**Forests and finance**

**Invitation to tender**

**20 September 2021**

**Purpose**

1. WWF wishes to let a contract for the purpose of gathering evidence to support legal advocacy we are currently undertaking to support our work to persuade UK financial institutions to mitigate their exposure to deforestation risk in particular.

**Background**

1. WWF-UK is deeply concerned about the levels of deforestation around the world which continues to rise - both because of the threat this poses in terms of climate change and to globally important nature. As a major international finance hub, our research indicates that City of London institutions (banks in particular) continue to invest or lend significant sums to businesses strongly linked to deforestation – in the Amazon in particular.
2. Our Risky Finance report[[1]](#footnote-1) sets out a strong evidence base focussing in particular on soft commodities as well as setting out a model due diligence policy which banks could and should implement to mitigate these risks.

**Legal background**

1. WWF-UK is exploring the argument that UK bank directors are in breach of the fiduciary duty they owe the company by deciding to permit lending etc to businesses linked to deforestation where:
	1. the deforestation was illegal and
	2. the investment (or lending) is at risk of becoming uneconomic (owing to regulatory change).
2. We have strong evidence of illegal deforestation taking place in the Amazon[[2]](#footnote-2) and regulatory change in the UK, EU (and potentially US) as regards commodities produced from illegally deforested land is under way[[3]](#footnote-3). However to assess the strength of the argument, we also need to establish the extent of the bank’s knowledge of the risks and the unlawfulness of the deforestation.

**Evidence gathering**

1. We wish to let a contract for the purpose of gathering evidence as to:
2. what financing deals were entered into by UK banks with direct or indirect links to illegal deforestation over the last 7 years?
3. what if any assessment and disclosure of deforestation risk was made by UK banks when providing certain kinds of finance over that period to key businesses linked to deforestation?
4. WWF is focussed on a small number of UK banks with strong international businesses – further details available on request.
5. The businesses most widely linked to deforestation, which we would expect the successful bidder to focus on, are:
	1. commodities traders: Archer Daniels Midland, Bunge, Cargill, Philip Dreyfus, Cofco
	2. meat majors: JBS, Marfrig, Minerva.
6. The types of finance or lending which we would expect the report to focus on are:
	1. revolving credit facilities
	2. corporate finance
	3. project finance
	4. bond issuance and securities
7. The key issues we seek to establish answers to are:
	1. what did the banks know about the deforestation risk when entering into the transactions with the businesses listed (and when)?
	2. what did the banks say to shareholders, investors or clients about the risk in these cases when entering into, supporting or canvassing these deals, or more broadly in annual reports etc?
	3. what if any steps were taken to mitigate the deforestation risk? Or did the banks simply lend or invest despite having accurately identified the risk?
8. The report should identify the sums lent (so far as possible)
9. We consider holding of shares to be of less concern, because it will be open to banks to argue that they could use their shareholdings to push for changes of practice on deforestation etc. On the other hand, offering shares may be of greater interest (where the risks are or should have been identified).
10. We are conscious that not all of the information sought (eg: bond issue prospectuses) may be in the public domain. But we expect the successful bidder to have some previous experience in this area which will inform their work as well as familiarity with relevant sources such as Forests & Finance[[4]](#footnote-4).
11. In the case of securities, research should not be limited to securities marketed as “green” alone, as claims about what regular bonds will and will not do may also be false by virtue of the connection to deforestation.
12. In the event that evidence of knowledge of deforestation risk is difficult to come by, by way of fallback we also seek a summary of:
	1. campaigns run by NGOs to draw these issues to the attention of the major banks
	2. responses from the banks to media stories about deforestation (and linked human rights abuses)
	3. shareholder questions at AGMs
	4. questions from investors.
13. In terms of use of the report going forward, we intend to engage with banks to draw this issue to their attention and persuade them to improve practice and mitigate exposure. If banks fail to engage, or to take timely action, it is possible the evidence gathered may be used in connection with further steps such as international compliance mechanisms or regulatory action.

**Timing of response**

1. We require written responses to this invitation to tender within 2 weeks of the date of the invitation.

**Timing for report**

1. We want to start engaging with banks on this issue in the run-up to COP, so we are looking for an initial report within 2 - 4 weeks of successful award of contract.

**Budget**

1. Up to £8K plus VAT.

**Contact**

1. Please send your submission to Jake White JWhite@wwf.org.uk and copy in the Procurement Team procurement@wwf.org.uk.
1. [WWF\_2021\_Risky Finance Report.pdf](https://www.wwf.org.uk/sites/default/files/2021-09/WWF_2021_Risky%20Finance%20Report.pdf) [↑](#footnote-ref-1)
2. <https://www.wwf.org.uk/press-release/illegal-deforestation-report-brazil> [↑](#footnote-ref-2)
3. Environment Bill (UK), EU due diligence proposals, Senator Schulz (et al) legislation proposed in US Senate. [↑](#footnote-ref-3)
4. <https://forestsandfinance.org/> [↑](#footnote-ref-4)