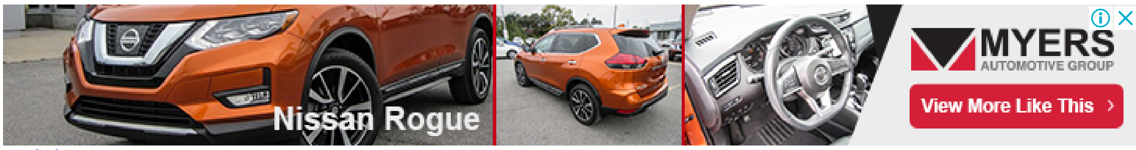

[Opinion](#)

Fake green hues in big banks' environment-friendly boasts

22 March 2018 - 06:18 Audrey Elster and Dugan Fraser

Downstream: Banks make big profits by financing mining and other operations that have devastating effects on the environment and on the people who live nearby. Picture: SUPPLIED

Nothing demonstrates corporate SA's duplicitous attitude to environmental, social and governance issues quite like the speed with which major banks fall over themselves to ensure they get a slice of whatever project is on the horizon — no matter what's involved.

No wonder there was scepticism and confusion regarding their decision to terminate dealings with the Gupta family in 2016. Up to that point it seemed there was nothing and nobody who would not get funding from a South African bank.

The lure of fees and the chance to sign off on another major loan facility tend to be the overwhelming consideration for businesses mesmerised by a six-month time horizon. Nothing demonstrates this more forcefully than the manner in which all four of the big banks – Nedbank, Barclays Africa, FirstRand and Standard – have signed up as potential funders of the proposed Thabametsi coal-fired power plant.

The Centre for Environmental Rights pointed out last August that is it apparent from the climate impact assessment ordered by the High Court in Pretoria that greenhouse gas emissions from the plant (to be built near Lephalale in Limpopo) are expected to be 60% higher than Eskom's new Medupi and Kusile coal plants.

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It will have such devastating environmental effects that it is expected to become a "stranded" asset long before payback. Why would banks invest in such a damaging initiative?

About 20 years ago it looked as though old-style shareholder capitalism was on the cusp of significant change. The system had generated huge returns but it had also created massive costs and, increasingly, it seemed the returns were being allocated to a small group of lucky investors and the costs falling to a large group of unlucky individuals.

Nothing demonstrated this global phenomenon better than the South African bank-financed mining industry, where the environment and lives of communities were trampled by companies in a bid to make profit. But during the 1990s there was a concerted push to address concerns about shareholder capitalism by improving the governance and reporting standards of listed companies. The King Code took its lead from the Cadbury Report and encouraged the belief that significant change was on the horizon.

The 2005 release of a report commissioned by the UN Environment Programme led to the establishment of the UN Principles for Responsible Investment, which provided a framework for consideration of environmental governance issues in corporate investment decisions. This led to the launch of the Code for Responsible Investing in SA, intended to guide powerful institutional investors.

A few years later the integrated annual report became the mechanism for companies to present a more holistic account of how they make their money. It took reporting beyond finance, accounting and shareholders to stakeholders, communities, resources and environments.

The JSE's socially responsible index was evidence that reality didn't have to intervene too much in this supposedly enlightened world: it was all about reporting on that reality.

In 2016, after controversial mining company Lonmin had won a slew of "best-performer" awards, the socially responsible index was replaced by the FTSE/JSE responsible investment index.

The banks have perhaps been the most cynical users of the environmental governance industry. They have turned the onerous reporting requirements of this new "enlightened" era into a marketing opportunity. Each report is treated as a chance to present a picture of a caring industry to a traditionally deeply mistrusting public.

Nedbank says it has been carbon neutral since 2010 and was Africa's first carbon-neutral financial organisation. It occupies seven green-star-rated buildings and in 2017 was awarded second place in the Green Award in Sunday Times's Top Brands. It was also one of only 106 companies in the world to be awarded an A for performance on its carbon disclosure project index in 2017. But that's pointless as it only relates to the luxury offices and says nothing about the carbon-pumping projects it finances.

Standard Bank provides a "report to society" in addition to its integrated report in which it exhorts stakeholders to move forward together. The report claims to explain how the bank is responding to social, economic and environmental issues in Africa and the steps it is taking to ensure the long-term sustainability of its business. But it deals with its environmental impact in complete isolation from its lending activity.

FirstRand also produces "reports to society", which claim that "sustainable development and sustainable profitability are seen as complementary objectives". It has taken its reporting beyond that of its competitors by including comment on the consequences of its financing.

Strangely, even though all the banks are signatories to the Equator Principles, only FirstRand seems to make much of them in its stakeholder communications. Its integrated report describes how it screens requests for funding on the basis of size and potential impact on the environment. If concerns arise, an environmental impact assessment is undertaken.

We are left to wonder what happens when an adverse assessment is made.

Barclays Africa, which refers to possible environmental and social effects of its lending, states that as a signatory of the Equator Principles it only provides project financing to "socially responsible developments". In financial year 2016 it screened two projects and had them independently reviewed. It doesn't reveal the results other than to say both "are located in SA, a nondesignated country". To date the bank has contributed a combined R52bn to finance 20 renewable energy projects.

Given the effusive commitment to the sanctity of the environment expressed by each of our major banks, how is it possible that all four are now considering assisting in the financing of the Thabametsi coal-fired power plant for about R23bn? Is it possible none are to be trusted?

At the very least these powerful organisations should be hauled before the Advertising Standards Bureau for misleading the public — none more so than the bank that has the temerity to describe itself as "the green bank".

• *Elster is executive director and Fraser programme director of the Raith Foundation.*