List of abbreviations

BCA   Bank Central Asia  
BNI   Bank Negara Indonesia  
BRI   Bank Rakyat Indonesia  
BSCI   Business Social Compliance Initiative  
CEO   Chief Executive Officer  
CSO   Civil Society Organization  
DRC   Democratic Republic of Congo  
EITI   Extractive Industries Transparency Initiative  
ESG   Economic, Social and Governance (criteria)  
FFG   Fair Finance Guide  
FFG NL   Fair Finance Guide Netherlands  
FFGI   Fair Finance Guide International  
FNV   Federatie Nederlandse Vakbeweging (Dutch Labour Union)  
GPFG   Norwegian Government Pension Fund Global  
ICN   India Committee of the Netherlands (Landelijke India Werkgroep: LIW)  
ICMM   International Council on Mining and Metals  
IDEC   Brazilian Institute of Consumers Defence  
JBIC   Japanese Bank for International Cooperation  
KEPCO   Korean Electric Power Corporation  
NBIM   Norges Bank Investment Management  
NGO   Non-Government Organization  
NTPC   National Thermal Power Corporation (of India)  
OCBC   Oversea-Chinese Banking Corporation Limited  
OSPCB   Odisha State Pollution Control Board  
OJK   Indonesian Financial Service Authority  
PCAF   Platform Carbon Accounting Financials  
RSPC   Roundtable on Sustainable Palm Oil  
SMBC   Sumitomo Mitsui Banking Corporation  
SRMO   Centre for Research on Multinational Corporations  
TuK   Transformasi untuk Keadilan (Transformation for Indonesian Justice)  
UN PRI   United Nations-supported Principles for Responsible Investment  
WALHI   Wahana Lingkungan Hidup Indonesia (Friends of the Earth Indonesia)  
WHO   World Health Organization

Authorship

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Introduction

The mission of the Fair Finance Guide International (FFGI) – to influence finance into driving sustainable practices throughout the rest of the economy – is becoming more relevant on a global scale. Over the last few years, there has been a gradual paradigm shift, as financial institutions realize the opportunity that exists in investing in development, conservation and natural capital.¹ Likewise, bank and insurance group clients as well as beneficiaries of public pension funds are increasingly demanding investments in this realm; ultimately indicating that people want to see their money being invested in goods and services that are both socially and environmentally beneficial.²

Nevertheless, sustainable and responsible finance as the norm is still a long way from being realized and has yet to meet the global demand for investment to eradicate inequality and preserve the planet’s critical ecosystems. Hence, the efforts of FFGI to pressure financial institutions into contributing to this global agenda have never been so important.

In order to illustrate how the work of the FFGI contributes to current pressing issues surrounding human rights, poverty, inequality and climate change – to name a few – we worked on a series of stories of change which highlight the impact of the current nine national Fair Finance Guides (FFGs) and connect them to the bigger picture. The 10 case studies below describe how the coalitions’ various activities – greatly supported by their partners – have influenced financial institutions and the companies in which they invest, in turn generating impact on the ground.

The stories of change in this document all follow the same path – starting with defining the problem in question.

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² Ibid.
When the problem has been identified, the influencing activities of the relevant FFG(s) and its/their partners are described. In relation to the Theory of Change framework, these activities are the inputs of each national coalition, which will hopefully lead to a certain change in the activities or attitudes of the financial institution(s) in question.

After this, the changes in financial institutions or other actors influenced are stated and correlated with the influencing activities. Next, any actual changes in the companies invested in are mentioned as, ideally, the change in a financial institution will lead to a corresponding shift in the policies or actions of the companies that they finance.

Finally, having described the inputs and the relevant outcomes, the impact that these outcomes have had in the country concerned are described.
1. Protecting workers in Bangladesh’s garment industry
Fair Finance Guide The Netherlands

1.1. The problem

Despite evidence pointing to inadequate and often dangerous working conditions within the garment sector, many banks still fail to take labour rights into serious consideration when assessing their financial relations with large clothing companies.

For many years within the garment sector, it seemed as though companies were engaged in a race to the bottom: fighting to provide the cheapest prices, and in turn continuing and endorsing inadequate and hazardous labour conditions. In spite of numerous audits, inspections in garment factories, and pressure from labour unions and NGOs, for many years the industry failed to change. Factory managers turned a blind eye to the problems to avoid loss of production. Unsurprisingly, the garment sector has often been referred to as a sector full of death traps.

It was not until the tragic collapse of the Rana Plaza garment factory in Bangladesh in 2013 – which took the lives of 1,127 individuals – that clothing brands finally began to take responsibility for the catastrophic conditions of the factories they operate in.

1.2. Influencing activities

The Fair Finance Guide in the Netherlands (FFG NL) drew attention to these labour issues in 2016 through a case study on labour rights in the garment and electronics sector. The study focused on the 10 largest banking groups in the Netherlands and how they address the potential risk of the violation of labour rights in the production and supply chains of their investments. The report also assessed whether the banks are able to respond appropriately when the companies they invest in fail to manage these risks or are known to be involved in such controversies. Unfortunately, almost all 10 banks had financial relations with garment companies which were infamous for unethical practices within their production and value chains. Hence – aside from raising awareness among Dutch consumers – the report was also a means to pressure banks to encourage and support their clients in ensuring better compliance with labour rights.

In June 2016, the Dutch Labour Party asked parliamentary questions on how to prevent future occupationally related fatalities, and entered into discussions with both the Minister for Foreign Trade and Development Cooperation and the Minister of Finance. This generated further talks on improving


living wages and trade union freedom, and enabled banks and citizens in the Netherlands to better understand the consequences of flawed labour rights. In addition, FFG NL encouraged banks to recognize the risks of disregarding this aspect of corporate social responsibility and provided recommendations on how to mitigate them.

1.3. Change in financial institutions

Since the April 2013 disaster at the Rana Plaza factory, most financial institutions have paid more attention to labour rights adherence within the clothing industry. For example, ABN AMRO now requires a signed Safety Agreement when lending to garment industries, and had previously encouraged its clients to become members of the Bangladesh Accord on Fire and Building Safety and the Fair Wear Foundation, the Business Social Compliance Initiative (BSCI) or other binding agreements. Similarly, Triodos Bank and BNP Paribas (following engagement with the FFG) became signatories of the Bangladesh Investor Statement as of September 2013, meaning that they support the Bangladesh Accord. This Accord – originally implemented in 2013 and renewed in 2018 – is an independent, legally binding agreement between garment retailers, brands and trade unions to ensure the health and safety of Bangladeshi workers in the garment sector. After the Rana Plaza catastrophe, Rabobank engaged with all Dutch clients in the garment retail sector and in 2014, the bank introduced an assessment tool to analyse the sustainability profile of its clients. Actiam (the successor of SNS Asset Management) has also participated in initiatives to engage the garment sector in Bangladesh on the Accord.

In response to FFG NL’s incentives, ING Group published a statement: ‘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.’

Similarly, Aegon reported on Twitter that ‘Aegon has started to engage with two companies from the garment sector, and it is good that Eerlijke Bankwijzer [FFG NL] has brought this [issue] to our attention.’

By scrutinizing these banks and engaging with them about their investments, FFG NL was able to mobilize financial institutions to become more involved in the issue and to realize their role as mediators in the value chains they choose to invest in.

1.4. Change in companies invested in

As a result of successful engagement with the banks and government, by the end of 2016, living wage and trade union freedom were explicitly included in the Dutch Banking Sector Agreement on International Responsible Business Conduct Regarding Human Rights. Consequently, the wellbeing of

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6 ibid., page 33.
7 ibid., page 52.
8 ibid., page 75.
10 https://twitter.com/aegon_nl/status/740086283217842176
factory workers became a legal responsibility of the financial institutions financing the garment companies.

1.5. Impact on the ground

The creation of the Bangladesh Safety Accord in 2013 was a huge step forward for guaranteeing the safety and health of workers within the garment sector supply chain. With over 210 international brands and retailers committed to the agreement, significant changes have taken place in almost all Bangladeshi garment factories since its implementation. For example, most factories covered by the Accord have now completed over 90% of the renovations required following the initial and follow-up inspections.\(^{11}\)

Ben Vanpeperstraete, an advocate for the Clean Clothes Campaign, closely monitored the implementation of the Accord and its impact on labour right conditions in over 1,600 factories in Bangladesh. When asked whether there has been positive impact on the ground since 2013, he responded that ‘positive impact is definitely there’ and that ‘safety infrastructure is much more robust within all garment factories in Bangladesh’. He also added that companies are more willing to be transparent and are happier to participate in the Accord, demonstrating a shift in social norms and increased willingness of companies to adhere to these newly developed standards. The fact that more and more financial institutions are requiring the companies they invest in to adhere to these standards adds to the positive impact for workers in the Bangladeshi garment sector.

2. Working to end labour rights violations in India’s granite quarries

Fair Finance Guide The Netherlands

2.1. The problem

In 2017, *Dark Sites of Granite*, a report by the Indian Committee of the Netherlands (ICN) and Stop Child Labour revealed that modern slavery, low wages, unsafe and unhealthy working conditions, along with the use of child labour, are rampant in granite quarries in South India, the world’s largest global producer of granite.\(^{12}\) The study revealed that almost half of the studied quarries have direct links with foreign importers. FFG NL found in its report *Financing of Granite Importers by Dutch Banks* that two major Dutch banks – ING and Rabobank – have both provided loans to a total of three Dutch importers who purchase granite from quarries where labour and human right violations occur.\(^{13}\) Within 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 interference with the formation of labour unions.\(^{14}\) Such violations of basic labour rights should not be supported by any financial institution. They also go against the policies of both ING and Rabobank, which endorse international labour rights including trade union freedom and a ban on forced and child labour.

2.2. Influencing activities

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 the elimination of child labour and debt bondage.\(^ {15}\) Moreover, FFG NL demanded that the banks require their business customers to make contractual agreements with their suppliers, aimed at preventing and ending violations of labour rights. In June 2017, Tuur Elzinga, the International Secretary of the Dutch trade union Federatie Nederlandse Vakbeweging (FNV), began to engage in a dialogue with three banks (ING, ABN AMRO and Rabobank) on behalf of FFG NL, regarding the recommendations in the coalition’s study of the *Financing of Granite Importers by Dutch Banks*.

‘As FNV we think banks should encourage their business customers to cooperate with governments, trade unions and civil society organizations within an IMVO covenant on natural stone. Within this covenant we can make clear agreements to prevent any further labour rights violations.’ – Tuur Elzinga, International Secretary of FNV, December 2017.\(^ {16}\)

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\(^{13}\) Eerlijkebankwijzer. (2017). ‘Financiering granietimporteurs door Nederlandse banken’. [https://eerlijkebankwijzer.nl/media/373956/2017-12-qic-financiering-granietimporteurs-door-banken.pdf](https://eerlijkebankwijzer.nl/media/373956/2017-12-qic-financiering-granietimporteurs-door-banken.pdf)

\(^{14}\) Ibid.


2.3. Change in financial institutions

The FFG NL report received much positive feedback from the banks, demonstrating a shift in banks’ mentality and political will. In Rabobank’s 2017 annual report, the bank reported that it has entered into dialogue with two of its clients about child labour. In a Twitter response to FFG NL, the bank stated: ‘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 ended.’

ING 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 and so we will certainly discuss this with them.’

2.4. Change in companies invested in

The ICN and FFG reports received significant media and political attention. The subject of labour rights and financial institutions’ responsibility to ensure adequate workplace environment and standards became a genuine concern and stimulated ongoing deliberations around the IMVO covenant (Agreements promoting International Responsible Business Conduct in the Netherlands) on natural stone. Both reports have also been taken very seriously by the financiers and the companies involved. For example, according to the ICN, some of the companies named in the report have conducted research into their value chain and have asked their Indian suppliers several questions around the issues raised. The Indian government also took the reports very seriously and commissioned local research in the sector to corroborate the findings of the ICN report. As a result, there is now more awareness among companies of the need to ensure compliance with the banks’ requirements; this has certainly been facilitated by FFG NL’s report and the ensuing discussion between the banks and their clients.

2.5. Impact on the ground

Given that both studies are relatively recent, there is as yet no firm evidence demonstrating that working conditions in the granite quarries have improved since 2017. However, the fact that Indian suppliers and quarry owners are now being asked (compliance) questions by Dutch companies, among others, as a result of pressure from their financiers, is a good first step.

With the IMVO covenant on natural stone due to be signed later in 2019, it is safe to say that the ICN report and the Dutch FFG coalition’s study and campaign have significantly raised awareness among financiers and companies around these issues and has positively influenced their motivation to take action. Moreover, the findings also influenced the ICN to include the financial sector in its future analysis. The ICN is also committed to participating in future monitoring of impact on the ground, especially once the IMVO covenant becomes operational, and specifically to investigate whether the highlighted issues – including child labour, debt bondage and freedom of trade association – have been addressed.

17 https://twitter.com/Rabobank/status/942727362478792705
18 Personal conversation with ICN on October 30, 2018.
19 Personal conversation with ICN on October 30, 2018.
3. Highlighting the link between Swedish banks and human rights in Nigeria and DRC
Fair Finance Guide Sweden

3.1. The problem

Despite overwhelming evidence, for several years banks’ and companies’ involvement in serious human rights abuses have often been overlooked, demonstrating inconsistency with international human rights laws and standards. The UN Guiding Principles for Business and Human Rights explicitly state that companies have a responsibility even when they have not caused the violation but are linked to it through a business relationship.

Although some banks still fail to realize their responsibility in respecting human rights within the value chains they invest in, in a recent turn of events a number of Swedish banks have blacklisted various companies that are known to have violated global norms and conventions, demonstrating an increase in respect for human rights. In particular, much pressure has been exerted on improving human rights compliance within cobalt mines in the Democratic Republic of Congo (DRC) and in mining and oil operations in Nigeria.

3.2. Influencing activities

In June 2015, the Fair Finance Guide in Sweden (FFG Sweden) – in cooperation with Amnesty International – released a report, Irresponsible Investments, which called on banks to scrutinize their clients for breaches of human rights. The study revealed that although the seven major Swedish banks (Danske Bank, Handelsbanken, Lansforsäkringar, Nordea, SEB, Skandia and Swedbank) have all committed to principles of sustainability and social responsibility, all invest their clients’ money in companies whose involvement in human rights abuses are well known. FFG Sweden informed the banks that there would be a follow-up study in 2017 to measure improvements to their policies and practices in relation to human rights. Perhaps largely due to the pressure of knowing that they would come under scrutiny again, banks in Sweden began to seriously reconsider the companies they invest in.

3.3. Change in financial institutions

The follow-up study Still irresponsible investments published in 2018 by FFG Sweden and partners revealed that there had been some major changes to banks’ investment policies. Since the publication of the initial report, Sweden’s seven largest banks had all taken measures to ensure responsible investing, for example by employing Environmental, Social and Governance (ESG) specialists and excluding companies that abuse human rights.

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In addition, Handelsbanken and SEB had both blacklisted Shell, the company in which they previously had their largest investments and whose oil exploration in the Niger Delta in Nigeria had resulted in two generations growing up with the devastating effects of chronic pollution.\(^{22}\) The SEB Group also blacklisted Renault, which has been accused of child labour and hazardous conditions within its cobalt mining operations in the DRC, along with T-Mobile, which prohibited employees from discussing wages with one another.\(^{23}\)

These welcome moves by Swedish banks clearly show that the race to the top, as intended by the FFGI, is effective in motivating banks to improve. For example, in the 2015 report it had been recorded that Handelsbanken had committed to just 28% of the human rights principles in the FFG method, and still had many major shortcomings. SEB, on the other hand, had committed to 66% of the human rights principles in the FFG method, but also had many major shortcomings due to its investments in Dow, Goldcorp and Shell, companies which had all been linked to human rights violations.\(^{24}\) In the follow-up study, it was revealed that the two banks had significantly improved their stance on human rights. Specifically, SEB had committed to 74% of the human rights principles of the FFG method, and Handelsbanken had increased its commitment to 75%, demonstrating a major development in the willingness of these banks to become more socially responsible, fair and sustainable.

Danske Bank has also made significant improvements to its human rights policies. The bank now requires that security companies follow the Voluntary Principles on Security and Human Rights; that companies pay special attention to the rights of women and children; and last but not least, that companies have solid health and safety policies and mechanisms to handle labour disputes with relevant trade unions.\(^{25}\)

However, several of the financial institutions named in the report expressed that as long as they witnessed willingness to improve, they would continue their relationship with the company in question. The risk is that without time-bound objectives, engagement dialogues could go on for years without actually improving the situation for the people whose rights are being abused.

### 3.4. Change in companies invested in

In addition to the improved policies of banks, since 2015 there have been notable changes in both the policies and practices of the companies the banks invested in. In 2017, Shell embedded human rights into its policies, business systems and processes, and claimed that it has made improvements to its oil-spill response and remediation system.\(^{26}\)

Similarly, in September 2018, Renault put in place an active sustainable purchasing policy encompassing respect for human rights and labour law.\(^{27}\) It also launched an action plan the same year.

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\(^{25}\) Danske Bank: https://danskebank.com/societal-impact/sustainable-business


to address human rights risk in the cobalt supply chain, whereby the company has started to disclose its list of suppliers in the cobalt supply chain and has committed to conduct five audits on the suppliers.\textsuperscript{28} Renault has also taken a stake in Ionic Materials, a US firm developing materials for cobalt-free batteries.\textsuperscript{29} These developments show that the race to the top initiated by the FFG not only motivates change among financial institutions, but also the companies they invest in.

In another example of this, in mid-2017 an external consultancy firm (BSR) reviewed Goldcorp’s fulfilments of the recommendations in its 2010 Human Rights Assessment concerning the Marlin mine, and concluded that Goldcorp had fulfilled the majority of the commitments. In dialogue with investors, Goldcorp has ensured that consultations with community members around the mine will continue for as long as this is requested by the affected population.\textsuperscript{30}

### 3.5. Impact on the ground

Given that the majority of these changes have occurred in the last few years, their true impact on affected people will only become visible in the next decade. Nevertheless, such a marked improvement in the willingness and actions of both financial institutions and companies to ensure compliance within their investments and operations has many positive implications for long-term change and impact.

This was demonstrated with the inauguration of the Ogoniland Clean-up and Restoration Programme, which, according to the UN Environment Programme’s Executive Director, Achim Steiner, ‘marks a historic step toward improving the situation of the Ogoni people, who have paid this high price for too long’. Steiner acknowledged that ‘a clean-up and restoration effort like this cannot happen overnight, but I am hopeful that the cooperation between the Government of Nigeria, oil companies and communities will result in an environmental restoration that benefits both ecosystems and the Ogoni people of the Niger Delta.’\textsuperscript{31}

Furthermore, in March 2018, the UK supply-chain audit company RCS Global began electronically tagging cobalt from five mines in the DRC, in the first systematic attempt to trace the world’s first ‘ethical cobalt’ from small-scale mines at source all the way to consumers of electric cars and phones.\textsuperscript{32} Such a collaborative effort between several global brand consumer companies and the cobalt industry groups signifies a welcome trend toward establishing universal standards for ethical cobalt mining.

\textsuperscript{28} Ibid.  
\textsuperscript{29} Ibid.  
4. Overcoming over-indebtedness in Brazil
Fair Finance Guide Brazil

4.1. The problem

An ‘over-indebted’ household can be defined as one whose existing and foreseeable resources are insufficient to meet its financial commitments without significantly lowering its living standards. This has both social and policy implications, particularly if it implies that the household must reduce its living standard below what is seen as the minimum accepted norm in the given region. 33

In Brazil, more than 61 million individuals are indebted today. Half of them are over-indebted, a situation which causes major financial and physical stress in their lives. 34 A lack of transparency and financial guidance about credit, as well as misleading advertising of loan products causes many people to take out new loans to pay off arrears. This leads to snowballing interest rates without any prospect of the client negotiating a settlement with financial institutions, trapping them in an ever-deepening spiral of debt and poverty.

4.2. Influencing activities

For over four years, the Fair Finance Guide in Brazil (FFG Brazil) has been focusing on over-indebtedness, working alongside IDEC (Brazilian Institute of Consumers Defence), the coalition lead, which has studied the issue in Brazil for over a decade. By organizing debates, developing case studies, producing a documentary, creating campaigns and an electoral platform as well as advocating with the Central Bank and National Congress, FFG Brazil has become a key stakeholder and a respected voice in the national debate on over-indebtedness. Both IDEC and FFG Brazil also provide free information on their websites to help consumers avoid or overcome over-indebtedness or default.

This involvement and recognition of the Brazilian coalition as a key stakeholder has improved the quality of the debate on over-indebtedness in the country and there has been a significant increase in the number of people seeking advice and guidance on the IDEC and FFG Brazil websites.

4.3. Change in social and public actors

Despite the scale and impact of over-indebtedness, attention has only been properly paid to the issue since IDEC and FFG Brazil have been actively campaigning on it. Consequently, the debates have become broader and more grounded in data, insights and evidence, with expertise increasing among stakeholders. For example, within universities there has been a recent proliferation of studies about indebtedness and the issue has gained new advocates, including among some eminent academics.

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Politicians and the media have also changed their attitude and approach to the subject: over-indebtedness has been gaining much more media attention than was previously the case, appearing more regularly in TV programmes and newspaper articles; it also featured heavily in the presidential campaigns from August–November 2018. Almost all presidential candidates’ debates mentioned the topic, helping to establish over-indebtedness as a highly relevant national debate.

Over-indebtedness becoming a widely debated issues helped enter the policy-making realm. In 2017, the Senate unanimously approved Law Project No. 3515 (over-indebtedness Bill PL3515/15), a law intended to ensure that financial institutions have suitable policies to avoid over-indebtedness as well as stricter rules on the content of contracts between financial institutions and consumers.35

4.4. Change in financial institutions

To date only one financial institution has started to take action in response to the nationwide problem. Brazil’s fifth largest bank, Santander Brazil, started campaigning about the rational use of credit and is now providing more explicit information about its credit offers. FFG Brazil is maintaining a close relationship with the most important banks as well as the Central Bank, and is continuously pushing for improvements and binding commitments.

4.5. Impact on the ground

The situation of over-indebtedness in Brazil is changing, slowly but surely. The above-mentioned efforts and achievements have made a crucial contribution to ameliorating the situation and pointing to a better future for millions of Brazilians. To illustrate how the work of FFG Brazil in alliance with IDEC and other CSOs has contributed to overcoming the situation of indebtedness for ordinary Brazilians, the coalition followed the stories of two over-indebted men whose lives have changed as a result.

Marcelo de Braz Coutinho, a retired photography director from São Paulo was mired in debts with Itaú Bank, where for 20 years he had bank accounts with his wife. At the end of 2016, his loans totalled 45,000 Brazilian Reals (R$) ($11,530). Because he was unable to pay, the bank sent his name to Serasa (Brazilian Credit Bureau), which led to Coutinho and his wife receiving daily calls and threats from various debt-collection companies. From time to time, Coutinho reported the harassment and tried to negotiate the debt, but without success. In July 2017, Itaú Bank withdrew – without any prior notice – R$4,000 ($1,024) from his account. For Coutinho, this was the last straw.

Frustrated by the injustice, he decided to contact IDEC for assistance. In November 2017, Coutinho delivered several documents to IDEC (e.g. his bank contract, e-mails exchanged with the manager etc.) to be analysed. In February 2018, he received the results, along with guidance on what to do – including making a proposal to the bank to settle his debt. This advice enabled Coutinho to present a compelling claim to a Brazilian consumer protection agency, consumer.gov.br. Three days later, he was informed that his proposal to pay R$3,000 to close the debt had been accepted by the bank. Relieved, Coutinho made the payment and was finally able to clear his name.

He said: ‘IDEC and FFG Brazil helped me organize my defence. I already got the first victory; now I'm waiting for the hearing of the Public Defender’s Office.’

Rubens Adorno, a retired University of São Paulo professor, came to FFG and IDEC for advice on his severe debt situation after seeing the studies conducted by FFG Brazil on over-indebtedness and the financial system. His story perfectly illustrated how banks’ policies were leading the population to widespread over-indebtedness. Adorno was therefore asked and agreed to feature in the documentary ‘On the Path to Over-indebtedness’,36 which was launched by FFG Brazil in 2018.

Following the documentary, Adorno’s life changed completely. The banks that used to pester him with calls instead started renegotiating his arrears. Consequently, he was able to receive discounts of over 80% and 96% on two of his debts, and has now settled deals with four out of the five banks to whom he owed money. After years of struggle, Adorno is finally becoming free of the burden of over-indebtedness. He 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, 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.’

5. JBIC divests from controversial coal-fired power plant project in India

Fair Finance Guide Japan

5.1. The problem

For over four decades, the National Thermal Power Corporation (NTPC) of India has played a pivotal role in India’s quest for development. However, its development model has resulted in a wide range of negative impacts on local communities, the environment and sustainable development.

The Japanese Bank for International Cooperation (JBIC), one of the major financial institutions of Japan, planned to loan large amounts of money to finance two of NTPC’s coal-fired power projects: one in Darlipali village in the state of Odisha; and the other in Tanda, in the state of Uttar Pradesh. However, in both projects there were reports of numerous cases of human rights violations and environmental destruction. As a development bank that should be taking the lead with regard to ESG policies and practices, such violations were very much at odds with JBIC’s investment policies.

In the case of the Darlipali village power station, in December 2017 NTPC was warned by the Odisha State Pollution Control Board (OSPCB) to immediately stop water pollution, after it was found that a contractual agency was channelling contaminated water to a canal. The local community have also complained about various skin and allergy ailments related to the pollution coming from the coal-power plants.\textsuperscript{37} In the case of the Tanda plant, alternative options were not considered in its environmental impact assessment, and it is unclear whether information on alternative options was provided at the public consultations.

5.2. Influencing activities

The Fair Finance Guide in Japan (FFG Japan) held various meetings with JBIC officials in charge of these projects and urged them to withdraw funding, given that the projects did not meet the requirements of JBIC’s own social and environmental guidelines nor of the Equator Principles\textsuperscript{38} for private banks. The Japanese coalition also sent a letter to the CEO of JBIC,\textsuperscript{39} explicitly outlining how the two projects fail to comply with JBIC’s Guidelines for Confirmation of Environmental and Social Considerations.

Both power plant projects were also closely scrutinized in FFG Japan’s 2017 case study on banks’ investments in coal-fired power projects.\textsuperscript{40}


\textsuperscript{38} The Equator Principles are a risk management framework adopted by financial institutions for determining, assessing and managing environmental and social risk in projects. See: https://equator-principles.com/


5.3. Change in financial institutions

Following its engagement with FFG Japan, JBIC admitted that the projects did not meet its required economic and environmental conditions. In March 2018, in a meeting with NGOs, JBIC announced that it had suspended its two investment proposals, causing a major setback to the NTPC and bringing financial complications for the two projects.41

5.4. Impact on the ground

Unfortunately, despite JBIC pulling out, work on the projects has continued and Prime Minister Narendra Modi has inaugurated the project for NTPC Darlipali, which will now receive loans from various national banks in India, the Indian government and a Chinese bank. Both power plants should be functional in 2019.42

The affected Indigenous people’s communities in Darlipali have not been provided with any relief or compensation for the pollution and its adverse effects on their health and livelihoods, nor have they been compensated for the land and houses which were forcefully grabbed from them. Their protests, which began in May 2017, have been completely ignored by the NTPC.43

As Indian national banks have started to invest in these controversial power stations, and given that the Fair Finance Guide is expanding to India in the coming year, this case should certainly be reassigned and followed up by the new coalition in 2019.

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6. The unheard protests of people in Cirebon, Indonesia
FFG Japan, FFG Indonesia, FFG The Netherlands, FFG Belgium

6.1. The problem

The planned coal-fired power plant Cirebon Unit 2, with an estimated capacity of 1,000 megawatts, is an expansion of a power plant located in the West Java region of Cirebon, Indonesia, that has sparked much controversy and debate within the country and among the project’s investors.

The power plant has been denounced for having adverse effects on the surrounding environment as well as the livelihoods of the local community. Since the establishment of the first coal-fired power plant in the region (Cirebon Unit 1 in 2012), local communities have experienced substantial loss in production in their salt harvesting activities, farming and fishing as a result of the thermal, water and air pollution caused by the plant. The expansion of the project will only cause further environmental destruction and perpetuate widespread unemployment and poverty.

Despite these clear concerns, a large number of commercial banks, including the ING Group, the Singaporean bank, Oversea-Chinese Banking Corporation Limited (OCBC), and four main Japanese banks – the Japan Bank for International Cooperation (JBIC), Sumitomo Mitsui Banking Corporation (SMBC), Mizuho Bank and Bank of Tokyo-Mitsubishi UFJ – approved a $1.7bn loan agreement to finance the disputed project. Two French banks (Société Générale and Crédit Agricole) and BNP Paribas were initially part of the deal; however, by December 2016 they had withdrawn from the bank consortium in order to fulfil their new commitment to not financing any new coal-fired plants – a policy also endorsed by ING.

Throughout 2016 in Cirebon, demonstrations and protests were held against the banks, calling for a halt in the expansion of the power plant. The project was also the subject of a civil case, as claims were made that local officials did not satisfy all the legal and procedural requirements before accepting the project’s environmental impact assessment, known as an AMDAL. WALHI (Friends of the Earth Indonesia), a partner organization of ResponsiBank Indonesia (the Fair Finance Guide in Indonesia), stated that both the AMDAL and the environmental permit were issued without the legally required consultation with affected communities.

JBIC’s and ING’s involvement in the power plant demonstrates that they are willing to engage in companies with corrupt practices and that show disrespect for the local community. Their involvement in the project is in stark contrast to the obligations set out in both banks’ policies regarding environmental and human rights.

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45 Ibid.
47 Ibid.
6.2. Influencing activities

In December 2017, the Fair Finance Guide coalitions in Indonesia, Japan and the Netherlands, supported by those in Belgium and Germany, began to confront the banks involved with the evidence on the power plant’s many adverse effects on the surrounding communities and environment. FFFG NL strongly criticized ING’s decision to co-fund the new coal-fired power plant, given the obvious detrimental impacts of Cirebon Unit 1.

The FFG teams engaged in discussions with the associated financial institutions, in particular ING and JBIC, urging the funders to withdraw their support and follow the example of the two French banks and BNP Paribas. In December 2017, ResponsiBank Indonesia sent a letter of complaint to ING, calling on it to stop financing the power plant, while WALHI was part of a wider international petition submitted to the Japanese government to demand that JBIC withdraw its funding.

FFG Belgium sent a letter to ING (February 2017), co-signed by the Belgian Climate Coalition, urging the bank to stop investing in the Cirebon power plant. This was followed up with phone calls to both ING Belgium and The Netherlands. A press release was sent out and a Belgian national newspaper ran a major feature on Cirebon, comparing it to the North Dakota Pipeline.

6.3. Change in financial institutions

Unfortunately ING ignored virtually all the complaints from the NGOs. Its continued investment in the Cirebon Unit 2 plant is at odds with the fact that the group’s coal policy, updated in 2015, states that ING will not finance any new coal-fired power plants.

As a result of the engagement between FFG Japan and the Japanese banks, in August 2018 JBIC suspended its loan disbursement for the Cirebon Unit 2 power plant for several months, after the local court declared the cancellation of the project’s environmental permit.

However, despite the substantial negative impacts of the power plant on the local communities and surrounding environment, several financial institutions remain committed to financing the expansion of the plant, and Cirebon 2 is expected to be operational by 2022.

6.4. Change in companies invested in

The continued pressure from CSOs and communities has had some positive impact on companies. The Korean Electric Power Corporation (KEPCO) has committed to suspend its support for further expansion of the power plant – Cirebon Unit 3 – following a question and answer session with the Korean

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51 https://twitter.com/Responsibank_ID/status/961186132254797827
52 ING. ‘Sustainability’. https://www.ing.com/Sustainability/Our-Stance/Energy.htm
Parliament in October 2018. Hopefully, the increased political will demonstrated by KEPCO will serve as an example to other global investors and encourage them to terminate their support for coal-fired energy projects in Indonesia.

### 6.5. Impact on the ground

Although the construction of the plant continues and the communities in and around Cirebon are still negatively affected, the legal actions and protest from local communities as well as national and international networks of CSOs has had an impact beyond Indonesia – and ensured that the protests of communities in Cirebon have not gone unheard. A global movement against financing dirty energy is growing, and financial institutions are beginning to take this into account.

While attempts to halt the construction of the plant have failed and WALHI’s lawsuit was dismissed by the Bandung State Administrative Court in May 2018, the organization continues to fight for the rights of the community and has submitted an appeal on the court’s decision to the Supreme Court.

ResponsiBank Indonesia believes that continuous pressure on financial institutions to divest from coal is crucial. Reaching out to financial institutions and government(s) and fighting legal battles at the local level are essential to raise awareness of the social and environmental risks of the Cirebon expansion. More collaboration with wider networks and stakeholders is needed to generate enough public pressure to convince investors to stop investing in such harmful projects.

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7. A century of exploitation; of compensation, Peru
Finance Guide Belgium

7.1. The problem

Perhaps one of the worst cases of mining exploitation is in the province of Espinar, Peru, where mining activity has been taking place since 1917.\(^57\) Local Indigenous communities have suffered a variety of serious health and environmental problems as a result. They are among the many Indigenous communities across Peru that find themselves in a precarious health situation due to pollution from mining.\(^58\)

Studies show that the main sources of water in the seven worst-affected communities of Espinar are contaminated with heavy metals and other chemical substances which pose a major risk to health.\(^59\) Blood and urine samples from hundreds of people revealed traces of arsenic, mercury, cadmium and lead, which in many cases exceeded safe limits as set by the World Health Organization (WHO).\(^60\) Specialists have referred to the situation in Espinar as a ticking time-bomb, as long-term exposure is likely to lead to cancer and kidney failure. These are in fact the main cause of death in Espinar, which, according to experts, is unusual and points to a possible link with the mining activities.\(^61\) Unfortunately, no state or company authority officially recognizes the link between these health issues and the mining activities. As a result, the people affected don’t receive any form of compensation; nor do they have access to proper healthcare.\(^62\)

Glencore, the world’s largest mining company by revenue, exploits the open pit mine Antapaccay in Espinar.\(^63\) For years there have been tensions between the mine owners and the local population. In 2012 this resulted in a mass protest, in which two civilians were killed and dozens injured. Supported by national and international organizations, local communities from Espinar are currently conducting a lawsuit at the Supreme Court of London.\(^64\)

Glencore states that it supports and endorses the UN Guiding Principles for Business and Human Rights, the Extractive Industries Transparency Initiative (EITI) 38, the Voluntary Principles on Security and Human Rights, and the International Council on Mining and Metals (ICMM) Principles. The company also refers to various risk management systems.\(^65\) Despite the integration of these standards into its policy, Glencore’s activities in Peru are far from setting a good example in terms of corporate social responsibility. The company must take responsibility for environmental pollution and human rights violations in its mining activities in Espinar.

\(^{58}\) Ibid., page 8.
\(^{59}\) Ibid., page 8.
\(^{61}\) Ibid., page 18.
\(^{62}\) Ibid., page 19.
\(^{63}\) Ibid., page 19.
\(^{64}\) Ibid., page 19.
\(^{65}\) Ibid., page 19.
As revealed by the 2017 study on Belgian investments in controversial metal mining\(^6\) conducted by FFG Belgium and its partner coalition 11.11.11, Glencore received financing (from 2011–2016) from four Belgian banks, namely BNP Paribas, Deutsche Bank, ING Group and KBC Group, linking these banks to controversial mining exploitation.

### 7.2. Influencing activities

FFG Belgium, along with 11.11.11, conducted intensive studies on the effects of mining on communities in Peru. The launch of the report in 2017 sparked public outrage towards the banks investing in controversial mining. Belgian Minister of Finance Johan Van Overtveldt was urged to question BNP Paribas, of which the Belgian state is a major shareholder.

### 7.3. Change in financial institutions

In the ensuing discussions and correspondence, the banks put forward a series of interesting arguments against divestment from controversial mining – including that mining companies are ‘too diverse to exclude’ and that many other companies are dependent on them. They said that divestment would put a hold on the dialogue and banks would lose the potential to influence the companies. It was even suggested that there is no such thing as sustainable mining.

These arguments clearly illustrate how the problem of controversial mining is a structural one. The fact that these companies are diverse should not be an argument for investing in them. By supporting Glencore as a whole, banks are also supporting its controversial activities. Dialogue is necessary, but should have a clear set goal. It is unlikely that companies will change their policies if they do not feel any pressure from their investors. Moreover, the dialogue can continue after divestment takes place. Banks need to give a clear signal to controversial companies that they do not agree with their practices. They can do that in the first place by including so-called ‘red lines’ in their policies, pointing out which practices are unacceptable to them.\(^6\)

### 7.4. Change in companies invested in/change in social actors

In a 2017 response letter to Business & Human Rights Resource Centre, Glencore stated: ‘We strongly reject the allegations of environmental pollution being linked to our Tintaya-Antapaccay operation. All of our sites operate to industry-leading environmental standards and to our stringent sustainable development policies and standards. Our operations comply in full with or exceed all applicable environmental and social regulations. Our operations undertake environmental monitoring on a regular


basis and are subject to both external and internal audits to evaluate the site’s environmental performance.68

7.5. Impact on the ground

On 22 August 2018, CooperAcción – a Peruvian CSO that promotes knowledge and enables people to exercise their social, environmental, political, cultural and economic rights – released a statement explaining that staff from the Yuari Health Centre and other health centres in Espinar had begun delivering the results of tests for heavy metals in blood and urine as evidence in a new study. The document noted that a proposal for national policy guides to respond to the problems of the population exposed to heavy metals and other chemical substances, led by the health sector, is currently being considered, adding that ‘From this, we observe in the competent authorities a political will to do things differently.’69 While there is a very long way to go before there is justice for the affected populations of Espinar, these are some steps in the right direction.

8. ING tightens its energy policy, Dominican Republic
FFGI The Netherlands

8.1. The problem

The construction of the Punta Catalina coal-fired power station in the Dominican Republic has been met with years of protest by the local population and community organizations. The plant poses a substantial climate threat and has become one of the main focal points of the multi-country corruption affair involving the Brazilian construction company, Odebrecht. 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 plant. The Dominican people refused to accept this type of misconduct, showing their discontent in the ‘March Verde’ (Green March), one of the largest demonstrations on corruption in decades.

Research by the FFGI in November 2015 showed that from 2009–2014, ING invested eight times more in fossil energy companies than in sustainable energy companies – with 89% of its loans going to the fossil energy sector. In total, during this period ING financed $24.5bn in fossil energy companies and energy generation, including coal companies. In contrast, its finance to renewable energy companies in the same period amounted to only $2.9bn.

8.1. Influencing activities

Given the controversy surrounding the Punta Catalina project, along with pressure on ING to divest from another power-plant project in Cirebon, Indonesia, ING’s investment policies became the subject of questions in the Dutch Parliament, when critical questions were asked at the end of 2017 about ING’s financing of the Punta Catalina power plant. After much public pressure and engagement with FFG NL, in August 2018, the bank finally decided to sell its stake in the Punta Catalina plant, demonstrating compliance with its recently tightened coal policy (see below).

Peter Ras, FFG NL project manager, said: ‘ING’s decision not to grant any further funding to the new coal-fired power station in the Dominican Republic is good news. The Fair Finance Guide finds it very important that banks stop all investments in coal companies and reduce their financing for fossil energy companies in favour of financing sustainable energy.’

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8.3. Change in financial institutions

In December 2017, ING implemented a significant tightening of its coal policy: the bank says it will only grant loans to new customers in the energy sector if they are dependent on coal for less than 10% of the energy generated.

In June 2018, 15 banks and insurers published the ‘Spitsbergen Ambition’, in which financial institutions promise to measure and publish the climate impact of all their investments and financing by 2020, for example on the basis of Platform Carbon Accounting Financials (PCAF). In addition, the 15 signatories promise to set so-called ‘science-based targets’ to ensure that their financing and investment policy meets the objectives of the Paris Agreement on climate change. The Fair Finance Guide has for years been calling on banks and insurers to publish funded greenhouse gas emissions and to reduce them in a way that can be measured.

In July 2018, ING sold its stake in the Punta Catalina coal-fired power plant. With this decision, the bank gave further substance to the tightening of its coal policy in December 2017. It is clear that ING has listened to the years of calls from CSOs worldwide to stop this investment.

8.4. Change in companies invested in

Although ING withdrew its funding from the plant, and despite masses of protests around Latin America, the construction of the Punta Catalina power has continued. While this is disappointing, the campaign against it was beneficial for mobilizing people and raising public awareness of the corruption in Odebrecht; it has placed the construction company under close scrutiny and pressured its investors to rethink their decisions, since their connection to Odebrecht put their own reputation at stake. In July 2018, Odebrecht signed a Letter of Commitment to the Business Movement for Integrity and Transparency, demonstrating willingness to improve its practices.74

8.5 Impact on the ground

Although the construction of the plant has continued, the decision of ING to divest from the plant illustrates increased willingness of banks to avoid investing in controversial mining. It is proof that shining a light on the issues can create enough pressure and political will to create policy change. While the people affected by the Punta Catalina plant may be yet to feel any benefits, it is hoped that this gradual shift in policy and investment will spare other communities from the impact of such harmful investments.

9. The ongoing struggle to end banks’ relationships with controversial palm oil companies – Indonesia
FFG Sweden, FFG Norway, FFG The Netherlands, FFG Indonesia

9.1. The problem

Palm oil plantations and refineries are one of the most popular short- and long-term investments in Indonesia, receiving financing from all over the world, and its tropical climate has supported Indonesia in becoming one of the largest crude palm oil producers worldwide. Over the past decade, more than $50bn has been invested in the Malaysian and Indonesian palm oil sectors, where commercial banks are important sources of capital. However, this lucrative industry is frequently linked to major concerns, including: deforestation and peat development and drainage (contributing to climate change); habitat and biodiversity degradation; and human rights violations, as (agricultural) land and forests are often cleared for the development of the plantations. Workers’ conditions on the large-scale plantations are often poor, small-scale producers receive little benefit, and women in the industry have been marginalized.

In 2015, ResponsiBank Indonesia (the Fair Finance Guide in Indonesia) released a report, Bank Investments on the Palm Plantation of PT. Wira Mas Permai, which explored one of the biggest Indonesian palm oil plantation companies, operating in Central Sulawesi. Throughout 2015, protests were held against the company as local farmers condemned its land grabbing and the effects of its plantations on water supply and crop production.

PT Wira Mas Permai was also criticized for failing to adhere to the ‘plasma obligation’. This states that a company applying for a plantation business licence for an area of 250 hectares or more must facilitate the local community’s development by providing a plantation area of at least 20% of the total for the development of palm oil smallholder plots. Compliance with this rule is a main requirement for the development of palm oil plantations.

Furthermore, despite the fact that countries in Europe are seen to be on the forefront of global environmental initiatives, the May 2017 FFG Sweden and Norway report, Nordic investments in banks financing Indonesian palm oil, indicated that Norwegians and Swedes have been indirectly supporting an industry that is known to have demolished huge swathes of Indonesian rainforest.

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78 Ibid.
that 12 major Nordic banks and pension funds – including the Norwegian government’s own pension fund – have invested over $2bn in six South-East Asian banks which finance more than 50% of Indonesia’s oil palm operations.\(^80\) The Norwegian Government Pension Fund Global (GPFG) contributed the largest sum, of over $1.3bn.\(^81\) Other sponsors included Nordea, AP-Fondernia, Swedbank, Handelsbanken, KLP, Storebrand, Lånsförsäkringar, Skandia, Danske Bank, SEB and DNB. The South-East Asian backers of palm oil production that are key recipients of Nordic investments include Indonesia’s four largest banks – Bank Mandiri, Bank Rakyat Indonesia (BRI), Bank Negara Indonesia (BNI) and Bank Central Asia (BCA) – and two from Singapore, OCBC and DBS Bank.\(^82\) These banks had provided loans to a total of nine palm oil firms, which were found to have engaged in unsustainable practices including deforestation of orangutan habitats, drainage of peat, poor fire prevention and mitigation, land disputes with local communities, violations of workers’ rights and failure to comply with the terms of the forestland release permit.\(^83\)

Similarly, in the Netherlands, a 2017 case study by the Dutch FFG coalition exposed nine insurance groups in the country (Achmea, Aegon, Allianz, APG, Delta Loyd, Generali, Legal & General, NN Group, Vivat Verzekeringen) that invested in 10 disputed palm oil companies between 2013 and 2016, where all the companies were involved in serious deforestation and land grabbing controversies.\(^84\)

### 9.2. Influencing activities

Following the release of the May 2017 report, *Nordic investments in banks financing Indonesian palm oil*, the Fair Finance Guide coalitions in Sweden and Norway, together with the Rainforest Foundation, called on the Nordic investors to address the issue of controversial palm oil production and engage with the banks regarding their role. The Rainforest Foundation invited the largest investors to a roundtable discussion involving 10 participants, several of whom are members of the UN-supported Principles for Responsible Investment (UN PRI) group on Palm Oil. The UN PRI is the main forum for investors globally regarding sustainability issues. During the roundtable in September 2017, the Rainforest Foundation proposed that the banks should expand the scope of the PRI group to also look at financiers’ role and responsibility. This would stimulate the sustainability requirements for lending to palm oil companies and would lead to better regulation of the Asian banks, which have few sustainability requirements for lending to palm oil companies. The FFG Sweden and Norway report also contributed to raising public awareness, and the largest English-language newspaper in Indonesia, *The Jakarta Post*, published an opinion piece on how Nordic investments are helping banks in South-East Asia to finance the criminal and corrupt activities of palm oil companies.\(^85\)

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\(^81\) Vemun Olsen. (2017). ‘New report linking Nordic banks and government pension funds to Indonesia’s palm oil deforestation’.


TuK, a coalition member of ResponsiBank Indonesia, launched a website which lists the major financiers of Indonesian palm oil plantation companies and features case studies that uncover the deforestation and human rights violations linked to some bank and investor finance. In addition, as part of a network of sub-national and national NGOs, on behalf of the Indonesian Fair Finance Guide, TuK and WALHI (Friends of the Earth Indonesia) sent letters to over 20 banks across China and Europe demanding that they stop financing the APRIL Group – one of the largest makers of pulp and paper productions in the world – due to its poor adherence to the Government of Indonesia’s regulations regarding peat protection and management. ResponsiBank Indonesia also called on the Indonesian Financial Service Authority (OJK) to encourage financial institutions to uphold ESG criteria in their lending and investment policy.

FFG NL mostly engaged with insurance groups in its 2017 case study. This involved sending a questionnaire to nine insurance groups, with specific questions on five topics: screening, voting, engagement, exclusion, and commitments. In order to receive points for their answers, the groups were asked to provide supporting evidence and examples of implementation. Out of the nine insurance groups, only two – Generali and Legal & General – failed to respond, illustrating increased accountability and respect for the FFG. However, the study findings revealed that although most of the groups have established screening processes, there is still a major lack of transparency within these investments, and engagement needs to be ongoing and to have clear, time-bound targets. Above all, the study demonstrated the need for insurance groups to start behaving responsibly in their investments and to ensure sustainable and just palm oil production within the companies they invest in.

9.3. Change in financial institutions

In December 2017, the UN PRI group on Palm Oil accepted the proposal of the Rainforest Foundation to expand its scope and also consider the roles and responsibilities of financiers. As a result of this change in policy, the Norwegian Government Pension Fund (GPFG) started to engage with banks about their palm oil financing. Norges Bank Investment Management (NBIM) stated in its 2017 annual report for responsible management of the GPFG, that the GPFG had ‘initiated two dialogues on the topic of deforestation. One was with commodity traders and meatpacking companies on improving standards in their supply chain beyond the Brazilian Amazon. The other was with Indonesian and Malaysian banks on their policies governing palm oil financing.’ The report also exposed the banks which were engaged in deforestation for palm oil development, namely CIMB Group Holdings, Malayan Banking and RHB Bank. The actions undertaken by the GPFG – one of the largest financiers of palm oil – to ensure more responsible, transparent and sustainable palm oil production, sets an excellent example for other financial institutions to follow.

The publication of the various reports by the Fair Finance Guide coalitions and the accompanying social media campaigns generated much attention to the corrupt practices within the Indonesian palm oil industry. In Sweden, for example, several banks responded publicly to the report and welcomed the

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86 http://forestsandfinance.org/
90 Ibid., page 40.
dialogue with the FFG coalition about the issue.91 A noticeable change was seen in the improved policies of Handelsbanken, whose policies now require that palm oil should be certified and that companies may not lobby to undermine political measures to fight climate change – demonstrating the bank’s increased political will and societal awareness.92

However, in October 2018, a report by the Centre for Research on Multinational Corporations (SOMO) commissioned by FFG NL’s partner, Milieudesfensie (Friends of the Earth Netherlands), examined the links between three Dutch banks (ABN AMRO, ING and Rabobank) and controversial palm oil companies.93 It revealed that the banks offer investment funds that include shares in these selected palm oil companies, and that the banks are not informing customers about all the companies in the funds, making it difficult for customers to know whether palm oil companies are part of a fund they are investing in. The findings of this report are very disappointing, as they indicate that financial institutions in the Netherlands have not terminated or worked to improve their financial relationships with controversial industrial palm oil companies since FFG NL released its 2017 report on insurance group’s involvement in deforestation and land grabbing in the palm oil sector.

9.4. Change in companies invested in

In an effort to continue political engagement and discourse on the issue, ResponsiBank Indonesia published a White Paper to the Indonesian Financial Supervisory Authority, providing recommendations for a more sustainable financial sector in Indonesia.94

Although little change has been seen among the palm oil production companies, the various coalition campaigns and research as well as the protests by Indonesian local communities, have placed the issue at the forefront of public debate. For example, within the EU, negotiators came to an agreement in June 2018 to phase out the use of palm oil in transport fuels starting from 2030, mainly due to the very high indirect greenhouse gas emissions caused by deforestation and the drainage of peatlands associated with the cultivation of palm oil.95 This new EU-wide law will certainly pose new challenges for palm oil producing companies and they will be forced to develop more sustainable practices if they want to maintain their supply to Europe, one of the biggest consumers of Indonesian palm oil.

In November 2018, members of the Roundtable on Sustainable Palm Oil (RSPO) agreed on a new palm oil standard that halts deforestation, protects peatlands, and improves human and labour rights protection. Two Dutch banks are members of the RSPO – the ING Group and ABN AMRO – meaning that these banks and all other member companies must comply with this new set of environmental and social standards in order to meet RSPO certification standards. This is likely to lead to improved practices among palm oil production companies and thus more impact on the ground in the coming years.

9.5. Impact on the ground

As yet, little positive impact has been recorded in the region affected by the palm oil plantations of PT. Wira Mas Permai. Follow-up studies conducted by TuK illustrate that to date, no solutions or compensation have been provided by the palm oil company. TuK noted that PT Wira Mas Permai continues to intimidate local communities and has not taken any specific measures to resolve the conflict over land.

TuK has continued to engage on the issue. The organization was able to review PT. Wira Mas Permai’s operational licence, together with the local government, through hearings with the Cooperative Office and the Department of Trade, and involved academics from local universities in its campaigning activities. A trade union for the plantation workers has been established, and the company eventually complied with the plasma obligation. Despite this apparently positive step, many of those who lost their land (when it was forcibly taken by PT Wira Mas Permai) were then merely recruited as workers on the plantation, meaning that their rights and requests have still not been respected.

TuK and other CSOs will continue to advocate for the rights of local communities. In addition to conflict resolution, TuK will focus on increasing the resilience of the affected communities through income diversification (mainly by diversifying their food crops).

Continued pressure on financial institutions and companies is necessary to create the positive, long-term impact that is desired. It is crucial that the case of the Central Sulawesi community does not go unheard and that financial institutions are accountable and take responsibility for their investments. It is possible to establish a sustainable, responsible and, most importantly, ethical palm oil production value chain. This case of financial institutions’ involvement in controversial Indonesian palm oil plantations will continue to be monitored by civil society actors worldwide.
Conclusion

As these stories demonstrate, the irresponsible investments and risk-taking behaviour of financial institutions across the globe has a significant impact on society all over the world. At the same time, the stories emphasize how responsible financial institutions are indispensable in overcoming the social and environmental challenges the world is confronted with, particularly within the global South.

Although the activities of the FFGI are only partly responsible for generating some of the above-mentioned changes, these narratives do demonstrate how its work is able to contribute to potential positive changes to some of these pressing global issues. More importantly, they reveal the need to continue exerting this type of pressure to ensure that banks, insurance companies and pension providers alike, accept their obligations, fulfil their policy agreements and realize the benefit of responsible, fair and sustainable finance.

Developing these stories was also helpful in establishing a new learning agenda for the FFGI. The majority of the stories of change deal with the themes of labour rights, human rights, climate change and nature, all of which are listed as compulsory themes within the FFGI methodology. Unfortunately, not enough attention was given to the theme of gender equality, which is critical for defeating poverty and inequality. Because of this, the national coalitions within the FFGI have agreed to establish gender equality as a mandatory theme in policy assessments and to integrate gender aspects in case studies in future. Hence, a future round of stories of change is expected to present more evidence and developments with regard to this issue.

When assessing impact on the ground, it is important to keep in mind that change cannot be achieved overnight, and is a result of many actors, factors and interventions. It is a result of a gradual process – nonlinear process with different phases. The first phase being denial of the problem by the responsible actors and before moving on to solutions going through a few other stages. Many of the stories above show that the work of the FFG coalitions has at least accomplished a situation where there is no more denial of the problem, like e.g. the case of the FFG NL’s pressure on banks investing in granite traders and companies and at best has moved financial institutions to adopt changes in its policies and financing practices.

Many of these cases require follow-up studies and further monitoring to determine whether the recent shifts in financial institutions’ policies have indeed generated the desired impact and contributed to a long-term positive change, especially for people living in poverty. Although this community-level impact is outside the FFGI’s direct sphere of influence, aiming to see it remains beneficial in demonstrating FFGI’s contribution to bringing about change.
Figure 2 conceptualizes the evolution of change in the context of the financial institutions influenced by the FFGI.

Six Stages of Change: From Denial to Impact

Stage 1: Denial
Companies and financial institutions often deny that there is a problem in the first place, as to avoid production loss and to maintain their image. Hence, it is essential to define the problem through direct advocacy and campaigning.

Stage 2: Ignorance
Financial institutions and companies will then exhibit ignorance by admitting that there is a problem, yet disregarding the fact that it is part of their responsibility to fix the problem.

Stage 3: Acceptance and Awareness
The next phase often undertaken by financial institutions and companies is accepting that there is indeed a problem, and realising that they bear responsibilities to solve the issue. This results in increased social awareness and provides and incentive to change. Here, it is essential that Fair Finance Guide develops solutions and recommendations alongside of financial institutions and their clients.

Stage 4: Changes in Policy
Financial institutions improve their policies, thus indicating that they are starting to behave responsibly and realise the gravity of the situation. This can also have a ripple effect on the companies the banks invest in.

Stage 5: Putting Policy into Practice
Changes in policies is a great first step, but will only make a difference if these policies are effectively implemented. Although this is out of the reach of Fair Finance Guide, it is still crucial that FFG monitors banks and ensures that they do realise their policy changes.

Stage 6: Impact
Impact refers to any given changes in social and/or physical conditions in the country concerned. However, it can take years for meaningful and long-term impact to become noticeable. Hence, it is crucial to continue monitoring the situation and maintaining strategic alliances.
With the expansion of the FFGI network to India and Thailand in 2019 – and civil society actors in Denmark, South Africa and Vietnam working towards establishing their local FFGs, as well FFGI’s expansion to assess pension funds and insurance companies – it is expected that even more change on the ground will be seen.

It is hoped that these stories of change will give the work and outcomes of the Fair Finance Guide a new prominence – by illustrating the relationship between the seemingly distant activities of the FFG coalitions to the social and environmental issues highlighted in these accounts. These stories also show the need for CSOs and networks, like FFGI, to continue this critical dialogue with banks, insurance companies and pension funds – and to influence the financial sector to contribute to the wellbeing of society and the planet, rather than work against it.

We hope that this collection of impact stories has motivated both the present and future CSO coalitions collaborating in FFGI, as well as the financial institutions across the world, to continue their efforts towards creating a fair and sustainable financial sector – in turn reducing global inequalities, poverty and climate threats.