

FINANCING LAND GRABS AND DEFORESTATION

the role of EU banks and investors

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July 2016



List abbreviations

APP:	Asia Pulp and Paper
APR IL:	Asia Pacific Resources International Holdings
GAR:	Golden Agri-Resources
EU:	European Union
HAGL:	Hoang Ann Gia Lai
IOI:	IOI Group
IPO:	Initial Public Offering
KLK:	Kuala Lumpur Kepong
KWAP:	Kumpulan Wang Persaraan
RGE:	Royal Golden Eagle Group
WTK:	WTK Holdings

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Contents

Executive Summary	4
Introduction	6
Types of financing and financial institutions	7
Companies reviewed	9
Methodology issues	13
Findings and analysis	15
Table 1: Top 20 EU bank lenders to sampled companies 2010-2015	16
Table 2: Top 5 EU bank lenders and companies receiving loans	17
Table 3: Top 5 EU bank providers of underwriting 2010-2015	21
Table 4: Top 20 EU investors in sampled companies – shareholdings – most recent filings	23
Table 5: Top 6 EU investors in sampled companies – shareholdings – most recent regulatory filings	24
Concluding thoughts	27
Potential impact of Brexit	28
How will Brexit change the picture?	28
Appendix	29

Executive Summary

In recent years, a growing body of evidence has shown how large scale agricultural companies are driving land grabs and deforestation in the tropics. This report is a contribution to the debate on how to tackle these issues. It provides data and analysis for NGOs and policy makers looking to make use of the influence banks and investors have over companies they finance to improve corporate performance on environmental and social issues.

The report outlines the findings of research into the sources of finance of 40 subsidiaries of 23 large producers and traders of tropical agriculture products, many of them based in Asia. All the companies we selected had been publicly accused of land grabbing or human rights abuses associated with the acquisition of land in a part of their business, and all operate in sectors where deforestation is a major issue. They include well known corporate names such as Wilmar International, Olam International, Bunge, IOI and Sime Darby.

Particular attention was paid to the role of banks and investors based in the European Union (EU) in providing finance. We gathered data on loans, assistance in raising capital through bond and share issues, and on who owns the shares in these companies. Our principle sources were the Thomson ONE and Bloomberg databases, coupled with analysis of company reports and media archives.

The findings for the funding of the 23 companies include:

- The financial numbers were enormous. The companies researched had received nearly US \$50 bn in loans and more than US \$20 bn through share and bond issues, over the period 2010-15, while financial institution investors worldwide held more than US \$50 bn of shares.
- EU based banks were a very important source of debt finance, providing nearly two fifths of the loans. They had lent five times as much to the companies reviewed as US banks had. The value of their loans was only slightly less than that of Asian banks (even though most of these companies were based in Asia). EU banks had also underwritten more than a quarter of the money raised from bond and share issues.
- In contrast, EU based investment institutions were relatively insignificant as shareholders, owning less than five per cent of all the shares held by financial institutions worldwide in the companies we researched.
- Asian financial institutions were the largest providers of finance, accounting for more than two fifths of the loans, nearly two fifths of the underwriting and holding nearly two thirds of the shares.
- Japanese banks were the largest source of loans from Asian financial institutions while Malaysian pension funds were overwhelmingly dominant as shareholders. Malaysian financial institutions controlled nearly half the shares held worldwide in companies researched. Chinese banks and investors were only of medium importance as loan providers and investors in shares.

- We believe the data presented in this report provide useful insights on how large companies are financed that operate in sectors where land grabbing and deforestation are major issues. However, we were unable to find much data on the funding of smaller and, in particular, privately-held companies. This is a cause for concern and indicates that stronger obligations for businesses and investors to disclose financial information are required.
- This research was carried out before Britain voted to leave the EU. If Brexit goes ahead and London, Europe's biggest financial hub, is removed from the equation, the EU will become a less significant place for agricultural companies based outside Europe to raise money. Excluding the UK, EU banks remain, however, important and were responsible for a quarter of the value of loans made to the companies surveyed (in the period 2010-15).
- It was rare to find companies borrowing money from just one bank on its own. Most of the loans we looked at were shared between several banks (sometimes ten or more different banks). The multi-bank nature of lending may restrict the amount of potential influence EU-based banks have over the policies and behaviour of companies they lend money to.

The companies researched had received nearly **US \$50 bn** in loans and more than **US \$20 bn** through share and bond issues, over the period 2010-15, while financial institution investors worldwide held more than **US \$50 bn** of shares.

Introduction

In recent years, many private sector companies have come under suspicion of fuelling deforestation and land grabbing abroad in pursuit of their commercial activities. Now a range of NGOs, including Fern, and policy makers are looking for ways of influencing them in order to prevent this.

The aim is to persuade or oblige companies to adopt business methods that are environmentally sustainable, don't cause conflicts with communities and respect communities' human rights, including customary tenure rights. One way of reaching these companies is through their financiers. It is difficult for companies to expand or even stay in business without support from banks and investors. The key question is how to harness the power of financial institutions to improve the environmental and social records of the companies they fund. An essential first step is to understand how banks and investors are involved in financing such companies.

Fern looked in depth at the sources of credit, and how capital is raised through the issuing of new shares and bonds – along with who owns the shares – in 23 companies, most of which are large agribusiness enterprises. All the companies we selected had been accused of land grabbing or human rights abuses associated with the acquisition of land in a part of their business, and all operate in sectors where deforestation is a major issue.

Our aim was not to name and shame, or to investigate specific allegations, but rather to gain an insight into how banks and investment institutions, particularly European ones, are involved in financing high-risk companies at the heart of the debate on land grabbing and deforestation.

Given Fern's focus on EU policies that affect forests, our main interest was in understanding the role of European banks and investors in providing financial support. But since it makes little sense to study the contribution of EU financial institutions in isolation, we also looked at the part played by banks and investors from two other key regions: Asia and the United States.



Types of financing and financial institutions

The financial institutions mentioned in this report fund companies in three main ways: by lending money, by helping them to find investors on the financial markets, and by making investments themselves. The background information in this section is intended for those without a specialist knowledge of what is involved.

Loans

Often the easiest way for companies to raise money is to borrow it from a bank. Usually loans come from private sector commercial banks. Virtually all of the borrowing referred to in this report involves private banks.¹ Loans take many forms. Companies mainly use short-term loans (less than a year) to help with day-to-day financing of the business. Longer-term loans are more likely to be used for investment purposes; the period of the loan may match the period before the investment pays for itself and starts generating a profit. In addition, some of the borrowings mentioned in this report are actually lines of credit rather than loans. A line of credit is a more flexible arrangement which gives the company the opportunity to borrow up to a set amount within a specified time. Most of the loans referred to in this report were made by groups of banks, not one bank acting on its own.

Underwriting

Companies can raise capital to expand their businesses through creating new shares or bonds that are sold to investors through the financial markets. This process is called an issue or issuance. When a company joins the stock market for the first time, the occasion is described as an initial public offering or IPO. Subsequent sales of newly created shares or bonds are known as secondary issues. Investment banks play an essential role. The job they perform is referred to as underwriting.

It is rare for an investment bank to underwrite an issue of new shares or bonds on its own. Usually several banks are involved. In return for fees or a commission based on the amount to be raised, they organise the sale, advise on the price of the new shares or bonds and run roadshows to attract interest from potential investors. Usually they also provide a form of guarantee that the company will get its money even if the sale is not a success. The term 'underwriting' refers to this element in the process. In some cases, the underwriters (i.e. investment banks) promise to buy any unsold shares or bonds at a certain price if there is insufficient demand from investors at the time of the issue. In other cases, the underwriters buy all the new shares or bonds being issued with the intention of immediately selling them on to other investors. Either way, the underwriters bear the financial consequences if a miscalculation has been made and not enough investors are found.

Historically, investment banks were stand-alone institutions that specialised in this kind of work, but these days they are usually part of large banking groups. So in practice the companies we surveyed look to (different divisions within) the same banks to raise money through

¹ One company in our sample, Addax Bioenergy, received substantial loans from EU-based development finance institutions. Otherwise all borrowings covered in this report came from private sector, commercial banks.

underwriting as they do to borrow money in the form of loans. However, the two activities are very different. With a loan, the bank provides the money. With underwriting, the (investment) bank is paid a commission for a service that enables the company to raise the money from other people.

Investment in shares and bonds

Shares Large financial institutions commonly make investments through buying shares in stock market listed public companies. They may also hold stakes in private companies that are not traded on stock markets. This report sheds light only on the former type of investment. All the investment data we present relates to shares held in public companies that are bought or sold through trading on stock markets.

Shareholders are part owners of the businesses they invest in, which gives them a say in how the company is managed. Shareholders with large stakes thus have considerable potential influence on company policies and decisions, including those relating to environmental and social issues.

Large shareholdings are often owned by institutional investors; the category includes organisations such as pension funds and insurance funds. Sometimes these organisations hand responsibility for managing their investments to another type of investment company, known as an asset manager. Asset managers earn fees from managing investments owned by other investment institutions (and individuals) alongside the financial returns they make from assets they own themselves. The financial institutions that invest in shares are often different from the financial institutions – banks – that lend money or facilitate capital-raising through underwriting. However, this is not necessarily the case. Large banking groups often have an asset management arm, which is generally run separately from the banking sector of the group.

Bonds Bonds are issued through and traded on financial markets just like shares. The difference is that, unlike shareholders, bondholders are not part owners of the companies they invest in. A bond is a unit of debt. Companies issue bonds as a way of borrowing money through the financial markets. It is an alternative to borrowing money from a bank.² A bond issue can be described as a loan that has been divided into lots of tiny pieces. Each piece is issued separately, and once issued can be traded on financial markets. Bond issues are underwritten by investment banks in the same way as share issues.

Although bondholders do not have a direct say in how the company is run, they may have an influence, if they choose to use it. Companies have an interest in keeping their bondholders happy, as they may want to borrow more money by issuing new bonds in the future. Even so, the relationship between a company and its bondholders is fundamentally different from the one it has with its shareholders. Shareholders have more reason to care how a company is run as ultimately the value of their shares depends on how well the company performs (or, more specifically, how well the company is perceived to be performing by other investors who may want to buy the shares). Bondholders have no financial interest beyond the company staying solvent so that it can repay the debt³ and, just as important, that the company is generally seen as credit-worthy so they can get a good price for their bonds should they decide to sell them.

² Bonds are also issued by governments, referred to as sovereign debt.


³ Bonds are issued for a specified period of time. At the end of that period whoever owns the bonds at that time is repaid the initial value of the bonds (which may be different from the value later set by the market in trading). Bondholders also receive interest payments during the period of the debt. The value of the interest payment is set in relation to the price of the bond when first issued. It is not affected by subsequent changes in the value of the bond in trading on financial markets.

Companies reviewed

Our survey looked at the sources of finance for 40 subsidiaries within 23 mostly large agricultural companies. We believe the data we uncovered on these particular businesses is useful more generally for understanding how big companies operating in sectors challenged by land grabbing and deforestation are financed. Profundo, a Dutch economic research consultancy, compiled the data. Fern carried out the analysis.

Our main sources of information were the Thomson ONE and Bloomberg financial databases. We also drew on material from other databases including Thomson EIKON, EMIS, Lexis Nexis and ProQuest. Database research was backed up by extensive investigation of company reports, registers and archives. Our analysis is based on information gained about loans and underwriting for the period 2010–15 and on shareholdings and bond holdings as disclosed by the most recent regulatory filings at the time the research was carried out (October and November 2015).

To begin with, we drew up a list of 58 companies that were subject to specific allegations of land grabbing. We identified these companies from previous research by Profundo and data sources including the Land Matrix, Cornell Land Project, Farm Land Grab.com, the Oakland Institute and



Burnt trees in the PT Bumi Sawit Sejahtera (IOI) oil palm concession in Ketapang, West Kalimantan. GoogleEarth satellite imagery shows that this area was still undeveloped as late as August 2015.

Photo: Greenpeace

GRAIN, along with other NGO reports and media archives. The 58 companies included some with operations focused on Africa and Latin America, but most were based in Asia.

We discovered, however, that little or no data was available on sources of finance for many of the smaller companies we had identified. This particularly affected our ability to gain insight into companies with operations focused on Africa.

The businesses for which we were able to find good financial information were generally larger, and/or companies with a presence on public financial markets (i.e. they have issued shares or bonds) that require significant disclosures of financial information to keep investors and regulators informed.

There is therefore a large gap in our understanding of the financing of smaller and privately held companies, which operate in sectors where land grabbing and deforestation are concerns. The absence of available data means that the finances of these companies are hard or even impossible to track except through case-by-case, forensic-style financial investigation.

What we ended up with was a group of 23 companies, including some of the biggest corporate names in tropical agriculture. As well as having subsidiaries that have been accused of land grabbing, they operate in sectors where commercial activities can lead to the destruction of forests – e.g. palm oil, timber, rubber and sugar. Details of the allegations of land grabbing that led us to look at these particular businesses are set out in the Appendix on page 29. A brief summary of the companies is set out below.

Two things to note:

First, many of the companies in our final sample have complex organisational structures, particularly the Asian companies. The financial information presented in this report usually relates to the parent company, which is often several layers of subsidiaries removed from the entity that attracted our interest because it was accused of land grabbing.

Second, sometimes our data refers to the whole of a large agribusiness corporation (a small bit of which was alleged to have been involved in land grabbing) – e.g. Wilmar International, Bunge and Olam International; in other cases, our data relates to the agribusiness element of a larger group with (often diverse) interests in other sectors – e.g. Genting Plantations, a subsidiary of the Genting Group, one of Malaysia's largest businesses.

The list below provides brief details of the companies we researched and an indication of the land grabbing allegations against them (further details are set out in the Appendix on page 29):

Addax Bioenergy has been accused of abuses in the acquisition of land for a bioethanol project in Sierra Leone. It is a subsidiary of the Swiss energy group Addax and Oryx.

Bakrie Sumatera Plantations was allegedly involved in forced relocation of communities to make way for plantations. Based in Indonesia, it is part of the Bakrie Group which mainly focuses on mining.

Bolloré Group has been involved in land conflicts in Cambodia and several African countries (including Cameroon, Sierra Leone, DRC and Liberia) through its role as the dominant shareholder in Socfin, an investment holding company that owns plantations. It is controlled by the French billionaire businessman Vincent Bolloré.

Bunge allegedly refused to stop sourcing sugar from contested land in Brazil. Based in the

US, it is one of four giant corporations – known collectively as ABCD⁴ – that have traditionally dominated global agricultural supply networks.

First Pacific is a Hong Kong-based investment group and parent company of Indofood Agri-Resources, an Indonesian palm oil and food business, which has been accused of clearing high conservation value forests including orangutan habitats.

Genting Plantations has been accused of failing to address environmental issues and lack of transparency in its dealings with local communities. Based in Malaysia, it operates oil palm and rubber plantations in SE Asia. It is part of the Genting Group which also has interests in resorts, casinos, property, energy, IT and biotechnology.

Harita Group is the parent company of Bumitama Agri, an Indonesian palm oil grower which allegedly gained control of thousands of hectares of land without having legal licences.

Hoang Anh Gia Lai (HAGL) is a Vietnamese rubber company that has been accused of operating illegal plantations in Cambodia and failing to compensate local communities. It featured prominently in a recent investigation by the NGO Global Witness.⁵

IOI Group was suspended from membership of the Roundtable on Sustainable Palm Oil, an ethical sourcing body, in March 2016. An investigation found that subsidiaries operating in West Kalimantan had broken rules designed to protect rain forests and community rights. Based in Malaysia, IOI is the world's fourth largest palm oil trader and producer.

Khon Kaen Sugar Industries a Thai sugar and biomass power group, has been accused of land grabbing in its Cambodian operations.

Kuala Lumpur Kepong was allegedly involved in land rights violations and the forced use of child labour. Part of the Batu Kawan group, it has palm oil and rubber plantations in SE Asia along with a stake in Equatorial Palm Oil which has operations in Liberia.

Olam International faces claims of deforestation and potential land rights abuses in its operations in Gabon. Based in Singapore, it has operations in more than 70 countries producing, processing and trading a wide range of agricultural products including nuts, spices, beans, cocoa, coffee, wool, rice, palm oil, grain and dairy goods.

Perkebunan Nusantara is accused of forcing local people from their land and causing health problems through waste disposal in water basins. Based in Indonesia, the company runs palm oil and rubber plantations alongside interests in coffee, tea, tobacco and cocoa.

Raizen has been accused of taking ancestral Guarani lands in Brazil. It is a biofuels joint venture between the energy giant Shell and the Brazilian sugar company Cosan.

Royal Golden Eagle International (RGE) is the parent company of Asian Agri, which allegedly operated illegal palm oil plantations in national parks Indonesia. RGE also owns APRIL (Asia Pacific Resources International Holdings Ltd), which operates one of the world's largest pulp and paper mills.

4 The four ABCD companies are Archer Daniels Midland (ADM), Bunge, Cargill and Louis-Dreyfus. See, for example, Oxfam (2012) *Cereal Secrets: the world's largest grain traders and global agriculture*. Oxford, UK.

5 Global Witness (2013) *Rubber Barons: How Vietnamese Companies and International Financiers are Driving a Land Grabbing Crisis in Cambodia and Laos*. London, UK: Global Witness.

Samling Group is a Malaysian company best known for its forestry and wood products. It has been accused of logging in protected areas.

Sime Darby allegedly acquired large tracts of land without consent from local people. It is the world's largest palm grower, with nearly a million hectares of plantations. The company also has interests in property, industry, energy and utilities and is one of Malaysia's largest business enterprises.

Sinar Mas is the Indonesian parent company of the palm oil giant Golden Agri-Resources (GAR), which has been accused lack of transparency in dealings with communities over land sales. It also controls Asia Pulp and Paper (APP), one of the largest pulp and paper producers.

Tadmax Resources is a Malaysian timber company reported to have cleared forests for plantations in a remote region of West Papua where land conflicts with indigenous communities have been common.

Triputra is an Indonesian agribusiness, mining, trading and services group. One of its subsidiaries, Triputra Agro Persada, has been involved in disputes with communities over allegedly confiscated land in areas with rare animal and plant species.

Vietnam Rubber Group is a government-owned rubber company with operations in several SE Asian countries. It has been accused of land grabbing and illegal logging in protected forests in Cambodia and Laos. It featured alongside HAGL in an investigation by Global Witness (mentioned above).

Wilmar International based in Singapore, is the world's largest trader of palm oil. It has faced allegations of land grabbing in setting up plantations it owns or part owns in Uganda and Nigeria, along with land disputes in some of its SE Asian businesses. Wilmar is a major player in several other key agricultural commodities; for example, it is one of the largest soy importers and processors in China.

WTK Holdings is a Malaysian investment company with interests in timber, plantations, trading, energy, property and manufacturing. It has been accused of faking logging permits and violating human rights in its operations in Papua New Guinea.

Corporate commitments on environmental and social issues

Many of the companies we looked at have recently adopted policies intended to address concerns about their past record on environmental and social issues, including undertaking not to cut down natural forests or high carbon stock forests in the course of their operations. Some palm oil producers have promised not to plant on peat land. A number of the companies have undertaken to obtain the free, prior and informed consent of indigenous peoples or local communities before starting operations. Some have also made commitments to establish traceability mechanisms within their supply chains as a step towards making sure that the companies they do business with are not causing deforestation, trampling on the rights of communities or using poor labour practices.

Companies in our sample with particularly well developed policies in some or all of these areas include Wilmar International, Sime Darby, Olam International and two subsidiaries of the Sinar Mas group: Golden Agri-Resources (GAR) and Asia Pulp and Paper (APP). This report does not address the effectiveness (or otherwise) of these policies. We did not investigate, and make no judgement on, whether particular allegations against companies researched for this report are correct or not.

Methodology issues

There are some methodology points that should be borne in mind when reading the analysis of our results:


- On loans, most of the information we have relates to loans made by groups of banks, not one bank acting on its own. In most cases, neither lenders nor borrowers are obliged to disclose loans. Many loans involving just one bank therefore do not become public knowledge. However, loans made by multiple banks – syndicated loans – are less likely to stay below the radar, for a number of reasons:
 1. more parties are involved;
 2. some level of disclosure may be required by regulatory authorities; and
 3. the loan organisers may want to spread the word because they are looking for additional banks to come on board to raise the funds.
- Information on loans recorded on financial databases is often not complete. The names of the banks involved and the overall amount of the loan are stated, but the value of each individual bank's contribution to the loan is rarely specified. In such cases, we have estimated the contributions of individual banks using a formula developed by our data provider, Profundo, from previous research.⁶
- To keep the datasets manageable we only looked at loans made by recognised financial institutions.⁷ Borrowing from other sources was excluded – for example, we excluded loans between companies. This point is particularly relevant to some of the Asian businesses in our sample. Asian companies, more than their counterparts in Europe or the US, look to non-bank sources to help fund themselves – for example, they may borrow from the founding family, other companies in the same group, business associates or unrelated companies.
- Where several (investment) banks are involved in underwriting a share or bond issue, the commitments made by each bank are often disclosed, but not always. In some instances the contributions of individual banks were estimated using a formula developed by our data provider, Profundo, from previous research.⁸
- On shareholdings, the information we quote in this report came from aggregating data from the most recent regulatory filings at the time the research was carried out (October and November 2015).⁹

⁶ Usually it is assumed that banks responsible for organising a loan (generally more than one bank takes a lead role) have subscribed 40 per cent of the total amount between them in equal amounts with other participants contributing 60 per cent between them in equal amounts. However, if the number of organisers is nearly equal to, or higher than, the number of other participants, 60 per cent of the loan is attributed to the organisers and 40 per cent to other banks taking part.

⁷ As listed in a dataset developed by Profundo, from past research, of 193 financial institutions worldwide known to be involved in financing agricultural companies.

⁸ With bond and shares issues, it is assumed that investment banks taking a leading role in underwriting – usually more than one bank – between them subscribe 75 per cent of the amount being raised. The remaining 25 per cent is then attributed to other participants in equal amounts.

⁹ Financial institutions are commonly required to file details of their shareholdings to stock market regulatory authorities. Filings are typically required at regular intervals and/or when significant changes occur. 'Significant' is generally defined as a stake of 3–5 per cent, depending on jurisdiction. Statistics derived from regulatory filings are only approximate as changes in holdings below the significant threshold are not subject to the same reporting requirements.



A network of tracks in a deforested area for oil palm plantations near Kwala Kwayan. Indonesia has one of the fastest rates of forest destruction on the planet, with the expansion of palm oil and pulp and paper plantations as the major drivers, pushing the orangutan to the brink of extinction and accelerating

Photo: Greenpeace

- The identity of shareholders sometimes only goes to asset manager level. In these cases, we know who is managing the shares but not necessarily who ultimately owns them. Asset managers are (often large) financial institutions that earn fees from managing other people's money (as well as their own).
- To keep the datasets manageable, we only looked at information on the shareholdings and bond holdings of recognised financial institutions. Other holdings, including shares and bonds owned by individual investors, were excluded.¹⁰

¹⁰ However, in a few cases we did include shareholdings of non-financial institution investors (including some very wealthy individual investors) when they were dominant, majority shareholders in a company.

Findings and analysis

This section sets out the findings of our survey under the sub-headings loans, underwriting and investment in shares and bonds.

Loans

We found that the selected companies had borrowed very large amounts of money from banks over the period 2010–15. In total, these companies had received US \$49.8 bn in loans, of which US \$18.4 bn came from banks based in the EU. Loans from EU banks made up 37 per cent of the value of all loans, slightly behind Asian banks which had collectively lent US \$21.8 bn, amounting to 44 per cent of all loans (in value).

Many of the companies surveyed are based in Asia and have their main operations in Asia, so it is hardly surprising that Asian banks are their largest source of loan finance. More unexpected was that Asian banks were of only marginally greater significance than banks based in the EU. EU banks accounted for well over a third of the loans in value to a group of companies at the forefront of concerns about land grabbing and deforestation. Another surprise was that EU-based banks were much more important than US banks. The gap was massive. Our data suggests that EU banks lent over five times as much money as US banks did to the sampled companies over the period 2010–15. While EU banks had supplied not far short of US \$20 bn of loans, the figure for US banks was US \$3.6 bn, making up just seven per cent (in value) of all loans.

The significant role that EU banks play as loan providers to companies accused of land grabbing and deforestation, therefore, potentially buys them considerable influence over how these companies behave. The limits of this influence, however, need to be recognised. Banking is a competitive business, and in many cases client companies may have other options for borrowing money if EU banks were perceived to be excessively demanding in the environmental and social conditions attached to loans.

Many of the EU banks making loans to the companies we looked at are large, well known institutions with a global presence. Their clients could possibly go elsewhere to raise funds but they may value the particular range of services, the international reach or the respectability that doing business with a big-name European financial institution can bring. The potential leverage of EU banks over clients involved in land grabbing or deforestation is thus likely to be subtle in nature: more to do with being in a position to bring along, cajole or persuade than having the brute power to deny access to funds.





















We also looked at which countries EU banks making loans were based in. It emerged that French and British banks (US \$6.2 bn and US \$6.1 bn in loans respectively) were overwhelmingly the main EU lenders. Also significant were Dutch banks (US \$3.2 bn in loans) and German banks (US \$1.4 bn in loans). The prominence of French and British banks as lenders to our sample of companies – many of which have operations in SE Asia and Africa – may reflect the continuing relevance of economic links dating back to the colonial era.

Looking at the contribution of individual banks based in the EU, the biggest lenders were HSBC

(UK), BNP Paribas (France), Standard Chartered (UK), Rabobank (Netherlands) and Credit Agricole (France). These five banks provided loans nearly US \$10 bn, accounting for more than half (54 per cent) of all lending by EU banks to companies we looked at. The top ten EU lenders provided more than US \$15 bn in loans, making up more than three quarters of total EU bank lending. These figures indicate that lending by the EU financial sector to companies associated with land grabbing and deforestation is generally concentrated in the hands of a small number of banks which between them account for most of the money loaned.

We were interested to find out what sort of companies EU banks had lent money to. Our data suggests that most of the funds had gone to big, well-known businesses often with a strong presence in global agricultural supply chains. For example, Bunge – the US food trading giant – had received substantial loans from all five of the top five EU bank lenders (worth US \$1.5 bn in total). Singapore-based Wilmar International, the world's largest palm oil trader, had borrowed

Table 1: **Top 20 EU bank lenders to sampled companies 2010–2015**






	EU bank	EU country	Estimated value of loans USD m*
1	 HSBC	United Kingdom	3,076
2	 BNP PARIBAS	France	2,201
3	 Standard Chartered	United Kingdom	1,504
4	 Rabobank	Netherlands	1,415
5	 CRÉDIT AGRICOLE	France	1,407
6	 GROUPE BPCE	France	1,394
7	 ING	Netherlands	1,026
8	 ABN-AMRO	Netherlands	771
9	 RBS <small>The Royal Bank of Scotland</small>	United Kingdom	685
10	 SOCIÉTÉ GÉNÉRALE	France	629
11	 BARCLAYS	United Kingdom	618
12	 COMMERZBANK	Germany	603
13	 KBC	Belgium	460
14	 Crédit Mutuel	France	377
15	 BBVA	Spain	374
16	 DZ BANK <small>Bank für Sozialwirtschaft</small>	Germany	360
17	 LLOYDS BANKING GROUP	United Kingdom	220
18	 LFP	France	210
19	 Santander	Spain	188
20	 UniCredit	Italy	185

* Further details of how loans were estimated are set out on page 13.

even larger sums (US \$3.4 bn in total) from four of the five top EU lenders. Olam International, an agricultural trader and producer with operations in 70 countries, was another major recipient of loans.

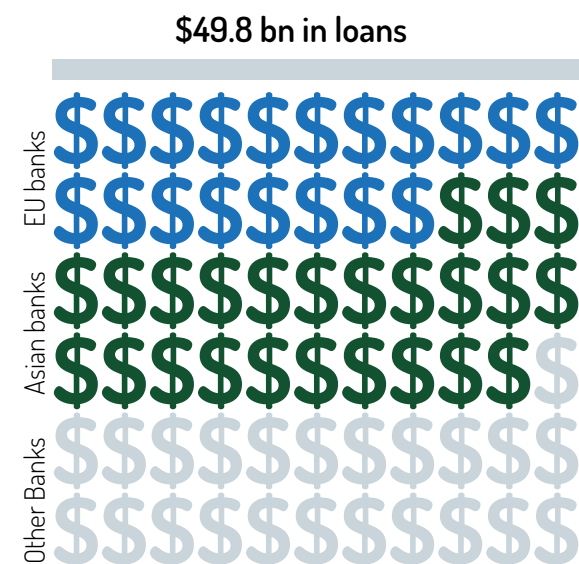
We did find evidence of loans by EU banks to lesser known – and sometimes more controversial – local and regional players, but these were much smaller in scale. As already mentioned, Asian banks were overall the largest providers of loans to our sample of potential land grabbing companies. Breaking this down by the nationality of banks within Asia supplying the loans, we found that Japanese banks were the biggest players, accounting for US \$7 bn of loans, followed by banks from Singapore (US \$4.6 bn of loans), Malaysia (US \$3.7 bn), Indonesia (US \$3.1 bn), China (US \$1.5 bn) and Taiwan (US \$1.4 bn).

Table 2: Top 5 EU bank lenders and companies receiving loans

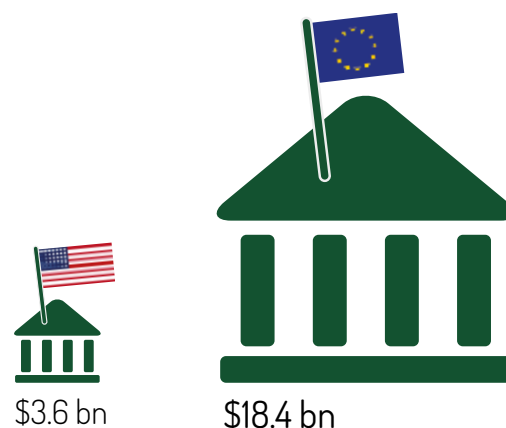
EU bank	Subsidiary loaned to	Parent company	Estimated value of loans USD m*
 HSBC United Kingdom	Bumitama Agri	Harita Group	157
	Bunge Ltd	Bunge	202
	Financiere de l'Odet SA	Bollore Group	210
	IOI Corp Bhd	IOI Group	100
	Olam International Ltd	Olam International	511
	Sime Darby Bhd	Sime Darby Group	446
	Triputra Agro Persada	Triputra Group	35
	Wilmar International Ltd	Wilmar International	1,415
HSBC TOTAL:			3,076
 BNP PARIBAS France	Bunge Ltd	Bunge	474
	Financiere de l'Odet SA	Bollore Group	556
	Olam International Ltd	Olam International	150
	Raizen Cayman Ltd	Cosan & Shell JV	134
	Wilmar International Ltd	Wilmar International	887
BNP PARIBAS TOTAL:			2,201
 Standard Chartered United Kingdom	Bakrie Sumatera Plantations	Bakrie Group	13
	Bunge Ltd	Bunge	216
	IOI Corp Bhd	IOI Group	200
	Olam International Ltd	Olam International	511
	Sime Darby Bhd	Sime Darby Group	460
	Triputra Agro Persada	Triputra Group	103
STANDARD CHARTERED TOTAL:			1,504
 Rabobank Netherlands	Bumitami Agri	Harita Group	44
	Bunge Ltd	Bunge	216
	Olam International Ltd	Olam International	317
	Sinar Mas Agro Resources and Technology (SMART)	Sinar Mas Group	30
	Triputra Agro Persada	Triputra Group	66
	Wilmar International	Wilmar International	742
RABOBANK TOTAL:			1,415
 CRÉDIT AGRICOLE France	Bunge Ltd	Bunge	411
	Financiere de l'Odet SA	Bollore Group	466
	Raizen Cayman Ltd	Cosan & Shell JV	134
	Wilmar International Ltd	Wilmar International	396
CRÉDIT AGRICOLE TOTAL:			1,407

*Most of these figures were estimated by calculating each bank's share of multibank loans using a formula explained on page 13.

EU banks almost as important as Asian banks as lenders



EU banks lent over 5 times as much as US banks did to the sampled companies over the period 2010–2015



It is striking that the list is not headed by China. China may dominate many business league tables in Asia but, in providing loans to large companies in sectors where there are high risks of deforestation and land grabbing, our data suggests that Japanese rather than Chinese banks are the leading force within the region. Another point to highlight is the prominence of banks from Singapore, Malaysia and Indonesia as loan providers. Many of the companies we looked at have most of their operations in Malaysia or Indonesia, and have their head offices in those countries or in Singapore, which may explain why they look to local banks for credit.

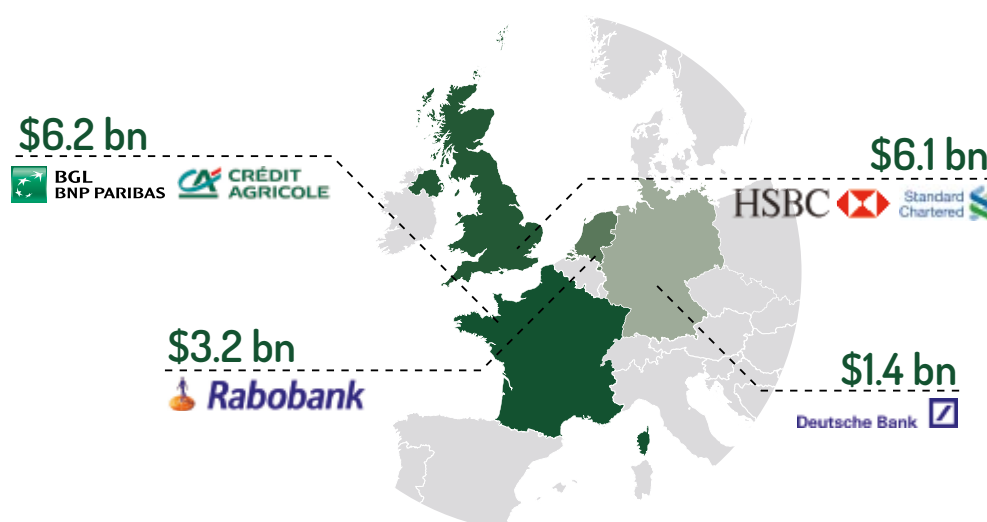
The data gave few clues as to what companies planned to do with the money they had borrowed. It would be hard, if not impossible, to link particular loans to the funding of specific projects simply from the information provided by financial databases.

It is also not strictly accurate to describe all the lending by banks as loans. Databases use a variety of different terms to cover bank lending. Most of the bank borrowings we analysed for this report were classified under two headings: 'corporate loan' or 'revolving credit facility'. The latter term refers to a line of credit – a sum of money the company can draw on if it wants to, when it wants to, up to a specified limit within a specified period of time. Companies typically use this flexible form of borrowing to facilitate day-to-day running of the business or as a standby in case of emergencies.

It was beyond the scope of this research to analyse the types of bank borrowing in detail, but the data reveals that a significant proportion of the lending provided by EU banks was of the 'revolving credit facility' kind. The point is worth making because it has a bearing on how companies make use of the finance they get from EU banks. While a robust line of credit may be very important for a company's general financial health, it is not the most likely direct source of funding for investment in potentially destructive projects.

Loans and lines of credit examined for this research rarely involved one bank acting on its own. Much more common were "syndicated" forms of lending in which responsibility for putting up the money was shared between several different banks. This was not a surprise. It is standard

...which countries EU banks making loans were based in



practice for multiple banks to participate in largescale corporate lending¹¹. Loan deals with ten or more banks involved are not unusual.

This is a significant point to bear in mind when considering the amount of influence any one bank is likely to have over companies it lends money to. While large EU banks such as HSBC and BNP Paribas may be providing billions of dollars of credit to potential land grabbing and deforesting companies overall, this does not necessarily mean they have a dominant position with individual clients. In most cases, they are just one of several banks involved in a loan and they are responsible for only a proportion of the money advanced.

To give an example, a significant portion of all the lending by EU banks to Wilmar International appeared to consist of contributions made over several years to a single US \$1.76 bn line of credit. A number of big EU banks – including Credit Agricole, ABN Amro, BPCF Group and KBC Group – participated alongside banks from other regions.

To sum up, our data suggests that EU banks are very significant providers of loans to companies in sectors challenged by land grabbing and deforestation – accounting for more than a third of the loans by value in the companies we looked at.

However, policy makers and campaigners hoping to take advantage of this to improve practices should be aware that: (1) EU banks tend to be involved in providing blocks of general credit, not sums earmarked for specific investments; and (2) this is a multi-bank environment in which power to influence company behaviour is likely to be in the hands of groups of banks rather than individual lenders.

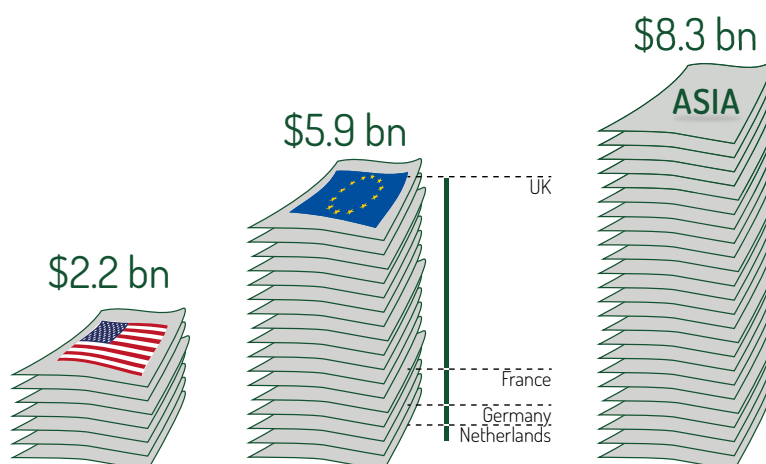
¹¹ Although, as explained on page 13, our data may over represent the significance of multibank lending as loans made by one bank on its own are less likely to become public knowledge and get picked up by financial databases.

Underwriting

The companies we looked at had raised US \$22.7 bn through issuing new shares and bonds in deals underwritten by investment banks in the period 2010–15. Asian banks were the dominant players. They helped companies raise US \$8.3 bn through underwriting deals – nearly two fifths (38 per cent) of the total.¹²

EU-based banks also played a very important role. EU banks were found to have underwritten US \$5.9 bn of capital raising, accounting for more than a quarter (26 per cent) of the total. As with loans, EU banks were more prominent in underwriting than their US counterparts. US banks acted as underwriters for US \$2.2 bn of new issues of shares or bonds, ten per cent of the total.

Asian banks and EU banks were significant as underwriters








Within the EU, British banks emerged as by far the biggest force. Our data suggests that British banks helped companies in sectors challenged over land grabbing and deforestation raise US \$4.1 bn through underwriting services. That figure was nearly four times higher than the US \$1.1 bn contribution of French banks. In addition, German banks (US \$341 m of deals) and Dutch banks (US \$232 m) were active in underwriting new share and bond issues.

Looking at individual banks, the top five suppliers of underwriting services from the EU were Standard Chartered (UK), HSBC (UK), Deutsche Bank (Germany), Société Générale (France) and Royal Bank of Scotland (UK). The first two accounted for nearly two thirds of the EU financial sector's total contribution to capital raising (64 per cent, US \$3.6 bn of underwriting deals). So while EU banks have been significant providers of underwriting services to companies in sectors challenged by land grabbing and deforestation, their contribution has mainly come from just two very large players, Standard Chartered and HSBC.

There are grounds for thinking, however, that patterns seen in underwriting deals in the last few years may not be repeated in the coming years. Most of the new share issues took place towards the beginning of the period we looked at (2010–15). This may reflect events in the wider world.

¹² The data on underwriting was less comprehensive than for loans. We were unable to identify the nationality of the investment banks involved in US \$3.9 bn of deals, 18 per cent of the total.

Table 3: Top 5 EU bank providers of underwriting 2010–2015

EU bank	Company receiving underwriting	Parent company	Estimated value of underwriting in USD m
 Standard Chartered United Kingdom	Bunge Ltd	Bunge	32
	IOI Corp Bhd	IOI Group	190
	Mitr Phol Sugar Corp Ltd*	Batu Kawan Group	390
	Olam International Ltd	Olam International	775
	Sime Darby Bhd	Sime Darby Group	390
	STANDARD CHARTERED TOTAL:		1,806
 HSBC United Kingdom	Bumitama Agri	Harita Group	90
	Bunge Ltd	Bunge	40
	Financiere de l'Odet SA	Bollore Group	14
	IOI Corp Bhd	IOI Group	150
	Olam International Ltd	Olam International	1,165
	Sime Darby Bhd	Sime Darby Group	175
	Wilmar International	Wilmar International	102
	HSBC TOTAL:		1,735
 Deutsche Bank Germany	Bakrie Sumatera Plantations	Bakrie Group	100
	Financiere de l'Odet SA	Bollore Group	14
	First Pacific Co Ltd	First Pacific	102
	Sime Darby Bhd	Sime Darby Group	125
	DEUTSCHE BANK TOTAL:		341
 SOCIETE GENERALE France	Bunge Ltd	Bunge	31
	Financiere de l'Odet SA	Bollore Group	219
	SOCIETE GENERALE TOTAL:		250
 RBS United Kingdom	Bunge Ltd	Bunge	142
	Olam International Ltd	Olam International	107
	ROYAL BANK OF SCOTLAND TOTAL:		249

*Mitr Phol Sugar is in the same group of companies as Kuala Lumpur Kepong

The first decade of the 21st century was a time of rapidly rising agricultural commodity prices. In this context, some of the companies involved in producing and trading agricultural products came to be as seen as an attractive proposition for investors. That led to a boom in Initial Public Offerings (IPOs) – companies going on the stock market for the first time – as they sought to take advantage of increased investor interest. Enthusiasm for investments linked to agricultural supply chains continued through the period of the global financial crisis. This was partly because food products were seen as a rare example of an industry that was unaffected by the problems of the banks.

However, current conditions are very different. Prices of many of the agricultural products produced and traded by companies went into steep decline around 2011/12. The conditions that produced the investment boom of the previous decade were more or less entirely reversed.¹³ One result appears to have been a tailing off of new share issues. The underwriting boom reflected in our data for the early part of the period 2010–15 is for the moment over. It may be that a survey like this one carried out in, say, five years' time would find little underwriting of new share issues to report.¹⁴

¹³ Although recent months have seen some signs of a recovery in agricultural prices.

¹⁴ The point may be less true for bond issues, as investors' willingness to buy bonds depends on perceptions of credit-worthiness not expectations of strong financial performance.

Shares and bonds

Shares We identified shareholdings worth US \$52.5 bn in the companies we reviewed.¹⁵ We only looked at investments in stock market listed companies held by recognised financial institutions, so the investment picture we present is not a complete one: but it does give an idea of the relative significance of financial institution investors from different regions, including investment institutions based in the EU.

Shareholding in our sample of companies in sectors linked to land grabbing and deforestation was dominated by Asian financial institutions. Collectively they held more than US \$32 bn of shares, 62 per cent of the total. US financial institutions were the next most significant group of investors, with shareholdings worth more than US \$13 bn, 26 per cent of the total. However, a closer look at the figures revealed that most of the US holdings were in one company – Bunge – which is American. US investors' shareholdings excluding Bunge came to less than US \$5 bn.

EU investment institutions were relatively unimportant as shareholders. Their holdings were worth US \$2.3 bn, a mere four per cent of the total. EU investors' shareholdings were similar in value to those held by financial institutions operating out of Caribbean tax havens. Our data suggests that US \$2 bn of shares, four per cent of the total, were channelled through financial institutions with offices in Bermuda, the Cayman Islands or the British Virgin Islands. It is striking that while EU banks were highly significant as providers of loans and underwriting services, EU-based pension funds, asset managers and other institutional investors were largely peripheral players in terms of taking ownership stakes through holding shares in the companies we surveyed. British investors were the most active among EU nationalities, holding US \$1.2 bn of the shares, more than half of the EU total. Among the others, Dutch investors held US \$363 m of shares, while French and German financial institutions held US \$238 m and US \$192 m of shares respectively.





















Table 5 gives a breakdown of which companies the six largest EU investors in our sample of companies held shares in at the time we did the research. One point to make is that, as with US investors, EU investors' holdings were quite concentrated on one company in our sample, Bunge. The top six EU investors held US \$617 m worth of shares in Bunge, accounting for nearly half the value of all the shares they held in the companies we examined.

This company is unlike most of the others in our sample. Bunge can be described as a mainstream Western corporation – an international business, with headquarters in the US and shares traded on the New York Stock Exchange. One can speculate that it is the kind of company that large EU financial institutions feel comfortable with, and this is reflected in the relatively large size of their shareholdings.

In contrast, the top EU investors, by and large, had remarkably small holdings in many of the Asian companies we looked at. Some of the holdings outlined in Table 5 amount to no more than a few tens of thousands of dollars – tiny amounts for giant financial institutions that have total investment portfolios worth tens or even hundreds of billions of dollars. From these figures, it could be argued that large-scale EU investors seem to go out of their way to avoid buying shares in the kind of companies that get accused of land grabbing or deforestation.

¹⁵ In some cases, the data applies to investors' shareholdings in the whole company. In others, the data applies to shareholdings in a subsidiary that has its own stock market listing although it is part of a larger company – a common arrangement in the Asian companies we looked at.






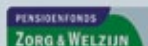
Table 4: **Top 20 EU investors in sampled companies – shareholdings – most recent filings**

	EU Investor	Investor country	Value of shareholdings USD \$ m
1	 OLD MUTUAL	United Kingdom	368
2	 PRUDENTIAL	United Kingdom	342
3	 ABP	Netherlands	257
4	 Man	United Kingdom	126
5	 Deutsche Bank	Germany	106
6	 ZORG & WELZIJN	Netherlands	83
7	 Legal & General	United Kingdom	79
8	 ACERMAN & VAN HAAREN	Belgium	68
9	 AXA	France	66
10	 CRÉDIT AGRICOLE	France	57
11	 THS	United Kingdom	49
12	 Schroders	United Kingdom	49
13	 Allianz	Germany	47
14	 BT PENSION SCHEME	United Kingdom	41
15	 HSBC	United Kingdom	29
16	 CEM	France	28
17	 GROUPE BPCE	France	28
18	 London Stock Exchange Group	United Kingdom	21
19	 KELLIE GROUP	United Kingdom	20
20	 KBC	Belgium	19

The reasons for this are unclear. It could be due to the risk of reputational damage from being associated with such companies. Perhaps a more likely explanation is that EU investors are put off by the complex and opaque organisational structures of some companies based in countries where reporting requirements and corporate governance obligations are perceived to be below the standards they are used to at home.

However, there were a few examples of EU financial institutions having substantial shareholdings. For example, our data suggests that Prudential UK – a British investment institution with strong Asian ties – had relatively large stakes in three of the most important Malaysian palm oil companies: Sime Darby, IOI and KLK. Wilmar International, the largest palm oil trader, also featured in several of the leading EU investors' portfolios. The most striking entry in Table 5 is Deutsche Bank's US \$28 m investment in shares in Hoang Anh Gia Lai, a Vietnamese company. HAGL featured prominently in an investigation by the NGO Global Witness, published

Table 5: **Top 6 EU investors in sampled companies**
– shareholdings – most recent regulatory filings

EU Investor	Company or Subsidiary invested in	Group it belongs to	Value of shareholding in USD m
 Old Mutual United Kingdom	Bollore SA	Bollore Group	19.28
	Bumitama Agri Ltd	Harita Group	0.01
	Bunge Ltd	Bunge	340.88
	Golden Agri-Resources Ltd	Sinar Mas Group	0.11
	Indah Kiat Pulp & Paper Tbk PT*	Sinar Mas Group	0.08
	Indofood Agri Resources Ltd	First Pacific	0.03
	IOI Corporation Bhd	IOI Group	0.24
	Sime Darby Bhd	Sime Darby Group	0.00
	Wilmar International	Wilmar International	7.68
 Prudential United Kingdom	Bollore SA	Bollore Group	0.05
	Bumitama Agri Ltd	Harita Group	0.03
	Bunge Ltd	Bunge	11.28
	Genting Plantations Bhd	Genting Group	22.04
	Hoang Anh Gia Lai JSC	Hoang Anh Gia Lai	0.09
	IOI Corporation Bhd	IOI Group	87.41
	Kuala Lumpur Kepong Bhd	Batu Kawan Group	61.29
	Salim Ivomas Pratama Tbk PT	First Pacific	15.04
	Sime Darby Bhd	Sime Darby Group	143.26
	Wilmar International	Wilmar International	1.63
 ABP Netherlands	Bollore SA	Bollore Group	6.71
	Bunge Ltd	Bunge	205.62
	Genting Plantations Bhd	Genting Group	3.23
	Golden Agri-Resources Ltd	Sinar Mas Group	1.11
	Indah Kiat Pulp & Paper Tbk PT*	Sinar Mas Group	0.56
	IOI Corporation Bhd	IOI Group	5.38
	Kuala Lumpur Kepong Bhd	Batu Kawan Group	5.38
	Sime Darby Bhd	Sime Darby Group	12.90
	Wilmar International	Wilmar International	16.13
 Man United Kingdom	Bunge Ltd	Bunge	125.77
 Deutsche Bank Germany	Bollore SA	Bollore Group	2.68
	Bumitama Agri Ltd	Harita Group	0.09
	Bunge Ltd	Bunge	40.05
	Genting Plantations Bhd	Genting Group	0.98
	Golden Agri-Resources Ltd	Sinar Mas Group	2.41
	Hoang Anh Gia Lai JSC	Hoang Anh Gia Lai	28.58
	Indofood Agri Resources Ltd	First Pacific	0.02
	IOI Corporation Bhd	IOI Group	5.92
	Kuala Lumpur Kepong Bhd	Batu Kawan Group	4.73
	Olam International Limited	Olam International	0.00
	Sime Darby Bhd	Sime Darby Group	13.83
	Wilmar International Ltd	Wilmar International	6.20
 Zorg & Welzijn Netherlands	Bollore SA	Bollore Group	4.75
	Bunge Ltd	Bunge	19.24
	Golden Agri-Resources Ltd	Sinar Mas Group	5.32
	Indofood Agri Resources Ltd	First Pacific	0.16
	IOI Corporation Bhd	IOI Group	14.52
	Kuala Lumpur Kepong Bhd	Batu Kawan Group	7.10
	Olam International Limited	Olam International	0.59
	Sime Darby Bhd	Sime Darby Group	23.63
	Wilmar International Ltd	Wilmar International	7.97

*Indah Kiat Pulp & Paper is a stock market listed subsidiary of APP which is part of the Sinar Mas group

in 2013, into human rights abuses associated with clearing indigenous communities from their land to make way for rubber plantations in Laos and Cambodia.¹⁶

From a campaigning perspective, our data indicates that there are enough examples of EU financial institutions with significant stakes in stock market listed companies likely to be involved in land grabbing or deforestation to make selective lobbying of investors very worthwhile. However, the overall pattern is that EU financial institutions are not major shareholders in this type of business.

The situation with privately held companies, the type that private equity investors often invest in, may be different. However, we do not yet have enough data to say much about EU investors' holdings in private companies operating in areas challenged by land grabbing and deforestation.

Asian investors In many areas of business in Asia, investors from China or Japan would be expected to play the leading role but this was emphatically not the case for our sample of companies. Malaysian financial institutions emerged as overwhelmingly the most significant Asian force, with shareholdings worth US \$25.7 bn, accounting for almost half (49 per cent) the value of all the shares held by financial institutions worldwide. The explanation was that Malaysian investors owned most of the shares in big palm oil producers such as Sime Darby, IOI Corporation and Genting Plantations. These companies are Malaysian in origin and their shares are traded on the Bursa Malaysia (formerly known as the Kuala Lumpur Stock Exchange).

The largest individual Malaysian shareholder was Yayasan Pelaburan Bumiputra, an investment holding company with close links to the Malaysian government. Its investments were worth US \$10 bn, nearly a fifth of the value of all the shares in our sample of companies. Other major Malaysian investors included the Employees' Provident Fund and the KWAP Retirement Fund. Both are pension providers closely tied to the Malaysian government.

Smaller in the size of its shareholdings but still significant was the intriguingly named Malaysian Hajj Pilgrims Fund, an organisation that facilitates Sharia-compliant savings for the trip to Mecca.¹⁷ Its shareholdings were worth about the same as those of all financial institutions in the Netherlands, the second largest EU investor by nationality.

Aside from Malaysia, the other major Asian shareholdings were located in Singapore and to a lesser extent Japan. Singapore-based investors controlled US \$4.2 bn of shares, 8 per cent of all the shares held worldwide. The city state's holdings were dominated by a US \$2 bn investment in Olam International, a giant tropical agriculture producer and trader, which has its headquarters in Singapore. The stake belongs to the Singapore government's sovereign wealth fund, Temasek. It represents a (51 per cent) controlling interest in the company.

Olam also featured prominently in Japanese investors' shareholdings. In total, Japanese financial institutions held US \$1 bn of shares in our sample of companies, of which US \$800 m consisted of shares in Olam owned by Mitsubishi UFG Financial. Mitsubishi is one of the world's largest financial institutions. According to the Financial Times, it acquired its 20 per cent stake in Olam in October 2015 to benefit from the company's expertise in sustainable sourcing.¹⁸ Olam is one of the companies EU banks and investors seem to like to do business with. It featured prominently in our data on loans, underwriting and shareholdings relating to EU financial institutions.

¹⁶ <https://www.globalwitness.org/en-gb/campaigns/land-deals/rubberbarons/>

¹⁷ For more information: www.global-islamic-finance.com/2007/07/profile-015- lembaga-tabung-haji.html

¹⁸ For more information: www.ft.com/cms/s/0/e9d0ea06-7ca5-11e5-a1fe-567b37f80b64.html#axzz47hiFhJsC

From a campaigning perspective, it should be recognised that while EU financial players may have some influence over this very important company, ultimately it is firmly under Asian control. The same point can be made more broadly about some of the other key companies we surveyed.

A puzzling feature of the data on Asian shareholders was the small size of investments held by Chinese and Indonesian financial institutions (US \$692 m and US \$667 m respectively). Chinese banks similarly had an unexpectedly low profile as providers of loans and underwriting to companies in areas where deforestation and land grabbing are a concern. So it may be that Chinese financial institutions have little involvement in financing tropical agriculture.

The relative absence of Indonesian investors, however, is harder to explain. Several of the larger companies we looked at are Indonesian in origin, including big names such as APP, GAR and APRIL.¹⁹ It is hard to imagine that they do not have many Indonesian investors. One possible explanation is that they do have local investors but they are not financial institutions and so they did not show up in our data (we only looked at the holdings of financial institutions).

This is more than a technical point. Many of the Asian companies in our sample – especially perhaps the ones with Indonesian connections – are not Western-style corporations ultimately beholden to big institutional investor shareholders. They may have some of the trappings of Western style companies – with, for example, a stock market listing for all or part of the business – but actually they remain family controlled, answerable to the founding tycoon (always male) or his heirs (among whom, interestingly, women are playing an increasingly significant role).

Bonds We did not analyse bond holdings in detail as they did not feature prominently in EU investors' portfolios. In total, we found bond holdings worth US \$897m, which is a small sum compared to the multibillion dollar values of loans, underwriting and investment in shares identified for the same group of companies.

Looking at the figures in more detail, it emerged that most of the bonds were in the hands of US financial institutions (84 per cent of all bond holdings by value). EU financial institutions had bond holdings worth just US \$110 m (12 per cent of all bond holdings by value). Overwhelmingly, US and EU investors' bond holdings were focused on one company – Bunge. Only two other companies featured at all. Some investors held bonds issued by Olam International and GAR.

The small size of investors' bond holdings is also puzzling. A sizeable proportion of the underwriting we looked at related to issues of new bonds. If the bonds have been issued and the financial institutions featured in this survey have not bought them in large quantities, who has? We have no answer to that question.

¹⁹ APP (Asia Pulp and Paper) and GAR (Golden Agri-Resources) are subsidiaries of the Sinar Mas conglomerate. APRIL (Asia Pacific Resources International Holdings Limited) is part of the Royal Golden Eagle group.

Concluding thoughts

Looking at the data presented in this report, several thoughts emerge:

- Campaigners and policy makers looking to harness the power of EU financial institutions to bring change at the companies they fund should consider focussing their efforts particularly on EU-based banks. They seem to be the most important EU financial players in terms of the amount of finance they provide to (large) companies in sectors where land grabbing and deforestation are major issues.
- But the limits of EU banks' influence need to be recognised. The loans we came across mostly involved several banks not one bank acting on its own. The influence loan providers have is thus likely to rest with groups of banks rather than individual banks. Also, in many cases, EU banks appeared to be providing lumps of general credit not loans earmarked for specific purposes.
- The data in this report mainly sheds light on the funding of large, public companies. Further research into the financing of smaller companies, privately-held companies and private equity investments is required to build a full picture of how EU-based banks and investors are involved in financing companies in high risk sectors.
- Greater transparency is needed. As we started to write this report, global media attention was focused on the 'Panama papers', a cache of millions of hacked documents that revealed in unprecedented detail how celebrities, politicians and the uber-rich hide their money behind bank secrecy. One lesson from our study is that difficulties of really understanding what is happening in corporate financial matters are not confined to shady dealings in offshore tax havens. Records on almost every type of transaction, even legal ones, are incomplete and hard to interpret. Publicly accessible data about private equity funds and companies which are not publicly listed is very difficult to obtain. Greater transparency is desirable on many different fronts.

How will Brexit change the picture?

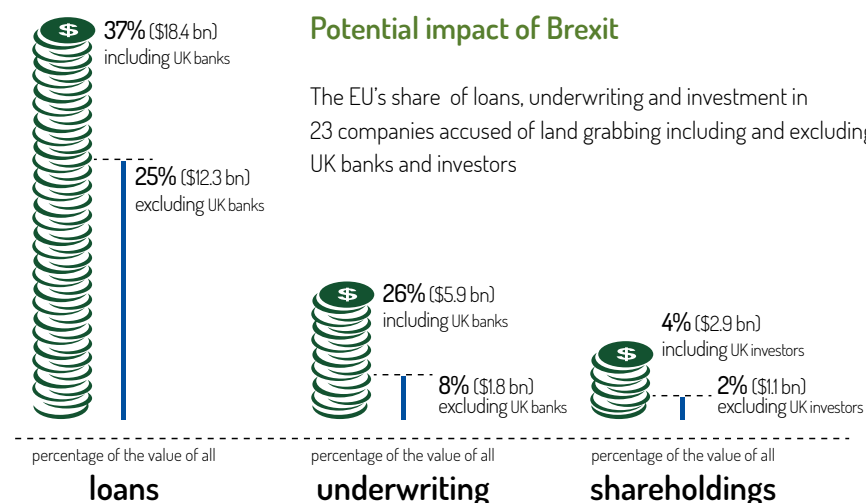
In this report the EU is treated as a block that includes Britain. The research was carried out before Britain voted to leave the EU. If Brexit takes place Europe's financial scene will look very different. London, the region's largest financial centre, will be outside the EU. Our data suggests that the EU banks have been major providers of loans and underwriting services to companies in sectors challenged by land grabbing and deforestation. An obvious question is will the EU continue to be an important source of finance for this type of company if and when Britain is no longer a member?

The answer appears to be that, without Britain, EU banks will continue to be a very important source of loans to companies in sectors challenged by land grabbing and deforestation. But the EU's share of underwriting and ownership of shares in these companies will be very greatly reduced.

According to our figures, British banks accounted for 33 per cent of the value of EU loans going to the 23 companies we looked at in the period 2010-15. British banks were also responsible for 69 per cent of EU underwriting for these companies. Meanwhile, investors based in the UK held 52 per cent of the value of shares of EU financial institutions (based on most recent regulatory filings analysed in October/November 2015).

Without British banks, the EU's share of loans worldwide to the companies we reviewed goes down from 37 per cent to a still significant 25 per cent (as illustrated in the graphic below). For underwriting, the EU's share of capital raised from organising new share and bond issues is reduced from 26 per cent to eight per cent. For investment in shares, the exclusion of British financial institution investors reduces the EU's stake in investments held from an already small four per cent to just two per cent of the total.

These are historic figures but they may nonetheless give a rough indication of the likely impact of Brexit if and when it takes place in 2018 or 2019.



Appendix

Land grabbing allegations

Company	Country of origin	Country of alleged land grab	Description	Source	Reference
Addax Bioenergy	Switzerland/UK	Sierra Leone	Addax Bioenergy is accused of land grabbing. The company has leased 57,000 hectares of land in Sierra Leone. In the process of establishing their operations, Addax Bioenergy allegedly violated human rights through a lack of information provision before and during the negotiations, intimidation, and absence of formal contracts, causing the involuntary appropriation of local peoples' lands and livelihood degradation. The company is a subsidiary of the Swiss group Addax and Oryx.	Profundo report	Profundo (2012, February) Praktijkonderzoek: Nederlandse bankgroepen en buitenlandse landverwerving. Amsterdam, The Netherlands: Profundo. p. 15.
Bumitama Agri	Indonesia	Indonesia	Bumitama Agri allegedly gained control of thousands of hectares of land without having legal license for it. The company – part of the Harita Group – has also been associated with endangering different species' habitats.	Oxfam Australia report	Oxfam Australia (2014, April) Banking on Shaky Ground: Australia's Big Four Banks and Land Grabs. Carlton, Victoria, Australia: Oxfam Australia. p. 40.
Asian Agri	Indonesia	Indonesia	Asian Agri, a subsidiary of Royal Golden Eagle (formerly known as Raja Garuda Mas Group) has been accused of illegal activities in restricted national park areas without having permits.	Profundo report	WWF (2013) Tracking Illegal Oil Palm Fruit in Riau, Sumatra. Riau, Indonesia: WWF. pp 1–2.
Bakrie Sumatera Plantations	Indonesia	Indonesia	Bakrie Sumatera Plantations owns up to 70,000 hectares of land in Indonesia (2009 figures). In its aggressive push for expansion, the company has allegedly been associated with violent land grabs causing unwilling relocation of local communities. It is part of the Bakrie Group, which is mainly focused on mining.	Profundo report	Watch Indonesia! (2009) Touching the sky: human rights violations and land right conflicts around Bakrie Sumatera's plantations, available at www.biofuelwatch.org.uk/docs/BakrieStudy.pdf
Bolloré Group	France	Cambodia, DRC, Sierra Leone, Cameroon, Liberia	Bolloré is the major investor (with a 39 per cent stake) in Socfin (the Société Financière des Caoutchoucs), a Luxembourg-based holding company that owns plantations in Africa and Asia. Socfin offshoots have featured in land conflicts in several Asian and African countries. The main investor in Bolloré is the French businessman Vincent Bolloré.	Various sources	Greenpeace (2016, February) Africa's Forests Under Threat: Investigation of the Investments of the Bolloré Group; Oakland Institute (2012) Understanding land investment deals in Africa, Socfin and land investment in Sierra Leone.
Bunge	United States	Brazil	Bunge sources sugar cane from several farms within the Jatayvary area of Mato Grosso Do Sol province in Brazil, which was identified as indigenous land in 2004 and is in the process of demarcation. Several of the sugar cane producing farms are obstructing the demarcation process of the area. Bunge has been requested to stop sourcing sugar cane from this area, but has allegedly refused to do so until the process of demarcation is fully completed.	Oxfam Australia report	Oxfam Australia (2014, April) Banking on Shaky Ground: Australia's Big Four Banks and Land Grabs. Carlton, Victoria, Australia: Oxfam Australia. pp 42–43.
Genting Plantations	Malaysia	Malaysia	Genting Plantation's subsidiary Tanjung Bahagia Sdn Bhd has been the subject of complaints to the Roundtable on Sustainable Palm Oil. These complaints include a lack of transparency, very limited consultation of the local community, and a failure to address environmental issues related to their activities. It is a subsidiary of the Genting Group, a diversified conglomerate.	Oxfam Australia report	Oxfam Australia (2014, April) Banking on Shaky Ground: Australia's Big Four Banks and Land Grabs. Carlton, Victoria, Australia: Oxfam Australia. p. 40.
Golden Agri-Resources	Singapore	Indonesia	Golden Agri-Resources (part of the Sinar Mas Group) is associated with transparency issues regarding the process and final outcomes of the land sale from local community members to the company. In addition, the company was said to have bribed police to stop protests against the company.	Oxfam Australia report	Oxfam Australia (2014, April) Banking on Shaky Ground: Australia's Big Four Banks and Land Grabs. Carlton, Victoria, Australia: Oxfam Australia. p. 40.

Company	Country of origin	Country of alleged land grab	Description	Source	Reference
Hoang Anh Gia Lai Joint Stock	Vietnam	Cambodia, Laos	A significant proportion of HAGL's operations in Cambodia is said to be illegal. Concerns include the lease of nearly 82,000 hectares of land in 2013, over half of which was in Cambodia. The company is alleged not to have paid compensation for the land to local communities. In addition, complaints to IFC's Ombudsman indicate that inhabitants of certain areas where HAGL's operations take place were hit by problems as result of these operations, such as loss of livelihood due to environmental degradation.	Oxfam Australia report	Global Witness (2013) Rubber Barons: How Vietnamese Companies and International Financiers are Driving a Land Grabbing Crisis in Cambodia and Laos. London, UK: Global Witness, pp 16–23; Oxfam Australia (2014, April) Banking on Shaky Ground: Australia's Big Four Banks and Land Grabs. Carlton, Victoria, Australia: Oxfam Australia. p. 40.
IOI Group	Malaysia	Indonesia	IOI's membership of the Roundtable on Sustainable Palm Oil was suspended in March 2016 after an investigation found that subsidiaries operating in West Kalimantan had broken RSPO rules meant to prevent rainforest destruction and social conflict. The company is the fourth largest palm oil trader with 11 per cent of the global market.	Various sources	RSPO announcement, available at www.rspo.org/news-and-events/announcements/notice-to-rspo-members-on-the-suspension-of-ioi-groups-certification Financial Times coverage (May 2016) www.ft.com/cms/s/0/d9c87b0e-229c-11e6-aa98-db1e01fab0c0.html#axzz4ALeS2786
Indofood Agri Resources	Singapore	Indonesia	A complaint submitted to the Roundtable on Sustainable Palm Oil indicates clearing of High Conservation Areas including orangutan habitats. The company is a subsidiary of the First Pacific Group.	Oxfam Australia report	Oxfam Australia (2014, April) Banking on Shaky Ground: Australia's Big Four Banks and Land Grabs. Carlton, Victoria, Australia: Oxfam Australia. p. 40.
Khon Kaen Sugar	Thailand	Cambodia	Khon Kaen Sugar was accused of land grabbing in Cambodia. One of its subsidiaries is alleged to have forcefully removed over 4,000 people from their lands, without prior information about or consent to the relocation.	Profundo report	Local Act Thailand (2012, March) Land Grabbing and Impacts to Small Scale Farmers in Southeast Asia Sub-Region. Thailand: Local Act Thailand. p. 11.
Kuala Lumpur Kepong	Malaysia	Papua New Guinea, Indonesia, Liberia	According to a report by Rainforest Action Network in April 2014, Kuala Lumpur Kepong was involved in land rights violations related to indigenous people, tropical deforestation, and forced (child) labour. It is 44 per cent owned by the Batu Kawan Group.	Oxfam Australia report	Oxfam Australia (2014, April) Banking on Shaky Ground: Australia's Big Four Banks and Land Grabs. Carlton, Victoria, Australia: Oxfam Australia. p. 40.
Mitr Phol Sugar	Thailand	Cambodia	Mitr Phol Sugar's Cambodian projects totalled approximately 19,700 hectares, which 'exceeds the 10,000 ha concession limit that one group can own according to Cambodian legislation'. In addition, allegations were brought against the company for confiscation of land, use of violence, killing of livestock, looting of crops, employing child labor and a number of other human rights abuses. The company's Cambodian project was terminated in 2014. It is part of the Batu Kawan Group.	Profundo report	Profundo (2015, March) Greek Sugar Imports from Developing Countries. Amsterdam, The Netherlands: Profundo. pp 12–13.
Olam International	Singapore	Gabon	Although promises were made to make operations sustainable, studies have shown that 'there is still a threat that the [Olam plantation] project could result in significant deforestation and provoke conflicts over land rights'.	Oxfam Australia report	Oxfam Australia (2014, April) Banking on Shaky Ground: Australia's Big Four Banks and Land Grabs. Carlton, Victoria, Australia: Oxfam Australia. p. 40.
Perkebunan Nusantara II, IX, X and XI	Indonesia	Indonesia	Perkebunan Nusantara II, IX, X and XI are associated with land grabbing and livelihood-degrading activities. Perkebunan Nusantara II, for example, allegedly forced local people off their lands. The company was also said to have disposed of waste in local water basins, causing health problems for local communities.	Profundo report	International Covenant on Economic, Social and Economic Cultural Rights (2014, April/May) Alternative Report Indonesia. pp 4–8.
Raizen	Brazil	Brazil	In 2011 Raizen was allegedly involved in land grabbing of Guarani ancestral lands in Brazil. The company has been associated with taking land from the local community without permission; resistance was met with violence. Raizen has also allegedly used chemicals on local peoples' sugar cane plantations, causing health issues for local people, animals and plants. The company is a bioethanol joint venture between Royal Dutch Shell and Cosan, a Brazilian sugar company.	Profundo report	Profundo (2015, March) Greek Sugar Imports from Developing Countries. Amsterdam, The Netherlands: Profundo. p. 9.
Samling Group of Companies	Malaysia	Malaysia, Guyana	A 2010 Council on Ethics Report indicates repeated breach of licences by the Samling Group of Companies. The company has been reported to be logging outside the area of the licence, or in protected areas.	Oxfam Australia report	Oxfam Australia (2014, April) Banking on Shaky Ground: Australia's Big Four Banks and Land Grabs. Carlton, Victoria, Australia: Oxfam Australia. p. 40.

Company	Country of origin	Country of alleged land grab	Description	Source	Reference
Sime Darby	Malaysia	Liberia	According to a report by Colombia University's Center for International Conflict Resolution, Sime Darby took 220,000 hectares of land without consent from the local population. A lack of consultation was also mentioned for different projects.	Oxfam Australia report	Oxfam Australia (2014, April) Banking on Shaky Ground: Australia's Big Four Banks and Land Grabs. Carlton, Victoria, Australia: Oxfam Australia. p. 40.
Tadmax Resources	Malaysia	Indonesia	Tadmax was reported to be one of the companies active in clearing forest and developing oil palm plantations in West Papua. According to The West Papua Oil Palm Atlas: 'Almost without exception, these plantations have caused conflicts with and within indigenous communities who depend on the forest – most lowland Papuans are hunters and gatherers to some degree. The conflicts have centred around communities' refusal to hand over their land.' However, we are not aware of specific complaints against Tadmax.	Various sources	Link to World Rainforest Movement reporting of the West Papua Oil Palm Atlas: http://wrm.org.uy/articles-from-the-wrm-bulletin/section1/west-papua-oil-palm-atlas-the-companies-behind-the-plantation-explosion/ Link to the awasMIFFi! site run by UK activists tracking developments in the Merauke region of Papua: https://awasmiffee.potager.org/?p=829
Triputra Agro Persada	Indonesia	Indonesia	The company started a programme of massive land expansion in 2013, which has resulted in conflicts over land with local communities. The confiscation of land also includes areas with rare species of flora and fauna. It is part of the Triputra Group.	Oxfam Australia report	Oxfam Australia (2014, April) Banking on Shaky Ground: Australia's Big Four Banks and Land Grabs. Carlton, Victoria, Australia: Oxfam Australia. p. 40.
Vietnam Rubber Group	Vietnam	Cambodia, Laos	Vietnam Rubber Group's increasing investments in Cambodia and Laos is associated with illegal logging of protected forests and other areas, timber laundering, and land grabbing with little or no consultation or compensation, resulting in degradation of environment and livelihoods. Its Cambodian rubber plantations are also associated with child labour.	Profundo report	Global Witness (2013) Rubber Barons: How Vietnamese Companies and International Financiers are Driving a Land Grabbing Crisis in Cambodia and Laos. London, UK: Global Witness. pp 16–23.
Wilmar International	Singapore	Indonesia	Wilmar International is associated with many conflicts over land in Indonesia, including the clearing of land without the consent of local communities, without the possession of required permits, and without the completion of Environmental Impact Assessments.	Oxfam Australia report	Oxfam Australia (2014, April) Banking on Shaky Ground: Australia's Big Four Banks and Land Grabs. Carlton, Victoria, Australia: Oxfam Australia. p. 48.
Wilmar International	Singapore	Uganda	Wilmar International is accused of land grabbing in Uganda, where land was acquired by the company in order to establish palm oil plantations. No compensation was provided to the local communities that lost their lands and livelihoods.	Friends of the Earth Europe report	Friends of the Earth Europe (2014, May) Continuing to Exploit and Deforest: Wilmar's Ongoing Abuses. Brussels, Belgium: Friends of the Earth Europe. p. 2.
Wilmar, PZ	Singapore	Nigeria	PZ Wilmar, a joint venture between Wilmar International and PZ Cussons PLC, is 'accused of contributing to human rights violations, environmental destruction, and violation of municipal laws and legislation in its use of former government land'.	ActionAid report	ActionAid (2015, May) New Alliance, New Risk of Land Grabs: Evidence from Malawi, Nigeria, Senegal and Tanzania. Johannesburg, South Africa: ActionAid International. p. 15.
WTK Holdings	Malaysia	Papua New Guinea	WTK's logging operations in Papua New Guinea were found to be illegal according to a 2003 report by the country's Department of National Planning and Monitoring. The company was found to be using fake permits for timber extraction. The same report mentions human rights violations (e.g. sexual harassment of women in the logging area) and environmental problems associated with the logging operations, such as the degradation of river ecosystems.	Oxfam Australia report	Oxfam Australia (2014, April) Banking on Shaky Ground: Australia's Big Four Banks and Land Grabs. Carlton, Victoria, Australia: Oxfam Australia. pp 14–15.

This report outlines the findings of research into the sources of finance of 40 subsidiaries of 23 large producers and traders of tropical agriculture products, many of them based in Asia. All the companies we selected had been publicly accused of land grabbing or human rights abuses associated with the acquisition of land in a part of their business, and all operate in sectors where deforestation is a major issue. They include well known corporate names such as Wilmar International, Olam International, Bunge, IOI and Sime Darby.



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