

December 12, 2022

An Open Letter to Commercial Banks and Financiers on their Role in Stopping and Reversing the Biodiversity Crisis

The world is in crisis. The deeply interrelated web of nature, biodiversity, and ecosystem functions underpin all life on the planet, but it is collapsing. The accelerating rate of biodiversity loss and ecosystem collapse is leading humanity towards the sixth extinction, in which our collective futures, whether bright or dim, are dependent upon our decisions and actions today. Without urgent, concrete, and time bound actions, we will soon face the worst, if not irreversible, impacts of the biodiversity crisis.

The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) has highlighted the role of the financial sector plays in causing and addressing biodiversity loss. The international banking and finance sector has long ignored the biodiversity risks of their financing. This has led to a complex dynamic in which biodiversity loss poses double materiality risks, where financiers are exposed to immediate risks associated with specific financed activities or projects, as well as longer term risks to the sustainability of the institution itself.

Sixty-five civil society organizations have signed this open letter to impress the importance of the banking and financial sector's role in stopping and reversing biodiversity loss. If the world is to survive the biodiversity and climate crisis, commercial banks must heighten their institutional ambition and take action. This means establishing and formalizing clear, concrete plans to ensure that their financing protects and enhances biodiversity, instead of causing, driving, or exacerbating biodiversity loss.

With the Fifteenth meeting of the Conference of the Parties to the Convention on Biological Diversity (COP15) occurring in this month, there is a critical opportunity for banks to do more in demonstrating ambition and resolve to take responsibility in stopping and reversing biodiversity loss. Banks should comply and implement relevant international and national policies and laws related to biodiversity protection. Banks should also follow and implement the spirit of biodiversity protection as set forth in the three overarching objectives of the [Convention on Biological Diversity](#), which includes conserving biodiversity, using biodiversity sustainably, and ensuring equitable and sustainable use of genetic resources.

Banks Drive Biodiversity Loss

Currently, commercial banks are directly and indirectly tied to driving the biodiversity crisis. In 2019, the world's largest banks invested more than [USD 2.6 trillion](#) in sectors that are the primary drivers of biodiversity destruction. According to IPBES, land use change, pollution, climate change, and over-exploitation of resources are major drivers of biodiversity loss. Private banks finance and support sectors driving and exacerbating biodiversity loss, such as oil and gas, large hydropower, and industrial agriculture, in addition to indirectly financing these harmful

sectors via intermediaries. All industries, especially commodity-based sectors, depend on well-functioning ecosystems and natural resources, and so the rapid destruction of the planet's remaining intact and critical ecosystems should be considered a major, if not existential, risk for the long-term sustainability of financial institutions themselves. Commercial bank policies and practices are [failing to monitor and measure](#) the impact of their financing on driving systemic, negative biodiversity impacts, and as a result, are not doing enough to avoid, reduce or mitigate negative impacts on biodiversity. Continuing to do business as usual will result in devastating consequences on people and the planet.

Protecting the Rights of Indigenous Peoples Is Protecting Biodiversity

Increasing research has shown that Indigenous Peoples play a critical role in protecting the world's remaining biodiversity hotspots. Although Indigenous Peoples constitute [6% of the world's population](#), they [safeguard 80% of the world's biodiversity](#). Research also shows that lands managed by Indigenous Peoples yield the same if not better biodiversity outcomes than protected areas. Nature and [biodiversity decreases](#) at a [slower rate](#) on Indigenous lands, and yet these areas are facing increasing threats and pressures for industrial and harmful development. **Protecting biodiversity cannot be separated from protecting the rights of Indigenous Peoples. Protecting Indigenous Peoples rights yields positive biodiversity outcomes.** This is why establishing or strengthening banks' Indigenous Peoples policies, including requiring free, prior, and informed consent (FPIC) as prescribed by the United Nations Declaration on the Rights of Indigenous Peoples, is important not only in its own right, but also as a crucial condition for achieving positive biodiversity outcomes.

The Responsibility of Commercial Banks in Stopping and Reversing Biodiversity Loss

Through their lending decisions and client selection, commercial banks are in a key position to help preserve nature, but instead, many continue to finance high-risk sectors that are driving habitat destruction and biodiversity loss. This includes agro-commodity sectors like cattle, soy, palm oil, pulp and paper, and rubber. According to [research](#), banks and financiers in the European Union, United States, United Kingdom, and China have collectively invested in deals worth \$157 billion with companies tied to destroying tropical forests in Brazil, Southeast Asia, and Africa since the Paris Agreement, in which those financiers have netted \$1.74 billion in interest and profit deriving from the agribusiness sector.

Commercial banks have also long supported the expansion of the fossil fuel industry with disastrous results. For instance, commercial banks have repeatedly provided financial support to oil companies exploring and operating in the [Amazon](#), in which the legacy of past and current oil activities is well documented for causing negative environmental impacts and violating the rights of Indigenous and local communities. Despite the clear record of fossil fuel companies repeatedly violating environmental laws and the rights of communities, banks continue to finance the fossil fuel sector and its expansion.

In addition to the agribusiness and fossil fuel sectors, commercial banks have financed and supported high-risk, harmful sectors, such as mining, large hydropower, large-scale wood biomass and infrastructure, among others. In order to address the biodiversity impacts of banks' financed activities, they must recognize how financing companies and projects that drive the continued expansion of these high-risk sectors at the expense of critical ecosystems, Indigenous and local communities, and the climate should not form part of their portfolios. They must also put in place robust policies across all sectors, which ensure the protection and restoration of biodiversity, including no deforestation commitments, and safeguard human and Indigenous rights throughout all financed activities.

Recommendations to Commercial Banks

- 1. Publicly support efforts for regulation that prohibits investment that drives fossil fuel expansion and deforestation.** Voluntary initiatives have failed time and time again. Banks should support new mandatory due diligence regulations that must be urgently introduced, requiring financial institutions to identify and mitigate the impact of forest-risk industries on Indigenous Peoples and local communities and biodiversity. Laws should include genuinely dissuasive penalties that are accompanied by well-resourced enforcement. This will also establish a level playing field for financial institutions that have already moved to eliminate such investments from their portfolios.
- 2. Stop financing activities and sectors which drive biodiversity loss:** Prohibit the development and expansion of sectors associated with systemic drivers of biodiversity loss, i.e. fossil fuels (including natural gas), industrial agriculture, large hydropower, logging, the production and use of pesticides and other toxic substances, per findings from [IPBES](#).
- 3. Improve due diligence and screening processes:** This includes:
 - Verifying the validity of client-obtained licenses, permits, and environmental impact assessments.
 - Requiring robust, credible analysis on project alternatives.
 - Requiring field visits.
 - Disclosing due diligence findings to the public.
 - Excluding clients with a documented, repeated record of environmental, social, and human rights failures from access to future financing.
- 4. Develop guard rails for intermediary financing:** This includes:
 - Ringfencing the environmental and social impacts linked to any financial ties, such as financial intermediaries, bonds, financial products, and underwriting services.
 - Ensuring social and environmental standards are included in legal contracts with financial intermediary clients and supervise their application in practice.
 - Disclosing high-risk activities or sub-projects financed via financial intermediaries and establish measures to ensure environmental and social protections are applied and implemented at a sub-project level.

- Requiring clients to provide proof that financial intermediary financing does not lead to negative environmental and social impacts.

5. Ensure full implementation of environmental and social policies: This includes:

- Requiring and leverage loan contracts to obligate better environmental and social performance based on safeguards and policy requirements.
- Developing and publishing key performance indicators for measuring the implementation of policies, and establishing methodologies for assessing bank staff and board performance in ensuring environmental and social safeguards are fully implemented.
- Excluding companies with a documented, recurring record of meeting environmental and social policy requirements as set out in the banks' policy framework.

6. Explore new mechanisms for ensuring implementation of environmental, social, and biodiversity policies: Assess Board performance in meeting institutional targets for reducing biodiversity loss, and establish separate funds in order to provide reparations and remedy for past bank financed harms

7. Uphold relevant environmental, social, and climate international norms and standards that are relevant to biodiversity protection, such as the Paris Agreement, Convention on Biological Diversity, and United Nations Declaration on the Rights of Indigenous Peoples:

This includes designing and developing biodiversity policies to harmonize and complement other cross-cutting issues, such as climate change and Indigenous Peoples.

8. Respect the right to self-determination and sovereignty for Indigenous Peoples and rights of local communities: This includes:

- Strengthen existing Indigenous Rights Peoples policies, and/or establish Indigenous Rights Peoples policies.
- Requiring Free, Prior and Informed Consent (FPIC) whenever there are any impacts on Indigenous Peoples, their territories, or resources, in addition to requiring FPIC as a best practice for engaging with local communities.
- Recognizing the importance of Indigenous and local communities in the equitable governance and effective management of such areas.
- Recognizing and respecting areas governed by Indigenous and local communities.

9. Take a precautionary approach to biodiversity protection: This includes implementing a moratorium on biodiversity offsets and establishing “no loss” approaches to biodiversity protection, as offsets are baked into “no net loss” and “net gain” approaches.

10. Fortify accountability mechanisms: Require and implement a project-level complaints and whistleblower policy to allow Indigenous Peoples, community members, and civil society organizations to report policy violations, and which also accounts for and protects against potential retaliation or harassment against those who voice grievances.

11. Develop, strengthen, and implement transparency and disclosure policies: Relevant information regarding all clients or project activities that receive direct or indirect bank financing

should be made publicly available in a timely manner. This includes, but is not limited to the following: feasibility studies, environmental or strategic impact assessments, environmental and social action plans or contract clauses, lists of current clients with high-risk or financial intermediary activities, due diligence findings, other documents relevant to environmental, social, biodiversity, or climate risks and impacts. Encourage/require clients to publish a list of grievances made against the company by affected stakeholders.

Thank you for your consideration. We ask that you please confirm receipt of this letter by contacting us at stopbiodiversitylossnow@gmail.com. We welcome any questions or feedback.

Sincerely,

AbibiNsroma Foundation (Ghana)
Accountability Counsel (International)
Action for Ecology and People Emancipation (Indonesia)
Angir Nuden Munduuuu (Mongolia)
Asociación Unión de Talleres 11 de Septiembre (Bolivia)
Australian Forests and Climate Alliance (Australia)
BankTrack (International)
Bankwatch Network (Central and Eastern Europe)
Biodiversity Conservation Center (Russia)
Blue Dalian (China)
Brighter Green (United States)
BROC (Russia)
Center for Energy, Ecology, and Development (Philippines)
Civic Response (Ghana)
Civil Initiatives Support Fund (Tajikistan)
Community Empowerment and Social Justice Network (Nepal)
Community Resource Centre (Thailand)
Cultural Survival (United States)
DRONT Ecological Center (Russia)
ECODEV (Cameroon)
Forum Ökologie and Papier/Ecology & Paper Forum (Germany)
Ecological Action and People's Emancipation (Indonesia)
Envirionics Trust (India)
Finance Working Group of the Environmental Paper Network (International)
Forests and Finance Coalition (International)
Forests and Rural Development (Cameroon)
Friends of the Earth US (United States)
Future of the Amazon (Netherlands)
Future Threshold (Mongolia)
Gender Action (International)
Global Witness (United Kingdom)
Gobi Soil (Mongolia)
Green Development Advocates (Cameroon)

Green Movement 42 (Russia)
Greenpeace (International)
Indus Consortium (Pakistan)
International Association of Technicians, Experts and Researchers (France)
International Attac Network (France)
International Rivers (United States)
Lamu Youth Alliance (Kenya)
Leefmilieu (Netherlands)
Legal Aid Institute Angsana (Indonesia)
James Hutton Institute (United Kingdom)
Maryknoll Office for Global Concerns (United States)
National Forum for Advocacy Nepal (Nepal)
NGO Forum on ADB (Philippines)
Ei polteta tulevaisuutta/Not Burning the Future (Finland)
Oyu Tolgoi Watch (Mongolia)
Pakistan Fisherfolk Forum (Pakistan)
Profundo (Netherlands)
Psychological Responsiveness (Mongolia)
Rainforest Action Network (United States)
Recourse (Netherlands)
Rivers Without Boundaries International Coalition (International)
Rivers Without Boundaries Mongolia (Mongolia)
Landelijk Netwerk Bossen- en Bomenbescherming/Rural Forest and Trees Protection Network (Netherlands)
Russian Social-Ecological Union/Friends of the Earth Russia (Russia)
Save Virunga (International)
Socio-Ecological Union International (International)
Tajik Social and Ecological Union (Tajikistan)
Tatarstan branch of the Russian Social and Ecological Union (Russia)
Trend Asia (Indonesia)
WALHI/Friends of the Earth Indonesia (Indonesia)
Women's Earth and Climate Action Network (International)
World Animal Protection (Philippines)