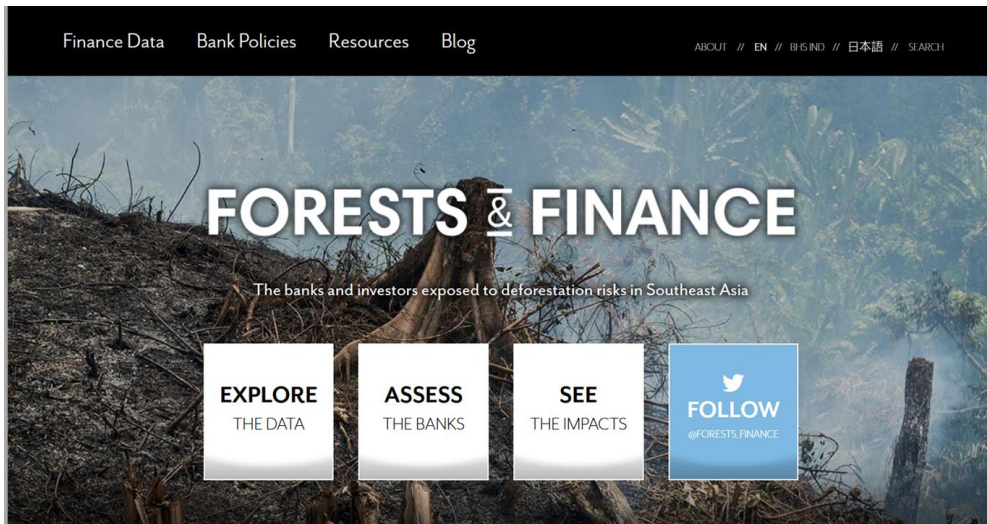


FORESTS & FINANCE

The banks and investors exposed to deforestation risks in Southeast Asia, Central and West Africa and in Brazil



FORESTS & FINANCE



Brief History of F&F

- Launched in 2016
- Initially a joint project by TuK Indonesia, Profundo and RAN
- Until now the website had:
 - A searchable database of financial flows to forest-risk commodity companies in SEA
 - Assessments of the relevant policies of the 30 most important financial institutions for the forest-risk sector in SEA
 - Case studies highlighting client operations, including violations of bank policies

FORESTS & FINANCE

Is Malaysia's CIMB serious about addressing deforestation?

by Gulzhan Musaeva on 19 August 2020



- Financial journalists and analysts covering ESG-related stories
- Using dataset generate stats, bespoke graphs
- Campaigners use dataset and policy assessment to show client-bank

Banks responsible for continuing deforestation in Southeast Asia

Forest-risk companies in Southeast Asia tend to rely almost entirely on debt financing. In view of this leverage, banks can be deemed directly accountable for deforestation and related offences committed by their borrowers.



malaysiakini
news and views that matter

NEWS

A+ A-

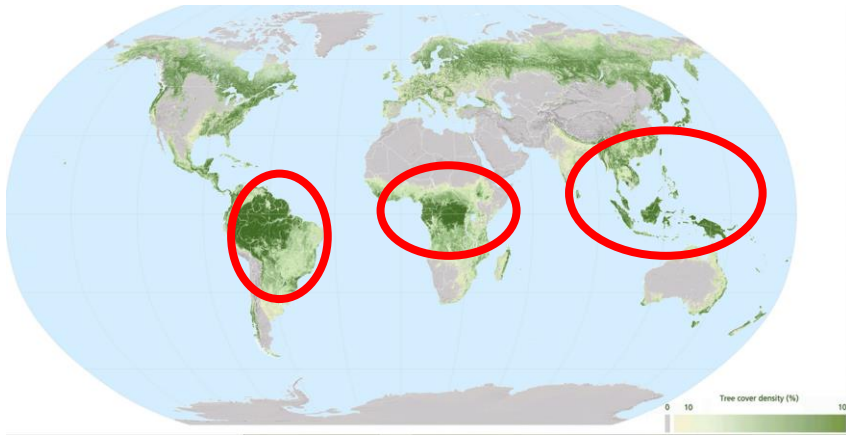
M'sian banks among top lenders to Indonesia fire-linked firms

Koh Jun Lin

Published 10 Dec 2019, 11:24 pm · Modified 11 Dec 2019, 11:51 am

FORESTS & FINANCE

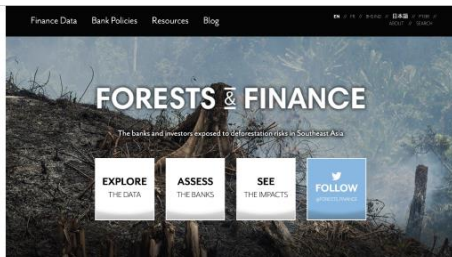
F&F Expansion



- For the first time, the database will also cover Brazil and Central and West Africa
- It will also, for the first time, include the beef and soy sectors, major drivers of deforestation in Brazil
- The policy assessment will be extended to cover 100 Banks and 100 Investors (expected to be launched early 2021)
- We are working on a redesign of the website, which will make it easier to do searches, providing better visualizations
- As part of this expansion, we are also increasing the Forests and Finance coalition. New partners include:
 - Amazon Watch
 - BankTrack
 - Repórter Brasil

FORESTS & FINANCE

Presentation of the new Findings



Is Your Money Destroying Rainforests or Violating Rights?

forestsandfinance.org reveals the finance flowing into commodities driving deforestation and land degradation in Southeast Asia, Central and West Africa, and Brazil

It features:

- a searchable database on financier-client deals from 2013 onwards
- scorecards on bank policies as relevant to forest-sector environmental, social and governance (ESG) risks
- case studies on clients linked to deforestation and human rights abuses

Explore the Data

Search the database to discover the links between banks, investors and forest-risk commodity companies. Run searches using different filter options including finance type, bank or investor, bank or investor region, forest-risk client or group, year and forest-risk sector. Results can be exported for further analysis.

Filter By	Company Name	Sector	Year	Amount (USD)
Bank of America	Bank of America	Bank	2013	100,000,000
Citigroup	Citigroup	Bank	2014	150,000,000
Wells Fargo	Wells Fargo	Bank	2015	200,000,000
JP Morgan Chase	JP Morgan Chase	Bank	2016	250,000,000
HSBC	HSBC	Bank	2017	300,000,000
BNP Paribas	BNP Paribas	Bank	2018	350,000,000
ING	ING	Bank	2019	400,000,000
Deutsche Bank	Deutsche Bank	Bank	2020	450,000,000
Barclays	Barclays	Bank	2021	500,000,000
Standard Chartered	Standard Chartered	Bank	2022	550,000,000

- ▶ 51.136 financial deals identified
- ▶ USD 153.2 billion in credit since the Paris Climate Agreement
- ▶ Investment of USD 37.3 billion in 2020 (April)

Forests & Finance: Methodology and Findings

Webinar 22nd September 2020

Overview

- Research methodology
- Findings
 - Analysis of creditors
 - Analysis of investors
 - Bank portfolio examples



FORESTS & FINANCE

The banks and investors exposed to deforestation risks in Southeast Asia, Central and West Africa and in Brazil

Research methodology

Details on how the research was conducted

Research methodology

- Company selection
- Data sources
- Limitations of data sources
- Calculated elements
 - Deal contributions
 - Segment adjusters
 - Geographic adjusters



Methodology: Deal contribution

- 2016 Sinar Mas subsidiary **Ivo Mas Tunggal** attracted US\$ 150 million loan
- 7 banks, 5 bookrunners, **bookratio 0.4**
- Bookrunners 75% = **15% each**

Bank	Country	Per Investor Value (in mln US\$)	Percentage of Tranche Amount
First Abu Dhabi Bank	United Arab Emirates	18.75	12.50%
Bank Mandiri	Indonesia	22.50	15.00%
CIMB Group	Malaysia	22.50	15.00%
Citigroup	United States	22.50	15.00%
Malayan Banking	Malaysia	22.50	15.00%
Rabobank	Netherlands	22.50	15.00%
State Bank of India	India	18.75	12.50%

Methodology: Segment adjuster

- Kuala Lumpur Kepong (KLK) has **five** reportable operating segments:
 - Plantation; Manufacturing; Property Development; Investment Holding, and Others.
- Segment capital expenditures
- Adjusters for palm and rubber are based on planted area proportions applied to Plantation; Manufacturing segment data

Company	Year	Type	Bank	Value (US\$ mln)	Palm oil	Rubber
KLK	2019	Bond issuance	CIMB Group	119.39	110.52	5.74
KLK	2019	Bond issuance	Maybank	119.39	110.52	5.74

Methodology: Geographic adjuster

- Kuala Lumpur Kepong (KLK) operates a palm company in Liberia - **Equatorial Palm Oil**
- No rubber or other forest-risk operations
- Geographic adjuster based on planted area proportions in Liberia and Southeast Asia
 - Liberia palm oil planted area = $(13007/213377) = 6.1\%$
 - Southeast Asia palm oil planted area = $(200370/213377) = 93.9\%$

Year	Bank	Value (US\$ mln)	C&W Africa Palm oil	C&W Africa Rubber	SEAsia Palm oil	SEAsia Rubber
2019	CIMB Group	119.39	3.32	0	107.21	5.74
2019	Maybank	119.39	3.32	0	107.21	5.74

Methodology: Deal contribution

- 2019 **Marfrig** US\$ 736 million share issuance
- 9 banks, 4 bookrunners, **bookratio 1.25**
- Bookrunners 75% = **18.75% each**
- Participants 25% = **5% each**

Bank	Country	Per Investor Value (in mln US\$)	Percentage of Tranche Amount
JPMorgan Chase	United States	138.03	18.75%
Santander	Spain	138.03	18.75%
Banco do Brasil	Brazil	138.03	18.75%
Bradesco	Brazil	138.03	18.75%
Banco do Brasil (Securities)	Brazil	36.81	5.00%
Bradesco (Securities)	Brazil	36.81	5.00%
Jefferies Financial Group	United States	36.81	5.00%

Methodology: Segment adjuster

- Klabin has **four** reportable operating segments:
 - Forestry; Paper; Conversion, and; Pulp.
- Segment capital expenditures
- The pulp & paper adjuster = Paper, Conversion and Pulp segments.
The timber adjuster = Forestry (includes the sales to third parties).
 - Pulp & paper = $(392462+78820+1592536)/2500649 = 82.53\%$
 - Timber = $436831/2500649 = 17.47\%$

Company	Year	Type	Bank	Value (US\$ mln)	P & P	Timber
Klabin	2020	Bond issuance	Bradesco	33.33	27.51	5.82
Klabin	2020	Bond issuance	HSBC	33.33	27.51	5.82

Methodology: Geographic adjuster

- Minerva is a 100% beef company
- Operations in Brazil, Argentina, Colombia, Paraguay and Uruguay.
- Geographic adjuster based on slaughtering capacity in Brazil.
 - Brazil proportion capacity = $10980/25480 = 43.1\%$

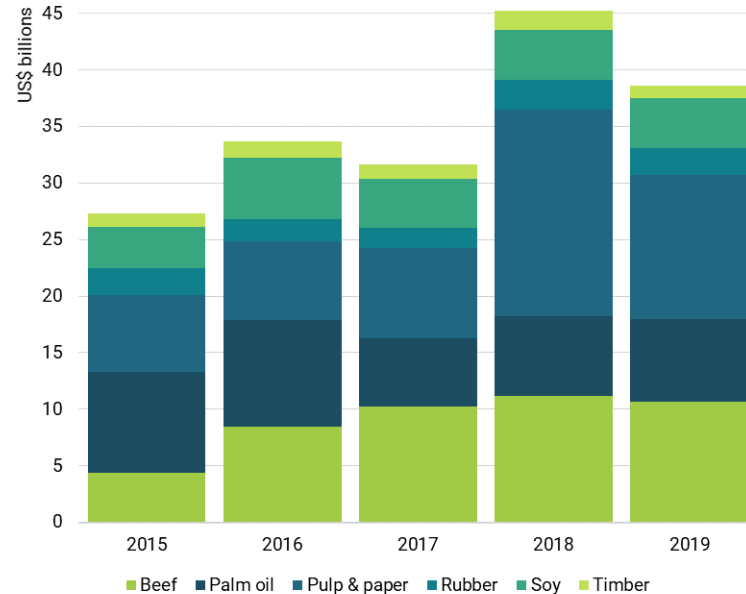
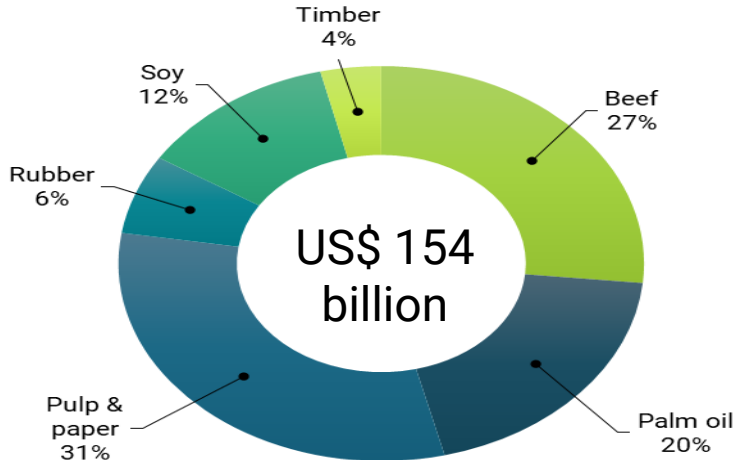
Year	Bank	Value (US\$ mln)	Beef overall F&F	Beef Brazil
2020	JPMorgan Chase	44.42	19.14	19.14
2020	Banco do Brasil	44.42	19.14	19.14
2020	Bradesco	14.81	6.38	6.38
2020	Itaú Unibanco	14.81	6.38	6.38

Research findings: Creditors

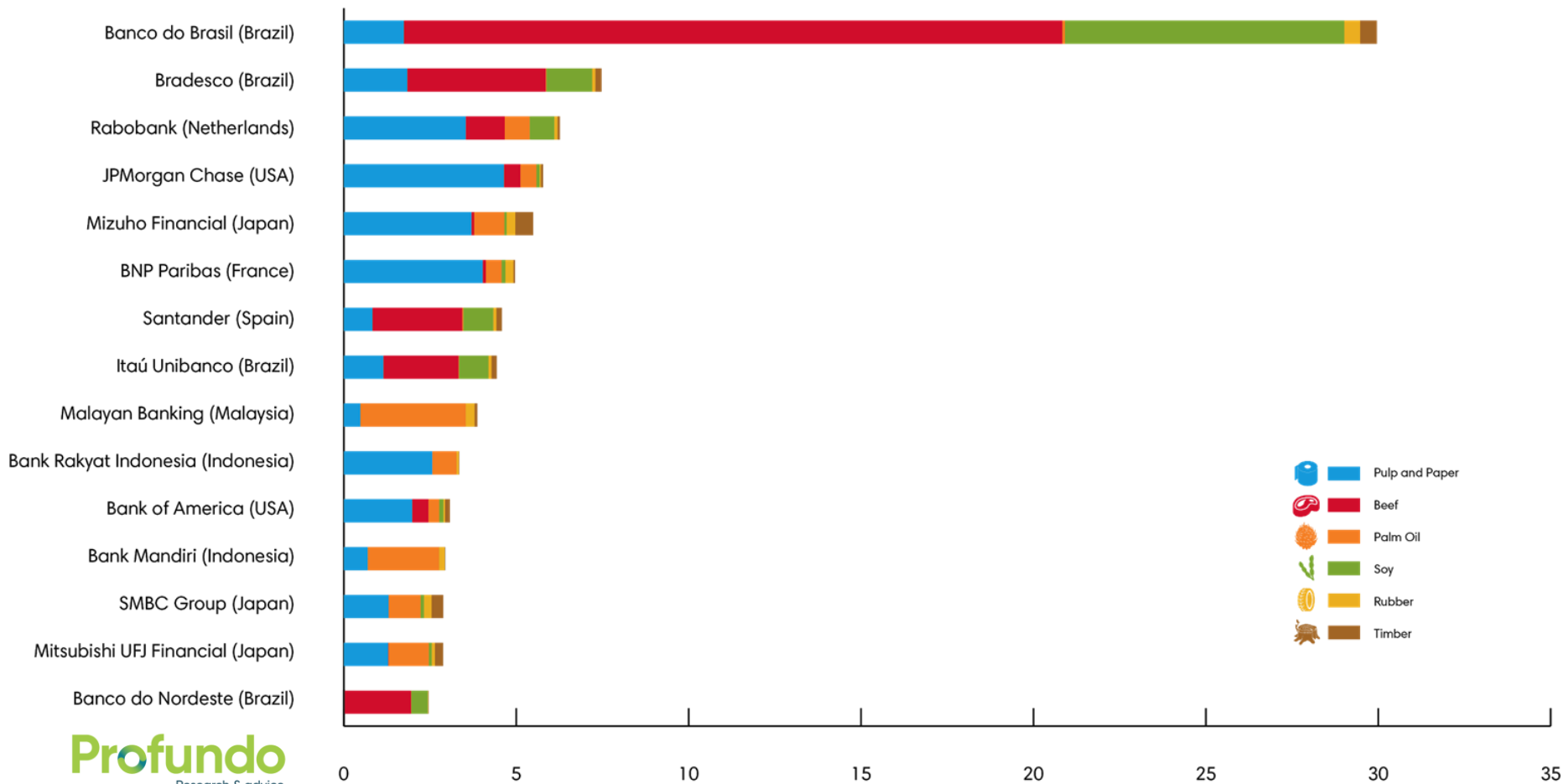
Providers of loans and issuance underwriting services

Creditors: Overall findings

- US\$ 154 billion since 2016
- Overall increasing trend

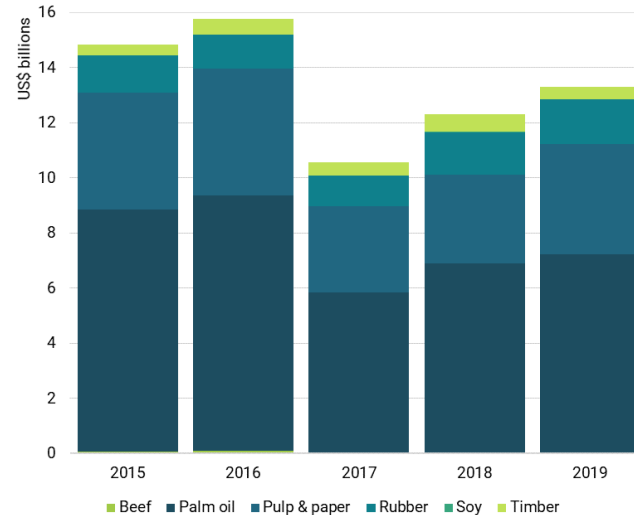
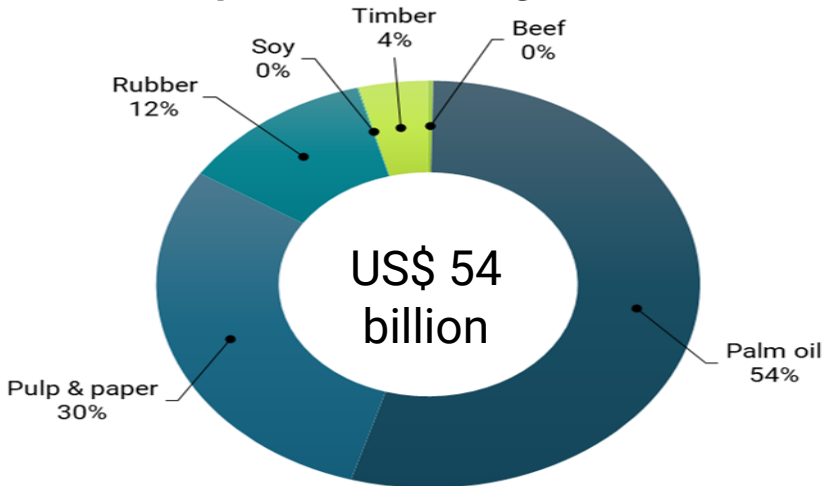


Top 15 Global Creditors by Sector, 2016-2020 (April) (USD billion)



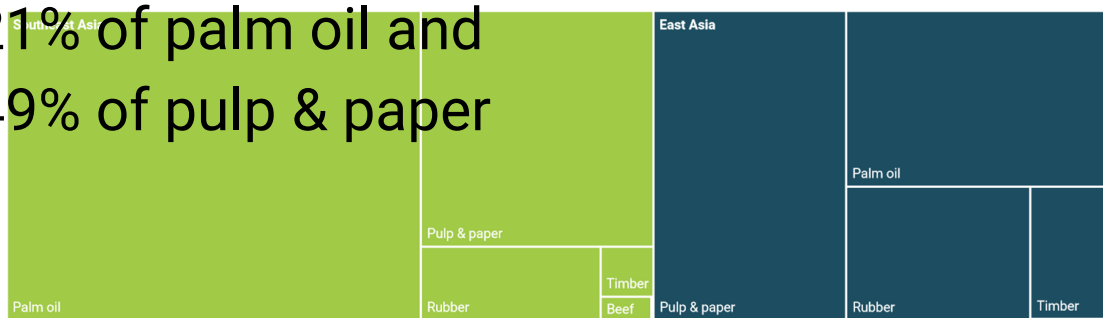
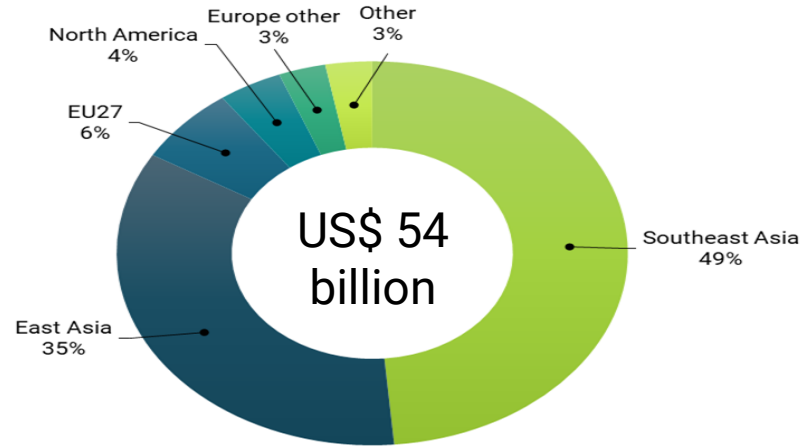
Creditors: Southeast Asia

- US\$ 54 billion since 2016
- Dip in 2017, gradual increase again



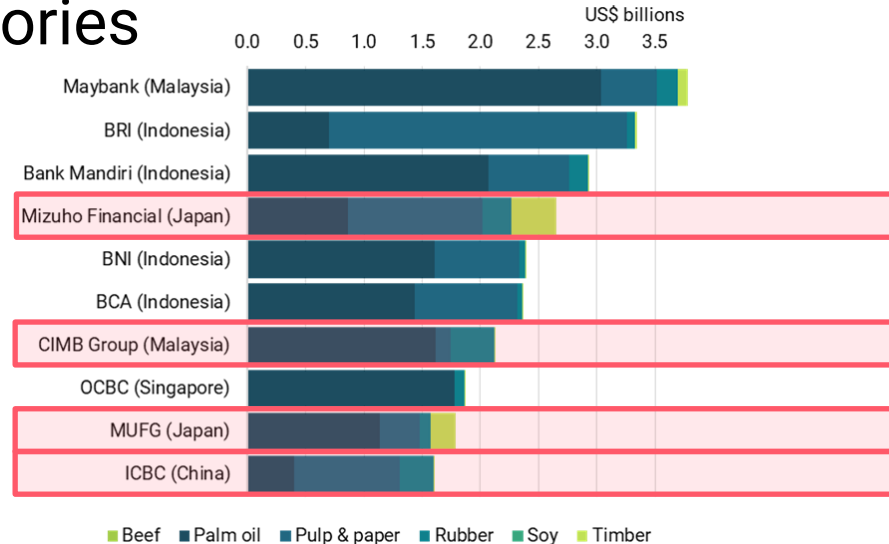
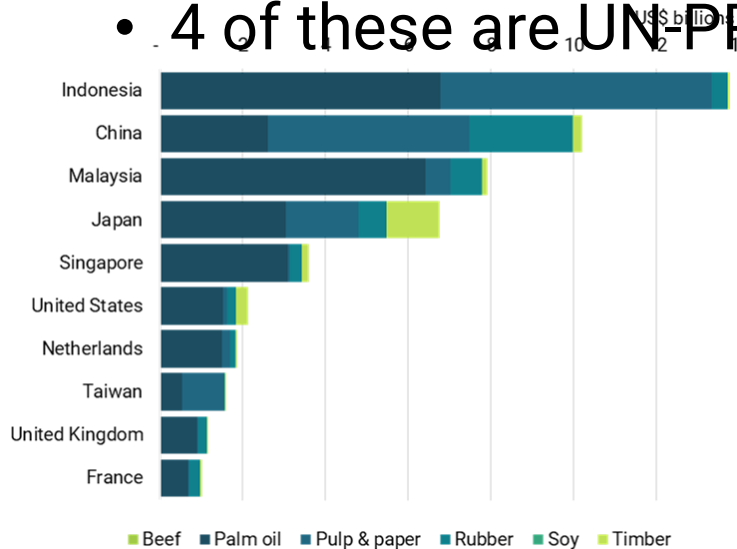
Creditors: Southeast Asia

- Asian banks 84% of total
- Southeast Asian banks
 - 57% of palm oil and
 - 45% of pulp & paper
- East Asian banks
 - 21% of palm oil and
 - 49% of pulp & paper



Creditors: Southeast Asia

- 92% of credit provided by 10 countries
- 46% by 10 banks
- 4 of these are UN-PRB signatories

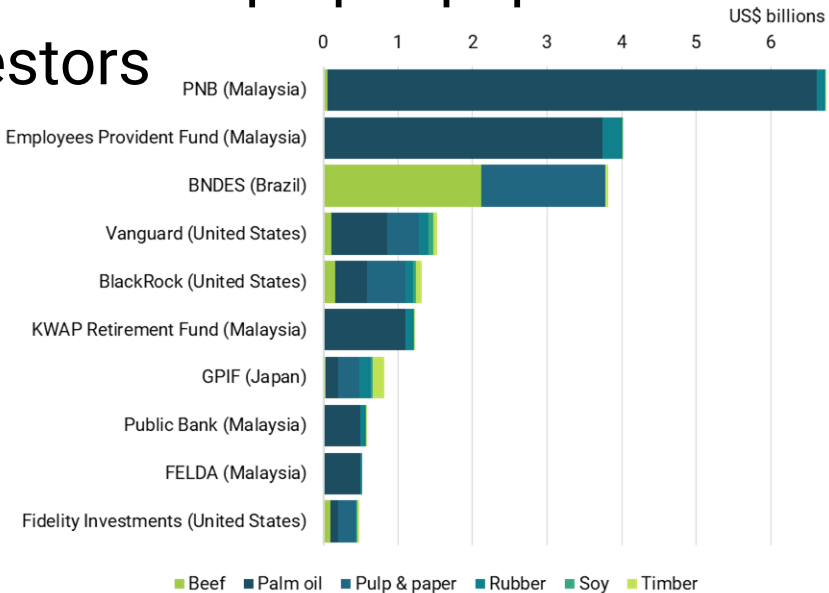
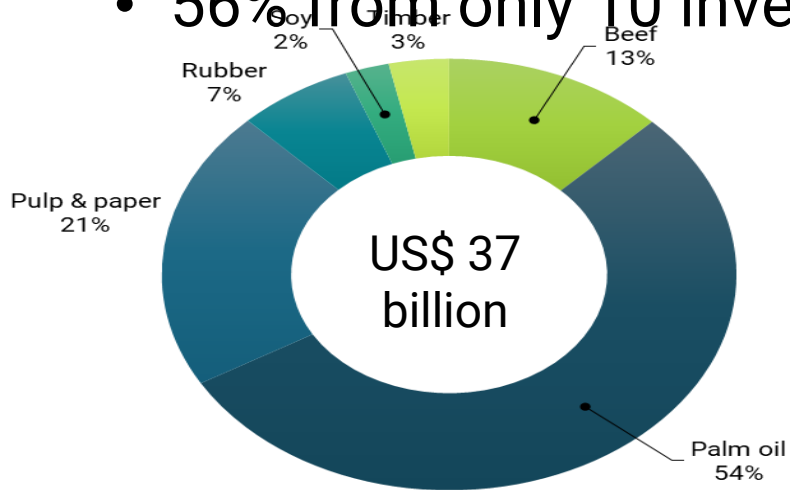


Research findings: Investors

Investors in bonds and shares

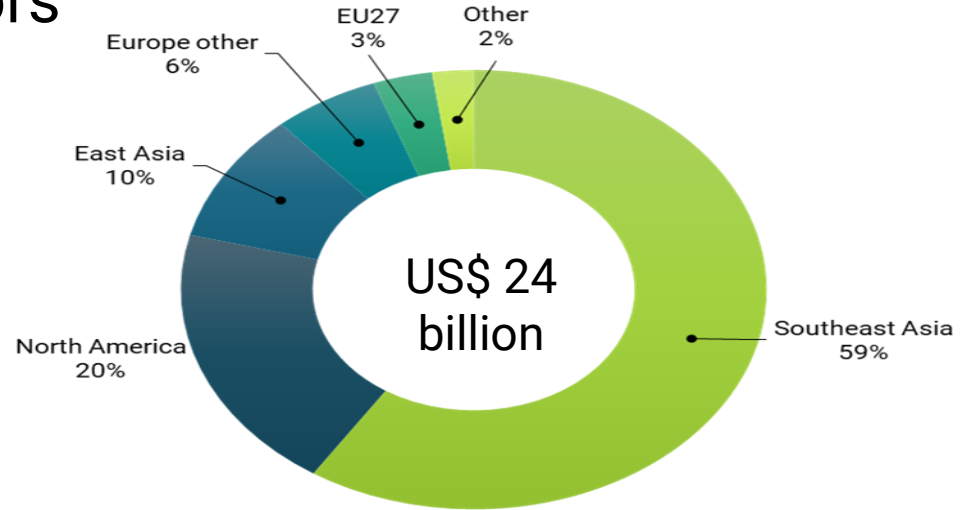
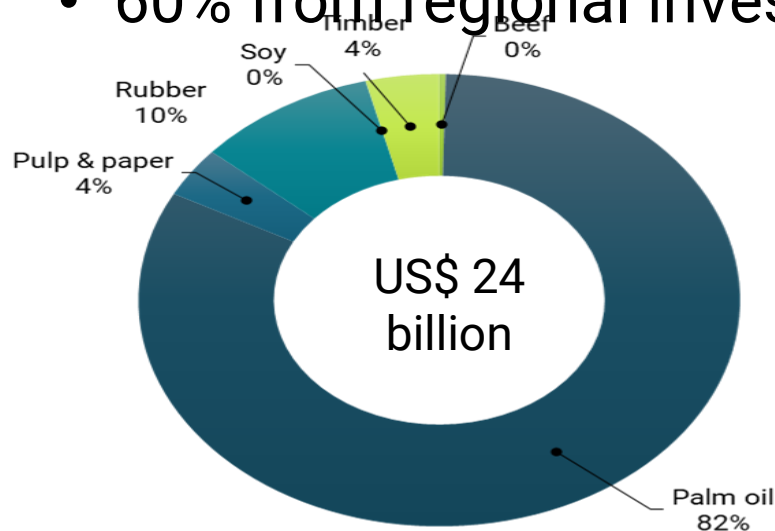
Investors: Overall findings

- US\$ 37 billion at most recent filing date in April 2020
- Three quarters in palm oil and pulp & paper
- 56% from only 10 investors



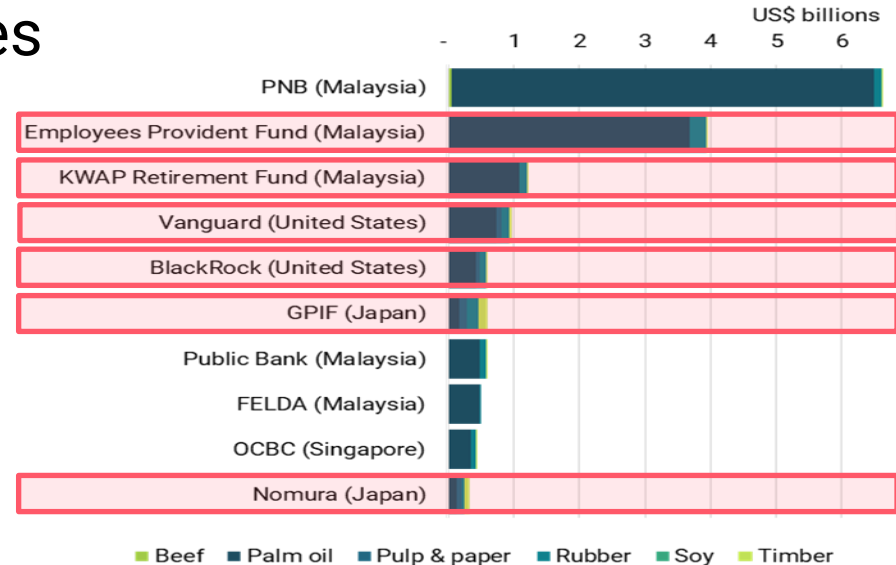
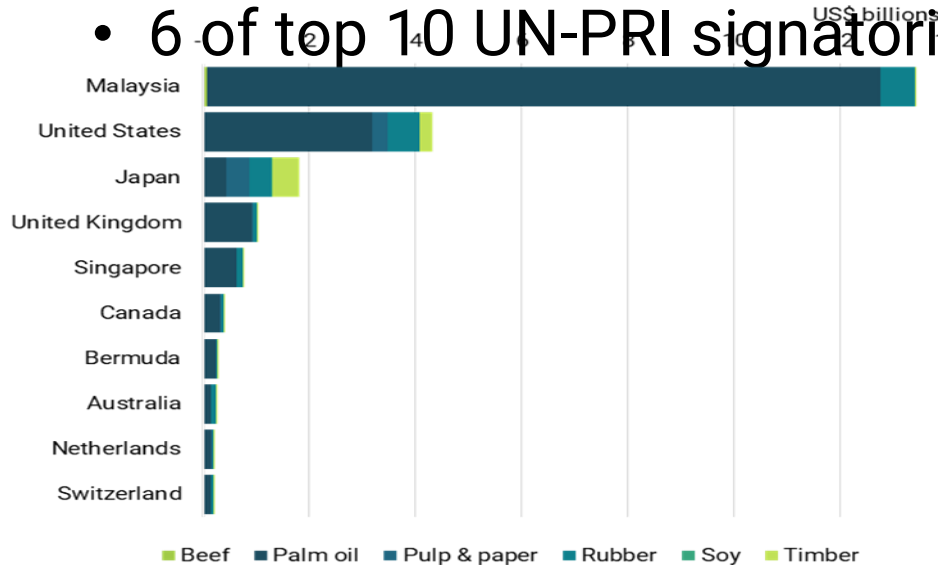
Investors: Southeast Asia

- US\$ 24 billion at most recent filing date in April 2020
- Vast majority in palm oil
- 60% from regional investors



Investors: Southeast Asia

- Malaysian investors (56%) & US investors (18%) dominate
- Top 3 investors all Malaysian government linked
- 6 of top 10 UN-PRI signatories



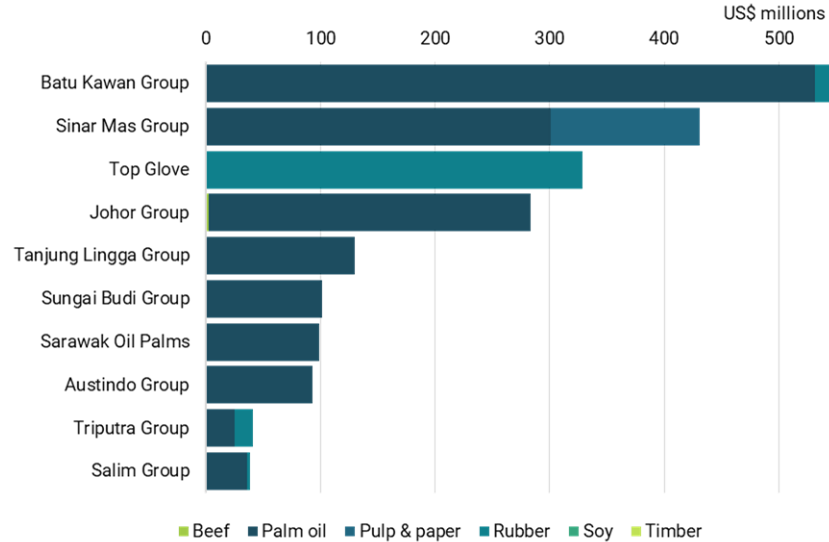
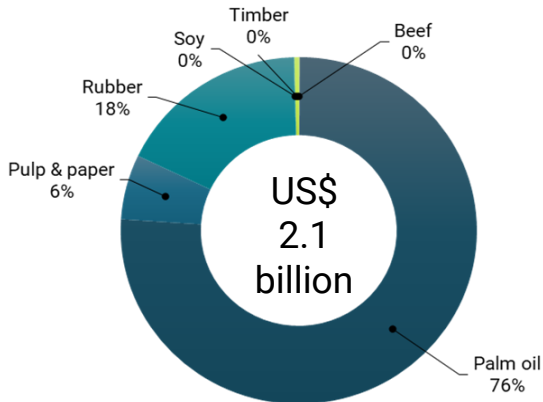
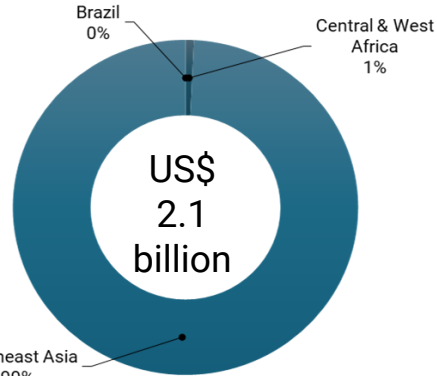
FORESTS & FINANCE

Research findings: Bank portfolios

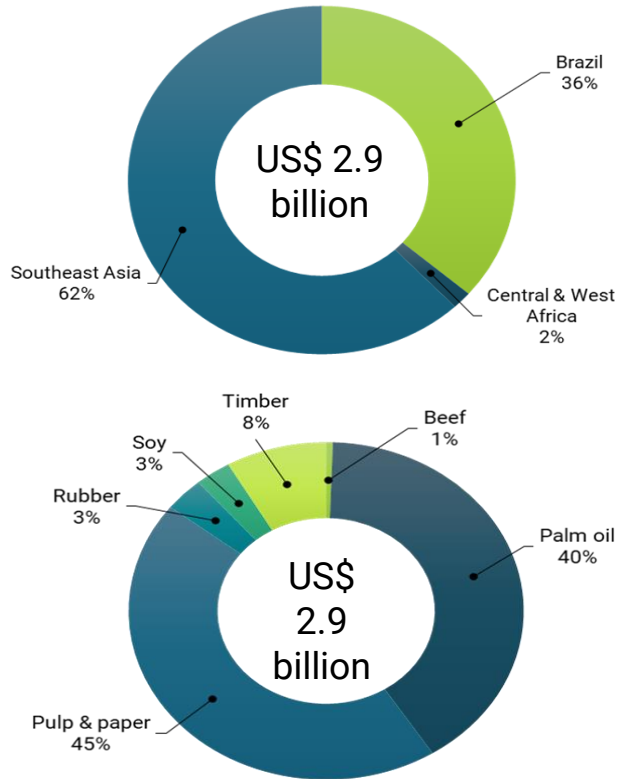
Examples of bank forest-risk client portfolios

Bank portfolio: CIMB Group

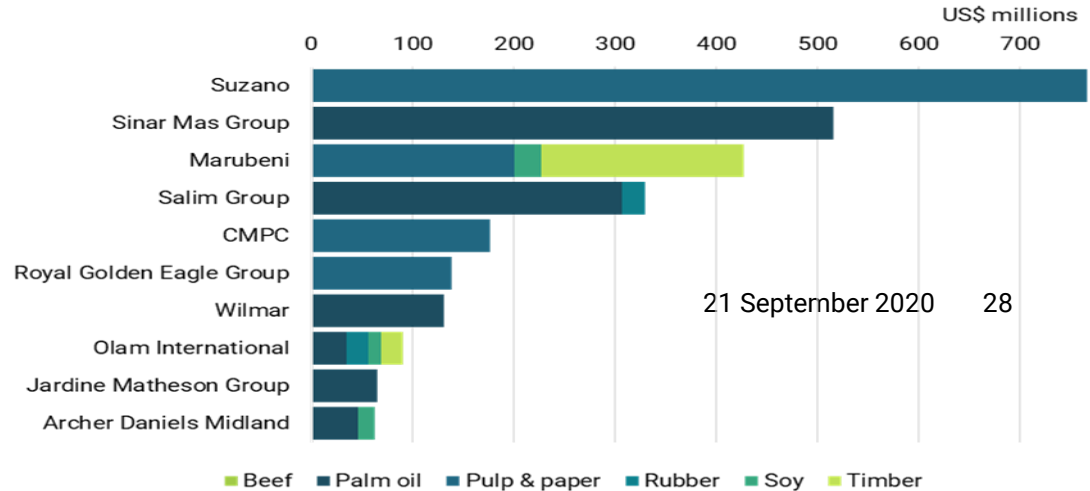
- US\$ 2.1 billion since 2016
- Almost all in Southeast Asia
- Three quarters in palm oil



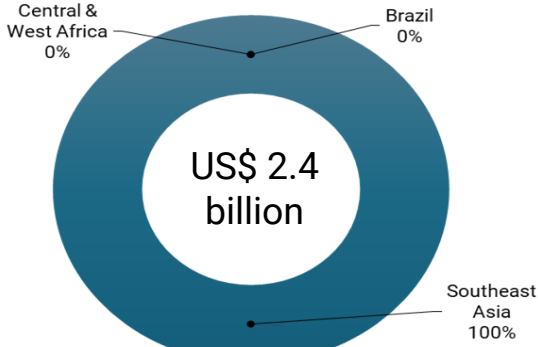
Bank portfolio: Mitsubishi UFJ



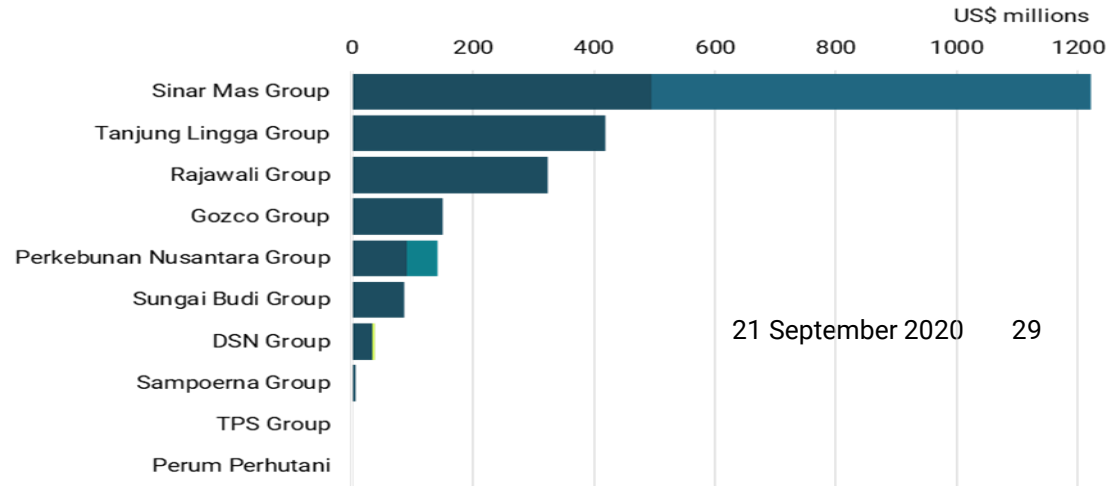
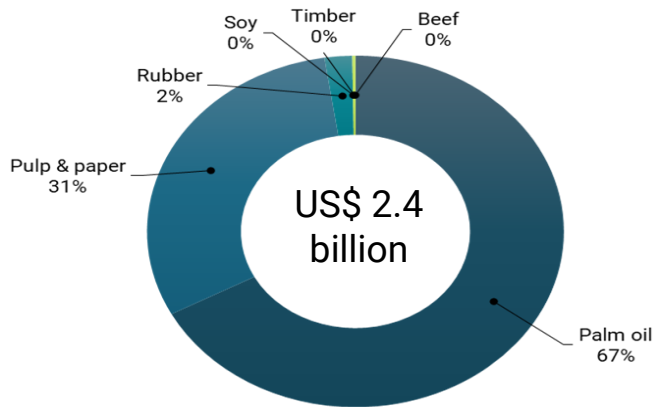
- US\$ 2.9 billion since 2016
- 2/3 Southeast Asia, 1/3 Brazil
- 40% palm oil, 45% pulp & paper



Bank portfolio: Bank Negara Indonesia



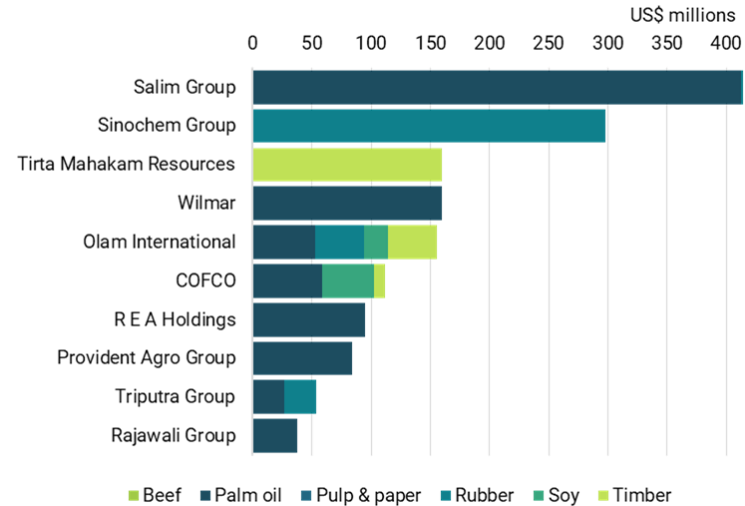
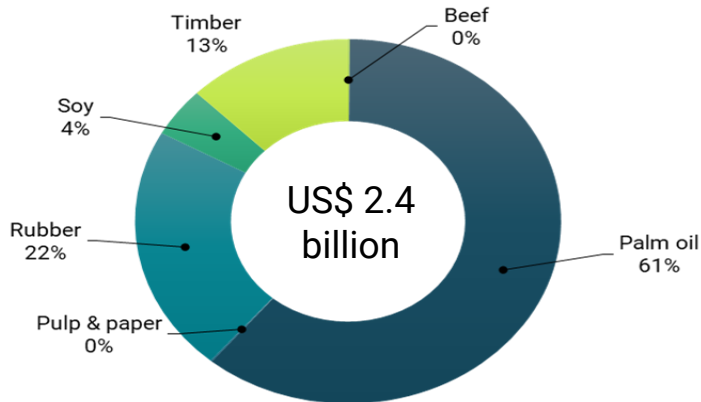
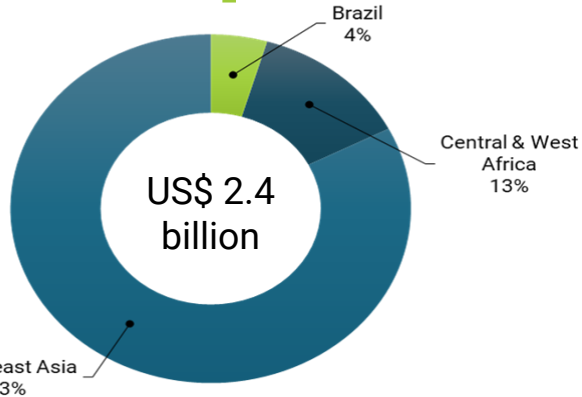
- US\$ 2.4 billion since 2016
- All in Southeast Asia
- 2/3 palm oil, 1/3 pulp & paper



■ Beef ■ Palm oil ■ Pulp & paper ■ Rubber ■ Soy ■ Timber

Bank portfolio: DBS

- US\$ 2.4 billion since 2016
- Predominantly Southeast Asia
- 60% in palm oil



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PRINCIPLES FOR
RESPONSIBLE
BANKING



PRINCIPLE 1:
ALIGNMENT

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.



PRINCIPLE 2:
**IMPACT &
TARGET SETTING**

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.



PRINCIPLE 3:
**CLIENTS &
CUSTOMERS**

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.



PRINCIPLE 4:
STAKEHOLDERS

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.



PRINCIPLE 5:
**GOVERNANCE
& CULTURE**

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

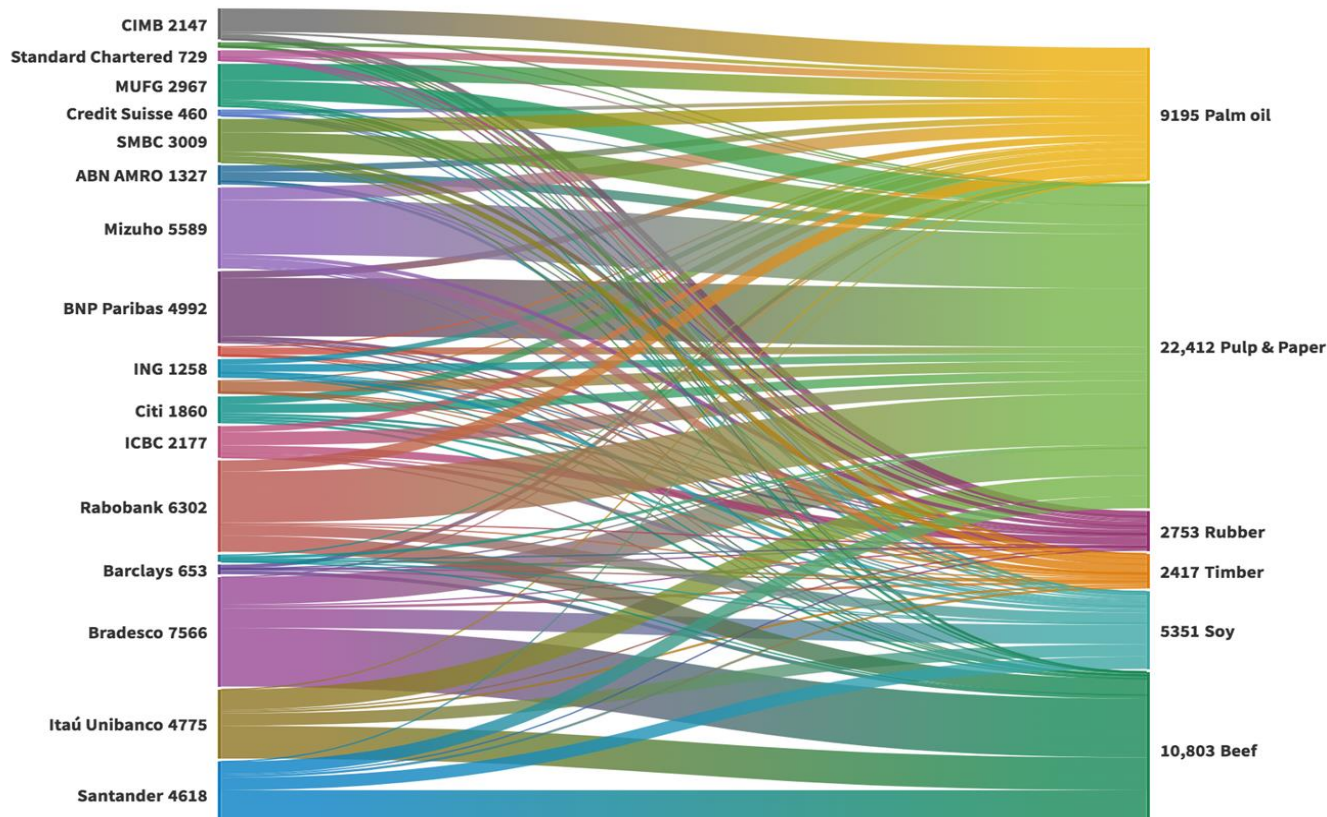


PRINCIPLE 6:
**TRANSPARENCY &
ACCOUNTABILITY**

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

FORESTS & FINANCE

Loans, underwriting & investment in 6 forest-risk commodity sectors by select PRB banks
(2016-2020Q1, USD Mln) Source: Forestsandfinance.org



FORESTS & FINANCE

Webinar 22nd September 2020

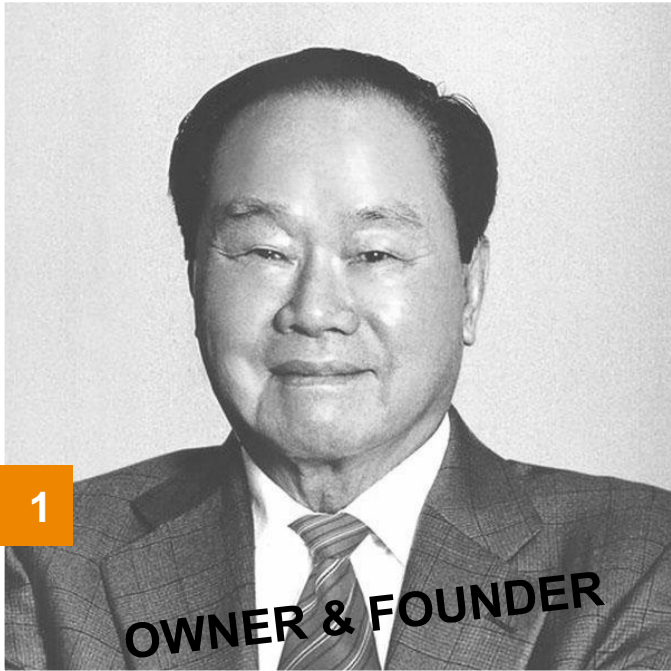
SOCIAL AND ENVIRONMENTAL IMPACTS FROM
FINANCE TO FOREST-RISK COMMODITY COMPANIES

Case Study:

SINAR MAS

TuK INDONESIA | Edi Sutrisno

FORESTS & FINANCE



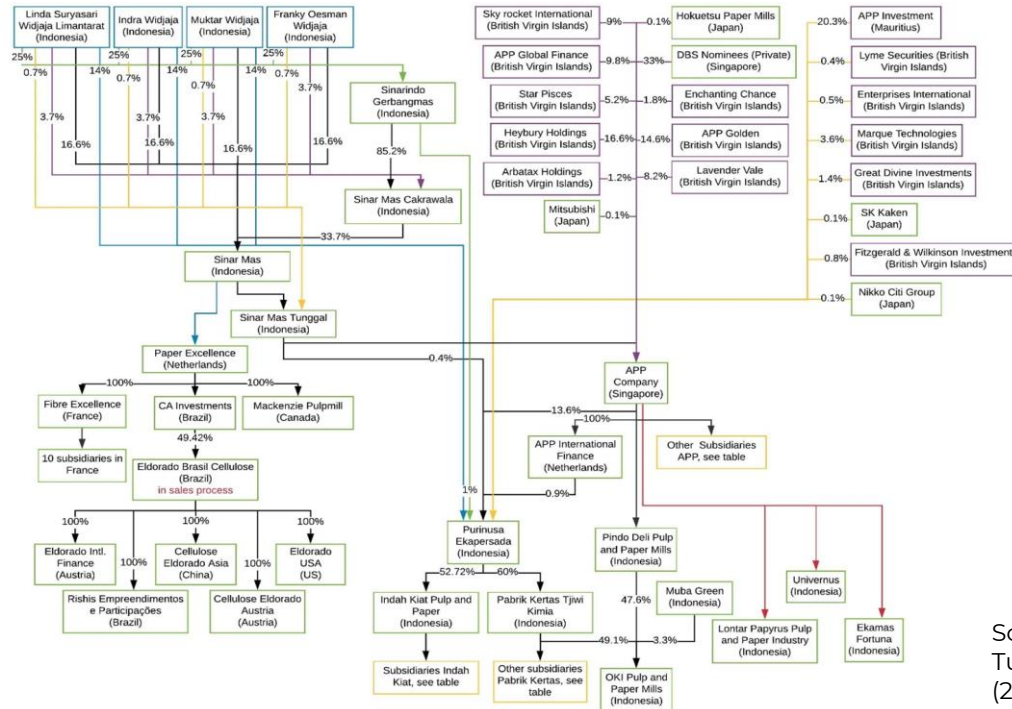
SINAR MAS

One of the largest conglomerates in **Indonesia** and is controlled by the family of the late oligarch Eka Widjaja

FORESTS & FINANCE

SINAR MAS: APP

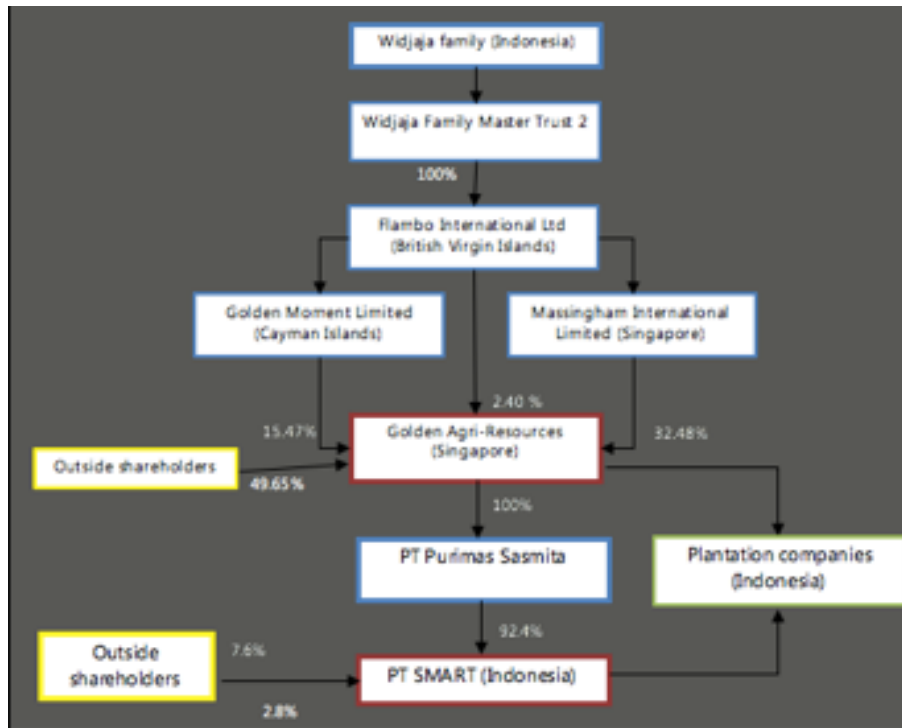
Ownership structure



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SINAR MAS: GAR

Ownership structure



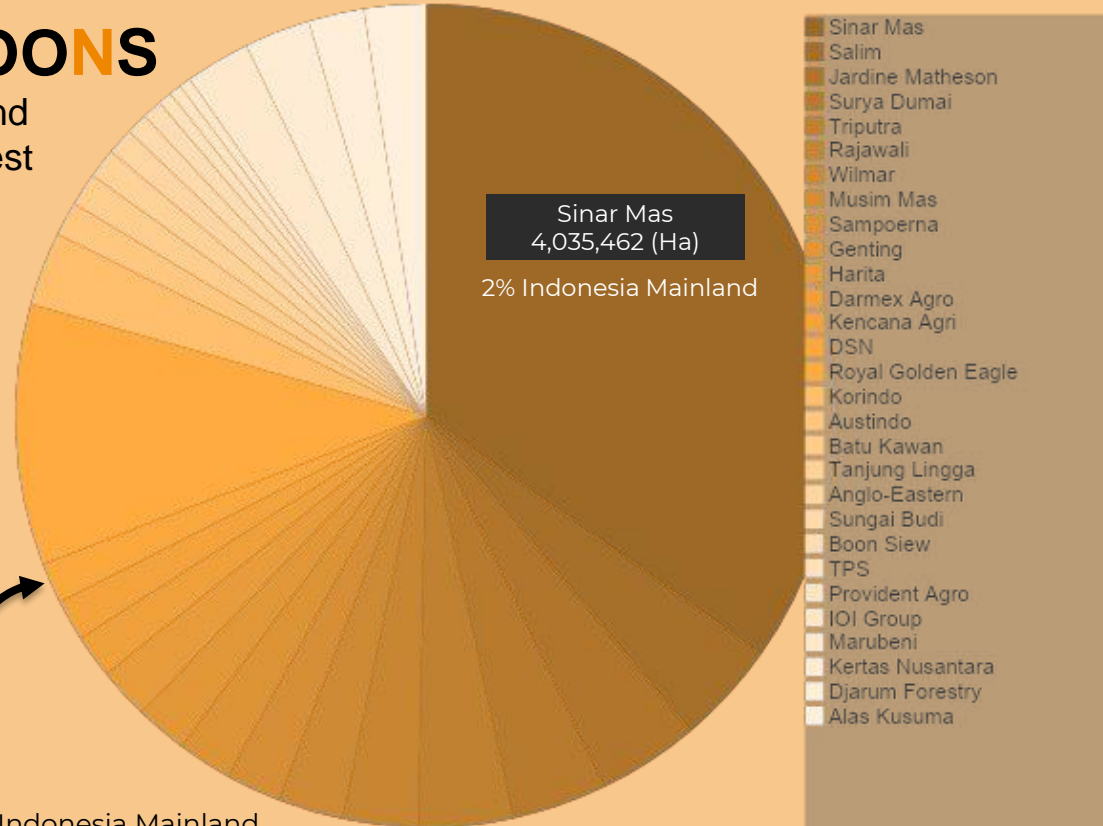
3

Source:
TuK INDONESIA & Profundo
(2018)

FORESTS & FINANCE

29 TYCOONS

Control the Land
(oil palm & forest
plantation)



**Sinar Mas
controls 2%
of Indonesia's
land area for
oil palm and
forest
plantations**

4

Source:
TuK INDONESIA (2018,2019)
BPS (2018)

FORESTS & FINANCE

- Despite sustainability policies, Sinar Mas subsidiaries and partner-suppliers have an [extensive](#) track record of community conflict and land rights violations, with over [100 active community conflicts](#).
- In 2019, Sinar Mas' pulpwood concessions and those of its suppliers had the [largest burned area of any corporate group](#).
- In 2020, Sinar Mas has been involved in many more conflicts, such as:
 - a. spraying the food crops of a local community with herbicide;
 - b. a rare Sumatran tiger was trapped and killed on an APP concession;
 - c. [it reported an indigenous man](#) for cutting 20 trees on disputed land, for which the man was sentenced a year in prison; and
 - d. it was found to be [clearing 3,500 ha of Sumatran peatland](#) for pulpwood plantations and digging 53 km of drainage canals, in direct breach of its own commitments
- The group also has serious corporate governance risks, which should be a concern for financiers.

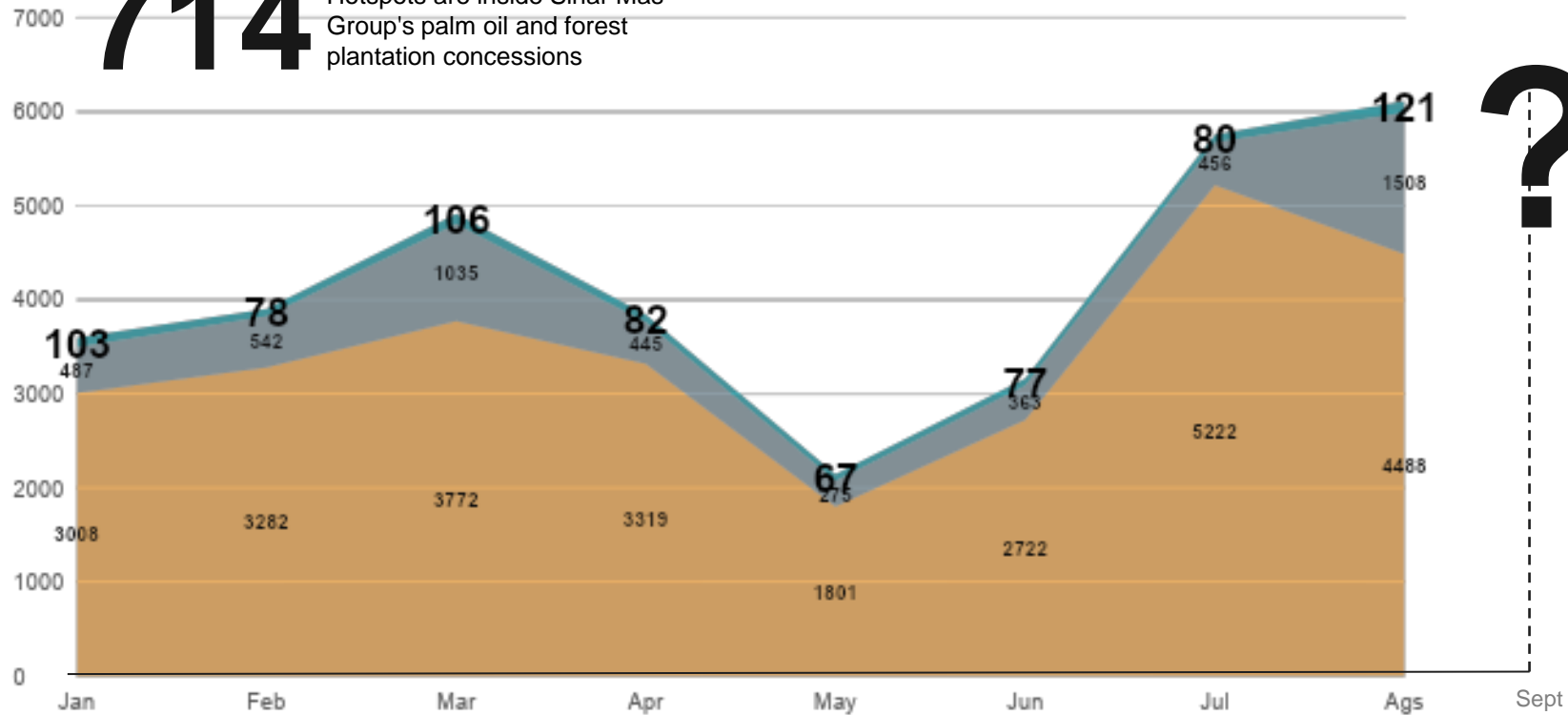
SOCIAL & ENVIRONMENTAL IMPACTS OF **SINAR MAS**



A poster demanding justice for Bongku. Image courtesy of LBH Pekanbaru.

FORESTS & FINANCE

714 Hotspots are inside Sinar Mas Group's palm oil and forest plantation concessions



6

- Outside Oil Palm & Forest Plantation Concessions
- Inside Oil Palm & Forest Plantation Concessions (other Group)
- Inside Oil Palm & Forest Plantation Concessions (SMG)

Noted: Hotspots retrieved from 1 Jan-14 Aug 2020

Sources: firesandfinance.org (2020)

FORESTS & FINANCE

Mongabay Series: [Indonesian Forests](#)

Paper giant APP linked to Indonesia peat clearing despite sustainability vow

by Hans Nicholas Jong on 1 September 2020



Source:
Mongabay.com (2020)

Jikalahari Riau filed a criminal report with the Indonesian police against APP subsidiary PT Arara Abadi.

The intentional burning of areas within PT AA is not only a violation of Indonesian regulations it is also a violation of APP's public commitments and policies.

FORESTS & FINANCE

SINAR MAS

Loans and Underwritings for Sinar Mas, (2016 - April 2020) (USD millions)



8

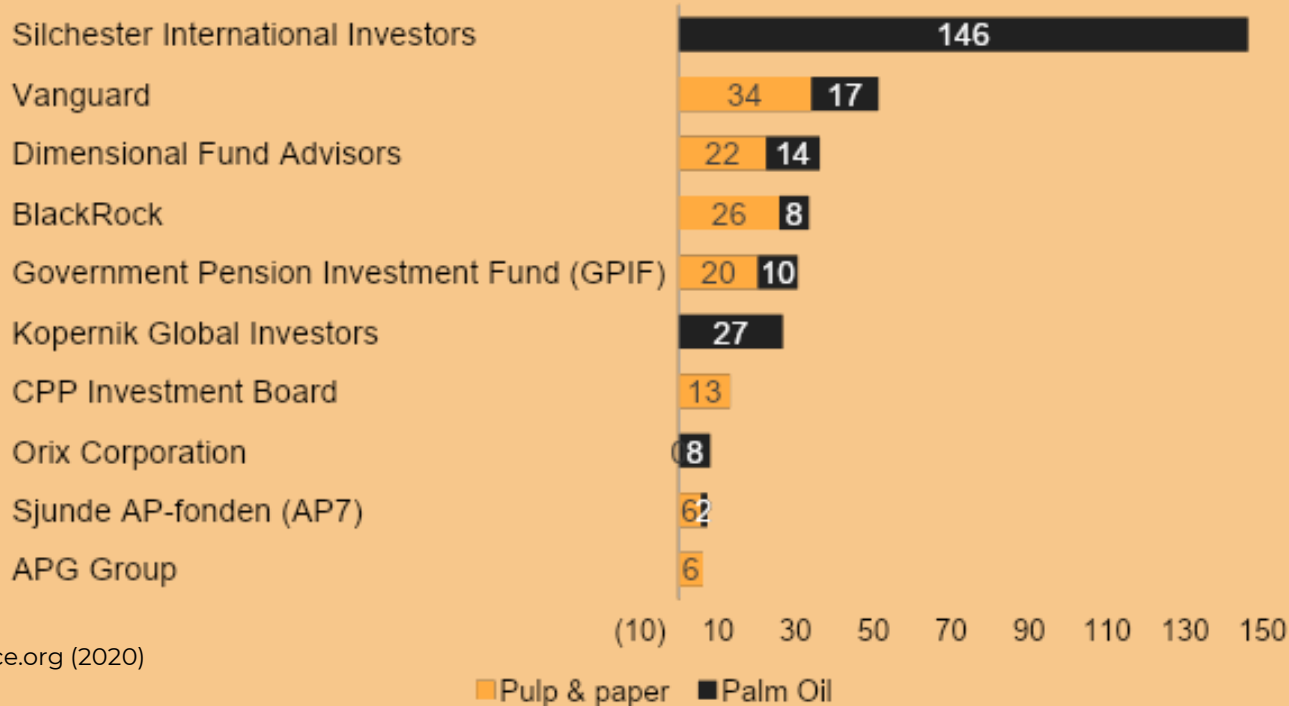
Source:
Forestsandfinance.org (2020)

■ Pulp & paper ■ Palm Oil

FORESTS & FINANCE

SINAR MAS

Bond and Shareholders of Sinar Mas, April 2020 (USD millions)



Source:
Forestsandfinance.org (2020)

WHAT CAN **BANKS** DO?

- Stop new rounds of financing for Sinar Mas, demand transparency and require that the group discloses which entities it actually owns and controls
- Banks must adopt and fully implement, unambiguous No Deforestation, No Peatland, No Exploitation (NDPE) policies that require corporate group-wide compliance of any client.
- Banks must insist clients protect and restore peatland areas in their land banks, at a minimum ensuring peat areas designated by the indicative map produced by Indonesian Government Peatland Restoration Agency in 2016.
- Financiers need a clear zero-tolerance approach to burning, whereby if clients intentionally start fires or are negligent in preventing them, then banks must stop providing new lines of credit, and phase them out at clients.

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PRINCIPLES FOR
RESPONSIBLE
BANKING

**Between 2016 and 2020
20 UNPRB signatories
provided
USD 52 billion
in finance
to forest-risk commodity companies
operating in the tropics**



FORESTS & FINANCE

[Finance Data](#)

[Bank Policies](#)

[Resources](#)

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FORESTS & FINANCE

The banks and investors exposed to deforestation risks in Southeast Asia

EXPLORE
THE DATA

ASSESS
THE BANKS

SEE
THE IMPACTS


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@FORESTS.FINANCE

FORESTS & FINANCE

The banks and investors exposed to deforestation risks in Southeast Asia, Central and West Africa and in Brazil

info@forestsandfinance.org

