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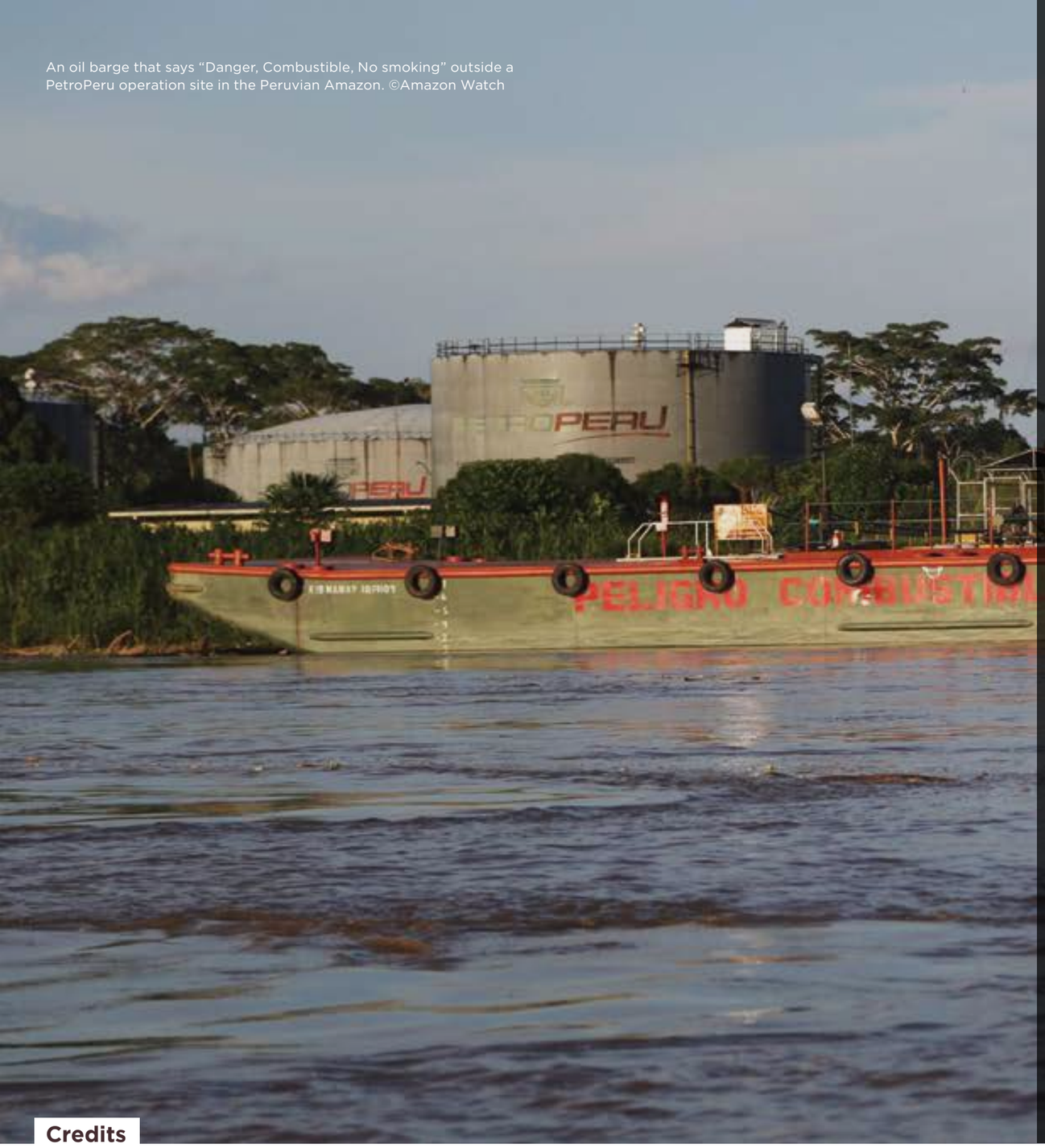
AMAZON WATCH

# Banking on Amazon Destruction

**How European and U.S. banks fund the oil and gas industry despite environmental and social risks driving the Amazon over the brink**




An oil barge that says “Danger, Combustible, No smoking” outside a PetroPeru operation site in the Peruvian Amazon. ©Amazon Watch

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# Executive Summary

The Amazon is at a tipping point. Further oil and gas extraction, a major driver of deforestation, will push the biome—essential for climate change mitigation and home to 400+ Indigenous nationalities that defend and depend on it—to the brink of irreversible collapse. It is one of the last places in the world to be expanding oil exploration or production, particularly as Paris Climate Agreement imperatives make clear no new fossil fuel expansion should happen anywhere.

Still, oil and gas exploration and production continues to expand, opening up intact forest landscapes and primary forests, driving biodiversity loss, violating Indigenous peoples' rights, and causing pollution and corruption to soar. Many banks continue to fund oil and gas companies and traders active in the Amazon, despite adopting policies designed to assess these environmental and social risks in their finance and investment decisions. To make matters worse, the climate implications of these financial practices are incompatible with the scientific mandate to keep global warming under 1.5°C, at a time when the International Energy Agency (IEA) is calling for an end to oil and gas expansion globally.[1]

In August 2020, Stand.earth and Amazon Watch released a report calling out European banks for financing the trade in Amazon oil from the Amazon Headwaters in Ecuador and Peru, despite policies that would seem to rule out such financing. This exposé led to commitments by the top six lenders to uphold their environmental and social risk (ESR) policies and end their trade financing. As we engaged in dialogue with these and other banks, we uncovered additional issues, loopholes, and relationships, leading us to eventually identify fourteen banks in Europe and the U.S. that are involved in the oil industry across the Amazon basin, seemingly in contradiction to their sustainability commitments and policies.

This scorecard is designed to assess and rank banks' efforts to implement their climate and ESR management frameworks in the Amazon. The output of the scorecard is a ranking of each bank's performance and their associated risk of complicity in Amazon destruction, based on how well their risk management holds up against an assessment of their current risk exposure from their finance and investments in the top 90 oil and gas companies active in the Amazon, as well as any related controversies. Banks that have taken steps to exclude trade financing for Amazon oil are early leaders on this effort, but our research makes clear that none of them can yet rest on the commitments they have already made and be confident that they have managed risks and exposures sufficiently. All of the banks in this scorecard were provided with a copy of their initial score and given a chance to respond. In most instances, these clarifications improved their scores.

**Table 1. Bank rankings, grades, and corresponding risk levels.**

| RANK | BANK | GRADE | GRADE % | RISK LEVEL |
|---|---|---|---|---|
| 1 | Rabobank | **B** | 70% | **MODERATE** |
| 2 | ABN AMRO | **B-** | 68% | **MODERATE** |
| 3 | ING | **B-** | 66% | **MODERATE** |
| 4 | BNP Paribas | **C** | 56% | **HIGH** |
| 5 | UBS | **D** | 45% | **HIGH** |
| 6 | Société Générale | **D** | 45% | **HIGH** |
| 7 | Credit Suisse | **D** | 44% | **HIGH** |
| 8 | Natixis | **D** | 41% | **HIGH** |
| 9 | Crédit Agricole | **D** | 40% | **HIGH** |
| 10 | Citigroup | **F** | 38% | **VERY HIGH** |
| 11 | Goldman Sachs | **F** | 34% | **VERY HIGH** |
| 12 | Deutsche Bank | **F** | 32% | **VERY HIGH** |
| 13 | HSBC | **F** | 30% | **VERY HIGH** |
| 14 | JPMorgan Chase | **F** | 29% | **VERY HIGH** |

We found that although most banks have climate strategies to be net zero by 2050, with the purported goal of keeping global warming to under 1.5°C, they haven't yet made firm targets for decarbonizing their finance and investment portfolios. At the same time, banks want to keep funding the oil and gas industry. They claim to use their finance and investment clout to engage oil and gas clients and investees on reducing the carbon emission intensities of these big emitters, rather than divesting or excluding them. But without portfolio targets, banks don't know how long they can keep putting money into the oil and gas industry before a 1.5°C scenario becomes unattainable. The clear data from the IEA, the Stockholm Environment Institute and the UN Environment Programme is that no expansion of production is consistent with a 1.5°C scenario, and companies must plan for production and overall emissions declines, not just emission intensity improvements.[2] **There is no way to avoid climate disaster without immediately ending all further investment in new fossil fuel supply.**

However, unless banks take decisive actions today, they will continue to support activities that destroy the Amazon rainforest and climate, and violate the rights of Indigenous peoples, at ever increasing rates. Zero-deforestation commitments and deforestation exclusions can help banks manage the risk that their financing and investment will cause forest loss. But for most banks, even these interventions (which are not always implemented effectively) do not cover the oil and gas sector. Roads for oil and gas fragment intact forest landscapes, opening the door to further industrial deforestation and pollution.[3] If banks are serious about protecting biodiversity, they cannot let their finance and investment decisions support extractive activities that cause deforestation and the associated degradation—inside or outside of protected areas. But bank biodiversity exclusions reviewed in this scorecard are often limited to existing, legally-defined protected areas and do not include Indigenous territories, which have a crucial role to play in Amazon conservation. Almost half (45%) of the large wilderness areas in the Amazon basin are in Indigenous territories.[4] The scorecard analysis shows that even under the best biodiversity policies, too much of the Amazon is still open for business.

Where banks have Free, Prior, and Informed Consent (FPIC) clauses in their policies, these are typically focused on screening projects for the presence of an FPIC process before banks make decisions about financing. But banks embrace a narrow definition of consent that allows consultation or compensation to have the same weight as consent. Prior and informed consent is key to FPIC, and Indigenous people must be able to give it, change it, or take it away, otherwise their consent isn't free. Marlon Vargas, President of the Confederation of Indigenous Nationalities of the Ecuadorian Amazon (CONFENIAE) shared, "*For too long, the oil industry has wreaked havoc on our Indigenous peoples, violated our rights, cut down our forests, seized our territories, and created climate chaos that is leading to the collapse of the Amazon. The banks that finance this destruction are complicit in the genocidal threat to our peoples and an existential threat to humanity and our planet. We call on all institutions that finance oil extraction and the oil trade in the Amazon to make bold decisions to stop bankrolling environmental pollution and climate change. Their investments must be based on sustainable economic alternatives for our countries and communities.*"

Banks also need stakeholder input, especially from frontline Indigenous communities. Yet very few banks have adequate and accessible engagement and grievance processes to address complaints about violations of their ESR policies. **We found that banks are being complacent—putting the burden on stakeholders with less power and means to raise issues, without clear policy on how their voices will be heard or how recourse will be just.** By waiting for stakeholders to sound the alarm, banks are not addressing shortcomings in their policy implementation until frontline communities have already borne the brunt of negative impacts in the Amazon.

When it comes to pollution and corruption, our scorecard found that banks have even weaker ESR policies compared to other cross-sectoral issues such as human rights and biodiversity. Pollution and corruption are most often considered issues with how a company is conducting itself (its business conduct), and these issues are the least likely of all the major Amazon threats to have exclusions. Several prominent companies who have recent histories of corruption and pollution are still receiving finance and investment from these banks, despite indications by banks that these companies' track records would make it harder, and possibly impossible, for banks to do business with them.

**There is no way to avoid climate disaster without immediately ending all further investment in new fossil fuel supply**

The Capahuari river runs through Achuar Indigenous territory in the Ecuadorian Amazon. ©Amazon Watch/Caroline Bennett

In addition, the research found that the banks analyzed in this scorecard have a major blind spot in their lending practices. They create syndicated renewable loans (revolving credit facilities or RCFs) worth billions of dollars for their oil trading clients, but don't have adequate oversight on how the money will be spent. Oil traders could feasibly spend it on whatever they decide 'general corporate purpose' entails, without enough scrutiny by banks to detect environmental and social risks or corrupt business practices. Recent investigations by the U.S. Justice Department have revealed more than a decade of bribery and corruption in national oil companies in Brazil and Ecuador that was instituted by oil traders such as Gunvor and Vitol, which siphoned huge sums out of these resource-rich countries while letting the country economies cycle into increasing indebtedness.[5]

In this scorecard, banks are categorized according to their risk management (positive) and risk exposure (negative) scores and given a grade and a rating for their overall risk of Amazon destruction. Frontrunner banks are signatories to more climate and sustainability commitments, and for longer, and do more reporting than other banks—suggesting that transparency is key. Contender banks have good policies, but their exposures indicate a disconnect between their 'talk' and their 'walk' that needs redressing. Banks that are Followers have below-average policies but are not that exposed in the Amazon, and could step into leadership roles by strengthening their commitments and policies.

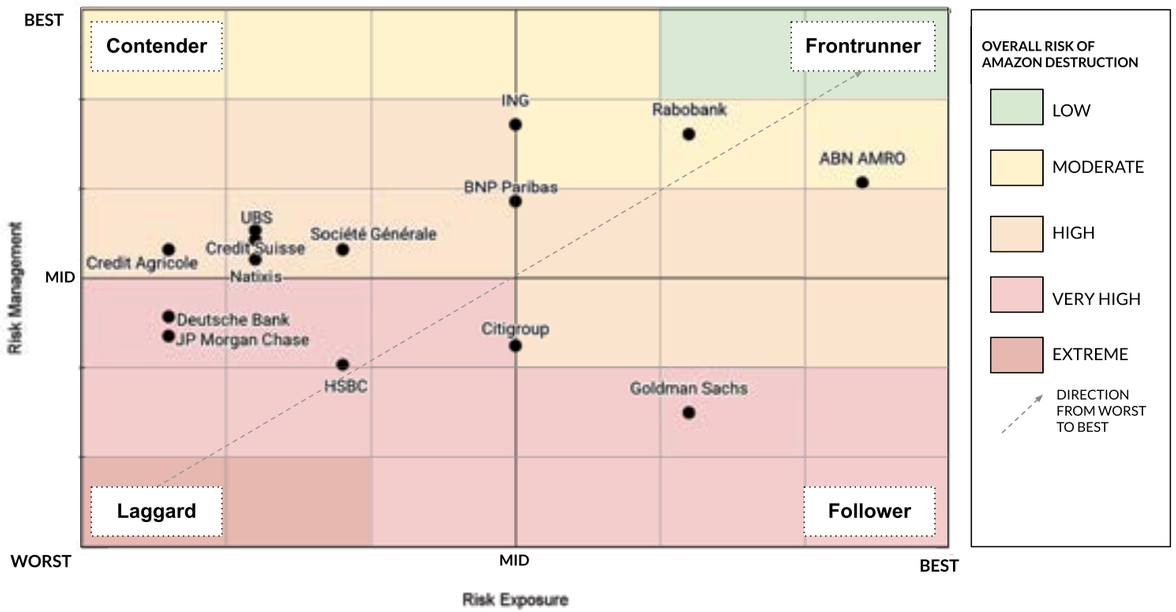



**Figure 1. Scatter chart of bank scores and corresponding overall risk of Amazon destruction.**

Finally, banks that are Laggards did not have the policies in place and are also highly exposed. Some banks, like Natixis in April 2021, are already making changes to improve their score by adopting an exclusion for trade financing for Ecuadorian oil from the Amazon.

These same banks that have failed to create and implement policies that protect the Amazon also have financial exclusions for onshore and offshore Arctic oil, designed to protect the high biodiversity value of the Arctic and its vulnerability to climate change. The logic that drove the creation of Arctic exclusions can and should be applied to the Amazon.

Both ecosystems have environmental thresholds based on climatic conditions, such as temperature and rainfall. For example, the Amazon basin makes its own rain. This massive act of self-sufficiency is predicated on the extent and connectedness of the rainforest, so where the great dark canopy falls, so does the amount of rainfall it produces—to a tipping point after which it cannot sustain itself. The Intergovernmental Panel on Climate Change (IPCC) (2019) defines a tipping point as achieving "irreversibility—such as degradation of ecosystems that cannot be restored to their original baseline" but Boers et al, 2017 have a bold definition that clarifies the scope of the problem: "the possibility of a dieback of the entire ecosystem due to deforestation only of parts of the rainforest."[6] Lovejoy and Nobre (2019) established that "a tipping point for the Amazon system to flip to non-forest ecosystems in eastern, southern and central Amazonia is at 20–25% deforestation."[7] In May 2021, Amazon deforestation hit a record high.[8]

**By waiting for stakeholders to sound the alarm, banks are not addressing shortcomings in their policy implementation until frontline communities have already borne the brunt of negative impacts in the Amazon**

**The scorecard reveals that the only real solution to managing the risk of Amazon destruction is for banks to exclude Amazon oil and gas from their portfolios**, taking into account the entire Amazon biome (see definition of biome on page 28) and creating an exit strategy that omits finance and investment first for new expansion, then for oil traders, and finally, for the entire oil and gas industry in the Amazon biome. As the IEA calls for no new oil and gas expansion globally, Indigenous organizations and allied NGOs are also urgently calling for protection measures to keep the Amazon from continuing on its destructive 'tipping point' trajectory. As corruption allegations in the Amazon oil trade intensify, banks are running out of reasons not to take this step.

Indigenous family in Ecuador's Amazon. ©Amazon Watch/Caroline Bennett

# Introduction

It is no secret that time is running out to avoid some of the most catastrophic effects of the climate crisis. Poor, Black, Brown, and Indigenous communities are suffering the most from its impacts, be those record-breaking droughts or zoonotic diseases. It is clear that the fossil fuel industry is driving much of the climate destruction that frontline communities face today, and that everyone will face sooner or later. In 2020, tens of thousands of Indigenous peoples living in the western Amazon rainforest were impacted by the worst oil spill in Ecuador to occur in 15 years. Hundreds of miles of rivers were polluted by the spill, limiting access to safe drinking water in the midst of an already devastating public health crisis brought on by the coronavirus pandemic. This, and decades of drilling, dumping, and flaring, is the ongoing toxic legacy of oil and gas extraction in the Amazon.

Of course, oil drilling anywhere carries grave consequences for the global climate. As of 2021, as recommended in a recent report published by the world's foremost authority on energy policy, the IEA, all governments should stop approving new coal mines and oil and gas fields and plan for a rapid and orderly wind down of existing operations.[9] In other words, there is no way to avoid climate disaster without immediately ending all further investment in new fossil fuel supply.

Akin to this, the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) and the IPCC assert that climate and biodiversity are interdependent, and both are foundational for our quality of life.[10] The Convention on Biological Diversity (CBD), the Paris Agreement, and the Sustainable Development Goals (SDGs) are all committed to protecting biodiversity and avoiding dangerous climate change. Banks, such as those in this scorecard, pledge their ESR policies to the goals of these pivotal global frameworks. In light of increasing evidence that more ambitious action must be taken, many firms are strengthening their ESR frameworks, and making new commitments to achieve net zero carbon emissions with their portfolios by 2050. However, while this is a critical benchmark to reach if the world is to limit a rise in global temperatures to 1.5°C and avert the worst effects of climate change, the scorecard finds that most bank commitments are new (despite years of climate change rhetoric), still lack targets and trajectories needed to map out these commitments, and do not put enough emphasis on a swift end to fossil fuel expansion. They simply aren't going far enough, fast enough.


**Time is running out to avoid some of the most catastrophic effects of the climate crisis**

Ecuadorian Indigenous peoples are joined by supporters and government officials including Ecuadorian Vice-President Lenin Moreno as they spell out "Live Yasuni" in the Yasuni National Park, July 5, 2007, to launch a campaign to save the park in Ecuador's Amazon region from oil development. Ecuadorian President Rafael Correa is seeking international monetary support for his pioneering plan to forego oil extraction in one of the most biologically diverse areas of the world. ©Lou Dematteis/Spectral Q/Redux



But there have been glimmers of hope. In response to pressure from Indigenous communities and environmental activists, some banks have created exclusions for financing for fossil fuel operations in biomes critical for global climate regulation, such as in the Arctic. In this case, bank exclusions were made under the rationale that the Arctic is an area of high biodiversity value that is also very vulnerable to climate change, and is home to Indigenous peoples with unique cultural heritage and practices.

A similar rationale can be applied to the Amazon, a region that plays a critical role in regulating global temperatures and fresh water supply, as well as in storing carbon. The largest tropical rainforest in the world, it holds 25% of the world's terrestrial biodiversity.[11] The Amazon is also home to more than 2 million Indigenous people from 410 nationalities and communities, including peoples living in voluntary isolation on their ancestral lands.[12] There is a clear link between these two facts: studies show that more than land trusts or conservation initiatives, Indigenous peoples are the best stewards of forest biodiversity.[13] The protection of the Amazon, and by extension, the global climate, is therefore also a question of upholding Indigenous and human rights.

Despite this reality, the world's largest financial institutions continue to pour money into fossil fuel companies operating in the Amazon, with disastrous consequences. New and ongoing oil extraction in the region is a gateway to deforestation, as the building of roads through primary rainforest in order to reach extraction sites often opens new areas of the forest up for exploitation, degradation, and deforestation. Indigenous leaders in the region have repeatedly voiced their opposition to the expansion of the oil industry and other industrial activities in their territories. In addition to causing climate destruction, investments in the fossil fuel industry are also inherently associated with environmental pollution, deforestation, biodiversity loss, the violation of Indigenous peoples' rights, and corruption. These risks leave banks exposed to the likelihood that their investments will become stranded assets. In fact, numerous cases of local opposition to fossil fuel projects have already resulted in *force majeure* decisions that left investors with stranded assets.

Nearly all of the banks listed in this report have sustainability pledges or commitments to uphold Indigenous rights, and several have policies to exclude financing to industries that harm the Arctic. Yet all provide financing and/or investment in oil and gas extraction and trade from the Amazon, either directly or indirectly. Finance and investment in oil and gas in the Amazon violates the spirit of these banks' sustainability commitments, and exacerbates the myriad risks named above.

In light of this inconsistency, and echoing Indigenous leaders throughout the Amazon, Stand.earth and Amazon Watch are calling for the exclusion of all types of finance or investment for any company engaging in the oil industry in the Amazon. Marlon Vargas, President of the Confederation of Indigenous Nationalities of the Ecuadorian Amazon (CONFENIAE) shared, "For too long, the oil industry has wreaked havoc on our Indigenous peoples, violated our rights, cut down our forests, seized our territories, and created climate chaos that is leading to the collapse

of the Amazon. The banks that finance this destruction are complicit in the genocidal threat to our peoples and an existential threat to humanity and our planet. We call on all institutions that finance oil extraction and the oil trade in the Amazon to make bold decisions to stop bankrolling environmental pollution and climate change. Their investments must be based on sustainable economic alternatives for our countries and communities."

Stand.earth and Amazon Watch's last report exposed the hypocrisy of 19 European banks that, despite sustainability commitments, provided $10 billion USD in trade financing for over 155 million barrels of oil from the Ecuadorian Amazon to refineries in the U.S. Since publishing that report, we have been in dialogue with several of these banks, who have since committed publicly to end their financing of oil industry activities in the Amazon. Some banks have placed moratoriums on their financing of oil trading from the Ecuadorian Amazon. While that is commendable, the analysis we conducted for this scorecard illustrates that it doesn't go far enough.

This report outlines the key risks that several major European and U.S. banks face when providing investment and/or finance for oil and gas operations in the Amazon, and takes an in-depth look at the risk management policies that each bank currently has in place. The overall score of each bank reflects its balance of positive risk management commitments against negative risk exposures, resulting in an overall rating of risk of supporting Amazon destruction. All banks were consulted on their rankings ahead of time, and given the opportunity to provide feedback, corrections, and supplementary information. As this scorecard demonstrates, every single bank analyzed is at risk of supporting Amazon destruction and the myriad climate, biodiversity, and human rights impacts that implies.

**The protection of the Amazon, and by extension, the global climate, is also a question of upholding Indigenous and human rights**



The Bobonaza River flows through the Kichwa community of Sarayaku, Ecuador. ©Amazon Watch/Caroline Bennett

Deforestation in Xingu & Kayapo, Brazil. ©Mídia Índia

# The risk of Amazon destruction

## The Amazon at a tipping point

The Amazon rainforest is a natural wonder that plays a crucial role in regulating the climate, making any threat to its stability an existential threat to the entire planet. The rainforest's tree canopy generates its own rainfall, supplying fresh water to several South American countries, hosting more biodiversity than any other biome on Earth, and absorbing an estimated 2 billion metric tons of carbon dioxide from the atmosphere each year (roughly 5% of annual global emissions).[14] Scientists estimate that 80% of the Amazon's tree cover must remain standing in order for the rainforest to maintain these functions.[15] Once enough trees are gone, however, the forest will reach a catastrophic tipping point, at which it will convert from being a lush jungle (and carbon sink) to a grassland savannah.[16] Without sufficient trees to create rain, the savannah will have less frequent and more unpredictable rainfall, leaving the region drier and more vulnerable to fire. The fires destroy any surviving trees, releasing an abundance of carbon into the atmosphere and ensuring that the canopy cover required to produce the rainfall needed for the forest to regrow, cannot be established. This phenomenon — the conversion of the Amazon from rainforest to savannah — will undoubtedly wreak havoc on its inhabitants, global weather patterns, and food and water availability.

**Banks must recognize Indigenous territories in their ESR policies. In doing so, they would recognize the integral part that Indigenous communities play in ensuring the Amazon's survival**



### Deforestation and biodiversity loss

To keep the Amazon from reaching this tipping point, we can act now to curb deforestation and biodiversity loss. **The rainforest is currently losing ground quickly** to industrial agricultural activities like cattle grazing and monocrop cultivation, as well as large-scale extractive activities like mining or oil and gas drilling.[17] While bank exclusions that cut out financing for protected areas of the forest are a step in the right direction, they don't go far enough, as tree loss anywhere significantly reduces the biodiversity of the forest.[18] Biodiversity is essential for maintaining healthy ecosystems, providing fresh water, pollination cycles, soil fertility, and food production, as well as protecting against the spread of zoonotic illness and species extinction.[19] Biodiversity is also inextricably linked to climate, such that good functioning of both is required for our quality of life.[20]

As previously mentioned, studies show that Indigenous peoples are the best protectors of forest biodiversity and forest carbon storage. Globally, Indigenous and local communities are custodians of over a third of the world's key biodiversity areas, and more than 50% of the carbon stored in the Amazon biome (see definition of the biome on page 28) is in Indigenous territories and protected areas.[21] However, Indigenous territories are not part of bank biodiversity exclusions and current protected areas cover only 24.6% of the biome. **Banks must recognize Indigenous territories in their ESR policies, and specifically in their biodiversity and protected areas exclusions. In doing so, they would recognize the integral part that Indigenous communities play in ensuring the Amazon's survival.**

The oil and gas industry in particular is a major driver of deforestation in the western Amazon, where oil companies often are the first to cut down trees in order to carve roads into previously untouched rainforest. This not only clears land for their immediate operations but also encourages further deforestation by opening up new parts of the forest to exploitation from other kinds of industries. With access to previously-unreachable swaths of rainforest, and encouraged by lax environmental regulations from South American governments under pressure to pay off international debts and grow their own economies, loggers and land developers purposefully encroach on Indigenous and public lands, clearing the forest in order to make way for profitable industrial activities. With the influx of people, slash and burn agriculture soon follows. The pressure on Indigenous territories and protected areas in the Amazon is especially high in oil producing regions of Ecuador, Colombia, and Peru, suggesting that the oil and gas industry uniquely threatens these havens of biodiversity.[22] The first cut is indeed the deepest.

## Climate change and oil expansion

Not only are investors, financiers, and governments failing to take into account the climate and human rights risks inherent to fossil fuel production, many are increasing their involvement in the industries. Oil expansion, defined herein as the exploration and production of oil and gas from new oil wells (whether in new or existing concessions), is in fact expected to skyrocket in the near future in the Amazon, with newly elected Ecuadorian president Guillermo Lasso appointing a former vice minister of hydrocarbons to double crude output as the country's new energy minister, and Colombia and Brazil auctioning off new blocks of the rainforest for oil production.[23] In December 2020, Brazil's National Agency of Oil, Natural Gas, and Biofuels (ANP) auctioned many offshore and onshore concessions for oil development, 16 of them in the Amazon rainforest.[24] Petrobras, the national oil company of Brazil, is ranked as the fifth largest fossil fuel expansion company worldwide, with carbon emissions from their projected expansion estimated at seven billion metric tons of CO2. It is projected to expand its offshore drilling production by the equivalent of over 18 billion new barrels of oil.[25]

Thick crude oozes from Shushufindi 61, abandoned by Chevron/Texaco and never remediated. ©Amazon Watch

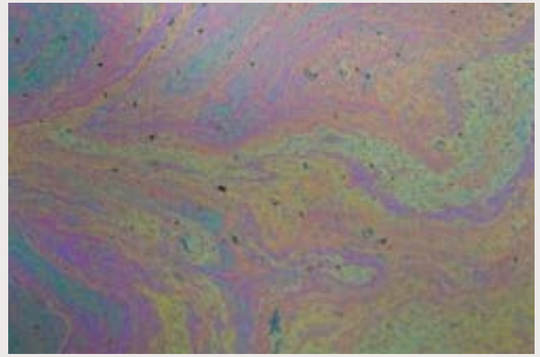
Several banks have made headlines recently with new commitments to achieve net zero with their portfolios by the year 2050. Many of these commitments provide little to no detail, however, on plans to rapidly phase out emissions. Instead, they rely heavily on carbon offsetting and carbon capture and storage plans, mechanisms that ostensibly pull carbon emissions out of the atmosphere to cancel out emissions from major polluters. This is done so that banks can continue to finance major polluters like fossil fuel and deforestation commodity producers, under the argument that the emissions caused by these companies are negated by the emissions supposedly captured by others. This means that even with net zero commitments, many banks may still be (and likely are) financing oil and gas expansion. But it is scientifically and mathematically impossible to achieve net zero as long as fossil fuel expansion continues—there is simply not enough available land on the planet to accommodate all of the Bioenergy with Carbon Capture and Storage (BECCS) tree plantations that would be necessary to effectively offset the total emissions produced each year at the adequate rate.[26] What's more, by putting this burden on tree plantations and land that is located primarily in countries in the global south, which have emitted far less carbon than countries in the global north, net zero targets tend to perpetuate unfair systems of accountability for the climate crisis, a phenomenon some environmental advocates have termed 'carbon colonialism'.[27] **Essentially, introducing a 2050 net zero commitment without outlining clear plans for decarbonization with both short and medium term benchmarks makes it a meaningless policy.**[28]

Production costs, oil prices, and break-even points all gauge how economically viable an oil and gas project is at any given time. Broadly-speaking, if the production costs and break-even points are close to or higher than the oil price, the project is not viable. Under decarbonization trajectories, banks aim to reduce the carbon emissions from their investment and finance portfolios while minimizing the impact to financial returns. This means reducing investment and financing for oil and gas projects where production costs or break-even points are higher, because those projects are not likely to be profitable under declining oil demand. At the same time, oil and gas projects that have lower costs may draw investment and financing, even as the overall effect is a decline in carbon emissions from the banks' portfolios. While tar sands and some deepwater offshore projects may be quickly stranded by their lack of profitability under a declining demand for oil, Amazon oil and gas projects with their comparatively lower production costs and break-even points may continue to expand. This suggests that without a clear strategy to stop oil expansion in the Amazon, the negative impacts of the oil and gas industry may still be felt there, even as banks celebrate establishing their global reduction targets.

## Pollution

The history of oil-related environmental destruction in the Amazon spans generations. Fossil fuel extraction brought with it toxic waste and crude oil spilled from expansive and poorly maintained pipelines, as well as anti-quated drilling practices and flaring. There are numerous examples of oil companies dumping toxic waste water and oil into communal water sources, resulting in elevated rates of miscar-riage, birth defects, and cancer among people living in the region.[29] While pushback from local residents and Indigenous peoples has led to some improvements in industry standards, spills remain a common occurrence.

A recent series of severe spills demonstrates the dangers the rainforest and its inhabitants still face. The rupture of two pipelines in Northern Ecuador in April 2020 dumped more than 672,000 gallons of oil into the Coca and Napo rivers.[30] It was the worst spill in 15 years, leaving 27,000 Kichwa people without fresh water or fish during a time when the COVID-19 virus was exploding across the country. The pipeline operators—the privately run OCP Consortium and the state-run Petroecuador—claim the spill has been suffi-ciently cleaned up. But oil is still visible along the riverbanks, stream sediment, and soil.[31] Independent testing has shown high levels of the presence of hydrocarbons, compounds that make up crude oil, and heavy metals like nickel and lead.[32]



In November 2020, a ruptured pipeline polluted the Shiripuno River in Ecuador, which runs through several Waorani Indigenous communities. The pipeline reportedly dumped crude into the river for weeks before Petrobell, the Brazilian company that operates the oil field and pipeline, began cleaning it up.[33] Meanwhile, the 40-year-old Norperuano pipeline in the Peruvian Amazon continues to spill regularly. A 2018 spill dumped 336,000 gallons of crude in the Mayuriaga River.[34] A recent report estimated that 470 oil spills had occurred in the Peruvian Amazon since 2000.[35] The constant contamination and inad-equate remediation is having a devastating impact on the health of Indigenous peoples. A June 2021 study found high levels of lead in Indigenous peoples living in close proximity to oil extraction activities.[36] In addition to spills, toxic contamination, and deforestation, petroleum development also brings methane gas flaring, which can pollute air and water, as argued in a lawsuit filed by the Waorani in December 2020 against Chinese oil company PetroOriental.[37]


**Opposite page, clockwise from top left:**
1. Oil waste near the Marañon River in the northern Peruvian Amazon. ©J. Yurasek
2. Maria Aguinda, the lead plaintiff in the Aguinda v. Chevron lawsuit, and her daughter Lydia Aguinda, use a makeshift wooden boom to corral crude oil 35 years after it was spilled by Chevron/ Texaco. ©Amazon Watch
3. Oil waste pit in Ecuador's northern Amazon. ©Amazon Watch
4. Maria Aguinda shows some of the crude oil that is still contaminating the Ecuadorian Amazon, 35 years after it was spilled. ©Amazon Watch

**Above, clockwise from top left:**
1. An oil spill in San Carlos, Ecuador, 2010. ©Amazon Watch
2. Cacao fields in Ecuador share the same stretch of rainforest where Donald Macyao spends many of his days giving tours of toxic oil waste. ©Amazon Watch
3. Indigenous peoples march in El Coca, Ecuador on the 1 year anniversary of the April 7, 2020 oil spill in the Coca and Napo rivers that has yet to be properly remediated. ©Amazon Watch

## Indigenous rights

Indigenous peoples are calling for a paradigm shift in government policy towards economic activity in the Amazon, including meaningful and ongoing engagement and leadership by Indigenous communities in shaping a just transition away from oil dependency, starting with no new expansion of oil and gas activities. This call reflects the crucial role that Indigenous peoples have in stopping Amazon destruction. Indigenous peoples physically occupy 237 million hectares in the Amazon biome and almost half (45%) of the intact forest in the Amazon is in Indigenous territories, an area larger than France, Great Britain, Germany, Italy, Norway, and Spain combined.[38] Their Indigenous territories, combined with national protected areas, are vital to protect the Amazon, and their stewardship is second to none. Together, these areas cover 47.2% of the Amazon biome and sequester the most carbon, while accounting for only a small proportion of deforestation and biodiversity loss—87.5% of deforestation happens outside of protected areas and Indigenous territories.[39] Respecting Indigenous rights is therefore not only a human rights imperative, but a necessity for safeguarding the Amazon against deforestation, biodiversity loss, and climate change.

However, despite the importance of Indigenous peoples' role in achieving the climate and biodiversity goals of bank ESR policies, and despite the harms inflicted upon their lands and the human rights abuses they endure with alarming regularity, Indigenous peoples do not garner the respect they deserve in the ESR commitments of financial firms and extractive companies. One would be hard pressed to find an example of an oil and gas project that has truly obtained the Free, Prior, and Informed Consent (FPIC) of the local Indigenous communities to carry out operations on their lands. To the contrary, Ecuadorian environmental organization Acción Ecológica has documented several cases of oil companies using underhanded tactics with Indigenous communities to gain consent.[40] It is clear that the FPIC process, as envisioned through bank ESR frameworks, isn't working. Patricia Gualinga, a historic leader of the original Kichwa Sarayaku people and a fighter for Indigenous and nature rights explains, "*The long road of the Amazon's Indigenous peoples has involved a lot of resistance to defend the Amazon. Banks must stop supporting companies that violate human rights, which commit genocide and ethnocide in our territories, disregard women's rights, and affect our environment that gives life to the planet. The banks must generate a global conscience to save this world, and the companies that invest in fossil fuels must initiate a profound transition that protects life on this planet and our Amazon. We are here, and we are fighting, resisting, and saying that change can be achieved. It's possible to live without destroying the planet or destroying the future of the generations to come.*"

**"It's possible to live without destroying the planet or destroying the future of the generations to come."**

—Patricia Gualinga, a historic leader of Kichwa people of Sarayaku

A child living near Chevron/Texaco's pollution in the Ecuadorian Amazon was born with a physical disability, a legacy of the toxic pollution for generations of Ecuadorians. 2005. ©Lou Dematteis

## Corruption and violence

Finally, the tipping point that the Amazon is approaching cannot be reversed without addressing corruption and violence. Corruption is a significant driver of violence and forest destruction in the region. If we understand corruption in its most basic definition as the 'abuse of public office for private gain', we see that it infiltrates all aspects of oversight, from the application of environmental laws to the safeguarding of Indigenous rights and prosecution of violent offenders. The 2020 Front Lines Defenders Global Analysis establishes that "Endemic impunity in the vast majority of cases of disappearances and killings virtually guarantees the persistence of these violations." Excluding the killings, there are other violations: physical attack (27%), detention or arrest (19%), other harassment and legal actions (13% each), and smear campaigns (7%).[41] These statistics unveil how the legal frameworks are also used to perpetrate human rights violations. Weak criminal justice systems are unable to investigate and punish crimes and they are easily penetrated by bribery or intimidation.[42] The Escazú Agreement, which entered into force in April 2021, not only addresses the problem, but "emphasizes the interlinkages between protection of the environment and human rights and that one cannot be achieved without the other."[43]

In this scenario, companies operating seemingly with impunity come into conflict with local land defenders left with little option other than to put their bodies on the line. Between 2015 and the first half of 2019, 232 leaders of Indigenous communities were assassinated in the region due to disputes over land and natural resources.[44] In 2020, this trend continued: "the three most targeted sectors of human rights defense in the Americas were: land, environmental, and Indigenous peoples' rights (40%)."[45] Last year, nearly two-thirds (62.2%) of the human rights defenders killed around the world took place in Amazonian countries.[46] A new report by the Alliance of Organizations for Human Rights in Ecuador highlights the risks faced by those working to defend their rights and protect the environment. The study documents multiple cases of murders, intimidation, criminalization, and persecution faced by land and rights defenders from the extractive industry, and the impunity that companies and the government are granted. The majority of the cases were never fully investigated, and no one has been held responsible for these violations.[47]




**Last year, nearly two-thirds of the human rights defenders killed around the world took place in Amazonian countries**

An Achuar community in Peru marches in protest of PetroPeru's operations, 2013. ©Amazon Watch

As well as the incalculable cost of human lives, corruption drives entire economies into indebtedness and poverty. For example, major international oil traders such as Gunvor and Vitol have used bribery to win lucrative oil contracts with the state-run oil companies in the Amazon, and then worked to siphon resource revenues out of the country, leaving the state no other choice but to keep borrowing money. Corruption reveals that the concept of oil extraction being an 'economic miracle' that will lift developing countries out of poverty is nothing more than a false narrative. National oil companies are forced to expand oil and gas production in order to raise the money to pay the growing debt, fund national budgets, and feed the entrenched corruption schemes. In Ecuador, such corruption has caused the nation an estimated loss of $3.5 billion USD annually, or approximately 10% of the country's GDP.[48] Vitol acknowledged that over a period of 15 years it paid bribes of more than $8 million to at least four officials at Brazil's state-owned oil company Petrobras. Vitol paid the bribes in exchange for receiving confidential pricing and competitor information.[49] In April 2021, a Gunvor ex-employee named Raymond Kohut admitted to paying more than $22 million USD in bribes over 7 years to government officials in Ecuador to win contracts favorable to Gunvor from the state-owned oil company Petroecuador.[50] Gunvor also helped Petroecuador secure $5.4 billion USD in oil-backed loans from China to finance expanded oil extraction in return for anticipated oil sales (see Case Study #3).[51] Many public officials have already been imprisoned or indicted, or are currently under investigation.

The relationship between extractivism, the 'economic miracle', and corruption is also demonstrable in Peru. Regardless, or perhaps due to its gold boom, all Peruvian presidents in the past two decades are involved in corruption scandals. President Pedro Kuczynski (2016–2018) resigned and is currently under house arrest.[52] Martin Vizcarra replaced him and was impeached in the middle of the pandemic. His predecessor, Ollanta Humala (2011–2016), and his wife Nadine Heredia were in jail for 9 months on corruption charges. Former president Alejandro Toledo (2001–2006) is fighting extradition to Peru after an arrest warrant was issued in 2017 on charges of bribery.[53] On April 17, 2019, two-time president Alan García (1985–1990 and 2006–2011) refused to surrender to police and committed suicide.

A development model based on extractivism erodes institutionality, provokes violence and political turmoil, and leaves countries overwhelmingly impoverished and indebted.

Bribery by oil traders is also connected to pollution. For example, Raymond Kohut, the former Gunvor employee who pleaded guilty to the Gunvor scheme, also faced charges for illegal land invasion and illegal clearing of community lands, as the head of environmental policy at the Oleoducto de Crudos Pesados (OCP) consortium during the construction of the OCP pipeline.[54] The revelation of his recent corruption renews questions about the poor environmental track record of the pipeline, the devastating 2020 spill, and right-of-way decisions that led to the routing of the heavy crude pipeline through ecologically fragile areas and zones with high risk of seismic activity, landslides, and erosion.

All of these cases evidence a chain of responsibility: the authorities that receive the money, the corporations that trespass the legal frameworks in their own countries and in the countries where their appetite is bigger than the law, and ultimately, the banks that finance these corporate clients. Banks provide billions of dollars in flexible lines of credit to the same oil traders and companies that are involved in corruption scandals. They also buy bonds in state oil companies such as Petrobras and Petroecuador (whose officials are named in these controversies). This is despite anti-corruption policies that emphasize the business risk of being involved with companies and clients with track records of corruption, as well as human rights policies that describe zero tolerance in lending and investment for human rights abuses. In light of these facts, the scorecard weighs banks' roles in syndicated loans and RCFs for oil traders and oil drillers more heavily than other forms of finance and investment when evaluating risk exposure. The scorecard weighs major controversies involving bribery, violence, pollution, and Indigenous rights violations more heavily in risk exposure scoring as well.

The world is witnessing the dieback of the Amazon. Environmental defenders and Indigenous leaders are being criminalized, persecuted, and assassinated, and their lands polluted and destroyed. As long as oil and gas expansion continues in the Amazon, corrupt extractivism will continue to increase, deforestation will grow, and biodiversity will continue to decline. The most concrete and appropriate response is for banks to exclude investment and financing for the oil and gas industry in the Amazon by immediately stopping support for new oil and gas expansion and phasing out existing clients and investees in line with rigorous climate targets and urgent interventions to avoid the Amazon tipping point.

There is no time for more lengthy deliberations on the course of action to be taken. The threats tied to fossil fuel financing that exist today are more than enough to seal the fate of the Amazon unless immediate steps are taken.

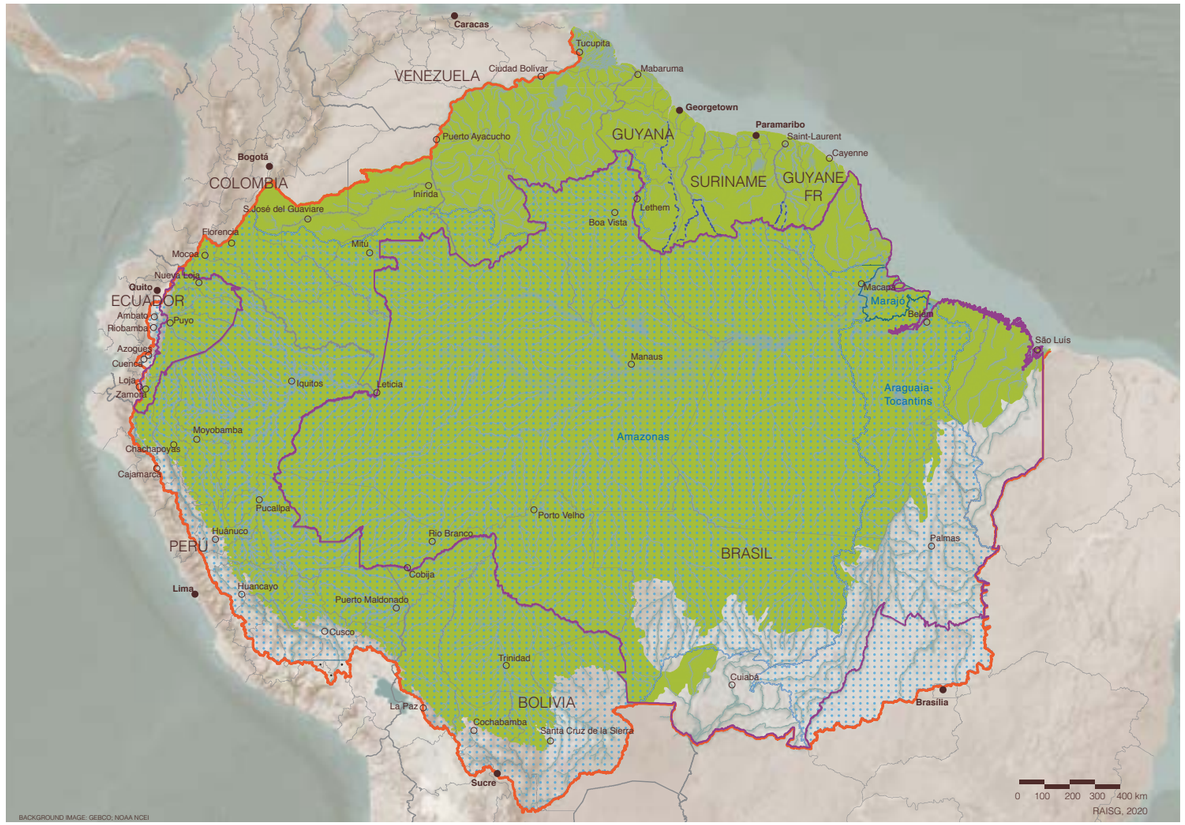


# The solution is exclusion

## An Amazon oil and gas exclusion framework

As of December 2020, not a single U.S. bank was willing to finance Arctic drilling. This resulted from years of pressure on shareholders, negotiations with banks, campaigns against banks, and efforts of several NGOs. Several European and international banks also have Arctic exclusions in their environmental and social risk frameworks, working for years to remove from their finance and (in some cases) investment portfolios all of the projects that no longer comply with bank policy. The geographic nature of the Arctic exclusions, as well as the climate change, biodiversity, and Indigenous rights rationale behind them, are an example and a broad roadmap for a similar commitment in the Amazon.

Additionally, while other fossil fuel exclusions tend towards unconventional oil and gas, the Arctic exclusions cover conventional and unconventional activities. The rationale for an Amazon Exclusion Policy is equally urgent and compelling. José Gregorio Díaz Mirabal, General Coordinator of the Coordinating Body of the Indigenous Organizations of the Amazon Basin (COICA) shared: *"For centuries, the Indigenous peoples have been responsible for the preservation of the largest forest on the planet. We are being killed for defending our home. An Amazon biome-wide exclusion of all oil and gas finance and investment, aimed at stopping oil expansion in the most biodiverse place on the planet, will keep the Amazon Rainforest off the precipice of a disastrous ecological tipping point, eliminate toxic oil-related disasters, and end rights violations perpetrated by the industry. This is the path for a possible planet and the way for us to guarantee that our rights are respected. The financial sector must invest in recovering what has already been lost and finance the solutions our peoples offer to humanity in the climate change era."*




**Map 1. Screenshot of map showing the biogeographic boundaries of the Amazon (in green), the full extent of the Amazon Biome (in red), the administrative boundaries (purple), and the hydrographic basin (blue dotted region). Reproduced from RAISG "Amazonia Under Pressure", (2020), https://www.amazoniasocioambiental.org/en/publication/amazonia-under-pressure-2020**

## The Amazon biome

Like Arctic exclusions applied by banks, the Amazon biome (see Map 1) is not defined by political boundaries. The most commonly accepted definition uses hydrological, ecological, and biogeographical boundaries.[55] The lowland Amazon Rainforest is the central subregion, comprising the total extent of the Amazon basin, including its historical extent. The other subregions have a strong direct or indirect influence on the basin.

The Amazon Exclusion also applies to the Foz do Amazonas and Para Maranhão basins—areas of offshore drilling at the mouth of the Amazon River. These are defined exploration and production (E&P) areas by the Brazilian National Petroleum Agency (ANP).[56] While the scorecard focused on the Amazonian areas of Ecuador, Peru, Brazil, and Colombia, the Amazon biome definition is an expansion that includes parts of Bolivia, and Venezuela, as well as Guyana, Suriname, and French Guiana.



## Exit Strategy

It's clear that this can't happen overnight. Banks need to create and communicate exit strategies detailing their targets and timeline for full implementation of the exclusion.
An exit strategy should include:

1. An immediate commitment (by the end of 2021 at the latest) to not finance or invest in the expansion of any oil or gas activities in the Amazon Biome.
2. A commitment to end, by 2025, financing for any and all companies currently engaged in oil or gas activities, for the purpose of facilitating the responsible wind down of operations.
3. A commitment to exit all loans, letters of credit, and revolving credit facilities for all traders actively trading oil or gas originating in the Amazon Biome by the end of 2022.

## Coverage

For complete coverage, the exclusion should include all oil and gas activities including exploration, development, production, trade, transport (e.g. pipelines), general purpose financing (for oil traders), and any other supporting services dedicated to these activities. Additionally, all project, trade, and corporate financing activities, including syndicated loans to oil traders active in the biome, should be excluded. On the investment side, all equity and bonds held directly by the bank should be excluded. In addition, companies that have more than 5% revenue from oil and gas activities should be considered high risk in ESR frameworks and subject to annual reviews and transaction screenings. Companies holding any oil or gas reserves in the Amazon biome also should be considered high risk in ESR frameworks and subject to screenings on a transaction basis to ensure that any finance or investment activities by the bank are not related to Amazon oil and gas.

## Connection to other policies

An Amazon-wide exclusion would complement other policies such as cross-sectoral policies on biodiversity and human rights, and extend the effectiveness of those policies in the Amazon. It would also complete existing oil and gas sector policies and exclusions that are currently not far-reaching enough, and contribute to climate targets of achieving net zero by 2050.

Waorani children hold hands on the bank of a river in the Ecuadorian Amazon. ©Amazon Watch

**“The financial sector must invest in recovering what has already been lost and finance the solutions our peoples offer to humanity in the climate change era.”**

— José Gregorio Díaz Mirabal, General Coordinator of COICA

# How the banks stack up

The Banking on Amazon Destruction scorecard is designed to assess the merits of ESR frameworks developed by banks against their current risk exposure in the Amazon and rank the banks according to their final scores and associated risk level. Imagine you are buying insurance and you are comparing the policies and coverages offered by different agencies. The policy that addresses the risks you want to insure against and has the best coverages would be the winner. Likewise, when looking at banks' risk management and exposure—i.e. their ESR framework (management) and their finance and investments (exposure)—we are considering if their policy provides enough 'insurance' against their finance and investments causing negative environmental and social harm. We want to see the risks clearly addressed, without exception, and with coverage across all bank products and services, and across all clients and investees.

Risk management is defined as (i) the commitments and international frameworks that form the foundation of bank ESR policies; (ii) the internal governance, engagement (including active engagement in investees, client engagement, stakeholder engagement), and grievance processes employed by the bank, and (iil) the exclusions and screens described in the ESR frameworks that limit the bank's exposure to negative social and environmental impacts in the Amazon, including: oil expansion, deforestation, biodiversity loss, Indigenous rights violations, pollution, and corruption. Exclusions are situations where the bank will not provide finance and/or investment under any circumstances, e.g. for Arctic oil. Screens are a list of stipulations for the provision of finance or investment, e.g. project financing stipulated on the presence of industry-standard environmental management controls. In this scorecard, exclusions are considered stronger risk management tools than screens, since they are a higher guarantee of protection against financing and investment that causes negative impacts.



Oil waste in Ecuador. ©Amazon Watch

**Risk exposure** is each bank's current (as of March 31, 2021) finance and investments in 90 of the top oil and gas companies that are active in the Amazon, including oil drillers, traders, national oil companies (NOCs), and exploration and production contractors (see Annex 1 for list of companies). Risk exposure is weighted toward financing over investments due to the diverse nature of bank control over investment decisions of their clients. Risk exposure is also weighted toward financing for oil traders and national oil companies, due to their ties to corruption and oil expansion.

Investment includes all equity (share) and debt (bond) holdings held by each bank for each company in the oil and gas list. Investments include the bank's own dealings as well as the shares and bonds held by the bank on behalf of its institutional and retail investor clients. Under different strategies, the bank will have more or less say in the investment decisions of their clients. In a general way, the degree to which banks can uphold their ESR policy varies with the client's level of independence. We have factored this into the investment-related indicator for risk exposure, giving slightly more leeway on the risk score than for financing, where the bank is always calling all the shots.

Finance includes all term loans and syndicated loans to the companies in our list, including RCFs, identified through financial research (see Annex 2 for detailed methodology). It also includes financing reported through other scorecards and research.[57] In addition, RCFs for oil traders are highlighted in the risk exposure grading and given their own separate indicator, as such syndicated general corporate finance loans are considered potential loopholes in bank ESR policies. RCFs include several banks—none of which screen transaction by transaction to see if the financing is used for transactions that violate bank ESR policies.[58] While banks screen the client against business conduct guidelines such as the UN Global Compact, and against internal watch lists, general corporate purpose loans are not tied to specific transactions that might trip a bank's ESR framework, despite the fact that RCFs could still be used for such activities. Finally, risk exposure also assesses recent and current major controversies related to oil and gas companies in the list and/or banks in the

scorecard. Major controversies are defined as having an open or completed investigation with serious allegations and indictments. Most controversies highlighted in the scorecard are related to violation of environmental and/or Indigenous rights, pollution, and corruption.

While banks receive positive scores for risk management, risk exposure subtracts points from that total. The result is a final adjusted score that reflects their overall risk of Amazon destruction, or overall Amazon risk. This is the risk that, despite their ESR commitments, banks will still be complicit in the destruction of the Amazon through their finance and investment decisions.

According to their risk management and risk exposure scores, the banks fell into four main categories: **Frontrunners, Contenders, Followers, and Laggards** (see Figure 1). Frontrunners have above-average risk management and low risk exposure. They are in the best position to take up an Amazon oil and gas exclusion policy. Contenders have above-average risk management, but their high risk exposure drives down their score. Followers have below-average risk management and low risk exposure, indicating that they are not taking leadership steps in their ESR policy, but also are not highly exposed to risk through their investments and financing. Laggards have below-average risk management and high risk exposure, indicating that they have the farthest to go to improve their policy and reduce their exposure.

**Figure 1. Scatter chart of bank scores and corresponding overall risk**




**Table 1. Bank rankings, grades, and corresponding risk levels.**

| RANK | BANK | GRADE | GRADE % | RISK LEVEL |
|---|---|---|---|---|
| 1 | Rabobank | B | 70% | MODERATE |
| 2 | ABN AMRO | B- | 68% | MODERATE |
| 3 | ING | B- | 66% | MODERATE |
| 4 | BNP Paribas | C | 56% | HIGH |
| 5 | UBS | D | 45% | HIGH |
| 6 | Société Générale | D | 45% | HIGH |
| 7 | Credit Suisse | D | 44% | HIGH |
| 8 | Natixis | D | 41% | HIGH |
| 9 | Crédit Agricole | D | 40% | HIGH |
| 10 | Citigroup | F | 38% | VERY HIGH |
| 11 | Goldman Sachs | F | 34% | VERY HIGH |
| 12 | Deutsche Bank | F | 32% | VERY HIGH |
| 13 | HSBC | F | 30% | VERY HIGH |
| 14 | JPMorgan Chase | F | 29% | VERY HIGH |

A major result of this scorecard is that there are no real leaders amongst the financial community when it comes to protecting the Amazon. Frontrunners such as Rabobank, ING and BNP Paribas still have exposures that contradict their policies and commitments, while ABN AMRO is already limiting oil and gas financing and investment for business-related reasons. As such, all the banks have the opportunity to step up and fill the leadership role by committing to an Amazon oil and gas exclusion and exit strategy. While the laggards are at the highest risk of funding Amazon destruction, it's important to note that **none of the banks are low risk.**

# The Frontrunners

**Rabobank** has above-average policies and low exposure, but is still involved in RCFs for oil traders. It is also predominantly a food and agriculture bank, which means that it is exposed to other deforestation drivers in the Amazon like beef and soy, so may be reluctant to take the lead on an Amazon exclusion for oil and gas.

**ABN AMRO,** in second place, has taken the recent business decision to end all trade financing and limit all other financing to clients based in northwestern Europe.[59] This gave it the lowest exposure of all the banks—but not because of ESR policy.

**ING and BNP Paribas** are in a position to take a leadership role in an Amazon oil and gas exclusion. Both banks made commitments in 2020 to exclude from their trade financing any transactions for oil from the Ecuadorian Amazon—an excellent first step in the right direction. While ING has above-average risk management policies, it continues to be engaged in RCFs for oil traders active in the Amazon, including acting as the agent and lead bank for nine RCFs for Mercuria and Trafigura. Comparably, BNP Paribas has more investment exposure and less RCF exposure, but has an overall high risk rating due to issues with its risk management like the coverage of its deforestation policy and lack of FPIC-related exclusions.

| RABOBANK | SCORE | OUT OF |
|---|---|---|
| Amazon risk exposure | -6 | -16 |
| Amazon risk management | 34.5 | 41 |
| Final score | **28.5** | |
| Grade | **B** | |
| Overall Amazon risk | **MODERATE** | |

| ABN AMRO | SCORE | OUT OF |
|---|---|---|
| Amazon risk exposure | -4 | -16 |
| Amazon risk management | 32 | 41 |
| Final score | **28** | |
| Grade | **B-** | |
| Overall Amazon risk | **MODERATE** | |

| ING | SCORE | OUT OF |
|---|---|---|
| Amazon risk exposure | -8 | -16 |
| Amazon risk management | 35 | 41 |
| Final score | **27** | |
| Grade | **B-** | |
| Overall Amazon risk | **MODERATE** | |

| BNP PARIBAS | SCORE | OUT OF |
|---|---|---|
| Amazon risk exposure | -8 | -16 |
| Amazon risk management | 31 | 41 |
| Final score | **23** | |
| Grade | **C** | |
| Overall Amazon risk | **HIGH** | |



# The Contenders

**UBS, Société Générale, Credit Suisse, Natixis, and Crédit Agricole** are the contenders in order of highest to lowest risk. These are banks that have above-average risk management but high exposure. All are most likely to be violating their own policies with their investment and finance decisions, and therefore have a lot of issues to contend with.

**UBS'** policies are above average, but its risk exposure, especially its involvement in investment for national oil companies such as PetroAmazonas in Ecuador, and RCFs for oil traders such as Gunvor and Vitol, drives its overall risk level to 'high'. Additionally, a lack of a written commitment to exclude oil industry financing from the Amazon Headwaters is problematic, as is its continued dependence on the existing policy framework to be its path for avoiding future risk (as the same tool that allowed for past oil trade financing).

**Société Générale** lost points on the weakness of its risk management. Its policies lacked exclusions for biodiversity, deforestation, and Indigenous rights, opting for screening processes that are less risk-averse compared to other banks. The bank also lost points for its involvement in several RCFs for oil traders, including Gunvor, Vitol, Trafigura, and Mercuria, and it is the agent and a lender on letter of credit financing for Gunvor that has shown up in recent trade finance research. As recently as April 9, 2021, Société Générale financed the trade of 400,000 barrels of Napo crude oil, from the Ecuadorian Amazon traded by Gunvor.

**Credit Suisse's** commitment to exclude trade financing for Amazon oil from Ecuador improved its risk management score, but its participation in RCFs for oil traders and its financing of Amazon oil extraction and trade in Colombia are major risk exposures where it lost points. The bank is the agent and a lender on four RCFs for the Gunvor Group. It also holds bonds in Gran Tierra (see Case Study #2) and as recently as April 24, 2021, it financed the trade of 672,000 barrels of Chaza crude oil from the Andes-Amazonia Corridor in Colombia's Putumayo region, one of the most biodiverse places on the planet. The trader was Gunvor. Credit Suisse is also the agent on three RCFs for Canacol Energy Ltd., whose subsidiary Shona Energy is a block operator in the troubled Caguán region of the Colombian Amazon.

**Natixis'** recent commitment to no new trade financing for Ecuadorian Amazon oil, and an exit from all existing commitments by 2022, contributed to its moderate risk management score, but it still has high risk exposure in the Amazon through its investments and participation in RCFs for oil traders. Natixis participates in RCFs for Gunvor, Mercuria, Trafigura, and Vitol. Also, as recently as April 3, 2021, it financed the trade of 331,000 barrels of Oriente crude from the Ecuadorian Amazon, traded by Gunvor. These existing commitments will continue to impact Natixis' risk exposure score until it can complete its trade finance exit in the Amazon (in 2022) and reduce its exposure to risky companies like Gunvor.

**Crédit Agricole** has average risk management scores, and struggles with the lack of deforestation policy on oil and gas or FPIC-related exclusions. It also has one of the highest risk exposures of any bank, due to its investment and RCF exposure. Crédit Agricole's risk exposure score is high due to its bond holdings in all of the national oil companies in the Amazon, as well as its participation in several RCFs for oil traders including Gunvor, Mercuria, Trafigura, and Vitol. The bank's support for Petrobras also includes a $400 million USD term loan that matures in June 2024.

| UBS | | |
|---|---|---|
| | SCORE | OUT OF |
| Amazon risk exposure | -11 | -16 |
| Amazon risk management | 29.5 | 41 |
| Final score | 18.5 | |
| Grade | D | |
| Overall Amazon risk | HIGH | |

| SOCIÉTÉ GÉNÉRALE | | |
|---|---|---|
| | SCORE | OUT OF |
| Amazon risk exposure | -10 | -16 |
| Amazon risk management | 28.5 | 41 |
| Final score | 18.5 | |
| Grade | D | |
| Overall Amazon risk | HIGH | |

| CREDIT SUISSE | | |
|---|---|---|
| | SCORE | OUT OF |
| Amazon risk exposure | -11 | -16 |
| Amazon risk management | 29 | 41 |
| Final score | 18 | |
| Grade | D | |
| Overall Amazon risk | HIGH | |

| NATIXIS | | |
|---|---|---|
| | SCORE | OUT OF |
| Amazon risk exposure | -11 | -16 |
| Amazon risk management | 28 | 41 |
| Final score | 17 | |
| Grade | D | |
| Overall Amazon risk | HIGH | |

| CRÉDIT AGRICOLE | | |
|---|---|---|
| | SCORE | OUT OF |
| Amazon risk exposure | -12 | -16 |
| Amazon risk management | 28.5 | 41 |
| Final score | 16.5 | |
| Grade | D | |
| Overall Amazon risk | HIGH | |



## The Followers

**Citigroup and Goldman Sachs** have lower risk exposure than other banks that have a 'very high' overall risk rating, but are quite below-average on risk management. Neither are taking any leadership steps in their policies.

**Goldman Sachs** doesn't have a deforestation policy that covers oil and gas, it doesn't have screens for FPIC, and has limited screening for companies' pollution and corruption track records. It has the lowest risk management score of any bank in the scorecard. However, Goldman Sachs doesn't have high risk exposure for oil and gas in the Amazon. The bank has some investment exposure in national oil companies, and is a participant in two Gunvor RCFs. If it wants to improve its risk management and protect the Amazon, Goldman Sachs could more easily adopt an Amazon oil and gas exclusion policy and exit strategy than other, more exposed, banks.

**Citigroup** does slightly better than Goldman Sachs on deforestation, corruption, and pollution policies, but worse on oil expansion and climate change. Its risk exposure is on the financial side, especially for Petrobras (see Figure 4). Citigroup was the agent on a $1 billion USD term loan for Petrobras that matured on April 16, 2021. Citigroup is also the dealer on a $600 million EURO Eurocommercial paper (ECP) short-term loan to Petrobras. Citigroup is also involved in a $1.3 billion USD project financing term loan to PetroPerú for the Talara Refinery, which may not be subject to its commitment to the Equator Principles (EP) because the loan was effective in 2018, a year before Citigroup signed on to the EP. Citigroup is also a participant in several RCFs for oil traders, including Gunvor, Trafigura, and Vitol.
In addition, Citigroup participates in RCFs for oil block operators including Canacol, Tecpetrol, and Compañía Española de Petróleos, S.A.U. (CEPSA).

| CITIGROUP | | |
|---|---|---|
| | SCORE | OUT OF |
| Amazon risk exposure | -8 | -16 |
| Amazon risk management | 23.5 | 41 |
| Final score | 15.5 | |
| Grade | F | |
| Overall Amazon risk | VERY HIGH | |

| GOLDMAN SACHS | | |
|---|---|---|
| | SCORE | OUT OF |
| Amazon risk exposure | -6 | -16 |
| Amazon risk management | 20 | 41 |
| Final score | 14 | |
| Grade | F | |
| Overall Amazon risk | VERY HIGH | |

# The Laggards

**Deutsche Bank** is a laggard when it comes to climate policies to curb oil expansion. Its biodiversity policy is weak on exclusions. No exclusions or screens were identified in the bank's environmental and social framework related to pollution control, business conduct, or reference to the UN Global Compact. Its high risk exposure score is due to its investment in national oil companies such as PetroAmazonas, Ecopetrol, and Petrobras. The bank is also the agent and a lender on the $1.3 billion USD project financing term loan to PetroPerú for the Talara Refinery, which may not be subject to its Equator Principles (EP) commitment since the loan was effective in 2018 and Deutsche Bank only signed onto the EP in 2020. The bank is also the sole lender for a $2.5 billion USD RCF for Trafigura and a participant in two RCFs for Vitol totalling $9.7 billion USD.

**HSBC's** mediocre policies related to Amazon risks are low on exclusions and weak on screening, while their risk exposure is high. The bank also lost points on stakeholder engagement and FPIC. Its risk exposure was high due to its finance and investment in national oil companies, including a $321 million USD loan to Ecopetrol and its participation in the $1.3 billion USD Talara Refinery project finance loan for PetroPerú.

**JPMorgan Chase's** higher exposure put it in last place despite having better risk management (on paper) than HSBC, Goldman Sachs, and Citigroup. The bank is the biggest global financier of the fossil fuel industry.[60] It tops the charts for investments in oil and gas companies in the Amazon as well (see Figure 2). JPMorgan is the agent and a lender on $9.7 billion USD in RCFs for Vitol, and participates in RCFs for Trafigura and for block operators such as CEPSA and Tecpetrol. It is also a lender on the $1.3 billion USD Talara Refinery project finance loan for PetroPerú.

| DEUTSCHE BANK | SCORE | OUT OF |
|---|---|---|
| Amazon risk exposure | -12 | -16 |
| Amazon risk management | 25 | 41 |
| Final score | 13 | |
| Grade | F | |
| Overall Amazon risk | VERY HIGH | |

| HSBC | SCORE | OUT OF |
|---|---|---|
| Amazon risk exposure | -10 | -16 |
| Amazon risk management | 22.5 | 41 |
| Final score | 12.5 | |
| Grade | F | |
| Overall Amazon risk | VERY HIGH | |

| JPMORGAN CHASE | SCORE | OUT OF |
|---|---|---|
| Amazon risk exposure | -12 | -16 |
| Amazon risk management | 24 | 41 |
| Final score | 12 | |
| Grade | F | |
| Overall Amazon risk | VERY HIGH | |

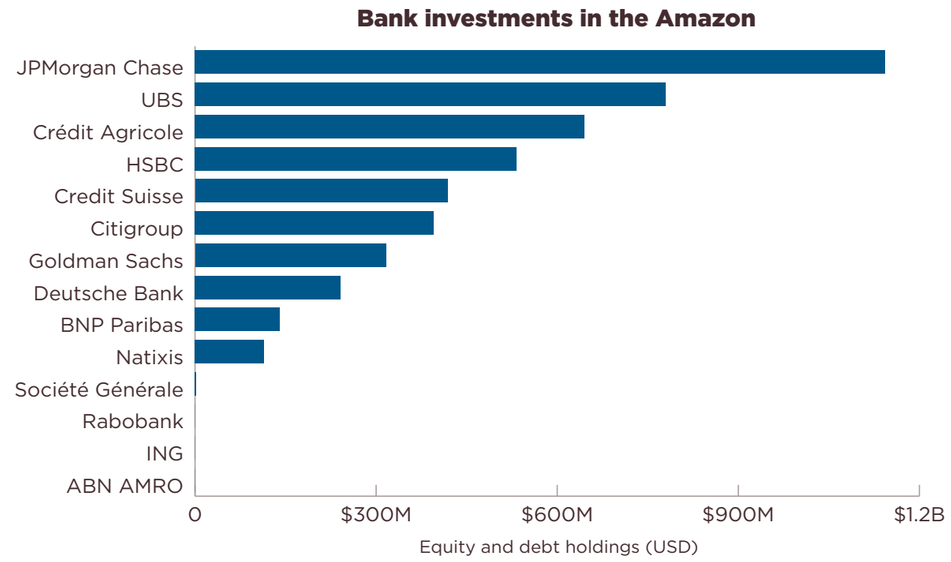



**Figure 2. Equity and debt holdings in the Amazon by scorecard banks as of March 31, 2021.**

Abandoned oil barrels in Ecuador. ©Amazon Watch

Crude contamination oozes from the earth in the "remediated" Shushufindi 27 pit from Chevron/Texaco's operations, just meters away from the Chomba family's residence in the Ecuadorian Amazon. ©Amazon Watch

**Transparency is an important factor in how banks create and implement quality policies**

# Detailed Analysis

## Commitments, governance, and engagement

Each bank is assessed on the caliber of their environmental and social commitments and the strength of their governance and engagement. These two thematic areas reflect the basis of a good policy environment: strong foundations, good internal processes, and active stakeholder engagement. The commitments made by the banks—especially those that have reporting requirements and/or recommendations, and require policy alignment—are key foundational actions in bank ESR policies. These are in addition to banks' stated support in their policies for internationally recognized frameworks for transparency, human rights, and environmental protection (see Annex 2). The UN Principles for Responsible Investment (UNPRI) reporting is the most in-depth, while the Equator Principles were the framework that most directly impacted the content of bank ESR policies.



**Table 2. Key commitments by bank ESR frameworks**

| | Commitments with reporting requirements or recommendations | | | | | | |
|---|---|---|---|---|---|---|---|
| **Bank** | **UN Principles for Responsible Investment*** | **UN Principles for Responsible Banking*** | **Equator Principles*** | **Task Force on Climate-related Financial Disclosures** | **Collective Commitment to Climate Action** | **PACTA Partner** | **PCAF institution** |
| ING | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Credit Suisse | ✓ | ✓ | ✓ | ✓ | | | |
| Natixis | ✓ | ✓ | ✓ | ✓ | | | |
| BNP Paribas | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| UBS | ✓ | ✓ | | ✓ | ✓ | | |
| Rabobank | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ |
| Citi | | ✓ | ✓ | ✓ | | | ✓ |
| JPMorgan Chase | ✓ | | ✓ | ✓ | | | ✓ |
| HSBC | ✓ | | ✓ | ✓ | | | ✓ |
| Goldman Sachs | ✓ | | | ✓ | | | |
| ABN AMRO | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ |
| Société Générale | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Crédit Agricole | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| Deutsche Bank | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ |

* Has mandatory reporting requirements

There is a positive relationship between the banks that scored the highest in the scorecard and the number and duration of sustainability commitments they made that require reporting. This suggests that transparency is an important factor in how banks create and implement quality policies. Rabobank, ABN AMRO, ING, and BNP Paribas all had six commitments each and have been founders or early adopters in many cases. Deutsche Bank and Société Générale also had six commitments, but both banks were only recent signatories to the Equator Principles. Goldman Sachs, with the lowest risk management score amongst the banks, had only two commitments (and only one has mandatory reporting).

However, while commitments to climate change and sustainable development are common among the banks in this scorecard, the policies created to support these commitments must be read carefully to consider how they cover the banks' products and services in banking and investment. The scorecard also gives points for coverage over clients and investees, especially considering banks' active engagement strategies. No bank has perfect coverage, but banks that apply the same ESR framework across banking and investment

portfolios are more likely to have better coverage, and score higher than those that have separate strategies.

Bank engagement policies with stakeholders are considered on two levels: 1. The stipulations on finance and investment that banks include in their ESR policies (e.g. that a client applying for project financing should have a suitable grievance process in place), and 2. The commitments that banks make to engaging stakeholders in the design, revision, and compliance with their ESR policies. Banks that are signatories of the Equator Principles typically included language in their policies related to grievance processes and stakeholder engagement for project financing, while non-signatories do not have such clauses. Bank policies on their own stakeholder engagement varied considerably, but even the best examples lacked commitment to active engagement (e.g. with frontline communities in countries where the bank is actively financing the oil industry). This is an issue because the resources that have to be marshalled for frontline communities to raise compliance issues with banks regarding the application of bank ESR policy are considerable. There are technology, finance, culture, and language barriers. Confidentiality is also an issue. For example, there are no procedures for stakeholders to refer to that could explain how sensitive information would be treated if they shared it. There is also no guarantee of recourse or explanation for how fairness, impartiality, and due diligence would be observed.

Perhaps worst of all, most grievances that frontline communities currently raise involve negative impacts that have already occurred, such as oil spills and deforestation. This means that not only do stakeholders have the burden to find ways to raise credible complaints and grievances to banks without guarantees regarding process or outcome, they also typically can only compile evidence of the impacts that have already occurred, rather than be engaged by banks in proactive processes to avoid these impacts. In the Amazon and elsewhere, this is also a major risk management issue where banks are not utilizing active stakeholder engagement as a proven method of compliance enforcement for their policies.[61] During bank ESR screening processes for companies, projects, and transactions, banks could create engagement opportunities for stakeholders that would facilitate trust, identify key commitments, and promote cooperation and information sharing. Banks who are not connected to frontline communities are not listening to local voices and will not know when the projects they are financing transgress a mandatory screen or exclusion that the bank has in place.



## Managing key environmental and social risks

On the key Amazon risks (oil expansion, deforestation, biodiversity loss, Indigenous rights, pollution, and corruption), banks score based on the strength of their exclusions and screens. Out of a max of 24 points, five banks have 50 percent or less of the possible points while no bank scores higher than 20 (see Figure 3). To achieve a perfect score on any risk, a bank has to manage the risk using exclusions and screens that have full coverage (referring to products and services as well as clients, transactions, and investees), are without loopholes, and that are congruent with international environmental and social frameworks, commitments, and the best available science.

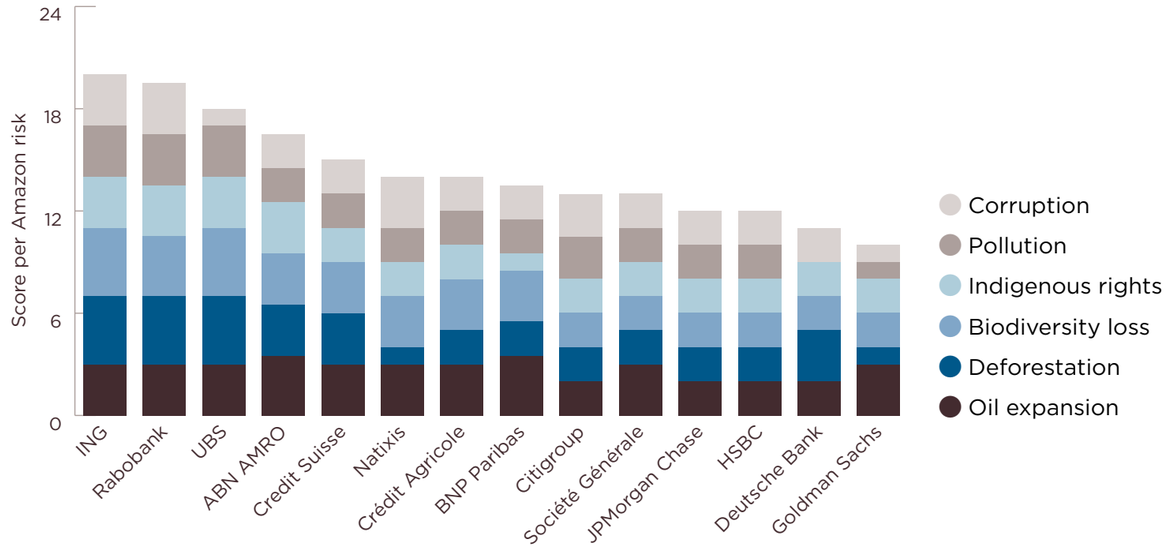



**Figure 3. How the banks stack up on key environmental risks in the Amazon basin**

Figure 4 compares the banks in the scorecard based on their risk exposure scores. Each indicator is worth a maximum deduction of -4 points. A score of -1 correlates with a potential risk exposure, while -2 is a confirmed risk exposure. -3 was for 2 or more confirmed risk exposures of concern and -4 is for 2 or more confirmed risk exposures of major concern. While no banks score -16 (the worst possible score), only ABN AMRO was able to score 'potential' risk on each of the indicators, due to their recent decision to exit trade finance and focus their financial products and services on clients in Europe. JPMorgan Chase, Crédit Agricole, and Deutsche Bank have the highest risk exposures. Overall, the indicator where banks score the worst was on RCFs for oil traders, where all the banks are exposed.

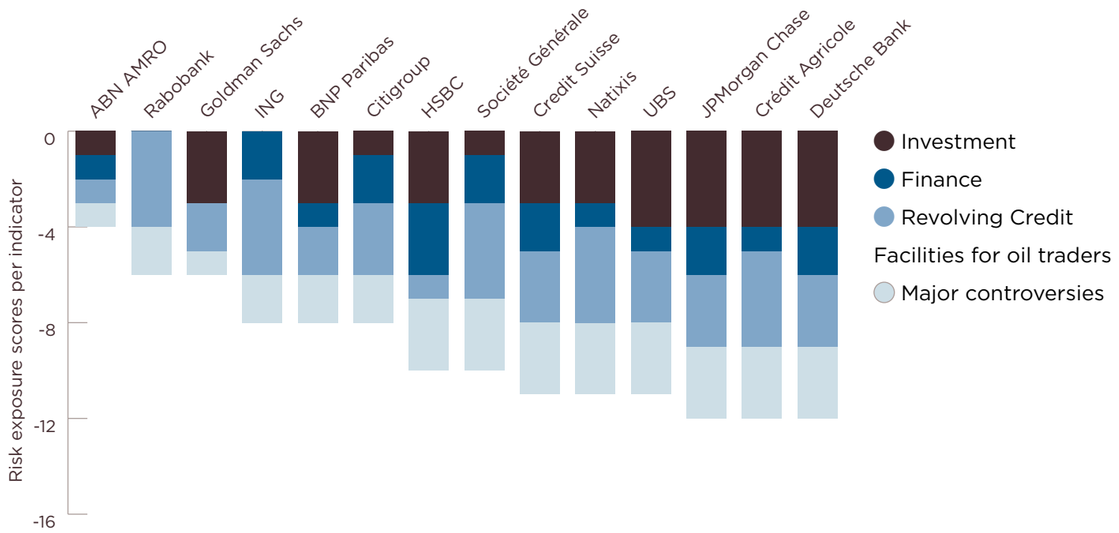



**Figure 4. Each bank's level of risk exposure to oil and gas companies in the Amazon basin**

# Oil expansion and its effects on the climate

All of the banks in the scorecard have climate change strategies and commitments, such as participation in the UNPRI's Paris Agreement Capital Transition Assessment (PACTA) tool, reporting for the Task Force on Climate-related Financial Disclosure (TCFD), portfolio emissions disclosures per the Partnership for Carbon Accounting Financials, and signatory to the Collective Commitment on Climate Action, or other climate action groups. However, reporting is typically in the first year phase, if at all, with several banks committing to making targets for their net zero pathways by 2022 or later. This makes it difficult to assess and allocate points to banks that do not have transition pathways and targets mapped out. In addition, the scorecard finds that several banks have 'tilting' strategies in their investment and financing portfolios, where they prefer to engage with their fossil fuel clients and investees to improve carbon emissions intensity, rather than divest or leave the client relationship (e.g. defund).

The problem with a tilting strategy is that it can leave the door open to new investment and financing for oil expansion, especially in the Amazon. While targets and trajectories purportedly aim to decarbonize bank finance and investment portfolios to a net zero level by 2050 (with interim targets for coal, unconventional oil and gas, etc.), oil and gas fields with lower production costs are likely to still attract finance and investment over the medium term. This is because the higher-cost fields will go offline first (becoming stranded assets) under the declining demand for oil and gas predicted between now and 2050.[62]

For example, oil production costs in the UK for tar sands and for some offshore developments may be some of the first projects to become uneconomical under a declining demand scenario. However, the average cost for lifting a barrel of oil in the Ecuadorian Amazon is $15–$19 USD per barrel (for a breakeven point estimate of $39 USD/bbl when administration fees, transport fees, and taxes are included).[63] Under a scenario of $65 USD/bbl for West Texas Intermediate (WTI), the benchmark for Ecuadorian crude oil production of oil from Yasuní National Park would remain competitive while unconventional oil and gas (tar sands, shale) would be stymied.[64] The Amazon cannot afford to be a draw for oil and gas finance and investment over the near term under bank net zero strategies. The announcement by the IEA that no new oil and gas fields should be approved for development beyond projects already committed as of 2021 is a major endorsement of the analysis that banks need to stop all finance and investment in oil expansion immediately in order to achieve net zero targets.[65] **There can be no financial support for fossil fuel expansion in the Amazon**.

Yet banks such as Citigroup and JPMorgan Chase continue to put money into national oil companies such as Brazil's Petrobras, who ranks as the 5th largest fossil fuel expansion company globally in 2021 (see Figure 5).[66] The estimated financing by scorecard banks for Petrobras and its subsidiaries is $19.9 billion USD from 2016–2020.[67] Citigroup is the largest financier, followed by JPMorgan Chase, Crédit Agricole, BNP Paribas, HSBC, Goldman Sachs, and Credit Suisse. Citigroup's investment in Petrobras is the highest, as illustrated in Figure 5.

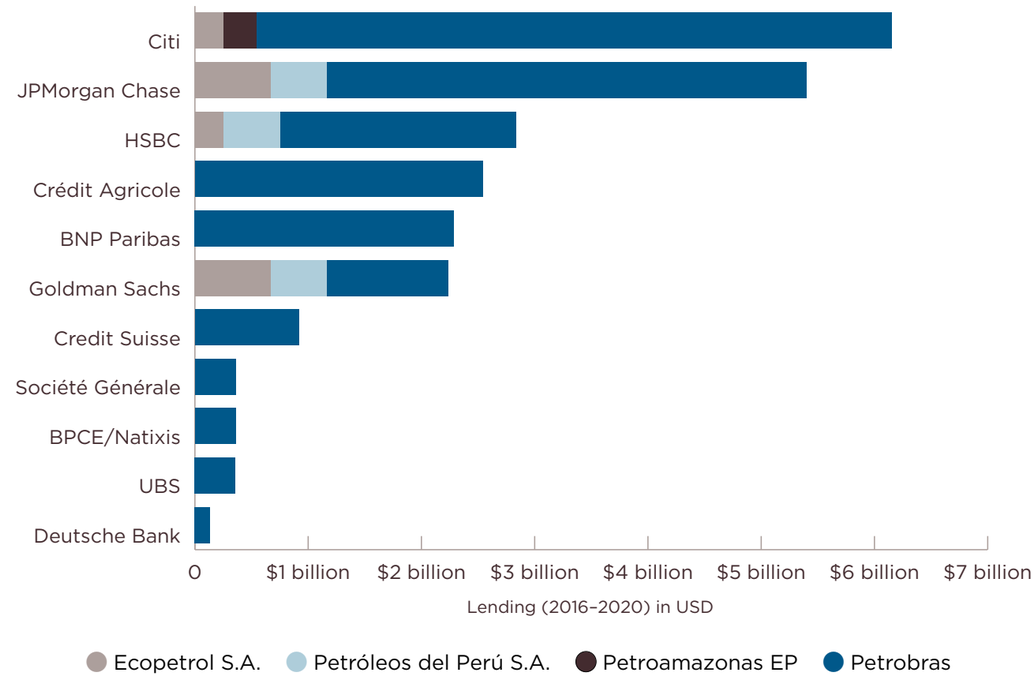



**Figure 5. Financing for National Oil Companies (NOCs) in the Amazon from 2016 to 2020, adapted from Banking on Climate Chaos (RAN, 2021)**

# Deforestation

Banks such as ING, Rabobank, and UBS, which exclude finance and investment for oil and gas based on the risk of destruction of high conservation values and primary forests, score higher because they exclude financing of oil and gas extraction in intact forest landscapes. However, several other banks have similar policies, but only consider these exclusions within their forestry and agriculture sector policies. While the major cause of deforestation in the Amazon is agriculture, these banks neglect to consider that oil and gas extraction drives forest fragmentation in primary forests and intact landscapes. During oil exploration and production, the rainforest is fragmented by an expanding network of roads and pipelines that link oil wells to export terminals. The roadsides are occupied and deforested in cycles of shifting agriculture that denude forest soils and cause erosion. Slowly, the forest is subjected to a death by a thousand cuts, and its Indigenous inhabitants are forced into the poverty of landlessness as lack of food security, safe water, and the increasing risk of pollution-related illness drives them from their ancestral homes.

The oil and gas industry is a major driver of deforestation in the western Amazon (see Case Study #1) and several banks took note of that when they decided to exclude trade financing for Amazon oil from the Amazon Headwaters in their ESR policies after Stand.earth and Amazon Watch's last report on European banks financing Amazon crude.[68] By January 2021, BNP Paribas, Natixis, ING, and Credit Suisse had all taken major steps, announcing their exclusions and including the


Deforestation in Xingu & Kayapo, Brazil. ©Mídia Índia

new policy in their ESR frameworks. Rabobank stopped its trade financing for Amazon oil, but did not formally announce that it had ceased approving such transactions. UBS likewise has turned down trade financing transactions in the region, although they too have not formally committed to an exclusion publicly or adapted their ESR policy.

Despite these actions, 10 banks in the scorecard hold almost $950 million USD in sovereign bonds issued by PetroAmazonas/Petroecuador, including some of the banks who have made trade finance commitments: BNP Paribas, Credit Suisse, Natixis, as well as UBS (see Figure 6, next page). Petroecuador is 100% dedicated to the oil extraction from the Amazon region of Ecuador, with their major reserves under Yasuní National Park (see Case Study #1).[69] These banks also hold $615 million USD in sovereign bonds linked to Petrobras and $272 million USD linked to Ecopetrol. The sale of sovereign bonds is a means of raising capital for national oil companies to expand production. These bonds are typically parcelled with other sovereign bonds and purchased through emerging market exchange traded funds (ETFs), which means that banks and their investment clients may not be making direct purchases of national oil company bonds. This is a loophole in bank sustainable investment policy that has a particular salience in the Amazon, since all oil and gas extraction is organized through national oil companies. If banks are serious about applying their ESR frameworks in the Amazon, they will have to figure out if and how they can invest sustainably in the sovereign bonds of emerging markets.

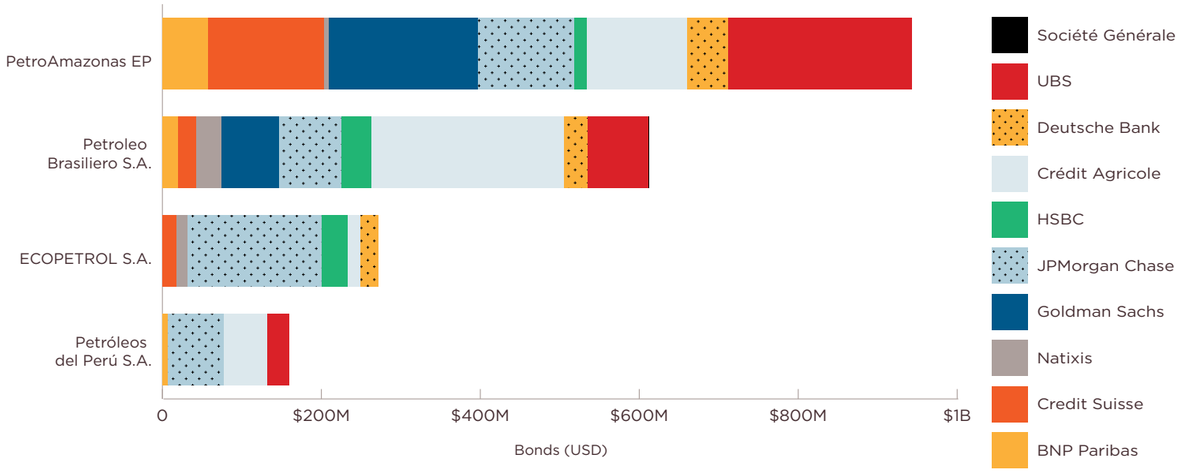



**Figure 6. Banks hold bonds in all four of the national oil companies covered in this report.** Banks hold sovereign bonds used by national oil companies to raise capital to fund oil expansion. These bonds are typically parcelled with other sovereign bonds and purchased through emerging market exchange traded funds (ETFs), which means that banks may not be making direct purchases of bonds in these state oil companies.

Vidal Masachi, 56, has suffered numerous health problems living in close proximity to the Sur-Oeste Station in the Ecuadorian Amazon. ©Amazon Watch



## Biodiversity loss

After climate change, biodiversity loss is the Amazon risk most addressed by banks. Typically through cross-sectoral policy, banks generally support the protection of reservoirs of biodiversity such as High Conservation Value areas (HCVs), Alliance for Zero Extinction sites, Ramsar sites, IUCN Category I-IV areas, and UNESCO World Heritage Sites, and have exclusions or screens to avoid financing projects that posed a threat to these areas. Biodiversity policies also exclude or screen for funding the trade in any plant or animal species or products governed by the Convention on International Trade in Endangered Species of Wild Fauna or Flora (CITES) that are not authorised by a CITES permit. Several banks lost points for not excluding these areas, without exception, from their finance and investment. The scorecard identifies that banks see biodiversity through the lens of spatially delineated areas, typically limited to areas with legal protection, although through deforestation policies, some banks also exclude intact forest landscapes and primary forests that function to protect biodiversity. **However, banks in the scorecard do not acknowledge the integral role of Indigenous peoples' stewardship in biodiversity protection by including Indigenous territories in their exclusions. If they did, they would exclude almost 50% of the Amazon from oil and gas finance.**

There are also several metrics available to banks that do not rely on biodiversity identification as a function of such areas, such as the Global Biodiversity Intactness Index or the World Database of Key Biodiversity Areas.[70] Intactness is not typically considered in bank biodiversity policies, despite being a major factor in the success of biodiversity conservation and integral to keeping the Amazon above its ecological tipping point (see Figure 7). Several banks provide finance and investment for companies operating blocks that overlap with intact forest landscapes, primary forests, UNESCO and IUCN protected areas, and Indigenous territories.[71]

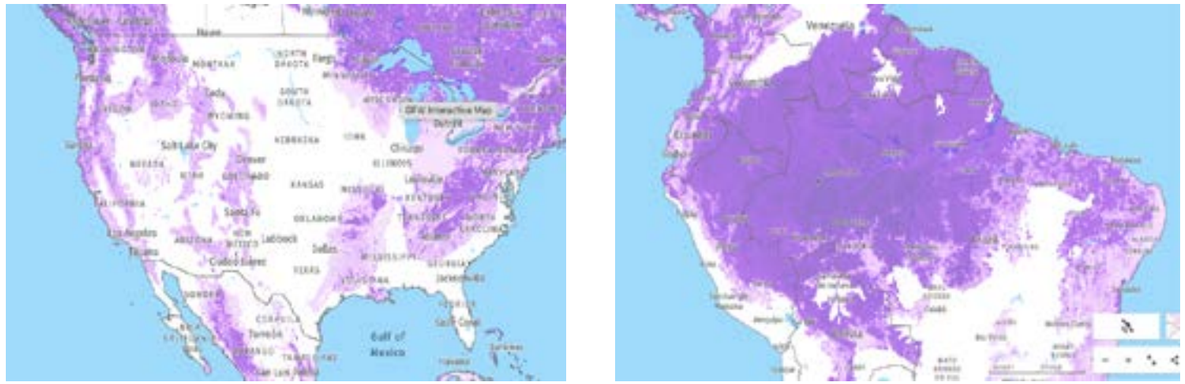


**Figure 7. The biodiversity intactness of the Amazon compared to the U.S. lower 48 states illustrate how important the Amazon is to the world's wealth of biodiversity. Maps from Global Forest Watch (globalforestwatch.org).**

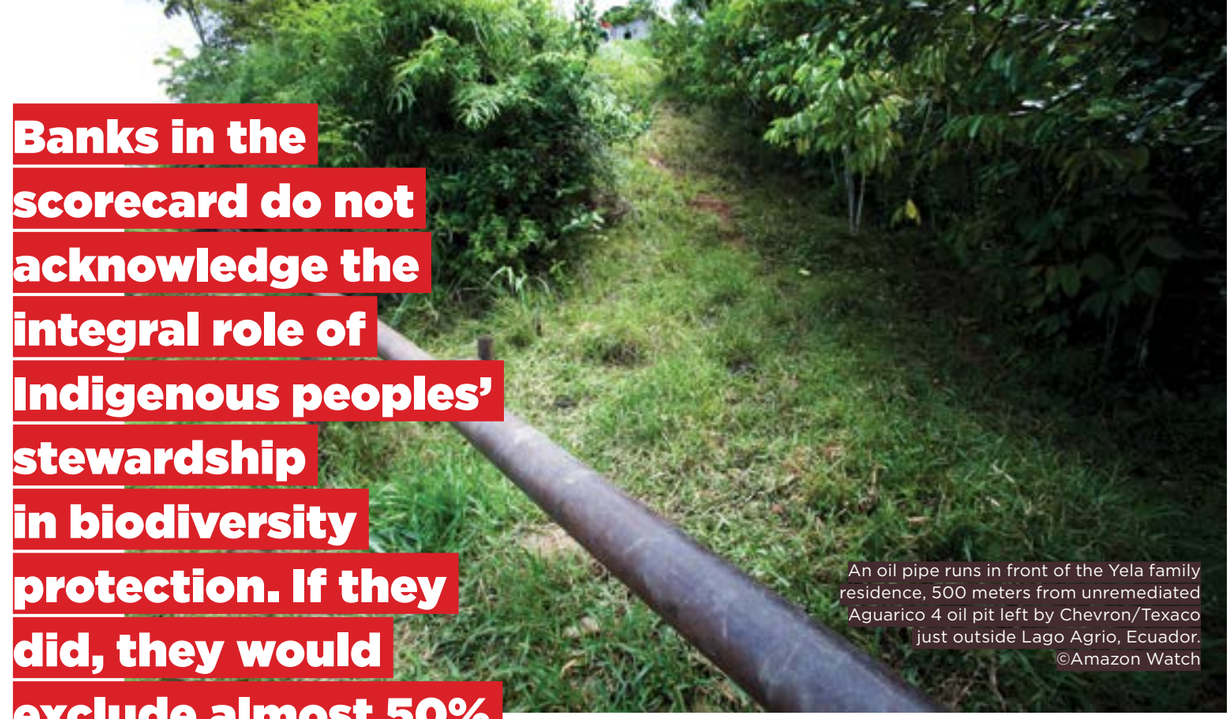
**Ecopetrol S.A.** is the block operator in eight oil blocks in the Colombian Amazon, including three blocks that overlap with intact forest landscapes (blocks 133, 290, and 335). Block 133 also has several Indigenous reserves. JPMorgan Chase holds $168 million USD in bonds in the company.

**Petrobras** operates several blocks in the Solimões oil basin in Brazil that overlap with intact forest landscapes and primary forest. They also have two blocks in the Amazonas oil basin that overlap with intact forest landscapes. Crédit Agricole holds $242 million USD in bonds in the company, while Citigroup provides over $5.6 billion USD in financing.

**Eneva S.A.** operates four oil and gas blocks in the Amazonas Basin in Brazil, three of which overlap with intact forest landscapes. BNP Paribas holds almost $10 million USD in bonds in the company, while Crédit Agricole has over $5 million USD in bonds.

**PetroAmazonas/Petroecuador** is expanding oil production in Yasuní National Park, an IUCN Category II Protected Area and part of the largest Ramsar site in Ecuador.[72] They also operate the Vinita, Eden-Yuturi, Apaika-Nenke, ITT, block 58 & 75, Yuralpa, Palo Azul and Lumbaqui blocks—and all almost entirely overlap with intact forest landscapes and have significant overlap with protected forests, Indigenous reserves, and uncontacted peoples. The company also operates the Limoncocha/Indillana block, including oil fields and boreholes overlapping with the Reserva Biológica Limoncocha, a Ramsar site since 1998.[73] As seen in Figure 5, several banks hold bonds in the company, including $232 million USD by UBS, $187 million USD by Goldman Sachs, and $146 million USD by Credit Suisse.

**Banks in the scorecard do not acknowledge the integral role of Indigenous peoples' stewardship in biodiversity protection. If they did, they would exclude almost 50% of the Amazon from oil and gas finance**



An oil pipe runs in front of the Yela family residence, 500 meters from unremediated Aguarico 4 oil pit left by Chevron/Texaco just outside Lago Agrio, Ecuador. ©Amazon Watch

**Compañía Española de Petróleos, S.A.U (CEPSA)** is the block operator in Peruvian Amazonian blocks 131 and 200. Both blocks overlap with intact forest landscapes and Indigenous territories. CEPSA has two RCFs worth $3.6 billion USD, with participation from 8 out of 14 banks in the scorecard.

**PetroPerú** operates Block 116, which overlaps almost entirely with intact forest landscape and significantly with protected forest in the Marañón basin in Peru. The majority of the block is also within Indigenous territories. JPMorgan Chase, Crédit Agricole, and UBS all hold bonds in PetroPerú. JPMorgan Chase is also a lender, along with HSBC, Deutsche Bank, Citigroup, and BNP Paribas on a project finance loan for PetroPerú's Talara Refinery.

**PetroChina** trades in Amazon oil from Ecuador. It was recently awarded a 2.16 million barrel tender by Petroecuador for Oriente crude from the Amazon.[74] Its parent company, **Chinese National Petroleum Company (CNPC),** is majority shareholder in **Andes Petroleum** and **PetroOriental**, which are block operators in Ecuador for three blocks (Block 62, Block 79 and Block 83) that overlap with intact forest landscapes, primary forests and/or Indigenous territories. Block 83 also overlaps with Yasuní National Park. CNPC is also a drilling contractor for PetroAmazonas on Block 43, which is within intact forest landscapes and Indigenous territory in Yasuní National Park. JPMorgan Chase holds bonds worth $62 million USD in PetroChina and $58 million USD in CNPC. UBS holds $45 million USD in bonds, while HSBC holds $22 million USD.

**Frontera Energy Corp.** is exploring two blocks in the Putumayo region of Colombia, both of which contain Indigenous territories. They are co-operators on blocks 88 and 92 in Ecuador with GeoPark, both of which majorly overlap with Kichwa and Siona territories. Frontera was accused of threatening the Matsés people (an Indigenous people living in voluntary isolation) in Block 135 in Peru in 2016, and were formerly the operators of Block 192 as well, until resistance from local Indigenous groups shut the operation down.[75] Crédit Agricole holds $5.4 million USD in bonds, while Credit Suisse holds $1.7 million USD.

**Gran Tierra** is a major block operator in the Colombian Amazon, with eighteen blocks (five in production) in the Andes-Amazon Piedmont ecological region. This region is part of the Tropical Andes biodiversity hotspot, and is a key biodiversity area home to several Indigenous territories.[76] Gran Tierra also operates three blocks in the Ecuadorian Amazon on the border with Colombia that overlap with Indigenous territories and primary forests. The Charapa block may also contain Indigenous groups living in isolation. Credit Suisse has $1.2 million USD in bonds in Gran Tierra and provides trade financing for their Chaza crude (see Case Study #2).

# Indigenous peoples' rights

The scorecard finds that the definition of FPIC applied by banks is typically limited to project financing, in line with banks' Equator Principles commitments. The Equator Principles reference International Finance Corp. (IFC) Performance Standard 7, where the definition of FPIC is problematic. The concept of FPIC derives from international legal standards that recognize the rights of Indigenous peoples to self-determination and control of their lands.[77] As such, Indigenous peoples may decide to give, modify, or withhold consent to activities proposed for their territories. However, IFC Performance Standard 7 allows for these rights to be extinguished through consultation and compensation, essentially creating pathways around respecting Indigenous self-determination and decision-making in the development of economic activities in their traditional territories.[78] In this manner, replacing consent with these terms completely undermines the intent of the FPIC concept and the fundamental right to self-determination.

Banks that have exclusions related to Indigenous peoples (ING, Rabobank, UBS, ABN AMRO) score a maximum of three out of four points because while they take a more risk-averse approach, they still accept the IFC application of FPIC. The other banks earn two or less points, reflecting a general policy preference to assess Indigenous peoples rights on a case by case basis through screening, rather than a hardline exclusion to be implemented consistently across their portfolios. From a risk perspective, this approach is too permissive. Other complex issues, such as child labor, are handled with hardline exclusions in bank policies. Banks should create similar exclusions for financing and investments for activities that abuse the rights of Indigenous peoples.

The lack of respect for the rights of Indigenous peoples to determine the use and management of their territories has spurred many Indigenous communities to protest and block extraction in order to defend their rights. Tragically, Indigenous peoples' defense of their rights and opposition to oil operations in their territories is often met with violence in the Amazon. For example, in Block 95 of the Loreto region of Peru, three Indigenous Kukama Kukamiria people were killed and four wounded as a result of a disproportionate response by police protecting the PetroTal Company encampment.[79] Days later, a fourth person died while another was left in a critical condition. Protestors were insistent that the government address a number of pending social and environmental demands arising from oil extraction and transportation. PetroTal recently reported a fully subscribed $100 million USD bond offering that will allow it to spud five new development wells in Block 95 in 2021.[80] Gran Tierra Energy Inc. owns 17% of PetroTal, and BNP Paribas Asset Management is the second largest institutional holder in Gran Tierra, with 3% of shares.[81]

In Colombia, which is one of the most dangerous places in the world to be a human or environmental rights defender, significant violence has been inflicted on Indigenous peoples in intact forest landscapes and protected areas.

A Waorani child in Ecuador's Amazon. ©Amazon Watch

A gas flare tower at the Shushufindi 27 oil waste pit in the Ecuadorian Amazon. ©Amazon Watch

**Other complex issues, such as child labor, are handled with hardline exclusions in bank policies. Banks should create similar exclusions for financing and investments for activities that abuse the rights of Indigenous peoples**

Since the signing of the 2016 Peace Accords between the Colombian government and the left-wing guerilla group known as the FARC, over 400 human rights and land defenders have been killed, many of them Indigenous.[82] This is due primarily to the violence and land-grabbing carried out by organized paramilitary groups (many of which have ties to corporate interests) that rose to fill the vacuum of power left behind after the FARC's disarmament. In the Caguán region of the Colombian Amazon, overlapping Chiribiquete National Park and a number of oil concessions under contract, 11 such killings have occurred.[83] Oil infrastructure and extraction are flashpoints for Indigenous protest in the region, where at least 80 Indigenous territories overlap with 51 oil block contracts that were delineated and awarded without prior knowledge or consent of Indigenous peoples.[84] JPMorgan Chase, Credit Suisse, Crédit Agricole, and HSBC all have investments in oil companies such as Gran Tierra, Ecopetrol, and Frontera Energy, who are operators in the region (see Figures 6 and 7). None of these banks had investment related exclusions for Indigenous rights infringements or violence against Indigenous peoples.



## Pollution

The story of pollution by oil and gas companies in the Amazon is a story of tragedy and environmental injustice. Local and Indigenous communities have for decades borne the brunt of the impacts of oil and gas pollution on their drinking water, soil, food security, and health. As recently as June 2021, scientists identified elevated blood lead levels in Indigenous communities living in river basins in the Peruvian Amazon where oil and gas extraction takes place.[85] Among other diseases, lead can cause irreversible neurological impairments in children. In Ecuador, there were 952 reported spills between 2005 and 2015, totalling 350,000 barrels of crude, according to government records. This is roughly 4,000 gallons a day, of which 75% has never been cleaned up.[86] The actual number of spills is likely much higher, as many are underreported or occur in remote regions. A 2017 study from the Environmental Clinic of leading Ecuadorian environmental organization Acción Ecológica found elevated rates of cancer among residents in close proximity to oil infrastructure and gas flares in the two oil-producing provinces of Orellana and Sucumbios, in the country's northern Amazon region.[87]

While data like this shows that pollution and its effects are well-documented, there seems to be no clear connection between the poor business conduct of the companies operating these blocks and the flow of finance and investment from banks. Only three banks (ING, UBS, Rabobank) have exclusions related to pollution in business conduct. For example, ING excludes finance and investments for projects or clients that knowingly and continuously break environmental laws (e.g. polluters), but most banks opt for investment and finance screens that look at business conduct, including the company's track record on pollution, instead of exclusions based on environmental law. In addition, several pollution-related screens apply only to project financing. Screening is typically done during the Know Your Client (KYC) process, during active engagement in investees, and in annual client ESR reviews where banks can assess the company's risk level for enhanced review. However, given banks' 'tilting' strategies, they aren't likely to divest or put a company on a watch list until after engaging and trying to use their clout to improve the company's conduct. It's not clear how much leeway a client or investee might get, or how long and how many chances they may have before the bank takes exclusionary actions. It's also not clear whether company track records stretch back far enough to consider historical activities that are still having major impacts for frontline communities today.

A controversial practice in the oil industry is gas flaring from oil wells, which pollutes the air and water. In Ecuador, the Indigenous Waorani people who live in the Amazon have a lawsuit against PetroOriental for contaminating their ancestral lands with flaring. The lawsuit claims the flaring is causing irreversible damage to the environment and hurting the health of Indigenous peoples.[88] Local residents affected by the flaring explain that the pollution is so intense that "the rainfall tastes like coal," but they have no other choice but to drink it because they have no access to potable water due to the legacy of oil pollution in their rivers.

In a similar case, an Ecuadorian appellate court ruled in favor of nine children who are growing up in the shadow and contamination of hundreds of gas flares in the Ecuadorian Amazon. The flares, hiding in plain sight for decades, burn 24/7 and release toxic chemicals like benzene, hydrogen sulfide, and other pollutants into the surrounding air and water. This pollution takes a huge toll on the health of nearby communities. The amount of flaring from Ecuador's oil fields also makes the country one of the western Amazon's largest emitters of $CO_2$ emissions. According to the judgment, companies like PetroAmazonas, which operates the largest number of flares in the region, have 18 months to begin the phase-out of existing flares and end the practice by 2030.

Block operators such as PetroOriental are a mix of publicly-traded and private companies. They raise capital for oil and gas projects through loans, shares, and bonds. Five of the banks in the scorecard were linked to block operators in the Amazon through bond holdings. For example, Deutsche Bank has $12 million USD in bonds in PetroOriental (see Figure 8). The bank has no specific policies on pollution, and DWS, the associated asset manager, states that they deliberately decided against an approach of implementing top-down, sector-based exclusions, preferring an enhanced level of due diligence, although it has yet to implement a sustainable investment framework.[89] In the meantime, the pollution fallout from PetroOriental's flaring is a major human rights violation that the bank has left unchecked.

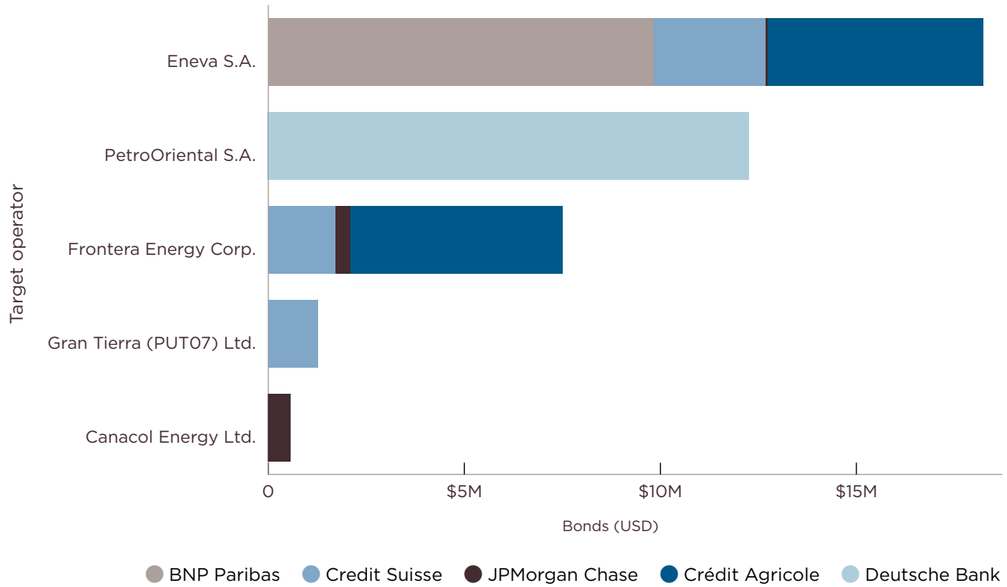



**Figure 8. Bonds held by banks in block operators active in the Amazon basin.**



## Corruption

All banks have anti-corruption policies that apply to clients, and most banks see corruption as a business risk and not an environmental and social risk. However, the connection between corruption and environmental and social impacts is clear and compelling, and the risk of corruption by clients and investees should be explicitly considered in ESR policies.

As with pollution, banks tend to screen corruption through know your client (KYC) processes and annual company screens that look at corruption-related controversies, track records, and adherence to the principles of the UN Global Compact.[90] The average score for banks on the corruption risk indicator is two out of four points, and the high score was three. This illustrates that there are no banks who have corruption-related exclusions in their ESR frameworks, despite the clear social and environmental impacts. However, companies may be put on watch lists, given a higher risk rating, or potentially face divestment or the end of the client relationship if they have poor business conduct—although banks stated that these actions are typically a last resort, after engagement strategies to improve the conduct of their clients and investees has failed. In addition, some banks require that corruption be proven in a court of law before considering action against a company, while only a minority of banks look at corruption as a controversy risk before there are legal outcomes. Due to the 'last resort' nature of the exclusion actions and this reliance on legal outcomes, corruption-related exclusions and screens are much weaker when compared to exclusions and screens for other risks, such as deforestation and biodiversity loss.

Several of the companies that the banks in this scorecard are investing in or financing have current corruption-related controversies, past track records of corruption, and legal outcomes related to their involvement in corruption. For example, Société Générale, ABN AMRO, Citigroup, Crédit Agricole, Credit Suisse, Deutsche Bank, Goldman Sachs, ING, Rabobank, and UBS are all involved in RCFs for the Gunvor Group, totalling almost $2.4 billion USD and effective or refinanced on November 13, 2020. However, in 2019 Gunvor Group paid a $95 million USD settlement with the Swiss Attorney General's Office for "failing to take all the organizational measures that were reasonable and necessary to prevent its employees and agents from bribing public officials in order to gain access to the petroleum markets in the Republic of Congo and Ivory Coast."[91] In that case, agents employed by Gunvor bribed government officials to win oil contracts. All of these banks have corruption-related policies that apply to clients, so it's not clear how bank policies on corruption weighed into their decisions to lend Gunvor billions of dollars—despite the clear legal outcome showing the company's corrupt business conduct.

Currently, Gunvor is at the centre of another bribery scandal in Ecuador where its agents are again accused of bribing government officials to win oil contracts, with a former employee of Gunvor going on record to say that Gunvor executives knew about the bribes.[92] Gunvor Group, via Gunvor S.A. (formerly Castor Petroleum), allegedly paid $22 million USD in bribes to Ecuadorian government officials from 2012 to August of 2020 in order to get lucrative oil contracts with

San Carlos, a community based around petroleum production and suffering one of the highest cancer rates in Ecuador. ©Amazon Watch

**The connection between corruption and environmental and social impacts is clear and compelling, and the risk of corruption by clients and investees should be explicitly considered in ESR policies**

Petroecuador. Castor Petroleum/Gunvor S.A., along with smaller traders Taurus Petroleum and Core Petroleum, were implicated in the kickback scheme with Ecuadorian business-man Enrique Cadena Marin. Documents leaked from Mossack-Fonseca in the Panama Papers release include emails between the oil traders and companies owned by Cadena that discuss kickbacks and payments related to the trade in Amazon oil.[93] Using Ecuadorian oil export data from over the past decade and based on average figures provided in those leaked doc-uments, Stand.earth Research Group estimates that around $580 million USD could have been paid in bribes between 2013–2019 by these oil traders in order to gain favorable terms on oil contracts.[94]

In relation to investments and financing for PetroAmazonas, several former Petroecuador officials were charged in a 2019 anti-corruption case that saw the government recover $5 million USD in corruption related assets. As recently as April 13, 2021, Ecuador's current comptroller and a former energy minister were arrested as part of the ongoing corruption investigations.[95] This is the backdrop for the promise by Ecuador's new president to double oil production in the country. Ecuador's sovereign bonds recovered in the global capital markets after the surprise election of Guillermo Lasso, who promised to maintain payments. Banks such as BNP Paribas, Credit Suisse, Goldman Sachs, JPMorgan Chase, Crédit Agricole, Deutsche Bank, and UBS hold over $750 million USD in these bonds as of March 31, 2021, listed as issued by PetroAmazonas (see Figure 6).[96] In addition, Citi, JPMorgan Chase, Credit Suisse, and Deutsche Bank serve as financial advisors to the government.[97] It is not clear how the ESR or anti-corruption policies of these banks square with the investment in Ecuador's oil industry, or if there is any pressure from these banks for Ecuador to stop deforestation, degradation, pollution, biodiversity loss, and corruption related to their oil industry, and to respect Indigenous peoples' rights.

Vitol Holding BV is another trading company that paid bribes to officials in Ecuador, part of a region-wide corruption scheme that led to $164 million USD in criminal penalties in the US and Brazil.[98] Vitol disclosed that, along with co-conspirators, it paid more than $8 million USD in bribes to at least four Petrobras officials. Vitol Inc, a subsidiary of Vitol Holding BV, also recently paid $164 million USD in criminal penalties to resolve bribery charges with Brazilian law enforcement officials. Yet Vitol has over $9.7 billion USD in RCFs led by JPMorgan Chase, and financed and under-written by banks including Société Générale, ABN AMRO, BNP Paribas, Citigroup, Crédit Agricole, Credit Suisse, Deutsche Bank, ING, Natixis, Rabobank, and UBS.

Corruption is also a major risk in Colombia. In 2019, the former CEO of Ecopetrol, Colombia's state-run oil company, was arraigned on mismanagement and fraud charges. CEO Javier Gutiérrez and other executives are suspected of corruption at Reficar, Ecopetrol's oil refinery, that caused $2 billion USD in losses. Gutiérrez is suspected of allowing U.S. construction company CB&I to overcharge in exchange for kickbacks.[99] However, investment in Ecopetrol remains high, with JPMorgan Chase holding $168 million USD in bonds.

**Corruption-related exclusions and screens are much weaker when compared to exclusions and screens for other risks, such as deforestation and biodiversity loss**

The Napo River runs through the Ecuadorian Amazon. In April 2020, the largest oil spill in 15 years occurred on the river, affecting 27,000 Indigenous peoples. ©Amazon Watch

# Case study 1: Petroecuador's big project

Ecuador has one of the highest road densities of the entire Amazon region and there is a strong positive correlation between oil drilling and deforestation in the Ecuadorian Amazon.[100] Oil exploration and production opens roads in intact forests, leading to roadside colonization and slash and burn agriculture—the number one cause of deforestation in Ecuador.[101]

Oil production in Yasuní National Park began in July 2017 and in a few short years it has become one of the most productive oil areas in Ecuador. PetroAmazonas, the former state run enterprise charged with upstream oil exploration and development that rejoined Petroecuador in a January 2021 merger, has produced 67.7 million barrels from the Ishpingo-Tambococha-Tiputini (ITT) block so far, with a large proportion of the country's probable, possible, and contingent reserves located there. Banks such as BNP Paribas, Credit Suisse, Goldman Sachs, JPMorgan Chase, Crédit Agricole, Deutsche Bank, and UBS hold over $750 million USD in these bonds as of March 31, 2021, listed as issued by PetroAmazonas.

Yasuní National Park is part of the Amazon Headwaters of Ecuador and Peru, a vast region in the western Amazon that is one of the birthplaces of the Amazon River. Spanning 30 million hectares (74 million acres), this area is home to more than 500,000 Indigenous people from over 20 nationalities, including peoples living in voluntary isolation on their ancestral lands. It is one of the most biodiverse terrestrial ecosystems on the planet. The risk of financing the trade in oil from the park was one of the reasons why banks such as BNP Paribas committed to excluding trade finance for oil from the region.

PetroAmazonas states that the ITT has reserves of more than 1,672 million barrels, making it the largest project in the history of oil exploration in the country.[102] This is a much different fate for the park than the one envisioned in 2007 when the Ecuadorian government petitioned the international community to help it pay to keep the oil in the ground.[103] The company announced on March 6, 2020 that it would begin a new drilling campaign in the Tambococha region of the ITT Block, with 24 new wells within the park boundaries that can only be accessed via roads through intact forests. PetroAmazonas announced on June 3, 2020 that 26.6 hectares of forest in Block 43 had been cleared for the new wells, including approximately 1.5 miles of new forest road connecting the Tambococha B field to the Ishpingo A field, deeper in the park.[104] A total of 651 wells are planned for Block 43.[105] The company employs a restricted 'ecological access' design for their roads in the park.[106] However, roads built in other areas of the park to facilitate oil extraction were also under strict control, but they still had a negative impact on the subsistence systems of some Indigenous communities.[107] Waorani and Kichwa communities left their semi-nomadic lifestyles, settled on roadways, cleared land, and sold bushmeat to traders. This illustrates how cultural and economic shifts due to roads can trigger deforestation and threaten wildlife, even in intact forest landscapes with strict controls.

Road modelling completed for the Ecuadorian Amazon in 2017 predicted that forest cover in the region could drop to 48% by 2030.[108] This would be a devastating loss of rare and endangered species in this global biodiversity hotspot. In addition, the prediction is essentially maintaining the trajectory of forest loss due to oil exploration and production that occurred between 1990–2008—but deforestation rates in 2017 were the highest ever, suggesting that the model is conservative and worse losses are possible.

Clearly banks were persuaded that trade finance of oil from the region was malaligned with their ESR policies on biodiversity, protected areas, and human rights. Given the clear link to deforestation, there is an even more compelling case to review their complicity, through other loans and investments, in the destruction of the Amazon across the entire biome and commit to an Amazon oil and gas exclusion and exit strategy.

The People's Climate March in the streets of Lima, Peru, 2013. ©Amazon Watch/Caroline Bennett

# Case Study 2: Gran Tierra in the Putumayo

While committed to excluding trade financing for Amazon oil from Ecuador, Credit Suisse remains heavily exposed in Colombia, where it is financing the trade in crude oil from the Chaza Blocks in the Putumayo region of the Amazon. Chaza crude oil is produced by Canadian transnational Gran Tierra, and traded by Gunvor. Credit Suisse provided letters of credit for Gunvor's trade of 970,986 barrels of Chaza crude to Chevron El Segundo, in California, as late as March and April of 2021.[109] This crude was transported to the port of Esmeraldas via the SOTE pipeline in Ecuador, where Credit Suisse has an exclusion on the trade in Amazon oil.

In recent press statements, Gran Tierra attempts to obscure the fact that it is facing heavy resistance from Indigenous communities for operating on and near their territories, claiming instead that current blockades on its operations "are not directed at Gran Tierra" but in fact are a result of popular participation in ongoing (as of this writing) National Strikes that the company implies are entirely unrelated to its business.[110]

Since late April 2021, Colombia has seen large-scale protests as a reaction to austerity measures proposed by the country's far-right Duque administration to cut healthcare and education, and increase taxes on basic goods. The protests reflect widespread frustration not only around the government's failure to support a population that has been horribly hit by the pandemic (an estimated 40% of Colombians are now living below the poverty line), but also to uphold the 2016 Peace Accords: a series of agreements between the Colombian government and the armed left-wing resistance group known as the FARC that, among other things, promised protections for small-scale farming (campesino), Indigenous, and Afro-Colombian communities that have historically suffered major human and land rights violations due to government and corporate interests.[111] In fact, since 2016, over 400 human rights defenders—most of them Afro-Colombian, Indigenous, and campesino—have been killed in Colombia—the highest number of any country in Latin America.[112]

Indigenous resistance to oil drilling in the Putumayo region is nothing new, but it has certainly grown since the National Strike began. Protestors have blocked several major oil transport routes, with at least seventeen different blockades in the Putumayo department alone sprouting up since late April.[113] Gran Tierra itself reports that shutdowns of key roads by activists "have started to cause the temporary shut-in of some oil wells and oil fields throughout Colombia and are now affecting almost all energy companies in the country."[114]

The negative effect that these protests are having on oil production in the region is no accident. One Indigenous Nasa community leader, involved in a three-week-long blockade organized by over a dozen different Indigenous communities along a Putumayo highway, explained: "We are blocking the exportation of petroleum from the Amazon and the equipment needed to set up platforms for oil drilling, mining, and other forms of extractive exploitation… While these projects make a lot of money for the state, they damage our territories and leave us in a deeper state of poverty in the long run."[115]

The state reaction to these blockades has been brutal. One participant involved in the National Strike reported police aggression against demonstrators during a protest on May 31 in the Costayaco Oil Well, which is owned and operated by Gran Tierra.[116] In a video shared on Twitter the same day by the National Organization of the Indigenous Peoples of the Colombian Amazon (OPIAC), protestors are seen and heard fleeing from what appear to be gunshots.[117] The Association of Indigenous Councils of the Municipality of Villagarzón Putumayo (ACIMVIP) publicly implored the Colombian Ministry of Defense, the National Army, the National Police, and the country's specialized riot police forces (known as ESMAD) to not use excessive force against activists and respect international human rights standards by not treating unarmed protestors as armed actors.[118]

In short, the violence currently erupting in Putumayo is part of a much longer history in Colombia of Indigenous and community leaders being targeted for their efforts to resist environmental and human rights abuses. Gran Tierra's reliance on state forces to quell resistance to its operations reflects the company's lack of respect for local communities' rights.

As of June 1, 2021, Credit Suisse held $1.2 million USD in bonds in Gran Tierra (see Figure 7).[119] Credit Suisse's oil and gas policy seeks to promote responsible oil and gas practices that protect human rights and respect local communities. The bank states, "Credit Suisse will not finance or advise oil and gas companies against which there is credible evidence of involvement in grave human rights abuses such as, e.g., forced labor, employment of children or the use of violence against local communities and Indigenous groups." Credit Suisse also has a strong prohibition for areas of high conservation value, including all primary forest areas with concentrations of threatened or endangered species. Gran Tierra's operations are in the Colombian piedmont, part of the Tropical Andes, an area where the Andes foothills meet the Amazon lowland rainforests and the richest and most biodiverse region on Earth, according to Conservation International.[120] In this landscape, extractive activities such as oil and mining are major threats to the fragmentation of primary forests via roadside colonization. According to Credit Suisse's policies on biodiversity, human rights, and trade finance for Amazon oil, the bank should not be investing in Gran Tierra nor financing the trade in Chaza crude.

# Case study 3: Gunvor's legacy of corruption

Despite the fact that Gunvor Group has never won an oil contract in Ecuador, the company is responsible for an estimated 97% of the Ecuadorian crude oil cargoes imported in the U.S. by oil traders between 2009 and 2019 (all of it Amazonian in origin).[121] Gunvor is able to dominate the oil trade in part because it assisted Petroecuador in securing financing in the form of oil-backed loans from Chinese and Thai state-owned entities, with interest rates that were around 7% per year.[122] Traders such as Gunvor were able to capitalize on the terms of these loans by, for example, dominating the physical oil trade between Ecuador and its biggest customers (U.S., Chile, and Peru) and taking advantage of fixed fee payments from Petroecuador for the shipment of oil cargoes, which were up to twice as much as the actual shipping costs.[123]

On April 6, 2021 the story broke that Gunvor ex-employee Raymond Kohut pled guilty to bribing officials at Petroecuador to win lucrative contracts for his employer, which he claimed was aware of the arrangements.[124] As a result of these revelations, a former Secretary of the Presidency of Lenin Moreno was assassinated in jail in May 2021, the former General Comptroller is in jail, and at least 20 high officials involved have been arrested.[125] However, this controversy is not new. Ecuadorian journalists such as Fernando Villavicencio have been tracking Gunvor and affiliated traders such as Taurus Petroleum and Core Petroleum since at least 2016, when the Panama Papers revealed evidence of kickbacks paid by these traders to offshore oil companies owned by Ecuadorian oil czar Enrique Cadena Marin.[126]

While the controversy has made headlines for years, bank loans to Gunvor Group have not been stymied. Their last RCF "was very well received by the banks and closed substantially over-subscribed."[127] Currently, Société Générale, Citigroup, Crédit Agricole, ABN AMRO, Credit Suisse, Deutsche Bank, Goldman Sachs, ING, Natixis, Rabobank, and UBS are all lenders or underwriters on RCFs for the Gunvor Group. These facilities total $2.72 billion USD in lending for refinancing and general corporate purposes. Credit Suisse is the lead agent on all of these loans. In addition, ABN AMRO, Credit Suisse, Deutsche Bank, ING, and Natixis are lenders or underwriters on a $680 million USD letter of credit financing facility to provide working capital for Gunvor. The research did not find connections between Gunvor and BNP Paribas, HSBC, or JPMorgan Chase.

**Table 4. Scorecard banks financing the Gunvor Group**

| Loan Amount | Use | Agent | Société Générale | ABN AMRO | CITI | Crédit Agricole | Credit Suisse | Deutsche Bank | Goldman Sachs | ING | Natixis | Rabobank | UBS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| $1.005B | General corp. purpose, refinancing | Credit Suisse | ✓ | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ | ✓ | ✓ |
| $220M | General corp. purpose, refinancing | Credit Suisse | ✓ | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ | ✓ | ✓ |
| $1.165B | General corp. purpose, refinancing | Credit Suisse | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| $330M | Refinancing | Credit Suisse | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| $680M | Working Capital | Société Générale | | $50M | | | $20M | $40M | | $50M | $30M | | |

Additionally, in the past year Rabobank, Credit Suisse, Natixis, and Société Générale have all provided trade financing to Gunvor to support their oil and gas trade activities in Latin America. As recently as April 2021, Credit Suisse provided trade financing for Chaza crude (see Case Study #2) from the Colombian Amazon, while Société Générale provided trade financing for Napo crude from the Ecuadorian Amazon.[128] Natixis, while committed to a complete exit from trade finance for Amazon oil by 2022, is also still supporting Gunvor, financing cargoes of Oriente crude oil in April 2021. Rabobank is likewise providing trade financing for Gunvor, for unleaded gasoline, and reformate (a gasoline blending stock) from a high-seas origin in Mexico, indicating floating storage or transfer from somewhere in Latin America.

Across the Amazon, the cost of oil industry corruption is immense. In Ecuador, it is estimated to cost the country $3.5 billion USD annually, or approximately 10% of its GDP.[129] Corrupt deals drive oil and gas expansion when officials sell national oil reserves years in advance, in deals that siphon revenues out of the country, spurring on indebtedness. As the recent announcement by Ecuador's new president illustrates, governments react to indebtedness by driving further expansion in a positive feedback cycle that causes deforestation, biodiversity loss, and pollution.[130] Given this interrelationship, banks must consider corruption as an environmental and social risk and create stronger exclusions and screens for companies with corrupt practices.

# Annex 1: Oil and gas companies active in the Amazon

**Table 5. Oil and gas companies active in the Colombian, Ecuadorian, Peruvian, and Brazilian Amazon, including their weighting for the scorecard (tier 1–3), their parent company, and origin.**

| Tier | Name | Parent Company | Country of Origin | Brazil | Colombia | Ecuador | Peru |
|---|---|---|---|---|---|---|---|
| 1 | Amerisur Exploración Colombia Ltd. | GeoPark Ltd. | Chile | | | ✓ | |
| | Amerisur Resource Plc. | GeoPark Ltd. | Chile | | ✓ | | |
| | Andes Petroleum | CNPC/ Sinopec | China | | | ✓ | |
| | BP Energy do Brasil Ltda. | BP Plc | UK | ✓ | | | |
| | Castor Americas Inc. | Gunvor Group | Switzerland/ Cyprus | | | ✓ | |
| | Castor Petroleum Ltd. | Gunvor Group | Switzerland/ Cyprus | | | ✓ | |
| | Chinese National Petroleum Corporation (CNPC) | Chinese National Petroleum Corporation | China | | | ✓ | ✓ |
| | Consorcio Petrolero Bloque 17 | Andes Petroleum Ecuador Ltd. | China | | | ✓ | |
| | Core Petroleum LLC | Core Petroleum LLC | U.S./ Switzerland | | | ✓ | |
| | ECOPETROL S.A. | ECOPETROL S.A. | Colombia | | ✓ | | |
| | Eneva S.A. | Eneva S.A. | Brazil | ✓ | | | |
| | Frontera Energy Colombia Corp. | Frontera Energy Corp. | Canada | | ✓ | | |
| | Frontera Energy Corp. | Frontera Energy Corp. | Canada | | | ✓ | |
| | Frontera Energy del Perú S.A. | Frontera Energy Corp. | Canada | | | | ✓ |
| | GeoPark Colombia S.A. | GeoPark Ltd. | Chile | | ✓ | | |
| | GeoPark Peru S.A.C | GeoPark Ltd. | Chile | | | ✓ | |
| | Gran Tierra Energy Colombia Ltd. | Gran Tierra Energy Inc. | Canada | | ✓ | ✓ | |
| | Gran Tierra Energy Peru BV | PetroTal Corp | Canada | | | | ✓ |
| | Gunvor Colombia CI S.A.S | Gunvor Group | Switzerland/ Cyprus | | ✓ | | |
| | Gunvor Group | Gunvor Group | Switzerland/ Cyprus | | ✓ | ✓ | |
| | Gunvor International BV | Gunvor Group | Switzerland/ Cyprus | | ✓ | ✓ | |
| | Gunvor S.A. | Gunvor Group | Switzerland/ Cyprus | | ✓ | ✓ | |
| | Mercuria Energy Trading S.A. | Mercuria Energy Trading S.A. | Switzerland/ Cyprus | | | ✓ | |
| | New Stratus Energy | New Stratus Energy | Canada | | | ✓ | |
| | Perenco Peru | Perenco | UK/ France | | | | ✓ |
| | PetroAmazonas | Petroecuador | Ecuador | | | ✓ | |
| | Petróleo Brasileiro S.A (Petrobras) | Petróleo Brasileiro S.A. | Brazil | ✓ | | | |
| | PetroChina | CNPC | China | | | ✓ | |
| | PetroOriental | Andes Petroleum Ecuador Ltd. | Ecuador | | | ✓ | |
| | Petroperu | Peruvian Gov't | Peru | | | | ✓ |
| | PetroTal | PetroTal Corp. | Canada | | | | ✓ |
| | Pluspetrol Ecuador | Pluspetrol Resources Corporation B.V. | Netherlands | | | ✓ | |
| | Pluspetrol Peru | Pluspetrol Resources Corporation B.V. | Netherlands | | | | ✓ |
| | PTT International Trading Pte Ltd. | PTT Public Company Ltd. | Thailand | | | ✓ | |
| | Repsol Peru | Repsol Exploration S.A. | Spain | | | | ✓ |
| | Rosneft Brasil E&P Ltda. | Rosneft PJSC/ Rosneftegaz | Russia | ✓ | | | |
| | Shell Western Supply and Trading Ltd. | Royal Dutch Shell plc. | UK | | ✓ | ✓ | |
| | Sinochem | S.A.S.A.C (Chinese Government) | China | | | ✓ | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Talisman Colombia Oil and Gas | Repsol Exploration S.A. | Spain | | ✓ | | |
| | Taurus Petroleum Ltd. | Taurus Petroleum Ltd. | U.S./ Switzerland | | | ✓ | |
| | Tesoro Refining and Marketing Company | Marathon Petroleum Corp. | U.S. | | | ✓ | |
| | Total E&P do Brasil Ltda. | Total SE | France | ✓ | | | |
| | Trafigura AG | Trafigura Group Pte. Ltd./ Farringford N.V. | Singapore/ Curaçao | | | ✓ | |
| | Trafigura Beheer BV | Trafigura Group Pte. Ltd./ Farringford N.V. | Singapore/ Curaçao | | | ✓ | |
| | Trafigura Petroleum | Trafigura Group Pte. Ltd./ Farringford N.V. | Singapore/ Curaçao | | | ✓ | |
| | Trafigura Ptd. Ltd. | Trafigura Group Pte. Ltd./ Farringford N.V. | Singapore/ Curaçao | | | ✓ | |
| | Trafigura Trading LLC | Trafigura Group Pte. Ltd./ Farringford N.V. | Singapore/ Curaçao | | | ✓ | |
| | UNIPEC | Sinopec | China | | | ✓ | |
| | Vitol Inc. | Stg. Adm. Kant. Vitol Holding II | Netherlands | ✓ | ✓ | ✓ | |
| 2 | Amodaimi Oil Co. | Sinopec | China | | | ✓ | |
| | Brasoil Manati Exploracao Petrolifera | PetroRio | Brazil | ✓ | | | |
| | Canacol Energy Ltd. | Canacol Energy Ltd. | Canada | | | ✓ | |
| | Compañía Española de Petróleos, S.A.U., (CEPS.A.) | Cepsa | Spain | | | ✓ | |
| | Emerald Energy PLC | Sinochem | China | | ✓ | | |
| | ENAP Sipetrol | Empresa Nacional del Petróleo | Chile | | | ✓ | |
| | Enauta Energia S.A. | Queiroz Galvao S/A | Brazil | ✓ | | | |
| | Flamingo Operating | | U.S.A. | | | ✓ | |
| | Gente Oil Ecuador Pte Ltd. | Gente Oil Global, CDC International | Lebanon | | | ✓ | |
| | Gran Tierra (PUT-7) Ltd. | Gran Tierra Energy Inc. | Canada | | ✓ | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Gran Tierra Colombia Inc. | Gran Tierra Energy Inc. | Canada | | ✓ | ✓ | |
| | GTE Colombia | Gran Tierra Energy Inc. | Canada | | ✓ | | |
| | Occidental Andina | Occidental Petroleum | U.S. | | ✓ | | |
| | OPIC | CPC Corp | Taiwan | | | ✓ | |
| | Petrobell Inc. (Grantmining S.A.) | | Ecuador | | | ✓ | |
| | PetrolAmerec (PetroSud) | Petróleos Sudamericanos | Argentina | | | ✓ | |
| | Petrolifera Petroleum Del Peru S.R.L. | Gran Tierra Energy Inc. | Canada | | | | ✓ |
| | Pluspetrol Camisea | Pluspetrol Resources Corporation B.V. | Netherlands | | | | ✓ |
| | Pluspetrol Colombia Corp. | Pluspetrol Resources Corporation B.V. | Netherlands | | ✓ | | |
| | Pluspetrol Ecuador BV | Pluspetrol Resources Corporation B.V. | Netherlands | | | ✓ | |
| | Pluspetrol Lote 56 | Pluspetrol Resources Corporation B.V. | Netherlands | | | | ✓ |
| | Pluspetrol Norte S.A. | Pluspetrol Resources Corporation B.V. and China National Petroleum Corporation | Netherlands | | | | ✓ |
| | POSCO Int'l | POSCO | Korea | | | | ✓ |
| | Petrovietnam | Petrovietnam | Viet Nam | | | | ✓ |
| | Shona Energy Company, Inc. | Canacol Energy Ltd. | Canada | | ✓ | | |
| | Tecpecuador S.A. | Tecpetrol | Argentina | | | ✓ | |
| | YPF E&P Peru S.A.C. | YPF S.A. | Argentina | | | | ✓ |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 3 | Arrow Exploration Corp | Arrow Exploration Corp | Canada | | ✓ | | |
| | Belorusneft | State Production Association Belorusneft | Belarus | | | ✓ | |
| | Campo Puma Oriente S.A. | Gammon India | India | | | ✓ | |
| | Consorcio Palanda-Yuca Sur | Petroquímica Comodoro Rivadavia S.A | Argentina | | | ✓ | |
| | Consorcio Petrosud-Petroriva | Petroquímica Comodoro Rivadavia S.A | Argentina | | | ✓ | |
| | Gran Tierra Energy Peru S.R.L. | Gran Tierra Energy Inc. | Canada | | | | ✓ |
| | Hupecol Cuerva LLC | GeoPark Ltd. | Chile | | ✓ | | |
| | Hupecol Operating LLC | Dan A. Hughes or Ecopetrol or GeoPark? | Ecuador | | ✓ | | |
| | Joshi Technologies Int'l Inc. | Joshi Technologies Int'l Inc. | U.S. | | | ✓ | |
| | Korean National Oil Corp. | Korean National Oil Corp. | Korea | | | | ✓ |
| | Lewis Energy Colombia Inc. | Lewis Energy Group | U.S. | | ✓ | | |
| | Mompos Oil Company Inc. | Mompos Oil Company Incorporated | U.S.A. | | ✓ | | |
| | Orion Energy Ocano - PB | Unknown | Ecuador | | | ✓ | |
| | Orion Oil ER S.A. | Orion Group S.A. | DRC | | | ✓ | |
| | Petro Caribbean Resources Ltd. | Petro Caribbean Resources Ltd. | Colombia | | ✓ | | |
| | SK Innovation Co. | SK Group | Korea | | | ✓ | |



# Annex 2: Detailed Methodology

## Note about the Amazon

The scorecard looked at oil and gas extraction in all the Amazon lowland rainforest areas of Ecuador, Colombia, Peru and Brazil that are part of the Amazon River basin. However, when developing the Amazon oil and gas exclusion and exit strategy, the area under consideration was expanded to include the entire Amazon Biome, as defined by the Amazon Geo-Referenced Socio-Environmental Information Network (RAISG) on page 28 of this report.

### Criterion 1—Calibur of commitments

Each bank was assessed on the caliber of its commitments, including signatures and reporting to the United Nations Principles for Responsible Investment (UNPRI), UN Principles for Responsible Banking (UNPRB), Collective Commitment to Climate Action (CCCA), Equator Principles, and support for the Extractive Industries Transparency Initiative (EITI). All available policies and reporting related to these commitments were reviewed in terms of coverage (products and services; clients and investees) and support for major international environmental and social frameworks such as the Paris Climate Agreement, the Sustainable Development Goals, the Ramsar Convention, the Convention on International Trade in Endangered Species (CITES), UNESCO World Heritage Sites, International Union for Conservation of Nature (IUCN) protected areas, high conservation value (HCV) areas, the UN Declaration on the Rights of Indigenous Peoples (UNDRIP), the UN Guiding Principles on Business and Human Rights (UNGPs), and the UN Global Compact. See Table 6 for indicators and scoring.

### Criterion 2—Strength of exclusions and screens for managing Amazon risks

Bank policies were assessed against six key environmental and social risks applicable to the Amazon. The management of such risks were considered in terms of bank exclusions and negative screens designed to help the bank avoid complicity in negative environmental and social impacts in the Amazon. The six risks are: oil expansion, deforestation, biodiversity loss and conservation of protected areas, Indigenous rights, pollution, and corruption. Oil expansion risk management was assessed in the framework of the bank's climate targets and transition pathways, as well as all fossil fuel-related exclusions and any commitments to end financing and investment for new expansion projects. Deforestation risk management was assessed based on the exclusions and screens related to primary forests, intact forest landscapes, HCVs, illegal

logging, and uncontrolled fire. Biodiversity risk management was assessed based on the exclusions and screens for protected areas, areas of biodiversity outside of protected areas (including HCVs, areas with high scientific consensus, metrics such as biodiversity intactness, and Indigenous territories). The risk of violation of Indigenous rights was based around the fullness of the definition of Free, Prior, and Informed Consent applied by the bank and the willingness of the bank to base exclusions on the absence of a complete FPIC process that resulted in community consent for the project. Pollution risk management was assessed based on the exclusions and screens banks applied and how banks gave and adjusted risk gradings for companies. In that process, the scorecard looked for factors such as company track records, adherence to the UN Global Compact, adherence to national environmental laws, and presence of major controversies regarding pollution in ESR policies. Corruption risk management was assessed based on the exclusions and screens that banks used to assess clients, investees, and transactions. As corruption is typically considered a business risk more than an environmental and social risk, several policies had to be reviewed to get a full picture of banks' assessment processes. In that process, the scorecard looked for factors such as company track records, adherence to the UN Global Compact, adherence to national and international laws and norms, and presence of major controversies regarding corruption in the oil and gas sector.

Banks were scored out of 4 for each of the 6 risks, for a total possible score of 24. Banks with high scores per Amazon risk (scoring 4 out of 4) have policies in place that offer strong exclusions related to oil and gas and the Amazon risks highlighted in this report. Banks that have some exclusions, but with limited coverage, and a series of mandatory screens were rated a 3 out of 4. Banks with no exclusions but with mandatory screens were rated 2 out of 4. Banks that had weak screens and no exclusions scored 1 and banks with no policy scored 0. See Table 6 for indicators and scoring.

## Criterion 3 — Quality of governance and engagement

Bank policies were assessed for their ability to respond to violations of policy. For clients and investees, the scorecard assessed engagement and escalation tactics involved in financing and investment policies e.g. active engagement strategies, ESR in proxy voting, and requirements for clients and/or investees to have grievance processes, stakeholder engagement, corrective actions, and remediation. Banks were also assessed on their own procedures regarding stakeholder engagement (especially with directly impacted communities) and handling of grievances—including provisions for due diligence and recourse in fair and accessible grievance procedures when stakeholders complain that banks have contradicted their own policies. See Table 6 for indicators and scoring.

The risk management score is a sum of all of the scores from Criteria 1–3 and signifies the bank's effort to manage their risk of direct or indirect involvement in negative environmental and social impacts in the Amazon.

## Criterion 4 — Amazon risk exposure via investments, finance, and controversies

Criterion 4 assesses the bank's current exposure to environmental and social risks listed in Criterion 2. This includes assessing the bank's investments and financing for the top 90 oil and gas companies and traders active in the Amazon. The assessment considers equity and debt holdings, term loans, letters of credit, revolving credit facilities (RCFs), and other bank products and services analysed via Bloomberg Terminal. Finance is weighted more heavily than investment, because the level of control the bank has over investment decisions varies depending on the products and services and because the level of equity and debt holdings can fluctuate greatly over the short term. Special attention is given to the bank's role in RCFs for major oil traders active in the Amazon and major controversies and corruption cases related to the bank and/or to bank clients or investees are given greater consideration in the bank's risk exposure. See Table 6 for indicators and scoring.

Barrels containing toxic chemicals at an oil spill site in the northern Peruvian Amazon in 2013. Petroperu, the company responsible for the spill, hired dozens of local Indigenous people in an attempt to make the evidence of the spill quickly disappear. The workers were given little or no protection, exposed to contamination, and asked to use toxic dispersants. ©Amazon Watch

**Table 6. Scorecard Rubric with criteria, indicator, verifiers and max scores.**

| Criteria | Indicator | Verifiers | Max score |
|---|---|---|---|
| 1. Caliber of bank commitments | 1.1 Presence, reporting, and policies related to key environmental, climate, and social commitments | Signatory to the UNPRI, UNPRB, Collective Commitment on Climate Action, Equator Principles; Date of signing; year of latest public reporting | 2 |
| | | Publicly available ESR policies that support these commitments | 1 |
| | 1.2 Supports main internationally recognized climate, environmental protection, and human rights frameworks | Climate policy supports Paris Climate Agreement targets and includes commitment to disclosure (e.g. TCFD, PACTA, PCAF, etc) | 1 |
| | | Human rights and ESR policies explicitly refer to UNDRIP and uses a full definition of Free, Prior, and Informed Consent | 1 |
| | | ESR policies reference globally-recognized protected areas classifications, frameworks and conventions such as UNESCO, Ramsar, IUCN, HCVs, HSCA, Biodiversity intactness Scale, Key Biodiversity Areas, and other globally recognized biodiversity metrics and areas of biodiversity highly recognized by the scientific community | 1 |
| | 1.3 Commitments and policies apply to all forms of financing and/or investment activities | The policy does not contain waivers or loopholes where the bank could support oil and gas activities in the Amazon | 1 |
| | 1.4 Commitments and policies apply to all investees, clients, and their subsidiaries | The policy does not contain waivers or loopholes for clients and investees where the bank could support oil and gas activities in the Amazon (note: this is in consideration of the variability in control that the bank has in investment decisions by the asset management clients) | 1 |
| **Total possible score, Criterion 1** | | | **8** |
| 2. Strength of environmental and social screenings for Amazon basin | 2.1 Climate change and oil and gas expansion in the Amazon | Clients, investees, and transactions that contribute to expansion are excluded from the bank's financing and investment portfolios without exceptions, in line with the bank's commitment to the Paris Agreement. The bank has a clear plan with timely targets to limit warming to 1.5°C | 4 |
| | 2.2 Deforestation | Clients, investees, and transactions that cause deforestation are excluded from the bank's finance and investment portfolios, without exceptions, and in line with commitment to protecting forests from fragmentation, fire, deforestation, and degradation | 4 |
| | 2.3 Biodiversity and protected areas | Clients, investees, and transactions that cause biodiversity loss are excluded from the bank's finance and investment portfolios, without exception, and in line with commitment to protecting globally significant biodiversity inside and outside of protected areas | 4 |
| | 2.4 Indigenous rights | Clients, investees and transactions that violate Indigenous peoples' land and customary rights are excluded from the bank's finance and investment portfolios, without exception, and in line with commitment to a full definition of Free, Prior, and Informed Consent and the UN Declaration on the Rights of Indigenous Peoples | 4 |
| | 2.5 Pollution | Clients, investees and transactions that are at high risk of oil spills (measured as the company's environmental management track record, accountability for spills, use of high-risk infrastructure and practices (e.g. flaring), presence of major controversy especially with local communities allegeding pollution and health concerns…) are excluded from the bank's finance and investment portfolios, without exception, and in line with commitment to protecting the health and welfare of local peoples and upholding environmental and human rights | 4 |
| | 2.6 Corruption | Clients, investees and transactions that are at high-risk of corruption (due to past activity of country and/or company, presence of major controversies involving corruption allegations) are excluded from the bank's finance and investment portfolios, without exception, and in line with the bank's commitment to anti-corruption | 4 |
| **Total possible score, Criterion 2** | | | **24** |

| Criteria | Indicator | Verifiers | Max score |
|---|---|---|---|
| 3. Quality of governance and engagement | 3.1 Client and investee engagement policies | Active ownership in investees | 0.5 |
| | | ESG proxy voting policies | 0.5 |
| | | Action plans and improvement processes | 1 |
| | | The bank has a policy for reviewing existing clients once new policies are enacted | 1 |
| | 3.2 Grievance processes | The bank screens clients and investees for the presence of credible grievance processes | 0.5 |
| | | The bank has a process for reporting and addressing grievances e.g. when the bank is perceived as violating their ESR policy | 1 |
| | 3.3 Stakeholder engagement | The bank screens clients for the presence of credible stakeholder engagement processes | 0.5 |
| | | The bank requires stakeholder engagement by the bank when conducting reviews and addressing violations of its policy and identifies directly-impacted communities as stakeholders | 1.5 |
| | 3.4 Party or parties responsible for ESG screening | Screening is done by a sustainability team that has the authority to make binding recommendations. The executive team has a framework for oversight and accountability and there is a hierarchy of decision-making that is clearly articulated in bank policy and/or annual reports | 2 |
| | 3.5 Policy review | The ESR policy stipulates a review and revision process at predictable intervals (e.g. every 4 years) as part of a commitment to continuous improvement | 0.5 |
| **Total possible score, Criterion 3** | | | **9** |
| **Total possible risk management score** | | | **41** |

| Criteria | Indicator | Verifiers | Max score |
|---|---|---|---|
| 4. Investment and financing in the Amazon basin | 4.1 Current investments (equity and bond holdings) in oil and gas companies | Number and value of investments in oil and gas companies' oil production and expansion, with weighting towards investments that are: 1. linked to the Amazon; 2. overlapping with key Amazon threats; 3. linked to Tier 1 companies; 4. higher value, with heavier weighting for bonds than shares | -4 |
| | 4.2 Current financing (loans, letters of credit, revolvers) in oil and gas companies | Number, value, and type of financing in oil and gas companies' oil production and expansion, with weighting towards loans that are: 1. linked to the Amazon; 2. overlapping with key Amazon threats; 3. linked to Tier 1 companies; 4. higher value, with heavier weighting for bi-lateral than syndicated loans | -4 |
| | 4.3 Current revolving credit facilities (RCFs) for oil trader clients | Number, value and purpose of RCFs for oil traders and bank's participation role | -4 |
| | 4.4 Major corruption, pollution, and other controversies | Number and description of controversies related to companies receiving bank financing and/or investment | -4 |
| **Total possible deductions, Criterion 4 (Total possible risk exposure score)** | | | **-16** |

## Notes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