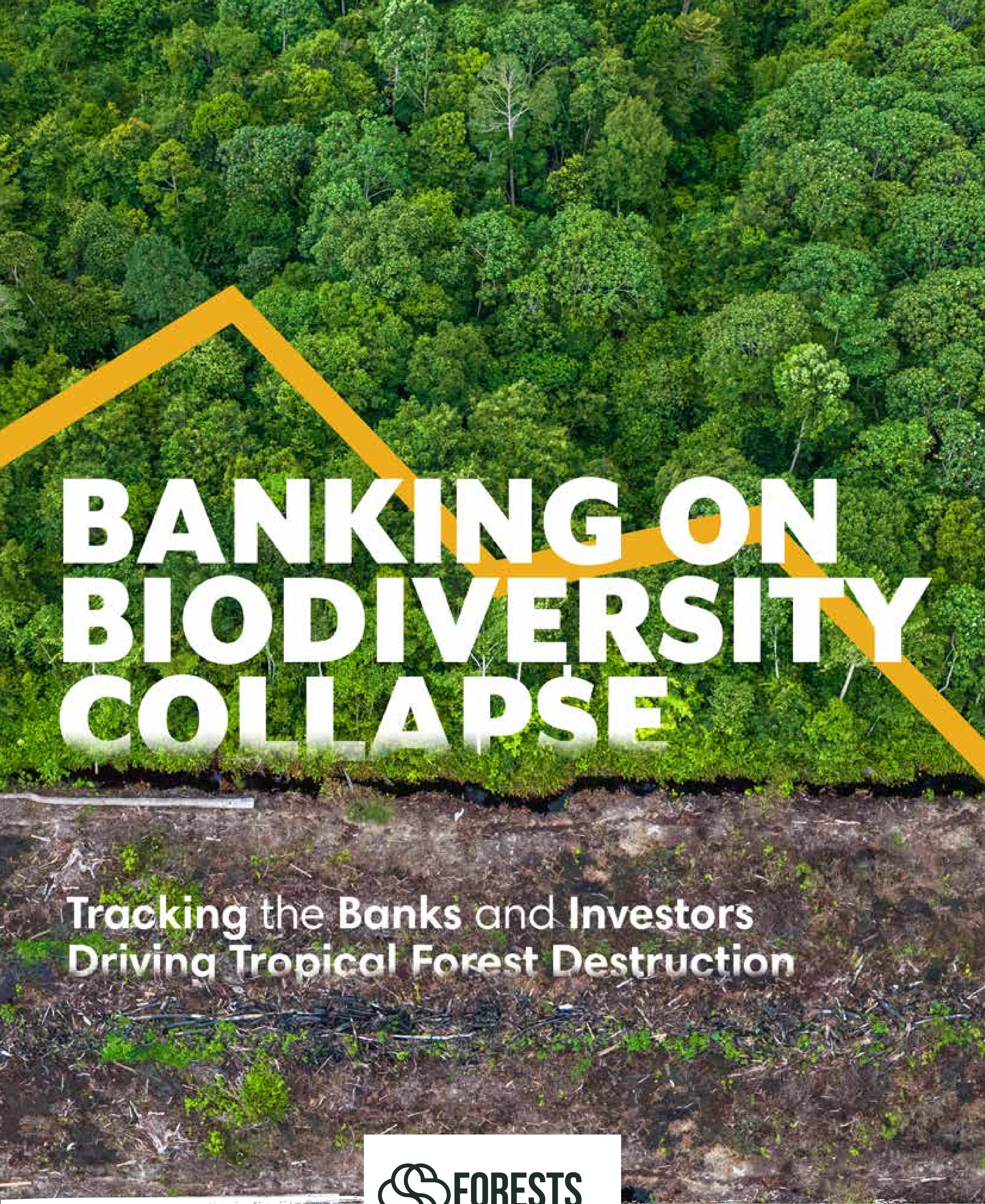

BANKING ON BIODIVERSITY COLLAPSE

Tracking the Banks and Investors Driving Tropical Forest Destruction

FORESTS & FINANCE

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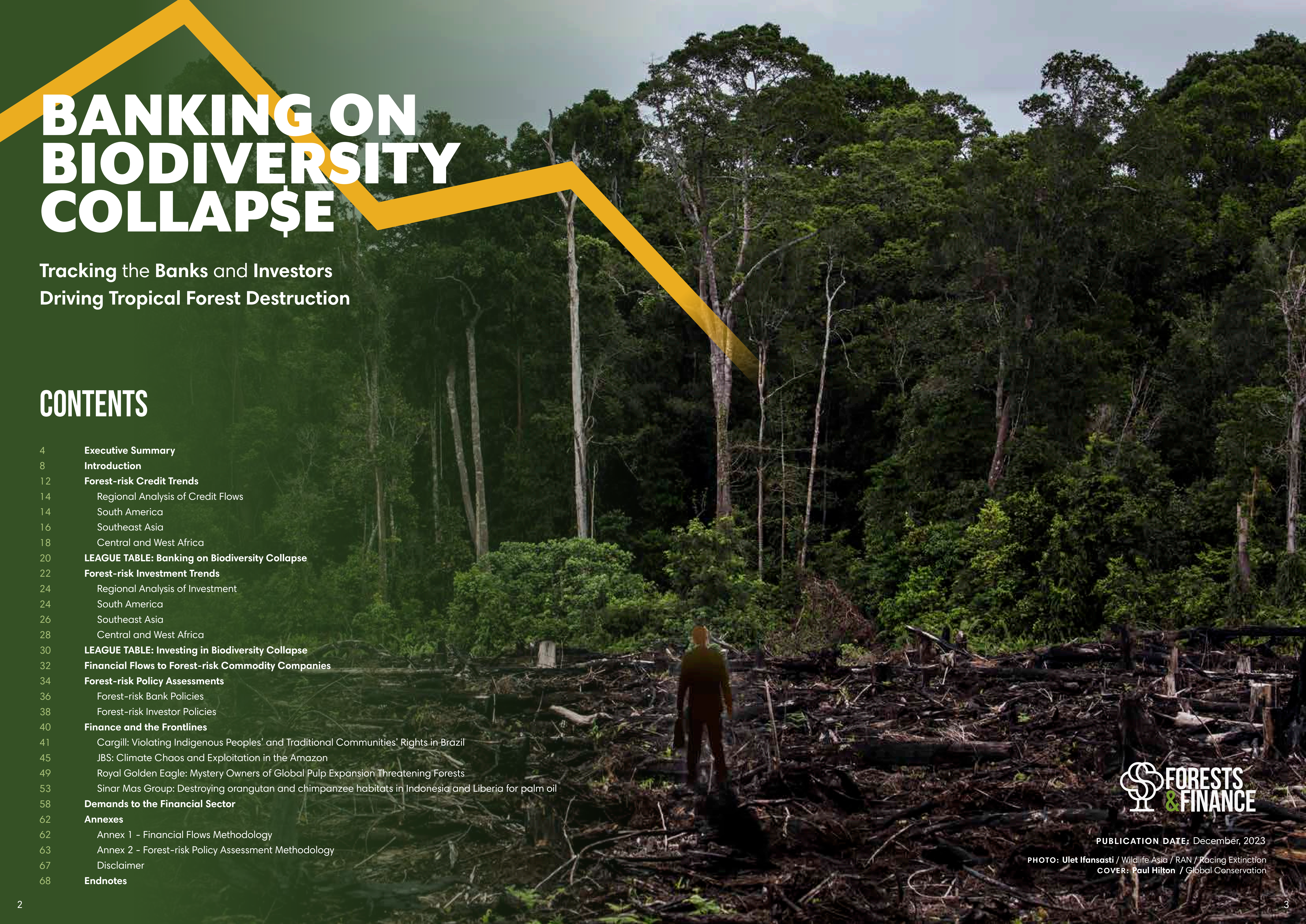

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Tracking the Banks and Investors Driving Tropical Forest Destruction

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FORESTS & FINANCE

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COVER: **Paul Hilton** / Global Conservation


PHOTO: Paul Hilton / RAN

EXECUTIVE SUMMARY

Tropical rainforests are globally important biomes which host an outsized proportion of the world's terrestrial biodiversity and are critical to climate stability. However, these ecosystems and the people who depend on them are under severe threat from the continued expansion of agribusiness and logging. At a time when catastrophic climate impacts[1] are being felt around the world, critical ecosystems[2] that enable a liveable planet are on the brink of failure. Meanwhile, the people[3] defending their lands and rights are being threatened, criminalized, and killed. Workers and impacted communities face exploitation and injustice across the food and agricultural system. Business as usual is no longer an option.

At the end of 2022, a landmark agreement on biodiversity – the UN Global Biodiversity Framework – was signed by 196 countries. It sets out targets to halt and reverse global biodiversity loss, including a specific requirement on states to take policy and legal measures to ensure financial institutions align with the agreement. This is a significant step in recognizing the long-term failure of the financial sector to address its role in the biodiversity crisis. While the devastating social and environmental harms related to the expansion of forest-risk commodities are already widely known, finance continues to flow with impunity to agribusiness and logging companies driving these harms.

This report maps commercial financial flows attributable to the forest-risk commodity sectors driving[4] the majority of tropical deforestation. Forests & Finance analyzes 300 of the largest companies operating in the production of beef, palm oil, pulp and paper, rubber, soy, and timber in the world's three major tropical forest biomes: Southeast Asia, South America, and Central and West Africa. From January 2016 to September 2023, banks provided at least US$ 307 billion in credit to these operations. In addition, they were supported by institutional investors, which held US$ 38 billion in shares and bonds as of September 2023.

Forest-risk commodity sector financing is dominated by banks from Brazil (US$ 127 billion), Indonesia (US$ 31 billion), China (US$ 25 billion), the United States (US$ 22 billion) and Japan (US$ 20 billion), collectively representing 73% of all recorded credit since 2016. Investment is more concentrated, with 66% coming from just two countries as of September 2023: the United States (US$ 14 billion) and Malaysia (US$ 11 billion). While there were some fluctuations in annual credit and investment totals from 2016 to 2023, there appears to be no downward trend in capital facilitating the continued expansion of forest-risk commodity production.

"While the devastating social and environmental harms related to the **expansion of forest-risk commodities** are already widely known, finance **continues to flow with impunity** to companies driving these harms"

Forests & Finance also assesses what policies financial institutions claim to have in place in order to mitigate the specific types of risks and impacts routinely observed in bank and investor financing impacting tropical forests. Our 2023 analysis of the forest-risk commodity sector policies of over 100 financial institutions shows that they are dangerously inadequate. The average policy score was just 17% and the majority of financial institutions assessed scored below 30%, with almost half scoring under 10%. This analysis suggests much of the finance is being provided without the necessary safeguards to prevent deforestation and other social and environmental harms. The financial sector appears to be failing to address its role in the climate and nature crises due to systemic negligence.

This report presents four cases that illustrate the type of client behaviors tolerated and facilitated by banks and investors. JBS, Cargill, Royal Golden Eagle, and Sinar Mas Group have each been repeatedly linked to extensive social and environmental harms which exemplify the risks common in tropical forest-risk sectors. Yet these groups continue to rake in billions of dollars in commercial finance, serving to embed and extend destructive corporate control over land and communities. The biggest backers of these groups include global financial powerhouses such as Bank of America, Blackrock (United States), Mizuho (Japan), Santander (Spain), Bradesco (Brazil), Bank of China, and Bank Panin (Indonesia).

Given the prolific harms documented in their clients' forestry and agribusiness operations – often spanning several decades – banks and investors appear to be systematically ignoring egregious harms in order to maintain highly profitable business relationships. Meanwhile, a litany of corporate-devised initiatives offers financial institutions platforms to make lofty pledges on sustainability without any real transparency or accountability, enabling business-as-usual greenwashing.

This report advocates for governments to step in and mandate financial sector regulation necessary to safeguard society and the ecosystems on which we all depend, consistent with international public policy goals. This is a systemic problem which ultimately demands stronger, more systemic interventions. These could include, for example, prohibiting the allocation of capital to certain sectors or corporations driving ecosystem destruction and legislating for meaningful sanctions against financial institutions that fail to align their lending and investment accordingly.

FOREST-RISK COMMODITY SECTOR SUMMARIES

Forests & Finance tracks six forest-risk commodity sectors which are responsible for driving tropical deforestation. These sector summaries show the credits (loans, revolving credit facilities, bond issuances, and share issuances) provided to these sectors from January 2016 to September 2023 and the investments (bond holdings and shareholdings) in these sectors outstanding as of September 2023.

Beef
$82.6 billion credit
$1.5 billion investment

Rubber
$21.2 billion credit
$1.2 billion investment

Palm oil
$54.5 billion credit
$21.3 billion investment

Soy
$61.9 billion credit
$2.6 billion investment

Pulp and paper
$80.9 billion credit
$10.6 billion investment

Timber
$5.9 billion credit
$0.9 billion investment

* All figures are shown in US$ billions

PHOTO: Paralaxis / Getty Images

DEMANDS

Governments and financial institutions need to act now to address the climate and biodiversity crises. To achieve this, we call on the financial sector to adopt and implement these five principles:

- **Halt and reverse biodiversity loss:** by prohibiting finance to activities and sectors that are driving nature destruction.
- **Respect and prioritize the rights of Indigenous Peoples, women and local communities:** and ensure policies and practices protect and prioritize the human rights of impacted communities.
- **Foster a just transition:** by prioritizing the ecological and social well-being of communities and engaging affected workers and communities in support of sustainable development.
- **Ensure ecosystem integrity:** by evaluating ecosystem-wide impacts prior to financing, and prohibit financing to activities which negatively impact ecosystem integrity.
- **Align institutional objectives across sectors, issues, and instruments:** by creating strong coherence between climate and nature targets and other institutional objectives.

About Us

Forests & Finance is a coalition of eight campaign, grassroots, and research organizations: **Rainforest Action Network, TuK Indonesia, Profundo, Amazon Watch, Repórter Brasil, BankTrack, Sahabat Alam Malaysia,** and **Friends of the Earth US**. We maintain an open-source database of financial flows to hundreds of companies involved in forest-risk commodity production; undertake an annual assessment of bank and investor policies; and coordinate investigations, analysis, advocacy, and campaigns. We support the rights and control of communities in land and forest stewardship and seek to hold the financial sector to account for its role in facilitating social and environmental harm.

Amazon rainforest.
PHOTO: Ildo Frazao / iStock

INTRODUCTION

Biodiversity underpins[5] the integrity of the biosphere, which facilitates well-functioning ecosystems capable of providing the clean air, water, food and energy prerequisite to human health and livelihoods. As a result, conserving biodiversity is integral to sustaining all life on earth. However, biodiversity is being lost due to rapid land-use change, pollution, and overexploitation of natural resources. The IPBES assessment[6] on biodiversity and ecosystem services found an unprecedented and dangerous decline in nature with one million species at risk[7] of imminent extinction.

It has become clear[8] that the biodiversity and climate crises amplify each other, and that neither crisis can be solved on its own. The agriculture, forestry and land use (AFOLU) sector is responsible[9] for almost a quarter of global greenhouse gas emissions. Since the 2015 Paris Agreement,[10] the world has lost 30.6 million hectares of primary forests. Globally, agricultural expansion is responsible[11] for 90% of deforestation, which means it will be impossible to keep global warming below 1.5°C without rapidly reducing AFOLU emissions and transitioning to more sustainable production practices.

In this dire context, a business-as-usual approach represents an unsustainable, broken relationship with the natural world that poses an existential threat. Projections[12] suggest that current policy commitments of countries party to the Paris Agreement to reduce their greenhouse gas (GHG) emissions would still put the world on a track to hit 2.7°C warming by 2100. This would be catastrophic for people and biodiversity, as every fraction[13] of a degree above 1.5°C will intensify human suffering, lead to irreversible environmental harm, increase habitat and species loss, and will severely constrain opportunities to adapt or build resilience to the changing climate.

Responding to these intersecting crises, which exacerbate a range of developmental challenges and human rights capabilities, the UN General Assembly recognized[14] that "a clean, healthy, and sustainable environment is a human right" in 2022. In September 2023, scientists reported[15] that six of the nine planetary boundaries within which the processes that regulate stability and resilience of the earth have now been transgressed. As the climate becomes more unstable and the integrity of the biosphere is lost, irreversible tipping points and catastrophic hazards become increasingly common. These impacts are disproportionately[16] felt by marginalized communities that have contributed the least to these human-induced crises and have the lowest capacity to adapt or respond.[17]

Indigenous Peoples and local communities are increasingly[18] facing violence as the result of extractive industries driving social and environmental harms worldwide.[19] Although Indigenous Peoples make up just 6.2% of the world's population, research[20] has shown that they protect 80% of the world's biodiversity.[21] Between 2012 and 2022, almost 2,000 environmental and land defenders were killed[22] for resisting companies driving destruction and violating human rights.[23] Protecting the environment must go hand in hand with respecting human rights[24] and protecting the people who defend them.[25] It is paramount that governments, regulators, and financial institutions follow a human rights-based approach[26] which respects, protects, promotes, and fulfills human rights as they take action to address climate change and biodiversity loss.[27]

"The essential, interconnected web of life on Earth is getting smaller and increasingly frayed. **This loss is a direct result of human activity** and constitutes a **direct threat to human well-being in all regions of the world**"[34]

- Professor Settele (IPBES author)

REGULATORY LANDSCAPE FOR FINANCE AND BIODIVERSITY

As the far-reaching consequences of deforestation and conversion of natural ecosystems become more urgent, these issues have moved higher on the regulators' agenda. New legislation is being developed and introduced in a range of jurisdictions – both the major producing countries and import destinations for timber and agricultural commodities. This signals a growing realization that financial institutions are failing to voluntarily exit harmful and destructive industries – despite persistent, widespread, and readily available information on harms linked to companies they choose to finance.

Over the last few years, momentum to tackle the climate and biodiversity crises has been building. At the global level, a significant development was the adoption in 2022 of the Kunming-Montreal Global Biodiversity Framework (GBF)[28] at the UN Convention on Biological Diversity (COP15) in Montreal, Canada. On finance, the seeds of change are slowly emerging as central banks and supervisors working together in the Network for Greening of the Financial System[29] are beginning to recognize that biodiversity loss[30] and nature-related shocks[31] could have profound macroeconomic impact.

Although the increased attention from regulators is welcome, the breadth, quality, and implications of regulatory developments vary. Transformational change will require a holistic approach across sectors, issues, and regulatory jurisdictions which has yet to materialize. In 2022, biodiversity experts also warned[32] that in some cases, sustainable finance regulations may be used to detract from stronger environmental policy-making or be subject to corporate capture.[33] Ideally, advances in both voluntary and regulatory policy standards would be secured. This would create positive momentum, serving to insulate against any negative short-term cycles in industry or government seeking to derail improved environmental standards.

"Climate change threatens the effective enjoyment of a range of human rights including those to life, water and sanitation, food, health, housing, self-determination, culture and development"

- Office of the High Commissioner for Human Rights, United Nations[35]

NOTABLE DEVELOPMENTS IN COUNTRIES WITH TROPICAL FORESTS:

Brazil: In September 2023, the Brazilian government developed a framework for sustainable sovereign bonds[36] which excludes industrial livestock activities[37] from receiving finance under the framework. Brazil is the first country to announce[38] its intention to incorporate the International Sustainability Standards Board's (ISSB) IFRS Sustainability Disclosure Standards into the Brazilian regulatory framework as a mandatory requirement as of January 1, 2026. Brazil has also launched an action plan to adopt a sustainable finance taxonomy.[39]

Indonesia: In January 2022, the Financial Services Authority (OJK) issued its highly anticipated Green Taxonomy,[40] which aims to accelerate financing to sectors compatible with a sustainable transition. Although this is a step in the right direction, there are serious concerns[41] that industry influence may result in the inclusion of industries with significant social and environmental impacts. For example, OJK has suggested that new coal power plants could be classified as "green" under certain conditions. In January 2023, a new law[42] on development and strengthening the financial sector (P2SK) increased the legal status of sustainable finance and created opportunities to harmonize regulations. However, it presents challenges, and the focus on grievance mechanisms alone will not prevent harms from being perpetrated.

Malaysia: In Malaysia, the Value-Based Impact Assessment Framework (VBIAF) launched in November 2019[43] provides an umbrella framework grounded on Shariah tenets for Islamic financial institutions. The VBIAF has published sectoral guides, including one for palm oil in March 2021.[44] This is supposed to lay the foundation for environmental, social, and governmental (ESG) considerations in the provision of financial services, but it remains a voluntary guideline. Another important development is the issuance of Climate Change and Principle-based Taxonomy[45] in April 2021. A recent update[46] published by the Central Bank noted the challenges faced by financial institutions in interpreting the broad guiding principles and will facilitate the adoption of a standardized minimum due diligence questionnaire by financial institutions.

NOTABLE DEVELOPMENTS IN KEY IMPORT AND FINANCIAL JURISDICTIONS:

United States: At the state level, there were several developments in 2023. In October, California introduced two climate disclosure laws: the Climate Corporate Data Accountability Act[47] and the Greenhouse Gases: Climate Related Financial Risk Act.[48] These will apply to businesses operating in California and are likely to shape climate disclosure legislation beyond the state's borders.

In June 2023, the New York Tropical Deforestation-Free Procurement Act[49] was passed by the New York State Legislature, but at the time of this report's publication had not yet been signed into law by the governor. While the legislation has no provisions specific to the financial sector, it aims to prevent state procurement of commodities driving deforestation and human rights abuses – effectively using the economic leverage of public procurement to regulate for greater supply chain transparency and accountability in forest-risk commodity sectors. A similar law may soon be reintroduced for consideration by the California legislature.

European Union: In June 2023, the EU Commission approved in principle a new set of EU Taxonomy criteria[50] for economic activities making a substantial contribution to non-climate environmental objectives, including protection and restoration of biodiversity and ecosystems. However, the Platform for Sustainable Finance came under fire last year after rebuking[51] scientific recommendations by including harmful sectors, including forestry, bioenergy, and methane gas, as "green." The EU Commission is facing lawsuits[52] by Greenpeace and a coalition of Client Earth and WWF EU for undermining its own law and climate action plan.

The EU Deforestation Regulation (EUDR),[53] which came into force in 2023, aims to prevent deforestation-linked commodities from entering the European market. These eight commodities must be proven to have been sustainably produced, in compliance with local laws, strict traceability obligations, and minimum social safeguards, including the principle of Free, Prior and Informed Consent (FPIC). Inexplicably, financial institutions are currently excluded under the regulation, however, the EU has committed to reviewing this within 2 years.

In France, in 2023 two landmark legal actions have been filed against financial institutions over deforestation or related human rights concerns. The first under the Duty of Vigilance law,[54] the second as a criminal complaint lodged to the National Prosecutor's Office.[55]

WARNING ABOUT TNFD

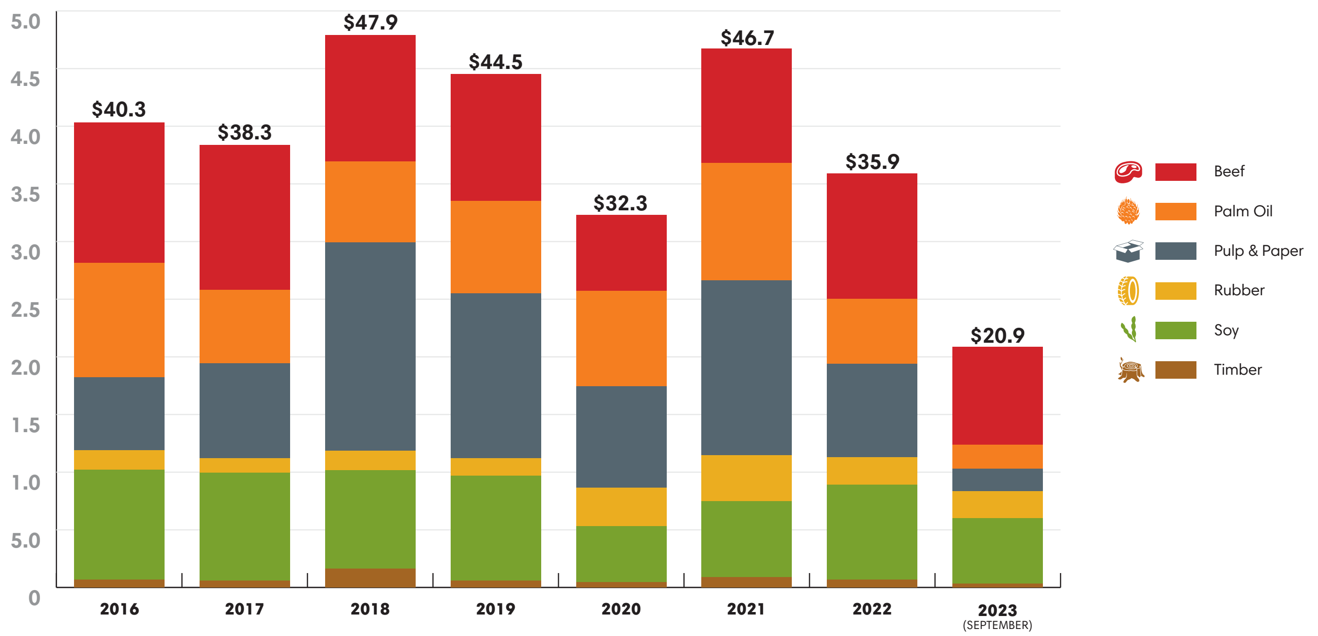
The Taskforce for Nature-related Financial Disclosures (TNFD)[56] was launched in September 2023 to provide guidance for businesses to report on nature-related dependencies. It is modeled on the Taskforce for Climate-related Financial Disclosures (TCFD). However, CSOs have raised sustained concerns[57] throughout the development of the TNFD, which have not been addressed. These concerns include:

- The TNFD reporting framework was developed by a taskforce of 40 corporations,[58] many with problematic environmental and social track records.[59] Yet it is being presented as a template for future public policy and regulation.
- The TNFD is modeled on the TCFD which has been shown to be ineffective in reorienting financial flows due to its myopic focus on financial risk to businesses.[60]
- The TNFD does not take a double materiality approach as its baseline which is particularly problematic for biodiversity.[61] This fails to align with either Target 14 or Target 15 under the Global Biodiversity Framework, and is one of several loopholes that could see the framework enabling greenwashing.[62]

FOREST-RISK CREDIT TRENDS

Forests & Finance mapped the origins of US$307 billion in forest-risk credit to around 300 companies active in South America, Southeast Asia, and Central and West Africa since 2016. Annual credit volumes have fluctuated between US$30 billion and US$50 billion per year. The lowest year was 2020 due to the global Covid pandemic, which reduced finance to forest-risk commodity sectors down to US$32 billion. Over this 2016-2023 period, around a quarter of all credit went to beef and pulp and paper each, and a fifth each went to palm oil and soy. Rubber and timber attracted relatively lower levels of financing.

GRAPH 1 - Forest-risk credit trends by sector 2016-2023 (SEPTEMBER, US$ BLN)



The largest companies receiving forest-risk financing include large agro-commodity traders, such as Archer Daniels Midland, Bunge, and Cargill. These companies are particularly active in palm oil and soy in Southeast Asia and Brazil. Others include Brazilian meatpacking giants JBS, Marfrig, and Minerva; Southeast Asian palm oil conglomerates Sinar Mas, Sime Darby Plantations, Jardine Matheson Group, Batu Kawan Group, and IOI; as well as pulp and paper producers Sinar Mas, Royal Golden Eagle Group, Suzano, Oji, and Klabin.

The companies that attracted the most forest-risk financing are almost all exposed to allegations of environmental, social, and governmental (ESG) violations. Four of the companies that attracted the most forest-risk financing are featured in this report for violations including deforestation, peatland developments, destruction of biodiversity, violations of the rights of Indigenous Peoples and traditional communities, and contributing to climate change through GHG emissions from their operations - Cargill, JBS, Royal Golden Eagle Group, and Sinar Mas. The fact that almost all these forest-risk companies have ESG risk flags should trigger enhanced due diligence from financial institutions, which should have strong policies and minimum standards in place to prevent and mitigate such ESG violations (see pages 36-38 for more details on the policies of financial institutions).

PHOTOS: **Paul Hilton** / RAN

REGIONAL ANALYSIS OF CREDIT FLOWS

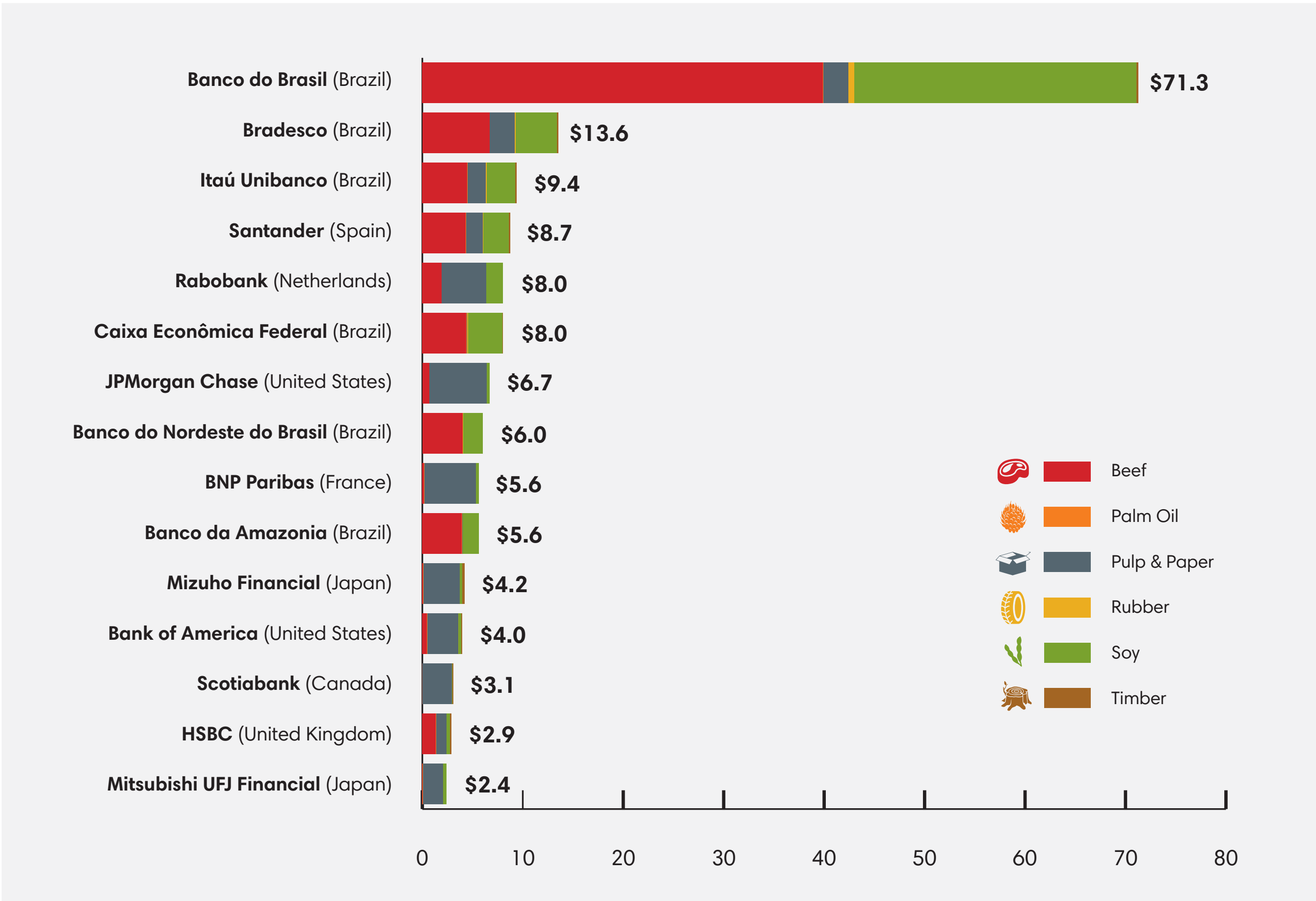
Since 2016, almost 65% of identified credit flowed to South America, and almost 35% flowed to Southeast Asia. The remaining credit was provided to company activities in Central and West Africa.

SOUTH AMERICA

In South America, the sector that attracted the most forest-risk credit was the beef sector. The sector accounted for 40% of the credit flows in the period 2016 - September 2023. It was followed by the soy sector with more than 30% and the pulp and paper sector with roughly a quarter of the forest-risk credit to the region. Credit flows to the region fluctuated around US$ 25 billion a year, with a peak of US$ 36 billion in 2018 and a low of US$ 14 billion in 2020.

Banco do Brasil is the largest creditor to forest-risk sectors by a significant margin due to its role in distributing loans through Brazil's Rural Credit Programme. The majority of the credit from this programme goes to beef (US$ 40 billion) and soy (US$ 28 billion). Banco do Brasil is followed by its Brazilian peers Bradesco and Itaú Unibanco, and by European Rabobank and Santander which both have significant activities in the region.

GRAPH 2 - Largest 15 Forest-risk financiers to South America
(2016-2023 SEPTEMBER, US$ BLN)



The largest companies receiving forest-risk financing are from the pulp and paper, beef and soy sectors. Brazilian pulp and paper giant Suzano attracted the most forest-risk credit since 2016, receiving approximately US$ 35 billion. Its peer in the pulp and paper industry - CMPC (US$ 4.8 billion) and Klabin (US$ 4.4 billion) - also ranked among the top recipients of forest-risk credit in the region. The pulp and paper sector is a capital intensive industry. Suzano is the biggest pulp company in the world and has led the expansion[63] of monoculture eucalyptus plantations in Brazil. Klabin is another large pulp company that was exposed[64] for also operating in the mining sector, without due licenses.

Indonesian tycoon-controlled RGE, also among the top forest-risk credit recipients in Brazil, has been expanding its pulp operations in Brazil. The Chinese COFCO was exposed[65] for receiving billions in credit for sustainable soy, while buying from farmers involved in deforestation.

In the beef sector, Marfrig received most credit. It is Brazil's second largest meatpacker, and has been linked to deforestation, forced labor, and Indigenous rights violations. Because of this bad track record, NGOs sued Marfrig's financier BNP Paribas, over lack of due diligence.[66] Minerva, Brazil's 3rd largest beef producer, has also been linked to illegal deforestation. JBS, the world's largest meat processor, which has been linked to illegal deforestation, corruption and human rights violations, also features among the top financed companies.

TABLE 1: Largest 15 Forest-risk credit recipients in South America
(2016-2023 SEPTEMBER, US$ MLN)

Group	Beef	Palm Oil	Pulp & Paper	Rubber	Soy	Timber	Total
Suzano			35,468				35,468
CMPC			4,824				4,824
Marfrig	4,627						4,627
Klabin			3,400			1,015	4,415
Minerva	4,047						4,047
COFCO		93			3,743		3,836
Royal Golden Eagle Group			2,320				2,320
Small-scale Agricultural Operators Brazil	299	4	33	22	588	323	1,269
Archer Daniels Midland		61			1,104		1,164
Olam International	31	56		18	988	97	1,159
JBS	1,103						1,103
Oji Group			964			125	1,089
Wilmar					783		783
Cargill		37			671		707
Bunge		31			545		576

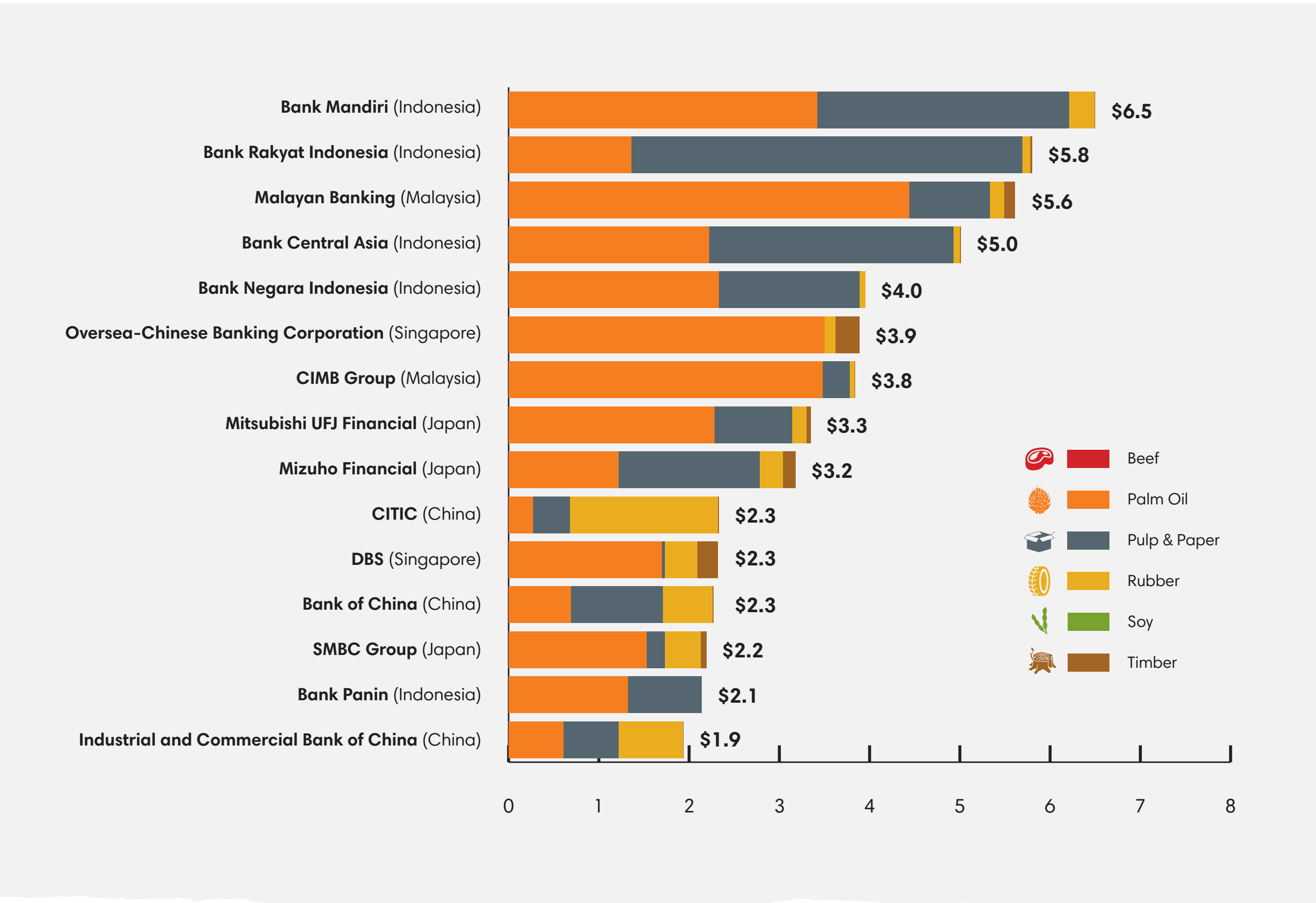
SOUTHEAST ASIA

Almost 55% of the forest-risk credit in Southeast Asia since 2016 is destined for the palm oil sector. The pulp and paper sector accounted for 31% of forest-risk credit to the region, and rubber for almost 15%. Credit flows to the region fluctuated around US$ 12 billion, with a peak of US$ 22 billion in 2021, and a low of US$ 10 billion in 2017.

Indonesia's banks are some of the largest financiers to the forest-risk commodity sectors in the world. They predominantly finance Indonesia's domestic companies. Since 2016, Indonesian banks provided the sector with US$ 30.5 billion in credit. The largest forest-risk creditors in the region are two Indonesian state-owned banks; Bank Mandiri (US$ 6.5 billion) and Bank Rakyat Indonesia (US$ 5.8). They were followed by Malaysian banking conglomerate Malayan Banking (Maybank) (US$ 5.6 billion), which also has significant banking activities in Indonesia.

The biggest companies receiving forest-risk credit in Southeast Asia since 2016 include Sinar Mas Group (SMG), Sinochem, Royal Golden Eagle (RGE), and the Salim Group. With the exception of Sinochem, a Chinese state-owned company with rubber operations in Indonesia, the remaining three companies are Indonesian-owned and active in the palm oil sector, with SMG and RGE also active in pulp and paper.

GRAPH 3 - Largest 15 Forest-risk financiers to Southeast Asia
(2016-2023 SEPTEMBER, US$ BLN)



In Southeast Asia, Indonesia and Malaysia have seen reduced rates of primary forest loss in recent years. When comparing 2015-2017 and 2020-2022 data, primary forest loss has fallen by 64% for Indonesia and 57% for Malaysia. This is believed to be partly underpinned by the adoption of no deforestation, no peat, and no exploitation (NDPE) policies by major brands, alongside government action and weak commodity prices. However, producer groups are increasingly using complex corporate group structures to evade accountability for deforestation, with deforestation rates showing signs of increasing again from 2021-2022.

SMG, RGE and Salim are all tycoon-owned conglomerates[67] which have established complex corporate structures that mask ownership relations. This poses serious governance risks and facilitates leakage and greenwashing. They have all been linked to egregious social and environmental harms for decades (see case studies on page 49 for RGE, and page 53 for SMG). Despite these issues, since 2016 SMG is the largest recipient of credit out of all the companies in the Forests & Finance research. RGE is expanding its pulp operations in Indonesia, Brazil and North America and is one of the largest five recipients of credit in both Indonesia and Brazil. Salim withdrew[68] from the RSPO in early 2019 instead of complying with sanctions following an investigation into complaints against the company. Yet it has continued to receive significant finance.

TABLE 2: Largest 15 Forest-risk credit recipients in Southeast Asia
(2016-2023 SEPTEMBER, US$ MLN)

Group	Beef	Palm Oil	Pulp & Paper	Rubber	Soy	Timber	Total
Sinar Mas Group		7,022	22,287				29,309
Sinochem Group				9,431			9,431
Royal Golden Eagle Group		1,470	4,323				5,793
Salim Group		4,353		294			4,647
SCG Packaging			3,706				3,706
Perkebunan Nusantara Group		2,369	34	864		18	3,285
Top Glove				3,011			3,011
COFCO		2,949					2,949
Wilmar		2,618					2,618
Olam International		1,691		782		111	2,585
Triputra Group		2,043		203			2,247
Sungai Budi Group		2,161					2,161
Felda Group		1,871		43			1,913
Albukhary Group		1,823		78			1,901
Archer Daniels Midland		1,857					1,857

CENTRAL AND WEST AFRICA

More than 70% of the forest-risk credit to Central and West Africa since 2016 flowed to the rubber sector. The palm oil sector further accounted for 17% of forest-risk credit to the region, and timber approximately 12%. Credit flows to the region fluctuated around US$ 500 million, with a peak of US$ 1 billion in 2021, and a low of US$ 400 million in 2017.

The largest financiers to the forest-risk commodity sectors in Central and West Africa are predominantly Chinese companies. This is due to their important role in financing Chinese company Sinochem which has rubber operations through its subsidiaries in the region.

The largest recipient of forest-risk credit in the region is Chinese Sinochem Group, receiving US$ 3.4 billion in forest-risk credit for its rubber activities in the region since 2016. It was followed by China Forestry Group (US$ 333 million) and Singapore-based integrated palm oil company Wilmar (US$ 256 million).

GRAPH 4 - Largest 15 Forest-risk financiers to Central & West Africa
(2016-2023 SEPTEMBER, US$ MLN)

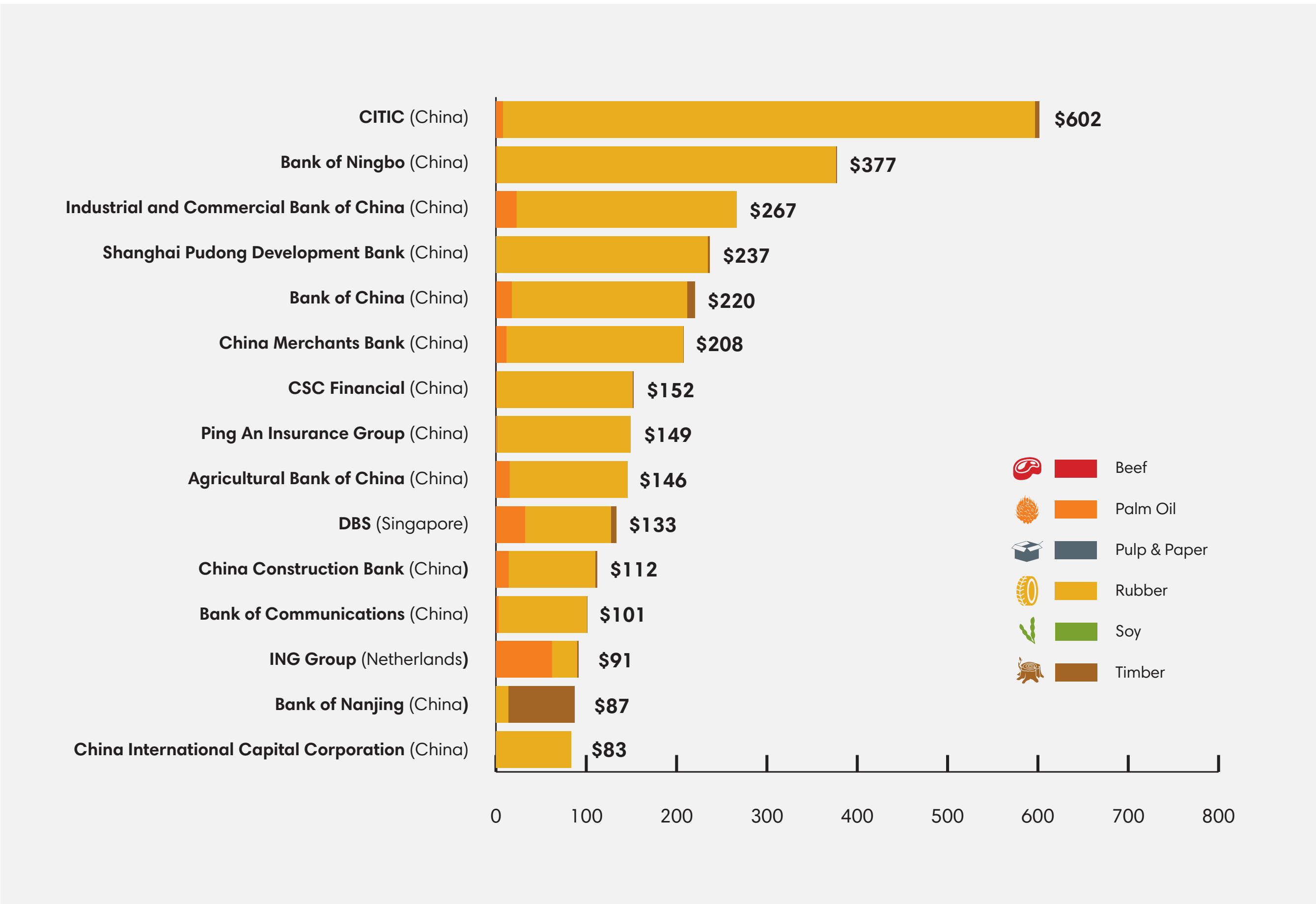


PHOTO: guenerguni / iStock

TABLE 3: Largest 15 Forest-risk credit recipients in Central and West Africa
(2016-2023 SEPTEMBER, US$ MLN)

Group	Beef	Palm Oil	Pulp & Paper	Rubber	Soy	Timber	Total
Sinochem Group				3,410			3,410
China Forestry Group						333	333
Wilmar		256					256
Olam International		66		84		72	223
Bolloré		102		41			142
COFCO		111					111
Archer Daniels Midland		70					70
Marubeni						59	59
Siat Group		57					57
Yulin						55	55
Sumitomo Forestry						54	54
Batu Kawan Group		49					49
Itochu		8		9		29	46
Cargill		43					43
Bunge		35					35

LEAGUE TABLE

Banking on Biodiversity Collapse

The largest 30 banks providing loans and underwriting to 300 forest-risk commodity sector companies operating in Southeast Asia, South America and West and Central Africa between January 2016 and September 2023 in USD millions.

Rank	Bank Name	Total Credit 2016-2023	Trend Line	2016	2017	2018	2019	2020	2021	2022	2023 (Jan-Sep)
1	**Banco do Brasil** (Brazil)	71,274		10,108	11,220	9,729	10,884	5,394	7,249	9,756	6,935
2	**Bradesco** (Brazil)	13,597		2,042	1,958	2,963	2,025	999	1,226	1,486	897
3	**Rabobank** (Netherlands)	9,514		1,079	1,084	3,785	1,242	550	1,060	500	214
4	**Itaú Unibanco** (Brazil)	9,369		1,591	1,473	905	1,749	593	928	1,055	1,074
5	**Santander** (Spain)	8,806		1,269	1,927	1,187	1,532	657	910	679	645
6	**Caixa Econômica Federal** (Brazil)	8,013		638	790	666	504	423	839	2,432	1,722
7	**JPMorgan Chase** (United States)	7,496		921	930	2,673	1,124	422	1,130	211	86
8	**Mizuho Financial** (Japan)	7,444		542	848	1,589	1,887	765	1,356	345	112
9	**BNP Paribas** (France)	6,736		157	515	3,239	896	231	1,012	420	266
10	**Bank Mandiri** (Indonesia)	6,503		889	648	909	659	1,256	1,643	287	211
11	**Banco do Nordeste do Brasil** (Brazil)	6,006		777	817	792	863	524	596	908	728
12	**Mitsubishi UFJ Financial** (Japan)	5,832		450	872	1,131	523	760	1,341	629	125
13	**Bank Rakyat Indonesia** (Indonesia)	5,804		1,109	481	274	1,553	534	1,538	314	-
14	**Malayan Banking** (Malaysia)	5,648		1,717	586	905	578	90	730	947	96
15	**Banco da Amazonia** (Brazil)	5,616		454	524	579	803	631	810	1,029	786
16	**Bank Central Asia** (Indonesia)	5,009		409	280	499	1,313	756	1,359	316	77
17	**SMBC Group** (Japan)	4,637		422	476	942	765	335	1,244	353	100
18	**Bank of America** (United States)	4,570		399	915	640	1,079	246	886	307	99
19	**Oversea-Chinese Banking Corporation** (Singapore)	3,981		555	364	508	647	977	798	53	77
20	**Bank Negara Indonesia** (Indonesia)	3,968		957	363	552	807	530	383	324	52
21	**HSBC** (United Kingdom)	3,956		928	779	403	560	144	562	460	120
22	**CIMB Group** (Malaysia)	3,858		401	261	377	753	907	502	505	152
23	**Citigroup** (United States)	3,483		446	603	510	425	813	434	219	34
24	**CITIC** (China)	3,250		341	66	479	262	683	786	389	244
25	**Scotiabank** (Canada)	3,173		24	394	534	1,149	232	498	199	143
26	**Bank of China** (China)	3,158		575	110	254	238	600	733	419	230
27	**Industrial and Commercial Bank of China** (China)	2,890		528	185	367	490	436	404	235	245
28	**DBS** (Singapore)	2,665		550	551	284	204	312	412	182	169
29	**Safra Group** (Brazil)	2,236		267	410	310	282	114	212	425	215
30	**BNDES** (Brazil)	2,215		722	536	104	156	92	336	238	33

FOREST-RISK INVESTMENT TRENDS

In September 2023, institutional investors held over US$ 38 billion in forest-risk bonds and shares issued by 300 companies active in forest-risk sectors in South America, Southeast Asia, and Central and West Africa. More than half of these investments were attributable to palm oil and a quarter to pulp and paper. Many of the companies active in palm oil are listed on stock exchanges in Singapore, Malaysia, Indonesia, Hong Kong, and London, among others.

The League table on pages 30-31shows that some of the largest 30 investors in September 2023 have significantly increased their stakes in forest-risk commodity companies since 2016. The big three US asset managers – BlackRock, Vanguard, and State Street – have increased their positions by more than 150%.

Malaysian government-linked investor Permodalan Nasional Berhad also increased its forest-risk investments by 151%, while its peers Employees Provident Fund and KWAP Retirement Fund have remained at a similar level. Brazilian banking conglomerate Itaú Unibanco increased its investments by more than 1200%, while its peer BNDES reduced its forest-risk investments by around 75%.

REGIONAL ANALYSIS OF INVESTMENT

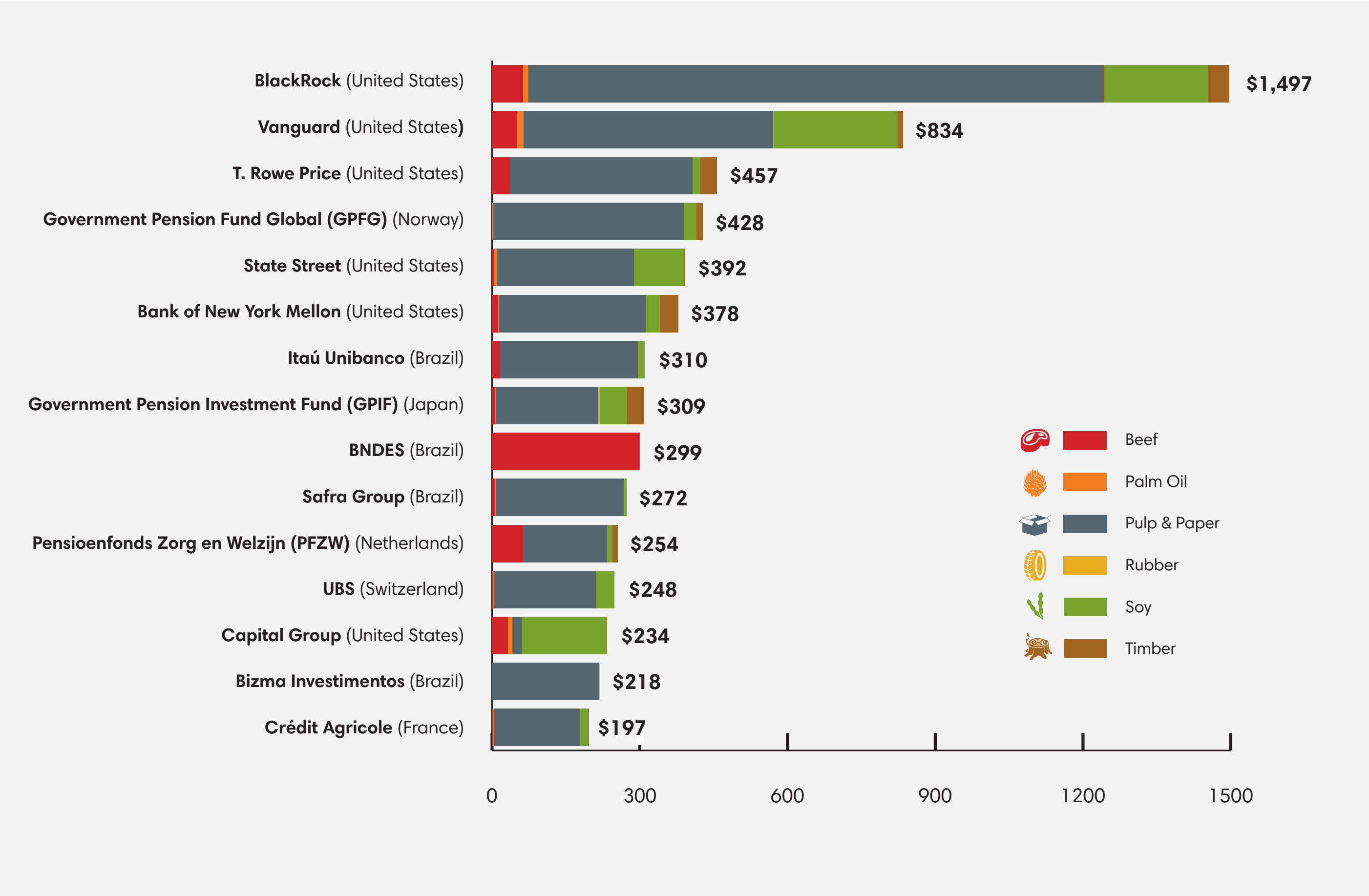
SOUTH AMERICA

More than two-thirds of the investments in forest-risk bonds and shares in South America were in companies engaged in the pulp and paper sector. A further 18% was invested in soy and 10% in beef.

The largest forest-risk investors in the region were US-based asset managers BlackRock (US$ 1.5 billion), Vanguard (US$ 834 million), and T. Rowe Price (US$ 457 million). Other notable forest-risk investors include pension funds from Norway (GPFG, US$ 428 million), Japan (GPIF, US$ 309 million), and the Netherlands (PFZW, US$ 254 million).

Similar to credit flows, Brazilian pulp and paper company Suzano received the highest value of forest-risk investment in South America. It was followed by its pulp and paper industry peers Smurfit Kappa Group and CMPC.

GRAPH 5 - Largest 15 Forest-risk investors in South America
(**2023** SEPTEMBER, US$ MLN)



PHOTOS: Giedriiuss / shutterstock; kai abreu / shutterstock

TABLE 4: Largest 15 forest-risk investees in South America
(**2023** SEPTEMBER, US$ MLN)

Group	Beef	Palm Oil	Pulp & Paper	Rubber	Soy	Timber	Total
Suzano			4,811				4,811
Smurfit Kappa Group			2,032				2,032
CMPC			1,503				1,503
Klabin			982			146	1,128
Archer Daniels Midland		53			896		949
Bunge		38			648		687
JBS	667						667
Minerva	511						511
Oji Group			358			43	401
Adecoagro	113				135		248
SLC Agricola					247		247
Itochu		5	111	11	35	59	221
Marfrig	150						150
Marubeni					89	40	129
Stora Enso			103			13	115

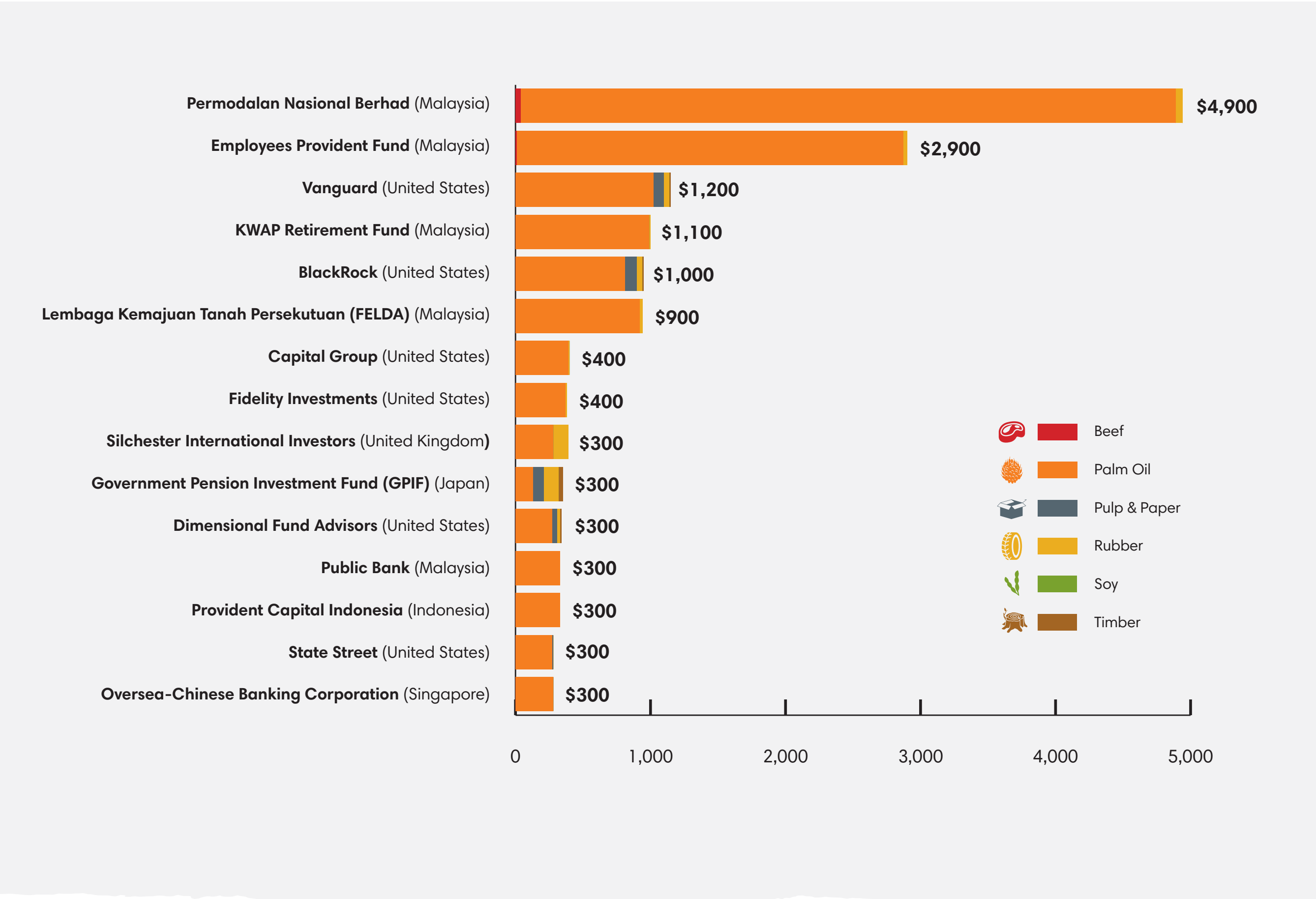
SOUTHEAST ASIA

The vast majority of the investments in forest-risk bonds and shares in Southeast Asia (89%) were in companies engaged in the palm oil sector. A further 6% was invested in rubber and 3% in pulp and paper.

The largest forest-risk investors in the region were Malaysian government-linked investors Permodalan Nasional Berhad (US$ 4.9 billion) and Employees Provident Fund (US$ 2.9 billion). Large US asset managers Vanguard (US$ 1.2 billion) and BlackRock (US$ 1.0 billion) are also significant investors.

Large Malaysian palm oil companies Sime Darby Plantations and IOI Group attracted the highest value of forest-risk investments in Southeast Asia. They attracted investments of US$ 5.9 billion and US$ 3.8 billion respectively. They were followed by global agro-commodity trader Archer Daniels Midland (US$ 1.6 billion).

GRAPH 6 - Largest 15 Forest-risk investors in Southeast Asia
(**2023** SEPTEMBER, US$ MLN)



PHOTOS: Paul Hilton / RAN

TABLE 5: Largest 15 forest-risk investees in Southeast Asia
(**2023** SEPTEMBER, US$ MLN)

Group	Beef	Palm Oil	Pulp & Paper	Rubber	Soy	Timber	Total
Sime Darby Plantations	59	5,742		64			5,865
IOI Group		3,756		7			3,763
Archer Daniels Midland		1,553					1,553
Batu Kawan Group		1,426		48			1,474
Jardine Matheson Group		1,125					1,125
Bunge		1,123					1,123
Sinar Mas Group		611	252				863
Felda Group		791		18			809
Surya Dumai Group		741					741
Itochu		135	32	471		65	704
Genting Group		473					473
Sumitomo Rubber Industries				345			345
Wilmar		336					336
Provident Agro Group		328					328
United Plantations		285					285

CENTRAL AND WEST AFRICA

More than half of the investments in forest-risk bonds and shares in Central and West Africa (55%) were in companies engaged in the palm oil sector. A further 35% was invested in timber and 10% in rubber.

The largest forest-risk investors in the region were the large US asset managers Vanguard (US$ 27.1 million) and BlackRock (US$ 26.5 million). They were followed by the Japanese Government Pension Investment Fund (US$ 25 million).

The largest forest-risk investees in the region include Japanese conglomerates Sumitomo Forestry (US$66 million) and Itochu (US$ 66 million). They were followed by agro-commodity traders Archer Daniels Midland (US$ 62 million) and Bunge (US$ 45 million).

PHOTO: Gunter Nuyts / shutterstock

GRAPH 7 - Largest 15 Forest-risk investors in Central and West Africa (2023 SEPTEMBER, US$ MLN)

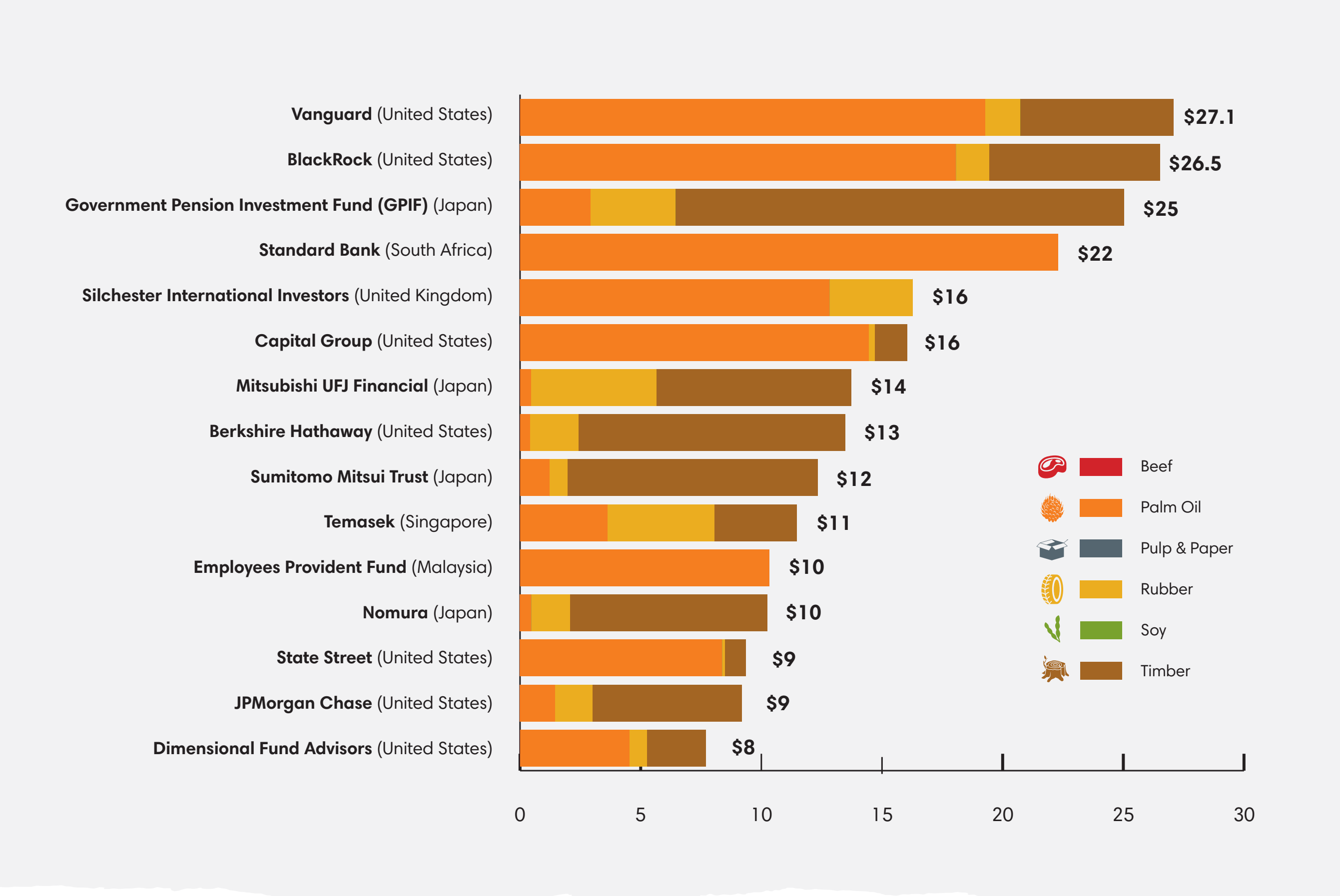


TABLE 6: Largest 15 forest-risk investees in Central and West Africa (2023 SEPTEMBER, US$ MLN)

Group	Beef	Palm Oil	Pulp & Paper	Rubber	Soy	Timber	Total
Sumitomo Forestry						66	66
Itochu		5		15		45	66
Archer Daniels Midland		62					62
Bunge		45					45
Wilmar		33					33
Batu Kawan Group		32					32
Marubeni						30	30
Sinar Mas Group		27					27
Siat Group		22					22
Olam International		4		4		3	12
Sumitomo Rubber Industries				11			11
Sinochem Group				11			11
Bolloré		6		3			9
Cargill		5					5
Yulin						4	4

LEAGUE TABLE

Investing in Biodiversity Collapse

Shareholding in the largest 300 forest-risk commodity sector companies operating in Southeast Asia, South America, and West and Central Africa since the Paris Agreement. Here are the 30 largest institutional shareholders based on their September 2023 holdings. It shows the historical shareholdings for 2016-2022 based on year-end positions and the September 2023 positions in US$ millions.

Rank	Investor	Variance (between 2016 and 2023)	Trend Line	2016	2017	2018	2019	2020	2021	2022	2023 (September)
1	**Permodalan Nasional Berhad** (Malaysia)	151%		1,965	5,614	5,614	5,965	6,159	5,783	5,508	4,942
2	**Employees Provident Fund** (Malaysia)	0%		2,922	2,574	4,398	3,485	3,625	4,299	3,434	2,909
3	**BlackRock** (United States)	168%		885	1,163	1,586	1,555	1,552	1,891	1,651	2,376
4	**Vanguard** (United States)	153%		754	934	1,440	1,489	1,563	1,716	1,568	1,908
5	**KWAP Retirement Fund** (Malaysia)	26%		791	939	1,332	1,021	1,140	1,281	910	1,000
6	**Lembaga Kemajuan Tanah Persekutuan** (Malaysia)	44%		662	598	567	696	580	686	1,115	950
7	**State Street** (United States)	209%		219	191	218	300	302	526	542	677
8	**Capital Group** (United States)	11%		587	741	557	402	66	188	370	649
9	**Government Pension Investment Fund** (GPIF) (Japan)	-	-	-	-	-	-	-	-	-	639
10	**Government Pension Fund Global** (GFPG) (Norway)	-	-	-	-	-	-	-	-	-	555
11	**T. Rowe Price** (United States)	245%		150	189	238	245	258	195	214	518
12	**Fidelity Investments** (United States)	246%		149	218	269	250	428	739	437	516
13	**Dimensional Fund Advisors** (United States)	-14%		599	597	666	638	615	436	390	514
14	**Bank of New York Mellon** (United States)	3%		464	647	399	336	338	410	367	477
15	**Silchester International Investors** (United Kingdom)	30%		314	453	370	318	316	152	287	409
16	**Deutsche Bank** (Germany)	23%		294	203	200	195	195	164	192	363
17	**Public Bank** (Malaysia)	-10%		377	484	459	555	516	459	461	338
18	**Provident Capital Indonesia** (Indonesia)	239%		97	107	76	56	45	77	192	328
19	**UBS** (Switzerland)	465%		57	54	65	74	90	133	151	321
20	**Itaú Unibanco** (Brazil)	1259%		23	25	42	72	337	363	397	310
21	**BNDES** (Brazil)	-76%		1,243	1,255	1,373	1,823	2,473	1,869	646	299
22	**Geode Capital Holdings** (United States)	821%		32	51	75	101	117	158	201	296
23	**Oversea-Chinese Banking Corporation** (Singapore)	2%		283	276	306	362	344	470	452	287
24	**Malaysian Hajj Pilgrims Fund** (Malaysia)	-44%		480	375	434	246	181	103	169	267
25	**Safra Group** (Brazil)	-50%		533	597	553	70	52	350	96	265
26	**Annhow Holdings** (Malaysia)	6%		234	269	261	131	122	138	142	248
27	**State Farm** (United States)	87%		131	163	113	181	170	182	218	244
28	**Northern Trust** (United States)	244%		69	119	159	200	210	180	198	237
29	**Crédit Agricole** (France)	260%		64	96	70	73	59	80	80	231
30	**Sumitomo Mitsui Trust** (Japan)	6%		216	74	236	252	260	269	281	227

NOTE: No historical shareholding data in GPIF and GPFG in this study. GPIF and GPFG shareholdings data is not included consistently in Refinitiv which was used for this momentum analysis. The trendlines are based on financial values which are subject to fluctuations and do not necessarily represent active increases or decreases in shares held.

FINANCIAL FLOWS TO FOREST-RISK COMMODITY COMPANIES

NOTE: Companies in this table were included both for the values of credit they received and the values of investment they attracted. These figures cannot be summed up. To avoid the misinterpretation of these two distinct types of finance (flows and stock), the table is sorted alphabetically.

Beef | Palm Oil | Pulp & Paper | Rubber | Soy | Timber

TABLE 7: Summary of largest companies receiving credit and investment (US$ MLN)

Group	Sectors	Regions of Operation	Credit (2016-2023 Sept, US$ mln)	Investment (2023 Sept, US$ mln)
Archer Daniels Midland (United States)	Palm Oil, Soy	Central & West Africa South America Southeast Asia	3,092	2,565
Batu Kawan Group (Malaysia)	Palm Oil, Rubber	Central & West Africa Southeast Asia	1,237	1,506
Bunge (United States)	Palm Oil, Soy	Central & West Africa South America Southeast Asia	1,532	1,855
Cargill (United States)	Palm Oil, Soy	Central & West Africa South America Southeast Asia	1,871	205
CMPC (Chile)	Pulp & Paper	Central & West Africa Southeast Asia	4,893	1,527
COFCO (China)	Palm Oil, Soy	Central & West Africa South America Southeast Asia	6,896	1
Felda Group (Malaysia)	Palm Oil, Rubber	Southeast Asia	1,913	809
IOI Group (Malaysia)	Palm Oil, Rubber	Southeast Asia	293	3,763
Itochu (Japan)	Palm Oil, Pulp & Paper, Rubber, Soy, Timber	Central & West Africa South America Southeast Asia	796	990
Jardine Matheson Group (Hong Kong)	Palm Oil	Southeast Asia	1,789	1,125
JBS (Brazil)	Beef	South America	1,103	667
Klabin (Brazil)	Pulp & Paper, Timber	South America	4,415	1,128
Marfrig (Brazil)	Beef	South America	4,627	150
Minerva (Brazil)	Beef	South America	4,047	511
Oji Group (Japan)	Pulp & Paper, Timber	South America Southeast Asia	1,510	556
Olam International (Sinapore)	Palm Oil, Rubber, Soy, Timber	Central & West Africa South America Southeast Asia	3,966	202
Perkebunan Nusantara Group (Indonesia)	Palm Oil, Pulp & Paper, Rubber, Timber	Southeast Asia	3,285	
Royal Golden Eagle Group (Indonesia)	Palm Oil, Pulp & Paper	South America Southeast Asia	8,113	
Salim Group (Indonesia)	Palm Oil, Rubber	Southeast Asia	4,647	163
SCG Packaging (Thailand)	Pulp & Paper	Southeast Asia	3,706	76
Sime Darby Plantations (Malaysia)	Beef, Palm Oil, Rubber	Southeast Asia	632	5,865
Sinar Mas Group (Indonesia)	Palm Oil, Pulp & Paper	Central & West Africa South America Southeast Asia	29,554	890
Sinochem Group (China)	Rubber	Central & West Africa Southeast Asia	12,840	41
Smurfit Kappa Group (Ireland)	Pulp & Paper	South America		2,032
Sungai Budi Group (Indonesia)	Palm Oil	Southeast Asia	2,161	3
Surya Dumai Group (Indonesia)	Palm Oil	Southeast Asia	300	741
Suzano (Brazil)	Pulp & Paper	South America	35,468	4,811
Top Glove (Malaysia)	Rubber	Southeast Asia	3,011	279
Triputra Group (Indonesia)	Palm Oil	Southeast Asia	2,247	7
Wilmar (Singapore)	Palm Oil, Soy	Central & West Africa South America Southeast Asia	3,657	448

FOREST-RISK POLICY ASSESSMENTS

Forests & Finance assessed the policies of over 100 of the most significant financial institutions linked to forest-risk commodity sectors in tropical forest biomes. This assessment, which covers 38 environmental, social, and governance (ESG) criteria, leads to the conclusion that financial institutions' policies are woefully inadequate, with financial institutions receiving an average overall score of 17%. This indicates that the key financial actors in forest-risk commodity sector financing are not even making the most basic commitments to international best practices and standards to safeguard the environment and respect human rights.

Policy assessment methodology

Forests & Finance assesses if financial institutions have included 38 clear criteria, derived from international agreements and best practices, in their financing and investment policies. By ensuring that clients and investees meet these criteria, financial institutions will avoid contributing to deforestation and related environmental, social, and governance (ESG) issues.

The 38 criteria included in the methodology are grouped in three categories:

- **Environmental criteria:** These include a commitment to zero deforestation and no conversion of natural forests and ecosystems, with specific criteria on peatlands, wetlands, high conservation value (HCV) forests, protected areas, and high carbon stock (HCS) areas. Other criteria cover water management, pollution, pesticides, and greenhouse gas emissions.
- **Social criteria:** These include criteria on respecting land rights; the right to Free, Prior, Informed Consent and broader economic and cultural rights of Indigenous and other local communities; and on establishing human rights due diligence processes, monitoring systems, and grievance mechanisms. Other criteria cover forced labor; child labor; a living wage; and basic labor rights, such as freedom of association, safety and health, and freedom from discrimination.
- **Governance criteria:** These include governance criteria for the companies financed, among others, on corruption, tax avoidance, proof of the legality of land rights, environmental and social impact assessments, supply chain transparency and traceability, and geo-referenced concession maps. Other criteria cover the governance of the financial institution itself, dealing among others with board oversight and remuneration structures, implementation of policies, and grievance mechanisms, as well as transparency on financings and investments, engagements with companies, and financed greenhouse gas emissions- and related targets.

Assessments are made for each of the six forest-risk commodity sectors and for financing and investments. These detailed scores are combined into an overall score for the policies of the financial institution, based on the relative importance of each commodity in its financing and investment portfolios. For more detail, see Annex 2 (page 63) and our detailed methodology.

While there have been improvements to policies since the first Forests & Finance policy assessment in 2016, this has been incremental, with a high degree of vague language, ill-defined timeframes for seeking client compliance, and loopholes. Ultimately, these changes have done little to substantively stop banks and investors from enabling human rights abuses and deforestation. The overall policy score of financial institutions ranged from 0% to 56%. However, most of the institutions assessed scored under 30%, demonstrating minimal policy coverage across environmental, social, and governance (ESG) criteria for the six key commodities driving tropical deforestation.

This year, Forests & Finance revised its policy assessment methodology to give more attention to the relationship between deforestation and climate change. The method now includes additional criteria on AFOLU-sector greenhouse gas emissions disclosures and both transition plans for financial institutions and requirements for their clients. The scoring framework and assessment guidance has also been adjusted to allow for a more nuanced assessment, over five tiers rather than three as in previous years. This update allows a more accurate assessment of and differentiation between policies. As a result of these changes in the assessment methodology, many of the scores have fallen, as policies containing weak language, exceptions, limited scope, or vague timeframes were downgraded.

SECTOR SUMMARIES

Financial institutions have the strongest sectoral policies for palm oil, though the average score is still extremely low, at just 20%. This is followed by the sector policies for timber and pulp and paper sectors, with average scores of 17% and 16% respectively. It is notable that these sectors have been the focus of sustained civil society campaigning over many years to pressure companies to adopt and implement higher standards. These sectors are also covered by two major, though insufficient, certification schemes: the Roundtable on Sustainable Palm Oil (RSPO) and the Forest Stewardship Council (FSC) certification.

The sector policies for beef and rubber scored the lowest on average, with a score of just 13%. As beef is the main driver of deforestation in Brazil, the score of just 13% indicates that financial institutions have made barely any attempt to address the environmental impacts and risks in this critical sector. Sector policies for soy, which is the other major driver of deforestation in Brazil, score only 1% higher, at 14%.

Sector	Avergage Sector Score
	13%
	20%
	16%
	13%
	14%
	17%
Average Overall Score	**17%**

PHOTO: **Paul Hilton** / RAN

FOREST-RISK BANK POLICIES

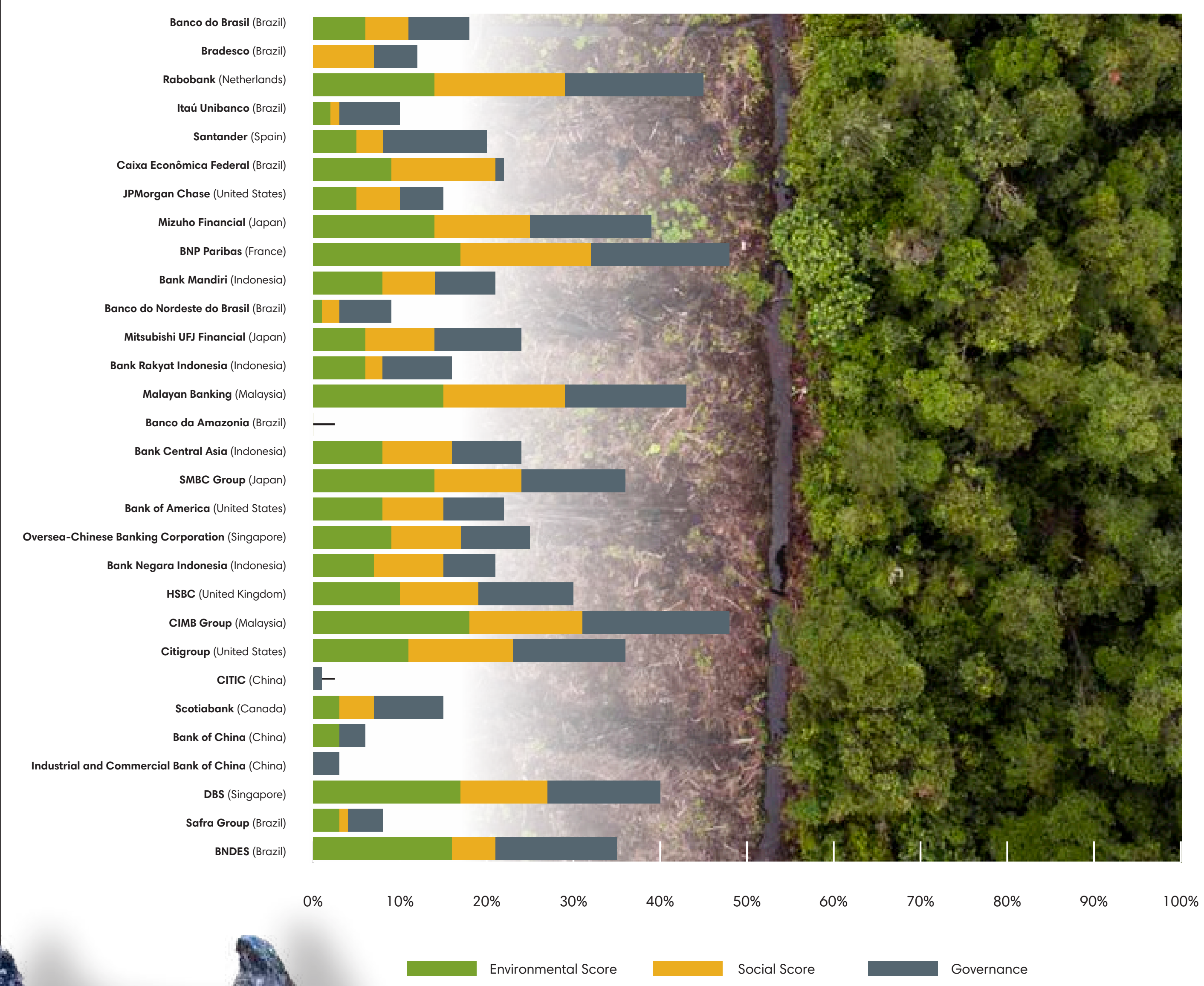
On average, the overall policy scores for the largest 30 forest-risk banks were higher than the average score of the largest 30 forest-risk investors, scoring 24% and 15% respectively. These poor scores demonstrate minimal policy coverage across environmental, social, and governance (ESG) criteria for the six key commodities driving tropical deforestation. The overall policy scores for these banks ranged from 0% to 50%, with the two biggest, Banco do Brasil (18%) and Bradesco (12%), scoring below 20%. Banco da Amazonia (0%), CITIC (1%), and ICBC (3%) stood out for their near absence of policies to address harmful activities, despite being major creditors.

Two of Malaysia's banks, CIMB and Maybank, have scored over 43%, which indicates that they have adopted policies which move beyond vague commitments and start to outline clear expectations for clients. The banks, which scored 49% and 43% respectively, have both adopted a policy that categorically prohibits the use of fire for land clearing, requires clients not to establish plantations in areas prone to fire, and includes the obligation to fight fires in the palm oil and pulp and paper sectors. However, this policy does not apply to the direct and indirect suppliers of the company they are financing. In light of the recent transboundary haze in Southeast Asia, civil society groups are keeping a watchful eye on the implementation of such a policy.

Noteworthy too is the Southeast Asian peer of CIMB and Maybank, DBS, which scored 40% with slightly stronger environmental policies than its social and governance policies. Other banks with above average policies include European BNP Paribas (47%) and Rabobank (45%). Both banks score comparatively better on social and environmental issues than, but fall short on governance. As noted in page 15, BNP Paribas is currently being sued for due diligence failures in its financing for the Brazilian beef sector. BNDES was the highest scoring Brazilian bank at 35%. The bank has stronger – yet not good – environmental and governance policies, but it has poor social policies.

Among the Japanese banks, Mizuho scored the highest at 38%, followed by SMBC Group (36%) and MUFG (24%). The three largest US banks – Bank of America, Citigroup, and JPMorgan Chase – scored poorly, with Citigroup ahead at 37%. Bank of America followed at just 22%, and JPMorgan Chase trailed behind with a score of 15%. Both of these banks scored the lowest on their social policies.

GRAPH 8: **Policy assessment scores of the top 30 forest-risk banks**



NOTE: Banks are ordered by the size of their credit to forest-risk commodity sectors between January 2016 and September 2023.

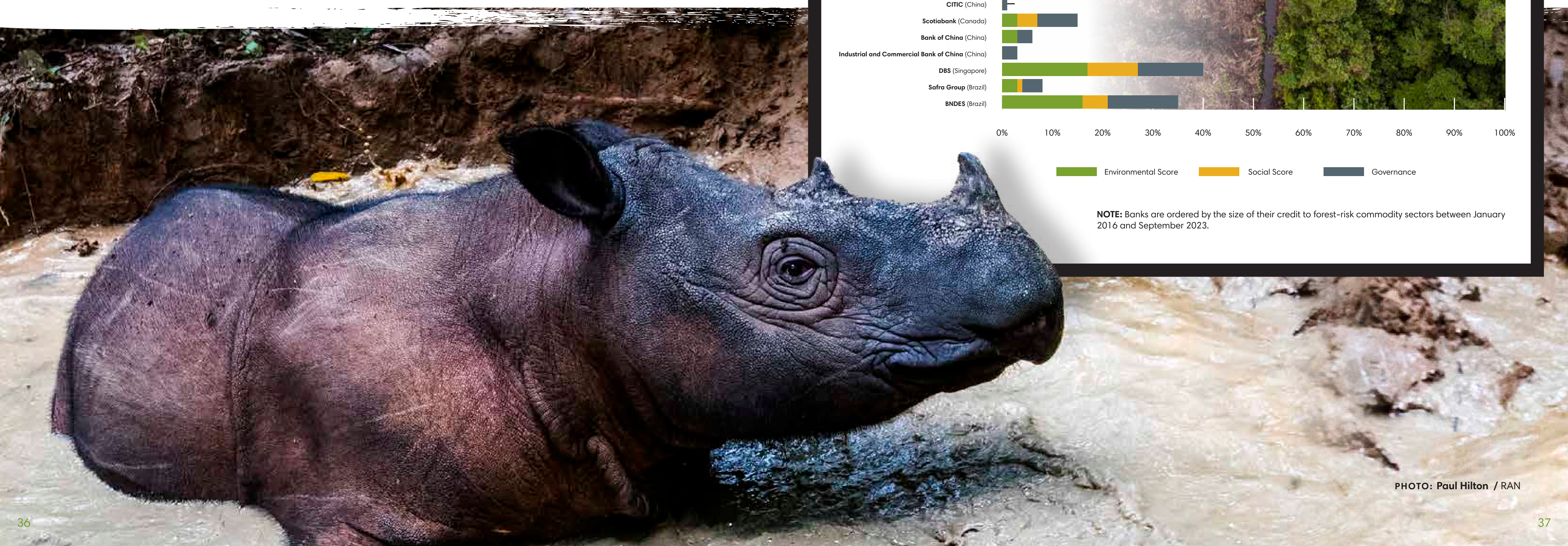


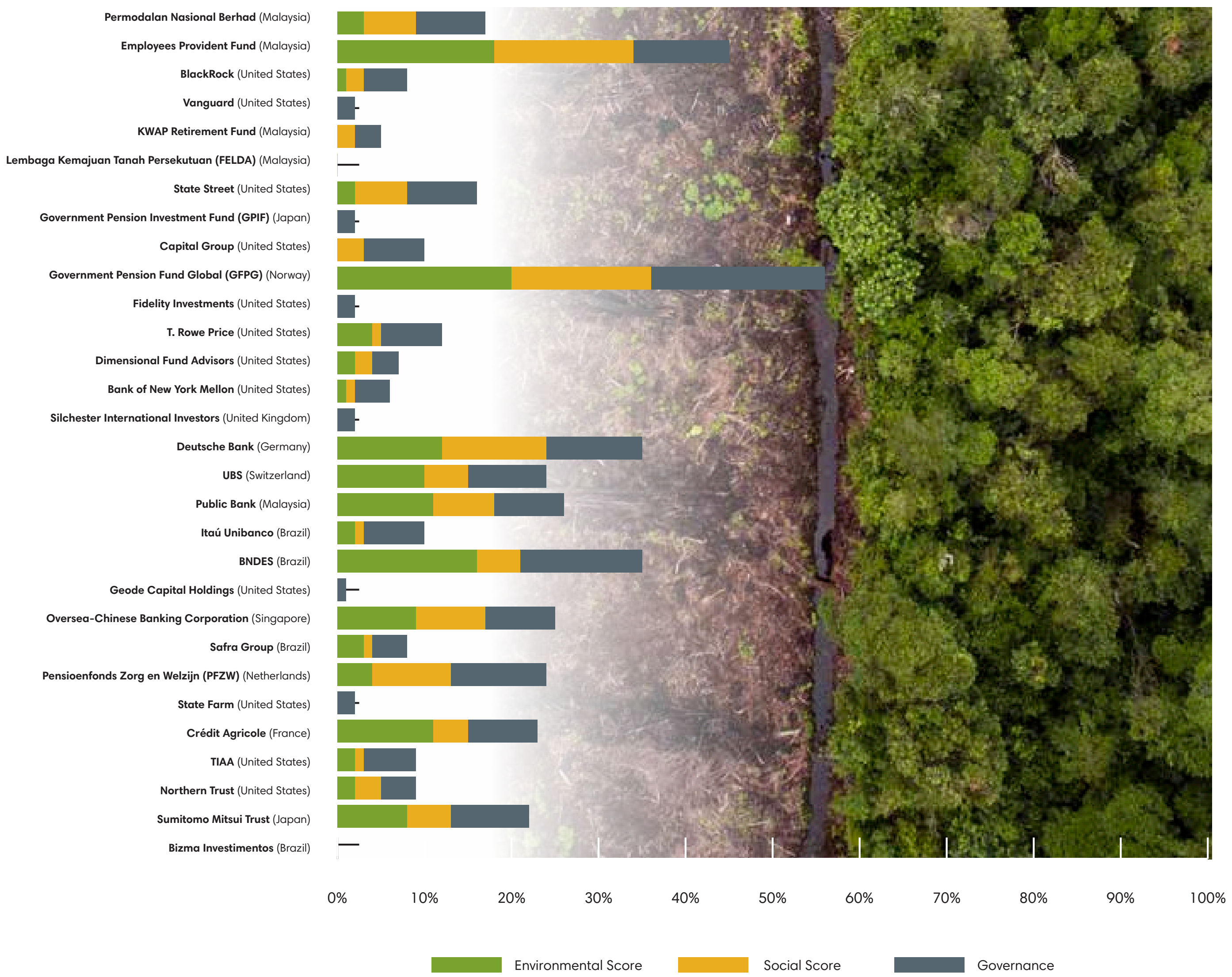
PHOTO: **Paul Hilton** / RAN

FOREST-RISK INVESTOR POLICIES

Among the top 30 forest-risk investors, only the Norwegian Government Pension Fund Global scored over 50%, at 56%. Typically, asset managers and pension funds have weaker policies than banks. For example, US asset managers BlackRock, Vanguard, and State Street have appalling scores of 9%, 2%, and 16% respectively. Similarly, the Japanese Government Pension Investment Fund only scored 2%, and Dutch Pensioenfonds Zorg en Welzijn (PFZW) scored 23%.

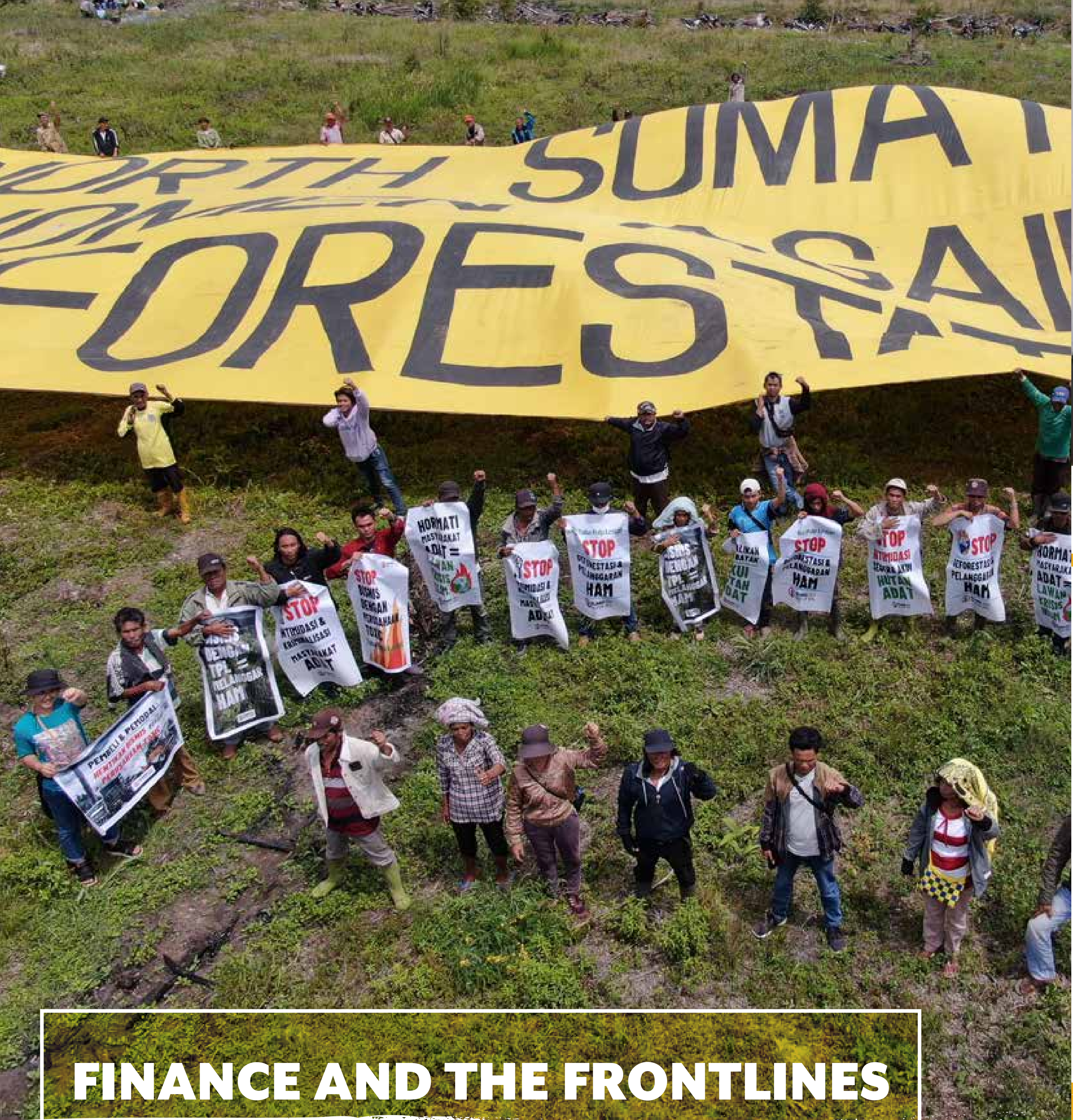
The policy score of the Malaysian Employees Provident Fund stands out with a score of 45%. This is much stronger than that of its Malaysian peer Permodalan Nasional Berhad, which scored 17%. Malaysian Public Bank also scored better than its Swiss peer UBS. The former scored 27% and the latter 24%.

GRAPH 9: Policy assessment scores of the top 30 forest-risk investors



NOTE: Investors are ordered by the size of their investments in forest-risk commodity sectors as of September 2023.

PHOTO: Paul Hilton / RAN



FINANCE AND THE FRONTLINES

Banks and investors enable forestry and agribusiness companies to expand operations into the world's remaining tropical forest ecosystems. This is driving the destruction of forests and peatlands and violating Indigenous Peoples' and local communities' rights.

This report exposes four corporations which have egregious environmental and social track records yet continue to receive billions in credit and investment from financial institutions: Cargill, JBS, Royal Golden Eagle, and Sinar Mas Group. Forests & Finance finds that bank and investor ESG policies and due diligence processes are failing to adequately mitigate the risks or address the harms created by these companies.

PHOTO: KSPPM

PHOTO: **Antônio Biondi** / Repórter Brasil

CARGILL:
Violating Indigenous Peoples' and Traditional Communities' Rights in Brazil

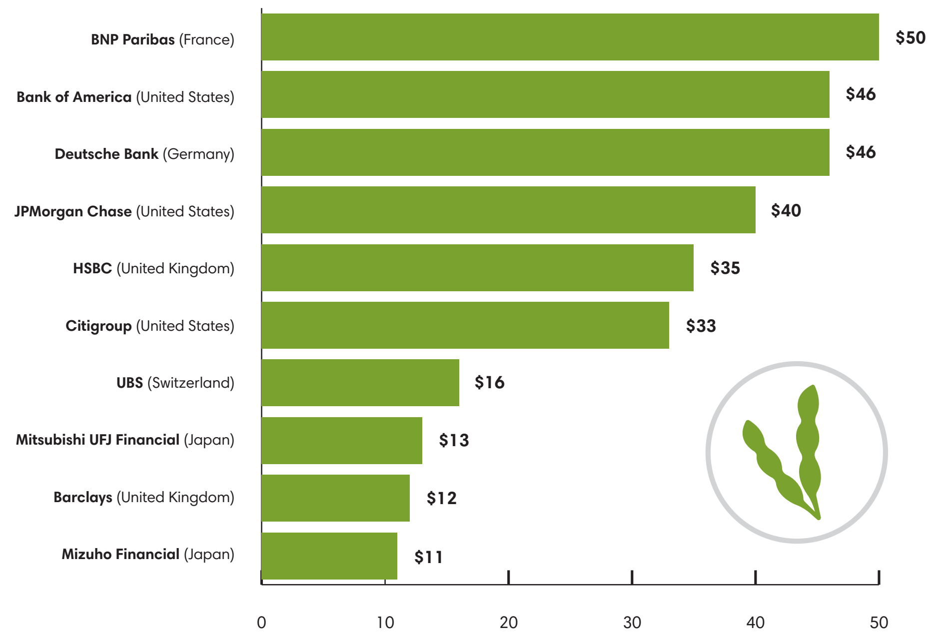
FINANCING RIGHTS VIOLATIONS AND AMAZON DEFORESTATION

Cargill has been supported by some of the worlds' largest banks, despite an extensive legacy of human rights abuses and environmental degradation. Since 2019, Cargill has received US$ 473 million in credit for its soy operations in tropical forest regions. The value of these forest-risk soy-attributable credit flows has fluctuated significantly throughout the period, with peaks of US$ 136 million in 2019 and US$ 176 million in 2021.

Cargill's 5 largest creditors:

- BNP PARIBAS
- BANK OF AMERICA
- Deutsche Bank
- JPMorgan Chase & Co.
- HSBC

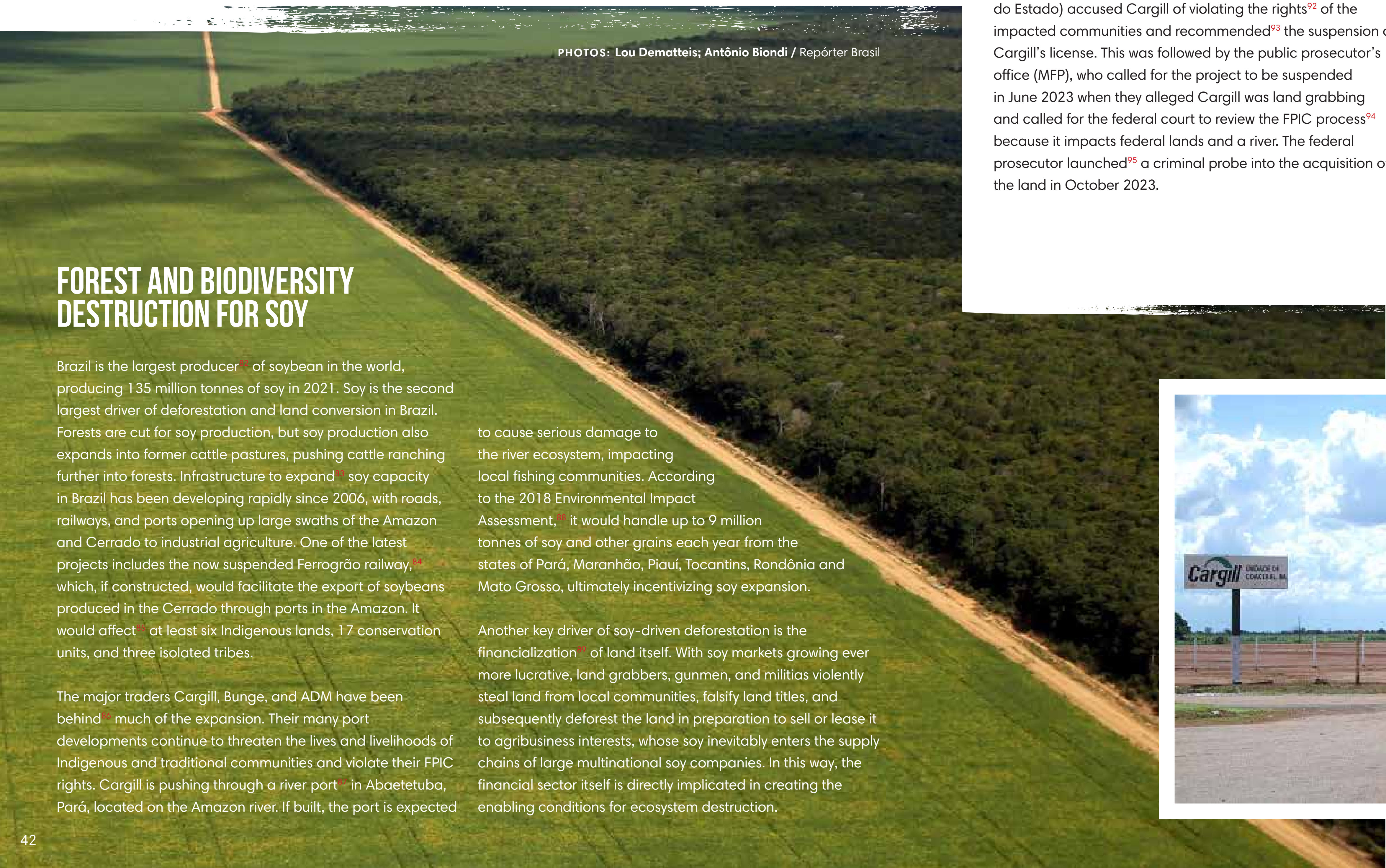
GRAPH 10: Largest 10 creditors to Cargill's forest-risk soy operations
(2019-2023 SEPTEMBER, US$ MLN)



Cargill is one of the largest agricultural companies in the world and the largest privately held company in the US, with a revenue in 2023 of $ 177 billion.[69] They are a major exporter of soy from Brazil and have been linked to a litany of deforestation and human rights violations[70] for decades. In 2023, a civil society campaign, Burning Legacy,[71] was launched to hold Cargill accountable for its unacceptable business practices. Over 100 case investigations[72] have been compiled, documenting ample evidence of human rights abuses and deforestation in Cargill's supply chain.

Despite committing[73] to zero deforestation by 2020, Cargill failed to meet this goal and has since refused to sign a soy moratorium for the Cerrado.[74] It is now expanding its operations to further exploit the Brazilian Amazon and the Cerrado. These huge biodiverse biomes are highly sensitive to disturbance, and both play critical roles in stabilizing the climate and regulating the water cycles in the region. While deforestation rates in the Amazon fell by 42% during the first seven months of 2023 compared to the same period in 2022,[75] in the neighboring Cerrado savanna there was a surge,[76] entirely due to the expansion of land speculation[77] and agribusiness.

Deforestation rates in the Cerrado have been increasing since 2019 and are now three times the rate of deforestation in the Amazon. The Cerrado, which makes up some 23%[78] of Brazil's entire territory, contains up to 5% of the world's plant and animal species,[79] making it the world's most biodiverse savannah. The depletion of this biome, known as Brazil's "birthplace of waters,"[80] poses a serious risk[81] to the watersheds in South America that many people and thousands of endemic species depend upon for habitat, sustenance livelihoods, and a safe climate.



PHOTOS: Lou Dematteis; Antônio Biondi / Repórter Brasil

FOREST AND BIODIVERSITY DESTRUCTION FOR SOY

Brazil is the largest producer[82] of soybean in the world, producing 135 million tonnes of soy in 2021. Soy is the second largest driver of deforestation and land conversion in Brazil. Forests are cut for soy production, but soy production also expands into former cattle pastures, pushing cattle ranching further into forests. Infrastructure to expand[83] soy capacity in Brazil has been developing rapidly since 2006, with roads, railways, and ports opening up large swaths of the Amazon and Cerrado to industrial agriculture. One of the latest projects includes the now suspended Ferrogrão railway,[84] which, if constructed, would facilitate the export of soybeans produced in the Cerrado through ports in the Amazon. It would affect[85] at least six Indigenous lands, 17 conservation units, and three isolated tribes.

The major traders Cargill, Bunge, and ADM have been behind[86] much of the expansion. Their many port developments continue to threaten the lives and livelihoods of Indigenous and traditional communities and violate their FPIC rights. Cargill is pushing through a river port[87] in Abaetetuba, Pará, located on the Amazon river. If built, the port is expected to cause serious damage to the river ecosystem, impacting local fishing communities. According to the 2018 Environmental Impact Assessment,[88] it would handle up to 9 million tonnes of soy and other grains each year from the states of Pará, Maranhão, Piauí, Tocantins, Rondônia and Mato Grosso, ultimately incentivizing soy expansion.

Another key driver of soy-driven deforestation is the financialization[89] of land itself. With soy markets growing ever more lucrative, land grabbers, gunmen, and militias violently steal land from local communities, falsify land titles, and subsequently deforest the land in preparation to sell or lease it to agribusiness interests, whose soy inevitably enters the supply chains of large multinational soy companies. In this way, the financial sector itself is directly implicated in creating the enabling conditions for ecosystem destruction.

DEFENDING INDIGENOUS AND TRADITIONAL LANDS

In October 2023, Beka Saw Munduruku, an Indigenous leader[90] from the Sawre Muybu village of the Brazilian Amazon, hand-delivered a letter[91] to the Cargill family. She called on the company to stop the destruction of their lands and their forests, which are under threat from Cargill's aggressive and unceasing soy expansion. The letter stated that her community has been fighting to defend their land against Cargill for many years but has faced violence and intimidation.

In Abaetetuba, the land earmarked for the soy port has been recognized as a traditional territory (Projeto de Assentamento Agroextrativista). The communities claim Cargill is grabbing their land, and they are fighting for their rights in court. In May 2023, the state public defender (Defensoria Pública do Estado) accused Cargill of violating the rights[92] of the impacted communities and recommended[93] the suspension of Cargill's license. This was followed by the public prosecutor's office (MFP), who called for the project to be suspended in June 2023 when they alleged Cargill was land grabbing and called for the federal court to review the FPIC process[94] because it impacts federal lands and a river. The federal prosecutor launched[95] a criminal probe into the acquisition of the land in October 2023.

The environmental and social issues in Cargill's planned port in Abaetetuba are not new or confined to just this project. Investigations published by leading environmental and human rights law nonprofits have found a continued failure to clean up its supply chains or to comply with national laws on Indigenous Peoples' rights. Client Earth has alleged in a complaint[96] to the Organisation for Economic Cooperation and Development (OECD) that Cargill is violating Indigenous Peoples' rights by failing to conduct adequate environmental or human rights due diligence on its soy supply chains and operations in Brazil.

Cargill already operates two ports in the Amazon: one in Santarém[97] and the other in Itaituba[98] (both in the state of Pará). Both ports have caused significant impacts. Brazilian human rights organization Terra de Direitos has found that Cargill has failed to comply[99] with socio-environmental regulations for both ports. They found that, among other issues, Cargill failed to consult Indigenous Peoples and local communities in the development of these ports, violating their right to give or withhold Free, Prior and Informed Consent (FPIC) to issues affecting their lives and lands.

In response to allegations of violating the rights of Indigenous Peoples and local communities in its port development, Cargill stated[100] that it has complied with the requirements of the licensing body. Cargill further states that it is committed[101] to be deforestation-free in its soy and palm supply chains by 2025.

HOW DO THE POLICIES OF CARGILL'S BANKERS STACK UP?

Cargill's forest-risk creditors covered in this report all score under 50% overall, and also for the soy sector policies, indicating they are failing to acknowledge and effectively mitigate the risks associated with their financing in Brazil. An overall score of 50% means that the financier does not have an adequate policy without loopholes on all the environmental, social, and governance risks related to deforestation.

BNP Paribas, the largest Cargill creditor, has the highest overall score, at 47%, and 5.2 out of 10 for environment criteria for the soy sector. These policy commitments, coupled with the bank's position as ninth largest financier of forest-risk commodities, raise questions about the effectiveness of the bank's policy implementation. Banks scoring 30% overall or 3 and above out of 10 on sector sub-totals do have some level of ESG policy commitments, which should alert them to Cargill as a high ESG-risk client warranting enhanced due diligence.

Four banks scored below 25% overall: JPMorgan Chase (15%), Bank of America (22%), MUFG (24%), and UBS (24%). All of these banks rank in the largest 30 forest-risk bank or investor league tables, which means they are highly exposed to environmental and social risks and impacts. Only two banks, European BNP Paribas (4.2) and Deutsche Bank (4.0), scored 4 or above out of 10 for their soy policies. The lowest scores for soy were by MUFG (1.2), UBS (1.5), and Bank of America (2.0) out of 10, which means their policies for soy would certainly fail to protect forests or prevent human rights abuses.

There are also some loopholes which make the policies weak and potentially ineffective for preventing harms in the forest-risk sectors. For example, Bank of America's policies for No Deforestation and FPIC rights of Indigenous Peoples contain limiting language that means these policies only apply to project-specific financing, which plays only a minor role in these sectors. It is clear that these banks are lagging behind international best practices on environment and human rights.

TABLE 8: Policy scores of Cargill's largest soy creditors

Bank Name	Soy Scores (Each section is scored on a scale of 0-10 with the score given out of 10)				Overall Score Maximum score 100%
	Environmental	Social	Governance	Soy Total	
BNP Paribas (France)	5.2	4.5	3.3	42	47%
Bank of America (United States)	2.2	2.2	1.7	2.0	22%
Deutsche Bank (Germany)	4.8	4.3	3.1	4.0	35%
JPMorgan Chase (United States)	3.4	3.5	2.5	3.1	15%
HSBC (United Kingdom)	3.8	3.5	3.4	3.6	30%
Citigroup (United States)	3.1	3.3	2.9	3.1	37%
UBS (Switzerland)	1.7	0.7	2.0	1.5	24%
Mitsubishi UFJ Financial (Japan)	1.0	1.0	1.8	1.3	24%
Barclays (United Kingdom)	3.8	3.6	3.1	3.5	43%
Mizuho Financial (Japan)	3.4	2.5	2.7	2.9	38%

JBS in Vilhena, Rondônia. **PHOTO: MPT**

JBS:

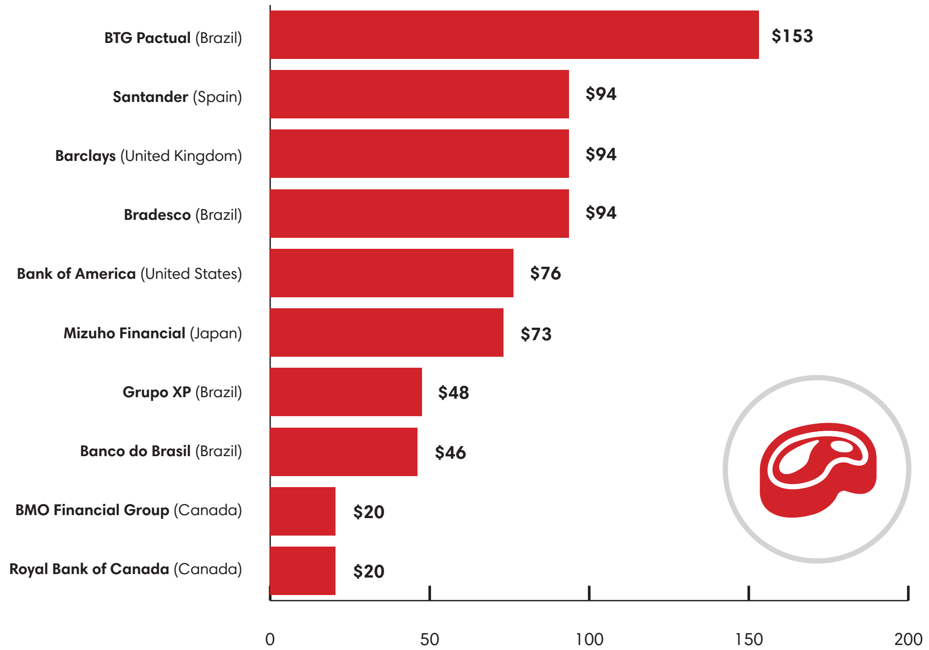
Climate chaos and exploitation in the Amazon

JBS is financed by major banks from Brazil, the US, Europe, and Japan. Since 2019, these banks have enabled JBS's unacceptable business practices in Brazil by providing over US$ 718 million in forest-risk beef credit. As of September 2023, investors held US$ 667 million in bonds and shares. The largest institutional shareholders are Brazilian BNDES and BTG Pactual with shares of US$ 412 million.

JBS's 5 largest creditors:

btg pactual
Santander
BARCLAYS
bradesco
BANK OF AMERICA

GRAPH 11: Largest 10 creditors to JBS' forest-risk beef operations
(2019-2023 SEPTEMBER, US$ MLN)



The Brazilian meat giant JBS is the largest animal protein company in the world. Its supply chain has devastating impacts on forests and communities in the Brazilian Amazon. As one of Brazil's largest[102] Amazon deforesters, JBS plays a major role in the climate and biodiversity crises. The company's harmful and sometimes illegal business practices have been documented repeatedly over the last 15 years. These practices include[103] bribery[104] and corruption,[105] price-fixing,[106] forest destruction,[107] forced labor and labor abuses,[108] invasion and land grabbing of Indigenous and traditional territories,[109] and excessive greenhouse gas (GHG) emissions.[110]

In July 2023, JBS renewed its decade-long efforts to list its shares on the New York Stock Exchange through a dual listing (also in São Paulo) which, if it proceeds, will open up major opportunities for JBS to attract further investment. This process was thwarted in 2017 when the majority shareholders, the Batista brothers, were embroiled in a corruption scandal which concluded with a record-breaking fine[111] of US$ 3.2 billion and their admission of bribing thousands of politicians.[112] Now these men are seeking to consolidate their control of the company through a major restructure[113] which would see the family's voting power increase from 48.8% to 85%.[114] CSOs have alerted[115] investors to the risks related to this dual listing, and several groups, including Rainforest Action Network (RAN)[116] and Indigenous associations[117] APIB, COIAB, and Tato'a, have petitioned the SEC to investigate.

Mirirituba port complex. **PHOTO: Mariana Greif**
Cattle ranching in the Amazon.. **PHOTO: edsongrandisoli** / iStock

EXPLOITING PEOPLE AND FORESTS IN THE AMAZON

It is estimated that between 2008 and 2020, JBS's total deforestation footprint was as high as 200,000 hectares in its direct supply chain and 1.5 million hectares in its indirect supply chain.[118] Various organizations including Greenpeace,[119] Repórter Brasil,[120] Global Witness,[121] and Amnesty International[122] have documented cases of large-scale deforestation and human rights abuses linked to JBS between 2009 and 2022. This pattern of systemic unacceptable business practices by JBS should raise alarm among banks and investors.

JBS drives land grabs and invasion of Indigenous Peoples' territories in the Brazilian Amazon by continuing to source cattle illegally grazed on Indigenous lands (TIs). In the last few years, investigations have found that JBS has purchased cattle that were illegally grazed in the Uru-Eu-Wau-Wau TI in 2019,[123] the Naruvôtu Pequizal TI in 2020,[124] and the Apyterewa TI in 2022.[125] The Laboratório InfoAmazonia de Geojornalismo and Center for Climate Crime Analysis revealed[126] JBS has continued sourcing from the Uru-Eu-Wau-Wau TI after 2021, indicating a failure by JBS to address such violations.

Following a landmark report[127] and campaign in 2009 by Greenpeace, JBS signed agreements with the Brazilian public prosecutor[128] and Greenpeace[129] to clean up its supply chain. This requires JBS to ensure its products are free from deforestation after October 2009 and free from the use of forced labor or the invasion of Indigenous lands. A critical element of these agreements was the implementation of a transparent traceability system to enable monitoring and verification across the full supply chain. Yet 14 years on, despite JBS claiming[130] to have eliminated deforestation and forced labor from its supply chain, it has still not delivered on these critical commitments.

Investigations by civil society and official audits have found large-scale deforestation in 2019-2020, contradicting JBS's claims to have met its deforestation commitments. In the Amazon state of Pará, JBS's cattle purchases of more than one in six cows – around 94,000 cattle – were found[131] to be non-compliant, primarily due to illegal deforestation by their direct suppliers. Although there are other companies operating in the region, JBS was responsible[132] for almost 69% of irregular cattle purchases.

GREENWASHING ALERT

Following on from the 2009 commitments, JBS has made a high-profile pledge[133] to achieve net-zero emissions by 2040. These types of claims offer material benefits to companies, as they can facilitate access to finance with favorable conditions. Many financiers are looking to boost their green credentials and align their client portfolio with their own net-zero claims. However, independent research found[134] that JBS lacks any credible decarbonization plan, and in 2023, the US National Advertising Division (NAD) recommended[135] JBS USA Holdings discontinue its net-zero claims because they were misleading.

Recent analysis estimates[136] the company has increased its GHG emissions by 51% in five years. Estimates[137] of JBS's methane emissions also far outpace all other livestock companies, setting them apart from their peers yet again.

Despite these allegations of greenwashing, in 2021, JBS sold[138] US$ 3.2 billion worth of "green bonds" linked to their net-zero pledge, and in 2023, their bonds were oversubscribed. Notably for the recent bonds,[139] 9 out of 11 underwriting banks – including Bank of America and Citigroup – have net-zero commitments under the Net Zero Banking Alliance (NZBA) but are actively enabling a company whose business model is incompatible with a climate-safe transition.

JBS did not respond to Rainforest Action Network in relation to allegations of misleading investors as part of its dual listing. JBS states that it is committed[140] to be net zero by 2040 and to be deforestation-free in its Brazilian supply chains by 2025.

PHOTOS: edsongrandisoli / iStock; **Erik McGregor; Laurel Sutherlin** / RAN

HOW DO THE POLICIES OF JBS'S BANKERS AND INVESTORS STACK UP?

The bank with the highest overall score out of JBS's creditors was Barclays at 43%. However, Barclays has been exposed[141] for its major role in enabling JBS's destructive business practices, and its beef sector score is much lower, at just 2.1 out of 10. The sector scores for beef are all abysmal, with Bradesco and BTG Pactual scoring the lowest at just 1.2 and 1.5 out of 10 respectively. These two Brazilian banks, along with Japanese Mizuho, all scored below 1.0 out of 10 for environmental criteria for the beef sector, which shows that their policies do nothing to prevent environmental harm.

Given that the beef sector is well known to be a key driver of deforestation and climate change in Brazil, the exceptionally weak requirements on these issues by JBS's creditors is particularly concerning. Many of the banks also have weak social policies, including on requirements to ensure clients and their suppliers do not perpetrate labor abuses or violate FPIC for Indigenous Peoples or local communities. A standout bank lagging behind on social policies for beef is Santander, which scored just 0.6 out of 10.

These weak demands by JBS's main financiers enable it to continue its unacceptable business practices with impunity. Banks should adopt, disclose, and consistently implement a process to end relationships with clients such as JBS which continue to be complicit in deforestation and human rights abuses.

TABLE 9: Policy scores of JBS's largest beef creditors

Bank Name	Beef Scores (Each section is scored on a scale of 0-10 with the score given out of 10)				Overall Score Maximum score 100%
	Environmental	Social	Governance	Beef Total	
BTG Pactual (Brazil)	0.9	1.7	1.7	1.5	14%
Santander (Spain)	1.4	0.6	2.7	1.7	20%
Barclays (United Kingdom)	2.6	1.2	2.3	2.1	43%
Bradesco (Brazil)	0.0	2.5	1.2	1.2	12%
Bank of America (United States)	2.2	2.2	17	2.0	22%
Mizuho Financial (Japan)	0.8	1.2	2.7	1.7	38%
Banco do Brasil (Brazil)	1.9	1.7	1.8	1.8	18%

NOTE: Forests & Finance assessed the policies of 7 of the largest 10 creditors in Graph 11. Therefore, Grupo XP, BMO Financial Group and Royal Bank of Canada are not included in this table.

ROYAL GOLDEN EAGLE:

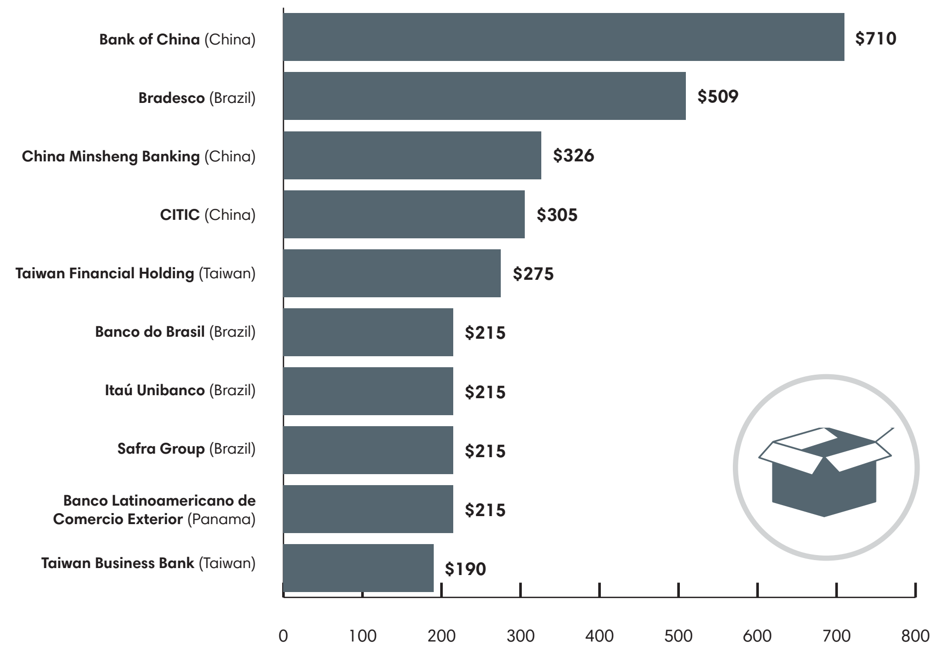
Mystery owners of global pulp expansion threatening forests

Since 2019, banks have provided more than US$ 4.5 billion in forest-risk pulp and paper-attributable loans and underwriting services for RGE's operations in tropical forest regions. Its creditors span the globe from China to Brazil and from the Netherlands to Indonesia. However, none of the financial institutions assessed has adequate policies in place to protect the forests and the communities that rely on them for their livelihoods for the negative impacts of RGE's pulp and paper operations.

RGE's 5 largest creditors:

中国银行 BANK OF CHINA
bradesco
中国民生银行 CHINA MINSHENG BANK
中信 CITIC
臺灣金控 TAIWAN FINANCIAL HOLDINGS

GRAPH 12: Largest 10 creditors to RGE's forest-risk pulp and paper operations
(2019-2023 SEPTEMBER, US$ MLN)



Deforestation rates in Indonesia have steadily[142] declined since the height of rampant clearing around 10 years ago. This is largely attributed to moratoria in some sectors, improved law enforcement, and improved supply chain standards as major commodity producers adopted no deforestation, no peat, and no exploitation (NDPE) commitments. Yet there are signs that forest loss in Indonesia is starting to pick up again, with a 16% increase[143] from 2021-22, now standing at over 200,000 hectares per annum.

The nature of deforestation is also changing. Instead of major flagship plantation companies being the face of deforestation, it is now typically undertaken through low-profile entities which are still under common control with major producer companies. These "shadow companies" are not acknowledged as part of the same corporate group as the flagship entities, with common control obscured by complex corporate structures, secrecy jurisdictions, and nominee shareholders. These obscured relationships also appear to benefit banks and investors with narrow interpretations of what parts of client group operations are considered material to bank due diligence standards.

Such a pattern is evident in the operations of Royal Golden Eagle Group (RGE), a Singapore-headquartered natural resource group controlled by Indonesian tycoon Sukanto Tanoto. The group's main operations are in Indonesia; however, it also operates production and processing facilities in Brazil and China. Historically one of the largest drivers of deforestation in Indonesia, RGE now projects an image of sustainability to its financiers and the international buyers of its pulp and paper and palm oil products.

In 2015, RGE's flagship palm and pulp divisions publicly adopted[144] NDPE-aligned policies. RGE also states[145] it aims to achieve "net-zero" emissions from land use by 2030 and secured US$ 3.25 billion in sustainability-linked loans in 2021-2022 alone, citing its sustainability commitments.[146] Major creditors include banks with commitments to no deforestation such as Mitsubishi UFJ Financial Group.

Yet recent investigations show that a number of companies believed to be under common control with RGE group are among the largest drivers of deforestation in Indonesia, including the conversion[147] of over 26,000 hectares of natural forest into industrial tree plantations between 2016-2021. In 2022, they cleared[148] a further 7,000 hectares and over 1,000 peatlands. In 2021-22, wood fiber from one such company that had cleared forest was shown to have been shipped to RGE's pulp mill in China. Another company under common RGE control is constructing[149] a new mega-scale pulp and paper mill in North Kalimantan that will consume over 3 million metric tons of wood fiber a year and threaten to drive creation of new forest plantations in Indonesia's intact forest areas in Kalimantan and Papua. RGE's palm oil division, Apical Group, has also been repeatedly exposed for sourcing from suppliers driving deforestation in Indonesia's Leuser Ecosystem.

In their response[150] to these allegations, RGE's pulp mill in China acknowledged deforestation by two suppliers and stated that it had suspended sourcing. Yet recent journalistic investigations indicates that the sourcing continued as of September 2023.[151] RGE denies that these entities are under common control of RGE. RGE further stated that its business groups operate in accordance with its Sustainability Framework, which includes explicit no deforestation commitments, and that it has ambitious 2030 sustainability targets that aim to contribute to the achievement of national and global goals on climate, nature protection, and sustainable development.

To counter the threat posed by complex corporate groups, the Accountability Framework Initiative (AFi), an initiative to establish consensus on sustainable supply chains, recommends[152] financial institutions define "a company" as the entire corporate group, meaning "*the totality of legal entities to which the company is affiliated in a relationship in which either party controls the actions or performance of the other.*" Applying recent due diligence guidance[153] designed to determine corporate control indicates a high risk that the shadow entities above are under common control with RGE Group. As such, RGE's creditors, including those issuing billions in sustainability loans, are exposed to serious deforestation and associated risks.

Secret corporate control of the natural resource sector is a critical question for governments, regulators, and industry. The AFi definition of corporate group has now been adopted by the Forest Stewardship Council and promoted[154] as a due diligence principle for banks seeking to eliminate deforestation finance.[155] Failure to apply policies at this level will have material impact on financiers' exposure to environmental and other risks.

The RGE Group apparently controls a new mega-scale pulp mill that is under construction by a company called PT. Phoenix Resources International in northeast Kalimantan. Illegal plantation expansion in Indonesia's Leuser Ecosystem. **PHOTO:** RAN

Palm oil from this supplier has been documented in the supply chain of Apical, RGE's palm oil division. **PHOTO:** RAN

HOW DO THE POLICIES OF RGE'S BANKERS AND INVESTORS STACK UP?

Of the top 20 creditors, Forests & Finance assessed the policies of 12 banks. The overall scores were very low ranging from just 1% to 24% indicating little to no policy coverage for forest-risk commodity sectors. Six Chinese and Brazilian banks scored between 1% and 10% which means they are providing finance to RGE without any real safeguards to prevent social and environmental harms.

Given the complex corporate structure and supply chains of RGE group, none of their creditors applies ESG policies across their client's entire corporate group. This heightens the risk that banks with NDPE commitments, such as MUFG, are in fact fuelling deforestation and rights abuses. Banks financing groups in forest-risk sectors must apply much stronger due diligence to know their clients and manage risks appropriately.

Bradesco, CITIC, Shandong Pudong Development Bank and China Merchants Bank all scored 0 out of 10 for their environment policies for the pulp and paper sector. As some of the largest financiers of RGE, this is extremely concerning and means they do not have even the most rudimentary no deforestation, or no peatland development policies in place. Similarly, Bank of China, CITIC, Shandong Pudong Development Bank and China Merchants Bank scored 0 out of 10 for social policies which means there are no protections for human rights, including FPIC for Indigenous Peoples or for labor.

TABLE 10: Policy scores of RGE's largest pulp and paper creditors

Bank Name	Pulp & Paper Scores (Each section is scored on a scale of 0-10 with the score given out of 10)				Overall Score Maximum score 100%
	Environmental	Social	Governance	Pulp & Paper Total	
Bank of China (China)	1.1	0.0	0.7	0.6	6%
Bradesco (Brazil)	0.0	2.5	1.2	1.2	12%
CITIC (China)	0.0	0.0	0.2	0.1	1%
Banco do Brasil (Brazil)	1.9	1.7	1.8	1.8	18%
Itaú Unibanco (Brazil)	0.5	0.3	1.8	0.9	9%
Safra Group (Brazil)	0.8	0.3	1.0	0.7	8%
Bank Central Asia (Indonesia)	1.8	2.1	1.8	1.9	24%
Bank Panin (Indonesia)	0.0	0.5	0.7	0.7	17%
Shanghai Pudong Development Bank (China)	1.8	0.0	1.0	0.4	4%
Mitsubishi UFJ Financial (Japan)	1.8	2.8	2.8	2.5	24%
Bank Rakyat Indonesia (Indonesia)	1.8	0.5	2.1	1.5	17%
China Merchants Bank (China)	0.0	0.0	0.7	0.3	3%

NOTE: Forests & Finance assessed 12 of the largest 20 creditors' policies. Therefore, ABN Amro, Banco Latinoamericano de Comercio Exterior, China Eximbank, China Minsheng Banking, E.SUN Financial, State Bank of India, Taiwan Business Bank, and Taiwan Financial Holding are not included in the table.

PHOTO: **Paul Hilton** / Global Conservation

SINAR MAS GROUP:

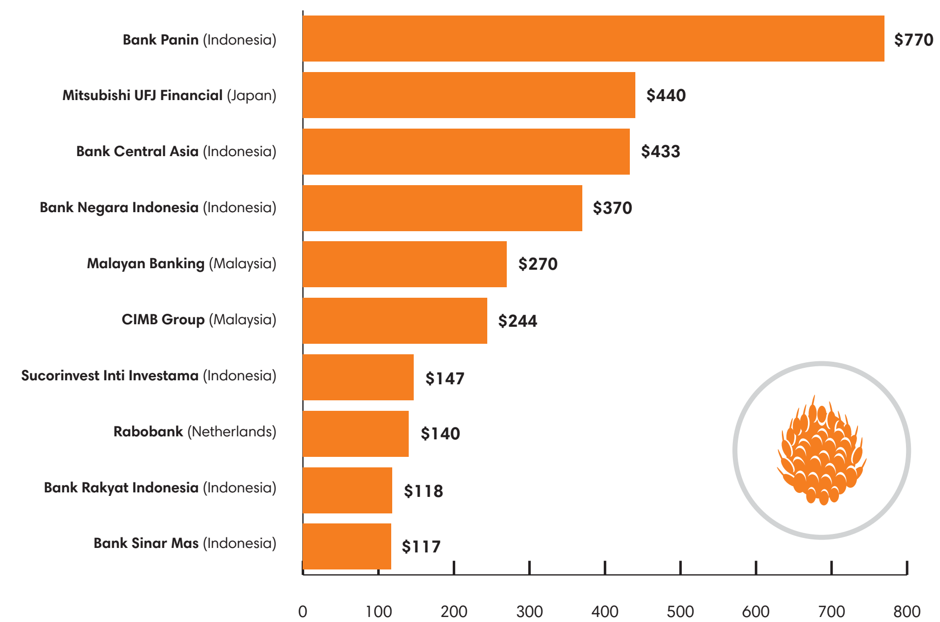
Destroying orangutan and chimpanzee habitats in Indonesia and Liberia for palm oil

Since 2019, Sinar Mas Group (SMG) has attracted US$ 20.3 billion in credit, making it the world's largest recipient of finance for forest-risk commodity sectors operating in tropical forest regions. Between 2019 and September 2023, SMG's palm oil division received US$ 3.7 billion in loans and underwriting, largely from Indonesian and Malaysian banks. As of September 2023, investors also held US$ 638 million in bonds and shares.

SMG's 5 largest creditors:

PaninBank
MUFG
BCA
BNI
Maybank

GRAPH 13: Largest 10 creditors to SMG's forest-risk palm oil operations
(2019-2023 SEPTEMBER, US$ MLN)



SMG is one of Indonesia's largest conglomerates with extensive pulp and paper and palm oil operations. Despite being repeatedly exposed[156] for egregious human rights abuses, enormous greenhouse gas emissions, and large-scale deforestation, it has failed[157] to end deforestation in its supply chains and address the harms done to local communities.

SMG's pulp and paper division includes the notorious[158] Asia Pulp and Paper (APP). Ten years after promising to clean up its supply chain, Greenpeace found[159] APP still has a litany of violations. These include community conflicts, conversion of peatlands and extensive fires in concession areas, and the destruction of peatlands. APP has a history of criminalizing community members and has been in conflict[160] with many communities for decades. One of these communities is Lubuk Mandarsah, where an activist was murdered[161] in 2015 for defending their land, allegedly by the company's security guards. In 2021, two young farm workers were detained[162] without charge by police after company security guards handed them over for working on the contested land. According to impacted communities demanding remedy for harms caused by SMG, this decade-long conflict remains unresolved.

In addition to controlling APP, SMG is also the parent company of Singapore listed Golden-Agri Resources (GAR), one of the world's largest producers and traders of palm oil that supplies major multinational brands such as Procter & Gamble[163] and Unilever.[164] These brands have adopted no deforestation, no peat and no exploitation (NDPE) policies and non-compliant suppliers like GAR risk losing market access for their failure to eliminate harms from their supply chains.

PHOTOS: Ulet Ifansasti / Greenpeace; Eric Buller Photography / iStock; Paul Hilton / RAN

GAR LINKS TO ILLEGAL PLANTATIONS IN RAWA SINGKIL WILDLIFE RESERVE

GAR is one of the main traders exposed[165] to illegal palm oil plantations that are destroying the nationally protected Rawa Singkil Wildlife Reserve, part of the 6.5 million acre biodiversity hotspot- the Leuser Ecosystem, which provides fresh water and food to millions of people living in Northwest Sumatra.[166] Referred to as the "orangutan capital of the world", the Leuser is one of the last places on earth where tigers, rhinos, elephants, sun bears and orangutans thrive together. For many of these endangered species, protection of this area is the last chance they have for survival as deforestation elsewhere pushes them to the brink of extinction in the wild. The customary lands of many Indigenous communities are located within Leuser, and are threatened by palm oil expansion.

Since 2019, RAN has been monitoring palm oil expansion in the Leuser Ecosystem and has documented[167] 8,075 acres of forests destroyed between 2019 and 2022, including carbon-rich peat forests. Deforestation and peatland degradation driven by palm oil expansion is rising year on year in the Rawa Singkil Wildlife Reserve, threatening local communities, biodiversity, and the global climate. This is a concerning trend which shows forest loss increasing within the reserve while it is falling in most primary forests across Indonesia. RAN has documented how the supply chains of GAR palm oil refineries are linked to farmers with illegal plantations inside the protected reserve.

In response to the allegations, GAR conducted a field verification that confirmed allegations that its supplier sourced from a farmer with an illegal plantation in Rawa Singkil, and that adequate traceability systems were not in place.[168] GAR has yet to conduct an independent verification of the traceability systems of their controversial mill suppliers, raising the risk of illegal palm oil within its supply chain.

New evidence[169] in 2023 has shown there was more illegal destruction and a further loss of 2,618 acres of peatlands inside the reserve. RAN found 26 kilometers of new canals this year, up from nine kilometers in 2022. These canals cut through the landscape, draining the peatlands to prepare the land for planting oil palms. The process of draining peatlands causes subsidence, which releases high levels of greenhouse gas emissions as the land compresses and sinks. Drained peatlands are at high risk for fires and tip from being carbon sinks to major carbon emitters. In addition to the environmental and climate impacts, deforestation also reduces the ability of the land to absorb rainfall and increases the likelihood and severity of flash floods, which can be disastrous for local communities.

GAR is also the primary investor in West African palm oil plantation company Golden Veroleum Liberia (GVL). GVL is linked[170] to forest destruction and the violation of Indigenous Peoples' rights in Liberia's Upper Guinea Forest. From the perspective of biodiversity, GVL's 350,000 hectare Liberian concession is of particular concern for its impacts on chimpanzees, pygmy hippos, and other endemic and charismatic species. In 2023, GAR withdrew[171] from sustainability and standard-setting body the High Carbon Stock Approach (HCSA) after the complaints procedure confirmed a decade's worth of allegations relating to GVL operations and made recommendations for remedy.[172] To date, GAR and GVL have failed to meet their obligations to redress these human rights grievances or to restore forests that were cleared in violation of no deforestation standards.

HOW DO THE BANKS AND INVESTORS' POLICIES STACK UP?

Overall, the strongest overall policy scores were by Malaysian banks CIMB (49%) and Maybank (43%) and Dutch bank Rabobank (45%). These three banks also scored highest for the palm oil sector, each scoring over 5 out of 10 for either environmental or social palm oil criteria. While this sets them ahead of their peer lenders to SMG, it still demonstrates a failure by these banks and the wider financial sector to adequately address the ESG risks prevalent in these sectors.

Given the repeated allegations against SMG for links to deforestation, peat drainage, and human rights abuses through its supply chain, these banks should be conducting enhanced due diligence and implementing non-compliance protocols in cases which violate their policies.

The creditors with the weakest policies are Indonesian banks Bank Panin (17%), BRI (17%), BNI (21%), and BCA (24%), and Japanese bank MUFG (24%). It would appear that these banks are doing almost nothing to limit their role in financing deforestation and human rights abuses as their policies are incredibly weak.

The largest creditor to SMG, Bank Panin, and Indonesia's largest bank, BRI, had higher scores for the palm oil sector than their overall scores, both scoring 2.3 out of 10. It is notable that BRI was the lowest scoring creditor on social criteria for palm oil. An analysis of SMG's policies on Free, Prior, and Informed Consent policies found them to be inadequate, which means that banks are likely facilitating land conflicts through their financing.[173]

Investors in GAR's bonds and shares all have woefully poor policies, all scoring under 10% overall. It is extremely concerning that investors like BlackRock, which is the largest asset manager in the world with over US$9 trillion in assets under management, has only the most rudimentary ESG policies.[174]

For cases like SMG, it is extremely important for financial institutions to apply their policies across the entire corporate group based on the Accountability Framework Initiative's definition.[175] This is crucial to ensuring they do not enable non-compliant subsidiaries or affiliates to access finance without reforming their practices.

TABLE 11: Policy scores of SMG's largest creditors and investors

Bank Name	Palm Oil Scores (Each section is scored on a scale of 0-10 with the score given out of 10)				Overall Score Maximum score 100%
	Environmental	Social	Governance	Palm Oil Total	
Bank Panin (Indonesia)	3.0	2.6	1.5	2.3	17%
Mitsubishi UFJ Financial (Japan)	2.5	3.2	2.6	2.7	24%
Bank Central Asia (Indonesia)	3.1	3.7	2.4	3.0	24%
Bank Negara Indonesia (Indonesia)	3.8	4.4	1.9	3.2	21%
Malayan Banking (Malaysia)	4.8	5.0	3.6	4.4	43%
CIMB Group (Malaysia)	5.8	4.7	4.4	4.9	49%
Rabobank (Netherlands)	4.8	5.8	4.5	5.0	45%
Bank Rakyat Indonesia (Indonesia)	2.9	1.9	2.1	2.3	17%
Silchester International Investors (United Kingdom)	0.0	0.0	0.4	0.2	2%
BlackRock (United States)	1.3	1.2	1.5	1.3	9%
Dimensional Fund Advisors (United States)	0.7	0.8	0.9	0.8	8%

NOTE: Forests & Finance assessed the policies of 12 of the largest 15 banks and investors. This excluded three of the top 15 financiers. Creditors: Sucorinvest Inti Investama (US$147m) and Bank Sinar Mas (US$117m). Investors: Kopernik Global Investors (US$125m) and Odey Asset Management (US$43m).

PHOTO: **Paul Hilton** / Global Conservation

DEMANDS TO THE FINANCIAL SECTOR

This report advocates for governments to mandate financial sector regulation necessary to safeguard society and the ecosystems on which we all depend, consistent with international public policy goals on climate, biodiversity, and rights. Robust standards and systems must be adopted by banks and investors and faithfully implemented in day-to-day business decisions, with meaningful sanctions for non-compliance.

There are a range of multilateral conventions and obligations which set out expectations on governments and financial institutions to stop fueling the climate and biodiversity crises. These include specific responsibilities under the Paris Agreement Article 2.1c and the Global Biodiversity Framework Targets 14 and 15 to align financial flows to achieve climate and nature goals.

PHOTO: **Paul Hilton** / RAN

Forests & Finance calls on the financial sector to adopt **five key principles** with regard to biodiversity.[177]

1 **Halt and reverse biodiversity loss:** One of the most fundamental ways in which the financial sector can halt and reverse biodiversity loss is by prohibiting finance to activities and sectors that are driving nature destruction. Financial institutions must ensure that their policies across all sectors are rooted in the concept of protecting forests and biodiversity, rather than more obscure and flexible notions of "nature positive" or no "net" loss.

2 **Respect and prioritize the rights of Indigenous Peoples, women and local communities:** In order to follow a human rights-based approach as stated in the GBF, the financial sector must ensure that policies and practices protect, prioritize, and center the human rights of impacted communities. This approach must respect Indigenous rights, as outlined in international standards of Free, Prior, and Informed Consent (such as ILO Convention No. 169[176] and the UN Declaration on the Rights of Indigenous Peoples (UNDRIP), as well as the long-standing international best practice and standards for protecting the rights of local communities on an ongoing, iterative basis.

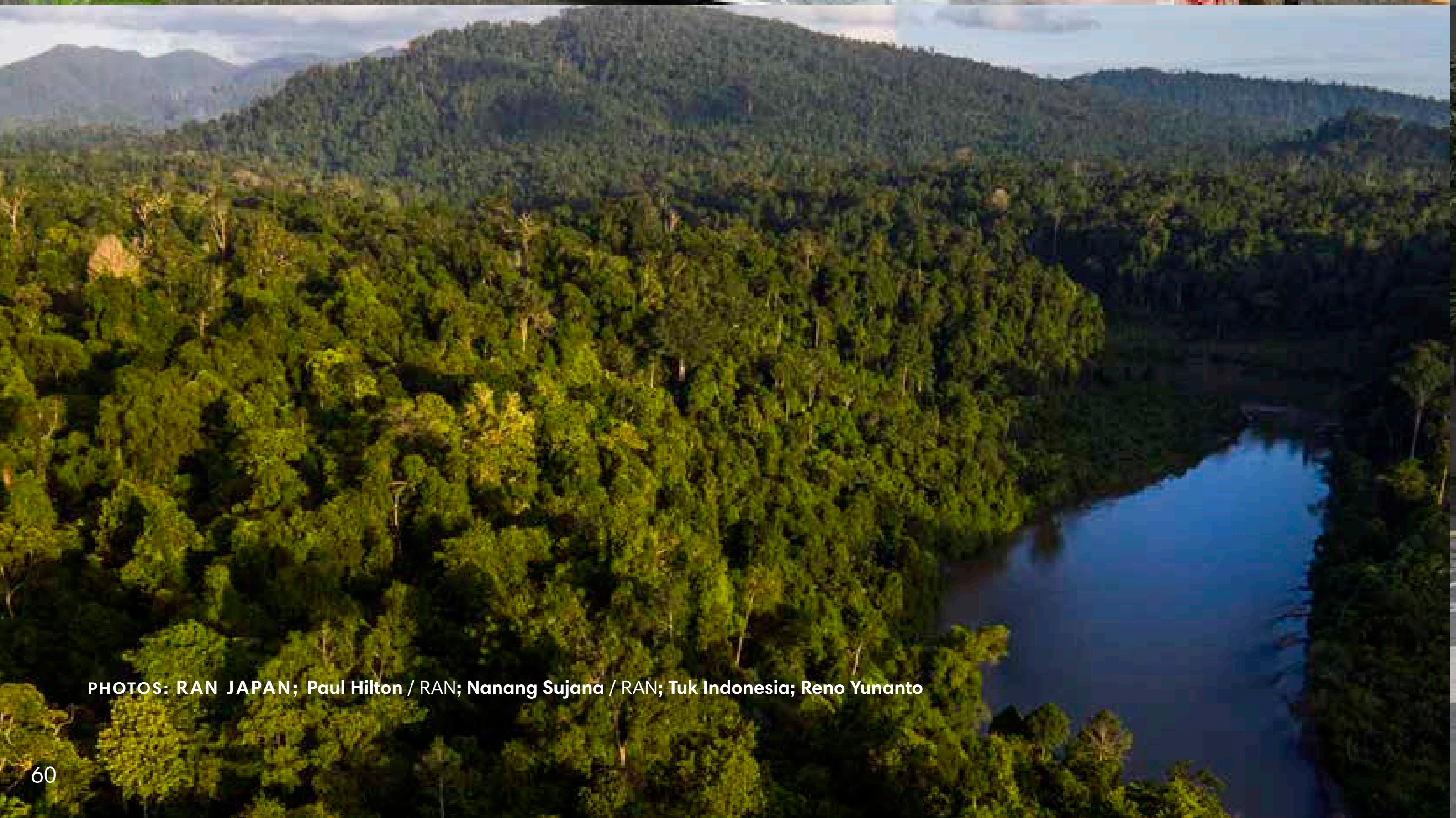
3 **Foster a just transition:** The financial sector must prioritize a fair and inclusive transition by divesting from corporate-controlled extractive economies and investing in regenerative ones. It must ensure meaningful engagement, consultation, and respect for the rights and well-being of affected communities and workers, promoting ecological and social well-being in support of sustainable development goals. In addition, financial institutions must avoid false solutions such as biodiversity and carbon offset approaches, over-reliance on certification and disclosure schemes, and dependence on unproven, vague technologies.

4 **Ensure ecosystem integrity:** The financial sector should require that funding proposals and assessments evaluate cumulative, ecosystem-wide impacts prior to awarding financing, and prohibit financing to activities that seriously and negatively impact ecosystem integrity.

5 **Align institutional objectives across sectors, issues, and instruments:** Financial institutions and regulators must create strong coherence between biodiversity-related targets and other institutional objectives, such as approaches and targets for climate, and ensure that human rights protection is embedded in all due diligence and decision-making processes.

Financial institutions should refer to the Forests & Finance 38 environment, social and governance policy assessments criteria and scoring framework for details on the policies required to safeguard human rights and tropical forests in forest-risk commodity sectors. See Annex 2 (page 63) or our website.

As a critical first step, banks and investors must adopt and implement policies that align with the No Deforestation, No Peatland, No Exploitation (NDPE) standard. NDPE must apply to all financial services, across a client's entire corporate group and be applied to all forest-risk commodities.



PHOTOS: RAN JAPAN; Paul Hilton / RAN; Nanang Sujana / RAN; Tuk Indonesia; Reno Yunanto

ANNEXES

ANNEX 1:
Financial Flows Methodology

More than 300 companies active in beef, soy, palm oil, pulp and paper, rubber, and tropical timber ("forest-risk sector") supply chains, whose operations impact natural tropical forests in Southeast Asia, Central, and West Africa, and parts of South America, were selected for this research. The research provides a deal-level dataset of specific relationships between selected companies and any linked financial institution. Of the more than 300 researched companies operating in the six selected soft commodities, only 230 companies had identifiable financing where the financier, financing amount, and start date were known within the period of study.

Financial databases Bloomberg, Refinitiv (formerly known as Thomson EIKON), TradeFinanceAnalytics, and IJGlobal, company reports (annual, interim, quarterly) and other company publications, company register filings, as well as media and analyst reports were used to identify corporate loans and underwriting facilities provided to the selected companies for the period 2013-2023 (September). Investments in bonds and shares of the selected companies were identified through Refinitiv, Thomson EMAXX, and Bloomberg at the most recent available filing date in September 2023, as well as pension fund portfolio disclosures.

The BNDES Transparency portal and Brazil's Central Bank portal were used to identify additional financial flows to forest-risk companies in Brazil.

Companies with business activities outside of the forest-risk sector had recorded amounts reduced to more accurately present the proportion of financing that can be reasonably attributed to specific forest-risk sector operations of the selected company. Where available financial information did not specify the purpose of investment or receiving division within the parent company group, reduction factors were individually calculated by comparing a company's forest-risk sector activities relative to its parent group total activities. Further adjusters were calculated for companies operating in multiple geographies within the scope of this research. "Segment adjusters" were calculated per company, per year, per relevant forest-risk commodity. "Geographic adjusters" were calculated per company, per year, per relevant forest-risk country. These segment and geographic adjusters were applied to the identified credit and investment figures to derive "forest-risk" attributable figures.

For a detailed methodology, visit our website.

ANNEX 2:
Forest-risk Policy Assessment Methodology

The objective of the Forests & Finance Policy Assessment Methodology is to assess the quality and robustness of the financing and investment policies of financial institutions. Such policies should define clear criteria for financings and/or investments, which are based on international agreements and best practices, to avoid getting involved in or contributing to deforestation and related environmental, social, and governance issues. The methodology is focusing on the contents of the policies of financial institutions. It is not designed to assess in a systematic and comprehensive way if in daily practice these financial institutions do apply their policies strictly and consistently for all their financing and investment decisions related to deforestation-risk commodity sectors.

Assessment criteria

The 38 assessment criteria included in the methodology are based on international agreements and conventions (mostly from bodies linked to the United Nations, such as the ILO and UNEP) and best practices in the global business community and the financial sector with respect to deforestation-risk commodities. As shown in Table 1, the criteria are grouped on the basis of terminology used widely in the financial sector in environmental, social and governance (ESG) criteria.

PHOTOS: **Signature Message** / shutterstock; **Paul Hilton** / RAN; **Gleb_Ivanov** / iStock

ANNEX TABLE 1: Forests & Finance policy assessment criteria grouped by category

No	Category	Criteria
1	Environment	Companies and their suppliers must commit to zero-deforestation and no-conversion of natural forests and ecosystems
2		Companies and their suppliers must not drain or degrade wetlands and peatlands
3		Companies and their suppliers must not convert or degrade high carbon stock (HCS) forest areas
4		Companies and their suppliers must not operate in, or have negative impacts on, protected areas
5		Companies and their suppliers must identify and protect high conservation value (HCV) areas under their management
6		Companies and their suppliers must not use fire for land clearing activities and must fight fires
7		Companies and their suppliers must minimize their impacts on groundwater levels and water quality
8		Companies and their suppliers must not harvest, nor trade in, endangered species and must protect the habitats of endangered species
9		Companies and their suppliers must not use nor introduce genetically modified species or invasive alien species into the environment
10		Companies and their suppliers must minimize or eliminate the use of pesticides
11		Companies and their suppliers must minimize pollution caused by their mills and other operations
12		Companies and their suppliers must disclose targets and credible transition plans to mitigate their GHG emissions
13	Social	Companies and their suppliers must respect the right of Indigenous Peoples to give or withhold Free, Prior, and Informed Consent (FPIC) if they could be affected by planned operations.
14		Companies and their suppliers must respect the right of all communities with customary land rights to give or withhold Free, Prior, and Informed Consent (FPIC) if they could be affected by planned operations.
15		Companies and their suppliers must establish human rights due diligence processes and monitoring systems
16		Companies and their suppliers must respect the broader social, economic, and cultural rights of communities affected by their operations, including the right to health and the right to an adequate standard of living
17		Companies and their suppliers must commit to the resolution of complaints and disputes through an open, transparent, and consultative process
18		Companies and their suppliers must maintain zero tolerance towards violence and the criminalization of land, environmental, and human rights defenders
19		Companies and their suppliers must not engage in forced labor nor in child labor
20		Companies and their suppliers must uphold the rights to freedom of association, collective bargaining, and freedom from discrimination
21		Companies and their suppliers must pay at least a living wage
22		Companies and their suppliers must protect the safety and health of workers
23		Companies and their suppliers must have a gender-sensitive zero-tolerance policy towards all forms of gender-based discrimination and violence
24	Governance (of the financial institution)	The financial institution has integrated sustainability objectives into its governance structure
25		The financial institution is transparent on the actions through which its ESG policies are implemented and enforced
26		The financial institution applies its ESG policies to the entire corporate group to which its client or investee company belongs to
27		The financial institution is transparent on its investments and financings in deforestation-risk sectors
28		The financial institution discloses its financed GHG emissions related to agriculture, forestry and other land use (AFOLU)
29		The financial institution discloses targets and a credible transition plan to mitigate GHG emissions from AFOLU across its portfolio
30		The financial institution is transparent on its engagements with companies in deforestation-risk sectors
31		The financial institution commits to a transparent and effective grievance mechanism regarding its financing of or investments in companies in deforestation-risk sectors
32	Governance (of companies)	Companies and their suppliers must provide proof of legality of their operations and commodity supplies, in particular proof of compliance with all prevailing laws and regulations on land acquisition and land operation
33		Companies and their suppliers must ensure supply chain transparency and traceability
34		Companies and their suppliers must publish geo-referenced maps of all the concession areas and farms under their management
35		Companies must publish environmental and social impact assessments for all their operations
36		Companies and their suppliers must not engage in corruption, bribery, and/or financial crimes
37		Companies and their suppliers must comply with the letter and the spirit of the tax laws and regulations in the countries in which they operate and must not set up international corporate structures solely for tax avoidance purposes
38		Companies and their suppliers must publish their group structure and country-by-country data

Scoring model

To assess a financial institution against the criteria listed in Table 1, the policy documents and other relevant publications, such as sustainability reports, of the financial institution are researched. Depending on if and how the financial institution refers to each criterion in one of these documents, it is assigned 0 to 10 points for each of the environmental, social and governance sections. The general scoring model is clarified in Table 2.

ANNEX TABLE 2: General scoring model F&F Policy Assessment Methodology

Points	Assessment
0	The financial institution does not commit to the criteria
3	The financial institution makes a general commitment to the criteria, but this commitment is not very specific on what is expected of companies
5	The financial institution makes a general commitment to the criteria and formulates requirements for companies, but these do not include all elements covered by the criteria or include other exceptions
7	The financial institution commits unequivocally to the criteria and formulates all necessary requirements, but applies it only to its clients or investees and not to their suppliers
10	The financial institution commits unequivocally to the criteria and formulates all necessary requirements, and applies it to its clients or investees and their suppliers

NOTE: Suppliers are companies and smallholders from which clients or investee source materials for trading or processing.

Separate scores for financing and investment

As some financial institutions might be providing different forms of financing and investments, to which in some cases different policies apply, its financing and investment policies are assessed separately. To come to an overall score for the financial institution on each criterion, the scores for its financing policy and its investment policy are combined with weighting factors which depend on the ratio between financing and investments found for this financial institution in the Forests & Finance database.

Separate scores for each commodity

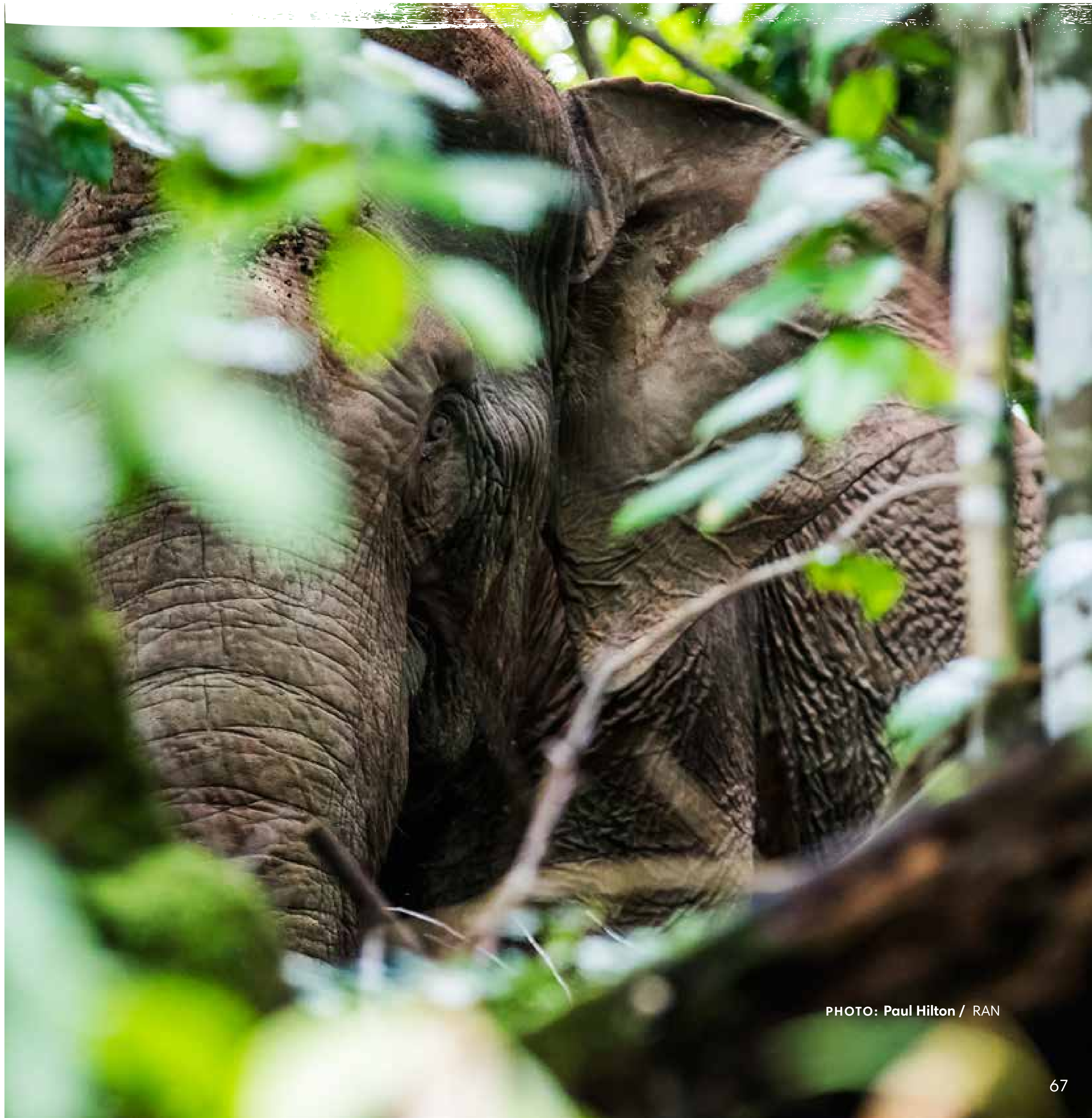
Some banks or investors might have a (good) policy for one or two deforestation-risk commodities and no policies for the other deforestation-risk commodities. Other financial institutions might have one policy which covers all deforestation-risk commodities. To deal with these differences in scope, each bank and investor will be scored separately for its policies covering the main deforestation-risk commodities: beef, palm oil, pulp and paper, rubber, soy, and timber.

Each financial institution will only be assessed for the commodities for which financing or investments are found in the Forests & Finance database. This will result in a maximum of six commodity scores on a scale from 0 to 10. To combine these scores into an overall score for the financing policies of the financial institution, the amounts of financing by the financial institution for each commodity sector are used as weighting factors. The same is done with the investment scores per commodity.

DISCLAIMER

Unless otherwise noted, all finance figures in this report are from Forests & Finance 2023. Financial institutions included in the policy assessment were given an opportunity to comment on the assessment findings prior to publication.

The authors believe the information in this report comes from reliable sources and that the data analysis is sound but do not guarantee the accuracy, completeness, or correctness of any of the information or analysis. In the event you find factual errors in this report, please contact us. Note that all financial values have been rounded, therefore total values may differ slightly." The authors disclaim any liability arising from use of this report and its contents. Nothing herein shall constitute or be construed as an offering of investment advice. You should determine on your own whether you agree with the content of this document and any information or data provided.



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"Along with the climate crisis, the degradation of nature is an **existential threat** facing our planet. Addressing nature-related risks and its broader implications for the financial sector is **no longer just prudent – it is an imperative**."

- **Ravi Menon**,
Managing Director of
Monetary Authority Singapore

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