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An aerial photograph showing a large area of deforestation. A wide, light-colored dirt road or cleared path runs vertically through the center of the image, flanked by dense green forest on the left and a cleared, brownish area with sparse vegetation on the right. Several small structures and vehicles are visible along the road in the middle section.

BANKING ON DESTRUCTION

HOW EUROPEAN FINANCIAL INSTITUTIONS FUEL
ENVIRONMENTAL CRISES

Written by the WWF European Policy Office.

WWF is an independent conservation organisation, with over 38 million supporters and a global network active through local leadership in over 100 countries. Our mission is to stop the degradation of the planet's natural environment and to build a future in which people live in harmony with nature, by conserving the world's biological diversity, ensuring that the use of renewable natural resources is sustainable, and promoting the reduction of pollution and wasteful consumption.

The European Policy Office contributes to the achievement of WWF's global mission by leading the WWF network to shape EU policies impacting on the European and global environment.

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Design by Inès Abbas

Published in 2023 by WWF – World Wide Fund for Nature (formerly World Wildlife Fund), Brussels, Belgium.

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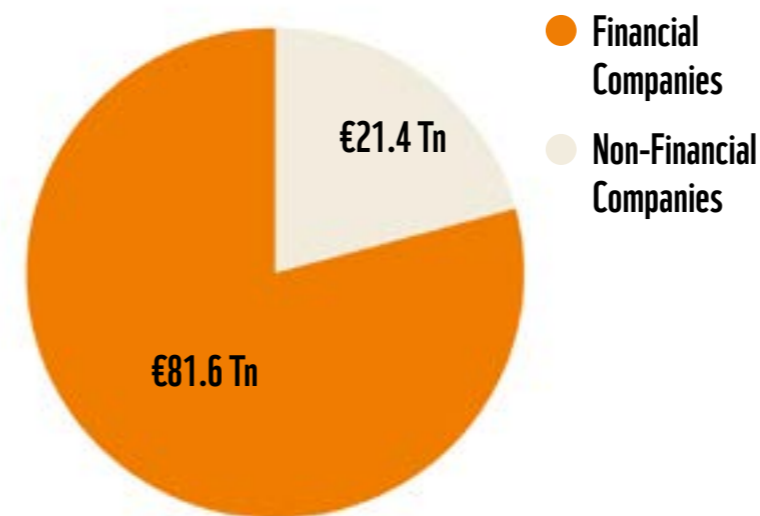
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This briefing showcases EU financial institutions' involvement in driving environmental and human rights-related harm and highlights how a robust sustainability due diligence law could and should minimise such impacts and induce more responsible financial practices, thereby safeguarding both the financial sector's resilience and the well-being of the planet

INTRODUCTION

In light of the growing array of environmental and social challenges across the globe, it is more important than ever that financial institutions take a proactive and responsible approach to sustainability. The consequences of overlooking or neglecting these issues can be severe not only for the planet, but also for financial actors that can miss financial risks arising from the escalating impacts of climate change and environmental crisis. The financial sector is also instrumental in funnelling resources towards a sustainable economy.



Financial assets in financial & non-financial companies in the EU, in Trillion EUR

The EU has paved the way for a promising sustainable finance regulatory framework, by making progress mostly in establishing more systemic and transparent sustainability data¹. But data is merely a means to an end and the EU still lacks sufficient legal imperatives for financial institutions to make use of this data and address sustainability impacts and risks in their financial decisions.

With EUR 81.6 Trillion, the financial institutions in the EU have nearly four times more financial assets than non-financial companies². While not explicitly revealing the extent allocated to non-financial firms, it illustrates the financial sector's significant size and influential role in shaping our economy. Yet while current disclosure-oriented laws help understand what is being financed and implicitly discourage supporting polluting activities, **the EU still allows banks, investors, insurers and other financial institutions to ignore the social and environmental harm that these assets can fuel.**

SUSTAINABILITY DUE DILIGENCE LAW COULD ENSURE MORE INFORMED AND RESPONSIBLE FINANCIAL PRACTICES

The EU's upcoming **Corporate Sustainability Due Diligence Directive (CSDDD)** can provide the financial sector with a legal framework that fosters more responsible financial practices. By requiring financial institutions to identify and mitigate the social and environmental risks and harms in their financial decisions and portfolios, this Directive could limit harmful financial flows on the one hand, and ensure more effective management of sustainability-related financial risks on the other. Such a requirement is considered necessary by a wide range of stakeholders, including [progressive investor groups](#), [banking association](#), [pension funds](#), the United Nations in its [Guiding Principles](#) and the OECD in its [general](#) and [investor-specific](#) guidelines.

Although the Directive aims to establish a common standard for the EU that would cover the entire economy, it is still unclear how the law would apply to the financial sector, as the negotiators' views on key elements in the final negotiation stage differ. For instance, should financial institutions be required to consider sustainability-related risks and harms in their financial decisions and portfolios at all? And if so, should the requirement be for all financial services and activities,

¹ For instance, the Sustainable Finance Disclosure Regulation (SFDR), Corporate Sustainability Reporting Directive (CSRD) and the EU Taxonomy.

² Eurostat (2022). [Financial corporations - statistics on financial assets and liabilities](#); Eurostat (2022). [Non-financial corporations - statistics on financial assets and liabilities](#).



Copyright Credit © Michael Edwards / Alamy Stock Photo. Deforestation in the Gran Chaco near Mariscal Estigarribia, Paraguay.

including lending, insuring and investing? Or should financial firms conduct sustainability due diligence regularly throughout the entire financing cycle, or just once before the financing decision? **Critically, not requiring financial firms to consider sustainability factors in some or all financial activities, or throughout the financing cycle, would allow them to overlook sustainability harms and cause them to miss financial, physical and reputational risks.**

THREE CASES OF FINANCING HARM THAT AN EFFECTIVE DUE DILIGENCE LAW COULD HAVE MITIGATED

This briefing aims to showcase environmental and social harm that the EU financial institutions have been involved in, but which could have been mitigated or avoided with a robust sustainability due diligence law that requires financial institutions to safeguard both their own interests and the well-being of the planet. More specifically, using secondary data, the report highlights three cases that exemplify the adverse impacts that the EU regulatory framework has so far allowed financial institutions to support: (1) Paraguay's deforestation crisis; (2) environmental pollution and public health crisis in Colombia; (3) harming coastal ecosystems and communities in the Philippines.

Each case details what the harm is about, how the EU's financial institutions have contributed to it, and how an effective Corporate Sustainability Due Diligence Directive could and should promote more responsible financial decisions.



All cases reflect three minimum requirements that the Directive should impose on financial institutions, to ensure more informed and responsible financial decisions and practices:

- identify, prevent and mitigate potential and actual human rights violations and environmental harm in all financial activities, including lending, insurance and investing;
- make sure such due diligence is undertaken both before providing financial services and activities, and at regular intervals during the financing period;
- use their leverage over irresponsible companies to induce improvement in corporate practices.

1. EU FINANCIERS TURN A BLIND EYE TO PARAGUAY'S DEFORESTATION CRISIS



WHAT IS THE HARM ABOUT?

In 2020, the British NGO Earthsight showcased in their investigation report 'Grand Theft Chaco' how Minerva, a Brazilian beef company, and Frigorífico Concepción, a meat packager headquartered in Paraguay, have substantially contributed to massive deforestation in Paraguay.³ Gran Chaco, the affected region, has the second-biggest forest in South America and is home to almost 50,000 indigenous people⁴. Since 2000, it has lost 25% of its forest cover⁵.

Minerva and Frigorífico Concepción were both accused of land grabbing from the Ayoreo tribe as well as cattle ranching, a process for raising cow herds on expansive tracts of land and a major driver of deforestation. In 2018, the Paraguayan government suspended issuing plans for land use change in the Ayoreo indigenous land, making any forest clearance in the area illegal³. Yet, in 2020, according to Global Witness, Minerva bought beef from 16 ranches containing illegal forest clearance, due to its neglect to properly monitor the 1,600 ranches in its supply chain⁶.

WHAT IS THE RESPONSIBILITY OF THE FINANCIAL SECTOR?

In a follow-up report from 2023, Global Witness has evidenced that since the publication of Earthsight's investigation in 2020, European financial institutions Santander (Spain), BNP Paribas (France) and APG/ABP (Netherlands) have increased their shareholdings in Minerva⁷. More specifically, BNP Paribas and APG/ABP have almost doubled

³ Earthsight (2020). [Grand Theft Chaco](#).

⁴ Tierra Viva (2023). [Mapa Interactivo](#).

⁵ Global Forest Watch (2023). [Paraguay](#).

⁶ Global Witness (2020). [Beef, Banks and the Brazilian Amazon](#).

⁷ Global Witness (2023). [Cash, Cattle and the Gran Chaco](#).

their holdings, while Santander increased its holding tenfold within the same timeframe. Santander, alongside other banks such as HSBC and JP Morgan, has also provided additional services to Minerva, such as bond underwriting and assisting share sales. The support from financial institutions has also been crucial for Minerva to find new investors, and therefore to continue its destructive practices. For instance, in March 2021, several banks – including Santander – helped Minerva find investors for a USD 1.4 billion bond sale⁸.

The report demonstrates that the financial institutions involved did not sufficiently take into account the impacts of the companies that they are financing⁷. This is especially inconsistent for BNP Paribas and Santander, who recently committed to combat deforestation and land grabbing, and pursue net-zero by 2050⁹.

In response to the findings by Earthsight, Santander and APG refused to respond to any question about the content of the investigation and their relationship with Minerva and Frigorífico Concepción. BNP Paribas replied that it had “engaged with Minerva in a series of written communications and face-to-face meetings to press the company to fully trace its indirect supply chain”.⁷ However, BNP Paribas did not specify measures it will implement to mitigate and prevent these harms from reoccurring. At the same time, BNP Paribas continues to finance deforestation: in 2022, it carried out financial operations for the benefit of food companies fostering deforestation in Brazilian forests for a total of USD 456.5 million¹⁰.

HOW CAN DUE DILIGENCE REQUIREMENTS FOR FINANCIAL ACTIVITIES HAVE A POSITIVE IMPACT ON THE GROUND?

In case of financing companies involved in illegal activities that are harmful to the environment, such as Minerva and Frigorífico Concepción, **a robust Corporate Sustainability Due Diligence Directive would require financial actors to identify and consider, in their financial activities, sustainability-related risks and harm**, such as those brought up by Earthsight. Insights about insufficient sustainability audits, controversies regarding misleading sustainability statements, and other issues would help address adverse impacts and financial risks, for example those related to supply chains or poor corporate governance, and ensure more informed and responsible financial practices.

Moreover, **if the Directive mandates financial institutions to conduct due diligence regularly**

⁸ Data retrieved on [Eikon Refinitiv platform](#).

⁹ UNEP FI (2023). [Net-Zero Banking Alliance](#).

¹⁰ Repórter Brasil (2022). [Infamous Connections: The relationship between the French financial system and deforestation in Brazil](#). Report.

throughout the financing period, all institutional investors owning shares – Santander, BNP Paribas and APG – could be encouraged to effectively and continuously use their shareholder power to influence improving corporate practices. The Directive could therefore prevent the lack of action by investors regarding their engagement practices, as is the case for Santander and APG, and make sure that those engaging would do so in an impactful manner.

The ongoing due diligence obligation would also support more responsible financial practices for contractual financial services, for example when assisting clients with bond underwriting or sales, as was the case for Santander’s support to Minerva, or when providing loans. For instance, the requirement to conduct due diligence continuously could encourage banks and other financial institutions to exert their influence over clients with sustainability-oriented clauses in contracts, and monitor if and how the clients fulfil plausible conditionalities throughout the service provision period.



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2. THE FINANCING OF GLENCORE: ENVIRONMENTAL DAMAGE AND POLLUTION IN COLOMBIA

WHAT IS THE HARM ABOUT?

Glencore is a Swiss company whose core business activities are mineral extraction and commodities trading. **Through its subsidiary Prodeco, Glencore recently operated two open-cast coal mines – Calenturitas and La Jagua – in the northeast of Colombia. Tierra Digna, a Colombian association, has reported that the mines have substantially polluted the environment.**¹¹ According to Tierra Digna, the mines, for several consecutive years, emitted coal dust to an amount that exceeded the level deemed safe by the World Health Organisation¹¹. The State of Colombia also established that the mines contaminated more than five rivers, as the water now contains lead and is no longer potable¹². As stated by Tierra Digna, the contamination caused by Glencore can be linked to the abnormally high rates of respiratory diseases as well as lung and stomach cancers within the population living in the area¹².

After 25 years of coal mining activities, the two mines were hurriedly closed by Glencore-Prodeco in 2021. This decision was not based on environmental considerations but because the mines were not considered profitable anymore. Glencore’s subsidiary did not clean up the sites, although this is a legal requirement in Colombia. This also led to the abrupt dismissal of 6,200 workers, who did not receive any offer of redeployment.¹²

This is just one of the many examples of Glencore’s controversial and irresponsible business practices, with similar ongoing concerns of environmental and public health harm raised in various parts of the world, including North America¹³, South America, Africa and Asia Pacific¹⁴. With large investors disapproving of Glencore’s inconsistent

climate plans¹⁵ and companies not agreeing with merger offers due to sustainability concerns¹⁶, Glencore’s laggard approach to sustainability also risks financing and market opportunities.

WHAT IS THE RESPONSIBILITY OF THE FINANCIAL SECTOR?

Despite widely known sustainability concerns related to Glencore’s activities, numerous large European banks, financial groups and pension funds have continued to lend money to or invest in Glencore’s activities. Based on data gathered by Urgewald¹⁷, the French BPCE Group is the largest investor of Glencore in Europe, with over one billion dollars of investment either directly or via its subsidiaries in shares or bonds. Other large French groups investing in Glencore are Carmignac Gestion (USD 124M) and Crédit Agricole (USD 92M). Glencore has also received significant investments from German Deka Group (USD 194M), Deutsche Bank (USD 189M) and Allianz (USD 127M), Italian Intesa Sanpaolo (USD 76M) and Anima (USD 31M), Spanish azValor Asset Management (USD 42M), La Caixa Group (USD 41M) and Santander (USD 32M), as well as several pension funds. The latter include Swedish Sjunde AP-fonden (AP-7) (USD 65M) and Dutch PFZW (USD 65M) and PMT (USD 63M). Reclaim Finance has revealed that in early 2023, many banks, such as BNP Paribas and Crédit Agricole, had outstanding loans to Glencore’s subsidiaries, allowing the parent company to use these funds to finance coal mining^{18,19}.

¹¹ Teller Report (2023). [Mining in Colombia: three French banks put on formal notice on the duty of vigilance](#).

¹² France Info (2023). [Trois banques françaises sommées d’arrêter de financer l’industrie du charbon](#).

¹³ Bloomberg (2022). [Glencore Takes Heat for Quebec Smelter That Spits Out Arsenic](#).

¹⁴ Bloomberg (2022). [Glencore Rights Record Worst in Green Metals, Group Says](#).

¹⁵ Financial Times (2023). [BlackRock breaks with Glencore over environment policy](#).

¹⁶ The Wall Street Journal (2023). [Environmental Issues Complicate Glencore’s \\$23 Billion Merger Fights](#).

¹⁷ Urgewald (2023). [Investing in Climate Chaos](#).

¹⁸ Reclaim Finance (2023). [What to say about BNP Paribas’ exposure and support to Glencore](#).

¹⁹ Radio France (2023). [Trois banques françaises mises en cause pour leurs financements de l’industrie du charbon](#).



Copyright Credit © Theo Rouby/Getty Images. A metallurgical plant belonging to Glencore

Inconsistently, many investors of Glencore are frequently communicating about their commitment to sustainable investments. For example, BPCE as the biggest European investor in Glencore has, in its 2022 climate report, emphasised its pledge to a net-zero trajectory in financing and investment¹⁹. On the other hand, a few investors, such as Allianz, have used their shareholder rights to call for Glencore to be more transparent on climate issues²⁰.

HOW CAN DUE DILIGENCE REQUIREMENTS FOR FINANCIAL ACTIVITIES HAVE A POSITIVE IMPACT ON THE GROUND?

Building on the French Duty of Vigilance law from 2017 that requires large French companies to prevent risks and harms linked to human rights and the environment, Tierra Digna sent a formal notice to the French groups Crédit Agricole, BNP Paribas and BPCE, demanding to stop their lending activities to Glencore¹⁹. Depending on the developments, this formal notice could lead to financiers facing legal action.

Recognising that today, different EU countries have different rules on financial sector due diligence, the **EU's Corporate Sustainability Due Diligence Directive carries the potential to establish a framework that ensures financial institutions from across the EU consider sustainability matters** when deciding if and how to finance or invest in Glencore or other controversial firms.

Importantly, the Directive could support investors to exert their leverage over investee companies to induce them to respect environment and human rights. This could mean that investors based in the EU would be encouraged to use their shareholder rights to influence Glencore's strategy and ambition on climate and environmental matters. For instance, at the latest Annual General Meeting (AGM) of Glencore, around 30 per cent of the shareholders voted against the company's insufficient

climate report for 2022, and in favour of a request for Glencore to explain how its thermal coal production is compatible with the climate goals and what financial risks it entails²¹. To encourage stronger support for sustainability-oriented votes, **the Directive could promote that not just selected progressive actors, but most institutional investors in the EU that have invested in Glencore and other more irresponsible firms, support AGM resolutions benefitting investors and the planet alike.**



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²¹ ACCR (2023). [Pre-AGM analysis: Glencore plc 2023](#); Financial Times (2023). [Glencore shareholders push back against climate strategy](#).

²⁰ Financial Times (2023). [Spotlight turns to coal at Glencore as pressure mounts on climate plans](#).

3. DUTCH EXPORT CREDIT AGENCY PROVIDES INSURANCE FOR A HARMFUL NEW AIRPORT IN MANILA



Copyright Credit © Skyler Smith/Unsplash. Picture of an airport

WHAT IS THE HARM ABOUT?

In 2019, the Philippines government signed a concession agreement with the Filipino conglomerate San Miguel Corporation (SMC) on the construction of a massive infrastructure project, the New Manila International Airport, which is currently under construction in the Bulacan province and is planned to be finished by 2027.²²

The project was approved by the government despite serious concerns raised by local communities pointing at coercive consultation processes and dubious environmental impact assessments. According to Global Witness²³, about 700 families were ousted from their homes, after being pressured by armed military personnel and SMC representatives to sign agreements on compensation, forbidding them to criticise the project, and requiring them to leave. Half of the population displaced did not receive compensation in the end, according to past residents.

The project is also detrimental to the environment. Manila Bay is a biodiversity hotspot and with the airport area covering around 2,000 hectares, the construction will permanently damage the surrounding coastal ecosystems and natural habitats, in particular for migratory birds.²³

WHAT IS THE RESPONSIBILITY OF THE FINANCIAL SECTOR?

For the first phase of constructing the New Manila International Airport, which was to dredge the land on which the airport will be built, SMC signed a EUR 1.5 billion contract with the Dutch company Royal Boskalis Westminster NV²³.

²² Airport Technology (2023). [New Manila International Airport, Philippines](#).

²³ Global Witness (2023). [Runaway Risk](#).

To provide Boskalis with the safeguards needed to proceed with the construction, Boskalis secured insurance for the project from the Dutch state via the export credit agency Atradius Dutch State Business²⁴.

Despite early warnings about the negative human rights and environmental impacts of the project, the credit insurer Atradius maintained that the construction was sustainable both socially and environmentally²³.

Atradius has been reported to have visited the project area only once and has refused to make its contracts with Boskalis and SMC publicly available, making it impossible for third parties to assess compliance with international standards on responsible business conduct it claims to comply with²⁵.

HOW CAN DUE DILIGENCE REQUIREMENTS FOR FINANCIAL ACTIVITIES HAVE A POSITIVE IMPACT ON THE GROUND?

While export credit agencies that are owned by states, such as Atradius, will likely not be in the scope of the upcoming Corporate Sustainability Due Diligence Directive, the case of the Manila airport showcases why the Directive should mandate insurers to recognise and consider social and environmental risks and concerns relevant to their portfolios in their underwriting processes and services.

Companies, such as the Dutch Boskalis, often finance projects only because they have guarantees from insurers, which protect them from risks such as unexpected costs arising from unstable political environments, corruption, economic instability, operational risks, and other factors. The requirement for insurers to meaningfully evaluate and act upon sustainability risks and impacts in their services would, therefore, reduce the opportunities for irresponsible companies to have protection from risks and costs associated with destructive economic activities.

Such a requirement would also ensure more informed risk pricing, given that many sustainability-related risks, which could otherwise go unnoticed without the due diligence obligation, can transform into financial risks. Further, an adequate due diligence process could prevent reputational harm, for instance, as could have been the case for Atradius and the Dutch state, if they had conducted a more comprehensive study.

²⁴ Atradius DSB (2022). [Nederland verzekert aanleg nieuw vliegveld Filipijnen](#).

²⁵ Both ENDS (2022). [Award of export support for controversial project in Manila undermines the Netherlands' environmental and CSR ambitions](#).





**OUR MISSION IS TO STOP
THE DEGRADATION OF
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LIVE IN HARMONY WITH
NATURE.**

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