passed a new law regulation to stop:](#)

- “conflict minerals and metals from being exported to the EU;
- global and EU smelters and refiners from using conflict minerals; and
- mine workers from being abused.

The law also supports the development of local communities. It requires EU companies to ensure they import these minerals and metals from responsible sources only”.⁵⁶⁶ The EU regulation applies to tin, tantalum, tungsten and gold and enters into force on 1 January 2021. Importers in the EU will be required to report annually on supply chain due diligence to comply with the law.

To prepare for the 2021 EU regulation, the multistakeholder (governments, companies and civil society actors) [European Partnership for Responsible Minerals \(EPRM\)](#) “provides a crucial opportunity for coordinating existing schemes and initiatives for responsible production of 3TG. [...] EPRM will take the lead in activities that make mineral production and trade responsible, increase stability and promote development in vulnerable areas”.⁵⁶⁷

This leads to assessment element

22	Mining and trading in conflict minerals is unacceptable.
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• **Unacceptable mining practices**

As almost all mined uranium is used in electricity production, in [nuclear power stations](#) (discussed in section 3.10), this can be considered a strategic service to the nuclear power sector. The [World Nuclear Association](#) claims that in most respects the environmental impacts of an uranium mine are the same as those of other metal mines, although civil society organizations such as [Greenpeace](#) have identified levels of radioactive materials in the air, water and soil above internationally accepted limits around some uranium mines. Many other mined materials are also radioactive. For example, [iron contains radioactive isotopes](#) and is [included in some lists of radioactive materials](#). Mined radioactive elements are also used in medical equipment and household items including smoke detectors. Rare earths with radioactive isotopes are used in [wind turbines and electric cars](#). For this reason, the assessment element is limited to uranium mining, rather than to all mining of radioactive materials.⁵⁶⁸

[The Paris Agreement](#) of the United Nations Framework Convention on Climate Change “is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius”.⁵⁶⁹ Going further than the Paris Agreement, the findings of the report [The Sky's the limit](#) by Oil Change International, published in Sep 2016, argues that:

- The potential carbon emissions from the currently operating oil, gas, and coal fields and mines would take us beyond 2°C of warming; and
- The reserves in currently operating oil and gas fields alone, even with no coal, would take the world beyond 1.5°C.

This means that:

- No new fossil fuel extraction or transportation infrastructure should be built, and governments should grant no new permits for them; and
- Some fields and mines – primarily in rich countries – should be closed before fully exploiting their resources, and financial support should be provided for non-carbon development in poorer countries.

Fossil fuel-fired power generation and especially regarding coal power, causes high carbon emissions. According to the [Institute for New Economic Thinking of Oxford School](#) the carbon reduction goal of the [Paris Agreement](#) can only be met by complete decarbonisation of the electricity sector: “even under the very optimistic assumption that other sectors reduce emissions in line with a 2°C target, no new emitting electricity infrastructure can be built after 2017 for this target to be met, unless other electricity infrastructure is retired early or retrofitted with CCS”.⁵⁷⁰

The [UN Environment Emissions Gap Report 2017](#) concludes that “it will be important to [r]educe the fossil-based electricity capacity already in place and under construction and avoid planning new coal plants. A gradual phase-out of coal is needed, recognizing that coal-based power generation will remain significant for a number of both developing and industrialized countries until at least 2030”.⁵⁷¹ The UN researchers highlight the risk of investing in fossil fuel-fired power generation: “continued investment in more traditional technologies, especially coal-fired power stations, implies significant technological lock-in and long-term commitment to continued emissions. The assessment shows that between 80 and 90% of coal reserves worldwide will need to remain in the ground, if climate targets are to be reached. This compares with approximately 35% for oil reserves and 50% for gas reserves”.⁵⁷²

Beside the need to move away from fossil fuel extraction in general, there are certain mining extraction techniques that are considered particularly extreme in terms of how damaging they are to the environment and local populations, by civil society as well as by the private sector. For example, mountaintop removal mining (MTR) is considered an unacceptable practice by several financial institutions. MTR mining is associated with extreme environmental and health risks, that cannot fully be mitigated.⁵⁷³ For this reason it is often listed on financial institutions’ exclusion lists.⁵⁷⁴

In 2017, Urgewald and partners published [a database](#) that “provides key statistics on over 770 companies whose activities range from coal exploration and mining, coal trading and transport, to coal power generation and the manufacturing of coal plants”,⁵⁷⁵ because “investments in new coal power capacity are incompatible with the Paris climate goals as each new coal plant locks-in high CO2 emissions for decades to come”.⁵⁷⁶

Taking into account the huge impact of coal mining on the environment and local communities, especially extreme mining, and its contribution to climate change once the coal is burned, these activities are considered unacceptable by the Fair Finance Guide International network.⁵⁷⁷

This leads to assessment element

23	Uranium mining is unacceptable.
24	Mountaintop removal mining is unacceptable.
25	Establishing new coal mines is unacceptable.
26	Thermal coal mining is unacceptable.
27	Metallurgical coal mining is unacceptable

- **Standards for a sustainable extractive industry**

The [Framework for Responsible Mining](#) - drafted by the WWF - provides a clear analysis of environmental, social and governance problems that should be included in a sector policy for the extractive industry.

The [Sustainable Development Framework](#) of the [International Council on Minerals & Metals \(ICMM\)](#) is based on the [Mining, Minerals and Sustainable Development \(MMSD\)](#) project. The Framework comprises of 10 principles for sustainable development in the extractive industry, it obliges the participants of ICMM to report according to GRI, including the Mining and Metals Sector Disclosure, and it requires verification of this reporting. Also, a grievance mechanism has been set up for dealing with grievances of ICMM participants.⁵⁷⁸

In February 2015, the mining industry organization ICMM released a [best practice guidance on water management](#): "International Council on Mining and Metals (ICMM) member companies have come to understand that even the most water-efficient operations that stringently manage water discharges can still be subject to significant water risks manifesting outside the operational fence line at the catchment level". The guidance calls for wide stakeholder engagement and expects companies to consider risks outside its own operations. In March 2017 the ICMM also published a [Practical guide to consistent water reporting](#). The guidance accompanies [ICMM's 2014 Water stewardship framework](#).

For some minerals there are specific standards, or they are being developed, including:

- End 2010, the OECD has written recommendations on respecting human rights and avoiding involvement in conflicts in extractive industry areas. The [OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas](#) also contains specific guidelines for tin, tantalum, and tungsten. In 2016-2017 "the OECD is carrying out an assessment of the alignment of [five] industry programmes' standards and implementation efforts with the OECD Due Diligence Guidance".⁵⁷⁹
- The involvement of the diamond industry in armed conflicts has led to the [Kimberley Process Certification Scheme](#). The system forces governments to certify diamonds that are not being used for financing conflict groups. The certification process has proven to be a useful first step to make conflict diamonds recognisable, but it still lacks an independent supervisor.
- The [Council for Responsible Jewellery Practices \(CRJP\)](#) is also working on a certification scheme similar to the Kimberley Process. The council consists of more than 450 companies operating in the product chains of gold, diamonds, jewelry and watches. In November 2013, the CRJP published the third edition of [Principles and Code of Practice](#), together with certification manuals and assessment guidelines. All participating companies are expected to produce a human rights report and they must (in relevant cases) take into account the Free and Prior Informed Consent and the extraction of raw materials in conflict areas.
- The gold industry has developed various initiatives:

- the [International Management Code for the use of Cyanide](#), a voluntary agreement on reducing the use of cyanide, on improving safety in transport and on taking measures that guarantee the miners health and safety. The code also contains plans for crisis management, but lacks guidelines for waste processing.
- The World Gold Council has developed the [Conflict-Free Gold standard](#). Voluntary participation involves submitting to an audit, of which the results are made public, to assess whether gold has been responsibly extracted.
- [Fairtrade Gold and Precious Metals](#) is a certification scheme for responsibly sourced gold and precious metals from artisanal and small-scale sources that comply with social, environmental, labour and traceability requirements.
- Another option is [Fairmined Gold](#), a third party assurance scheme developed by the ARM.
- The Initiative for Responsible Mining Assurance (IRMA) Standard for Responsible Mining, which outlines requirements based on business integrity and social and environmental criteria.
- The International Conference on the Great Lakes Region ([ICGLR](#)) [Regional Certification Mechanism](#) has set standards for traceability and certification of minerals in the conflict-prone Great Lakes area.
- The London Bullion Market Association (LBMA) [Responsible Gold Guidance](#) is mandatory for all LBMA accredited refiners and ensures that all gold feed stock and all gold produced by refiners is conflict-free. The guidance was last updated in September 2017.

Many of these initiatives are still under development and haven't yet developed specific certification schemes that financial institutions can take over literally in their investment policy. Financial institutions have been advised to closely follow the developments of these initiatives and/or actively participate in them.

This leads to assessment element

28	Companies work with relevant standards and initiatives for certain minerals (mentioned in section 3.8.2).
29	Companies are certified according to the criteria of certification schemes for certain minerals (mentioned in section 3.8.2).

- **Sustainability reporting**

The Global Reporting Initiative has drafted guidelines on how to write sustainability reports. Besides the general [G4 Sustainability Reporting Guidelines](#) it also provides sector guidance for a number of industrial sectors. The [G4 Mining and Metals Sector Disclosures \(MMSD\)](#), not yet updated but still recommended by GRI to use with its new [GRI Sustainability Reporting Standards \(GRI Standards\)](#), includes guidelines on companies active in exploration, mining and primary metal processing (including smelting, recycling and basic fabrication).

For small and medium enterprises (SMEs), less elaborate sustainability reporting is required. SMEs can report on the GRI indicators that are relevant to their operations, for example by following [the High5! Approach](#).

This leads to assessment element

30	Companies publish a sustainability report that may contain (a number of) disclosures from the GRI Standards.
31	Large enterprises and multinational enterprises publish a sustainability report that is set up in accordance with the (Core or Comprehensive option of) GRI Standards.

- **Procurement and supply chains**

Companies are often part of long production chains. They can monitor one another and question how they respect local and national legislation and international norms regarding social, economic and environmental issues. The requirements that companies set for their suppliers can be included in contractual agreements. The importance of this also recognised in the [OECD Guidelines for Multinational Enterprises](#) since its revision in 2011.

Also [ISO 26000:2010 Guidance on social responsibility](#) recognises the importance of supply chain responsibility, because “the impacts of an organization's decisions or activities can be greatly affected by its relationships with other organizations.” A company's sphere of influence includes relationships within and beyond an organisation's supply chain.⁵⁸⁰

In addition, [ISO 20400:2017 Sustainable procurement – Guidance](#) provides guidelines for organizations, independent of their activity or size, on integrating sustainability within procurement, as described in ISO 26000:2010 Guidance on social responsibility. It is intended for stakeholders involved in, or impacted by, procurement decisions and processes.

The [UNGPs](#) include a due diligence process in order to identify, prevent, mitigate and account for how companies address their adverse human rights impacts. The process “should cover adverse humanrights impacts that the business enterprise may cause or contribute to through its own activities, or which may be directly linked to its operations, products or services by its business relationships.”⁵⁸¹

This leads to assessment element

32	Companies integrate environmental, social and governance criteria in their procurement and operational policies.
33	Companies include clauses on the compliance with environmental, social and governance criteria in their contracts with subcontractors and suppliers.

3.8.3 Assessment elements

When financial institutions invest in or finance mining companies, they have to be aware of whether the company complies with the relevant international guidelines and agreements on the social and environment fields. This means that in the investment policy of financial institutions, clear norms need to be drafted.

The following elements are crucial for a policy regarding the companies a financial institution invests in or finances:

1. Companies prevent negative impacts on protected areas that fall under the categories I-IV of the International Union for Conservation of Nature (IUCN) within their business operations and the areas they manage.
2. Companies prevent negative impacts on UNESCO World Heritage sites within their business operations and the areas they manage.

3. Companies prevent negative impacts on protected areas that fall under the Ramsar Convention on Wetlands within their business operations and the areas they manage.
4. Companies mitigate the chance of accidents by making use of the best available techniques and have a solid road map for crisis situations (a 'contingency plan').
5. Companies do not operate in locations where the consequences of an accident for the environment are unmanageable.
6. Companies reduce extractive waste and manage and process this in a responsible way.
7. Riverine tailings disposal and sub-marine tailings disposal is unacceptable.
8. Companies conduct water scarcity impact assessments and prevent negative impacts in water scarce regions.
9. Companies do not start new operations in areas where water scarcity is pre-existing and operations would compete with the needs of communities.
10. Companies include the environmental and health effects of a mine after its closure in plans for the development of new mines.
11. Companies ensure the recovery of ecosystems after commercial activities have been completed, for all extractive industry projects (i.e. this is included as an activity in the planning and the budget of the project).
12. Companies respect small scale and artisanal mining and improve sustainable economic and social development on a local level.
13. Companies respect the ILO Declaration on Fundamental Principles and Rights at work.
14. Companies prevent conflicts over land rights and acquire natural resources only by engaging in serious consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous peoples.
15. Companies prevent conflicts over land rights and acquire natural resources only with free, prior and informed consent (FPIC) of the land users involved.
16. Companies follow the Voluntary Principles on Security and Human Rights for the security of their employees and company premises.
17. Companies have processes to enable the *remediation* of any adverse human rights impact which they cause or to which they contribute.
18. Companies pay the taxes owed in each country where they operate.
19. For each country in which companies operate, they report country-by-country on their revenues, profit, FTEs, subsidies received from governments and payments to governments (e.g. withholding taxes, payments for concessions and company tax).
20. Offering, promising, giving and requiring, either directly nor indirectly, bribes or other undue advantages in order to acquire or to maintain assignments or other undue advantages, is unacceptable.
21. Companies only operate in weak governance zone or conflict-affected areas if they are able to demonstrate that they are not causing or contributing to human rights abuses.
22. Mining and trading in conflict minerals is unacceptable.
23. Uranium mining is unacceptable.
24. Mountaintop removal mining is unacceptable.
25. Establishing new coal mines is unacceptable.
26. Thermal coal mining is unacceptable.
27. Metallurgical coal mining is unacceptable.
28. Companies work with relevant standards and initiatives for certain minerals (mentioned in section 3.8.2).
29. Companies are certified according to the criteria of certification schemes for certain minerals (mentioned in section 3.8.2).

30. Companies publish a sustainability report that may contain (a number of) disclosures from the GRI Standards.
31. Large enterprises and multinational enterprises publish a sustainability report that is set up in accordance with the (Core or Comprehensive option of) GRI Standards.
32. Companies integrate environmental, social and governance criteria in their procurement and operational policies.^{xxxv}
33. Companies include clauses on the compliance with environmental, social and governance criteria in their contracts with subcontractors and suppliers.^{xxxvi}

3.9 Oil and gas

3.9.1 What is at stake?

Several processes within the oil and gas industry may harm the environment. Drilling platforms, oil and gas production facilities, flaring plants, and refineries pollute the land, the air and the water. The urge to fill reserves, leads to oil companies penetrating deeper and deeper into ecologically vulnerable regions, from the Amazon to the Polar Regions. Cracks in pipelines caused by earthquakes, other natural causes and sabotage can lead to soil and water pollution and even to fatal explosions and fires. Moreover, oil spilled from tankers that were involved in accidents has polluted many marine areas and coastlines.⁵⁸²

Also, the social consequences of the oil and gas industry can be extremely detrimental, affecting the economic, social and cultural rights of local communities. Pollution and contagious diseases cause harm to the health, food safety and the culture of indigenous (sometimes isolated) population groups. Often, oil and gas companies take the land of local communities and expropriate them from their source of food or revenues. Also, due to pollution, nearby residents can lose their source of income and food supply to the activities of oil and gas companies. Moreover, the mining and transport of oil and gas have regularly contributed to the emergence of armed conflicts, the coming to power of, and remaining in power of, oppressive regimes and the violation of human rights. Especially in situations where companies cooperated with the army or local militias for the security of their operations, great humanitarian harm has occurred.⁵⁸³

As with the mining industry, the oil and gas industry often disturbs the macro-economic development of countries. The term *resource curse* is used for the development of corruption, irreducible revenues, bad management of oil supplies and an unequal division of the revenue to the population, in countries that are rich in natural raw materials.⁵⁸⁴ Mainly in developing countries where there is no stable political or legal system, the resource curse is a well-known phenomenon. In these countries conflicts regularly arise between the local population, the oil companies and the government.⁵⁸⁵

xxxv If the financial institution has no specific sector policies or does not mention this in its sector policies, but does mention this in cross-cutting policies for at least three themes, the financial institution is deemed to comply with this element.

xxxvi If the financial institution has no specific sector policies or does not mention this in its sector policies, but does mention this in cross-cutting policies for at least three themes, the financial institution is deemed to comply with this element.

According to UNEP, “at least 40 per cent of all internal armed conflicts over the past 65 years have had an important natural resource dimension. Since 1989, more than 35 major armed conflicts have been financed by revenues from conflict resources, and there are fears that in the coming years, extreme climate stresses could double the risk of violent conflict”.⁵⁸⁶ In such countries, companies ignore both the local legislation as well as internationally accepted highest standards for safe business operations, while operating to the letter of the law in industrialised countries where the highest standards are laid down by law. This double standard was clearly shown in a ‘Friends of the Earth’ report for the business operations of Shell in Nigeria.⁵⁸⁷

Some oil and gas companies operate in developing countries but the related subsidiaries are located in tax havens to pay as little tax as possible. According to Publish What You Pay Norway, after the US state Delaware, the Netherlands is the favourite hosting country for oil companies. The ten largest oil companies and mining companies globally that own natural resources in developing countries have 365 subsidiaries in the Netherlands. However, under Dutch legislation it is impossible to investigate the fiscal and financial data of these subsidiaries. Therefore, it proved to be very difficult to determine how much revenue companies make from the activities in these countries and how much tax the governments lose.⁵⁸⁸

A relatively new form of extracting gas is drilling for shale gas. This is a controversial way of gas extraction and there is a heavy debate on the pros and cons. The risks for people and environment are summarised by Friends of the Earth Netherlands. Polluting water sources with methane and chemicals, the enormous use of clean water, the infringement on landscape and nature due to many drilling sites, bigger chances of accidents with drilling pits and transport, earthquakes caused by fracking, the impact of shale gas and coal gas on climate change, the small economic effects of shale gas and coal gas. A study done by engineering agencies, issued by the European Commission, endorsed these risks.⁵⁸⁹

Furthermore, the Association for drinking water companies in the Netherlands (Vewin) has expressed concern about the risks of shale gas extraction: (test) drilling can pollute the groundwater. According to Vewin, Dutch regulations are not sufficient to exclude the risks of groundwater pollution.⁵⁹⁰ In December 2014 the Dutch parliament voted against shale gas extraction and arctic drilling.⁵⁹¹ Other countries, such as Scotland, South Africa, France and Wales, as well as several states and cities in Canada and the United States have also chosen to ban shale gas fracking.⁵⁹² The United States banned oil and gas drilling in large parts of the Arctic Ocean in 2016,⁵⁹³ but the United States government might repeal the ban in 2017.⁵⁹⁴

The oil and gas industry plays an important role in global climate change. Global climate change is largely caused by the combustion of fossil fuels supplied by companies in the oil and gas industry. In a world where sustainable energy sources are becoming more important, there is less and less room for the oil and gas industry. Therefore, the largest challenge for this industry is to use its knowledge of energy markets and technologies to develop a supply of clean energy. In preparation for this, oil and gas companies have to minimise the risks of oil and gas production, transport and processing throughout the entire chain in the fields of environment, safety, health and biodiversity.

All of the issues mentioned above directly or indirectly have an impact on the SDGs. While SDG 13 Climate Action and SDG 7 Affordable and Clean Energy have a strong relation with the issues related to the industry. SDG 6 Clean Water and Sanitation, SDG 14 Life Below Water, and SDG 15 Life on Land get adversely impacted by the oil and gas industry.⁵⁹⁵

The investment policy of financial institutions has to ensure that financial institutions are only involved with investments in companies in the oil and gas industry that meets these objectives. When developing policies for this industry, financial institutions can make use of the international standards described below.

3.9.2 International standards and initiatives

The main international standards on the oil and gas industry are summarised per topic, followed by the assessment elements that are formulated by FFGI as a result:

- **Areas of high biodiversity and protected areas**

Oil and gas activities are especially not permitted in areas that are listed in the categories I to IV of the [International Union for Conservation of Nature \(IUCN\)](#), or listed in the [UNESCO World Heritage Convention](#) or in the [Ramsar Convention on Wetlands](#).

These areas are also included in the analyses for investments by the [International Finance Corporation's \(IFC\) Performance Standard 6](#) concerning Biodiversity Conservation and Sustainable Management of Living Natural Resources. It determines how companies should operate in order to avoid negative consequences on areas of high biodiversity value, including impact on natural habitats as well as endangered and endemic species. The requirements in the standard have been guided by the [Convention on Biological Diversity](#).

Furthermore, forests identified according to the [High Carbon Stock Approach](#), [Marine Protected Areas](#) and [High Conservation Value areas](#) should be recognised and protected.

The [United Nations Environmental Assembly](#) adopted a [resolution on pollution mitigation by mainstreaming biodiversity into key sectors](#) in 2017: "The resolution aims at strengthening efforts to integrate conservation and sustainable use of biodiversity in various sectors such as agriculture, fisheries and aquaculture, tourism, mining and energy, infrastructure and manufacturing among others. It also points to the need to prevent and reduce pollution from these sectors".⁵⁹⁶

This leads to assessment element

1	Companies prevent negative impacts on protected areas that fall under the categories I-IV of the International Union for Conservation of Nature (IUCN) within their business operations and the areas they manage.
2	Companies prevent negative impacts on UNESCO World Heritage sites within their business operations and the areas they manage.
3	Companies prevent negative impacts on protected areas that fall under the Ramsar Convention on Wetlands within their business operations and the areas they manage.

- **Crisis management**

After the disastrous Exxon Valdez oil spill in 1989, where more than 40 million litres of oil covered the coastal areas of Alaska, the [United Nations International Maritime Organization \(IMO\)](#) adapted the requirements for oil transport. The amendment of 2003 on the [MARPOL Convention](#) demands that new oil tankers need to have a double hull and all large tankers with a single hull have been taken out of circulation between 2005 and 2010.

The Protocol on Preparedness, Response and Co-operation in pollution Incidents by Hazardous and Noxious Substances (OPRC-HNS Protocol, 2000) drafted by IMO aims to establish a global framework for international cooperation in order to prevent large scale incidents and the threat of maritime pollution. Parties that have ratified the HNS Protocol are expected to establish measures for polluting incidents or cooperate on a national level with other countries. Ships are obliged to have an emergency plan on board for specific incidents with *Hazardous and Noxious Substances*.

Globally, the development of norms and regulations concerning the management of oil pipelines follows the standards originating from the United States. The US regulation on Integrity Management (IM) is used all over the world as a 'best practice'. In Alaska there is the additional requirement that the 'Best Available Technology' (BAT) has to be applied to all oil and gas activities. An important part of such standards is that a company also has to be able to adequately respond to incidents. Globally recognised standards are:⁵⁹⁷

- API 1160 (American Petroleum Institute) for the implementation of Integrity Management (IM) programmes for High Consequence Areas;
- ASME B31.4 (American Society of Mechanical Engineers) standard for the design and construction of oil pipelines; and
- API 1130 standard to detect leakages (*Leak Detection Systems*).

The working group 'Oil Spill Working Group' of the IPIEC has written guidelines for crisis planning and response in case of oil disasters at sea (Oil Spill Contingency Planning and Response). These guidelines are meant for the industry and for government organisations and it is based on Industry Best Practices and on the expertise of IPIECA members the International Maritime Organisation (IMO) and the International Tanker Owners Pollution Federation (ITOPF).

The European Union had introduced a new directive 2013/30/EU on safety of offshore oil and gas operations which must improve safety on oil rigs. The directive should prevent pollution of water and coastal areas by means of strong demands regarding safety. Moreover, companies are expected to use adequate response mechanisms in order to reduce the consequences of accidents.

This leads to assessment element

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| 4 | Companies mitigate the chance of accidents (oil spills, leakages) by making use of the best available techniques and have a solid road map for crisis situations (a so called 'contingency plan'). |
| 5 | Companies do not operate in locations where the consequences of an accident for the environment are unmanageable. |
-

- **Waste management**

The *Convention for the protection of the Marine Environment of the North-East Atlantic* (better known as the OSPAR Convention) regulates the disposal and processing of waste from offshore oil and gas extraction and mining and serves as a basis for national legislation in the countries that have signed the OSPAR. Norway has drafted an even more stringent national standard for waste processing from offshore-oil production, the so-called Zero environmentally hazardous discharges standard. This standard requires that a large part of the drilled mud is purified so it can be injected back into the oil field.

A special type of waste is the natural gas that surfaces at the oil mining of some oil fields. This gas is often vented, or it is burnt (flaring). Both venting as well as flaring results in a huge loss of energy and contributes significantly to the greenhouse effect. The [Global Gas Flaring Reduction Public-Private Partnership \(GGFR\)](#), established by the World Bank, has drafted guidelines to minimise the flaring and venting of natural gas. In cooperation with GGFR and GHG Emissions Task Force the International Petroleum Industry Environmental Conservation Association (IPIECA) developed a guideline ([‘Preparing effective flare management plans: Guidance document for the oil and gas industry’](#)) for governments and companies that wish to try and reduce gas flaring.

The [Guideline with respect to the management of waste of mining industries](#), drafted by the European Commission in 2006, requests that European Union member states ensure that extractive waste is managed without endangering human health or the environment; specifically water, air, soil, flora and fauna. The member states also need to take the necessary precautions to prohibit the uncontrolled abandonment, dumping and disposal of extractive waste.

Standards for the disposal of offshore drilling platforms are drafted by the OSPAR Convention in [OSPAR Decision 98/3 on the Disposal of Disused Offshore Installations](#). This decision states that oil companies have to choose the method of dismantling that causes the least harm to the environment. In addition, companies have to make adequate provisions to overcome any environmental problems involved in dismantling. They have to take responsibility for the dismantling of their production capacity and the waste they produce and can no longer leave this to governments.

This leads to assessment element

6	Companies reduce waste from oil and gas extraction and mining, especially the flaring of natural gas, and manage and process this in a responsible way.
7	Companies include the environmental and health effects of the dismantling of production facilities, especially of offshore drilling platforms, in plans for the development of new projects.

• **Water use**

Given the growing challenge of water scarcity, it is vital that companies and financial institutions become aware of their own influences on water related problems. Various initiatives, guidelines and standards have emerged in recent years, to help companies address water risk. See for more information the theme Nature (section 2.8).

Initiatives companies could participate in and learn from are:

- The UN Global Compact’s [CEO Water Mandate](#) is a public-private initiative designed to assist companies in the development, implementation and disclosure of water sustainability policies and practices.
- The [guidance](#) by the UNEP and CEO Water Mandate on [Corporate Water Accounting: An Analysis of Methods and Tools for Measuring Water Use and Its Impacts](#).
- The [European Water Partnership](#); and
- The [Water Footprint Network](#), which also has a standard on assessing a global water footprint.

There are several guidelines and water ‘footprinting’ methods as well as voluntary disclosure initiatives for calculating water use, water risk, understanding water issues and creating a sound water strategy, such as:

- The [CDP's Water Program](#), to calculate and publish corporate water use throughout the supply chain;
- The [GEMI Water Sustainability Tool](#);
- The [WBCSD Global Water Tool](#);
- The [AWS International Water Stewardship Standard](#) is a useful standard, supported by a verification process, that defines a set of water stewardship criteria and indicators for how water should be stewarded at a site and catchment level in an environmentally, socially, and economically beneficial manner.

This leads to assessment element

8	Companies conduct water scarcity impact assessments and prevent negative impacts in water scarce regions.
9	Companies do not start new operations in areas where water scarcity is pre-existing and operations would compete with the needs of communities.

- **Effects on marine life**

In the offshore oil and gas industry, seismological research causes harm to whales and other marine mammals. To curb these effects, the [JNCC guidelines](#) were updated in August 2017. These comprise of a number of minimum requirements that reduce harm to marine life off the coast of the United Kingdom.

The [IFC Environmental, Health, and Safety Guidelines for Offshore Oil and Gas Development](#) also include guidelines on reducing noise from seismic operations.

This leads to assessment element

10	Companies reduce the effects of seismological research on whales and other marine mammals.
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- **Labour rights**

As part of respecting human rights, it is of great importance that oil and gas companies adhere to the United Nations International Labour organisation's (ILO) main codes of conduct. 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 \(MNE Declaration\)](#). In addition, specifically for the extractive industry, the 1995 [Safety and Health in Mines Convention](#) should be taken into account. The rights of women in the extractive industry are recognised in the [Iroco Declaration](#).

For more information and relevant international standards and initiatives see the theme Labour rights (section 2.7.2).

This leads to assessment element

11	Companies respect the ILO Declaration on Fundamental Principles and Rights at Work.
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- **Land rights conflicts and forced evictions**

Human rights, particularly economic, social and cultural (ESC) rights, play a central role in land-related issues. However, there is no explicit recognition of a 'human right to land' within international human rights instruments. Those who face threats to their land rely on other rights, such as the right to food, the right to water, the right to housing and the right to work. These rights are included in the [International Covenant on Economic, Social and Cultural Rights \(ICESCR\)](#).⁵⁹⁸ Other standards related to land rights conflicts and forced evictions are:

- The [Basic Principles and Guidelines on Development-based Evictions](#)
- The [core principles](#) of the United Nations Special Rapporteur on the right to food
- The [Tirana Declaration](#)

For more information and relevant international standards and initiatives see the theme Human rights (section 2.6.2).

In GRI's [G4 Oil and Gas Sector Disclosures \(OGSD\)](#), not yet updated but still recommended by GRI to use with its new [GRI Sustainability Reporting Standards \(GRI Standards\)](#), it is stated that oil and gas companies have to produce a sustainability report that addresses the rights of indigenous peoples:

- the locations where indigenous peoples live or are influenced by business activities and where an engagement has been made (OG9);
- the number of conflicts and a respective description with local communities and indigenous peoples (OG10); and
- business activities where forced relocation of people has occurred and the number of households involved in this (OG12).

This leads to assessment element

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| 12 | Companies prevent conflicts over land rights and acquire natural resources only by engaging in meaningful consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous peoples. |
| 13 | Companies prevent conflicts over land rights and acquire natural resources only with free, prior and informed consent (FPIC) of the land users involved. |
-

- **Security and law enforcement**

Companies may become involved in the violation of human rights when (private or public) companies use violence against people who live in the surroundings of the company. This question is dealt with 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](#). Based on this code of conduct and on these principles the [Voluntary Principles on Security and Human Rights](#) were developed in a multi stakeholder process. They provide guidelines for companies with regard to, amongst others, their security methods.

This leads to assessment element

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| 14 | Companies follow the Voluntary Principles on Security and Human Rights for the protection of their employees and de company sites. |
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- **Access to remedy**

Oil companies need to respect the rights of local communities affected by their operations. The responsibility to respect requires that companies avoid causing or contributing to adverse human rights impacts through their own activities and seek to prevent or mitigate impacts that are directly linked to their operations by their business relationships. According to the [United Nations Guiding Principles on Business and Human Rights \(UNGPs\)](#), if a company identifies a risk or is contributing to an adverse impact, it should cease or prevent its contribution and to mitigate any remaining impacts to the greatest extent possible. Finally, the enterprise should provide for or cooperate in their remediation through legitimate processes. They should establish or participate in effective operational-level grievance mechanisms for individuals and communities who may be adversely impacted.⁵⁹⁹

This leads to assessment element

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| 15 | Companies have processes to enable the remediation of any adverse human rights impact which they cause or to which they contribute. |
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- **Transparency of financial flows**

In the [Extractive Industries Transparency Initiative \(EITI\)](#), a coalition of governments, companies, social organisations and investors has drafted criteria for governments of countries where oil and gas extraction and mining take place. Governments are expected to fully publish all revenues they receive from these activities.

The [Publish What You Pay](#) coalitions, in which over 300 social organisations cooperate, advocates that the oil companies also make their payments to governments publicly known. This means that companies have to report their tax payments in the countries where they operate, but also on royalties, payments for concessions and such. Also, the important contracts and agreements between governments and oil companies and all bank loans related to oil and gas extraction and mining should be made public.

The Global Reporting Initiative has drafted the [G4 Sustainability Reporting Guidelines](#) on how to write sustainability reports. It states that organisations should report on the payments that they make to governments (EC1) and on the amounts that companies receive from governments (EC4). In disclosure G4-EC1 of its [Oil and Gas Sector Disclosures \(OGSD\)](#) it has been added that oil companies have to report the payments to governments for every country where they operate, including host government's production entitlements, national state-owned company production entitlement, profits taxes, royalties, dividends, bonuses, license fees, rental fees, entry fees and other considerations for licenses and/or concessions and other significant benefits to host governments.⁶⁰⁰

In the new [GRI Sustainability Reporting Standards \(GRI Standards\)](#), GRI Disclosure 201-4 requires companies to report on the "total monetary value of financial assistance received by the organization from any government during the reporting period", while GRI Disclosure 201-1 requires companies to report on "payments to government by country".⁶⁰¹ The GRI Standards will be required for all reports or other materials published on or after 1 July 2018 – the G4 Guidelines remain available until this date".⁶⁰² GRI recommends companies to use the G4 Sector Disclosures together with the GRI Standards, even though they are not update yet.⁶⁰³

This leads to assessment element

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| 16 | Companies pay the taxes owed in each country where they operate. |
| 17 | For each country in which companies operate, they report country-by-country on their revenues, profit, FTEs, subsidies received from governments and payments to governments (e.g. withholding taxes, payments for concessions and company tax). |
| 18 | Offering, promising, giving, or requiring, either directly nor indirectly, bribes or other undue advantages in order to acquire or to maintain assignments or other undue advantages, is unacceptable. |
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- **Good governance**

In order to minimise the negative consequences of the *resource curse*, it is important that the development of the oil and gas extraction and mining is combined with the development of capable and reliable governance. The World Bank [Extractives Industries Review \(EIR\)](#) advises that private investments in oil and gas extraction and mining are not encouraged in countries where governance is weak. It also establishes that the quality of the governance has to meet explicit conditions before any oil and gas project can be financed by the World Bank.

The [UNGPs](#) points to heightened risks of involvement in gross human rights abuses in conflict-affected areas. A company should manage its own impact in order to prevent involvement in human rights violations.

The [OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones](#) could be helpful detecting areas where strong governance is needed to avoid human rights abuses or to refrain from doing business.

This leads to assessment element

19	Companies only operate in weak governance zone or conflict-affected areas if they are able to demonstrate that they are not causing or contributing to human rights abuses.
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- **Unconventional oil and gas sources**

Due to a still ever-increasing demand for fossil fuels, unconventional oil sources - such as the [Canadian tar sand fields](#), [oil shale](#) in the United States and [extracting shale gas or coal gas](#) - are economically attractive, although extracting these unconventional oil supplies is [highly polluting](#). Extracting these hydrocarbons is also very CO₂-intensive and therefore disastrous for the [environment](#). As is the use of great quantities of [water](#) in mining oil and gas supplies, which can have huge consequences for the water supply and can lead to loss of agricultural land and nature reserves.

[The Paris Agreement](#) of the United Nations Framework Convention on Climate Change (UNFCCC) "is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius".⁶⁰⁴ Going further than the Paris Agreement, the findings of the report [The Sky's the limit](#) by Oil Change International, published in Sep 2016, argues that:

- The potential carbon emissions from the currently operating oil, gas, and coal fields and mines would take us beyond 2°C of warming; and
- The reserves in currently operating oil and gas fields alone, even with no coal, would take the world beyond 1.5°C.

This means that:

- No new fossil fuel extraction or transportation infrastructure should be built, and governments should grant no new permits for them; and
- Some fields and mines – primarily in rich countries – should be closed before fully exploiting their resources, and financial support should be provided for non-carbon development in poorer countries.

WWF reports that “new Arctic Ocean oil and gas leases would pave the way for the release of millions of tons of CO₂ into the atmosphere”. In addition “major oil spills are a near certainty for Arctic drilling”, while “there is no proven technology to contain or clean up oil spilled in the Arctic marine environment”.⁶⁰⁵

The UN Environment Emissions Gap Report 2017 concludes that “it will be important to [r]educe the fossil-based electricity capacity already in place and under construction and avoid planning new coal plants”.⁶⁰⁶ The UN researchers highlight the risk of investing in fossil fuel-fired power generation: “continued investment in more traditional technologies, especially coal-fired power stations, implies significant technological lock-in and long-term commitment to continued emissions. The assessment shows that between 80 and 90% of coal reserves worldwide will need to remain in the ground, if climate targets are to be reached. This compares with approximately 35% for oil reserves and 50% for gas reserves”.⁶⁰⁷

The World Economic Outlook 2017 of the International Energy Agency considers natural gas to be a transition fuel, but only if the industry is “stepping up action to tackle methane leaks along the oil and gas value chain”, because “securing clear climate benefits from gas use depends on credible action to minimise leaks of methane –a potent greenhouse gas – to the atmosphere”.⁶⁰⁸

While methane seepage may make natural gas more polluting than coal, the industry is not yet capable of fully preventing methane from seeping “into the air at various points between extraction and delivery. Trapping more heat than carbon dioxide, it’s a potent contributor to global warming. Yet credible data on the volumes released is scarce”.⁶⁰⁹ Bloomberg reports that “while the fuel emits half the CO₂ of coal when burned, it becomes more polluting than coal if just 3.5% of the methane escapes, according to Shell”.⁶¹⁰

Oil Change International and a coalition of CSOs argue that “the reserves in currently operating oil and gas fields alone, even with no coal, would take the world beyond 1.5°C”. The organisations therefore recommend that:

- “No new fossil fuel extraction or transportation infrastructure should be built, and governments should grant no new permits for them.
- Some fields and mines – primarily in rich countries – should be closed before fully exploiting their resources, and financial support should be provided for non-carbon development in poorer countries.
- This does not mean stopping using all fossil fuels overnight. Governments and companies should conduct a managed decline of the fossil fuel industry and ensure a just transition for the workers and communities that depend on it”.⁶¹¹

Shifting towards a low-carbon economy will mean in practice to move away from high emission generating activities to low emission activities. From this perspective, activities such as extracting fossil fuels and using them for power generation are considered unacceptable (even if they would have operational carbon capture and storage technology). The Fair Finance Guide network considers extracting oil from tar sand fields, from oil shale, from liquefied coal as well as extracting shale gas and arctic drilling for oil and gas as unacceptable activities. An investment and finance policy that makes such statements is more credible if it is not followed by all kinds of exceptions and thresholds.

This leads to assessment element

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| 20 | Extracting oil from tar sands is unacceptable. |
| 21 | Extracting oil from oil shale is unacceptable. |
| 22 | Extracting fuel from liquefied coal is unacceptable. |
| 23 | Extracting shale gas is unacceptable. |
| 24 | Arctic drilling for oil and gas is unacceptable. |
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- **Sustainability reporting**

The Global Reporting Initiative has drafted guidelines on how to write sustainability reports. Besides the general [G4 Sustainability Reporting Guidelines](#) it also provides sector guidance for a number of industrial sectors. The [G4 Oil and Gas Sector Disclosures \(OGSD\)](#), not yet updated but still recommended by GRI to use with its new [GRI Sustainability Reporting Standards \(GRI Standards\)](#), includes guidelines on companies active in exploration, extraction, production, refining, and transport and sale of oil, gas and petrochemicals.

For small and medium enterprises (SMEs), less elaborate sustainability reporting is required. SMEs can report on the GRI indicators that are relevant to their operations, for example by following the [High5! Approach](#).

This leads to assessment element

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| 25 | Companies publish a sustainability report that may contain (a number of) disclosures from the GRI Standards. |
| 26 | Large enterprises and multinational enterprises publish a sustainability report that is set up in accordance with the (Core or Comprehensive option of) GRI Standards. |
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- **Procurement and supply chains**

Companies are often part of long production chains. They can monitor one another and question how they respect local and national legislation and international norms regarding social, economic and environmental issues. The requirements that companies set for their suppliers can be included in contractual agreements. The importance of this also recognised in the [OECD Guidelines for Multinational Enterprises](#) since its revision in 2011.

Also [ISO 26000:2010 Guidance on social responsibility](#) recognises the importance of supply chain responsibility, because "the impacts of an organization's decisions or activities can be greatly affected by its relationships with other organizations." A companies' sphere of influence includes relationships within and beyond an organization's supply chain.⁶¹²

In addition, [ISO 20400:2017 Sustainable procurement – Guidance](#) provides guidelines for organizations, independent of their activity or size, on integrating sustainability within procurement, as described in ISO 26000:2010 Guidance on social responsibility. It is intended for stakeholders involved in, or impacted by, procurement decisions and processes.

The [UNGPs](#) include a due diligence process in order to identify, prevent, mitigate and account for how companies address their adverse human rights impacts. The process "should cover adverse human rights impacts that the business enterprise may cause or contribute to through its own activities, or which may be directly linked to its operations, products or services by its business relationships."⁶¹³

This leads to assessment element	
27	Companies integrate environmental, social and governance criteria in their procurement and operational policies.
28	Companies include clauses on the compliance with environmental, social and governance criteria in their contracts with subcontractors and suppliers.

3.9.3 Assessment elements

The investment policy of financial institutions on the oil and gas sector has to emphasise that the main challenge for the oil and gas sector is the further development of sustainable energy provisions. In addition, the policies of financial institutions have to include social and environmental norms for the oil and gas sector.

The following elements are crucial for a policy regarding the companies a financial institution invests in or finances:

1. Companies prevent negative impacts on protected areas that fall under the categories I-IV of the International Union for Conservation of Nature (IUCN) within their business operations and the areas they manage.
2. Companies prevent negative impacts on UNESCO World Heritage sites within their business operations and the areas they manage.
3. Companies prevent negative impacts on protected areas that fall under the Ramsar Convention on Wetlands within their business operations and the areas they manage.
4. Companies mitigate the chance of accidents (oil spills, leakages) by making use of the best available techniques and have a solid road map for crisis situations (a so called 'contingency plan').
5. Companies do not operate in locations where the consequences of an accident for the environment are unmanageable.
6. Companies reduce waste from oil and gas extraction and mining, especially the flaring of natural gas, and manage and process this in a responsible way.
7. Companies include the environmental and health effects of the dismantling of production facilities, especially of *offshore* drilling platforms, in plans for the development of new projects.
8. Companies conduct water scarcity impact assessments and prevent negative impacts in water scarce regions.
9. Companies do not start new operations in areas where water scarcity is pre-existing and operations would compete with the needs of communities.
10. Companies reduce the effects of seismological research on whales and other marine mammals.
11. Companies respect the ILO Declaration on Fundamental Principles and Rights at Work.
12. Companies prevent conflicts over land rights and acquire natural resources only by engaging in meaningful consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous peoples.
13. Companies prevent conflicts over land rights and acquire natural resources only with free, prior and informed consent (FPIC) of the land users involved.
14. Companies follow the Voluntary Principles on Security and Human Rights for the protection of their employees and de company sites.
15. Companies have processes to enable the *remediation* of any adverse human rights impact which they cause or to which they contribute.
16. Companies pay the taxes owed in each country where they operate.

17. For each country in which companies operate, they report country-by-country on their revenues, profit, FTEs, subsidies received from governments and payments to governments (e.g. withholding taxes, payments for concessions and company tax).
18. Offering, promising, giving, or requiring, either directly nor indirectly, bribes or other undue advantages in order to acquire or to maintain assignments or other undue advantages, is unacceptable.
19. Companies only operate in weak governance zone or conflict-affected areas if they are able to demonstrate that they are not causing or contributing to human rights abuses.
20. Extracting oil from tar sands is unacceptable.
21. Extracting oil from oil shale is unacceptable.
22. Extracting fuel from liquefied coal is unacceptable.
23. Extracting shale gas is unacceptable.
24. Arctic drilling for oil and gas is unacceptable.
25. Companies publish a sustainability report that may contain (a number of) disclosures from the GRI Standards.
26. Large enterprises and multinational enterprises publish a sustainability report that is set up in accordance with the (Core or Comprehensive option of) GRI Standards.
27. Companies integrate environmental, social and governance criteria in their procurement and operational policies.^{xxxvii}
28. Companies include clauses on the compliance with environmental, social and governance criteria in their contracts with subcontractors and suppliers.^{xxxviii}

Financial institutions that publicly state they exclude the oil and gas industry (both upstream and downstream companies) from their finance and investment universe because of the sustainability risks involved, but that do not publish a detailed policy document with all the expectations covered by the above assessment elements, will receive a score of 10. If this commitment is made for one or more but not all four FFGI investment categories, a content score and scope score for the relevant categories will be given for all assessment elements.

3.10 Power generation

3.10.1 What is at stake?

Power generation is essential to meet society's demands for energy, and is central to efforts to achieve sustainable development and poverty reduction. There are many pressures on energy suppliers to generate power in a manner that offers security of supply, is affordable for consumers, and which has a minimal level of negative environmental impacts.

xxxvii If the financial institution has no specific sector policies or does not mention this in its sector policies, but does mention this in cross-cutting policies for at least three themes, the financial institution is deemed to comply with this element.

xxxviii If the financial institution has no specific sector policies or does not mention this in its sector policies, but does mention this in cross-cutting policies for at least three themes, the financial institution is deemed to comply with this element.

A crucial concern regarding power generation is its impact on climate change. Electricity and heat production is the largest source of anthropogenic (man-made) greenhouse gas emissions globally, accounting for roughly 25% of all global emissions.⁶¹⁴ Research has indicated that up to eighty per cent of the world's coal reserves, thirty per cent of known oil reserves and fifty per cent of gas reserves are not burnable if the world is to stay below the goal of a maximum of 2°C of climate warming, which does not even address the goal of limiting warming to 1.5°C.⁶¹⁵

According to the world's leading authority on climate change, the Intergovernmental Panel on Climate Change (IPCC), most scenarios in which dangerous climate change is avoided require low carbon sources of power (including renewable energy, nuclear power and fossil fuels with carbon capture and storage) to reach around 80% of global power generation by 2050, with power generation from fossil fuels such as oil, coal and gas to be phased out almost entirely by 2100, unless accompanied by carbon capture and storage (CCS). Despite many years of research, CCS is not yet available at a commercial scale. The IPCC also notes that such mitigation scenarios would lead to devaluation of fossil fuel assets and reduced revenues for the coal and oil trade, providing a financial incentive for financial institutions to decrease their exposure to fossil fuels.⁶¹⁶

However climate change is not the only environment or social issue arising from power generation from fossil fuels. Coal-fired power plants have particularly egregious impacts. As well as releasing carbon dioxide, burning coal emit pollutants including sulphur dioxide, nitrogen oxides, and mercury compounds. Fine particles from coal-fired power plants cause an estimated 22,900 deaths each year in the European Union alone, according to CAN Europe, HEAL, WWF European Policy Office and Sandbag.⁶¹⁷ Coal plants also use large quantities of water, which becomes polluted with heavy metals such as lead and arsenic during use. Soil at coal-fired power plant sites can also become contaminated with various pollutants from the coal and take a long time to recover, even after the power plant closes down.⁶¹⁸ Gas plants are also associated with emissions of air pollutants including carbon dioxide and nitrous oxides, although these are lower than for coal.⁶¹⁹

Nuclear power is considered a low carbon power source by the IPCC, but its use remains highly controversial. The dangers of nuclear power are illustrated by accidents including those at Chernobyl, Ukraine in 1986, at Tokaimura, Japan, in 1999, and at Fukushima, Japan in 2011. Nuclear power also produces a legacy of radioactive nuclear waste, for which the issue of long-term safe storage remains unsolved. For these reasons, as well as for economic reasons (in particular the cost of decommissioning nuclear power stations at the end of their useful life), major environmental groups including Greenpeace and WWF continue to oppose nuclear power.⁶²⁰

Among power generation technologies considered "renewable", large dams are the most controversial. According to the final report of the World Commission on Dams (WCD), published in November 2000, globally, the construction of large dams has driven between 40 and 80 million people away from their homes.⁶²¹ Besides these direct impacts of displacement, communities' livelihoods can be impacted by flooding (upstream), disturbing of water streams and fishery (downstream), violations of indigenous land rights and disruption of local food production.⁶²² In addition, dams (including dams for water management) have interrupted or reclaimed 60% of the world's rivers, with often huge and irreversible effects on the natural environment and ecosystems. Research also shows that hydropower plants may produce large volumes of methane gas, a very potent greenhouse gas that arises from the decay of vegetation on the bottom of the reservoir. The methane gas is released when the water is led through the turbines. In some cases, hydropower plants produce more greenhouse gas than a power plant of comparable scope running on fossil fuel.⁶²³

Given the serious, irreversible ecological impacts of dams, civil society organizations such as International Rivers say that dam-based hydropower cannot be considered a renewable source of power. However this does not mean that all hydropower is problematic: many smaller ('micro' and 'pico') hydropower projects operate without damming rivers, and these projects can offer low-emissions energy without substantial negative impacts.⁶²⁴ Ecological impacts of dams depend on: scale of river fragmentation compared to existing dams, disruption of main river connectivity, new road building needed, new transmission lines needed, and direct environmental impacts from location near protected area, harming fish productivity and biodiversity and blocking of fish migration routes, or flooding of over 100 km² of forests.⁶²⁵

The importance of power generation is addressed in SDG 7 Affordable and Clean Energy. It targets to improve access to affordable, reliable and modern energy services and to increase the share of renewable energy in the global energy mix by 2030. Another target is to double the rate of energy efficiency by 2030. Further, the goal aims to enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology.⁶²⁶ Clean energy is also important for achieving many other SDGs such as SDG 1 No Poverty, SDG 8 Decent Work and Economic Growth, SDG 9 Industry, Innovation and Infrastructure, SDG 10 Reduced Inequalities and SDG 11 Sustainable Cities and Communities. At the same time, power generation, if not done responsibly, can hinder SDG 13 Climate Action, 14 Life Below Water and 15 Life on Land.⁶²⁷

In general, power generation using other forms of renewable energy, including wind power, solar power, geothermal power, smaller scale hydroelectric power as well as tidal marine power, are responsible for much lower emissions of greenhouse gasses than fossil fuels (although due to the emissions from the construction, maintenance and decommissioning of technologies like solar panels and wind farms, these technologies are not completely free of harmful emissions). It is generally agreed by environmental groups and climate scientists that a substantial increase in investments in renewable energy is needed, alongside investment in energy efficiency, to decarbonize the energy sector and meet emissions reduction targets.⁶²⁸

However, financial institutions financing power generation from renewable energy must also be mindful of its potential impacts, in terms of factors such as impacts on land use, wildlife and local communities. When developing policies for the power generation sector, financial institutions can make use of the international standards described below.

3.10.2 International standards and initiatives

The main international standards on power generation are summarised per topic, followed by the assessment elements that are formulated by FFGI as a result:

- **Transition to low carbon economy**

The WWF study [Climate Solution](#) shows that it is very probable that well-known alternative energy sources and technologies can be ready for use between now and 2050 in order to meet the predicted doubling of the global energy demand, provided that in the coming 5 years decisions will be taken to enable this. This development will ensure a reduction of 60 to 80% of current CO₂ emissions, which is necessary to prevent dangerous climate change. This reduction can be achieved without the use of nuclear energy, non-sustainable biomass and non-sustainable types of hydropower.⁶²⁹

The third part of the IPCC's [Fifth Assessment Report](#), published in April 2014, focused on mitigating, or avoiding, climate change, showed that the world must significantly reduce its reliance on fossil fuels in the coming decades. The IPCC projected that over the next two decades (2010 to 2029), annual investment in conventional fossil fuel technologies for the electricity supply sector would decline, with a median projected rate of decline being around 20%. At the same time, annual investment in low-carbon electricity supply (including renewable energy, nuclear power and electricity generation with carbon capture and storage) is projected to rise by 100% compared to 2010 on the same median basis.

An Emissions Performance Standard (EPS) is a standard for power generation based on the level of carbon dioxide emissions produced per unit of energy, normally expressed in grams of carbon dioxide emitted per kilowatt hour of energy produced (gCO₂/kWh). Emissions Performance Standards have been introduced by governments, for example to impose limits on the level of emissions permitted for new power stations, and also by some financial institutions to screen out finance for power stations which do not meet the standard.

An example of the latter is the EPS introduced by the [European Investment Bank \(EIB\)](#), which is applied to all fossil fuel generation projects to screen out investments whose carbon emissions exceed a threshold level. This threshold has been set at a level which reflects existing EU and national commitments to limit carbon emissions. In the first instance the EPS has been set at 550gCO₂/kWh. This will rule out any further lending to regular coal and lignite power plants. The EIB agreed that the EPS would be kept under review and that more restrictive commitments could be considered in the future.⁶³⁰

Fossil fuel-fired power generation and especially regarding coal power, causes high carbon emissions. According to the [Institute for New Economic Thinking of Oxford School](#) the carbon reduction goal of the [Paris Agreement](#) can only be met by complete decarbonisation of the electricity sector: "even under the very optimistic assumption that other sectors reduce emissions in line with a 2°C target, no new emitting electricity infrastructure can be built after 2017 for this target to be met, unless other electricity infrastructure is retired early or retrofitted with CCS".⁶³¹

The [UN Environment Emissions Gap Report 2017](#) concludes that "it will be important to [r]educe the fossil-based electricity capacity already in place and under construction and avoid planning new coal plants. A gradual phase-out of coal is needed, recognizing that coal-based power generation will remain significant for a number of both developing and industrialized countries until at least 2030".⁶³² The UN researchers highlight the risk of investing in fossil fuel-fired power generation: "continued investment in more traditional technologies, especially coal-fired power stations, implies significant technological lock-in and long-term commitment to continued emissions. The assessment shows that between 80 and 90% of coal reserves worldwide will need to remain in the ground, if climate targets are to be reached. This compares with approximately 35% for oil reserves and 50% for gas reserves".⁶³³

The [World Economic Outlook 2017](#) of the International Energy Agency considers natural gas to be a transition fuel, but only if the industry is "stepping up action to tackle methane leaks along the oil and gas value chain", because "securing clear climate benefits from gas use depends on credible action to minimise leaks of methane – a potent greenhouse gas – to the atmosphere".⁶³⁴

[Oil Change International](#) and a coalition of CSOs argue that "the reserves in currently operating oil and gas fields alone, even with no coal, would take the world beyond 1.5°C". The organisations therefore recommend that:

- “No new fossil fuel extraction or transportation infrastructure should be built, and governments should grant no new permits for them.
- Some fields and mines – primarily in rich countries – should be closed before fully exploiting their resources, and financial support should be provided for non-carbon development in poorer countries.
- This does not mean stopping using all fossil fuels overnight. Governments and companies should conduct a managed decline of the fossil fuel industry and ensure a just transition for the workers and communities that depend on it”.⁶³⁵

In 2017, Urgewald and partners published [a database](#) that “provides key statistics on over 770 companies whose activities range from coal exploration and mining, coal trading and transport, to coal power generation and the manufacturing of coal plants”,⁶³⁶ because “investments in new coal power capacity are incompatible with the Paris climate goals as each new coal plant locks-in high CO2 emissions for decades to come”.⁶³⁷

Shifting towards a low-carbon economy will mean in practice to move away from high emission generating activities to low emission activities. From this perspective, activities such as extracting fossil fuels and using them for power generation are considered unacceptable (even if they would have operational carbon capture and storage technology). An investment and finance policy that makes such statements is more credible if it is not followed by all kinds of exceptions and thresholds.

Nuclear energy is not a sustainable alternative to fossil fuel-fired power generation. Besides the risk of meltdowns (as in the 2011 Fukushima case), [Greenpeace argues](#) “there is still no safe, reliable solution for dealing with the radioactive waste produced by nuclear plants”.⁶³⁸

This leads to assessment element

1	The financial institution finances companies involved in renewable energy generation (wind, solar, small and medium scale hydro power, geothermal power, tidal power, etc.).
2	The financial institution has a measurable target to increase its finance for renewable energy generation.
3	The financial institution has a measurable target to reduce either its total amount of finance for fossil fuel-fired power generation, or to reduce finance for fossil fuel-fired power generation, relative to its finance for renewable energy generation.
4	Unabated coal-fired power generation (i.e. without operational carbon capture and storage) is unacceptable
5	Coal-fired power generation is unacceptable.
6	Fossil fuel-fired power generation is unacceptable.
7	Nuclear energy is unacceptable.
8	Large scale hydropower generation is unacceptable.

- **Areas of high biodiversity and protected areas**

Various international agreements require the protection of ecosystems and natural habitats:

- The biodiversity in areas that are important on environmental and cultural grounds falls under the protection of the [Unesco World Heritage Convention](#).
- For *wetlands* (swamps and bogs), which are rich in biodiversity, there is the [Ramsar Convention on Wetlands](#) that ensures protection and proper management of these areas.

- The [International Union for Conservation of Nature \(IUCN\)](#) has developed a system that categorises natural areas in six categories and indicates in which areas biodiversity has to be protected (category I to IV). In addition, the IUCN provides guidelines for companies on how to deal with fields that fall within these [Protected Area Management Categories](#). In 2000, a resolution was adopted on the IUCN World Conservation Congress that calls upon all states not to allow investments in oil, gas and extractive industry projects in the protected areas (categories I to IV).
- The [United Nations Environmental Assembly](#) adopted a [resolution on pollution mitigation by mainstreaming biodiversity into key sectors](#) in 2017: “The resolution aims at strengthening efforts to integrate conservation and sustainable use of biodiversity in various sectors such as agriculture, fisheries and aquaculture, tourism, mining and energy, infrastructure and manufacturing among others. It also points to the need to prevent and reduce pollution from these sectors”.⁶³⁹

These areas are also included in the analyses for investments by International Finance Corporation’s (IFC) [Performance Standard 6](#) concerning Biodiversity Conservation and Sustainable Management of Living Natural Resources. It determines how companies should operate in order to avoid negative consequences on areas of high biodiversity value, including impact on natural habitats as well as endangered and endemic species. The requirements in the standard have been guided by the Convention on Biological Diversity.

This leads to assessment element

9	Companies prevent negative impacts on protected areas that fall under the categories I-IV of the International Union for Conservation of Nature (IUCN) within their business operations and the areas they manage.
10	Companies prevent negative impacts on UNESCO World Heritage sites within their business operations and the areas they manage.
11	Companies prevent negative impacts on protected areas that fall under the Ramsar Convention on Wetlands within their business operations and the areas they manage.

- **Land rights conflicts and forced evictions**

Human rights, particularly economic, social and cultural (ESC) rights, play a central role in land-related issues. However, there is no explicit recognition of a ‘human right to land’ within international human rights instruments. Those who face threats to their land rely on other rights, such as the right to food, the right to water, the right to housing and the right to work. These rights are included in the [International Covenant on Economic, Social and Cultural Rights \(ICESCR\)](#).⁶⁴⁰ Other standards related to land rights conflicts and forced evictions are:

- The [Basic Principles and Guidelines on Development-based Evictions](#)
- The [core principles](#) of the United Nations Special Rapporteur on the right to food
- The [Tirana Declaration](#)

For more information and relevant international standards and initiatives see the theme Human rights (section 2.6.2).

This leads to assessment element

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|----|---|
| 12 | Companies prevent conflicts over land rights and acquire natural resources only by engaging in serious consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous peoples. |
| 13 | Companies prevent conflicts over land rights and acquire natural resources only with free, prior and informed consent (FPIC) of the land users involved. |
-

- **Access to remedy**

Companies need to respect and guarantee the rights of local communities affected by the construction and activities of power generation operations. Companies may not directly, indirectly, or implicitly cooperate in violating human rights. According to the [United Nations Guiding Principles on Business and Human Rights \(UNGPs\)](#), if a company identifies a risk or is contributing to an adverse impact, it should cease or prevent its contribution and mitigate any remaining impacts to the greatest extent possible. Finally, the enterprise should provide or contribute to a remedy.

This leads to assessment element

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| 14 | Companies have processes to enable the remediation of any adverse human rights impact to which they cause or to which they contribute. |
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- **Standards for dams and hydropower**

The most authoritative international guidelines for dam projects were drafted in November 2000 by the [World Commission on Dams \(WCD\)](#). The WCD was established by the [World Bank](#) and the [International Union for Conservation of Nature](#) of multi-stakeholder meetings, the WCD has raised virtually all environmental and social issues associated with large dam construction. Based on this, the committee has drafted a series of recommendations, on which future dam projects can base their environmental and social plans. Also, financial institutions can use these guidelines as a base for their investment policies.⁶⁴¹

The [recommendations of the WCD](#) are drafted around the issue of who carries the rights and who is responsible for the risks in dam projects. The recommendations themselves comprise of seven strategic priorities and supported principles:

- obtaining public consent;
- solid assessment of alternatives;
- standard for existing dams;
- the preservation of rivers as a source of livelihood;
- respect of rights and sharing revenues;
- focus on compliance; and
- sharing rivers for peace, development and safety.

Any problems that occur during the construction of dams also occur in similar water infrastructure projects, such as navigation work, pumping water between reservoirs and large irrigation projects. Therefore, the above described principles should also apply to the development of these types of projects.

This leads to assessment element

- | | |
|----|--|
| 5 | Large scale hydropower generation is unacceptable. |
| 12 | The construction of dams complies with the 7 principles of the World Commission on Dams. |
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This leads to assessment element

13	The construction of all water infrastructure projects complies with the 7 principles of the World Commission on Dams.
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- **Standards for biofuels**

In 2007 a Dutch committee developed sustainable criteria for biofuels. These so-called Cramer Criteria were formalised in March 2009 as the NTA 8080:2009 Sustainability criteria for biomass for energy purposes.⁶⁴²

The Roundtable on Sustainable Biomaterials (RSB) offers Global Standards that apply to any type of feedstock worldwide and EU-RED Standards that apply to feedstock entering the EU market and comply with the EU Renewable Energy Directive regarding land-use and GHG criteria.⁶⁴³ The global RSB Principles are:⁶⁴⁴

1. Biofuel operations shall follow all applicable laws and regulations.
2. Sustainable biofuel operations shall be planned, implemented, and continuously improved through an open, transparent, and consultative impact assessment and management process and an economic viability analysis.
3. Biofuels shall contribute to climate change mitigation by significantly reducing lifecycle GHG emissions as compared to fossil fuels.
4. Biofuel operations shall not violate human rights or labor rights, and shall promote decent work and the well-being of workers.
5. In regions of poverty, biofuel operations shall contribute to the social and economic development of local, rural and indigenous people and communities.
6. Biofuel operations shall ensure the human right to adequate food and improve food security in food insecure regions.
7. Biofuel operations shall avoid negative impacts on biodiversity, ecosystems, and conservation values.
8. Biofuel operations shall implement practices that seek to reverse soil degradation and/or maintain soil health.
9. Biofuel operations shall maintain or enhance the quality and quantity of surface and ground water resources, and respect prior formal or customary water rights.
10. Air pollution from biofuel operations shall be minimized along the supply chain.
11. The use of technologies in biofuel operations shall seek to maximize production efficiency and social and environmental performance, and minimize the risk of damages to the environment and people.
12. Biofuel operations shall respect land rights and land use rights.

The RSB standards are accompanied by a set of guidelines such as the RSB-Impact Assessment Guidelines and the RSB-Screening Tool.⁶⁴⁵

The EU would like to increase the use of renewable energy sources, while it also intends to reduce the CO² emissions of the cultivation for biofuel crops. The European Parliament had discussed proposals for new legislation by the Commission. The share of energy from renewable sources, such as solar or wind, should be at least 35% of the Union's gross final consumption of energy by 2030 and, instead of lowering the share of biofuels to not more than 7% of final consumption, the Parliaments demands to phase-out food-based, first generation biofuels responsible for deforestation by 2030, and for those made of palm oil by 2021.⁶⁴⁶ A final decision is expected in 2018.

This leads to assessment element

14	The production of biomaterials complies with the 12 principles of the Roundtable on Sustainable Biomaterials.
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- **Sustainability reporting**

The Global Reporting Initiative has drafted guidelines on how to write sustainability reports. Besides the general [G4 Sustainability Reporting Guidelines](#) it also provides sector guidance for a number of industrial sectors. The [G4 Electric Utilities Sector Disclosures \(EUSD\)](#), not yet updated but still recommended by GRI to use with its new [GRI Sustainability Reporting Standards \(GRI Standards\)](#), includes guidelines on the construction of the infrastructure of power generation companies.

For small and medium enterprises (SMEs), less elaborate sustainability reporting is required. SMEs can report on the GRI indicators that are relevant to their operations, for example by following [the High5! Approach](#).

This leads to assessment element

18	Companies publish a sustainability report that may contain (a number of) disclosures from the GRI Standards.
19	Large enterprises and multinational enterprises publish a sustainability report that is set up in accordance with the (Core or Comprehensive option of) GRI Standards.

- **Procurement and supply chains**

Companies are often part of long production chains. They can monitor one another and question how they respect local and national legislation and international norms regarding social, economic and environmental issues. The requirements that companies set for their suppliers can be included in contractual agreements. The importance of this also recognised in the [OECD Guidelines for Multinational Enterprises](#) since its revision in 2011.

Also [ISO 26000:2010 Guidance on social responsibility](#) recognises the importance of supply chain responsibility, because "the impacts of an organization's decisions or activities can be greatly affected by its relationships with other organizations." A companies' sphere of influence includes relationships within and beyond an organization's supply chain.⁶⁴⁷

In addition, [ISO 20400:2017 Sustainable procurement – Guidance](#) provides guidelines for organizations, independent of their activity or size, on integrating sustainability within procurement, as described in ISO 26000:2010 Guidance on social responsibility. It is intended for stakeholders involved in, or impacted by, procurement decisions and processes.

The [UNGPs](#) include a due diligence process in order to identify, prevent, mitigate and account for how companies address their adverse human rights impacts. The process "should cover adverse human rights impacts that the business enterprise may cause or contribute to through its own activities, or which may be directly linked to its operations, products or services by its business relationships."⁶⁴⁸

This leads to assessment element

20	Companies integrate environmental, social and governance criteria in their procurement and operational policies.
21	Companies include clauses on the compliance with environmental, social and governance criteria in their contracts with subcontractors and suppliers.

3.10.3 Assessment elements

Financial institutions investing in, or financing companies in the energy sector should carefully consider how they can orient their investments to support the transition to a low-carbon economy, in line with the pathways suggested by the IPCC. This may be through choosing to support exclusively renewable energy generation, or by setting out a clear pathway to reduce finance for fossil fuels and other controversial energy sources and replace this with low-carbon finance.

Financial institutions investing in, or financing companies in the construction of dam projects should develop sector policies for these investments in which the recommendations of the World Commission on Dams (WCD) are included.⁶⁴⁹ This policy should at least be applicable to all large dam projects, but ideally includes all important water infrastructure projects.

The following elements are crucial for a policy regarding the financial institution's internal operations:

1. The financial institution finances companies involved in renewable energy generation (wind, solar, small and medium scale hydro power, geothermal power, tidal power, etc.).
2. The financial institution has a measurable target to increase its finance for renewable energy generation.
3. The financial institution has a measurable target to reduce either its total amount of finance for fossil fuel-fired power generation, or to reduce finance for fossil fuel-fired power generation, relative to its finance for renewable energy generation.

The following elements are crucial for a policy regarding the companies a financial institution invests in or finances:

4. Unabated coal-fired power generation (i.e. without operational carbon capture and storage) is unacceptable
5. Coal-fired power generation is unacceptable.
6. Fossil fuel-fired power generation is unacceptable.
7. Nuclear energy is unacceptable.
8. Large scale hydropower generation is unacceptable.
9. Companies prevent negative impacts on protected areas that fall under the categories I-IV of the International Union for Conservation of Nature (IUCN) within their business operations and the areas they manage.
10. Companies prevent negative impacts on UNESCO World Heritage sites within their business operations and the areas they manage.
11. Companies prevent negative impacts on protected areas that fall under the Ramsar Convention on Wetlands within their business operations and the areas they manage.
12. Companies prevent conflicts over land rights and acquire natural resources only by engaging in serious consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous peoples.
13. Companies prevent conflicts over land rights and acquire natural resources only with free, prior and informed consent (FPIC) of the land users involved.
14. Companies have processes to enable the *remediation* of any adverse human rights impact to which they cause or to which they contribute.
15. The construction of dams complies with the 7 principles of the World Commission on Dams.
16. The construction of all water infrastructure projects complies with the 7 principles of the World Commission on Dams.
17. The production of biomaterials complies with the 12 principles of the Roundtable on Sustainable Biomaterials.

18. Companies publish a sustainability report that may contain (a number of) disclosures from the GRI Standards.
19. Large enterprises and multinational enterprises publish a sustainability report that is set up in accordance with the (Core or Comprehensive option of) GRI Standards.
20. Companies integrate environmental, social and governance criteria in their procurement and operational policies.^{xxxix}
21. Companies include clauses on the compliance with environmental, social and governance criteria in their contracts with subcontractors and suppliers.^{xl}

xxxix If the financial institution has no specific sector policies or does not mention this in its sector policies, but does mention this in cross-cutting policies for at least three themes, the financial institution is deemed to comply with this element.

xl If the financial institution has no specific sector policies or does not mention this in its sector policies, but does mention this in cross-cutting policies for at least three themes, the financial institution is deemed to comply with this element.

Chapter 4 Operational themes

4.1 Consumer protection

4.1.1 What is at stake?

The consumer is an essential actor in the financial market, and as such, their problems require attention from the other agents. A major part of financial services and products are addressed to consumers: current and saving accounts, personal loans, debit and credit cards, mortgage loans, insurance, pensions and annuities and investment products. In general, these kind of transactions are the domain of retail banks and insurance companies.

The characteristics of these services and their impact on consumers' lives reinforce the need for financial institutions to be responsible in their relationship with consumers. With this objective in mind, financial institutions must take into account the importance of consumer rights on development, governance and commercialization of financial services.

Both the financial inclusion trends and increasingly sophistication of financial market has important implications for financial institutions. These factors drive changes in the behaviour of consumers and banks and can affect the stability of the system. The international financial crisis in April 2008 motivated a serious reflection on the behaviour of financial market agents. The effects of the crisis have shown that weak consumer protection resulted in a high risk to the entire financial system. As underlined by the European Commission, it lead to a lack of confidence among all actors, in particular consumers.⁶⁵⁰ Abusive loan products and practices reduced the reliability and the safety of the system and consumers lost confidence in the financial services.

The world economic crisis after the collapse of Lehman Brothers, in September 2008, revealed the risks involved with mixing global financial markets with the real economy. Basic needs like housing and retail bank products like mortgage loans, were fixed into complex and risky financial products, leading to the subprime mortgage crisis, foreclosures and the devaluation of housing-related securities.⁶⁵¹

The Global Financial Inclusion (Global Findex) database, launched by the World Bank, estimates that between 2011 and 2014 700 million adults became account holders, with some kind of financial institution. In 2014 62% of adults world wide had a bank account, many in countries with low levels of consumer protection.⁶⁵² However, according to Consumers International (CI), "*weak financial consumer protection is a problem shared by consumers in countries with well-established financial services as well as consumers in countries where the sector is relatively new.*"⁶⁵³ The high number of complaints reported by CI members in all regions is a strong indicator that the violation of consumer rights is a concern not only in the countries where financial services have a low level of maturity.⁶⁵⁴

According to CI, consumer education is a necessary but rather insufficient response to the problem. Protecting the interest of consumers in the financial sector creates a great responsibility not only for the national regulatory agencies but also for the financial sector, more in particular for national and international banks.⁶⁵⁵

Moreover, financial services have become a basic need to individuals in modern society, since they enable consumers to solve current and unexpected necessities, by providing payment services, access to loans, money transfers, investment solutions and insurance against risk. Financial services must be considered 'credence goods'. Even though they are repeatedly purchased, their utility is difficult for the consumer to define, and their features are not easily assessed. Indeed, the financial sector is characterised by a number of critical factors, which, according to CI, include:⁶⁵⁶

- the complexity of the products, and of product information;
- the high risks associated with many products;
- the fast changing nature of many of the products;
- their 'virtual' non-tangible nature, and
- the long-term nature of many transactions which means that consumers do not make regular purchases, and therefore do not develop an expertise in the market.

The lack of consumer protection in the financial sector can have severe social and economic consequences. Amongst which is the financial crisis itself, due to the lack of transparency of banks in relation to the market, and also the growth of debt and over-indebtedness of financial institutions' customers. Because of the impact on the lives of individual people and society as a whole, consumers must be aware of and understand the risks and particular conditions of each financial product.

Consumers International has therefore defined the responsibility of financial service providers to provide "clear, sufficient, reliable, comparable and timely information, suitable in these respects for the consumer to compare and contrast and to make an informed decision".⁶⁵⁷

In order to provide sufficient information, financial institutions should firstly be transparent when advertising their products. Contractual terms and conditions must be clear during the purchase phase. Consumers then need to be aware of risks and implications throughout the lifetime of products. Regarding some products such as pensions and mortgages, consumers require continuous monitoring, since they must control their disbursements and identify eventual required changes (e.g. early repayment or debt renegotiation).⁶⁵⁸

Below, we identify the most recurrent practices committed by financial institutions that violate consumers' rights.⁶⁵⁹

- **Complaint mechanisms**
 - Financial institutions show a lack of transparency by not informing how many consumer complaints they receive;
 - Financial institutions do not commit on a policy to reduce consumer complaints;
- **Quality and transparency of services**
 - Large commercial banks do not offer efficient customer services at bank branches;
 - Financial institutions usually try to push services onto consumers that they don't need or that are inappropriate for their financial risk profile. It is very common to observe tie-in sales (for example: a person wants to open an account but is obliged to also buy insurance);
 - Consumers are often not properly informed about changes of fees values or additional charges for bank services;
 - Financial institutions do not provide accessibility for customers with disabilities and special needs at all physical agencies, electronic services and electronic devices such as mobile apps, or for internet banking;

- **Protection against fraud**

- Banks do not assume their responsibilities regarding clients' safety in case of robbery, theft and fraud involving customers in bank branches, ATM or internet and authorized agents' malpractices;
- Banks delegate the operation of some bank services to third parties, like drugstores, supermarkets or lottery stores (so-called banks correspondents). Banks do not assume their responsibilities regarding customers' safety on financial operations taken place at the correspondents and authorized agents;

- **Protection against over-indebtedness**

- Financial institutions do not have a policy to avoid over-indebtedness and to promote conscious credit. Many of them have a lack of transparency on granting credit conditions, and products requirements, guarantees and criteria of contracting. This results in over-indebted customers, a very dramatic issue in developing countries;
- There is a lack of transparency by financial institutions about their policies/procedures regarding debt collection. These procedures must be clear and avoid practices of coercion and embarrassment.

Consumer protection in the financial sector, is not directly mentioned in the SDGs. SDG 12 Responsible Consumption and Production focuses on the health of consumers and the sustainable management and efficient use of natural resources and on waste management, and not on protection of bank customers. However, consumer protection is addressed indirectly through SDG 10 Reduced Inequalities and SDG 16 Peace, Justice and Strong Institutions. Without ensuring consumer protection, inequalities cannot be reduced. Moreover, it is key to social justice.⁶⁶⁰

The aim of the Fair Finance Guide is to compare the policies of financial service providers, address internationally recognized standards as a framework for the development of policies and codes of conduct, and as such contribute to improving consumer protection measures and procedures. In order to ensure the financial stability and fair practices of financial institutions, they should integrate financial consumer protection with financial inclusion policies. The theme Financial Inclusion therefore should preferably be researched in combination with the theme Consumer protection, as this theme also includes some aspects that must be taken into account when we assess financial inclusion policies.

4.1.2 International standards and initiatives

Consumers have some basic and internationally recognized rights, such as the right to information, to prior knowledge of contracts, to choose services with freedom and proper information, to security, privacy and data protection, the right to financial education, to over-indebtedness prevention mechanisms and to have free and effective conflict resolution solutions.

The main international standards on consumer rights and protection in the financial sector are summarised per topic, followed by the assessment elements that are formulated by FFGI as a result:

- **Transparency on services, risks and fees**

According to the OECD, the complexity of financial services grows rapidly. "The availability of information has grown both in quantity and complexity and the pace of change, in terms of new product developments, product innovations, and technological advances, has increased dramatically. Building and maintaining consumer confidence and trust in financial markets promotes efficiency and stability and helps to create positive outcomes for both financial institutions and their customers."⁶⁶¹

The OECD, the Financial Stability Board (FSB) and other relevant international organisations worked together to develop common principles on consumer protection in the field of financial services, as a response to the G20 Finance Ministers and Central Bank Governors call in February 2011. As result, the organizations launched the [G20 High-Level Principles on Financial Consumer Protection](#), designed to assist the efforts to enhance financial consumer protection.⁶⁶²

Regarding Principle 4 on Disclosure and Transparency, the updated report on the implementation of the principles describes that consumers should be provided with key information about the product or service: "Financial services providers and authorised agents should provide consumers with key information that informs the consumer of the fundamental benefits, risks and terms of the product. They should also provide information on conflicts of interest associated with the authorised agent through whom the product is sold. In particular, information should be provided on material aspects of the financial product. Appropriate information should be provided at all stages of the relationship with the customer. Standardised pre-contractual disclosure practices (e.g. forms) should be adopted where applicable and possible to allow comparisons between products and services of the same nature. (...)All financial promotional material should be accurate, honest, understandable and not misleading".⁶⁶³

The importance of transparency was also recognised in the [OECD Guidelines for Multinational Enterprises](#) on consumer interests. The guidelines identify two points that enterprises should take into account to give more transparency for products and services and which to some extent also apply to financial services. They should:⁶⁶⁴

- "Provide accurate, verifiable and clear information that is sufficient to enable consumers to make informed decisions, including information on the prices and, where appropriate, content, safe use, environmental attributes, maintenance, storage and disposal of goods and services;
- Where feasible this information should be provided in a manner that facilitates consumers' ability to compare products;
- Not make representations or omissions, nor engage in any other practices, that are deceptive, misleading, fraudulent or unfair;
- Support efforts to promote consumer education in areas that relate to their business activities, with the aim of, inter alia, improving the ability of consumers to:
 - make informed decisions involving complex goods, services and markets;
 - better understand the economic, environmental and social impact of their decisions and
 - support sustainable consumption."

The general objective of the [UN Guidelines for Consumer Protection](#) is “taking into account the interests and needs of consumers in all countries, particularly those in developing countries; recognizing that consumers often face imbalances in economic terms, educational levels and bargaining power; and bearing in mind that consumers should have the right of access to non-hazardous products, as well as the right to promote just, equitable and sustainable economic and social development and environmental protection.”

In order to achieve such objectives, two principles that frame the guidelines are directly related to transparency on the relationship with consumers:⁶⁶⁵

- The promotion and protection of the economic interests of consumers;
- Access by consumers to adequate information to enable them to make informed choices according to individual wishes and needs.

[The UN Guidelines for Consumer Protection](#) establish that Member States should work towards establishing, among other requirements.⁶⁶⁶

- A regulatory framework that promotes cost efficiency and transparency for remittances, such that consumers are provided with clear information on the price and delivery of the funds to be transferred, exchange rates, all fees and any other costs associated with the money transfers offered, as well as remedies if transfers fail;
- Fair treatment and proper disclosure, ensuring that financial institutions are also responsible and accountable for the actions of their authorized agents. Financial services providers should have a written policy on conflict of interest to help detect potential conflicts of interest. When the possibility of a conflict of interest arises between the provider and a third party, that should be disclosed to the consumer to ensure that potential consumer detriment generated by conflict of interest be avoided-;
- Improved financial education strategies that promote financial literacy.

The European Union has developed several directives in order to promote legislation or voluntary codes of conducts on responsible money lending. The so-called "[Consumer Credit Directive](#)" (Directive 2008/48/EC on credit agreements for consumers) was adopted on 23 April 2008 and aims to foster the integration of the consumer credit market in the EU and ensure a high level of consumer protection by focusing on transparency and consumer rights. It stipulates that a comprehensible set of information should be given to consumers at a proper time, before the contract is concluded and also as part of the credit agreement.⁶⁶⁷ In order to allow consumers to compare the various offers and to better understand the information provided, creditors have to provide pre-contractual information in a standardised form (Standard European Consumer Credit Information, [2001/193/EC](#), annex 2).⁶⁶⁸ Moreover, they will also provide consumers with the Annual Percentage Rate of Charge ("APR"), which is a single figure, harmonised at EU level, representing the total cost of the credit. [Directive 2011/90/EU](#) has amended the assumptions for its calculation.⁶⁶⁹

This leads to assessment element

1	The financial institution has a policy to disclose client's rights and the risks of products and services.
9	The financial institution has developed and implemented risk profiles with regard to investment products.
14	The financial institution has procedures and policies to avoid tie-in sales or inappropriate sales practices.

This leads to assessment element

15	The financial institution provides consumers with key information that informs the consumer of the fundamental benefits, risks and terms of the product and changes in fees.
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- **Quality of consumer service**

Financial institutions have to ensure that the quality of their consumer services are provided in accordance with consumer rights and protection policies and practices.⁶⁷⁰ [G20 High-Level Principles on Financial Consumer Protection](#) Principle 6 “Responsible Business Conduct of Financial Services Providers and their Authorised Agents” presents guidelines on this aspect.⁶⁷¹

- **Best Interest:** Financial services providers and authorised agents should have as an objective, to work in the best interest of their customers and be responsible for upholding financial consumer protection.
- **Assessing Consumer Needs:** Depending on the nature of the transaction and based on information primarily provided by customers, financial services providers should assess the related financial capabilities, situation and needs of their customers before agreeing to provide them with a product, advice or service.
- **Staff Training:** Staff of financial services providers and authorised agents (especially those who interact directly with customers) should be properly trained and qualified.
- **Remuneration Structure:** The (internal) remuneration structure for staff of both financial services providers and authorised agents should be designed to encourage responsible business conduct, fair treatment of consumers and to avoid conflicts of interest. The remuneration structure should be disclosed to customers where appropriate, such as when potential conflicts of interest cannot be managed or avoided.
- **Responsibility for authorised agents:** Financial services providers should also be responsible and accountable for the actions of their authorised agents.

[Consumers International \(CI\)](#) concludes in its report for responsible lending a principle that aims to avoid conflicts of interest caused by remuneration structure for staff that “Lenders’ business practices should incentivise customer service not sales”.⁶⁷²

This leads to assessment element

17	The financial institution remuneration structure for staff of both financial services providers and authorized agents is designed to encourage responsible business conduct, fair treatment of consumers and to avoid conflicts of interest.
18	The financial institution has a program to properly train and qualify employees and authorized agents on consumer rights and protection policies and practices.
19	The financial institution has a program to properly train and qualify employees and authorized agents on products and services to consumers.

- **Non-discriminatory treatment**

In the context of their responsibility to respect human rights, financial institutions have to provide access to their services and products fairly and without discrimination.

The commitment to provide accessibility for customers with disabilities and special needs is included in the guidelines to UN States Parties, defined by the [UN Convention on the Rights of Persons with Disabilities](#) in 2006. The general obligations read that: "States Parties undertake to ensure and promote the full realization of all human rights and fundamental freedoms for all persons with disabilities without discrimination of any kind on the basis of disability" and include:⁶⁷³

- "To take all appropriate measures to eliminate discrimination on the basis of disability by any person, organization or private enterprise;
- To promote the training of professionals and staff working with persons with disabilities in the rights recognized in the present Convention so as to better provide the assistance and services guaranteed by those rights;
- To recognize that all persons are equal before and under the law and are entitled without any discrimination to the equal protection and equal benefit of the law;
- To prohibit all discrimination on the basis of disability and guarantee to persons with disabilities equal and effective legal protection against discrimination on all grounds;
- To take appropriate measures in order to ensure that private entities offer facilities and services take into account all aspects of accessibility for persons with disabilities (e.g. required training for staff, live assistance and intermediaries to facilitate accessibility and technologies and systems accessible)."

This leads to assessment element

2	The financial institution has a policy that regulate staff ethics in serving clients in non-discriminatory way.
21	The financial institution has a policy committed to provide accessibility for customers with disabilities and special needs at all physical branches and electronic services, as at online platforms.

Financial institutions increasingly use Information and Communication Technology (ICT) services as an essential part of their financial products and services. However, some customers do not have the digital literacy or financial means to use the technology that is required for using these financial services. Digital literacy refers to the skills and knowledge required for a complete participation in a society based on technology. For certain groups, such as the elderly or those with limited financial means, a lack of digital literacy and/or access to digital banking services, can form a barrier to access new financial services, thereby excluding them. Obliging customers to use a digital service to fully access their financial services is abusive and can discriminate against customers based on their income level, age and geographic issues that affect digital access.⁶⁷⁴

In 2008, the [European Commission](#) already highlighted the risks for particularly those over 55 years of age, to participate fully in digital financial services. More recently, a [G20/OECD INFE report](#) in 2017 highlighted the risks for certain groups, such as the elderly, women and Micro Small and Medium Enterprises or first time users of financial technology, as a result of increasing digitalisation driven by particular policies.

This leads to assessment element

20	The financial institution ensures that there are no access restrictions for customers because of Information and Communication Technology (ICT) based financial services.
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- **Management of consumer complaints**

In order to reduce consumer complaints, some international standards introduce guidelines that could be followed by financial institutions. One of the objectives of [UN Guidelines for Consumer Protection](#) is to promote the availability of effective consumer redress. In the scope of measures enabling consumers to obtain redress, three guidelines are defined:⁶⁷⁵

- “Governments should establish or maintain legal and/or administrative measures to enable consumers or, as appropriate, relevant organizations to obtain redress through formal or informal procedures that are expeditious, fair, inexpensive and accessible.
- Governments should encourage all enterprises to resolve consumer disputes in a fair, expeditious and informal manner, and to establish voluntary mechanisms, including advisory services and informal complaints procedures, which can provide assistance to consumers.
- Information on available redress and other dispute-resolving procedures should be made available to consumers.”

In March 2015, the [Draft Resolution](#) of the revision process of UN Guidelines for Consumer Protection established that member States should work towards establishing or encouraging “adequate complaints handling and redress mechanisms and policies which address, when relevant, sectorial and international specificities, technological developments and special needs of vulnerable groups.”⁶⁷⁶

Chapter VIII on consumer interests in the [OECD Guidelines for Multinational Enterprises](#) points out that enterprises should provide consumers with access to fair, easy to use, timely and effective non-judicial dispute resolution and redress mechanisms, without unnecessary cost or burden.⁶⁷⁷

In 2012, the OECD also recognised the importance of complaints handling and redress on its [G20 High-Level Principles](#). Principle 9 presents guidelines and effective approaches to complaints handling and redress such as:⁶⁷⁸

- **Complaint Handling and Redress Mechanisms:** Jurisdictions should ensure that consumers have access to adequate complaints handling and redress mechanisms that are accessible, affordable, independent, fair, accountable, timely and efficient. Such mechanisms should not impose unreasonable cost, delays or burdens on consumers.
- **Internal Complaints Handling:** In accordance with the above, financial services providers and authorised agents should have in place internal mechanisms for complaint handling and redress.
- **Alternative Dispute Resolution (ADR) Mechanisms:** Recourse to an independent redress process should be available to address complaints that are not efficiently resolved via the financial services providers and authorised agents’ internal dispute resolution mechanisms.

On responsible lending, [Consumers International \(CI\)](#) states that, in order to ensure an accessible dispute resolution, companies should provide consumers’ access to effective complaint mechanisms and dispute resolution.⁶⁷⁹

This leads to assessment element

3	The financial institution ensures that consumers have access to adequate complaints handling and redress that have a due diligence process in place.
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4	The financial institution discloses the results of complaints monitoring such as number of complaints, main issues, in which institutions/body for consumers defense the complaints where registered (direct or indirect ones), and from which channels they were received (call centre, website, e-mail, phone, bank branch).
5	The financial institution has public commitments to reduce consumer complaints, fixing goals to achieve and making this information accessible to any stakeholder.
6	The financial institution has Alternative Dispute Resolution (ADR) Mechanisms,- an independent redress process available to address complaints that are not efficiently resolved via the financial services providers and authorized agents' internal dispute resolution mechanisms such as Ombudsman.

- **Avoidance of over-indebtedness**

The United States subprime mortgage crisis in 2008 showed how the consequences of over-indebtedness are shared among all stakeholders of financial institutions. The European response with the [Mortgage Credit Directive 2014/17/EU](#) aims to create a Union-wide mortgage credit market with a high level of consumer protection. It applies to both secured credit and home loans. Member States will have to transpose its provisions into their national law by March 2016. The main provisions include consumer information requirements, principle based rules and standards for the performance of services (e.g. conduct of business obligations, competence and knowledge requirements for staff), a consumer creditworthiness assessment obligation, provisions on early repayment, provisions on foreign currency loans, provisions on tying practices, some high-level principles (e.g. those covering financial education, property valuation and arrears and foreclosures) and a passport for credit intermediaries who meet the admission requirements in their home member state.⁶⁸⁰

The "fair treatment and proper disclosure", as recommended by the [Draft Resolution of the revision on UN Guidelines for Consumer Protection](#) also contributes to prevent over-indebtedness. Consumers need to be informed of loan conditions in order to be aware of their ability to repay.

This issue is also mentioned in the sixth principle of CI on responsible lending: *"Information should be provided in a manner to help the consumer make an informed choice"*.⁶⁸¹ Two other principles are directly related to both prevent and manage over-indebtedness:

- All lenders should make a proper assessment of a borrower's ability to repay (3)
- Debt resolution should be available for consumers who have become over-indebted (10)

The [G20 High-Level Principles on Financial Consumer Protection](#) present two points that intend to prevent over-indebtedness, in line with its Principle 6 (Responsible Business Conduct of Financial Services Providers and Authorised Agents):

- **Best Interest:** Financial services providers and authorised agents should have as an objective, to work in the best interest of their customers and be responsible for upholding financial consumer protection
- **Assessing Consumer Needs:** Depending on the nature of the transaction and based on information primarily provided by customers, financial services providers should assess the related financial capabilities, situation and needs of their customers before agreeing to provide them with a product, advice or service.

This leads to assessment element	
7	The financial institution has a debt resolution policy available for consumers who have become over-indebted.
8	The financial institution has clear policies/ a code of conduct in order to protect consumers against over-indebtedness.
16	The financial institution has clear policies/a code of conduct on pre-contractual information regarding home loans.

- **Consumer safety**

Customers expect their financial institutions to ensure the safety of their money and the protection of their personal information. One of the objectives of [UN Guidelines for Consumer Protection](#) is to protect of consumers from hazards to their health and safety.

The [OECD Guidelines for Multinational Enterprises](#) on consumer interests highlight the importance of protecting personal data against consumer privacy violations, including security breaches. According to the guidelines, enterprises should:

- Ensure that the goods and services they provide meet all agreed or legally required standards for consumer health and safety, including those pertaining to health warnings and safety information;
- Not make representations or omissions, nor engage in any other practices, that are deceptive, misleading, fraudulent or unfair; and
- Respect consumer privacy and take reasonable measures to ensure the security of personal data that they collect, store, process or disseminate.

In Principle 8 of the [High-Level Principles on Financial Consumer Protection](#), OECD claims that "Consumers' financial and personal information should be protected through appropriate control and protection mechanisms. These mechanisms should define the purposes for which the data may be collected, processed, held, used and disclosed (especially to third parties). The mechanisms should also acknowledge the rights of consumers to be informed about data-sharing, to access data and to obtain the prompt correction and/or deletion of inaccurate, or unlawfully collected or processed data."⁶⁸²

This leads to assessment element	
10	The financial institution respects client's private data protection (it does not disclose to other parties without client's consent).
11	Consumers' financial and personal information is protected through appropriate control and protection mechanisms with defined and published guidelines for which the data may be collected, processed, held, used and disclosed.
12	The financial institution has a policy and a clear procedure of accountability in case of robbery, theft and fraud involving customers in bank branches, ATM or internet and by its authorized agents.
13	The financial institution publishes its policies/procedures of debts collection and companies that represent them (third parties).

4.1.3 Assessment elements

In addition to the documents and information sources commonly used in FFGI methodology, the consumer protection assessment uses as reference more specific documents of policies verification, giving preference to the official ones and sources recognized by the companies themselves, to minimize disputes and to maximize the objectivity of the analysis such as:

- Ombudsman Reports (ombudsman) of commercial banks (e.g. in Brazil, banks are required to send the report only to the Central Bank)
- Reports of consumers complaints at public consumer protection institutions (e.g. in Brazil main institutions are the Consumer and Protection Defense Departments and the National System of Consumer Information) and at the national monetary authority (e.g. Brazilian Central Bank)
- Annual Reports of financial institutions (data of consumer complaints, number of lawsuits etc.)

In order to ensure that consumer rights are respected, financial institutions should establish policies whose scope is consistent with its diversity of products and services. Therefore, the assessment elements will be scored for the following groups of financial products:

- **Current and saving accounts:** These are the most popular personal banking products that give to customers the flexibility of deposit and withdrawals.
- **Revolving credit:** Credit operations that encompass overdraft account, guaranteed account, revolving credit card and credit card with no interest owed. The amount involved in these operations is usually large, because they tend to repeat throughout the month.
- **Personal loans:** Loans that provide solutions to punctual needs and aspirations from consumers (e.g. payment of educational fees, auto loans and other consumption credits). The borrower is provided with a fixed amount to be repaid over a given period by a fixed number of instalments.
- **Mortgages:** Financing operations associated with the lending of savings deposits for building or purchasing residences. The loan is secured on the borrower's property.
- **Personal investment and insurance:** This group of products provides individual consumers access to fixed and variable income investments. It includes services related to pension funds, investment funds, capital stocks, government bonds and capitalization plans (usually offered by financial institutions as an investment product). In this scope, saving accounts are not considered.

To conclude, we list the elements that are crucial for a policy regarding the financial institution's relationship with customers. These aspects should be object of evaluation at a consumers' protection financial institution policy:

1. The financial institution has a policy to disclose client's rights and the risks of products and services.
2. The financial institution has a policy that regulate staff ethics in serving clients in non-discriminatory way.
3. The financial institution ensures that consumers have access to adequate complaints handling and redress that have a due diligence process in place.
4. The financial institution discloses the results of complaints monitoring such as number of complaints, main issues, in which institutions/body for consumers defense the complaints where registered (direct or indirect ones), and from which channels they were received (call centre, website, e-mail, phone, bank branch).
5. The financial institution has public commitments to reduce consumer complaints, fixing goals to achieve and making this information accessible to any stakeholder.

6. The financial institution has Alternative Dispute Resolution (ADR) Mechanisms,- an independent redress process available to address complaints that are not efficiently resolved via the financial services providers and authorized agents' internal dispute resolution mechanisms such as Ombudsman.
7. The financial institution has a debt resolution policy available for consumers who have become over-indebted.
8. The financial institution has clear policies/ a code of conduct in order to protect consumers against over-indebtedness.
9. The financial institution has developed and implemented risk profiles with regard to investment products.
10. The financial institution respects client's private data protection (it does not disclose to other parties without client's consent).
11. Consumers' financial and personal information is protected through appropriate control and protection mechanisms with defined and published guidelines for which the data may be collected, processed, held, used and disclosed.
12. The financial institution has a policy and a clear procedure of accountability in case of robbery, theft and fraud involving customers in bank branches, ATM or internet and by its authorized agents.
13. The financial institution publishes its policies/procedures of debts collection and companies that represent them (third parties).
14. The financial institution has procedures and policies to avoid tie-in sales or inappropriate sales practices.
15. The financial institution provides consumers with key information that informs the consumer of the fundamental benefits, risks and terms of the product and changes in fees.
16. The financial institution has clear policies/a code of conduct on pre-contractual information regarding home loans.
17. The financial institution remuneration structure for staff of both financial services providers and authorized agents is designed to encourage responsible business conduct, fair treatment of consumers and to avoid conflicts of interest.
18. The financial institution has a program to properly train and qualify employees and authorized agents on consumer rights and protection policies and practices.
19. The financial institution has a program to properly train and qualify employees and authorized agents on products and services to consumers.
20. The financial institution ensures that there are no access restrictions for customers because of Information and Communication Technology (ICT) based financial services.
21. The financial institution has a policy committed to provide accessibility for customers with disabilities and special needs at all physical branches and electronic services, as at online platforms.

4.2 Financial inclusion

4.2.1 What is at stake?

Access to finance and credit to individual households provides the means to secure homes, invest in education and skills, get loans for health or medicine, bridge fluctuations in income generation and expenses, and start and expand businesses. According to the Global Findex Database, in 2014, 2 billion people - or 38% of adults in the world - did not have access to basic financial services. Their ranks include more than half of adults in the poorest 40% of households in developing countries.⁶⁸³

Financial inclusion has become a burning issue related to the question about the contribution of finance to sustainable development. It has been seen as an instrument of poverty reduction, as well as a means to tackle inequality, that is significantly rising worldwide. There is a growing awareness that growth with inequality has its own limit and it cannot be sustained, because aggregate demand will be limited. If inequality is intolerably high, it will result in a number of social consequences, at worst, social unrest, that will threaten economic growth and social stability.

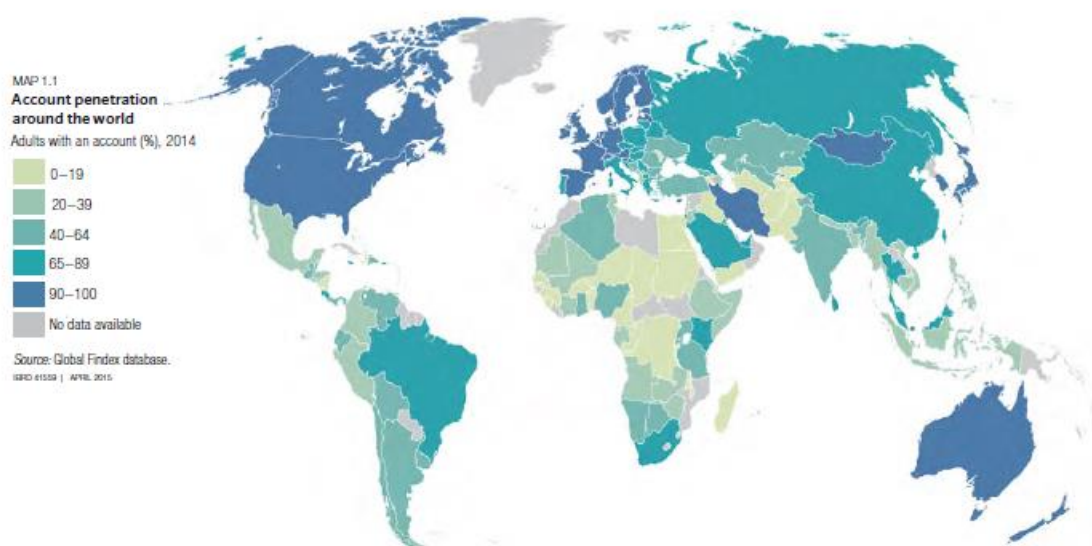
The history of financial services and institutions built to serve the poor and low income groups can be traced back in Europe's credit union movement in the 19th century and in modern time, paved by the success of Grameen Bank in providing microcredit to the poor of Bangladesh. At the same time, other Microcredit Financial Institutions (MFIs) mushroomed in providing similar credit to the low-segment clients in developing countries, mostly driven by social development purposes.⁶⁸⁴

Today, international organizations, including the G20 and the World Bank, have formulated strategies to promote financial inclusion. More than 50 countries have set formal targets and goals for financial inclusion. The World Bank set an ambitious goal to achieve Universal Financial Access (UFA) for working-age adults by 2020. The UFA 2020 goal envisions that adults worldwide will be able to have access to a bank account or electronic banking for savings and loans, sending payments and receiving income or remittances.⁶⁸⁵

Over the last years, the number of people with a bank account has been growing fast. Between 2011 and 2014, the number of unbanked dropped by 20%. Innovations in technology, particularly mobile money, is an important driver for rapidly increasing access to financial services in Sub-Saharan Africa. Account ownership varies widely around the world. The difference in account ownership between high-income OECD economies and developing economies is significant. Among developing countries, the Middle East ranks the lowest and East Asia and the Pacific highest. See Figure 1 for an overview of account penetration around the world in 2014.

Apart from regional differences there is also a gender gap in financial inclusion. In high-income OECD economies there is virtually no gender gap in account ownership. But in developing economies, there is a gender gap of roughly 9%.⁶⁸⁶

Figure 1 Percentage of adults with an account around the world (2014)



Source: Demircug-Kunt, A., et al. (2015, April), *The Global Findex Database 2014. Measuring Financial Inclusion around the World*, Policy Research Working Paper 7255, Washington, United States: The World Bank Development Research Group Finance and Private Sector Development Team, p. 12.

Also among the countries represented in the international Fair Finance Guide coalition, there are large difference in account penetration. The OECD countries that are part of the coalition have a grade of nearly 100%, while in Indonesia one third of the population has a bank account. See Table 3 for figures on financial inclusion in Fair Finance Guide member countries.

Table 3 Account penetration in FFG member countries (2014)

Country	Share with an account		
	All adults (%)	Women (%)	Adults in poorest 40% of households
Belgium	98	100	98
Brazil	68	65	58
France	97	95	95
Germany	99	99	97
Indonesia	36	37	22
Japan	97	97	95
Netherlands	99	99	99
Norway	100	100	100
Sweden	100	100	99

Source: Demircuc-Kunt, A., et al. (2015, April), *The Global Findex Database 2014*, Measuring Financial Inclusion around the World, Policy Research Working Paper 7255, Washington, United States: The World Bank Development Research Group Finance and Private Sector Development Team, p. 83-84.

Micro, small, and medium enterprises (MSMEs) which have needs to access credit, face big challenges to access formal financial institutions. According to the International Finance Corporation's Enterprise Survey, 52 to 64% of formal micro enterprises in developing economies are unserved or underserved and 55 to 68% of formal small and medium enterprises in developing economies are unserved or underserved.⁶⁸⁷

Financial inclusion is universal access, at a reasonable cost, to a wide range of financial services. The term financial inclusion is often used interchangeably with microfinance, and also confused with microcredit. The earlier practices of microfinance aimed to provide small loans to in particular vulnerable groups like women and poor families to enable them to escape indebtedness. However, soon it became clear that credit alone was not sufficient. There was a big demand for more diversified financial products and services offered by microfinance institutions (MFIs) such as saving and insurance. Therefore, we no longer speak of only microcredit or microfinance but of inclusive finance. Inclusive finance strives to enhance access to financial services for both individuals and micro-, small and medium-sized enterprises.⁶⁸⁸

To distinguish these terms, following are the working definitions (yet still evolving) of financial inclusion, microfinance and microcredit from recent literature:

- **Financial inclusion** (or **inclusive finance**) is defined as “access to a full suite of financial services, provided with quality, to everyone who can use financial services, with financial capability, through a diverse and competitive marketplace.”⁶⁸⁹ The New Microfinance Handbook emphasises financial inclusion as a ‘multidimensional, pro-client concept, encompassing increased access, better products and services, better-informed and -equipped consumers, and effective use of products and services’.⁶⁹⁰
- **Microfinance** is defined as diverse financial services (including credit, savings, insurance, remittances, money transfers, or leasing) provision for the low-income and poor. The services are expectedly being used for income generating, assets building, economic securities provision, and improving these low-segment clients’ livelihood.⁶⁹¹
- **Microcredit**, actually a sub-category of microfinance, is defined as a small amount of money loaned to a client by a financial institution. The specific characteristics of microcredit are group lending and the absence of collateral when borrowing.⁶⁹²

At the global level, financial inclusion has gained prominence on the sustainable development policy agenda. The United Nations World Summit for Social Development (WSSD) in 1995 recognised access to credit and financial services as a tool for poverty alleviation. Poverty alleviation was one of the three main themes at the summit (others are productive employment and social integration).⁶⁹³ Leaders of the G8 and G20 recognize the importance of financial inclusion to their economies. This has been legitimized in their meetings in Pittsburgh (2009) and Seoul (2010), which mandated a Global Partnership for Financial Inclusion (GPFI).⁶⁹⁴ At the G20 Summit in Toronto, June 2010, G20 countries signed the Toronto Declaration on Principles for Innovative Financial Inclusion.⁶⁹⁵

Moreover, the Bank of International Settlements, based in Basel, Switzerland, and other standard setting bodies have addressed the regulatory and standardized aspects of financial inclusion.⁶⁹⁶ When business leaders, head of states and governments, as well as representatives from academia, development organizations, non-profits and media gathered for the World Economic Forum in Davos, Switzerland, January 2014, they also brought up the issue of financial inclusion and inclusive growth at the centre of the agenda.⁶⁹⁷

As an international development agenda, there has been subtle shift from the concept of microfinance to financial inclusion which covers a broader aspect than microfinance does. While financial inclusion keeps the ‘development objective’ to pave the way for the poor to escape poverty, the ‘inclusion’ aspect of the term aims to cover not just the poor but also the near poor or even the middle class, in general, to increase the penetration of financial services to the whole population.

Nonetheless, that broader definition of financial inclusion also poses some risks. It is because banks, although they are not the only financial institution actors for financial inclusion, on the one hand might be pressured by their state government to provide microcredit to small enterprises and poor people, on the other hand, might see this as an opportunity to expand their credit market to broader groups of population. Such expansion might lead to financial liberalisation and commercialisation of credits. Other challenges for banks are the profitability and risks incurred by the provision of financial services and products to yet excluded clients.⁶⁹⁸

Broader access to finance might also bring about risks to the clients. For instance, banks might use the previously excluded clients' savings or remittances to be invested in something with risks the clients have no information about or the clients might be offered products or services with risks they have no knowledge about. These risks are due to the problems in the financial market: asymmetrical information, low quality of information, financial sector infrastructure and due to low level of financial literacy and capability. These problems are faced by not just clients in the low income countries but also in middle and high income economies. Lessons learned from the financial crisis - cases of predatory lending, subprime mortgages and other financial misconduct involving consumers - indicate that there is a need for re-emphasizing a top-down and bottom-up ethical approach for the financial sector while improving access to remedy and ensuring protection for consumers, even in the financial inclusion agenda.⁶⁹⁹

In recent years, new opportunities and challenges have arisen for financial institutions and consumers regarding mobile finance. The development of FinTech has transformed the way many consumers use financial services and it is important to be aware of the consequences of such changes. Questions mainly arise on the topics of security and privacy, with a challenge to maximise the benefits while ensuring that as little risk as possible appears.⁷⁰⁰ The importance of consumer protection in financial markets and a methodology to assess the policies of financial institutions regarding consumer protection is further explained in section 4.1

The topic of financial inclusion is recognized as an instrumental factor in achieving many SDG goals. For example, SDG 1 No Poverty includes a target to ensure that everyone should have access to financial services, including microfinance, by 2030.⁷⁰¹ Similarly, SDG 5 Gender Equality emphasises on providing equal rights to economic resources and services to women including financial services.⁷⁰² Further, SDG 8 Decent Work and Economic Growth has a target to promote policies that encourage micro-, small- and medium-sized enterprises, including through access to financial services. It also focuses on strengthening capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all to enable economic growth.⁷⁰³ One of the targets of the SDG 9 Industry, Innovation and Infrastructure is to increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.⁷⁰⁴ Financial inclusion is also an important aspect of SDG 10 Reduced Inequalities.⁷⁰⁵

While the aspect of governance and regulation is important in financial inclusion, at the same time it is important to keep financial providers like banks attracted to serve the financially excluded clients, despite the higher risks and lower profit. According to the New Microfinance Handbook (2013), balancing clients' interests and providers' viability, financial inclusion incorporates effective policies, legislation, industry and consumer protection standards, and financial capability.⁷⁰⁶

Hence the inclusion of the excluded, unbanked and underserved people and MSMEs will contribute significantly to global poverty reduction. At the national level, it is the role of the government as regulator and facilitator, especially to develop related policies and an enabling infrastructure.⁷⁰⁷ Financial institutions can play a vital role in providing access to finance to all income groups in a society. The next section gives an overview of international standards with regard to financial inclusion, which serve as a basis for policies by individual financial institutions.

4.2.2 International standards and initiatives

Most of the international principles and standards pertaining to financial inclusion are voluntary, and introduced mostly by, so far, groups of countries like G8 or G20. Representing two-thirds of the world's population, the latter have been more active in drawing principles and standards, understandably due to the relevancy of financial inclusion to the low access of their massive population to formal financial services. Also dedicated organisations as the Center for Financial Inclusion (CFI) are involved in setting targets and principles regarding financial inclusion. Moreover, financial inclusion can be linked to the realisation of human rights.⁷⁰⁸

In this sub-section, we first list the major international initiatives and standards regarding inclusive finance. As a next step, a set of indicators will be provided to assess the financial inclusion policies of financial institutions.

- **Key Principles of Microfinance**

The Consultative Group to Assist the Poor (CGAP), housed at the World Bank, is a global partnership to advance financial inclusion. According to CGAP, being included in the formal financial system helps people to:⁷⁰⁹

- make day-to-day transactions, including sending and receiving money;
- safeguard savings, which can help households manage cash flow spikes, smooth consumption and build working capital;
- finance small businesses or microenterprises, helping owners invest in assets and grow their businesses;
- plan and pay for recurring expenses, such as school fees;
- mitigate shocks and manage expenses related to unexpected events such as medical emergencies, a death in the family, theft, or natural disasters; and
- improve their overall welfare.

CGAP developed the 11 Key Principles of Microfinance that were endorsed by the G8 summit in 2004.⁷¹⁰

- **G20 Financial Inclusion Action Plan**

The Global Partnership for Financial Inclusion (GPFI) is a platform for all G20 countries, interested non-G20 countries and relevant stakeholders to carry forward work on financial inclusion, including implementation of the G20 Financial Inclusion Action Plan (FIAP), endorsed at the G20 Summit in Seoul in 2010 and updated in 2014. Along with the FIAP, GPFI developed a set of financial inclusion indicators, measuring financial inclusion in three dimensions:⁷¹¹

- Access to financial services
- Usage of financial services
- The quality of the products and the service delivery

- **The Seven Principles For Investors In Inclusive Finance**

The Seven Principles for Investors in Inclusive Finance (PIIF) are aligned with the UN-backed Principles for Responsible Investment (PRI) and provide investors with specific guidance on responsible investment in inclusive finance. According to the PRI, "investors are looking at ways to contribute to economic development and entrepreneurial activity by investing in inclusive finance. As with all investments, these can also carry potential financial and reputational risks." To mitigate such risks, a group of institutional investors launched the PIIF in 2011.⁷¹²

- **Maya Declaration on Financial Inclusion**

The [Maya Declaration on Financial Inclusion](#) of the Alliance for Financial Inclusion (AFI) covers four areas, which are aligned with the G20 Principles for Innovative Financial Inclusion.⁷¹³

- Create an enabling environment to harness new technology that increases access and lowers costs of financial services;
- Implement a proportional framework that advances synergies in financial inclusion, integrity, and stability;
- Integrate consumer protection and empowerment as a key pillar of financial inclusion; and
- Utilize data for informed policymaking and tracking results.

- **Financial Inclusion 2020: The Roadmap Principles**

The Center for Financial Inclusion identifies five priority focus areas that are key to achieving financial inclusion. The [Financial Inclusion 2020 Roadmap Principles](#) are:

- Addressing customer needs;
- Technology-enabled business models;
- Financial capability;
- Client protection; and
- Credit reporting.

- **UNEP Inquiry on the Design of a Sustainable Financial System**

A premise of the [UNEP Inquiry on the Design of a Sustainable Financial System](#) is that a bold new vision is needed to put the world on a sustainable path. The financial system is the lifeblood of the economy at the local, national, and global level. As such, it has an important positive role to play in supporting poverty alleviation efforts and the realization of human rights. However, inherent conflicts of interest that can result from profit-seeking financial institutions running financial inclusion need to be addressed through appropriate safeguards.⁷¹⁴

The main international standards on financial inclusion are summarised per topic, followed by the assessment elements that are formulated by FFGI as a result:

- **Access of low-income and other marginal groups to financial services**

Access to financial services is the first dimension to measure financial inclusion according to the [G20 Financial Inclusion Indicators](#) developed by the GPFI (Global Partnership for Financial Inclusion).

The [Key Principles of Microfinance](#) state that “access to sustainable financial services enables the poor to increase incomes, build assets, and reduce their vulnerability to external shocks. Microfinance allows poor households to move from everyday survival to planning for the future, investing in better nutrition, improved living conditions, and children’s health and education.” The principles also mention that “interest rate ceilings can damage poor people’s access to financial services” reminding financial institutions to keep their interest rates at bay; otherwise it would potentially damage poor people’s access to financial services.⁷¹⁵

The [FI2020 Roadmap to Inclusion Principle 2](#) is promoting the use of [enabling technology](#) such as branchless banking and mobile banking to accelerate the access of people who live in the areas where financial infrastructure is too poor and does not allow them to access financial services physically. Physical access is usually measured through the broad of coverage of bank branches (outside mainstream big cities) and service points.⁷¹⁶

The [Principles of Investors in Inclusive Finance](#) encourage retail providers to expand their range of financial services available to low-income populations (e.g. savings, loans, insurance, payment services, remittance facilities and pension plans) and to more remote areas and more vulnerable populations.

The first focus area in the [Maya Declaration on Financial Inclusion](#) is to 'create an enabling environment to harness new technology that increases access and lowers costs of financial services (include promotion of mobile financial services to lower the cost of services)'.

This leads to assessment element

1	The financial institution has policies, services and products that specifically target the poor and marginal groups.
2	The financial institution has branches in rural areas, not only in cities.
3	The financial institution provides branchless, cashless (e-money) and mobile banking services.
4	The financial institution's share of loans channelled to MSMEs is above 10%.
5	The financial institution does not require collateral for MSMEs to borrow.

- **Financial capability of clients**

Often, poor people and marginal groups that are the target of financial services and microfinance have no prior knowledge and sufficient financial literacy to understand the products and services offered to them be they loans, credit, insurance or savings.

The [G20 Principles for Innovative Financial Inclusion](#), encourage financial institutions to develop financial literacy, financial capability and adequate redress mechanisms to make sure that their clients are aware of what they are up to by agreeing to saving scheme, loan scheme, credit scheme or insurance scheme.

This is more apparent in the case of the developing countries where low levels of literacy, not to mention financial literacy, is still widespread. Lack of financial capability caused a significant barrier to accessing and properly using of financial services. Therefore, increased financial literacy and capability will in turn increase demands for more transparent and better service from the financial institution.

[FI2020 Roadmap to Inclusion](#) focuses on empowering clients to know their rights as consumers, and have the skills, attitudes, aspirations, and confidence to exercise those rights. Principle 1 broadens the term to financial capability, which is an effort to encourage sound financial choices and behaviour by customers. Increasing [financial capability](#) means financial institution must promote measures to enable clients to have knowledge, skills, attitudes and behaviour needed to make sound financial decision.

This leads to assessment element

6	The financial institution has a policy to disclose client's rights, and risks of product or service (including risk of over indebtedness) offered to low-literate clients and MSMEs.
7	The financial institution's terms and conditions is available to clients in national/local language.
8	The financial institution has a policy to improve financial literacy of low-income, marginal groups and MSMEs.

- **Affordability and quality of products and services**

The poor need a variety of financial services, not just loans, but also savings, cash transfers, and insurance, according to the [Key Principles of Microfinance](#). The principles also underscore the need for financial institutions to promote product and service diversity and innovation. For instance, specific services such as to assist migrant workers to manage remittances is also expected to be provided by financial institution.

Financial institutions must make the effort to reduce transaction costs and offer products and services that meet clients' needs and also provide services that are convenient, flexible, and reasonably priced. The [Principles of Investors in Inclusive Finance](#) recommend financial institutions to provide a broad range of services to low-income clients, and develop innovative products tailored to their needs.

[G20 Financial Inclusion Indicators](#) describe indicators for cost of usage - average cost of opening a basic current account, average cost of maintaining a basic bank current account (annual fees), and average cost of credit transfers – and credit barriers - tightness of credit conditions (requirement for SMEs to provide collateral to get loan), getting credit: distance to service points. Overall, quality of products and services can be measured through price, cost, time as well as criteria and requirement (e.g. collateral).

The [EU Payment Accounts Directive](#) requires member states to provide access to a basic payment account from 2016. Some banks have already started to implement the directive. In order to ensure that payment accounts with basic features are available to the widest possible range of consumers; they should be offered free of charge or for a reasonable fee.⁷¹⁷

This leads to assessment element

9	The financial institution does not charge clients to open a basic bank account or for a reasonable fee.
10	The financial institution does not require a minimum balance for maintaining a basic bank account.
11	The financial institution has a standard and provides information on credit processing time.
12	The financial institution has appropriate, affordable, and convenient financial products to send or receive domestic remittances through an account.
13	The financial institution provides low-income housing finance.

- **Consumer protection**

Consumer protection is more apparent in financial inclusion because the subject of protection are most likely the poor, illiterate and therefore have no knowledge at all to any kind of information or grieving mechanism offered (or not) by the financial institution.

The [Client Protection Principles for Microfinance](#), endorsed by providers of financial services, networks and individuals working in microfinance, describes the minimum protection microfinance clients should expect from providers. The principles cover:

- avoidance of over-indebtedness
- transparent pricing
- appropriate collection practices
- ethical staff behaviour
- mechanism of redress of grievances
- privacy of client data

Parties endorsing these principles are the providers of financial services, networks and individuals working in microfinance. As of November 2010, more than 100 investment organizations have endorsed the Principles and are taking concrete actions to encourage providers to adopt appropriate client protection policies and practices.

[Maya Declaration on Financial Inclusion](#) suggests an integration of consumer protection and empowerment as a key pillar of financial inclusion as one of its four broad areas that 'has been proven to increase financial inclusion' and in line with the [G20 Principles for Innovative Financial Inclusion](#).

The [FI2020 Roadmap to Inclusion](#) emphasize on client needs and consumer protection i.e. addressing client needs, credit reporting and consumer protection. This roadmap sets in the explanation on [client protection](#) that financial inclusion with client protection will occur when all clients can affirm the following five statements:

- I have a choice of quality and affordable financial services.
- I can get information I need and understand it to make an informed decision.
- I have confidence in my provider, am treated with respect and am not discriminated against.
- I understand the risks involved in using financial services and believe they are offset by the benefits I gain.
- I know my rights and where to complain when problems arise.

Based on the OECD standard on consumer protection, G20 countries also endorsed the [G20 High-level Principles on Financial Consumer Protection](#), that encompass the following 10 topics:

1. Legal, Regulatory and Supervisory Framework
2. Role of Oversight Bodies
3. Equitable and Fair Treatment of Consumers
4. Disclosure and Transparency
5. Financial Education and Awareness
6. Responsible Business Conduct of Financial Services Providers and Authorised Agents
7. Protection of Consumer Assets against Fraud and Misuse
8. Protection of Consumer Data and Privacy
9. Complaints Handling and redress
10. Competition

The UN PRI has developed the [Principles of Investors in Inclusive Finance](#). These principles recommend financial institutions to integrate client protection into their investment policies and practices, promoting the principle to their suppliers and to report the progress to their investor and stakeholders. The principles also highlight the importance of financial institutions to treat the low-income clients fairly.

A [series of ISO standards](#) regarding mobile financial services are available, such as [ISO 12812-1:2017](#). In 2017, the Center for Financial Inclusion at Accion and the Institute of International Finance launched [a report](#) regarding how FinTech and financial institutions can work together towards financial inclusion.

The assessment elements of this topic are part of the theme Consumer protection.

4.2.3 Assessment elements

The elements of a good operational policy on financial inclusion covers the responsibilities of the financial institution, which is in most cases, a bank, towards its clients, which are individuals and MSMEs.^{xli} In order to ensure that financial inclusion for low-income target groups is guaranteed, financial institutions should establish policies whose scope is consistent with its diversity of products and services. The scope of the assessment elements will be scored for the same groups of financial products as in the theme Consumer protection:

- **Current and saving accounts:** These are the most popular personal banking products that give to customers the flexibility of deposit and withdrawals.
- **Revolving credit:** Credit operations that encompass overdraft account, guaranteed account, revolving credit card and credit card with no interest owed. The amount involved in these operations is usually large, because they tend to repeat throughout the month.
- **Personal loans:** Loans that provide solutions to punctual needs and aspirations from consumers (e.g. payment of educational fees, auto loans and other consumption credits). The borrower is provided with a fixed amount to be repaid over a given period by a fixed number of instalments.
- **Mortgages:** Financing operations associated with the lending of savings deposits for building or purchasing residences. The loan is secured on the borrower's property.
- **Personal investment and insurance:** This group of products provides individual consumers access to fixed and variable income investments. It includes services related to pension funds, investment funds, capital stocks, government bonds and capitalization plans (usually offered by financial institutions as an investment product). In this scope, saving accounts are not considered.

Sources for analysis are annual reports, website information, brochures, advertisements and community outreach programmes. The following elements are crucial for a policy regarding the financial institution's internal operations:

1. The financial institution has policies, services and products that specifically target the poor and marginal groups.
2. The financial institution has branches in rural areas, not only in cities.
3. The financial institution provides branchless, cashless (e-money) and mobile banking services.
4. The financial institution's share of loans channelled to MSMEs is above 10%.
5. The financial institution does not require collateral for MSMEs to borrow.
6. The financial institution has a policy to disclose client's rights, and risks of product or service (including risk of over indebtedness) offered to low-literate clients and MSMEs.
7. The financial institution's terms and conditions is available to clients in national/local language.
8. The financial institution has a policy to improve financial literacy of low-income, marginal groups and MSMEs.
9. The financial institution does not charge clients to open a basic bank account or for a reasonable fee.
10. The financial institution does not require a minimum balance for maintaining a basic bank account.

xli For the purpose of the study microenterprises are defined as those with 1 to 4 employees; very small, 5 to 9 employees; small, 10 to 49 employees; and medium, 50 to 250 employees, based on IFC Advisory Services | Access to Finance (2013, August), *Access to Credit Among Micro, Small, And Medium Enterprises*, International Finance Corporation World Bank Group, p. 4.

11. The financial institution has a standard and provides information on credit processing time.
12. The financial institution has appropriate, affordable, and convenient financial products to send or receive domestic remittances through an account.
13. The financial institution provides low-income housing finance.

4.3 Remuneration

4.3.1 What is at stake?

Remuneration for employees within a company increasingly consists of a fixed part - the base salary - and a variable part. The height of this variable part can be determined in different ways, for example by linking the achievements of the employee to the financial result of (a part of) the company. In case of good achievements or good financial results, the variable remuneration for the employee can be relatively high compared to the base salary, but the reverse can also occur. The variable remuneration part is often referred to in terms of bonus, commission pay, profit sharing, performance remuneration, etc. In this paper all these variable types of remuneration are called "bonuses".

Granting bonuses does not necessarily have to be a bad thing. It is often viewed as an 'honest' way of repaying exceptional efforts. Some also regard a bonus system as a way to encourage companies to become more sustainable.⁷¹⁸ However, there are negative aspects to consider as well.

Firstly, in practice, bonuses are regularly linked to indicators in which the importance of the enterprise as a whole is not reflected and certainly not the wider social importance. In these cases, the indicators are aimed too much towards short term objectives, on financial results and on the achievements of the individual employee, while achievements coming from long term objectives and the non-financial results of the company as a whole would be better indicators. If these are left out of the equation, employees can be encouraged to take undesired and sometimes irresponsible risks that may be of personal importance, but are not of importance to the company and society, with all their respective consequences.

Secondly, the often very large bonus sums leads to a lot of social indignation as the link between personal strains, the financial achievements of the company and the height of the bonus seems lost. Top managers receiving huge salaries and bonuses whilst the enterprise they work for suffers financial difficulty and even has to fire people, is incomprehensible to a lot of people. The same applies to top managers of financial institutions.

The short-term objectives and the excessive sums - characterise the bonus culture in the US, UK, and other financial institutions, mainly in the investment banking departments. Many people consider this bonus culture in the financial world to be one of the main causes of the current financial crisis.⁷¹⁹ The prospects of a very high bonus - based on short-term financial objectives - lead to granting mortgages and loans to people that could not really afford them. The consequences of this risky behaviour have been felt globally:⁷²⁰

- Consumers are insufficiently informed of the risks of the products that were sold to them. Particularly in the United States this has led to a lot of people being evicted from their homes because they could no longer afford to pay their mortgages and loans;
- A part of the receivables that financial institutions had on consumers could therefore not be resold, causing financial problems for the financial institutions themselves, but also for the rest of the financial system to which outstanding receivables had been sold;
- Society has had to save financial institutions from bankruptcy and partly due to this was faced with an economic crisis;

- Not only the countries of origin of the financial institutions, but also developing countries are experiencing the negative consequences of this economic crisis in decreased export revenues, foreign investments, currency exchange rates and budgets for development aid. Estimates of several organisations on the number of people that have fallen, and will fall, into poverty through the financial crisis are running into tens of millions.⁷²¹

Due to these developments, the public and governments have frequently called for the mitigation of bonuses, for a link to long-term objectives, or for the entire abrogation of bonuses, mainly in the financial world.⁷²²

On average, the number of companies that have included sustainable objectives in their bonus policy is one third. This has arisen from an analysis of the annual reports of the largest listed companies in eleven countries. The objectives are related to environmental issues (reduction of emissions and energy efficiency) and social issues (client satisfaction, safety, social involvement, employees). Research also shows that the companies are convinced that including sustainable criteria in their remuneration policy contributes to more sustainable development.⁷²³ CEOs of multinational corporations also consider this an important method in developing a new and sustainable vision of the corporate world.⁷²⁴

The topic of balanced remuneration is important for achieving SDG 10 Reduced Inequalities. It can also be indirectly linked to the SDG 16 Peace, Justice and Strong Institutions.⁷²⁵ Due to the increased attention to the height of bonuses and the link with sustainability and corporate social responsibility, all financial institutions should develop solid bonus policies. To this effect, financial institutions can make use of the international standards and initiatives described in the following section.

4.3.2 International standards and initiatives

As far as regulation and standards concerning remuneration are concerned, there are currently no global policies in place.

In the United States, regulators have implemented mechanisms to supervise remuneration paid by banks to their employees, which are mandated by § 956 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Banking regulators have specifically targeted bank practices regarding incentive-based compensation. In undertaking this initiative, the banking regulators have jointly implemented a variety of regulatory regimes.

In the United States, three Federal Statutes are relevant in relation to remuneration:⁷²⁶

- Sarbanes-Oxley Act of 2002 (SOA) §304; 15 U.S.C. §7243(a)
- Emergency Economic Stabilization Act of 2008 (EESA) §111(b)(3)(B), as added by Section 7001 of the American Recovery and Reinvestment Act of 2009 (ARRA); 12 U.S.C. §5221(b)(3)(B) (applicable only to recipients of assistance under the Troubled Asset Relief Program (TARP) that have not repaid the Treasury)
- Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA) §954, 15 U.S.C. §78j-4(b)

In the European Union, the European Banking Authority (EBA) has set out requirements in the Capital Requirements Directive (CRD). There are three main Directives that regulate remuneration:⁷²⁷

- CRD IV and CRD V
- Alternative Investment Fund Managers Directive (AIFMD)
- fifth Undertakings for Collective Investment in Transferable Securities Directive (UCITS V)

The CRD IV and the Capital Requirements Regulation (CRR) both came into force on the first of January 2014 and essentially carried over the existing provisions of the CRD III relating to remuneration with some enhancements in relation to the bonus cap. The relevant provisions can be found in articles 74, 92 to 95 and 161 (in addition to recitals 62 to 69 and 83) in the CRD IV; and in article 450 on disclosure in the CRR.⁷²⁸

In July 2010, the European Parliament achieved an agreement on a [European guideline](#) that establishes stringent norms for the bonuses paid out by banks. A maximum of 30% of the total bonus may be paid out in *cash*, for very large bonus there is even a maximum of 20%. The payment of 40 to 60% of the bonus has to be deferred over a period of at least three years so the bonus can be recovered if the results prove to be disappointing at a later stage. At least 50% of the bonus has to be paid out as subordinated capital: funds on which the bank can first make recourse should the bank get into trouble. Finally, the ratio between bonus and fixed salary is also kept to a maximum, but the guideline does not provide to which maximum. The guideline is binding for all banks in the European Union and came into force on 1 January 2011.⁷²⁹

The Committee of European Banking Supervisors released an elaboration of the principles in these European guidelines in December 2010, the [Guidelines on Remuneration Policies and Practices](#). In March 2013 the European Parliament proposed new regulations for the remuneration in the financial sector. The adjusted motion has been adopted in April 2013. As of January 2014 it is no longer allowed to pay out bonuses of more than 250% of the annual salary.⁷³⁰

The European Banking Authority (EBA) has also published various [Regulatory Technical Standards \(RTS\)](#) for the definition of material risk takers, and for remuneration purposes set out process and criteria for the identification of staff who have an impact on the institution's risk profile, so-called 'Identified Staff'.⁷³¹

The [Financial Stability Board](#) (FSB) - previously the Financial Stability Forum (FSF) - was established in 1999 by the G7^{xlii} with the objective of improving international financial stability. In the FSB central banks, financial supervisors and financial institutions are represented.

In response to the international financial crisis in April 2008, the FSB issued a report with recommendations to improve the strength of financial markets and institutions. One of these recommendations was to reduce the risks associated with the remuneration policy. For this purpose, end 2008 a Compensation Workstream Group was formed with the mandate to establish sound principles, which resulted in the [Principles for Sound Compensation Practices](#). The emphasis of these principles is on the relation between the degree of risk that an employee takes on behalf of the company and the height of the remuneration that is granted. In practice, this means that if two employees realise the same amount of profit, but have taken various levels of risk, they should not receive similar compensation. Therefore, the remuneration is corrected downwards if more risk has been taken.

xlii The G7 consists of the Ministers of Finance of seven industrialised countries (Canada, Germany, France, Great-Britain, Italy, Japan, and the United States) and they meet annually to discuss economic and financial issues. Since Russia became a member the group is called the G8.

Other standards, reports and guidelines to consider are the UN PRI and Global Compact's [recommendations](#) on remuneration; the G20's recommendations about remuneration at the [Pittsburgh Summit](#) in 2009; Consumers International's report [Responsible Lending](#) (2013), and the 2010 [Sustainable Remuneration](#) research report of Association of Investors for Sustainable Development (VBDO), the Hay Group, and DHV, which serves as a manual to link sustainability objectives to the bonus of company managers.

In terms of regulating remuneration in the financial sector, a relevant remuneration policy mainly concerns measures that are aimed at tackling risky behaviour as well as short-term strategies and goals within the financial sector, thereby increasing stability, transparency and accountability in the financial system, and includes various topics.

The main international standards on remuneration in the financial sector are summarised per topic, followed by the assessment elements that are formulated by FFGI as a result:

- **Clawback schemes**

In its 2009 report FSF Principles for Sound Compensation Practices the Financial Stability Board (FSB) states that compensation payout must be sensitive to the time horizon of risks. This means that if a bonus is granted that is sensitive to risk outcomes, it should be seen as a multi-year risk horizon. Otherwise employees could have an incentive to expose the firm to risks that are unlikely to be exposed for some time. To align time horizons a bonus can be subjected to a clawback.

In United States legislation 'clawback' means a repayment of previously received compensation required to be made by an executive to his or her employer. Clawbacks under [SOA §304](#) concern only clawbacks from the CEO and the CFO and apply only to cases in which there is 'misconduct' resulting in "material noncompliance of the issuer with any financial reporting requirement under the securities laws."⁷³²

The EESA of 2008 only applies to institutions receiving aid under the Troubled Asset Relief Program (TARP) and requires that institutions that are receiving assistance under TARP are obligated to maintain certain standards for executive compensation and corporate governance.⁷³³ Under the Dodd-Frank Act §954 (DFA), publicly traded firms are obligated to have policies in place that enforce the repayment of specific types of overpayments made to executives, based on financial results that turn out to be false and require a restatement.⁷³⁴ The clawback is to be carried out if the listed company is required to file a financial restatement under securities laws due to material noncompliance under those laws. The clawback applies to "incentive-based compensation (including stock options awarded as compensation) during the 3-year period preceding the date on which the issuer is required to prepare an accounting restatement, based on the erroneous data, in excess of what would have been paid to the executive officer under the accounting restatement."⁷³⁵

In the European Union, malus or clawback arrangements are explicit ex-post risk adjustment mechanisms where the institution itself adjusts remuneration of a staff member based on such mechanisms (e.g. by lowering awarded cash remuneration or by reducing the number or value of instruments awarded). The CRD IV pertains to banks and other financial institutions and the clawback arrangements dictate that up to 100% of variable pay will be subject to clawback or malus arrangements. Financial institutions will be required to set specific criteria for such arrangements.⁷³⁶

This leads to assessment element

1	The financial institution maintains the right to recover bonuses if, after payment, it appears that they were paid unduly (a so-called clawback scheme).
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- **Bonus maximum**

In the United States, a maximum for bonuses or variable remuneration is officially regulated through the DFA § 956, however the language of the Act is not quantified sufficiently.⁷³⁷ For example, the banking, securities and federal housing regulators have proposed regulations (Proposed Regulations) that state that financial institutions are prohibited “from having incentive—based compensation arrangements that may encourage inappropriate risks (a) by providing excessive compensation or (b) that could lead to material financial loss to the covered financial institution.” However, no standards have been created to give these ambiguous regulations substance. Nevertheless, the regulators have claimed that such standards will be established.⁷³⁸

In the European Union, under the CRD IV “variable pay” or a maximum for bonuses is capped at 100% of total fixed pay or, with shareholder approval, 200% of total fixed pay. This is including performance based payments or benefits and, in exceptional circumstances, other contractual elements that do not “*form part of a routine employment package*” (examples in the Directive include healthcare, child care facilities or proportionate regular pension contributions). EU Member States have the discretion to adopt stricter standards (e.g. lower bonus caps).⁷³⁹

The Netherlands implemented regulation in 2013, which does not allow bonuses within the finance sector above 20% of fixed remuneration.⁷⁴⁰ With regard to normalising the variable remunerations, the Dutch labour union confederation FNV advised that the height of the variable remunerations when compared to the fixed wage, meaning the total remuneration, has to be restricted. In this respect, FNV strives for a maximum bonus of 10% of the fixed remuneration for both staff that fall under a collective agreement as well as the top management. Therefore, the total income for top managers is a maximum of twenty times the lowest salary in the company plus 10% of this amount.

This leads to assessment element

2	The bonus is a maximum of 100% of the fixed annual salary.
3	The bonus is a maximum of 20% of the fixed annual salary.
4	The bonus is a maximum of 10% of the fixed annual salary.

- **Highest versus lowest salaries**

The [Dodd-Frank Act Section 953](#) requires proxy disclosure of median employees (as calculated under the SEC’s executive compensation disclosure rules) to CEO pay.

In the Netherlands, the Dutch labour union confederation FNV believes that it is important that a norm is pursued for the ratio between the fixed wage for the top and the fixed remuneration for staff that fall under a collective agreement. This norm can be related to various anchor points, but FNV [establishes](#) this norm at a maximum of twenty times the lowest salary within the company or twenty times the maximum of the lowest salary scale.

Respondents of the [2017 World Economic Forum's Global Risks Perception Survey \(GRPS\)](#) rated "*rising income and wealth disparity* [a]s the most important trend in determining global developments over the next 10 years".⁷⁴¹ In line with this study, Oxfam International argued in its [January 2018 Briefing Paper](#) that "there is growing evidence that the current levels of extreme inequality far exceed what can be justified by talent, effort and risk-taking".⁷⁴²

Oxfam recommends to "limit returns to shareholders and promote a pay ratio for companies' top executives that is no more than 20 times their median employees' pay, and preferably less."⁷⁴³

This leads to assessment element

5	The fixed salary does not exceed twenty times the lowest salary or the maximum of the lowest salary scale within the financial institution.
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- **Long-term objectives**

Another criterion to consider for sound remuneration policies, is that of long-term objectives for investment practices. When granting variable remuneration as a reward for certain achievements, it is important to consider whether the achievements concern long-term or short-term objectives, for the company itself and for society at large. This can also be accomplished through clawback schemes.

The G20^{xliii} had established that restructuring policy and practice on remunerations and bonuses is required to further support financial stability. As a part of their recommendations, at the [Pittsburgh Summit](#) in September 2009, the G20 agreed that it is necessary that a significant part of variable remunerations has to be linked to achievements and creating long term value. The G20 encourages companies to implement their agreements with immediate effect.

In the United States, the Federal Reserve in cooperation with other banking agencies in 2010 issued [Final Guidance on Sound Incentive Compensation Policies](#), in which it is stated that "incentive compensation arrangements at banking organizations [should] appropriately tie rewards to longer-term performance."⁷⁴⁴

In the European Union, regulation ([CRD IV/ RTS](#)) is aimed at stimulating a focus on long-term objectives, instead of rewarding risky activities that would offer profit in the short term. In the [EBAs Guidelines on Sound Remuneration Policies](#), it is stated that "To set the appropriate incentives for long-term-oriented and prudent risk taking, the remuneration policy and practices need to be transparent for staff regarding the fixed remuneration, the variable remuneration and the award criteria used. Fixed remuneration should be permanent, predetermined, nondiscretionary and non-revocable."⁷⁴⁵

In cooperation with the UN Global Compact, the UN PRI has made recommendations on taking up environmental, social and governance (ESG) criteria in the variable rewards of the employees - [Integrating ESG issues into executive pay](#). In order to make the senior employees more aware of ESG issues, these two initiatives recommend companies to develop mechanisms that ensure that both the company's interest as well as the employee's and society's interest are connected to one another. This may be done by setting long-term goals for employees as well as the company.

xliii The G20 consists of the 19 countries that have the largest national economies and the European Union. They meet annually or more often if needed to discuss the international financial system.

In the Netherlands, the Dutch Association of Investors for Sustainable Development (VBDO), Hay Group and DHV call upon all companies to base at least 60% of the bonus on long-term objectives. To achieve this it is important to take the activities and the industry in which a company operates into account. According to the VBDO, Hay Group and DHV, sustainable objectives for banks should comprise of: integrity, responsible investment and the level of energy consumption. In the report [Sustainable Remuneration](#) sustainability is defined as the total of all organisation specific issues with an ethical, environmental and/or social nature that influence the interests of the organisation and its stakeholders. Within this framework, a company that, besides the financial objectives, aims towards client satisfaction is considered as a company with a limited sustainable focus. A company that in addition also aims for employee satisfaction and the reduction of its CO₂-emissions is considered to be more sustainable.

This leads to assessment element

6	At least 60% of the bonus is based on long term objectives (not to be confused with agreements for deferred payment of the bonus).
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- **Non-financial criteria**

The International Labour Organisation emphasises in its World of Work Report 2013 that it is important to increase a focus on better alignment of the activities in the financial sector with the needs of the real economy, for example through linking performance-based compensation to social and environmental objectives.

In the UN Global Compact and UN PRI report [Integrating ESG issues into executive pay](#) companies are recommended to link appropriate ESG metrics to reward systems in a way that they form a meaningful component of the overall remuneration framework. They are furthermore encouraged to develop their own definition of sustainable value creation and use it to select appropriate ESG metrics, thereby also consulting shareholders and stakeholders in order to enhance internal and external support.

In the European Union, the [CRD Remuneration requirements Articles 74 and 92 to 96 and Article 450 CRR](#) dictate that remuneration that is linked to performance, should in total be based on both the assessment of the performance of an individual, the business unit concerned and the overall results of the institution. When assessing the performance of an individual, financial as well as non-financial criteria are to be taken into account. The total amount of remuneration is based on a combination of the assessment.

The report [Sustainable Remuneration](#) calls upon all companies to base at least one third of the total bonus on sustainable objectives. To achieve this it is important to take the activities and the industry in which a company operates into account. According to the authors, VBDO, Hay Group and DHV, sustainable objectives for banks should comprise of: integrity, responsible investment and the level of energy consumption. Also the Dutch labour union FNV argues that for top positions the criteria for variable remuneration should be aimed at sustainability with respect to social policy, the environment and client focus.⁷⁴⁶ The [Dutch law on the remuneration policies of financial institutions](#) makes it mandatory to base at least 50% of the variable remuneration on non-financial criteria.

The [Dutch Banking Code](#) provides that, besides financial achievement criteria, non-financial achievement criteria also have to be an important part of an assessment of an individual for variable remuneration. In its recommendations, the [Maas Committee](#) gave examples for these non-financial criteria, such as client satisfaction, risk management, investor relations, operational objectives, human resources, integrity, compliance and sustainability.

This leads to assessment element

7	At least one third of the bonus is based on non-financial criteria.
8	At least two third of the bonus is based on non-financial criteria.
9	The bonus is based on employee satisfaction.
10	The bonus is based on client satisfaction.
11	The bonus is based on improving the social and environmental impact of the financial institution's management and operational practices.
12	The bonus is based on improving the social and environmental impact of the financial institution's investments and financial services.

4.3.3 Assessment elements

All forms of variable remuneration are considered a bonus. This includes profit sharing programs, except those that cover all employees and at equal terms. The ideal bonus policy would be extremely sober, in part based on sustainability criteria and would also include the possibility of recovering the bonus in cases of malpractice. Banks and financial institutions should not make exceptions in their bonus policies for investment bankers or subsidiaries.

A solid policy for the entire financial institution (including all subsidiaries) on remuneration at least concerns the Board of Directors, the directors (in case of a 2-tier board structure), the senior management and risk takers. The senior management includes the people that are ultimately responsible for certain divisions, portfolios, internal departments, etc. that operate directly under the directors and Board of Directors. Risk takers comprise of investment bankers, stock exchange traders and trading room managers. Each element (with the exception of elements 1, 5 and 6) will be scored for these three groups. The FFGI's expectations on remuneration policies therefore only concern the financial institutions' employees which are not covered by a collective labour agreement.

The following elements are crucial for a policy regarding the financial institution's internal operations:

1. The financial institution maintains the right to recover bonuses if, after payment, it appears that they were paid unduly (a so-called *clawback* scheme).
2. The bonus is a maximum of 100% of the fixed annual salary.
3. The bonus is a maximum of 20% of the fixed annual salary.
4. The bonus is a maximum of 10% of the fixed annual salary.
5. The fixed salary does not exceed twenty times the lowest salary or the maximum of the lowest salary scale within the financial institution.
6. At least 60% of the bonus is based on long term objectives (not to be confused with agreements for deferred payment of the bonus).
7. At least one third of the bonus is based on non-financial criteria.
8. At least two third of the bonus is based on non-financial criteria.
9. The bonus is based on employee satisfaction.
10. The bonus is based on client satisfaction.
11. The bonus is based on improving the social and environmental impact of the financial institution's management and operational practices.
12. The bonus is based on improving the social and environmental impact of the financial institution's investments and financial services.

4.4 Transparency and accountability

4.4.1 What is at stake?

Each individual has the right to know what consequences business activities can have for his or her life and which risks he or she is exposed to in these activities. People whose lives are influenced by economic activities are unable to defend their legitimate interests if they are not fully informed on the social, economic and environmental advantages, as well as the costs and risks connected to that activity. Also, they have to be informed on the possible alternatives for the proposed activity. In order to properly defend their social, cultural and environmental interests, social organisations also have to have access to all relevant information.

For these grounds, the public right of information - with the objective to participate in a meaningful way in the decision-making process - is recorded in various international instruments. Examples are the [Universal Declaration of Human Rights](#), the [Rio Declaration on Environment and Development](#), the [Aarhus Convention](#), the [OECD Guidelines for Multinational Enterprises](#) and [ISO 26000:2010 Guidance on social responsibility](#).

In the first instance, some of these guidelines formulate obligations for governments, but the general principles are obviously applicable to all important social actors, including companies who are also obliged to be transparent on activities that can have consequences for employees, nearby residents and others. Moreover, they have to be prepared to be accountable for it and to listen to the expectations and concerns of other stakeholders. This means that the company has to establish a formal complaints procedure.⁷⁴⁷

More and more companies realise that transparency and accountability is not only their moral duty, but that it can also offer them an advantage. Transparency creates trust. It is the lack of sufficient information and the public perception that managers try to keep certain information secret that causes conflicts and resistance to the activities of companies. Transparency also decreases the risk of corruption. A company that is transparent and prepared to be accountable in this way acquires social approval for its activities.⁷⁴⁸

For financial institutions, transparency and accountability are possibly even more important than for other companies. Contrary to other companies, as capital providers they play an important role in virtually all economic industries. And for the social and environmental consequences of all these economic activities they as investors and financiers carry a certain responsibility. To this effect, financial institutions not only have to inform the public of their own activities, but they also have to be as transparent as possible about the companies, projects and governments in which they invest.

For financial institutions, transparency also provides a significant advantage in that they are able to timely recognise and solve the public concerns on activities in which they want to invest before actual conflicts arise. Therefore, multilateral development banks and a lot of export credit insurance companies all have transparency policies that ensure data is made public on all considered transactions.⁷⁴⁹

Transparency and accountability forms the basis for achieving many of the SDGs. In particular, SDG 16 Peace, Justice and Strong Institutions promotes the development of effective, accountable and transparent institutions at all levels.⁷⁵⁰ Similarly, SDG 12 Responsible Production and Consumption highlights the importance for companies to adopt sustainable practices and integrate reporting on sustainable aspects in their reports.⁷⁵¹ There are many other SDG goals that can't be achieved without transparent and accountable institutions, be it a company or a state.

When developing policies in this respect, financial institutions can make use of the international standards described below.

4.4.2 International standards and initiatives

There are various international standards on transparency (both at the level of the financial institutions as a whole as well as with respect to individual investments) and accountability. The main international standards on transparency and accountability of financial institutions are summarised per topic, followed by the assessment elements that are formulated by FFGI as a result:

- **Finance and investment framework and auditing**

In order to verify whether financial institutions meet their sustainability promises, financial institutions conduct internal audits of their credit and investment policies and framework regarding certain sectors and environmental, social and governance issues and the system put in place to implement those. This includes the due diligence processes. Based on these audits, they can establish whether their system can be improved further.

It is even better when financial institutions conduct an external audit of their credit and investment policies and framework, including due diligence processes, regarding certain sectors and environmental, social and governance issues where they can make use of the [AA1000 Series of Standards](#) that AccountAbility has developed, a combination of norms on accountability, auditing and reporting. Another system for auditing non-financial information is [ISAE 3000](#), published by the International Assurance and Accounting Standards Board.⁷⁵² Preferably, a summary of the results of these audits is made public, for example in the sustainability report, and discussed with stakeholders.

This leads to assessment element

- | | |
|---|--|
| 1 | The financial institution describes its finance and investment framework regarding environmental and social issues and provides insight into how the financial institution ensures that investments meet the conditions set in its policies. |
| 2 | The financial institution's finance and investment framework regarding environmental and social issues is audited by a third party and the results are published. |
-

- **Transparency on specific transactions**

It is not sufficient that financial institutions publish positive sounding policy statements. It is important that these policy statements actually lead to more sustainable investment practices. This can only be verified publicly if the financial institution provides insight into loans granted and other investments. On the financial institution's website, stakeholders have to be able to find basic information on all transactions in which a financial institution is involved. Similarly, financial institutions should publish the names of governments they invest in, as is standard practice for many financial institutions. And if available, the social and environmental impact assessments on these transactions also have to be publicly available.

The financial institution should at least specify all regions and industries in a breakdown of its portfolio. Financial institutions often claim that they are unable to publish such information about companies as it harms trust with their clients. However, when a financial institution participates in bank syndicate, it often proudly advertises it in financial magazines. Apparently, the relation of trust with the client does not play a role in these situations.

But if financial institutions individually grant loans to companies, they can inform these clients in advance that their name could be published. Multilateral development banks such as the World Bank, the Asian Development bank and many others have been setting a good example in this respect for years. Since 1994, the International Finance Corporation (IFC) has a strict [Access to Information Policy \(AIP\)](#). On its website, IFC provides extensive and comprehensive information on its activities, including its investment guidelines and its investments. When IFC finances a certain project, a lot of information on that project is available on its website, such as environmental impact assessments and environmental action plans.⁷⁵³ Another example is the Italian [Banca Etica](#), that not only publishes information on its loans (name lender, term of the loan, amount), but also on potential transactions that are pending at an external Ethics Committee. This is in line with [the principles of the Global Alliance for Banking on Values](#).

Commercial financial institutions should follow these examples by:

- providing an overview in their annual report of the industrial and regional breakdown of the transactions in which they are involved. Such information is required in the GRI [G4 Financial Services Sector Disclosure \(FSSD\)](#) (indicator FS6).^{xliv} Stakeholders also quickly gain insight in the sensitive sectors and fields in which the financial institution is active;
- providing an overview of all companies to which it has granted more than EUR 10 million credit. The value of this threshold is derived from the [Equator Principles](#), but should not be limited to project finance;
- providing basic information through their website on the companies in which they invest;
- obliging the companies in which they invest (in some situations) to provide information to involved communities on the social and environmental effects of their activities, such as those included in the [Equator Principles](#) for Category A transactions.

This leads to assessment element	
3	The financial institution publishes the names of governments in which it invests.
4	The financial institution publishes the names of companies in which it invests.
5	The financial institution mentions and describes all companies (on its website) to which it has granted more than USD10 million credit.
6	The financial institution discloses the names of all outstanding project finance transactions and project-related corporate loans, including the information required by the Equator Principles III.

If a financial institution does not wish to publish the names of companies it invests in or finances, it may provide insight in its investments based on at least the first two digits (called *divisions* by NACE), but preferably the first four digits (called *classes* by NACE), of the European Nomenclature Statistique (NACE). This standard is similar to the [United Nations International Standard Industrial Classification of All Economic Activities \(ISIC\)](#). And in the Netherlands for example, the main categories of the Standaard Bedrijfsindeling (SBI, Standard Company Classification) of Centraal Bureau voor de Statistiek (CBS, Statistics Netherlands) are based on it.⁷⁵⁴

Furthermore, banks in Europe can publish the outcome of the European Banking Authority's annual Transparency Exercise. The Transparency Exercise "provides detailed bank-by-bank data on capital positions, risk exposure amounts and asset quality".⁷⁵⁵

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Since the release of the *GRI Standards*, GRI has not yet updated its sector disclosures and recommends organisations to use the sector disclosure of the G4 Reporting Framework.

This leads to assessment element

7	The financial institution publishes a breakdown of its portfolio by region, size and industry (in line with GRIs FSSD FS6).
8	The financial institution publishes a breakdown of its portfolio in a cross table, combining industry and region data.
9	The financial institution publishes a sufficiently detailed breakdown of its portfolio, for example based on the first two digits of NACE and ISIC.
10	The financial institution publishes a sufficiently detailed breakdown of its portfolio, for example based on the first four digits of NACE and ISIC.
	The financial institution publishes a breakdown of its portfolio by region, size and industry (in line with GRIs FSSD FS6).

• Sustainability reporting

The European Union's [Non-Financial Information Disclosure Directive](#) obliges European companies with more than 500 employees to publicly report on at least:⁷⁵⁶

- environmental matters;
- social and employee aspects;
- respect for human rights;
- anticorruption and bribery issues; and
- diversity in their board of directors.

The Directive gives companies significant flexibility in disclosing this information: companies may rely on guidelines such as the OECD Guidelines on Multinational Enterprises, ISO 26000:2010, the United Nations Global Compact, Global Reporting Initiative Reporting Framework or the UN Guiding Principles on Business and Human Rights.

[ISO 26000:2010 Guidance on social responsibility](#) have included transparency as a principle and states that an organisation is responsible "for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour."⁷⁵⁷

Likewise, the [OECD Guidelines for Multinational Enterprises](#) stress the importance of the disclosure of information: companies "should ensure that timely and accurate information is disclosed on all material matters regarding their activities, structure, financial situation, performance, ownership and governance. This information should be disclosed for the enterprise as a whole, and, where appropriate, along business lines or geographic areas".⁷⁵⁸

In addition, the [United Nations Guiding Principles on Business and Human Rights \(UNGPs\)](#) also expect companies to report publicly: "In order to account for how they address their human rights impacts, business enterprises should be prepared to communicate this externally, particularly when concerns are raised by or on behalf of affected stakeholders".⁷⁵⁹ Companies and financial institutions can make use of the [UNGP Reporting Framework](#) to report on their impact on human rights.

In recent years, drafting a sustainability report has become commonplace. The best known guideline for this is the [Global Reporting Initiative \(GRI\) Reporting Framework](#), of which the latest edition has been presented in 2016: "The G4 Guidelines have been superseded by the [GRI Sustainability Reporting Standards \(GRI Standards\)](#). The GRI Standards will be required for all reports or other materials published on or after 1 July 2018 – the G4 Guidelines remain available until this date".⁷⁶⁰ GRI encourages financial institutions to not only describe their sustainability policy, but to also measure the respective implementation.

Besides the General Disclosures there are also Sector Disclosures that elaborate more on the transparency requirements for specific types of companies and industries. In cooperation with the [UNEP Finance Initiative \(UNEP FI\)](#), GRI published the GRI Financial Services Sector Disclosure – FSSD, with specific guidelines on product portfolios, active ownership, investing in local communities and developing accessible and honest sale of financial products.⁷⁶¹

In the new GRI Standards 2016 it is still possible to report on two different 'in accordance' options:

- 'This report has been prepared in accordance with the GRI Standards: Core option'; or
- 'This report has been prepared in accordance with the GRI Standards: Comprehensive option'.

GRI recommends financial institutions to use the Financial Services Sector Disclosure together with the GRI Standards, even though they are not update yet.⁷⁶² Financial institutions should also let their sustainability report be verified externally.⁷⁶³

This leads to assessment element	
16	The financial institution publishes a sustainability report that may contain (a number of) disclosures from the GRI Standards.
17	The financial institution publishes a sustainability report that is set up in accordance with the (Core or Comprehensive option of) GRI Standards.
18	The financial institution's sustainability report has been verified externally.

The following requirements on transparency are laid down in the GRI's FSSD:

- Publication of the policy of the financial institution on specific issues and industries (FS1). If these policy documents are not publicly available, they are of less value. Because financial institutions cannot be held accountable when people that experience harm or disadvantage from the investments of a financial institution cannot verify to what standards the investments should comply with.
- Providing information on investments, divided according to region, size and sector (FS6: Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large). This indicator provides contextual information on a financial institution's portfolio and customer base, and serves as a starting point for further engagement processes with stakeholders. It is particularly relevant when combined with information on environmental and social policies and risk assessment/screening procedures as applied to the different business lines.
- Providing information on how a financial institution deals with investments that do not (or no longer) meet the policy, the norms, or the contract conditions of the financial institution is now explicitly requested. Financial institutions have to report which action they have taken in these situations (for example engagement or exclusion), whether these actions have been successful and what further steps will be taken (FS1, FS2, FS3 and FS10).

- "Voting policy(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting (G4-DMA and FS12)". This includes a "summary of voting practices during the reporting period including explanation of significant deviations from voting policies".⁷⁶⁴

The OECD's paper Responsible business conduct for institutional investors explains the application of the OECD Guidelines for Multinational Enterprises in the context of responsible investment and explains the obligations of investors on identification of business relationships: "An investor should account for how it has addressed adverse impacts throughout its operations and with its business relationships through (a) tracking and (b) communicating on results. [...] Public reporting may include information on the following:

- investor [Responsible Business Conduct] (RBC) Policy, including due diligence approaches;
- how investor RBC Policy and diligence approaches are implemented across different asset classes;
- engagement activities undertaken by the investor;
- companies with which the investor has engaged;
- results of engagement with specific companies;
- decisions regarding divestment;
- voting records of investor in investee company shareholder meetings and guidelines for voting in investee companies;
- investor's future RBC plans and targets."⁷⁶⁵

The OECD also recognizes the difficulties for financial institutions in balancing transparency and confidentiality. However, the OECD expects investors to "strive to account for their due diligence processes to the extent possible while respecting confidentiality concerns. This may involve:

- limiting access to sensitive information to those approved by the information provider.
- anonymising the source of information.
- providing a valid explanation or justification, where possible, for why the information has not been shared
- using third parties or innovative technologies that allow disclosure of key information while protecting commercially sensitive data, for example, to disclose certain information in aggregate or without identifying specific investor-investee relationships".⁷⁶⁶

Therefore, financial institutions should publish their voting record, engagement activities regarding their investee companies, and exclusion list. This enables stakeholders to assess the sustainable investment practices of a financial institution.

This leads to assessment element

11	The financial institution publishes the number of companies with which there has been interaction on social and environment topics (in line with GRIs G4 FSSD FS10).
12	The financial institution publishes the names of companies with which there has been interaction on social and environmental topics.
13	The financial institution publishes the results of engagement, including the topics, goals and deadlines.
14	The financial institution publishes the names of companies that are excluded from investment due to sustainability issues, including the reasons for this exclusion.
15	The financial institution publishes its voting record.

- **Consultation**

Respecting the interests of the stakeholders is one of the principles in [ISO 26000:2010 Guidance on social responsibility](#): “an organisation should respect, consider and respond to the interests of its stakeholders.” The document also elaborates on ways to implement an effective stakeholder dialogue as part of the social responsibility of organisations.⁷⁶⁷

Through consultation mechanisms, financial institutions can also consult social organisations on their investment policy on certain sectors and issues. In order to make such consultations effective, it is important that financial institutions translate their policy documents into a language and jargon that is comprehensible to the communities and organisations involved. Such a consultation has to be a dialogue, a two-way process. When financial institutions do not take the concerns, sensitivities and other stakeholders’ contributions seriously, the process is useless. Serious concerns have to lead to adapting the policy of the financial institution and the procedures followed.⁷⁶⁸

[GRI Standards](#) Disclosure 102-40 requires companies to publish a list of stakeholder groups. GRI Standards Disclosure 102-44 requires companies to report on key topics and concerns raised through stakeholder engagement.

This leads to assessment element

19	The financial institution reports on the consultation with civil society organisations and other stakeholders.
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- **Grievance mechanisms**

In the [United Nations Guiding Principles on Business and Human Rights](#), John Ruggie mentions the lack of grievances procedures as a weak point of companies. Also, in all initiatives of financial institutions that want to guarantee compliance with human rights for the companies in which they invest or finance, this is lacking. In an earlier report Ruggie indicated that “In the absence of an effective grievance mechanism, the credibility of such initiatives and institutions may be questioned.”⁷⁶⁹

Financial institutions are accountable to local communities and other stakeholders for involvement in companies they invest in or finance. The companies themselves are primarily responsible for the social and environmental effects of their activities; any grievances of communities should first be directed at them. However, this does not absolve a financial institution from the obligation to ensure that all investees meet the standards set by the financial institution in its investment and finance policies.

[According to the Office of the High Commissioner for Human Rights](#), UNGP 29 expects banks to have grievance mechanisms in place (their own, or one they participate in or cooperate with). Furthermore, in line with UNGP22 banks too are expected to take responsibility for enabling remediation to communities and individuals that have been adversely impacted by the activities of companies that are financed by the bank. While operational level grievance mechanisms (either of the bank itself or established by other entities) are one means through which remediation can be provided, some impacts may be best remediated through other legitimate mechanisms, including State-based judicial and non-judicial mechanisms. Banks should respect stakeholder preferences with respect to use of a grievance mechanism or other legitimate processes, ‘and engage with the latter in good faith’⁷⁷⁰

Most multilateral development banks and export credit insurance companies dispose of a grievances procedure.^{xlv} Although limited in scope, the [OECD National Contact Points](#) can be considered as a grievance mechanism.⁷⁷¹ Financial institutions should therefore cooperate with OECD National Contact Points if stakeholders prefer to use it as a grievance mechanism.

For non-judicial grievance mechanisms, both State-based and non-State-based, to be effective, the UNGPs expect it to be:⁷⁷²

- Legitimate;
- Accessible;
- Predictable;
- Equitable;
- Transparent;
- Rights-compatible; and
- A source of continuous learning.

On the point of transparency, the guidance of UNGP 31 further states that a non-judicial grievance mechanism should keep parties to a grievance up-to-date about its progress, and provide sufficient information about the mechanism's performance, in order to build confidence in its effectiveness and meet any public interest at stake.⁷⁷³

This is also relevant for operational-level grievance mechanisms. FFGI expects financial institutions that choose to establish a grievance mechanism themselves, to report about complaints received and about the progress of the complaints that are dealt with by the financial institution.

This leads to assessment element

20	The financial institution establishes or participates in effective operational-level grievance mechanisms for individuals and communities which may be adversely impacted by activities that it is connected with.
21	The financial institution reports on the grievance mechanism process, including its progress and performance.
22	The financial institution commits to respecting and cooperating in good faith with State-based non-judicial and judicial grievance mechanisms when cases that it is connected with are brought to such a mechanism.

4.4.3 Assessment elements

For financial institutions that take social responsibility seriously, transparency and accountability is of great importance. The following elements are crucial regarding the financial institution's internal operations:

1. The financial institution describes its finance and investment framework regarding environmental and social issues and provides insight into how the financial institution ensures that investments meet the conditions set in its policies.
2. The financial institution's finance and investment framework regarding environmental and social issues is audited by a third party and the results are published.
3. The financial institution publishes the names of governments in which it invests.

xlv See e.g. the World Bank Inspection Panel, the IFC and MIGA Compliance Advisor Ombudsman, the ERBD Independent Recourse Mechanism and the JBIC Examiners for Environmental Guidelines.

4. The financial institution publishes the names of companies in which it invests.
5. The financial institution mentions and describes all companies (on its website) to which it has granted more than USD10 million credit.
6. The financial institution discloses the names of all outstanding project finance transactions and project-related corporate loans, including the information required by the Equator Principles III.
7. The financial institution publishes a breakdown of its portfolio by region, size and industry (in line with GRIs FSSD FS6).
8. The financial institution publishes a breakdown of its portfolio in a cross table, combining industry and region data.
9. The financial institution publishes a sufficiently detailed breakdown of its portfolio, for example based on the first two digits of NACE and ISIC.
10. The financial institution publishes a sufficiently detailed breakdown of its portfolio, for example based on the first four digits of NACE and ISIC.
11. The financial institution publishes the number of companies with which there has been interaction on social and environment topics (in line with GRIs G4 FSSD FS10).
12. The financial institution publishes the names of companies with which there has been interaction on social and environmental topics.^{xlvi}
13. The financial institution publishes the results of engagement, including the topics, goals and deadlines.^{xlvi}
14. The financial institution publishes the names of companies that are excluded from investment due to sustainability issues, including the reasons for this exclusion.
15. The financial institution publishes its voting record.
16. The financial institution publishes a sustainability report that may contain (a number of) disclosures from the GRI Standards.
17. The financial institution publishes a sustainability report that is set up in accordance with the (Core or Comprehensive option of) GRI Standards.
18. The financial institution's sustainability report has been verified externally.
19. The financial institution reports on the consultation with civil society organisations and other stakeholders.
20. The financial institution establishes or participates in effective operational-level grievance mechanisms for individuals and communities which may be adversely impacted by activities that it is connected with.
21. The financial institution reports on the grievance mechanism process, including its progress and performance.
22. The financial institution commits to respecting and cooperating in good faith with State-based non-judicial and judicial grievance mechanisms when cases that it is connected with are brought to such a mechanism.

xlvi Regarding corporate credits and project finance, the financial institution reports preferably on individual client level, and when all relevant clients have not given their consent, it reports on an aggregated level.

xlvi Regarding corporate credits and project finance, the financial institution reports preferably on individual client level, and when all relevant clients have not given their consent, it reports on an aggregated level.

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Fair Finance Guide ***International*** **Metodologia 2018**

Uma metodologia para a avaliação de políticas de investimento e financiamento responsável de instituições financeiras

Versão executiva



Anniek Herder, Hester Brink, Michel Riemersma

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Introdução à metodologia global

Dez anos após a crise financeira de 2008, que forçou governos a socorrer bancos a fim de evitar o colapso total do sistema financeiro, o mundo sofre uma nova onda de desregulamentação. Muitos acreditam que a crise de 2008 originou-se do investimento irresponsável e do comportamento de tomada de riscos dos bancos ao redor do globo. A crise mostrou o grande impacto que as instituições financeiras têm na sociedade como um todo.

Embora os acordos internacionais de fortalecimento da regulamentação bancária tenham dado passos para evitar enormes resgates de bancos no futuro, eles não são suficientes para promover mudanças fundamentais necessárias nesse setor. Instituições financeiras responsáveis são muito necessárias para responder a todos desafios sociais e ambientais que são enfrentados pela comunidade global. Um setor financeiro forte e responsável é necessário para alocar eficientemente fundos de investimento, encontrar soluções de compartilhamento de risco e prover serviços financeiros adequados a todas pessoas.

O peso dos efeitos sociais e ambientais negativos de empréstimos e investimentos de instituições financeiras recai desproporcionalmente sobre pessoas vivendo em pobreza. Até hoje, são principalmente as organizações da sociedade civil que denunciaram essa questão e que impelem as instituições financeiras a prestar contas sobre essas violações.

Uma dessas iniciativas da sociedade civil é a rede *Fair Finance Guide International*, lançada em janeiro de 2014 a partir da experiência do Guia dos Bancos Responsáveis na Holanda e no Brasil. O *Fair Finance Guide International* é um esforço colaborativo de coalizões de organizações da sociedade civil na Alemanha, Bélgica, Brasil, França, Holanda, Índia (começando em 2018), Indonésia, Japão, Noruega, Suécia e Tailândia (começando em 2018). Em cada país, essas coalizões desenvolvem *websites* que clientes e outras partes interessadas podem utilizar para comparar as políticas de investimento e financiamento de suas instituições financeiras em uma série de temas transversais e setoriais. Além disso, as coalizões regularmente publicam estudos de caso em tópicos específicos, buscando avaliar como (e se) as instituições financeiras aplicam critérios de sustentabilidade em suas práticas diárias. Elas também pressionam os bancos pesquisados, seguradoras e outras instituições financeiras para que melhorem suas políticas e práticas e influenciam reguladores a desenvolver e impor regulações adequadas.

Com esse projeto, o FFGI espera incentivar que as instituições financeiras repensem seu papel na sociedade. Desenvolver políticas claras e ambiciosas em questões ambientais, sociais e de governança são um primeiro passo necessário nessa direção.

Este documento apresenta a metodologia internacional do *Fair Finance Guide International* que será utilizada para avaliar e ranquear as políticas de instituições financeiras. Dada a *expertise* e a experiência de todos envolvidos na rede, nós acreditamos que esta metodologia é baseada nos entendimentos e padrões internacionais mais recentes no que diz respeito à sustentabilidade, meio ambiente e direitos humanos.

Nós temos a certeza de que este documento ajudará as atuais e futuras coalizões de organizações da sociedade civil que participam do *Fair Finance Guide International*, bem como as instituições financeiras mundo afora, a embarcar nesse caminho rumo a um setor financeiro justo e sustentável.

Agradecemos todos os pesquisadores e especialistas das coalizões da rede *Fair Finance Guide International* e os quadros da Profundo por seu trabalho incansável e suas contribuições para desenvolver esta metodologia.

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Diretor da Profundo

Gine Zwart

Coordenadora da Fair Finance Guide International

Introdução à versão executiva em português

Desde 2011 o Idec – Instituto Brasileiro de Defesa do Consumidor – desenvolve o Guia dos Bancos Responsáveis (GBR) como forma de avaliar as políticas e práticas dos bancos brasileiros para consumidores, meio ambiente e economia. A partir de 2014, o GBR passou a fazer parte do *Fair Finance Guide International*, que é um esforço conjunto de organizações da sociedade civil de diversos países objetivando a responsabilização das instituições financeiras sobre os impactos de seus investimentos e serviços financeiros na sociedade e na natureza.

A entrada de mais dois países na rede *Fair Finance Guide International (FFGI)* em 2018 demonstra sua consistência e crescente importância internacional, o que não é diferente no contexto brasileiro. No Brasil, além do Idec, atualmente compõem a coalizão nacional o Instituto Sou da Paz e a Conectas Direitos Humanos.

Neste documento, trazemos a tradução do capítulo 1 da metodologia do FFGI, que diz respeito aos objetivos e à metodologia da avaliação de políticas das instituições financeiras. Essa metodologia é fruto do trabalho conjunto das coalizões nacionais dos países participantes da rede, que considerou as críticas e contribuições dos bancos brasileiros na reunião que tivemos em 2016. A linguagem é direcionada à população em geral, por isso alguns trechos podem parecer redundantes para o público especializado.

Na edição de 2018 do Guia dos Bancos Responsáveis serão avaliados 18 temas, um a mais que na versão anterior. Os temas podem ser transversais, setoriais ou operacionais, como é melhor explicado na seção 1.4.1.

A pontuação é atribuída aos bancos quando seus documentos públicos trazem explicitamente princípios que traduzam sua responsabilidade socioambiental, como colocado na seção 1.4.2. Esses princípios são formulados pela metodologia como elementos de avaliação, cuja quantidade varia de acordo com o tema e pode ser encontrada na versão integral da metodologia, em inglês.

A pontuação em cada elemento é no mínimo 0 (zero) e no máximo 1 (um). Após a avaliação da pontuação em todos os elementos de um tema, é feita uma média aritmética que representará a nota final do banco naquele tema. O processo é detalhado na seção 1.4.4. No site do GBR (www.gbr.org.br), essa pontuação é trazida na forma de porcentagem. O desempenho geral do banco, exibida na página inicial do site, será o equivalente à média aritmética da pontuação dos 18 temas avaliados.

O escopo da política também influencia na nota. Ele varia de acordo com as áreas de investimento e serviços financeiros em que a instituição financeira é ativa e nas quais aplica os princípios de responsabilidade socioambiental, questão aclarada na seção 1.4.3. Pontos também são atribuídos caso a instituição financeira tenha aderido à alguma iniciativa ou padrão internacional, como é o caso dos Princípios do Equador e os Padrões de Desempenho do IFC. A seção 1.4.7 detalha os critérios.

Ao executar o Guia dos Bancos Responsáveis, o Idec espera que os bancos avaliados melhorem sua performance gradualmente, integrando elementos de sustentabilidade e respeito ao consumidor nas suas políticas de concessão de crédito, investimentos, gestão de recursos de terceiros e outros serviços financeiros. É de especial importância para nós os elementos de direitos do consumidor, em razão do histórico do Idec em sua defesa há 30 anos e que é tão relevante quanto os outros temas da avaliação de políticas.

O Guia dos Bancos Responsáveis é uma oportunidade para os bancos brasileiros elevarem suas políticas e práticas em consonância com os padrões internacionais e por isso temos certeza de sua relevância para o sistema financeiro nacional e para a sociedade brasileira.

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1. Objetivo e método

1.1 Visão Geral

Esta metodologia tem como objetivo verificar quais questões de sustentabilidade estão presentes nas políticas que as instituições financeiras aplicam ao avaliar solicitações de crédito e decisões de investimentos. Ela estabelece os elementos a serem considerados pelo *Fair Finance Guide International* para mensurar políticas ambientais, sociais e econômicas das instituições financeiras. Estes elementos são agrupados em três categorias:

- Temas transversais (Capítulo 2);
- Temas setoriais (Capítulo 3); e
- Temas operacionais (Capítulo 4).

O Capítulo 1 fornece uma visão geral do objetivo e da metodologia do *Fair Finance Guide International*. O objetivo do projeto é incentivar a Responsabilidade Socioambiental (RSA) em instituições financeiras. A seção 1.2 descreve os princípios de responsabilidade socioambiental e explica o papel que as instituições financeiras têm na promoção da RSA nas empresas em que investem. Além disso, nesta seção explica-se como *Fair Finance Guide International* espera estimular a busca dos bancos por melhores posições do ranking, permitindo que o consumidor possa comparar as instituições financeiras pelo seu nível de responsabilidade socioambiental.

Na seção 1.3, cinco tipos de instituições financeiras são listados. O papel dos bancos comerciais, bancos de investimento, companhias de seguros, fundos de pensão e gestores de ativos no setor financeiro é explicado.¹

A avaliação das políticas de investimento é explicada na seção 1.4. Ela descreve quais questões e setores são levados em consideração e como certos princípios devem ser aplicados por uma instituição financeira para que receba a pontuação. A seção discorre sobre o escopo das políticas de investimento, os setores relevantes para determinadas instituições financeiras, os documentos que devem ser avaliados e as políticas coletivas que podem ser consideradas.

O capítulo é concluído com a seção 1.5 sobre o uso de estudos de caso para complementar a avaliação de políticas do *Fair Finance Guide International*.

1.2 Objetivo e princípios

O objetivo do projeto *Fair Finance Guide International* é incentivar a Responsabilidade Social Empresarial (RSE) por meio das instituições financeiras. De acordo com a ISO 26.000, a RSE pode ser definida como a "responsabilidade de uma organização pelos impactos de suas decisões e atividades na sociedade e no meio ambiente, por meio de um comportamento transparente e ético que contribua para o desenvolvimento sustentável, incluindo a saúde e o bem-estar da sociedade; levando em conta as expectativas das partes interessadas; que esteja em conformidade com a lei e em com as normas internacionais; e que esteja integrada em toda a organização e praticada em seus

¹ Nota do Guia dos Bancos Responsáveis: Na versão executiva em português só três tipos estão listados, pois seguradoras e fundos de pensão não são avaliados no Brasil.

relacionamentos". As Diretrizes da OCDE para Empresas Multinacionais argumentam que as empresas devem "contribuir para o progresso econômico, ambiental e social, de forma a alcançar o desenvolvimento sustentável."

Isso significa que as empresas (inclusive instituições financeiras) não devem só aderir à legislação e às regulamentações em vigor nos países onde operam, mas também devem cumprir e apoiar convenções internacionais, padrões e iniciativas que reconheçam os problemas de sustentabilidade e ofereçam soluções para eles - mesmo quando esses padrões não estão incluídos na legislação local. **As empresas devem cumprir com estes padrões ao operar seus próprios negócios e de suas subsidiárias, mas também devem esperar que seus fornecedores cumpram.** (Veja o Compêndio da União Europeia sobre Políticas Públicas em Responsabilidade Social Corporativa, de 2014, para uma visão abrangente das normas de RSE)

De acordo com o projeto *Fair Finance Guide International*, **os esforços de responsabilidade socioambiental das instituições financeiras devem ser direcionados primordialmente à sua atividade principal: oferecer capital.** As instituições financeiras oferecem aos seus clientes uma ampla gama de serviços financeiros, os quais permitem que empresas, governos e indivíduos obtenham capital para todos os tipos de atividades. Isto pode incluir atividades que levem a violações de direitos humanos ou à poluição ambiental, bem como atividades que contribuem para acabar com a desnutrição ou melhorar a biodiversidade.

A questão que o projeto *Fair Finance Guide International* levanta, portanto, é: em que medida as instituições financeiras apoiam, através dos seus serviços financeiros, atividades que contribuem para um mundo socialmente justo e sustentável? De acordo com o *Fair Finance Guide International*, as instituições financeiras devem ter a expectativa de que as empresas às quais elas fornecem capital, bem como os seus fornecedores, cumpram com as normas e iniciativas internacionais amplamente aceitos.

As instituições financeiras devem registrar essas expectativas e torná-las públicas em suas políticas para questões e setores específicos. Ao avaliar essas políticas, a legislação local não é explicitamente considerada na maioria das vezes, porque o *Fair Finance Guide* assume que as instituições financeiras no mínimo exigem que seus clientes cumpram a lei. Devido ao foco em serviços financeiros, as questões relacionadas com as operações internas das instituições financeiras, tais como suas políticas de recursos humanos, de consumo de papel, água e uso de energia, estão, em sua maioria, fora dos cálculos de avaliação.

O *Fair Finance Guide International* permite que os consumidores, a mídia e outras partes interessadas comparem instituições financeiras e incentivem-nas (e também suas subsidiárias na gestão de ativos e seguros) a oferecer serviços financeiros de forma responsável.

Ao comparar as instituições financeiras tanto no conteúdo da sua política quanto em suas práticas ao oferecer serviços financeiros, o projeto *Fair Finance Guide International* estimula a concorrência entre as instituições financeiras no que diz respeito à Responsabilidade Socioambiental. A rede espera estimular um processo que leva ao aumento da rigidez de políticas sociais, ambientais e econômicas (*corrida rumo ao topo*) e reforçar o papel construtivo que as instituições financeiras podem desempenhar na criação de um mundo mais justo e sustentável.

1.3 Setor financeiro

1.3.1. Os bancos comerciais

Os bancos são intermediários nos mercados monetários e de capitais: eles garantem que o capital de clientes privados e instituições, como fundos de pensão com recursos para investir, seja acessado por (outros) clientes e instituições que precisam de dinheiro para financiar suas atividades. Os bancos cumprem esse papel de duas formas:

- **Banco comercial:** bancos comerciais usam a poupança de indivíduos, organizações, instituições e empresas para fornecer empréstimos e outros produtos financeiros a outros indivíduos, organizações, instituições e empresas. Discutimos este papel nesta seção;
- **Banco de investimento:** os bancos de investimento não concedem empréstimos diretamente. Eles são intermediários entre diferentes grupos de clientes; incluindo empresas, governos, indivíduos abastados e investidores institucionais. Esses clientes pagam aos bancos de investimento uma taxa pelos seus serviços financeiros, tais como a emissão de ações ou títulos e sua venda a investidores. Discutimos esse papel na seção 1.3.2

Bancos comerciais tradicionais, que normalmente operam como bancos de varejo (para o grande público) e com serviços corporativos (para empresas e outras instituições de maior porte), captam recursos de indivíduos, organizações, instituições e empresas, na forma de poupança ou depósitos, e investem esses recursos, fornecendo empréstimos e demais produtos financeiros para outros indivíduos, organizações, instituições e empresas. Os bancos classificam esses recursos em suas demonstrações financeiras em duas colunas: à direita, como o banco obteve o dinheiro (os passivos), e à esquerda, como o banco repassou tais recursos (os ativos). Abaixo descrevemos as duas categorias:

- **Passivo**

Os passivos do banco - todo o seu capital de entrada - pode ser dividido em depósitos e capital próprio. O capital próprio é o montante referente aos recursos dos proprietários do banco. Estes podem ser seus acionistas, outras instituições financeiras ou, no caso de um banco cooperativo, os seus membros (que podem ser seus clientes, funcionários ou outros bancos locais). O seu capital é constituído por:

- Dinheiro arrecadado com a venda de ações do banco;
- Lucro líquido do banco nos últimos anos.

As dívidas/depósitos do banco incluem todas as outras verbas que atrai, incluindo:

- Dinheiro que os clientes particulares, instituições e empresas têm depositado em contas corrente e de poupança;
- Empréstimos de outros bancos;
- Títulos que o banco vendeu a investidores;
- derivativos financeiros: dívidas devido à swaps², contratos futuros³, e opções.

² Swap é um produto financeiro derivativo, onde ambas as partes trocam fluxos de capital. Por exemplo, em um swap de juros, dois bancos podem trocar os pagamentos de juros de dois empréstimos entre si. O objetivo pode ser mitigar o risco de, por exemplo, um aumento de juros ou mesmo a especulação sobre uma redução de juros. Portanto, no caso de uma troca, os bancos têm tanto uma dívida como um ativo.

³ Os contratos futuros são um contrato financeiro entre duas partes que se comprometem a negociar uma certa quantidade de um produto ou instrumento financeiro, a um preço pré-determinado, em um determinado momento no futuro.

- **Ativos**

Todas as quantias recebidas em um banco são investidas em vários tipos de ativos. Em outras palavras: a soma dos passivos é sempre exatamente igual à soma dos ativos. Bancos podem ter investimentos nos seguintes tipos de ativos:

- Os escritórios e mobiliário do próprio banco;
- Outros imóveis, tais como escritórios, estacionamentos e centros comerciais;
- Crédito para habitação e crédito a clientes privados;
- Empréstimos e outros tipos de crédito a empresas, governos e investidores, como fundos de *hedge*;
- Empréstimos a outros bancos;
- Investimentos em ações e títulos de empresas e em títulos de governos, mas também em *private equity* (ver seção 1.3.3 da metodologia integral em inglês);
- Investimentos em instrumentos financeiros derivativos: swaps, contratos futuros e opções.

Nem todos os bancos investem em todos esses tipos de ativos. Os bancos de poupança investem principalmente em ações e títulos, os bancos hipotecários principalmente em empréstimos hipotecários, e os bancos comerciais principalmente no crédito a empresas e governos. Nas últimas décadas, alguns bancos comerciais começaram a investir mais em produtos financeiros derivativos.

Todas as verbas alocadas em um banco por contas correntes e de poupança de clientes particulares, instituições e empresas, podem, em princípio, ser utilizadas pelo banco para todos os investimentos bancários possíveis: de empréstimos hipotecários a clientes privados até investimentos em empresas internacionais e derivativos financeiros. Isso significa que alguém que tenha colocado o dinheiro em uma conta corrente ou poupança em um banco não necessariamente sabe como seu dinheiro é utilizado. Os bancos são livres para investir o dinheiro dos poupadores de acordo com seu próprio critério. Portanto, é de grande importância que os bancos forneçam informações sobre quais políticas mantêm para seus investimentos.

1.3.2 Os bancos de investimento

Além de atuar como intermediários no mercado financeiro e de capitais na forma tradicional discutida na seção 1.3.1, alguns bancos atuam como bancos de investimento⁴. Isto significa que, ao invés de emprestar dinheiro diretamente, eles agem como intermediários entre diferentes grupos de clientes, incluindo empresas, governos, indivíduos com muito capital e investidores institucionais. Esses clientes pagam uma taxa aos bancos de investimento pelos seus serviços financeiros.

Em termos gerais, duas atividades principais podem ser caracterizadas:

- **Subscrição:** Os bancos de investimento estão envolvidos principalmente no auxílio à obtenção de financiamento de empresas e governos através da emissão e venda de valores mobiliários, tais como ações e títulos para os investidores. O banco de investimento vai determinar o valor da empresa, elaborar um prospecto, promover os valores mobiliários e "subscrevê-los". Subscrever significa que o banco de investimento compra os títulos da empresa por um preço fixo, e nos dias seguintes, tenta vender os títulos a investidores institucionais por um preço ligeiramente superior. Desta forma, a receita para o cliente é garantida. Os bancos de investimento visam garantir que há compradores suficientes para os títulos e que os seus

⁴ O termo banco de investimento pode ser confuso, já que os próprios bancos de investimento tipicamente *investem* menos do que os bancos (comerciais) tradicionais. Os bancos de investimento essencialmente ajudam outras instituições financeiras a investir.

clientes, as empresas e os governos buscando financiamento, receberão o melhor rendimento possível. Em uma data pré-determinada, o banco de investimento compra as ações e obrigações de seu cliente a um preço fixo e as vende aos investidores que podem assumi-las dentro de alguns dias.

- *Corretagem* (às vezes chamado de *corporate finance*): neste caso, o banco de investimento não compra nada, mas apenas age como um corretor que faz a mediação entre o comprador e o vendedor.

Serviços bancários de investimento são fornecidos sobretudo às empresas de grande porte listadas em bolsa e aos governos, mas também podem ser concedidos a companhias não-listadas. Para a maioria dos bancos que estão envolvidos na banca de investimento, é natural que eles apliquem a política de investimentos do banco para esses serviços financeiros (ver seção 1.3.1). No caso de subscrição, isso também é muito lógico, porque os próprios bancos investem nas respectivas ações e obrigações - embora apenas por alguns dias. Os riscos que os bancos tomam, portanto, são comparáveis aos de outros investimentos bancários.

No caso dos bancos que estão apenas envolvidos na corretagem, o banco não faz um investimento, e, por isso, nem sempre é o caso de que a política de investimentos do banco também se aplique aos serviços de corretagem. No entanto, o *Fair Finance Guide International* acredita que para estes tipos de serviços financeiros devem ser aplicáveis os mesmos critérios de sustentabilidade que se prescreve aos bancos comerciais, já que, nesse papel, os bancos também fornecem capital para empresas e governos.

1.3.5 Gestoras de ativos⁵

Em geral, grandes instituições financeiras não só fornecem capital para empresas e governos por meio de empréstimos ou investimentos corporativos (seção 1.3.1) e bancos de investimento (seção 1.3.2). Elas também podem ter uma ou mais subsidiárias envolvidas na gestão de ativos. Estas subsidiárias de gestão de ativos investem em ações, empresas e títulos do governo, juntamente com outros tipos de investimentos. Elas fazem isso com o capital de investidores privados, fundos de pensão, tomadores de seguros e de clientes. Para essas atividades de gestão de ativos, as instituições financeiras nem sempre aplicam mesma política que aplicam à concessão de empréstimos e de banco de investimento.

Isso se deve, em certa medida, às diferenças entre poupança e investimento. Os poupadores não podem escolher onde seu dinheiro está investido, mas, por outro lado, eles desfrutam da segurança de uma taxa de juros de relativamente fixa e, em muitos países, uma garantia do governo sobre os depósitos de poupança.

Por outro lado, os investidores estão geralmente mais expostos ao risco, embora seus rendimentos possam ser maiores. Além disso, os investidores estão livres para fazer escolhas sobre a forma como o seu dinheiro será investido. Por exemplo, eles podem escolher dentro de um conjunto de fundos de investimento que a instituição financeira lhes oferece (muitas vezes incluindo fundos comercializados como "sustentáveis"). Por isso algumas instituições financeiras não veem a necessidade de aplicar uma "política de investimento responsável" para todas as atividades de gestão de ativos, alegando que aqueles clientes que investem e consideram isso importante optam pelos fundos sustentáveis que a instituição financeira oferece.

⁵ *Nota do Guia dos Bancos Responsáveis*: Os itens 1.3.3 (seguradoras) e 1.3.2 (fundos de pensão) da metodologia original foram suprimidos da versão executiva, já que a avaliação de políticas no Brasil se limita aos bancos.

O projeto *Fair Finance Guide International* se concentra principalmente em clientes com uma conta corrente ou conta poupança em um banco. Para eles, a principal preocupação é que a política do banco seja aplicada a seus empréstimos e outros serviços financeiros. A política que as subsidiárias do banco aplicam para o gerenciamento de ativos não é diretamente relevante para esses poupadores, porque o dinheiro dos poupadores não é gerido por estas subsidiárias de gestão de ativos. Entretanto, **muitos poupadores consideram que a política da instituição financeira para a gestão de ativos seja importante. Como clientes, eles esperam que seu banco opere de forma responsável em todos estes aspectos, inclusive em sua gestão de ativos, apesar desta não necessariamente dizer respeito a sua própria poupança.**

Para os clientes da divisão de gestão de recursos de terceiros (isto é, os investidores), seguradoras ou clientes que comissionam a instituição financeira para investir por eles (ou seja, clientes de *private banking*), a avaliação da política de gestão de recursos de terceiros também é importante.

O projeto *Fair Finance Guide International* acredita que também se pode esperar que as instituições financeiras ajam de forma responsável em relação às suas atividades no domínio da gestão de ativos. Portanto, a política das instituições financeiras para a gestão de ativos também é avaliada. Ao tomar a decisão de incluir uma avaliação da política de gestão de ativos, foi de grande importância para o projeto *Fair Finance Guide International* que a maioria das instituições financeiras possam desempenhar um papel na criação de um mundo justo e sustentável através de suas atividades de gestão de ativos. Como gestores de ativos, eles podem escolher quais investimentos oferecem aos seus clientes. Tais escolhas podem ter consequências para a disponibilidade de capital às empresas e aos governos.

1.4 Avaliação das políticas

1.4.1 Temas

O *Fair Finance Guide International* escolheu avaliar as políticas de investimento que as instituições financeiras aplicam para as categorias de crédito corporativo, *project finance*, investimentos proprietários e gestão de recursos de terceiros com relação a temas setoriais e transversais. Os temas transversais contemplam questões de destaque internacional no âmbito da sustentabilidade e são relevantes para todos ou quase todos setores econômicos nos quais as instituições investem:

- Bem-estar animal
- Mudanças climáticas
- Corrupção
- Igualdade de gênero
- Saúde
- Direitos humanos
- Direitos trabalhistas
- Meio ambiente
- Impostos

O *Fair Finance Guide International* acredita que todas as instituições financeiras devem ter uma política clara sobre todas estas questões transversais.

Quando uma instituição financeira investe ou presta serviços financeiros a empresas de determinados setores sensíveis (isto é, aqueles em que os problemas de sustentabilidade são particularmente

prováveis), a instituição financeira também deve ter políticas específicas para esses setores. Atualmente o projeto selecionou os seguintes temas setoriais:

- Armas
- Setor financeiro
- Pesca
- Alimentos
- Florestas
- Setor imobiliário e habitação
- Indústria manufatureira
- Mineração
- Óleo e gás
- Geração de energia

Além dos temas que avaliam diretamente a política de investimento e financiamento das instituições financeiras e suas expectativas com relação às companhias nas quais investem, o *Fair Finance Guide International* também desenvolveu temas que avaliam as operações internas de uma instituição financeira. Esses temas operacionais são indiretamente relacionados às decisões de investimento feitas pelas instituições financeiras e consistem em:

- Direitos do consumidor
- Inclusão financeira
- Remuneração
- Transparência e prestação de contas

As coalizões que estão colaborando com a rede da *Fair Finance Guide International* concordaram que uma série de temas deve ser utilizada por todas as coalizões para avaliar as políticas das instituições financeiras selecionadas. Outros temas podem ser adotados pelas coalizões dependendo do debate público, das prioridades e dos objetivos das organizações dentro da coalizão.⁶

No futuro, novos temas podem ser incluídos nesta metodologia. Para todos temas e setores, as políticas das instituições financeiras são comparadas com normas, padrões e iniciativas nacionais e internacionais relativas ao desenvolvimento sustentável e à responsabilidade social corporativa, além de outros critérios considerados importantes na opinião das organizações que compõem o *Fair Finance Guide International*.

1.4.2 Conteúdos das políticas

Para apoiar e estruturar a comparação das políticas das instituições financeiras, esta metodologia descreve os temas transversais selecionados (Capítulo 2 da Metodologia, em sua versão completa), temas setoriais (Capítulo 3, idem) e temas operacionais (Capítulo 4, ibidem). Cada tema selecionado é tratado em uma seção separada, começando com "*O que está em jogo?*", uma descrição das questões de sustentabilidade envolvidas. Em seguida, há uma visão geral das normas internacionais aplicáveis e amplamente aceitas, tais como convenções, diretrizes, certificações e códigos de conduta ("*Normas internacionais e iniciativas*"). Por fim, os elementos que uma instituição financeira deve

⁶ *Nota do Guia dos Bancos Responsáveis*: Na edição de 2018, serão avaliados os seguintes temas: (i) Obrigatórios: Armas, Corrupção, Direitos humanos, Direitos trabalhistas, Igualdade de gênero, Impostos, Meio ambiente, Mudanças climáticas, Transparência e Prestação de contas; (ii) Facultativos: Alimentos, Direitos do consumidor, Florestas, Geração de Energia, Habitação e setor imobiliário, Inclusão financeira, Mineração, Óleo e gás, Remuneração.

incluir em sua política de investimentos e serviços financeiros são descritos ("*Elementos de Avaliação*").

Esses elementos listam as expectativas da rede *Fair Finance Guide International* com as instituições financeiras no contexto de sua responsabilidade socioambiental. A metodologia faz referência a uma gama de padrões e iniciativas internacionais. Em muitos casos, estes têm requerimentos específicos para instituições financeiras e negócios em que elas investem ou financiam. Nestes casos, os padrões e iniciativas são listadas como elemento de avaliação neste documento. Outros padrões internacionais têm implicações claras para o setor financeiro ou para negócios que ele financia ou investe, mas o padrão sozinho não as especifica no detalhamento necessário para essa pesquisa. Nestes casos, o FFGI seguiu as implicações lógicas do padrão e os converteu em elementos de avaliação.

Esses elementos são formulados como *princípios*. Princípios podem ser aplicados pelas instituições financeiras de várias maneiras, para investimentos novos ou existentes e para serviços financeiros. Por exemplo, os princípios podem ser incluídos pelas instituições financeiras nas condições para novos empréstimos e serem aplicados como critério de seleção para novos investimentos e serviços financeiros. Para os empréstimos e investimentos existentes, podem ser aplicados como uma diretriz para atividades de engajamento e para acordos sobre melhorias com as empresas em que a instituição financeira já investe. Com base nestes princípios, as instituições financeiras poderiam, em última instância, decidir pelo término do investimento.

O *Fair Finance Guide International* não comenta sobre a forma pela qual as instituições financeiras deveriam aplicar os princípios aos seus investimentos e serviços financeiros, mas realmente espera que elas expliquem seu método de trabalho em suas políticas. A instituição financeira deveria, entre outras coisas, indicar o que o princípio significa para vários tipos de investimentos e serviços financeiros. Se a instituição financeira só estabelece uma condição para um tipo específico de investimento ou serviço financeiro, é difícil assegurar que ela aplica o princípio. **O FFGI acredita que os princípios precisam ter uma relação significativa com as atividades ou produtos de uma instituição financeira, para todos os tipos de investimentos e serviços financeiros que elas prestam a outras empresas e a consumidores.**

Diversos princípios na metodologia consideram que certas atividades são "inaceitáveis", traduzindo-se em elementos redigidos da seguinte forma: "A atividade X é inaceitável". Tais atividades são fortemente desaprovadas pelo *Fair Finance Guide International*. Todavia, a palavra "inaceitável" não deve ser lida como "excluída". Em outras palavras, não se deve considerar que a expectativa é de que as empresas envolvidas com essas atividades sejam excluídas imediatamente do portfólio das instituições financeiras. **O *Fair Finance Guide International* tem consciência dos diferentes instrumentos e passos que as instituições financeiras podem adotar para implementar tais princípios.** Por exemplo, a instituição financeira pode começar um processo claro de engajamento voltado a convencer as empresas nas quais investe a paralisar as atividades consideradas inaceitáveis e mencionar prazos para os quais espera que isso seja cumprido. **O que o *Fair Finance Guide International* espera é que exista uma política que considere de forma clara atividades indesejáveis ou inaceitáveis e inclua tais etapas e prazos.** São pontuadas políticas que mencionam restrições e exceções a certas atividades, como não investir em empresas que tenham receita proveniente de uma atividade inaceitável superior a determinado limite.

Quando a instituição financeira explica seu método de trabalho, os seus objetivos são igualmente importantes, porque a instituição financeira pode usá-los para indicar como e quando ela garantirá que todo o portfólio de investimento e todos os serviços financeiros oferecidos estejam em conformidade com os princípios enunciados na sua política. Isto é especialmente importante se o portfólio existente da instituição financeira ainda não está em total conformidade com a política. O

Fair Finance Guide International espera que tais objetivos estejam incluídos na política e investiga isso, entre outras formas, por meio de estudos de caso.

Em sua análise de políticas das instituições financeiras, o *Fair Finance Guide International* avalia com cuidado como a instituição financeira toma decisões de seus investimentos e serviços financeiros, mas foca nos princípios e expectativas que a instituição financeira tem a respeito das companhias nas quais investe. Nas tabelas com elementos de avaliação, tais princípios e expectativas são introduzidos como *"os seguintes elementos são cruciais para uma política em relação às empresas nas quais a instituição financeira investe."*

A metodologia de análise de políticas, porém, também inclui quatro temas operacionais. De maneira geral, os elementos incluídos nestes temas dizem respeito às operações da instituição financeira, incluindo a forma como as decisões são tomadas nos investimentos e nos serviços financeiros prestados pela instituição.

Outra questão que difere da maior parte da metodologia de análise de políticas diz respeito a determinados elementos incluídos nos temas setoriais e transversais e que também se referem a questões operacionais da instituição financeira, ainda que não estejam nos temas operacionais. Esses elementos são sempre introduzidos separadamente nos temas como: *"os seguintes elementos são cruciais para uma política em relação às operações internas da instituição financeira."*

1.4.3 Escopo das políticas

Para avaliar a política de investimentos das instituições financeiras, o *Fair Finance Guide International* desenvolveu uma série de elementos que são considerados cruciais para uma boa política sobre os temas que são avaliados. Estes elementos são descritos e explicados nos Capítulos 2, 3 e 4 da versão completa da metodologia. **A avaliação de políticas verifica se estes elementos estão incluídos nos documentos públicos de políticas de uma instituição financeira.**

Entretanto, não é só o conteúdo, mas também o escopo do documento de política da instituição financeira que é importante. Documentos de política por vezes cobrem apenas uma pequena parcela de todos os investimentos realizados pela instituição financeira. Isso pode ser especialmente o caso de grandes grupos bancários internacionais, que têm frequentemente um grande número de subsidiárias em diferentes países, que oferecem diferentes produtos e serviços para diversos grupos de clientes. Como o *Fair Finance Guide* tem por objetivo avaliar as políticas que são aplicadas em todo o grupo bancário, incluindo todas as subsidiárias, o âmbito de documentos de política é integrado na metodologia de avaliação.

Pesquisas anteriores sobre políticas de investimento e de crédito mostram que existem geralmente quatro categorias em que a política pode cobrir insuficientemente o escopo dos investimentos e serviços financeiros oferecidos pela instituição financeira:

- A política não é aplicada a todas as filiais de um grupo bancário;
- A política não é aplicada a todos os tipos de investimentos e serviços financeiros;
- A política não é aplicada a todos os países nos quais um grupo bancário investe; e
- A política não é aplicada a todas as atividades de uma empresa (por exemplo, o investimento destina-se a determinadas atividades).

As duas últimas opções são vistas com menos frequência e nem sempre são mencionadas nas políticas. A terceira opção também é, se mencionada, muitas vezes usada como parte dos

procedimentos de avaliação de risco. Como são difíceis de rastrear nas políticas e, a fim de simplificar o modelo de pontuação, projeto *Fair Finance Guide International* não leva mais essas limitações em consideração.

A fim de considerar as duas primeiras opções em sua metodologia de pontuação, o *Fair Finance Guide* selecionou quatro categorias de investimentos (ou serviços financeiros) que são considerados relevantes para a maioria das instituições financeiras que o *Fair Finance Guide* investiga. Esta seleção é baseada na descrição dos vários tipos de instituições financeiras na seção 1.3 e na pesquisa feita no âmbito das políticas de investimento e de crédito delas. Para avaliar o alcance das políticas de uma instituição financeira, o *Fair Finance Guide* considera os seguintes tipos de investimentos ou serviços financeiros:

- **Créditos corporativos:** empréstimos e outras formas de crédito fornecidas pela instituição financeira a empresas (listadas ou não), permitindo que estas financiem despesas de curto prazo e/ou investimentos de longo prazo. Créditos corporativos tradicionalmente trazem uma taxa de juros e são garantidos por ativos específicos (como no caso de empréstimos imobiliários) ou pelo balanço da empresa como um todo. Essa categoria inclui a subscrição de ações e a emissão de títulos, mas não inclui empréstimos e créditos a pessoas físicas.
- **Project finance:** uma forma específica de crédito corporativo para financiamento de projetos industriais ou de infraestrutura específicos. Diferentemente dos créditos corporativos, o empréstimo é garantido pelo fluxo de caixa do projeto, e não pelas demonstrações financeiras de seus patrocinadores (isto é, a companhia envolvida no projeto)
- **Investimentos proprietários:** instituições financeiras investem seu dinheiro em ações e em títulos corporativos ou soberanos, além de outras formas de securitização. Este investimento pode ser feito comprando ações individuais e títulos ou por meio de fundos de investimento. Como estes investimentos requerem especialização, em geral são feitos por um gestor de ativos. Este pode ser uma subsidiária da instituição financeira ou uma gestora de ativos externa, sendo então chamado de ativos geridos externamente. Independente da forma que são geridos, esses investimentos são listados das demonstrações financeiras da instituição e, portanto, são chamados de investimentos proprietários.
- **Gestão de recursos de terceiros:** instituições financeiras também podem oferecer soluções em aplicações, como fundos de investimento e fundos índices. Os clientes podem ser investidores institucionais como fundos de pensão, igrejas e seguradoras, mas também pessoas físicas (neste caso se utiliza os termos *private banking* ou gestão de riqueza). A gestão dos investimentos de clientes em todos os tipos de securitização é chamada de gestão de recursos de terceiros. Essa definição inclui toda espécie de administração de recursos de um cliente por uma empresa de serviços financeiros.

Às vezes os clientes podem demandar produtos de investimentos muito especializados, indo além dos investimentos padrões por classe de ativo, cobertura geográfica, cobertura setorial e veículo de titularização. Neste cenário, a instituição financeira terceiriza uma parte dos ativos de seu cliente a uma outra gestora de recursos, o que é chamado de “ativos geridos externamente”. Independentemente de ser gerido interna ou externamente, a nomenclatura é gestão de recurso de terceiros.

Esses investimentos geralmente não estão listados nos balanços das instituições. Essa categoria inclui todos os fundos e mandatos que são geridos ativa ou passivamente para clientes, assim como toda consultoria financeira oferecida a clientes. A definição de gestão de

recursos usada aqui não inclui plataformas de negócios administradas por instituições financeiras, onde estas não ofereçam serviços de investimento.

O FFGI integra outras categorias de investimento ao modelo de pontuação do tema setorial “Setor Imobiliário e Habitação” e dos temas operacionais “Direitos do Consumidor” e “Inclusão Financeira”. Essas categorias estão explicadas nos seus respectivos temas, na versão integral da metodologia. **Para cada instituição financeira, o *Fair Finance Guide International* avalia quais destas quatro categorias de investimento são relevantes. Só são consideradas aquelas em que a instituição financeira e suas subsidiárias sejam ativas.** A forma de avaliação de relevância das categorias é explicada mais detalhadamente na seção 1.4.5.

1.4.4 Modelo de pontuação

Para cada tema, a pontuação de cada instituição financeira baseia-se na proporção de elementos incluídos na política, levando em consideração as categorias de investimento relevantes para as quais a política é aplicada. **No seu sistema de pontuação, portanto, o FFGI leva em conta o conteúdo e o alcance das políticas da instituição financeira.**

Isto é feito da seguinte maneira: para cada princípio incluído nas políticas da instituição financeira que corresponda a um elemento da metodologia é dada uma pontuação básica de 1,0 (um) referente àquele elemento.

A essa pontuação é adicionada a pontuação de escopo, considerando para quais categorias de investimento aquela política é aplicada. **Caso a instituição financeira não deixe claro o escopo de aplicação da política, presume-se que 50% das atividades da instituição financeira sejam cobertas pela política. Para cada categoria de investimento à qual a instituição financeira aplica explicitamente a política, um percentual é adicionado à pontuação básica.** Na maior parte dos temas, são quatro categorias de investimento analisadas, logo, 12,5% é adicionado a cada uma delas. Assim, a pontuação de escopo representa no máximo 50% da pontuação total do elemento, que vai de 0 a 1. Os outros 50% se referem à pontuação básica.

Cabe ressaltar que, caso a instituição financeira não seja ativa em uma destas categorias de investimento, aquela categoria não será considerada e, portanto, o peso de cada categoria será maior. Ou seja, se uma instituição financeira é ativa em apenas três categorias, a pontuação básica continuará valendo 50% da pontuação total e cada uma das categorias será equivalente a 16,67%, totalizando também 50% da pontuação total.

Em algumas situações, apenas a pontuação básica será dada à instituição financeira em determinado elemento e sua pontuação ali se limitará a 0,5 (meio ponto):

- O comprometimento da instituição financeira com determinado princípio é claro, mas o escopo de aplicação nas categorias de investimento não é;
- O texto da política é vago, mas ainda assim crível para que a pontuação básica seja dada;
- A instituição financeira adota uma iniciativa⁷ que apoia o princípio mas este não é formalmente indicado na política de investimento e financiamento e não cobre uma categoria de investimento completamente.

⁷ Essas iniciativas podem ser, entre outras: organização ou participação de encontros com clientes corporativos ou outras empresas e atores importantes; participação em um *Roundtable* ou algo similar;

O *Fair Finance Guide International* reconhece que bancos menores e voltados ao mercado nacional podem estar menos expostos a riscos socioambientais do que as instituições financeiras voltadas a empresas de médio e grande porte, operando em países ao redor do mundo em longas e complexas cadeias. Por isso, é possível adaptar situações em que a instituição financeira, de forma crível, demonstra que determinado elemento não é realmente relevante no seu caso. Assim, caso a orientação de negócios ou a presença geográfica da instituição façam com que a instituição financeira não esteja exposta de forma a violar o princípio especificado em determinado elemento da avaliação, este elemento pode ser considerado “não aplicável”. Há também os casos nos quais a pontuação é dada ao banco quando existe uma legislação nacional efetiva que já cobre o princípio descrito em determinado elemento nos países onde o banco é ativo.

As pontuações de todos os elementos de cada tema são somadas e então divididas pelo número de elementos do tema (média simples). O resultado desta conta é a pontuação final da instituição naquele tema. As coalizões do *Fair Finance Guide International* são livres para apresentar este resultado como um número entre 0 e 10 ou por percentuais. Cada coalizão também pode relacionar este resultado numérico a qualificações como suficiente, bom e excelente, por exemplo.

1.4.5 Relevância e materialidade

O Fair Finance Guide International determina a relevância e materialidade das categorias de investimento e setores industriais de acordo com as seguintes considerações:

- **Créditos corporativos**

O FFGI espera que uma instituição financeira tenha uma política para créditos corporativos se a carteira de créditos corporativos representa:

- Mais de 0,5% do total das demonstrações financeiras; ou
- Pelo menos R\$50 milhões do total de créditos corporativos.

O número de empréstimos corporativos, o tamanho das empresas que os recebem e o total emprestado a cada companhia não são importantes para avaliar a relevância desta categoria de investimento.

- **Project Finance**

O FFGI espera que uma instituição financeira tenha uma política para *project finance* se a carteira de *project finance* representa:

- Mais de 0,5% do total das demonstrações financeiras; ou
- Pelo menos R\$50 milhões do total de créditos corporativos.

O número de empréstimos corporativos, o tamanho das empresas que os recebem e o total emprestado a cada companhia não são importantes para avaliar a relevância desta categoria de investimento.

- **Hipotecas**

O *Fair Finance Guide International* foca nas relações financeiras entre empresas e instituições financeiras. Assim, uma categoria como hipotecas inicialmente extrapola o escopo do projeto, por mais que seja um ativo importante para vários bancos. Entretanto, os desafios de sustentabilidade da maioria dos temas selecionados na metodologia não são diretamente relevantes para este tipo de

assinatura de um termo de compromisso; engajamento em um diálogo coletivo; e publicação de cadernos descrevendo problemas socioambientais e sugerindo soluções ou agenda para sua melhoria.

investimento. O FFGI somente integra as hipotecas ao modelo de pontuação do tema setorial “Setor imobiliário e habitação” e nos temas operacionais “Direitos do consumidor” e “Inclusão financeira”.

- **Investimentos proprietários**

Para determinar a relevância desta categoria de investimento, o Fair Finance Guide International analisa as seguintes classes de ativos nas demonstrações financeiras da instituição:

- Títulos públicos
- Ações e ativos corporativos
- Derivativos
- Mercado imobiliário e securitizações
- Outros/indefinido

O FFGI não avalia políticas de investimento em títulos governamentais. Se uma instituição financeira investe somente em títulos públicos, a categoria “investimentos proprietários” não é considerada relevante para essa instituição financeira.

- **Gestão de recursos de terceiros**

Uma dificuldade de avaliar as políticas nesta categoria é o fato de as atividades de gestão de recursos de terceiros raramente compartilharem uma só política, devido à estrutura da organização. As instituições financeiras normalmente têm várias subsidiárias na área de gestão de recursos de terceiros e cada uma pode ter sua própria política. Em geral, elas usam uma política específica para cada produto específico. Dessa forma, há centenas ou milhares de produtos de investimento que podem ter, cada um, sua própria política.

Ademais, nem todos os tipos de gestão de recursos de terceiros são avaliados, pois eles não são todos relevantes. As subsidiárias de *asset management* nem sempre são livres para escolher sobre o fornecimento de capital para certas companhias ou governos. E às vezes não é possível para as empresas de gestão de recursos de terceiros desenvolver instrumentos de investimento sustentável. Baseado nos critérios a seguir foram determinadas quais atividades de *asset management* estão incluídas na avaliação de políticas:

- O capital estará à disposição das empresas como um resultado desse tipo de gestão de recursos de terceiros?
- A instituição financeira terá liberdade de escolha e/ou responsabilidade ao prover esse tipo de *asset management* (sob certas condições)?
- É possível para a instituição financeira utilizar instrumentos de investimento sustentável quando oferece esse serviço financeiro?

Com base nesses critérios, o Fair Finance Guide International decidiu escolher os seguintes tipos de gestão de recursos de terceiros no escopo da avaliação de políticas de cada instituição financeira:

- **Fundos de investimento da própria instituição financeira:** fundos de investimento que foram reunidos e oferecidos pela própria instituição financeira a investidores institucionais e privados;
- **Private banking:** toda forma de gestão discricionária do dinheiro de investidores privados, incluindo tanto investimentos diretos em títulos e ações quanto fundos de investimentos de outras partes;
- **Gestão de recursos por mandato (*external mandates*):** investimentos em títulos e ações ou em fundos de investimentos utilizando o dinheiro de investidores institucionais (isto é, seguradoras e fundos de pensão);

- **Relações internas com clientes:** investimentos em títulos e ações ou em fundos de investimentos, utilizando o dinheiro de clientes internos (inclusive prêmios de seguros pagos por clientes externos);
- Plataformas de transação financeira onde os próprios clientes podem investir em títulos, ações e fundos de investimentos de terceiros;

Os tipos de *asset management* não incluídos na avaliação de escopo da política são:

- Consultoria sobre *private banking*;
- **Serviços de custódia:** tomar responsabilidade por ações de investidores institucionais ou privados.

Finalmente, a fim de poder considerar o escopo das políticas de investimento responsável para a gestão de recursos de terceiros, o *Fair Finance Guide International* olha o volume total de ativos que são geridos e para os quais a política de investimento responsável é aplicada. Se uma instituição financeira tem políticas diferentes para cada tipo de produto, a política que se aplica a maior parte dos ativos geridos é a que será avaliada.

Se esse for o caso para outras categorias de investimento, a mesma regra se aplica.

• Setores

Políticas gerais normalmente são aplicadas a todos os serviços de financiamento e investimento, enquanto as políticas setoriais referem-se exclusivamente a uma parte limitada dos investimentos da instituição financeira. Portanto, os princípios incluídos na política setorial da instituição e apenas aplicáveis às companhias ativas neste setor não são considerados para a avaliação dos temas transversais.

Se a instituição financeira pode comprovar ou declarar publicamente que não está envolvida com empresas que operam em um determinado setor, não se espera que a instituição financeira tenha uma política para tal setor. Nesse caso, não será concedida pontuação à instituição financeira, mas ela será identificada como "não ativa neste setor" (n.a.). Se é o caso para todos os tipos de investimentos pesquisados, o setor como um todo pode receber essa qualificação.

Se uma instituição financeira não faz uma declaração explícita de que não é ativa em um determinado setor, a decisão para a aplicação "não ativa neste setor" pode ser feita com base em informações sobre a carteira no relatório anual da instituição financeira e de suas subsidiárias. Para definir o nível máximo de investimentos em uma das categorias de investimento (limite), *Fair Finance Guide* utiliza a seguinte composição de carteira:

- Se o setor é explicitamente mencionado, por exemplo, na carteira de crédito corporativo, aplica-se "não ativa neste setor" quando menos de 0,2% e um máximo de R\$1 milhão do total de créditos corporativos é emprestado a esse setor específico.
- Se o setor for mencionado junto com outros setores (por exemplo, administração pública, defesa e seguridade social), aplica-se "não ativo neste setor" quando este é, em conjunto menor, que 1,0% e um máximo de R\$5 milhões do total de créditos corporativos.
- Se o setor não é mencionado explicitamente, mas apenas de forma abrangente e sobreposta a demais setores e definições, tais como manufatura, outras, ou 'materiais de construção', não se aplica "não ativa neste setor".

- O mesmo se aplica a outros tipos de investimento (*project finance*, investimentos proprietários e gestão de ativos de terceiros).
- Se não houver informação suficiente disponível sobre a carteira disponível, a qualificação “não ativa neste setor” não pode ser dada.

Note que as empresas que operam num determinado setor não incluem somente os produtores primários. As empresas de atacado, transporte, armazenamento, processamento e, finalmente, varejo, são parte da cadeia de abastecimento e, portanto, pertencem a este setor.

1.4.6 Documentos avaliados

O projeto *Fair Finance Guide International* espera que a política da instituição financeira ou pelo menos um resumo dela seja tornado pública, por exemplo, através do seu site ou no relatório anual. O nome ou o tema do documento de política não é relevante. Por exemplo, elementos sobre os direitos trabalhistas podem ser incluídos na política de direitos humanos da instituição financeira, e vice-versa.

Às vezes, uma instituição financeira faz uma declaração sobre uma decisão considerando determinado assunto em um boletim informativo ou na imprensa. No primeiro ano após a publicação, o projeto *Fair Finance Guide* irá considerar isso como uma fonte válida de informações, mas também espera que a instituição financeira integre as decisões em sua política de investimentos – já que os funcionários que tomam as decisões sobre investimentos não levarão em consideração todos esses boletins, notícias, etc. Ao atualizar a avaliação de políticas, o *Fair Finance Guide International* verificará se o princípio faz parte dos documentos gerais de política. Se uma instituição financeira publicou um princípio em um *newsletter* ou em um documento a mais de um ano, mas não incorporou esse princípio aos seus documentos de política, a instituição não pontuará pelo elemento coberto por esse princípio.

1.4.7 Pontuação para padrões e acordos coletivos

Idealmente, as instituições financeiras escrevem uma política apresentando os princípios que são utilizados na tomada de decisão sobre financiamento e investimento. **Alternativamente, elas podem declarar sua adesão a padrões internacionais e iniciativas que elas esperam que as empresas por elas financiadas cumpram.** Algumas das iniciativas e padrões internacionais referenciadas pela metodologia do FFGI são consideradas suficientes para atribuir pontuação, quando utilizadas no processo de tomada de decisão.

Ao avaliar as políticas das instituições financeiras, não só a política que a instituição financeira tem desenvolvido de forma independente, mas também os documentos políticos coletivos firmados por elas são levados em consideração. Esses incluem iniciativas de sustentabilidade que podem ser assinadas pelas instituições, como os Princípios do Equador e os Princípios para Investimento Responsável (PRI, na sigla em inglês). Essas adesões representam uma obrigação de aplicar certos critérios de sustentabilidade nos investimentos e serviços financeiros de uma instituição financeira e por isso são avaliadas segundo o método descrito acima.

A adoção destas iniciativas e padrões pelas instituições financeiras, portanto, indica que elas aderem a alguns dos princípios (elementos) que são parte da metodologia, ainda que esse elemento não esteja explicitamente descrito na própria política do banco. Instituições financeiras que tenham assinado um destes padrões ou acordos coletivos e deixem claro que aplicam suas diretrizes quando investem ou financiam clientes recebem a pontuação básica para aqueles elementos que estão incluídos nestes padrões ou acordos. A pontuação é dada para as categorias de investimento (crédito

corporativo, *project finance*, investimentos proprietários e gestão de ativos de terceiros) quando a política explicitamente indica este uso.

Outras iniciativas e padrões, como os Padrões de Desempenho do IFC e suas Diretrizes de Saúde, Segurança e Meio Ambiente, o Pacto Global das Nações Unidas, os Princípios Orientadores sobre Empresas e Direitos Humanos, as Diretrizes da OCDE para Empresas Multinacionais e outras não necessariamente obrigam as instituições financeiras a aplicar os critérios em seus investimentos e serviços financeiros. Mas as instituições financeiras podem adotar essas iniciativas, declarando explicitamente que elas aplicam de forma completa os procedimentos e critérios descritos nesses documentos quando tomam decisões de financiamento e investimento.

1.5 Estudos de Caso

O projeto *Fair Finance Guide International* espera estimular um processo que leva à crescente rigidez das normas utilizadas pelas instituições financeiras (*corrida rumo ao topo*) nos campos social, ambiental e econômico e também espera reforçar o papel construtivo que tais instituições financeiras podem desempenhar na criação de uma sociedade sustentável. Naturalmente, a política da instituição financeira formulou apenas um dos passos necessários.

Igualmente importante é saber se as próprias instituições financeiras, ao tomar decisões sobre seus investimentos, cumprem na prática com as normas estabelecidas em padrões internacionais amplamente reconhecidos, tais como convenções, diretrizes, certificações e códigos de conduta. Portanto, em estudos de caso, o projeto *Fair Finance Guide International* investiga os investimentos e serviços financeiros das instituições financeiras pesquisadas.

Referência

Herder, A., Brink H., and M. Riemersma (2018, March 1), *Fair Finance Guide International Methodology 2018*, Amsterdam, The Netherlands: Profundo.