FairFinanceGuide International

Five years - Ten guides

Five years of research, public pressure, dialogue and engagement for more sustainable investment choices by banks

FairFinanceGuide®
International

Fair Finance Guide International consists of:

BankWijzer®

Belgium

GuiaDosBancos®
Responsáveis

Brazil

FairFinanceFrance

France

FairFinanceGuide®
Deutschland

Germany

ResponsiBank®

Indonesia

FairFinanceGuide®
Japan

Japan

EerlijkeGeldwijzer

The Netherlands

EtiskBankGuide
Norge

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Sweden

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Thailand

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List of abbreviations

CBC	Country-by-Country (reporting)
CSR	Corporate Social Responsibility
CSO	Civil Society Organization
DAPL	Dakota Access Pipeline
DJSI	Dow Jones Sustainability Index
ETE	Energy Transfer Equity
ESG	Environmental Social and Governance (criteria)
FFG	Fair Finance Guide
FFGI	Fair Finance Guide International
FNV	Federatie Nederlandse Vakbeweging (Dutch labour union)
FPIC	Free and Prior Informed Consent
GPFG	Norwegian Government Pension Fund Global
ILO	International Labour Organization
KPI	Key Performance Indicators
LBBW	Landesbank Baden-Württemberg
MNE	Multinational Enterprises
MSME	Micro, Small and Medium Enterprises
NGO	Non-Governmental Organizations
SDG	Sustainable Development Goals
SEB	Skandinaviska Enskilda Banken
Sida	Swedish International Development Agency
UNGPs	United Nations Guiding Principles on Business and Human Rights
UN-PRI	United Nations-supported Principles for Responsible Investment
WMD	Weapons of Mass Destruction

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Foreword

Financial institutions[1] have an immense impact on society as a whole, and on people living in poverty in particular. In that sense, the 2008 financial crisis was a huge wake-up call for many people and institutions worldwide. Still, the burden of the negative social and environmental effects of financial institutions' loans and investments is carried disproportionally by people living in poverty, thereby increasing inequality. Tackling poverty and inequality requires major changes in the public and private sector, both in developed and developing countries.

Without shifting investments away from harmful companies and projects towards sustainable and inclusive enterprises, achieving the Sustainable Development Goals (SDGs) will remain a distant dream. Financial markets require regulation to ensure accountability, and equal access to adequate finance and compliance with minimum environmental, social and governance (ESG) standards. However, the communities that bear the direct brunt of companies' failure to comply with ESG standards have limited ability to influence these policies and practices.

For this reason, civil society organizations and initiatives play a key role in researching, informing, reporting and holding companies and financial institutions accountable for their actions. The Fair Finance Guide is one such initiative. With its rigorous methodology to assess banks' policies and compare banks' performance within but also between countries, combined with active campaigning, engagement and advocacy, it is an instrument to stimulate a race to the top among financial institutions as well as inform citizens.

All the FFGs have impressive results in their countries of operation. This document gives a few examples of these results. It also sets out where it wishes to go and the approach it will take in the years to come.

Maybe the most important achievement is that within just five years the Fair Finance Guide has expanded tenfold: in 2014, the Netherlands had already been using this unique approach for five years, and in 2019 we are seeing the tenth FFG joining, in Thailand (April 2019). We are very proud of this achievement, and I would like to congratulate not only the civil society organizations involved in this work but also the people within the financial institutions and regulatory bodies who work hard to get ESG and human rights issues higher on the agenda within their own institutions.

Petra Hamers
Head of Transparent and Accountable Finance,
Oxfam Novib

Race to the top

The Fair Finance Guide International (FFGI) is a collaborative effort of coalitions of civil society organizations (CSOs) in Belgium, Brazil, France, Germany, India, Indonesia, Japan, the Netherlands, Norway, Sweden and (as of April 2019) Thailand. Through employing a variety of activities and strategies, the FFGI has been successful in stimulating financial institutions to rethink their role in society, and in creating social and institutional change. The diagram on page 8 and 9 illustrates a simplified pathway of change as envisioned by the FFGI.

Fundamentally, the FFGI promotes the integration and application of environmental, social, governance and human rights criteria by financial institutions and their clients – particularly those corporations operating in developing countries – as well as the provision of adequate financial services for all citizens that are currently underserved. It does so by using a rigorous methodology to assess financial institutions' policies and presenting these scores to the public.

Each country where a Fair Finance Guide (FFG) coalition operates has a dedicated website allowing customers and interested parties to compare the investment policies of their financial institutions on a number of set criteria.

The rigorous, internationally developed and agreed-upon methodology really helps us to be taken seriously, even by very large actors here in Japan, since large Japanese banks are concerned with international reputation.

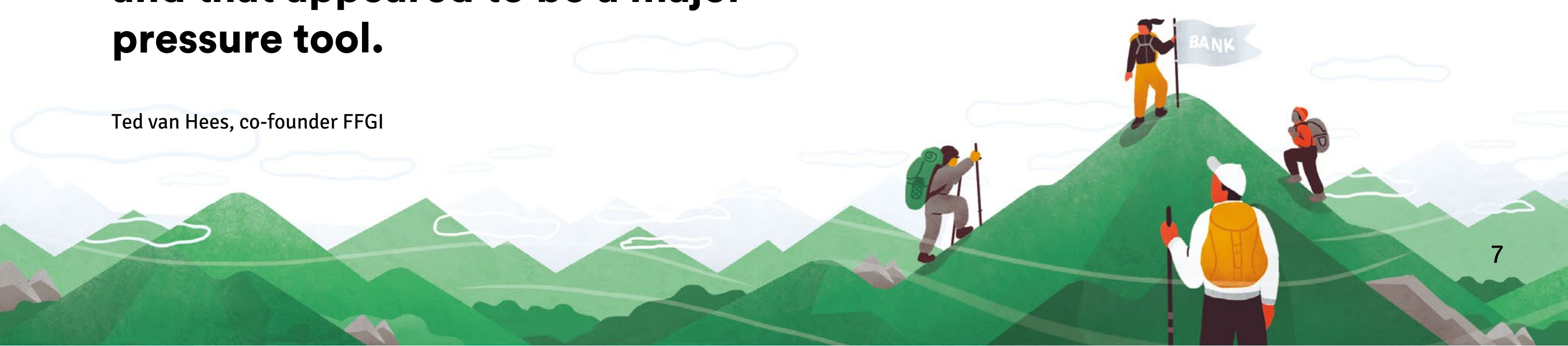
Yuki Tanabe, FFG Japan

Case studies showing the practice of selected financial institutions and active engagement, campaigning and advocacy are all part of the FFG methodology.

FFG websites show the results of these studies and offer bank clients a direct opportunity to respond towards their bank by sending a compliment, a complaint, or even by switching banks. By highlighting and comparing banks' performance, thus raising public awareness and pressure, the FFGI aims to initiate a race to the top between banks on a range of sector-specific and cross-cutting issues.

Banks are very image-sensitive. They don't like a bad ranking, and that appeared to be a major pressure tool.

Ted van Hees, co-founder FFGI



Fair Finance Guide - in brief

A platform and tool for CSOs to engage with the financial sector:

• An international method for benchmarking banks' sustainability policies

• Benchmarking against international conventions, norms and standards

• In-depth case studies to compare policy to practice

For banks to score well requires:

• Clear and specific investment/lending policies that commit to applying these frameworks

• Investments/lending/actions that comply in practice

Pathway of change

Defining the problem

Research, influencing and advocacy

Change in financial institutions' and their enabling environment

Assessing policies:

- Policies present the financial institutions' expectations of companies
- It shows what companies have to comply with in order to receive capital
- Policies can be easily compared with each other – historically, locally and globally
- Policies can be used to hold financial institutions accountable
- Not a complete reflection of banks' sustainability performance – case studies are crucial

Communication with the general public, banks, regulators and politicians:

- Research results communicated through reports, campaigns in (social) media and meetings
- Online tool for consumers to make informed choices and voice concerns
- Dialogue with banks and decision makers

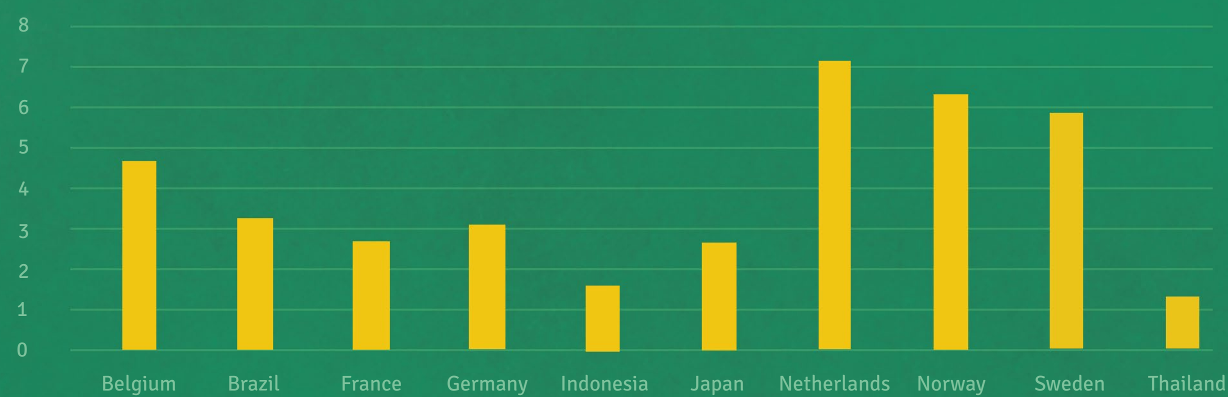
Change in companies invested in

Impact on the ground

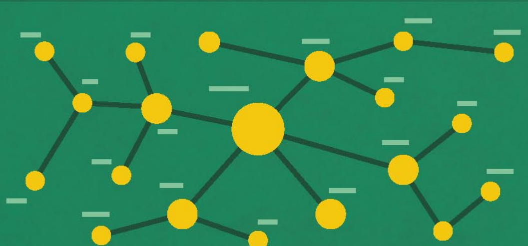
Results

* Joined April 2019

Latest average scores per country[2]



46
partner organisations



114
financial institutions

1 million+

unique FFG website visitors

15 million+

people reached through social media

69 case studies published

- 12 Human rights
- 11 Climate change
- 3 Nature
- 5 Tax
- 4 Labour rights
- 5 Arms
- 2 Financial sector
- 3 Housing
- 8 Consumer protection
- 4 Mineral mining
- 3 Transparency
- 3 Financial inclusion
- 2 Oil and gas
- 4 Other

3.000+

items in national media

250+ policy changes

influenced by FFG campaigns

150.000

complaints and compliments

sent to financial institutions on FFG websites

Results by country, a selection

Belgium

• In the summer of 2017, Argenta Bank published on its website its improved policies on arms, labour rights, human rights, nature and the environment – just before the FFGI policy update in 2017.

• KBC Bank published a climate policy as well as a mining policy, and blacklisted all companies producing nuclear arms.

• The Minister of Finance invited FFG BE for a conversation on sustainable finance

• Belfius Bank informally expressed to the FFG Belgium in December 2018 its intention to improve its investment policies to make them more sustainable.

Brazil

• Since the FFGI's policy assessment methodology became global in 2014, Brazilian banks became more hostile towards FFG. While two banks answered to FFG inputs in 2016, it was only in 2018 that a financial institution provided feedback about their scores. BNDES, which was integrated to the assessment in that year, organized a taskforce to supply detailed information on each of the 18 themes evaluated by FFG Brazil.

• The Brazilian National Monetary Council issued Resolution Number 4433/2015 enforcing Brazilian Banks to disclose more information on Ombudsman Office Reports, after FFG Brazil questioned indicators that used to be adopted in a case study in that same year.

• The Brazilian Central Bank set new rules to reduce interest rates in credit cards through Resolution Number 4549/2017. FFG Brazil, which has advocated this change for years, was called by the central authority to discuss the resolution prior to its creation.

• Banco Safra reacted upset when it was assessed for the first time by FFG Brazil in 2016, with an average score of 1.5. In 2018, this improved to a 2.1. This was the first time that a bank in Brazil created and updated policies because of its dialogue with FFG Brazil. Even when the changes are minor, a path for future improvement is set.

• The Over-indebtedness Bill (PL 3515/2015) is moving forward in the Brazilian National Congress, due to the broad public debate on this topic, in which FFG Brazil plays a leading role.

France

• The FFGI flagship report of 2015, Undermining our Future, together with civil society campaigns, had a lot of influence in France. Since 2015, all the major French banks (BNP Paribas, Crédit Agricole Société Générale and Natixis) have committed to decreasing their support to the tar sands (unconventional fossil fuel) sector as well as the coal sector. This study also contributed to the political momentum pushing France to issue legislation on climate risks disclosure. In 2016, France issued the first national legislation dedicated to the alignment of the French financial sector on a low carbon economy (Art. 173 of the French Energy Transition Law).

Germany

• German state-owned bank Landesbank-Baden Württemberg published detailed exclusions for the arms sector after engagement with the FFG Germany, and is now the leading conventional bank for this sector theme in Germany.

• In February 2019, Pax-Bank established a goal of 30% female representation in senior positions.

• In November 2017, DZ Bank commited to exclude future finance for new coal-fired power plants, due to engagement with FFG and other actors.

Indonesia

• At the end of July 2017, the Financial Service Authority (OJK) issued regulation on Sustainable Finance to be applied to all financial institutions. FFG Indonesia had been asked to provide input on this in earlier stages.

Japan

• The Norinchukin Bank adopted the Equator Principles (social and environmental standards for global project financing) in April 2017., an important issue raised by FFG Japan.

• In March 2018, a JBIC official stated at a meeting with FFG Japan and other NGOs that JBIC would stop providing loans for two coal-fired power plants in India.

• Overall FFG scores on banks policies went from 1.6 in 2014 to 2.4 in2018. With 3 mega banks improved in 2018 for the first time since 2014.

The Netherlands

• In 2017, the largest two Dutch banks, ING and Rabobank, strengthened their climate-related policies and divested from coal after years of pressure from the FFG NL and other NGOs (inter) nationally.

• the ING bank announced in 2018 they would phase out of coal and divest from the coal-based power plan in the Dominican Republic.

• Rabobank strengthened its land governance policy by encouraging clients to apply best practices and guidelines regarding good land governance, and to respect rights of indigenous peoples, vulnerable groups and affected stakeholders and ensure that their concerns are fairly addressed. This includes respecting land tenure rights and the right to ‘free, prior and informed consent’ (FPIC) of affected stakeholders regarding changes in land ownership or land use, addressing gender issues.

• ABN Amro included FPIC for indigenous people and vulnerable groups in their exclusion list.

• Six insurance groups improved their CSR policies in 2018 compared to 2017 (FFG NL)

Norway

•In October 2018, Storebrand, the largest asset manager in Norway, declared that it will restart its engagement with clothing producer H&M, focusing on living wages in the company's supply chain.

• In June 2018, Danske Bank – implemented investment restrictions for companies involved with weapons which are prohibited by international law or deemed controversial due to their indiscriminate effects or the disproportionate harm they cause, just before the announced FFG case study on controversial arms.

• With the FFGI report on 'palm oil banks', FFG Norway managed to trigger the UN Principles for Responsible Investment Group on Palm Oil to start also addressing the role of financiers. The Norwegian Government Pension Fund started to engage with Indonesian and Malaysian banks about their palm oil financing.

• The Nobel Foundation has investments in nuclear weapons manufacturing companies, coal companies and tobacco companies. The Norwegian FFG partner made this public; in the same month (October 2017), the Nobel Foundation promised to change.

Sweden

• Since the launch of the FFG in 2015 the seven largest banks in Sweden have significantly strengthened their sustainability policies and positions as a result of pressure from the FFG, leading to a more than double score on the policy scores of 2018

• A FFG follow-up study showed that the seven largest banks in Sweden increased the share of investments and financing of sustainable energy compared to fossil energy after the Paris Agreement, compared with the five years before.

•Two Swedish banks blacklisted Shell following publication of the FFG case study on the company's contribution to human rights violations in Nigeria and three of the other banks increased their engagement activities to put pressure on the company to resolve the issue.

• SEB blacklisted Renault – which has been accused of child labour and hazardous conditions in its cobalt supply chain in the Democratic Republic of Congo – after the publication of a FFG SWE case study on the issue.

• After FFG's case studies revealed that Swedish banks do not fully apply their sustainability criteria to so-called index funds, several banks have – after quite intense debates – changed their approaches and started to apply sustainability criteria on these types of funds.

Thailand

• Launched its FFG website in April 2019 with the first assessments scoring 9 Thai banks on 12 themes.

Media

The Fair Finance Guide has been extensively in the news in all countries and beyond. During the past 5 years there have been more than 3000 media items and a reach of at least 15 million people through social media.

Sweden's Largest Banks Continue Investments in Blacklisted Companies

CSR

Studie: Faire Rohstoffe für grüne Technologien und was Investoren dafür tun müssen

【日本】保険投融資方針の社会・環境格付「フェア・ファイナンス・ガイド」、2018年結果公表 2018/07/29 最新ニュース

Dealing with banks involved in financing crimes

Les banques françaises financent de plus en plus les énergies fossiles au détriment des renouvelables

KBC stapt uit Tsjechisch steenkool na protest

Rapport: Nordea-fond investerar i klustervapen

Flere norske banker får strykkarakter i stor etikkundersøkelse. Sjekk hvordan din bank scorer.

NGOs hail Nippon Life for dropping coal finance

Idec lança Guia dos Bancos Responsáveis 2018

Idec @idec · 7h
Cuidado: você pode ser vítima do golpe da aposentadoria, onde dados de novos beneficiários são vazados e passam a ser alvos de abusividades. Acesse nosso especial e veja como fugir das armadilhas e denunciar: idec.org.br/golpe-aposenta...

1 2

Eerlijke Geldwijzer @EGeldwijzer · 21 feb.
.@ABNAmro leende in totaal 2,6 miljard dollar aan Gunvor, Shell en SBM Offshore, die al jaren betrokken zijn bij ernstige corruptieschandalen. Welke maatregelen gaan jullie nemen om corruptie bij klanten uit te bannen?
bit.ly/2NaDOkU

Themes

The internationally agreed-upon methodology to assess financial institutions' policies is arguably one of FFGI's main strengths. In total, it covers 23 themes or sectors, and is updated every two years to ensure its relevance. To allow international comparisons, all FFGs have agreed to assess banks' policies on at least nine of the agreed-upon themes.

The compulsory themes to be assessed by all countries using the FFG methodology are: Arms; Climate change; Corruption; Gender equality; Human rights; Labour rights; Nature; Tax; and Transparency. Consumer protection and inclusion are not compulsory themes for all FFGs, but are addressed in this publication as they are critical themes especially for countries in the global South.

Scoring well on the FFGI themes automatically shows contribution to the SDGs. All 17 SDGs are contributed to directly and indirectly. FFG themes Human rights, Labour rights and Gender contribute to the most SDGs. The following section provides examples of work and results of the various FFGs around the world on the themes mentioned above.

The policy research methodology has been developed together with Profundo, an independent research and advice company and is updated regularly.

Labor rights

Transparency

Human rights

Gender equality

Climate change

Tax

Arms

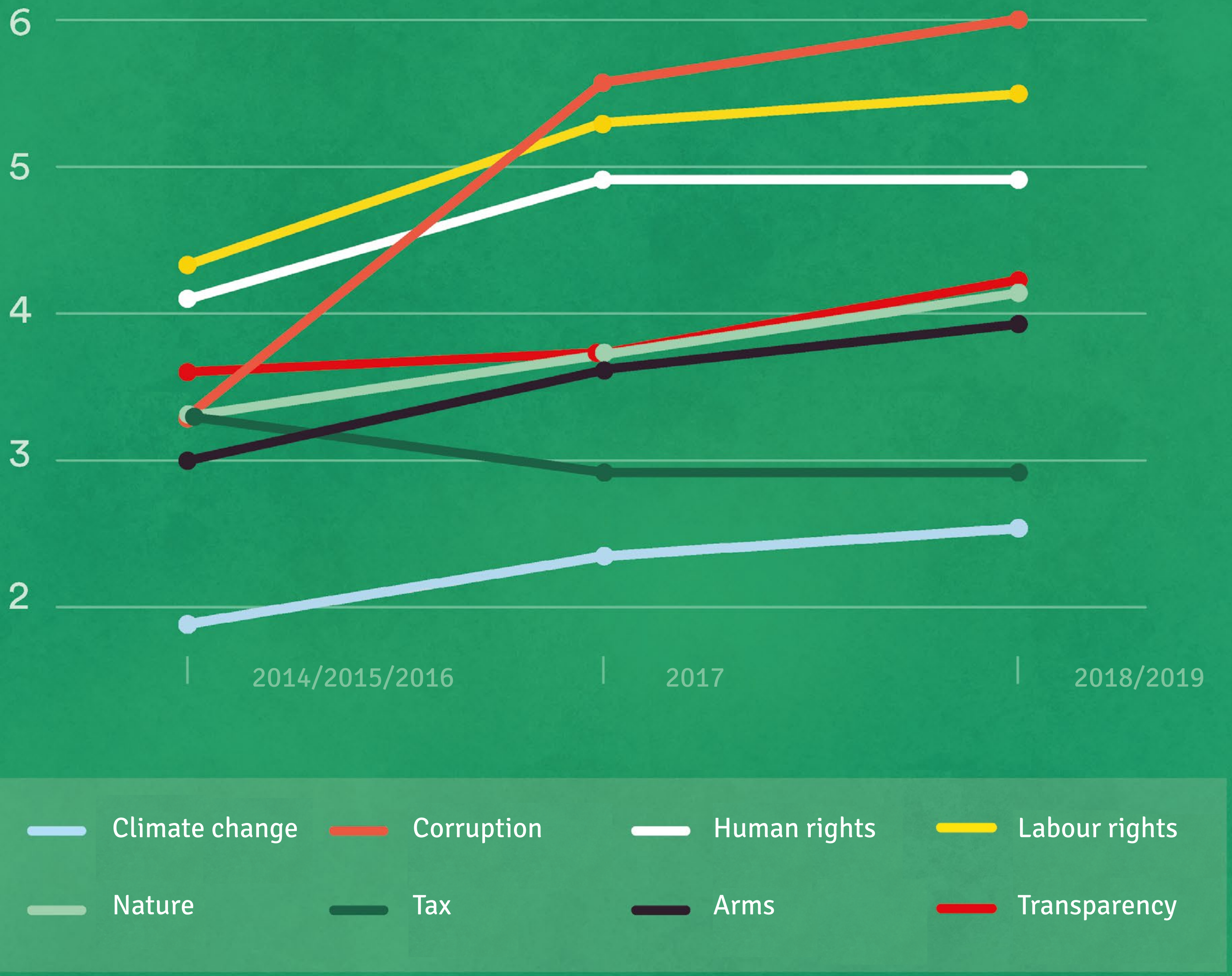
Nature

Corruption

Financial inclusion
and consumer protection

Average scores bank policies in 9 countries on themes[3]

scale 0 - 10



Climate change

The ever-changing climate and increasing global temperatures have had countless negative repercussions for the most vulnerable people on our planet. This process is a direct result of human activities which have generated disastrous consequences for humankind environmentally, economically and socially.

In all countries where a Fair Finance Guide coalition is operational, climate change and the role of financial institutions in contributing or responding to this phenomenon has become a salient issue that has been addressed successfully through the diverse strategies of the FFGI.

FFG The Netherlands, Indonesia, Japan, Belgium

A good example of how FFGI collaboration both supports poor communities and instigates change, is seen in its response to an investment by Japanese banks, including the Japan Bank for International Cooperation (JBIC), in a coal-fired power plant in Cirebon, Indonesia. In December 2017, FFG coalitions in Indonesia, Japan and the Netherlands, supported by the FFG in Belgium, began to engage with the banks, describing the Cirebon power plant's adverse effects on the surrounding communities and environment. As a result of this influencing and a legal appeal – whereby the local court cancelled the environmental permit for the project – in August 2018, JBIC suspended its loan disbursement for the expansion of the power plant (Cirebon 2) for several months. Although the community lost the case at the High Court, with the help of various CSOs it is currently filing an appeal to the Supreme Court.

Sweden – In Sweden, partly due to the efforts of the national FFG in publicizing its climate reports, all banks have been pushed to disclose the carbon impact of individual investment funds and to phase out investments in coal-powered energy generation.

France – Using the opportunity of the country hosting the UN Climate Change Conference in 2015, FFG France campaigned to integrate financial regulation in national legislation on climate change. The coalition and its allies released a report which showed that for every Euro the French banks channelled into renewable energy, they provided more than Euro 7 for fossil fuel projects[4] .

Consequently, after just a year-long campaign, France became the first country in the world to legally require that managers and asset holders better take into account climate risks, measure the carbon footprint of their financial portfolios, and disclose both the proportion of low-carbon investments they fund and the manner in which they make their investment strategies consistent with the internationally agreed 2°C limit[5] . This in turn set a precedent for the integration of the climate change challenge in the realm of European regulation.[6]

FFG Belgium

At its annual shareholder meeting in May 2018, KBC Bank changed its policy on investments in Czech coal power plants in response to pressure from Belgian bank clients, FFG Belgium, Greenpeace Belgium, Greenpeace Czech Republic and the local Czech community. KBC already had strengthened its policy on coal in 2016, by stating that no new coal power plants or projects would be financed. However, at this point the bank made an exception for the Czech Republic (in which KBC is a main financial player), as the country is highly dependent on coal.

From 2015 onwards, FFG Belgium had regular meetings with KBC on climate, pushing the bank to get rid of the Czech exception and to speed up their move away from coal. KBC justified the fact it kept on investing in Czech coal by referring to the lower level of awareness and resistance towards coal in the country. FFG Belgium's partner, Greenpeace, argued that the opposite is true.[7]

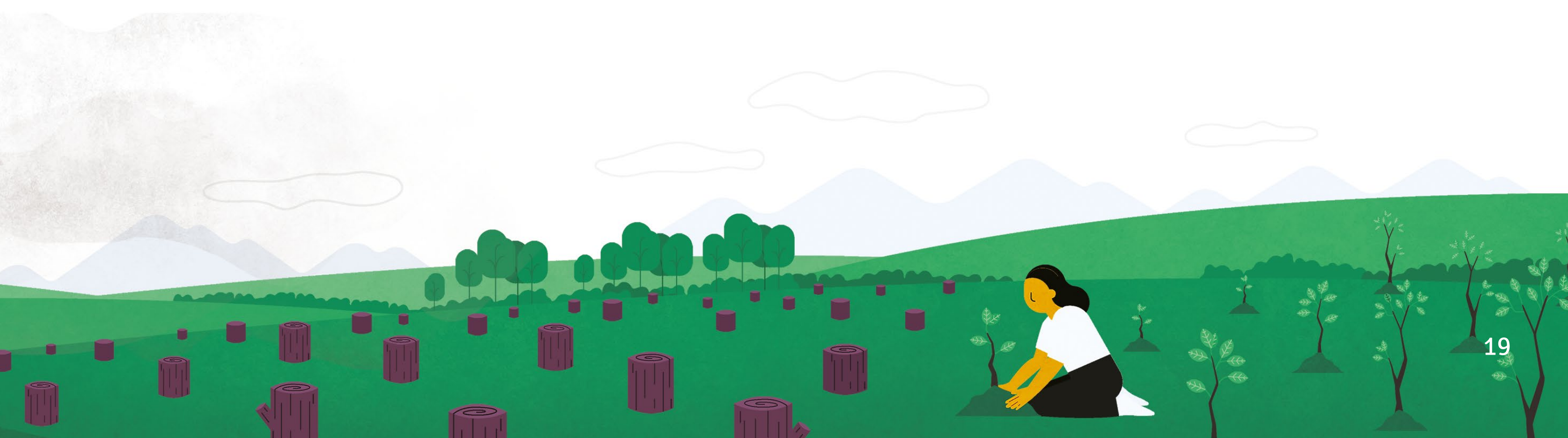
In 2018, the local population connected with the Belgian NGOs to speak up at the annual KBC meeting. Vladimír Buřt the mayor of Horni Jiretin, a village that was threatened with the expansion of a coal mine, took the microphone to tell shareholders about the impact of coal pollution on local communities. Although some shareholders ridiculed Buřt, KBC immediately responded that the bank would change its policy and would no longer finance new coal in the Czech Republic.

'With this adapted KBC policy line, KBC wishes to give a clear signal that the coal-based electricity production should be phased out in the short term, but at the same time, KBC is also taking on its role as a responsible company vis-à-vis Czech society due to the ecological standards in the heating system of the Czech Republic.' KBC website[8]

With this shift, the bank sent a strong signal to its shareholders that it doesn't only respond to their focus on short-term profit. This was emphasized in a press article in the Belgian financial newspaper, De Tijd.[9]

Not only the financial sector has to take responsibility when it comes to sustainability issues – the governments need to act too.

Alexandre Poidatz, FFG France



Human rights

Human rights are rights and freedoms that should be enjoyed by all human beings, irrespective of their nationality, sex, ethnicity, religion, gender, language or any other status. The rights and freedoms that are generally considered 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 and the right to food, work and education. Human rights also include collective rights, such as the right to development and self-determination.

Under international human rights law, states have an obligation to protect these rights. This requires taking measures to ensure that other actors – including banks and companies – do not undermine or violate these human liberties. Government failure to protect human rights does not absolve non-state actors of their responsibility for any adverse human rights impacts. Hence, it is crucial for financial institutions to fulfil their role in upholding human rights within their investments.

FFG The Netherlands, Norway, Sweden

The construction of the Dakota Access Pipeline (DAPL) is a definitive example of how companies can violate human rights. The project jeopardized the Indigenous rights of the Standing Rock Sioux Indians, and led to serious human rights violations by US forces during a peaceful protest by members of the Native American tribe and their supporters.

ING (The Netherlands) and DNB (Norway's largest bank) were two of the 17 banks financing this controversial project.[10] Although not involved in financing the construction of the pipeline, ABN AMRO (The Netherlands) had financing relations with Energy Transfer Equity (ETE), which was one of the firms supporting the project.[11] In response to the demands of many civil society actors – including the FFG coalitions in the Netherlands, Norway and Sweden – to stop all further payments to the project, on 21 March 2017, after discussions with the Standing Rock Sioux Tribe, ING announced that it had sold its stake in the DAPL loan and had decided to effectively end its relationship with the companies involved.[12]

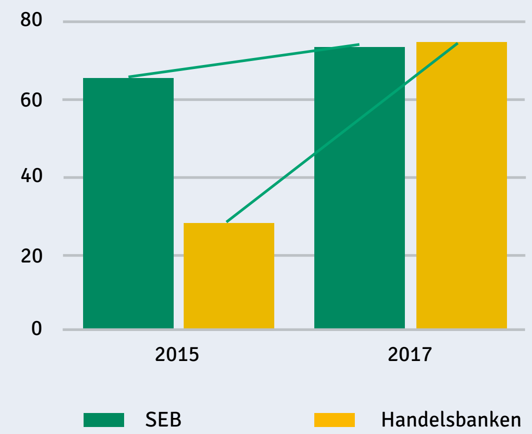
ABN AMRO informed ETE that it adheres strictly to the Free and Prior Informed Consent (FPIC) principles and therefore wants a peaceful solution to be found with all parties affected by the construction of the DAPL, including the Standing Rock Sioux Indians.[13] The bank said that because it was unable to use its leverage to improve the situation, it therefore discontinued its relationship with ETE. Similarly, DNB chose to divest both its equity involvement and its debt financing from the DAPL.[14] This motivated Nordic banks – specifically KLP, Storebrand, Sparebank 1 savings banks, Swedbank, Nordea and Länsförsäkringar – to exclude many of their companies on account of human rights abuses related to the DAPL project.

FFG Sweden

Another example of how banks have changed their mentality towards dealing with human rights violations in their investments over the years, is shown by the action of Swedish banks in blacklisting various companies that are known to have violated global norms and conventions.[15]

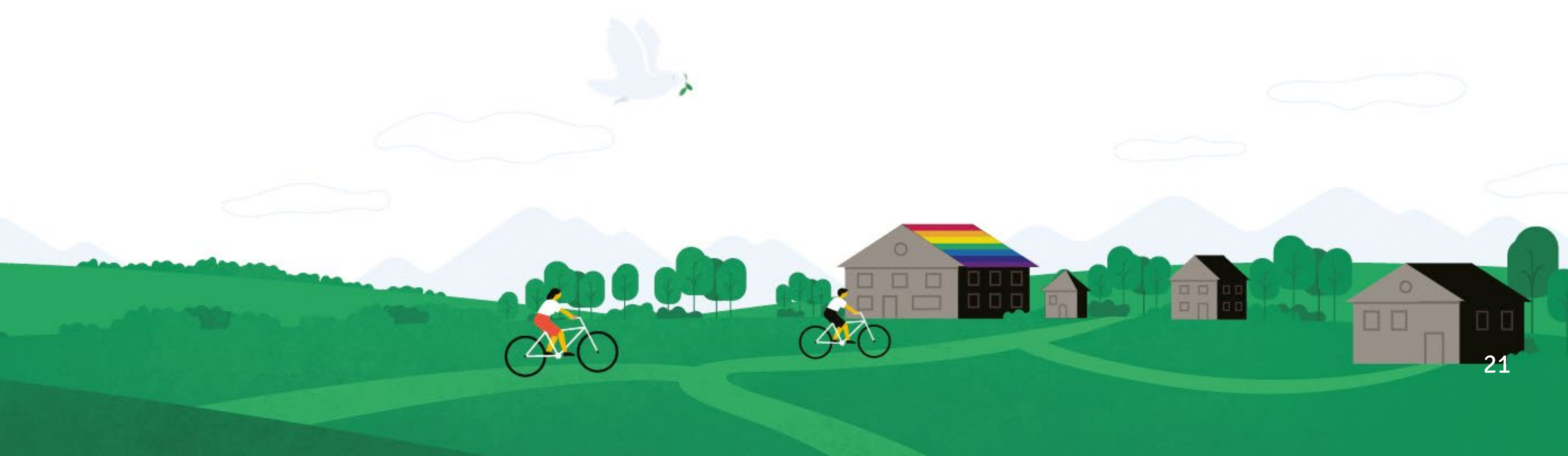
In a 2017 study entitled Still Irresponsible Investments, which followed up on a 2015 report which called on banks to scrutinize their clients for breaches of human rights, it was found that there had been several improvements to banks' investment policies. Sweden's seven largest banks have all taken measures to ensure responsible investing, for example by employing ESG specialists and excluding various companies that abuse human rights. Handelsbanken and SEB have both blacklisted Shell, the company in which they had their largest investments and whose oil exploration in the Niger Delta in West Africa has resulted in two generations growing up with the devastating effects of chronic pollution.[16]

SEB also blacklisted Renault, which has been accused of child labour and hazardous conditions within its cobalt supply chain in the Democratic Republic of Congo.[17] This clearly shows that the race to the top, as intended by FFGI, is effective in motivating banks to improve.



In the 2015 report, it had been recorded that Handelsbanken had committed to 28% of the human rights principles in the Fair Finance Guide method. SEB had committed to 66% of the human rights principles in the Fair Finance Guide method.

In the 2017 follow-up study, it was revealed that the two banks significantly improved their stance on human rights. Namely, SEB had now committed to 74% of the human rights principles of the FFG method, and Handelsbanken improved its' commitment to 75%, illustrating a major development in bank's willingness to become more socially responsible, fair and sustainable.



Labour rights

Protecting people in their place of work is a fundamental responsibility of companies and governments. 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 organizations, and that they are remunerated in a fair way for their services.

These basic rights apply to all employees, regardless of their race, sex or religion. Meeting these conditions helps to create a strong workforce that can contribute to the development of sustainable human capital. In addition, ensuring that labour rights are upheld can contribute to the democratization of societies, which in turn leads to a more favourable investment climate for the corporate world. Financial institutions must take labour rights into account when making their investments.

Since the April 2013 disaster at the Rana Plaza garment factory in Bangladesh, most banks and financial institutions have paid more attention to labour rights within the clothing industry. For example, many investors worldwide – including the Dutch banks ASN, SNS and Triodos – have joined the Bangladesh Safety Agreement and have contributed to a fund to compensate victims and their families for the tragedy that took place as a result of neglect of labour rights and inadequate occupational health and safety. Similarly, ABN AMRO requires a signed Safety Agreement when lending to the garment industry. In late 2018, a coalition of several Dutch banks and insurance companies, including ASN and Triodos, launched the Platform Living Wage Financials (PLWF), which aims to improve labour conditions in the textile sector. Early in 2019, ABN AMRO and ING joined this initiative.

In response to the 2016 case study by FFG NL, Labour Rights Living Wage and Freedom of Association in the Garment and Electronics Sector,[18] ING published a statement, saying: 'We can agree with the analysis of the Fair Finance Guide that more attention should be paid to trade union freedom and living wage. We will therefore take a serious look at the recommendations of the Fair Finance Guide.'[19] Similarly, Aegon reported on social media that 'Aegon has started to engage with two companies from the garment sector, and it is good that EerlijkeBankwijzer [FFG NL] has brought this to our attention.'[20]

FFG The Netherlands

At the start of 2017, a study by the Indian Committee of the Netherlands and Stop Child Labour brought to banks' attention that the extraction of granite in India, the world's largest global producer of granite, is too often accompanied by violations of fundamental labour rights and human rights.[21] The study revealed that in the supply chain of Dutch natural stone importers – who are clients of ING (Kerasom) and Rabobank (Jetstone and Michel Oprey & Beisterveld) – there have been cases of child labour, debt bondage, failure to provide health insurance for casual workers, and a ban on labour unions.[22]

Such violations of basic labour rights should not be supported by any financial institution and go directly against the policies of both ING and Rabobank, which endorse international labour rights such as trade union freedom and a ban on child labour and forced labour.

FFG NL engaged with ING and Rabobank, demanding that the banks make clear, time-bound agreements with their customers about working conditions and employee safety as well as eliminating child labour and debt bondage.[23] Following this, Rabobank reported that it has entered into dialogue with two clients about child labour. The bank stated in a Twitter response to FFG NL: 'We want customers to comply with international labour rights. If this does not happen, then we bring it up and if those calls do not turn out to be successful, then the customer relationship is broken.'[24] I

NG also responded on Twitter, stating that 'human rights are an extremely important part of responsible business for ING. Of course, we will look into the situation. ING is very actively involved in the NL Banking Agreement, which also includes the FNV [Dutch labour union] and so we will certainly discuss this with them.'

In June 2018, FNV spoke with these banks on behalf of FFG NL about the conclusions and recommendations made in the coalition's case study about the importance of preventing labour rights violations in the granite sector and the relevance of a multistakeholder agreement (covenant) for the natural stone sector and labour rights.

FFG Norway and Sweden

At the end of 2018, the Norwegian and Swedish FFG coalitions prepared a case study: Broke in Bangladesh: Nordic Banks and Living Wages in the Garment Sector, focusing on living wages in the supply chain of Nordic clothing companies.[25] One of the examples it shone a light on was the Swedish fashion chain H&M and its failure to implement a living wage strategy. In January 2019, almost immediately after the publication of the case study, Storebrand (a large Nordic investor and an important investor in H&M) was quick to announce that it had recommenced dialogue with H&M. Storebrand reported to have had a dialogue with H&M about living wages during 2015, but explained that this stopped after H&M launched its 'roadmap to fair living wages' and subsequently reported improvements. Storebrand says it has now reopened its engagement because it sees H&M as walking away from its commitment to a living wage and starting to use the term 'improved wages' instead.[26]

Nature

The biological diversity of planet earth – its ecosystem, species and genetic diversity – forms a complex web of life that is crucial to the sustainable economic and social development of our society and to the preservation of our cultures. The accelerating decline of global biodiversity is one of the most urgent environmental concerns. It imposes huge potential costs and risks such as the destruction of habitats, the loss of the functions of ecosystems, the threat of food shortage and the loss of medicinal plants. Caring for the natural riches of the world is the moral and ethical responsibility of all humankind.

Financial institutions' investment policies should ensure that they only invest in companies and governments that aim to prevent any further loss of natural riches, and to put this principle into systematic practice.

FFG Norway, Sweden, Indonesia

A 2017 report, Nordic investments in banks financing Indonesian palm oil, commissioned by the Rainforest Foundation Norway in collaboration with FFG Norway and FFG Sweden, found that 12 major Nordic banks and pension funds had invested over $2bn in six South-East Asian banks which finance more than 50% of Indonesia's palm oil operations,[27] an industry which is infamous for demolishing huge swathes of Indonesian rainforest.[28]

Caring for the natural riches of the world is the moral and ethical responsibility of all humankind.

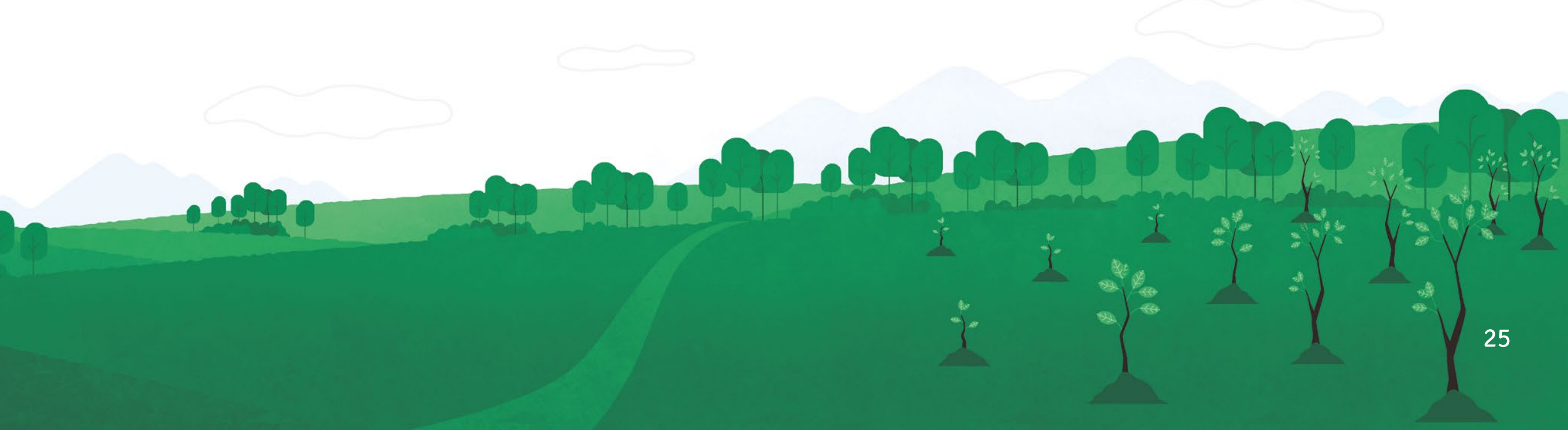
Dia Mawesti, ResponsiBank Indonesia (FFG Indonesia)

The Norwegian Government Pension Fund Global (GPFG) contributed the largest sum – over $1.3bn.[29] The remaining sponsors included Nordea, AP-Fonderna, Swedbank, Handelsbanken, KLP, Storebrand, Länsförsäkringar, Skandia, Danske Bank, SEB and DNB. These banks had sponsored South-East Asian banks that provided loans to a total of nine palm oil firms which were found to have engaged in unsustainable practices, including destruction of orangutan habitats, drainage of peat, poor fire prevention and mitigation, land disputes with local communities, clearance of forests, violations of workers' rights and failure to comply with the terms of the forestland release permit.[30]

Together with the Rainforest Foundation, FFG Sweden and FFG Norway called on the Nordic investors to address the issue and engage with the Asian banks. Several of the investors responded publicly to the report and welcomed the dialogue with the FFG coalitions.[31]

Rainforest Foundation invited the largest investors to a roundtable discussion involving ten participants, several of whom were members of the United Nations-supported Principles for Responsible Investment (UN PRI) group on Palm Oil, the main forum for investors globally regarding sustainability issues in the sector.

In December 2017, the UN PRI group accepted the Rainforest Foundation's proposal that the PRI group's scope should be expanded to also look at financiers' role and responsibility. As a result of this change in policy, the GPFG started to engage with banks about its palm oil financing.[32]



Tax

Tax revenues are essential to finance public services such as healthcare, 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.

Companies benefit from the public services in the countries they operate in, and therefore have a responsibility to pay tax in every country where they operate and to be open and transparent about this. However, many internationally operating financial institutions, companies and rich private clients benefit from international differences in tax percentages and loopholes in national tax legislation – significantly reducing their overall tax burden, while depriving developing countries of much-needed public revenue. Furthermore, multinational enterprises (MNEs) often lack transparency on tax payments.

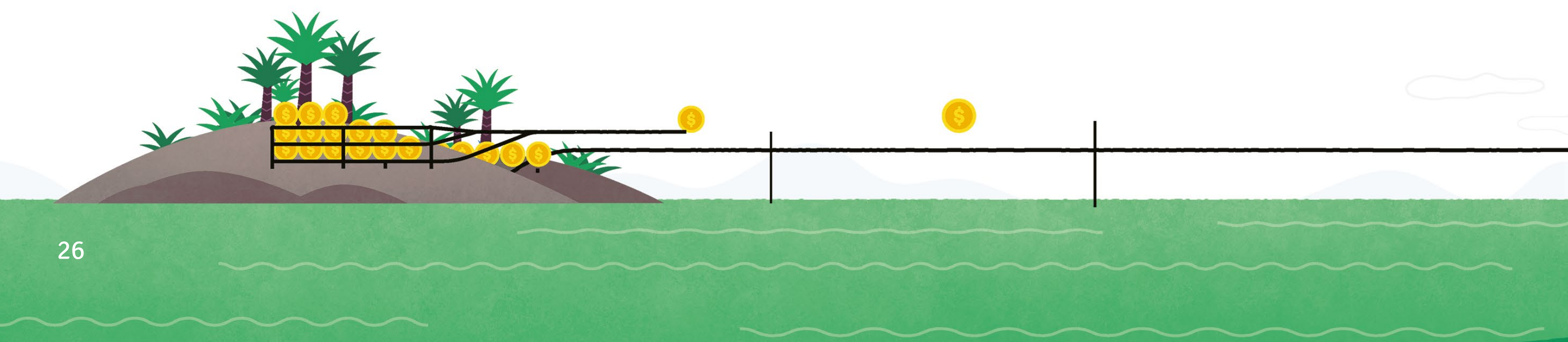
Given the crucial role of financial institutions in ensuring fair investments, it is essential that they do not deliberately assist clients in avoiding taxes, or avoid taxes themselves. Furthermore, financial institutions have a responsibility to monitor tax evasion and avoidance by only granting financial services to companies that pay the taxes owed in the countries where they operate.

FFG Sweden, Germany, France, the Netherlands

A 2017 study by FFGI and Oxfam, Opening the Vaults, exposed the 20 largest banks in Europe for using tax havens.[33] The report found that these banks register around one in every four euros of their profits in tax havens – an estimated total of €25bn in 2015. The study also revealed the harmful consequences of such frequent cases of tax avoidance and low levels of profit in countries that are not tax havens, and the role this plays in perpetuating inequality and poverty.[34]

Nordea, which was the only Swedish bank in the study, is active in three tax havens: Luxembourg, Singapore and Switzerland. In Sweden, the report received a large amount of media coverage and became a topic of discussion among politicians. The Swedish Minister of Finance, Magdalena Andersson, was interviewed about tax havens and the benefits of public country-by-country (CBC) reporting and public registries of beneficial owners.[35] A month later, the Swedish government announced that it supports the idea of CBC reporting and that registries of owners should be publicly available.

Furthermore, based on the report's findings, a Member of the European Parliament requested a written response from the EU Commission regarding the requirement of public CBC reporting by all multinationals.



In Germany, Deutsche Bank, Commerzbank and KFW IPEX-Bank all featured in the 2017 tax haven report. Following the report's publication and the significant media attention around the tax haven scandals, several banks started to incorporate commitments on tax avoidance into their policy for the first time. Although most French banks mentioned in the study strongly criticized the report, its publication served as a means to push political demands and create public outrage and mobilization within the EU on tax avoidance and tax havens, putting pressure on banks to change their activities. It is expected that this will encourage French banks to improve the content, format and accuracy of their reporting and to be more transparent about their business structures and operations.

Based on research by FFG NL in 2014 on Dutch banks and tax avoidance, ABN AMRO published an overview of its profits and tax payments in all the countries in which the bank is active. This can be found in its annual reports. In 2017, Rabobank stopped its activities in the Dutch Caribbean island of Curaçao after FFG NL shared its concerns about the bank's subsidiary in Curaçao.

Our work sheds light on a story, a not so beautiful story, making it more difficult for the financial sector to continue business as usual.

Jakob Konig, FFG Sweden

Arms

Arms pose a threat to the most fundamental human right: the right to life. They are a means for killing, maiming and destroying – threatening the safety of millions of people around the world. As stated in the FFGI methodology, the industry needs to be thoroughly and structurally reformed to ensure that, as a minimum: 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 in the arms industry is eliminated and transparency in reporting is improved; and products and services supplied/sold do not affect the sustainable development of poor countries.

Unless these structural changes occur in the arms industry, investing in weapons poses serious corporate social responsibility (CSR) risks. For example, banks could finance or invest in companies that are involved in corrupt practices, or in arms trade with oppressive regimes. Hence, it is of great importance that financial institutions implement a policy for this industry that is based on international standards. Several FFG coalitions have produced case studies to influence the financial institutions in their country to do so.

FFG Germany

An example of how pressure by the Fair Finance Guide has influenced the financial sector on firearms policies is seen in the case of the German state-owned bank, Landesbank Baden-Württemberg (LBBW). After scoring low (19%) on the arms sector theme in the first assessment by FFG

Germany in March 2016, and being highlighted in a case study on German banks' involvement in arms-producing companies later that year, LBBW responded by publicly excluding financing for weapons of mass destruction (WMDs). For the latest FFG Germany assessment in May 2018 the bank published further details, stating that general corporate financing will not be 'provided to companies generating more than 5% of their revenue from WMDs'.[36] As a result, LBBW became the lead-scoring conventional bank in this sector theme as assessed by FFG Germany.

FFG Belgium

Cluster munitions are a controversial form of weaponry. They are dropped from aircraft or fired from the ground or sea, opening up in mid-air to release tens or hundreds of submunitions which can saturate an area up to the size of several football fields, killing people even decades after a conflict has taken place. Because of this, these war machines pose a threat to the sustainable development of poor countries.

Back in 2006, FairFin, now the lead partner of FFG Belgium, partnered with the Belgian Peace Movement in a successful campaign to make Belgium the first country which explicitly forbids investments in cluster munitions. This led to many other countries following Belgium's example, strictly criminalizing the use of cluster munitions. Despite this, a 2017 case study conducted by FFG Belgium revealed that KBC bank still invested in a cluster munitions producer. In response, the bank immediately put the company on its blacklist, thereby preventing future investments.

FFG Norway

Almost the entire Norwegian market applies exclusion criteria based on production of controversial weapons. Some of those exclusion criteria mirror those that were applied by the Norwegian Oil Fund following intense influencing work by the FFG coalition partner Framtiden i våre hender (Future in our Hands) together with other NGOs. Another positive example of influencing is seen in the action of Danish Danske Bank, which is among Norway's largest banks and is currently the bank of one of Norway's biggest trade unions.

The bank has been assessed jointly by FFG Sweden and FFG Norway, and has consistently been among the lowest banks in the ranking. One of the key areas where Danske Bank lacked a solid policy commitment was regarding companies involved in the production of controversial arms, where the bank lagged behind what is considered common practice when it comes to the exclusion of companies.

In June 2018, Danske Bank announced that it had implemented new investment restrictions for companies involved with weapons which are prohibited by international law, or deemed controversial due to their indiscriminate effects or the disproportionate harm they cause. These investment restrictions apply to all investments made by Danske Bank.[37]

The struggle for the race to the top of banks needs to take place at local level; the international FFG network is essential in supporting this and stimulating similar struggles globally.

Thomas Kuchenmeister, FFG Germany

Corruption

Corruption has many negative political, social and environmental implications. It forms a major obstacle when developing the rule of law and leads to government representatives abusing their power for personal gain, which in turn delegitimizes them. Corruption also undermines people's faith in the political system and clears the way for leaders, whether chosen democratically or not, to appropriate national assets. If corruption is the norm, capable civilians and businesses will leave the country, further hindering its development.

In many countries, the economy continues to be steeped in corrupt practices. This leads to capital flight (when money and assets rapidly flow out of a country); expenditure of scarce public funds on unprofitable prestige projects instead of on much-needed social infrastructure such as schools, hospitals and drinking water networks; and public money ending up in private hands. In a climate of corruption, heavily polluting projects and the large-scale plundering of natural resources are often given free rein.

FFG Netherlands, Brazil

The construction of the Punta Catalina coal-fired power plant has been met with years of protest by the local population and community organizations. As well as posing a substantial climate threat, the project has become one of the main focal points in a multi-country corruption affair involving the Brazilian construction company, Odebrecht.

Many issues here affect people living in poverty, like land grabs, environmental destruction, labour abuse or corruption, which all starts where the money and the power is and can thus also end there.

Dia Mawesti, ResponsiBank Indonesia (FFG Indonesia)

Following a trial in a US court at the end of 2016, it was revealed that Odebrecht had paid over $92m in bribes to Dominican officials to secure a number of contracts, including for the construction of the Punta Catalina plant.[38]

Given the controversy surrounding the project, the Dutch bank ING's investment in the plant became the subject of questions in the Dutch Parliament. In July 2018, after much public pressure and engagement with Fair Finance Guide Netherlands (FFG NL), ING finally decided to sell its stake in the Punta Catalina power plant. In doing so, the bank demonstrated compliance with its own coal policy (which it tightened in December 2017), which phases out existing clients in the coal industry by 2025.[39] The move was welcomed by bank customers and by the FFG coalitions in the Netherlands and Indonesia.

Transparency

Each individual has the right to know what consequences business activities can have for their life. 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 these activities. In order to properly defend their social, cultural and environmental interests, citizens and social organizations must have access to all relevant information.

For financial institutions, transparency and accountability are possibly even more important than they are for other companies. As capital providers, financial institutions play an important role in virtually all economic industries. As investors and financiers, they carry a certain responsibility for the social and environmental consequences of all these economic activities. Financial institutions therefore not only have to inform the public about their activities – they also have to be as transparent as possible about the companies, projects and governments in which they invest.

FFG Netherlands

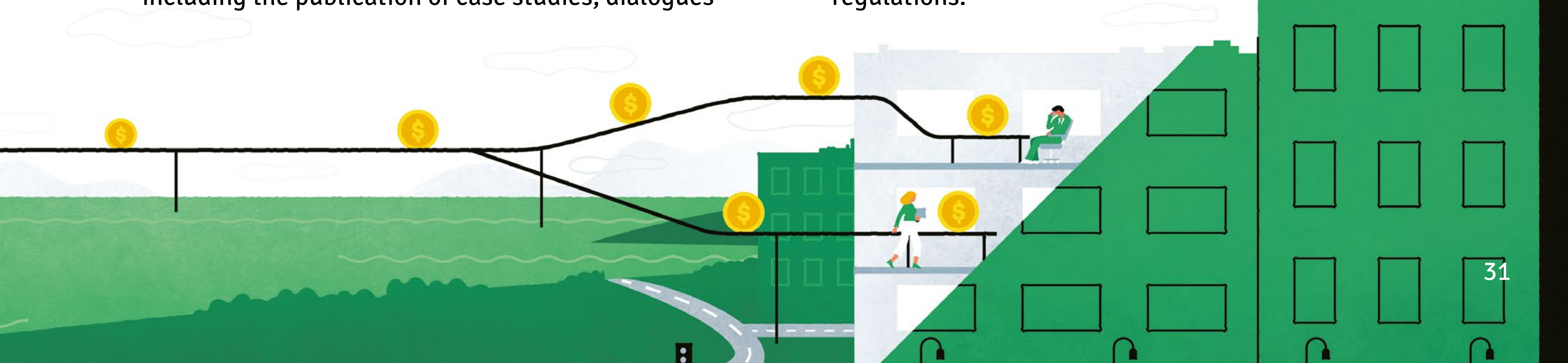
Major shortcomings remain in most financial institutions in terms of transparency, as many still fail to disclose vital information to their customers. In the Netherlands, ASN and Triodos are still the only banks that publish the names of all the companies they invest in. In fact, most banks do not even publish exclusion lists or complete reports of the voting behaviour at shareholder meetings. Largely because of FFG NL's work on transparency – including the publication of case studies, dialogues with banks, increasing political pressure, and through the Dutch multistakeholder Banking Agreement – banks have improved and are now scoring higher averages on transparency than in previous years. For example, the state-owned bank SNS (now part of the Volksbank) is now scoring 80% on transparency, while in 2011 the bank only scored 40% on this theme.

Customers have the right to know what their savings are invested in or not. The FFG is a great way to give them insight into this.

Sebastien Mortier, FFG Belgium

In 2015, through a series of workshops, presentations, meetings and collaboration with the Ministry of Finance, Ernst & Young, and banking branch association NVB[40] , several policy changes were implemented regarding banks' need to increase transparency and sustainability.[41] By 2019, most banks have extended their complaint mechanisms to non-clients. Three large banks also publish some anonymised insights into their engagement processes with companies, but still with some limitations.

The increasing political attention on the issue had already pressured banks to become more transparent about their financing in relation to sustainability, and the accompanying policy changes are helping to ensure banks' compliance with these new regulations.[42]



Gender equality

Financial institutions and companies have the power to affect a huge range of human rights, including gender equality, and have an enormous impact on people's lives and their communities. For example, the fact that over one billion women still do not use or have access to the financial system creates difficulties for women in collecting and saving income, makes them more vulnerable to economic and social exclusion, and prevents women from fully realizing their 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. In this way, companies and the institutions financing them are responsible for the exacerbation of gender inequality.

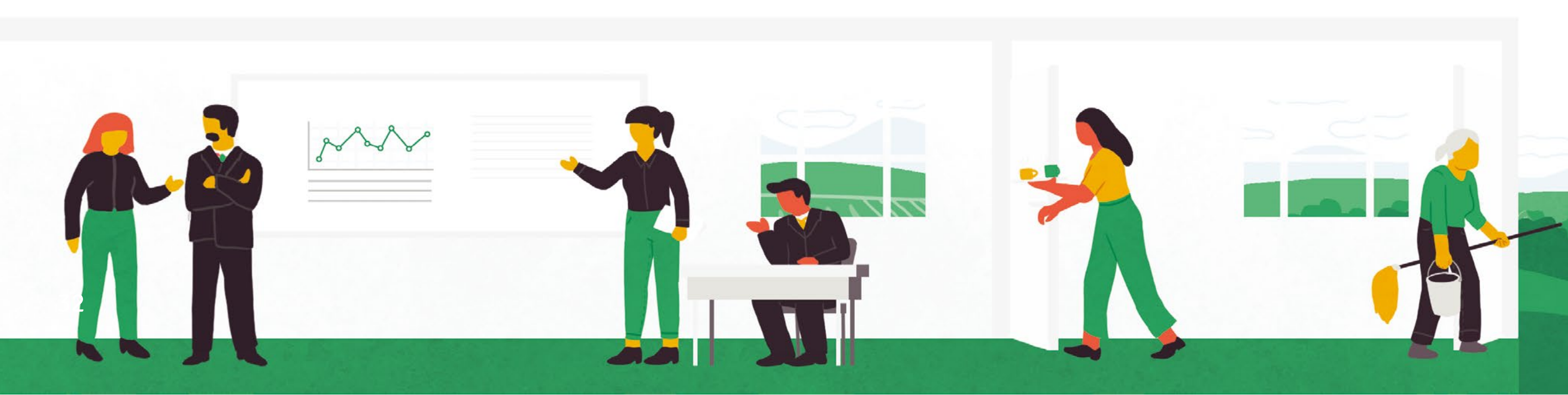
While gender mainstreaming in policies and programmes is a specific focus of international organizations such as the International Labour Organization (ILO) and the UN, this is not the case for the private sector, where considering gender-specific impacts of policy and practice is still an emerging issue. Sadly, corporate governance codes and guidelines, including responsible investment and finance policies, rarely adopt a gender perspective or take a gender mainstreaming approach.

'Not prioritising living wages means not prioritising women.'

Main conclusion from Broke in Bangladesh: Nordic Banks and living wages in the garment sector, published by Fair Action, Framtiden i våre hender, FFG Sweden and FFG Norway, 2019[43]

Since 2018, gender issues have been addressed through the FFGI research methodology, whereby all FFG coalitions assess their banks on gender equality in their internal operations and in relation to companies. The initial results demonstrate the serious shortcomings of policies in this domain, meaning banks still have a long way to go in terms of addressing gender equality. However, some positive practice is emerging: for example in the Netherlands, Volksbank has included in its voting policy that women are given priority in the appointment of new board members at companies in which the bank invests.

Another positive shift is demonstrated in the case of Pax-Bank in Germany. Pax-Bank is a Catholic-oriented cooperative bank, providing asset management services to several large institutional investors. The bank was previously on the lowest rank, scoring only an average 3% out of 100% in FFG Germany's first policy assessment, published in March 2016, but since then has continuously improved due to increased transparency and strengthening of its ESG criteria.



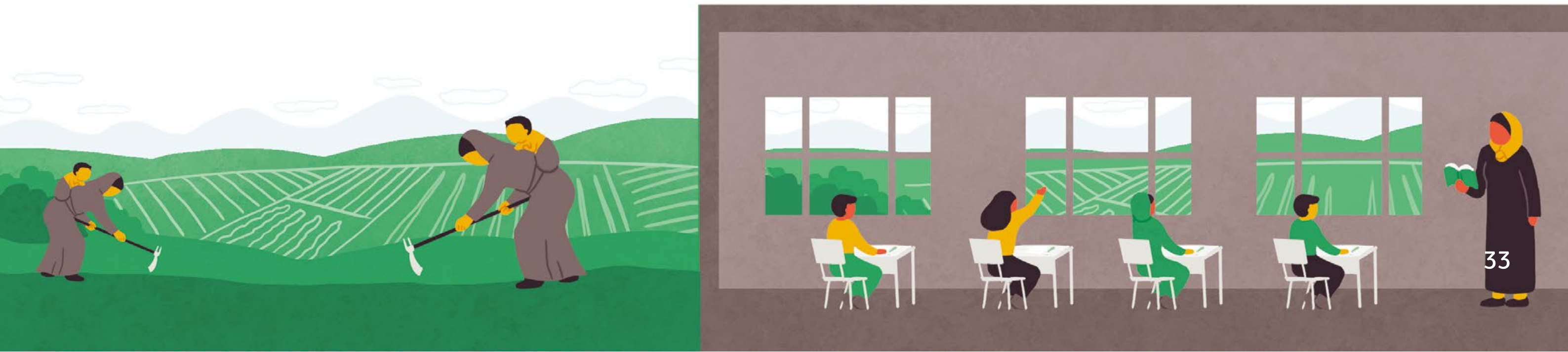
In preparation for the fourth assessment by FFG Germany, due to be published in May 2019, the bank moved to further strengthen its ESG criteria and has specifically committed to operationalize the new elements of the Fair Finance Guide's gender equality theme. In a face-to-face meeting in January 2019 in Cologne, the bank's potential for improvement on the theme was discussed, including through the establishment of a target quota for women in senior positions. As the Catholic church and its associated institutions are traditionally male-dominated, it seemed unlikely that an actual figure would be set.

However, in February 2019, the bank exceeded expectations by publishing a target to increase its share of female employees in leading positions, from 20% currently to 30%.[44]

The inclusion of gender equality as a mandatory theme in the Fair Finance Guide methodology has directly contributed to raising the bank's awareness of the issue. Pax-Bank is very motivated to improve its scoring in a race to the top with another church-related bank (the Protestant KD-Bank), and has established a new staff position for sustainability which is directly associated with the Board of Directors. The assessment of FFG Germany and the draft results have even been discussed at Board level.

Not prioritizing living wages means not prioritizing women.

Main conclusion from Broke in Bangladesh: Nordic Banks and living wages in the garment sector, published by Fair Action, Framtiden i våre hender, FFG Sweden and FFG Norway, 2019



Financial inclusion and consumer protection

Consumer protection

A major part of financial services and products are addressed to consumers: current and savings accounts, personal loans, debit and credit cards, mortgage loans, insurance, pensions and annuities, and investment products. In general, such 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. Protecting the interests of consumers in the financial sector creates a great responsibility – not only for the national regulatory agencies but also for the financial sector itself.

Financial inclusion

Individual households' access to finance and credit gives them the means to secure homes, invest in education and training, take out loans for healthcare or medicine, bridge fluctuations in income generation and expenses, and start and expand businesses. According to the Global Findex Database, in 2014 two billion people – or 38% of adults in the world – did not have access to basic financial services.[45] Their ranks include more than half of the adults in the poorest 40% of households in developing countries.

Financial inclusion has become a burning issue in relation to the question about the contribution of finance to sustainable development. It is increasingly being seen as an instrument of poverty reduction, as well as a means to tackle inequality worldwide. However, financial inclusion also poses some risks. Banks (although they are not the only financial institution actors for financial inclusion) might be pressured by their state government to provide micro-finance to small enterprises and people living in poverty; on the other hand, some banks might see this as an opportunity to expand their credit market to broader groups of the population. Banks might use the previously excluded clients' savings or remittances to invest in something with risks the clients have no information about, or the clients might be offered products or services with risks they don't understand. These risks are due to the problems in the financial market – asymmetrical information, low quality of information, financial sector infrastructure – and to low levels of financial literacy and capability. These problems are faced by not just by clients in low-income countries but also in middle- and high-income economies.

FFG Brazil

More than 61 million Brazilians are indebted today, and half of them are over-indebted[46], causing major financial stress in their lives. As a result of a lack of transparency and information from banks, many people take out new loans to pay off arrears, resulting in snowballing interest rates without any prospect of negotiating a settlement with their lenders.

In order to overcome this information deficiency, FFG Brazil began to pressure banks to be more transparent and establish better policies on over-indebtedness. Its concerted efforts along with other CSOs has significantly increased public and media awareness and moved the issue up the political agenda, ultimately leading to policy change. In 2017, the Senate unanimously approved Law Project No. 3515, a law intended to ensure that financial institutions have suitable policies to avoid over-indebtedness as well as stricter rules for the content of their contracts with consumers.
Rubens Adorno, a retired professor from the University of São Paulo, approached FFG Brazil after seeing the coalition's studies about indebtedness and the financial system. In 2018, FFG Brazil launched a documentary about his case, On the path of over-indebtedness. This changed a lot not only in the life of the professor, but also in the public debate on over-indebtedness and the government's and financial sector's responsibility in this. Rubens says: 'I am part of a group of millions who are over-indebted throughout Brazil.

Faced with this, what I consider important and would like to share is that for years I have been an excellent client of the financial system. It took a long time for me to default on my loans because I covered my debts with other debts: credit offers from various financial institutions, such as overdrafts, credit cards, personal loans, loans on consignment and credit refinancing. In the last two years I tried to renegotiate with many banks.

Success was only possible with the support of FFG Brazil and IDEC [its lead partner], since there are no public policies and regulations for the process of renegotiating debts, leaving clients vulnerable and at the mercy of big banks. I am finishing the process of over-indebtedness. It would have been impossible without this support.'

FFG Indonesia

Indonesia's medium and small enterprises account for the vast majority of the county's total enterprises and create employment for nearly 108 million people – more than 40% of the total population. With 60% of micro, small and medium enterprises (MSMEs) operated and managed by women, it is crucial to ensure that women have access to sufficient financial support.

ResponsiBank Indonesia (the Fair Finance Guide in Indonesia) conducted a case study[47] on Micro Credit Programme (KUR), a government-sponsored subsidy to distribute 120 trillion Indonesian rupiah (IDR) to micro and small business. Through KUR, Indonesia's commercial banks can provide lower interest rates for MSMEs to expand their business. The case study finds that despite its objective to provide easy access to capital, the KUR Programme does not have a positive policy for women, especially those who work in the agricultural sector. One of the study respondents in Indramayu, West Java, the nation's most important rice-producing area, stated: 'Women working in agriculture can hardly access the KUR Programme since it is channelled through Farmer Groups, and here most members are men.'

Insights

The past five years have been a journey of learning, building and working together: from one national FFG coalition operating in the Netherlands to nine fully operational FFGs today, with at least two more joining in 2019. The results have been impressive, and many people in the countries the FFG operates in know the Fair Finance Guide for its thorough research and campaigns. The experience shows that high-quality research, long-term and consistent commitment as well as campaigning, gets results.

The FFGI has profoundly expanded its influence. As well as working in more countries, it works with more coalition partners and an increasing variety of financial institutions, allowing for more in-depth case studies and reports. There are many remaining challenges – and to meet these, the FFGI aims to go wider, become smarter and to probe deeper in the years to come.

Wider

Active in more countries

From 2019, a Fair Finance Guide coalition will be active in 11 countries around the world.

Being part of an international network, as well as providing access to a large network of experts, brings an added value for national FFG coalitions in their home countries. By widening its reach, and supporting more FFGs around the globe, the FFGI is better able to monitor financial institutions and campaign for policy change in the global market, while at the same time promoting change locally.

‘The Thai banking sector is already increasingly interested in sustainable banking, partly as a result of advocacy by the Bank of Thailand. Many banks are striving to get listed on the Dow Jones Sustainability Index (DJSI) or maintain DJSI status, and are keen to improve sustainability disclosures. We see that as a positive sign for the upcoming FFG Thailand.’

Sarinee Achavanuntakul, FFG Thailand

Smarter

Looking beyond policy into practice

The FFGI also has the ambition to become smarter. In the last five years, there has been a substantial increase in the number of ever-evolving case studies, leading to a clearer understanding of how finance and investments are actually stimulating change or perpetuating undesirable situations. Tracking the outcomes of these policies in turn facilitates the process of holding financial institutions to account. In this way, the FFGI will also be better able to engage in worthwhile dialogues with the financial sector, providing relevant advice when necessary.

Deeper

Assessing all financial institutions

The FFGI is going to look deeper into the financial sector. Over recent years, the importance of assessing all financial institutions – not just banks – has become apparent. Hence, a growing number of FFGs have begun to evaluate and scrutinize insurers and pension funds. As a result, these institutions are also coming under pressure to recognize their powerful position and take responsibility for the impact of their investments.

The FFGI network operates as a multinational: with coalitions all over the world. This makes it an important platform to draw international attention to local issues.

Teresa Liporace, FFG Brazil

Recommendations

The Fair Finance Guide International's experience over the past five years has led to numerous recommendations, all 69 case studies give specific recommendations on the topic studied.[48]

In general the FFGI recommendations include the following.

For financial institutions

• Put shared value before shareholder value.

Focus on society instead of the shareholder. Banks should invest much more in long-term solutions to social problems, such as sustainable energy and sustainable agriculture.

• Stop investments in companies that harm the planet and its people.

Disinvest and protect: disinvest when there is proven harm to the living planet; and protect the wellbeing of all. Phase out investments in the fossil energy sector and specifically tar sands oil and shale gas, and oil and gas drilling in the polar region. Financial institutions need to refrain from financing companies that violate human rights or pollute the environment, thus doing irreparable damage to future generations, unless they have an influence on these companies, and these companies show that they are taking concrete steps to tackle and prevent abuses.

• Make smart and simple key performance indicators (KPIs) and link these to ESG criteria.

Integrate these indicators in internal procedures, performance measurements and remuneration policies. Ensure they relate to the sustainability effects of loan and investment portfolios.

• Be transparent with clients and the general public about sustainability efforts, targets and progress.

Demand transparency from investee companies and set time-bound targets for engagement. Exclusion can be the right tool when a company is not responding to engagement.

• Financial institutions must not engage in financial crimes or support companies that do so.

This includes, but is not limited to: corruption, tax avoidance or evasion, money laundering, bribery, price/financial manipulation, and embezzlement. Most banks do not require a management system from companies to take immediate action in cases of tax evasion or tax avoidance by employees, clients or suppliers. Financial institutions should publish the bottom line which they apply to corruption, tax evasion and tax avoidance in order to not provide a loan. Financial institutions should also publish how many companies they have engaged with on prevention of corruption, tax evasion and tax avoidance, as well as the results from engagement in this area.

• Establish an easily accessible and effective grievance mechanism for individuals or communities that feel adversely affected by banks' operations, as defined within the UN Guiding Principles on Business and Human Rights.

For regulators/government /the enabling environment

• Provide legal framework on sustainability issues.

The regulations implemented in France in 2015 to introduce a legal requirement for climate change reporting by institutional investors should be seen as a baseline for regulators.[49] These regulations commit the government to undertake a climate stress test of the banks. Institutional investors and banks will need to report on the risks associated with climate change. Not only do institutional investors need to take climate change into account; the law also requires that they include in their annual report how they take ESG factors into account.[50]

• Encourage reporting and transparency.

It is important that states stimulate business to report on human rights, progressively integrating the human rights due diligence process. This can be successfully achieved through a government's development of a National Action Plan to implement the UN Guiding Principles on Business and Human Rights. It can also be achieved by following the significant legal step taken by France.[51] The proposed Swiss Responsible Business Initiative is similar. In Indonesia, in 2017 the regulatory body OJK issued a regulation on Sustainable Finance, obliging financial institutions operating in Indonesia to submit a sustainability report and a Sustainable Finance Action Plan on an annual basis.

• Practice what you preach as a government.

Include strong sustainability and human rights requirements for the bank used by government.

Word of support

The year 2018 marked ten years after the international financial crisis. The year 2019 marks ten years after the Fair Finance Guide started in the Netherlands and five years after it became an internationally renowned network of different coalitions worldwide. As Sida, we are very proud to have been at the forefront of this internationalization process by supporting financially and programmatically the building and expansion of the Fair Finance Guide International network globally.

I would like to congratulate all involved in the achievements so far. At Sida we have seen it has been five years of public pressure, dialogue and engagement for more sustainable and responsible investment choices in a large variety of countries all over the world where the Fair Finance Guide is operational. It has been five years of hard work of nine different coalitions and their allies, as well as five years of hard work by the international secretariat to ensure consistency while embracing diversity, and to manage funding. I am proud to see the results of this hard work, and delighted to hear that this work has further generated interest from civil society in India, Thailand, Vietnam, Pakistan, South Africa and Denmark to follow suit and to also set up Fair Finance Guides in their countries. I trust you will have read this document with interest and will join all that are working towards a more sustainable and responsible financial sector and a world without poverty.

Kerstin Jonson Cisse

Head of Unit Global Sustainable Economic Development, Sida

Sweden
Sverige

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Partner organizations

Financial institutions assessed by FFGs

Belgium

ARGENTA

Deutsche Bank

Belfius

ING

BNP PARIBAS

KBC

Triodos Bank

Van Lanschot

vdk bank

Brazil

Safra

BNDES

Itaú

BTG Pactual

France

BNP PARIBAS
La banque d'un monde qui change

la Nef
finance éthique

CIC
Crédit Mutuel
La banque à qui parler

CAISSE D'EPARGNE

BANQUE POPULAIRE

BPCE

GROUPE CREDIT COOPERATIF

CRÉDIT AGRICOLE

SOCIETE GENERALE

LA BANQUE POSTALE

Germany

- KD-BANK Bank für Kirche und Diakonie
- Bayern LB
- COMMERZBANK
- Deutsche Bank
- EthikBank FAIRES GELD
- DZ BANK
- HypoVereinsbank UniCredit Group
- GLS Bank das macht Sinn
- Pax-Bank seit 1917 Bank für Kirche und Caritas
- LBBW
- Sparkasse KölnBonn
- Triodos Bank
- Postbank

The Netherlands

- ABN·AMRO
- Triodos Bank
- Van Lanschot
- Rabobank
- NIBC
- de volksbank asn bank RegioBank SNS
- ING
- achmea
- AEGON
- Allianz
- a.s.r.
- apg
- NN
- VIVAT
- menzis
- CZ
- VGZ

Japan

- NORINCHUKIN 農林中央金庫
- SMBC
- RESONA
- 三井住友信託銀行 SUMITOMO MITSUI TRUST BANK
- MIZUHO
- JP ゆうちょ銀行
- MUFG

Indonesia

- mandiri
- BNI Melayani Negeri, Kebanggaan Bangsa
- citibank
- BANK BRI Melayani Dengan Setulus Hati
- Danamon
- CIMB NIAGA
- HSBC
- PaninBank
- OCBC NISP
- MUFG
- BCA

Norway

- DNB
- Nordea
- Danske Bank
- Cultura Bank
- storebrand
- SpareBank 1 SMN
- Handelsbanken
- S'banken
- klp
- SparebankenVest
- Sandnes Sparebank
- SpareBank 1 SR-BANK
- SpareBank 1 NORD-NORGE
- SpareBank 1 ØSTLANDET

Sweden

- Länsförsäkringar
- skandia
- Ekobanken ekologiskt - socialt - kulturellt
- Danske Bank
- Handelsbanken
- JAK MEDLEMSBANK
- Nordea
- SEB
- Swedbank

Thailand

- ธนาคารกสิกรไทย KASIKORNBANK
- ธนาคารเกียรตินาคิน KIATNAKIN BANK
- TMB Make THE Difference
- TISCO

Please join the **over 40 civil society organisations** that are now involved in the Fair Finance Guide over the globe regularly assessing and engaging with some of the larger financial institutions in their countries.

Gine Zwart
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Endnotes

1. In this document, the broad term ‘financial institutions’ refers to banks, insurance companies, pension funds and their asset managers.

2. These are the average scores on the policies of eight themes: Climate Change; Corruption; Human Rights; Labor rights; Nature; Tax; Arms; Transparency of the following banks together: Belgium: VDK Spaarbank; Van Lanschot; Argenta; ING; KBC; BNP Paribas; Deutsche Bank; Belfius. Brazil: BTG Pactual; Safra; Votorantim; Banco do Brasil; Itaú; Santander; Caixa; Bradesco; BNDES. France: BPCE; BNP Paribas; Credit Agricole; Crédit Mutuel ; Banque Postale; Société Générale. Germany: Commerzbank; DZ Bank; HypoVereinsbank; Deutsche Bank; LBBW; Postbank; BayernLB; Sparkasse KölnBonn. Netherlands: ABN-Amro; ING; NIBC; Rabobank; Volksbank; Triodos; Van Lanschot. Indonesia: HSBC; Citibank; MUFG; BNI; Danamon; BRI; CIMB Niaga; OCBC NISP; Bank Mandiri; BCA; Panin Bank. Japan: MUFG; Mizuho; SMFG; Resona; SMTH; Japan Post; Norinchukin. Norway: Storebrand; KLP; Sbanken; DNB; SMN; Handelsbanken; Nord-Norge; Nordea; Danske Bank; Østlandet; Sparebanken Vest; Sandnes Sparebank; SR. Sweden: SEB; Swedbank; Skandia; Nordea; Danske Bank; Länsförsäkringars; Handelsbankens. Thailand: Bangkok bank; Krung Thai bank; Siam commercial bank; Kasikorn bank; Bank of Ayudhya; TMB bank; Kiatnakin bank; Tisco bank; Thanachart bank. For more details please visit the website: www.fairfinanceguide.org

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The FFG is only a means to an end - the end being a just world without poverty. I am convinced that we are contributing to that.

Peter Ras, FFG The Netherlands

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