

The deforestation portfolio of the Dutch financial sector



milieudefensie
Friends of the Earth Netherlands



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Disclaimer

This publication is to a large extent based on a Milieudefensie-commissioned analysis conducted by Profundo: Kuepper, Barbara, and Ward Warmerdam. [‘Dutch Financing of Forest-Risk Sectors. An Analysis of Financial Links with Key Sectors Dricing Forest Loss’.](#) Amsterdam: Profundo, December 2021.

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Summary

Between 2016 and March 2021, ING, Rabobank and ABN AMRO provided loans and underwriting services worth € 3.1 billion for forest risk commodities such as beef, palm oil, soy, pulp and paper, rubber, cocoa and coffee. By the end of 2020, Dutch pension funds, insurers and banks had invested € 362 million in these goods.* This makes the Dutch financial sector the European Union frontrunner in investing in forest risk commodities.

Deforestation is fueling the climate and biodiversity crisis. The expansion of agriculture and ranching is accompanied by conflict and violations of the rights of local communities and indigenous peoples. Although Dutch financial institutions have developed voluntary corporate responsible business conduct policies in recent years, many billions of Dutch euros continue to flow to companies involved in deforestation and human rights violations.

A national law covering international responsible business conduct (IRBC) that includes a climate obligation for financial institutions and other companies, is necessary to ensure that they finally assume full responsibility.

* Based on the most recent publicly available data as per 31 March 2021. For a number of pension funds these are the portfolio data as per 31 December 2019.

Recommendations

For the Dutch government

Friends of the Earth Netherlands is calling on the government to draft rules that will limit the financing of deforestation and human rights violations by Dutch financial institutions. How?

- By introducing, in the short term, an International Responsible Business Conduct (IRBC) Act including a climate obligation for companies and financial institutions.
- By advocating in the European Council for the inclusion of rules for the financial sector in the proposed EU anti-deforestation regulation, as requested by the European Parliament.

For Dutch financial institutions

Friends of the Earth Netherlands is requesting that Dutch financial institutions:

- Perform rigorous due diligence with regard to companies active in sectors with a high deforestation risk, regardless of the link in the supply chain in which they are active.
- End the financing of companies for which the risk of deforestation and human rights violations in the supply chain cannot be prevented or mitigated.
- Report transparently on the due diligence measures taken with regard to clients and companies in which investments are made and on the results thereof.
- Use financing to leverage the transition from industrial plantations owned by large companies to community-led agro-ecological farming systems and forest management.

Introduction

Code red for humanity

“A *code red for humanity*,” is what Secretary General António Guterres called the sixth shocking climate report from the IPCC, the UN scientific climate panel. As a result of the burning of fossil fuels and deforestation, the earth is already more than 1°C warmer today than before the industrial revolution.¹ The past decade was probably the warmest in 125,000 years.² The climate is changing at an unprecedented rate. Its disruptive effects are becoming apparent in more and more places, including the Netherlands. The earth will continue to warm up in the next 30 years. Unless the emissions of CO₂ and other greenhouse gases are reduced quickly and drastically, the goal of limiting warming to 1.5°C or even 2°C – as agreed in the Paris Climate Agreement – will not be reached.³

Indispensable ally

Forests are critical to the climate, biodiversity and people. Some 1.6 billion people, including 70 million indigenous people, depend directly on forests for their livelihood. Forests are home to more than 80% of all species of land animals and plants.⁴ Forests are a source of food and play an important role in the water cycle. Healthy forests also capture more CO₂ from the atmosphere than they emit. That is why they are an indispensable ally in tackling the climate crisis. According to the IPCC, about 730 billion tonnes of CO₂ must be removed from the atmosphere by the end of this century to limit warming to 1.5°C.⁵ That is equal to the total CO₂ emitted by the United States, the United Kingdom, Germany and China combined since the industrial revolution.⁶



PHOTO: VICTOR MORIYAMA/AMAZONIA EM CHAMAS

Deforestation rages on

And things are going badly for forests. Agriculture continues to mercilessly hack into tropical rainforests, savannas and other precious natural areas. Between 2015 and 2017, tropical forest loss resulted in gross emissions of 4.8 billion tonnes of CO₂ annually. Tropical deforestation is responsible for approximately 10% of total global greenhouse gas emissions. If tropical deforestation were a country, it would be the world's third largest emitter after China and the United States.⁷

Unfulfilled promises

2020 should have been a turning point in the struggle against global deforestation. Hundreds of large companies, such as Ahold Delhaize, Unilever and Mondelēz, all pledged to make their supply chains “deforestation-free” by that year. Alas, they have not kept that promise.⁸ In 2014, the Dutch government, together with many other countries and companies, signed the New York Declaration on Forests. They set the goal of halving global deforestation by 2020 and ending it by 2030. But since 2014, the annual loss of primary forest has continued to increase. In 2020 alone, 4.2 million hectares were lost, an area the size of the Netherlands.⁹

Dutch responsibility

Vague statements and voluntary agreements will not suffice in putting an end to deforestation by 2030. Politicians must take their share of responsibility by legally requiring companies and financial institutions to ensure that their value chains are free of deforestation practices and human rights abuses. As the largest European importer of soy, palm oil and cocoa, the Netherlands has an enormous responsibility in this area.¹⁰ The Netherlands also plays an exceptionally important role as a financier of deforestation, as we reveal in this report.



PHOTO: MICHA PATAULT

What did we investigate?

- What is the risk of exposing Dutch financial institutions to deforestation?
- Through which activities and in which countries does this exposure take place?
- And how important are the money flows from the Netherlands compared to those of other countries?

These are the questions we've answered in this report. It is based on a study conducted by Profundo on behalf of Friends of the Earth Netherlands.

[For the full Profundo study click here.](#)



PHOTO: VICTOR MORIYAMA/AMAZONIA EM CHAMAS

How did we proceed?

From 2002 to 2020, 64.7 million hectares of primary forest were lost in the tropics (see Fig. 1).^{*} 80% of that forest devastation took place in ten countries (see Fig. 2). We focused our research on those ten countries.

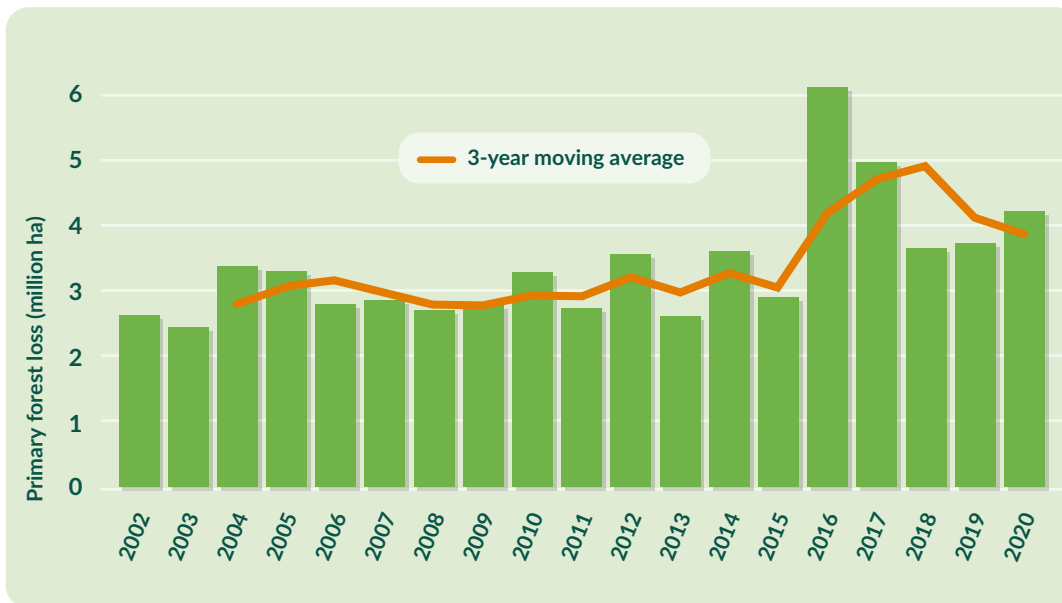


Fig. 1:
Primary tropical forest loss, 2002–2020
(Source: World Resources Institute)

We examined which agricultural commodities were the chief causes of deforestation for each of the ten countries. They are: palm oil, beef, pulp and paper, soy, rubber, cocoa and coffee. But, of course, there are other activities and products that also cause forest destruction. Think of road construction, logging and mining. But agriculture and ranching are responsible for the bulk of tropical deforestation. Therefore, this study focuses on the above-mentioned “forest risk commodities”.

We then looked at which large companies play leading roles in the production of and trade in those commodities in each country. We have limited ourselves to companies active in the upstream (manufacturing) and midstream (storage, initial processing, transport, wholesale) segments of the supply chain. Companies active in the downstream segment of the supply chains (e.g., food manufacturers) were thus not included in the study. The process resulted in a selection of 116 companies.¹¹

^{*} Primary forest is defined as mature natural humid tropical forest cover that has not been completely cleared and regrown in recent history. See Turubanova, Svetlana, Peter V Potapov, Alexandra Tyukavina, and Matthew C Hansen. ‘Ongoing Primary Forest Loss in Brazil, Democratic Republic of the Congo, and Indonesia’. *Environmental Research Letters* 13, no. 7 (1 July 2018): 074028. <https://doi.org/10.1088/1748-9326/aacd1c>.

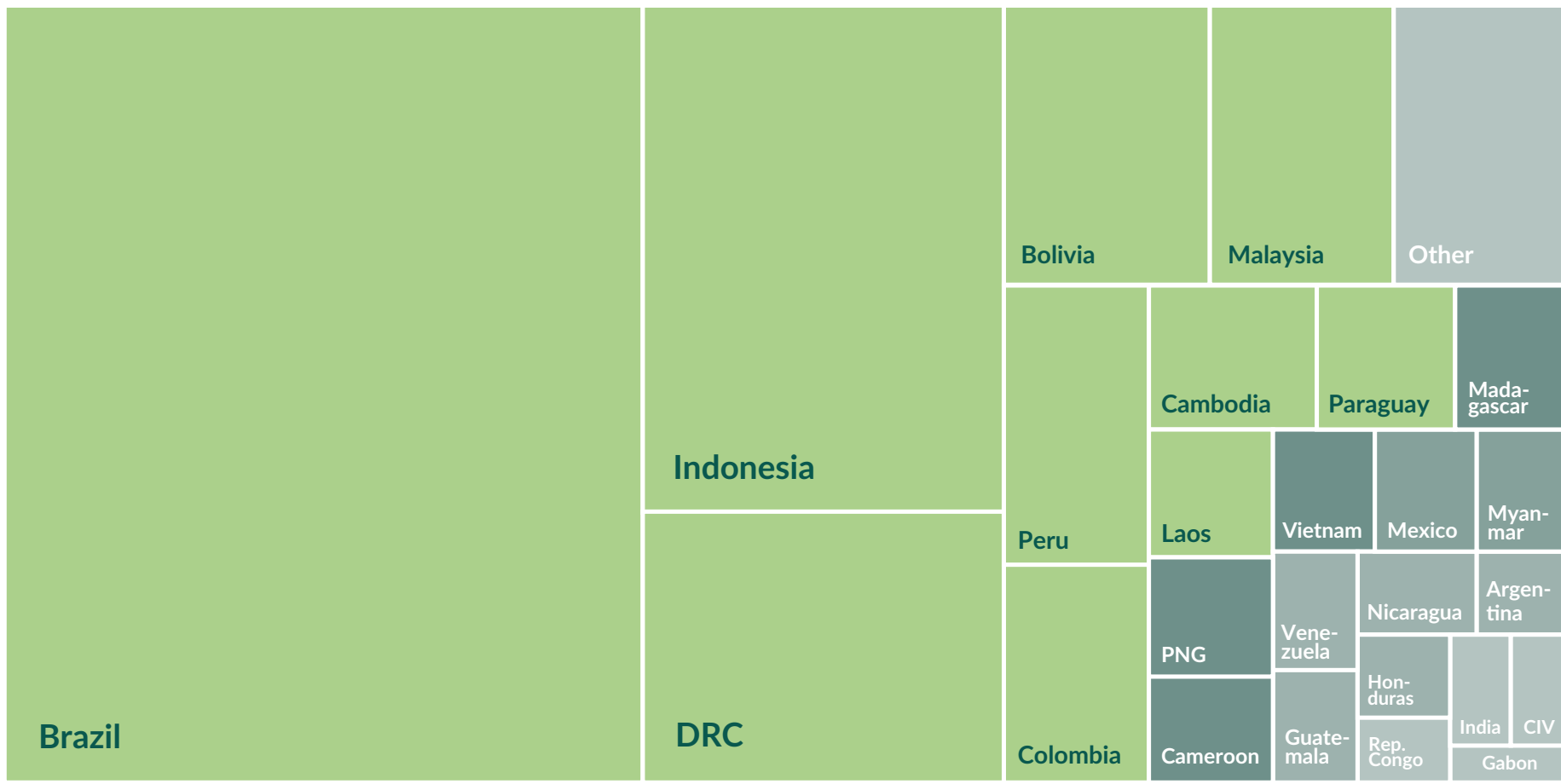


Fig. 2: Share of selected countries in total primary tropical forest loss, 2002–2020

We then identified and analyzed the financial relationships with the Dutch financial sector for the period 2016 to March 2021, for each of the 116 companies. We zoomed in on the three largest Dutch banks, the four largest insurance companies and the six largest pension funds. Together they are responsible for over 99% of the total value of the financial relationships analyzed. Each of these financial institutions was given the opportunity in advance to comment on the financial relationships we identified. Eight of the 14 institutions made use of this option to reply. Their responses have been included in the report where appropriate. Unfortunately, ING, ABP, BPF Bouw, Aegon and Nationale Nederlanden chose not to respond. A brief summary of the responses can be found [here](#).

For each company, we then estimated what share of the investments could be attributed to the deforestation risk goods in the selected countries. Combining these percentages with the value of loans to and investments in these companies, we came up with the deforestation risk credit and the deforestation risk investments. The figures cited in this report have been adjusted using this method. As a result, the total amounts of loans and investments in the companies are usually many times higher.

Finally, we compared the money flows from Dutch financial institutions to the selected companies with those of financial institutions based in other countries. This offers us an idea of the relative importance of Dutch deforestation risk credit and Dutch deforestation risk investments at the European and global levels. Given our focus on a limited number of countries, commodities and companies and the limited transparency of these companies and financial institutions, we can surmise that our estimates of Dutch deforestation risk credit and investments are almost certainly underestimates.



PHOTO: VICTOR MORIYAMA/AMAZONIA EM CHAMAS

What did we discover?

The Netherlands, European champion of financing deforestation

From 2016 to March 2021, the three major Dutch banks ING, Rabobank and ABN AMRO provided more than € 3.1 billion in loans and underwriting services for the production of and trade

for forest risk commodities (see Fig. 3). In March 2021, Dutch banks, insurance companies and pension funds had jointly invested € 362 million in shares and bonds attributable to such commodities (see Fig. 4). Figs. 3 and 4 also show that the Netherlands is the European champion of deforestation financing, both for lending and for investments.

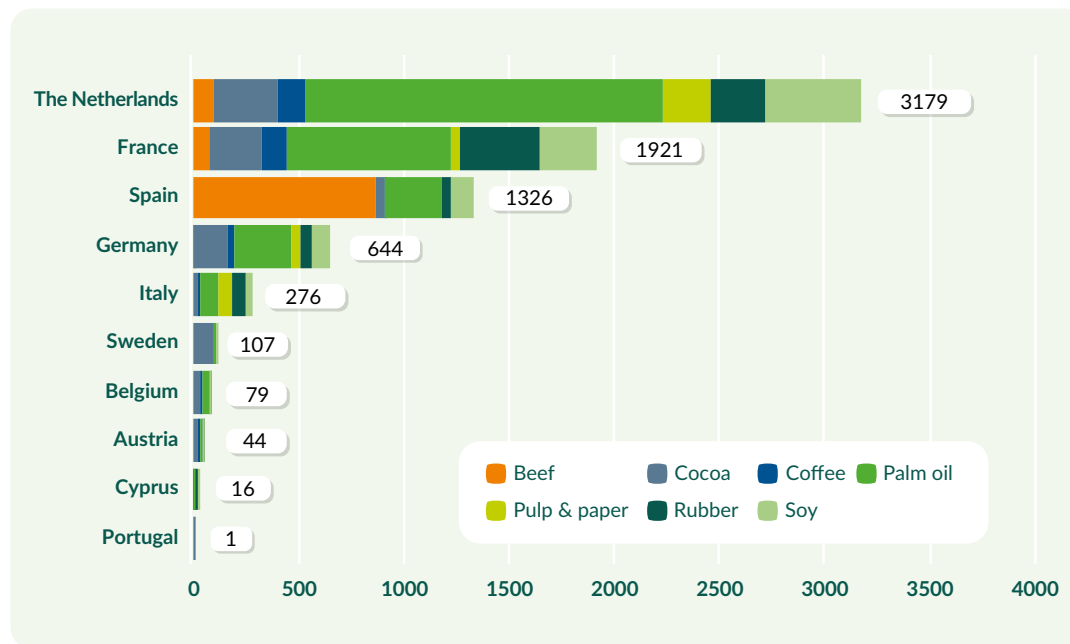


Fig. 3:
Forest-risk loans & underwriting per creditor country and commodity – EU Member States only (2016–March 2021, in millions of euros)

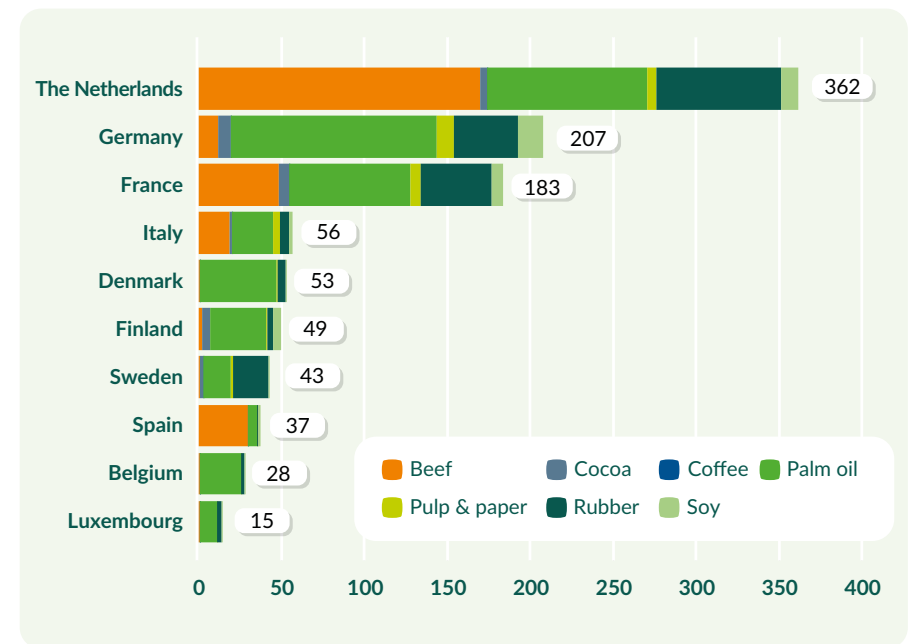


Fig. 4:
Forest-risk bond- & shareholding per investor country and commodity – EU Member States only (latest deposit March 2021, in millions of euros)

**2/3 of risk credit to palm oil and soy,
3/4 of risk investments to beef and palm oil**

Two-thirds of Dutch deforestation risk credit was attributable to palm oil (€ 1.7 billion) and soy (€ 458 million) (see Fig. 5). Three quarters of Dutch deforestation risk investments were attributable to beef (€ 170 million, 47%) and palm oil (€ 96 million, 27%).

**94% of risk credit in Indonesia,
Brazil and Malaysia**

94% of Dutch deforestation risk credit is concentrated in three countries, namely Indonesia (€ 2 billion, 63%), Brazil (€ 430 million, 17%) and Malaysia (€ 541 million, 14%) (see Fig. 7).

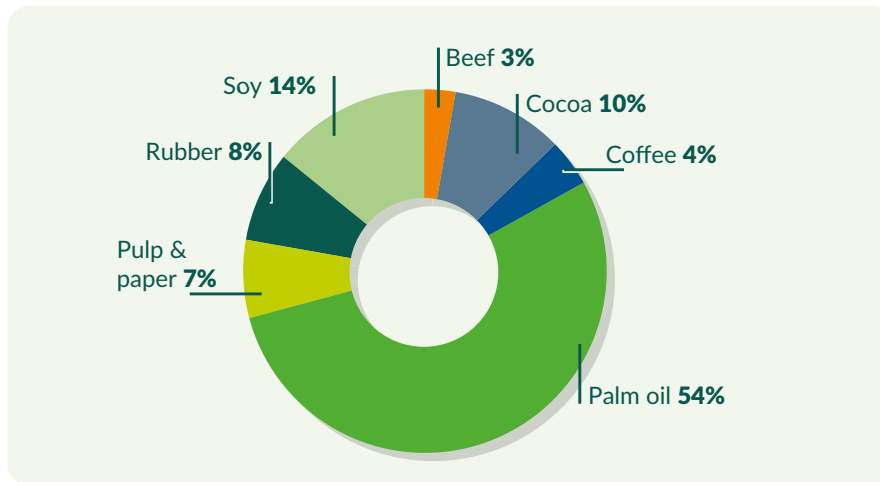


Fig. 5:
Dutch forest-risk loans & underwriting
per commodity (2016–March 2021)

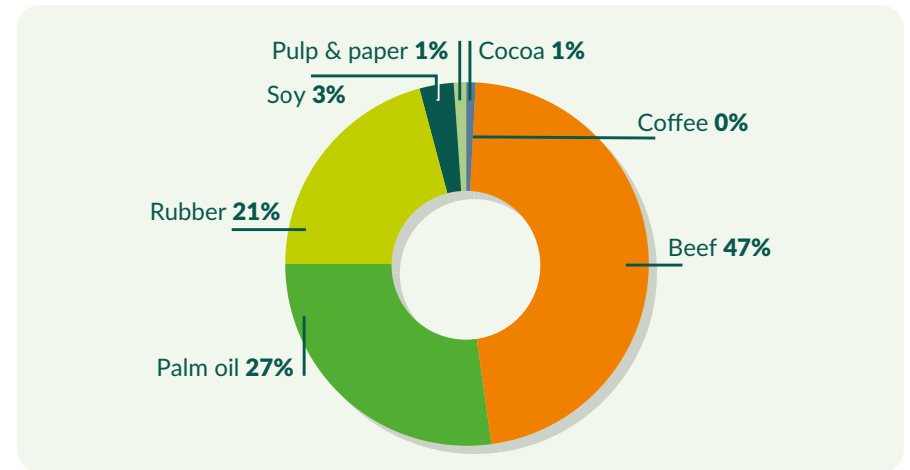


Fig. 6:
Forest-risk bond- & shareholding per commodity
(latest publicly available data March 2021)

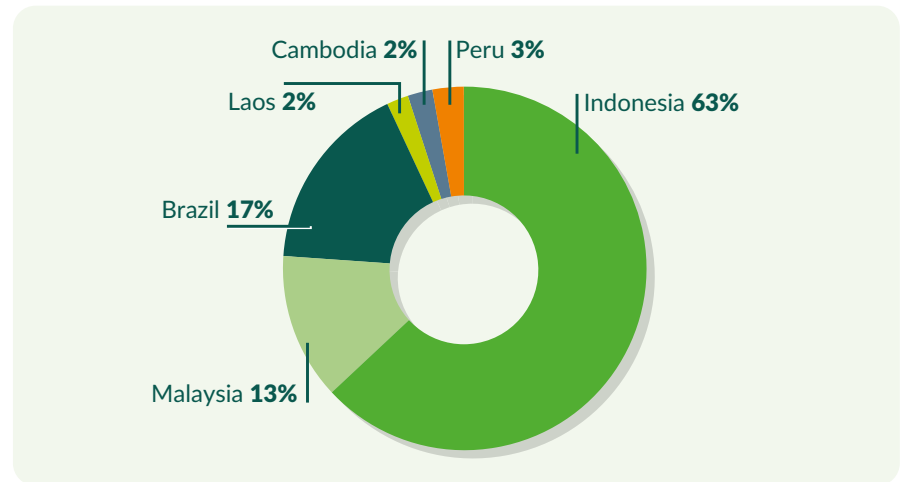


Fig. 7:
Dutch forest-risk loans & underwriting per
recipient country (2016–March 2021)

Rabobank was the leading lender (€ 1.4 billion) of risk commodities, followed by ABN AMRO (€ 895 million) and ING (€ 850 million) (See Fig. 8). At the beginning of 2021, the two largest Dutch pension funds, ABP and PFZW, accounted for 78% of Dutch investments in forest risk commodities (see Fig. 9).

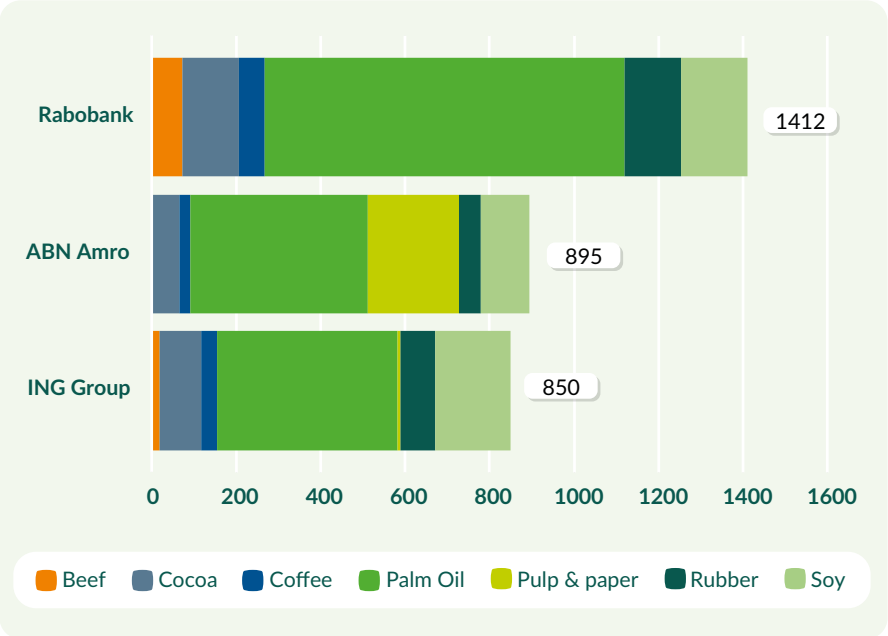


Fig. 8:
Dutch forest-risk loans & underwriting per creditor and commodity (2016–March 2021, in millions of euros)

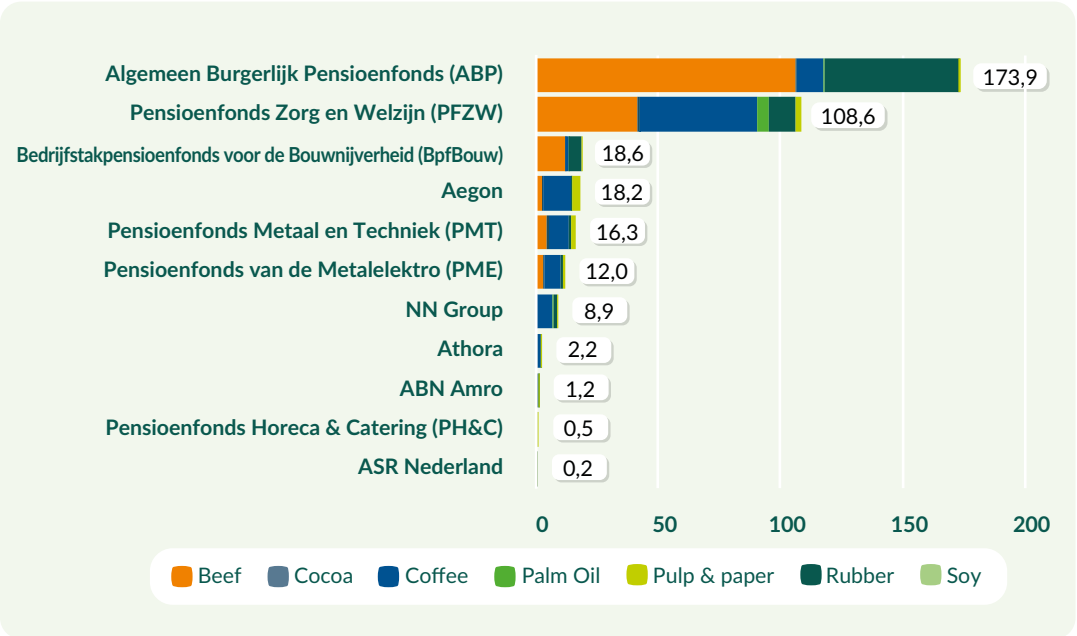


Fig. 9:
Dutch Forest-risk bond- & shareholding per investor and commodity (latest publicly available data March 2021, in millions of euros)

The Netherlands, third largest investor in soy and beef

Dutch banks are the third largest lenders for soy with a high deforestation risk in the focus countries, behind only Chinese and US banks (see Fig. 10). ING and Rabobank appear in the international

top ten of financial institutions providing this sub-sector with money. Dutch pension funds are the third largest investors in the production of and trade in beef with a high deforestation risk, behind only investors from the United States and Brazil (see Fig. 11).

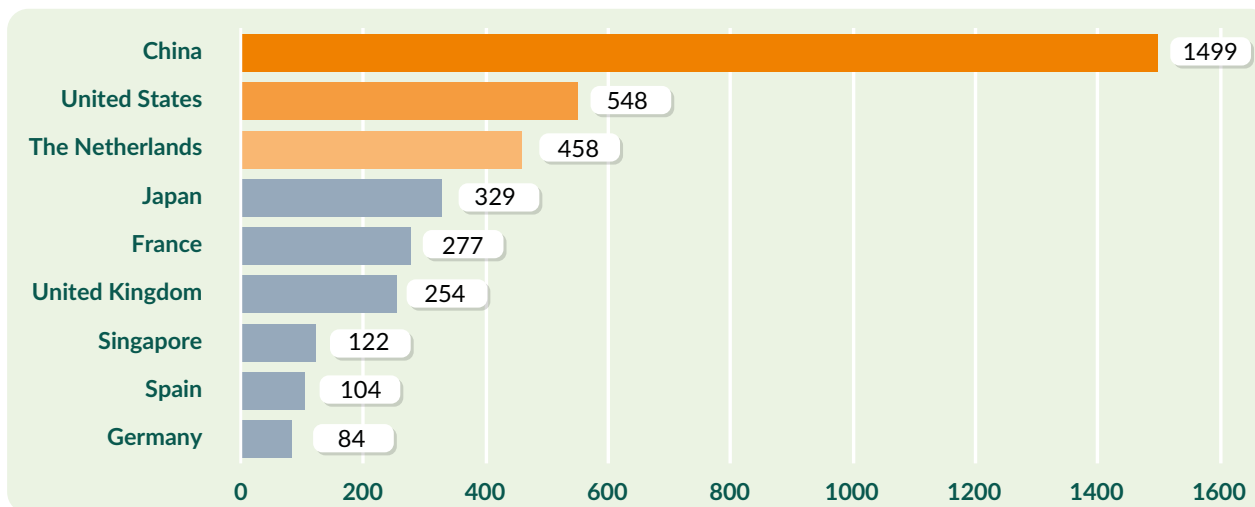


Fig. 10:
Forest-risk soy bond- & shareholding
per investor country (2016–March 2021,
in millions of euros)

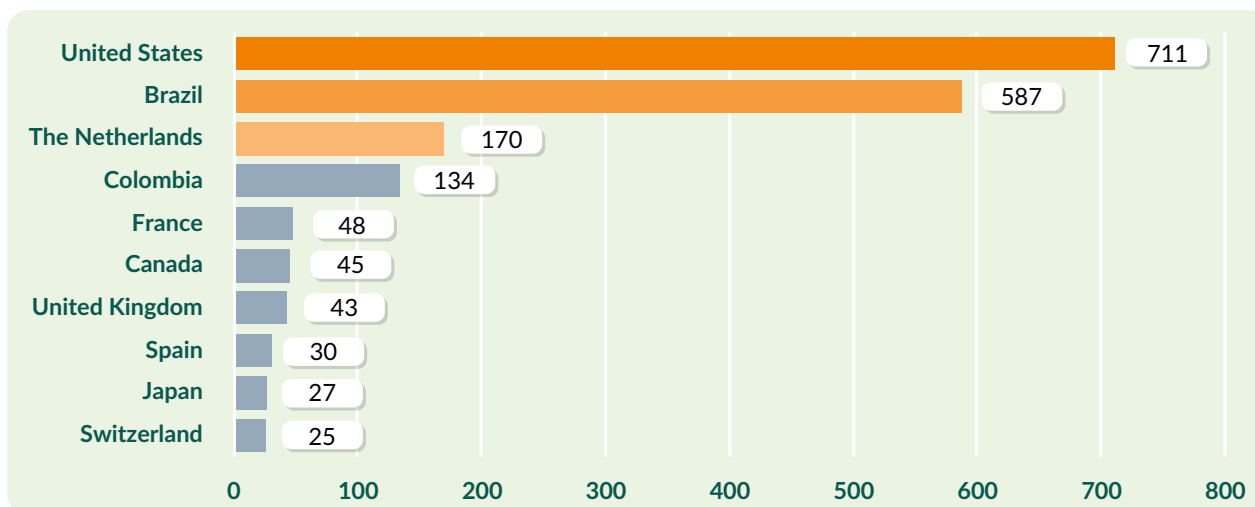


Fig. 11:
Forest-risk beef bond- & shareholding
per investor country (latest publicly
available data March 2021,
in millions of euros)

The Netherlands, top European financier of palm oil

Among European nations (EU27+UK), Dutch banks are the single most important lender group to palm oil with a high risk of deforestation in the selected countries (see Fig. 12). Rabobank is the leading non-Asian lender in palm oil.

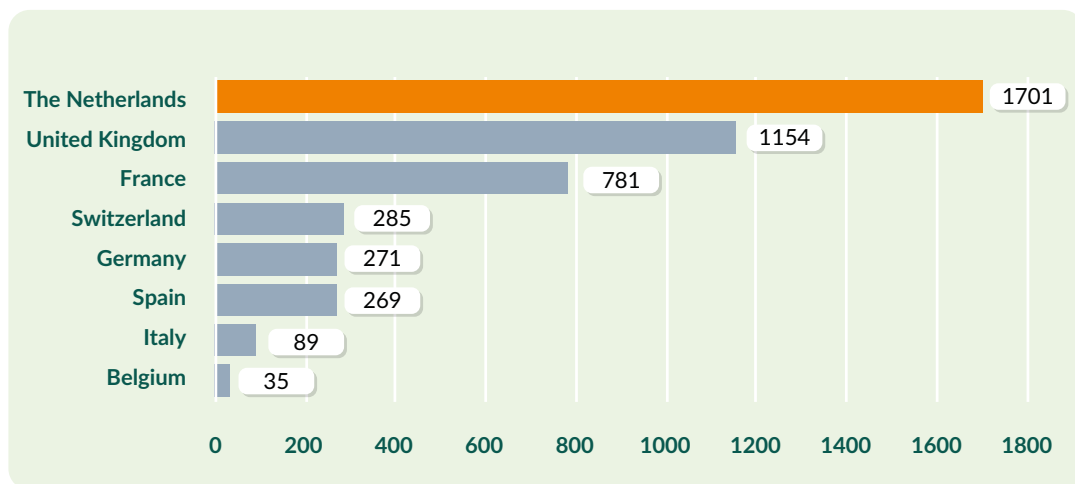
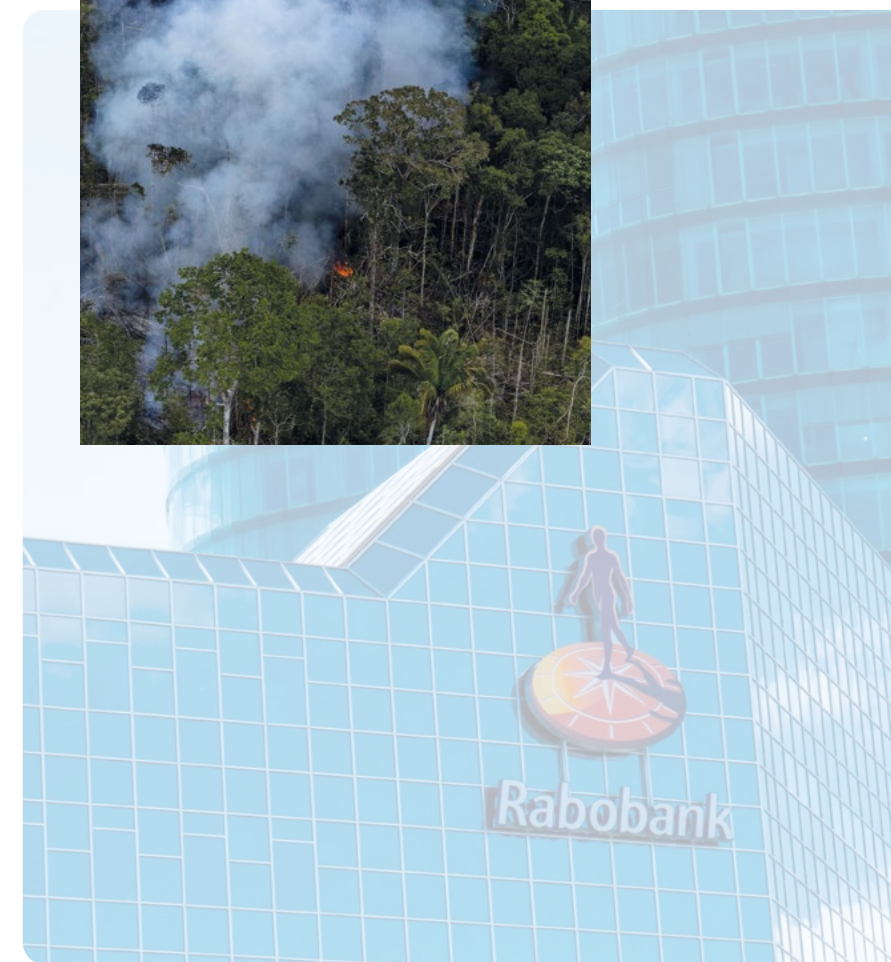


Fig. 12:
Forest risk palm oil loans and underwriting services per country – EU member states + UK only (latest publicly available data March 2021, in millions of euros)

PHOTO: VICTOR MORIYAMA/AMAZONIA EM CHAMAS



79% of Dutch deforestation risk credit went to 10 companies

Of the total Dutch deforestation risk credit that we examined, 79% went to just 10 companies (see Table 1).

Company	Country	Commodity							Value of credit & underwriting 2016–March 2021 (millions of euros)	Share of total (%)
		Soy	Beef	Cocoa	Coffee	Palm oil	Pulp & Paper	Rubber		
COFCO	China	278	-	-	-	325	-	-	603	19%
Sinar Mas Group	Indonesia	-	-	-	-	513	-	-	513	16%
Olam International	Singapore	27	-	31	19	137	-	194	408	13%
Royal Golden Eagle Group	Singapore	-	-	-	-	-	215	-	215	7%
Musim Mas Group	Singapore	-	-	-	-	152	-	-	152	5%
Sampoerna Group	Indonesia	-	-	-	-	116	-	28	143	5%
Barry Callebaut	Switzerland	-	-	138	-	-	-	-	138	4%
Bunge	United States	29	-	-	-	93	-	-	122	4%
Wilmar	Singapore	-	-	-	-	114	-	-	114	4%
Marfrig	Brazil	-	91	-	-	-	-	-	91	3%
Total										79%

Table 1: 10 debtors who received the most deforestation risk credit from Dutch financial institutions (2016–March 2021)

**87% of Dutch deforestation risk investments
are in 10 companies**

Of the Dutch deforestation risk investments we examined in this study, 88% went to just 10 companies (see Table 2).

Company	Country	Commodity							Value of credit & underwriting 2016–March 2021 (millions of euros)	Share of total (%)
		Soy	Beef	Cocoa	Coffee	Palm oil	Pulp & Paper	Rubber		
JBS	Brazil	-	119	-	-	-	-	-	119	33%
Top Glove	Malaysia	-	-	-	-	-	-	59	59	16%
Itochu	Japan	0*	-	-	-	27	2	7	35	10%
Marfrig	Brazil	-	26	-	-	-	-	-	26	7%
Minerva	Brazil	-	24	-	-	-	-	-	24	7%
Archer Daniel Midlands	United States	4	-	-	-	14	-	-	18	5%
Sime Darby Plantations	Malaysia	-	-	-	-	9	-	0*	9	3%
Sumitomo Rubber Industries	Japan	-	-	-	-	-	-	9	9	3%
Bunge	United States	2	-	-	-	7	-	-	9	3%
IOI Group	Malaysia	-	-	-	-	8	-	0*	9	2%
Total									318	88%

Table 2: 10 companies who received the most Dutch deforestation risk investments (most recent publicly available data as of March 31, 2021 (* = < 1 million euros))

No decline in Dutch deforestation risk credit

Despite the banks' public promises to combat deforestation, Dutch deforestation risk credit remained virtually stable during the period 2016–2019. Figures for 2020 and 2021 are preliminary but are expected to increase as more information becomes available (See Fig. 13). In 2019, the year in which far-right President Jair Bolsonaro came to power, a significant portion of Dutch risk credit went to Brazilian soy.

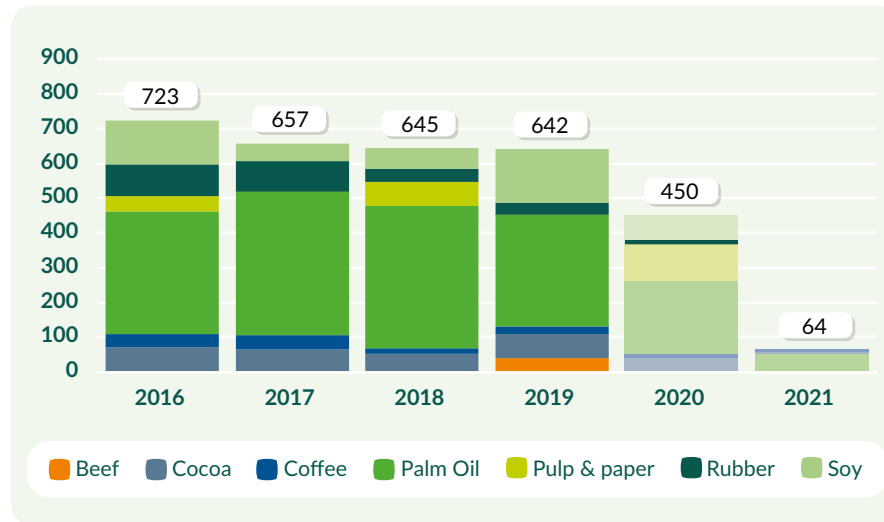


Fig. 13:
Dutch forest risk loans and underwriting per year
and commodity (2016–March 2021, in millions of euros)



How the Dutch financial sector is fueling the climate and biodiversity crisis

The fact that Dutch banks, insurers and pension funds invest in companies that produce or trade in commodities with a high deforestation risk is not in itself evidence of a negative impact. But it does expose them to major environmental, social and governance risks. It increases the need to exercise due diligence, in other words, to identify risks and take measures to stop, prevent or mitigate those risks. Many financial institutions have voluntary policies to combat deforestation and human rights violations. Yet they continue to invest in companies that are systematically linked to these abuses.

* The “Legal Amazon” is a region formed by the Brazilian states of Acre, Amapá, Amazonas, Pará, Rondônia, Roraima, Tocantins and Mato Grosso, and also by the municipalities of the state of Maranhão located west of the 44th meridian. It includes rainforest as well as parts of the Cerrado savannah and the Pantanal.

Soy and beef in Brazil

Destruction of the Amazon and Cerrado savanna

In the period 2004–2012, Brazil reduced Amazon deforestation by 80%. But since then, the destruction of the rainforest has increased unabated. According to official figures from Brazil’s Institute for Space Research INPE, the rate of deforestation in the Legal Amazon last year reached its highest level in 15 years.* In the period August 1, 2020 to July 31, 2021, 1.3 million hectares were cleared, an increase of almost 22% compared to the same period a year earlier. Under Bolsonaro’s rule, an area larger than Belgium has already been deforested.¹²

As a result of deforestation and climate change, parts of the Amazon forest are now emitting more CO₂ than they absorb.¹³ Scientists warn that the tipping point at which the Amazon rainforest permanently turns into degraded savanna may not be far off.¹⁴

Brazil’s Cerrado savanna is also rapidly falling to the axe. The Cerrado is the world’s most species-rich savanna. It is home to 4,800 unique plant and animal species not found anywhere else in the world.¹⁵ But this biodiversity is being seriously threatened, with half of the Cerrado’s total area already lost. Between 2002 and 2011, the rate of deforestation was two and a half times faster than in the Amazon rainforest.¹⁶ In 2020, more than 700,000 hectares of savanna were destroyed, an increase of 13% compared to 2019.¹⁷ This caused emissions totaling 113 million tonnes of CO₂eq.¹⁸

Cattle ranching is the main cause of deforestation in Brazil

The expansion of cattle ranching is the main cause of deforestation in the Brazilian Amazon. 70% of the deforested land is used for pastures.¹⁹ Cattle ranching is also a driving force behind deforestation in the Cerrado. Many ranchers use the land for pastures for a number of years, and then sell it at a considerable profit as arable land for growing soy and corn.²⁰ With these earnings they often buy cheaper land in the Amazon forest to create new pastures there.²¹ Brazilian cattle ranching is the main driver of deforestation-related CO₂ emissions across Latin America.²²

Meat multinationals JBS, Marfrig and Minerva

Three companies account for 40% of Brazil's slaughtering capacity and 64% of Brazilian beef exports: the meat multinationals JBS, Marfrig and Minerva. They buy cattle from thousands of independent farms, slaughter them and then sell the meat. In 2017, they slaughtered more than 18 million cows.²³

For more than a decade, these meat companies have promised on paper to not buy cattle from ranches where deforestation has taken place. But these promises have not been kept. The NGO Global Witness showed that between 2017 and 2019, they purchased livestock from 379 ranches containing 20,000 football fields worth of illegal deforestation. And that's just the tip of the iceberg, because the companies failed to monitor indirect suppliers at all.²⁴ Amnesty International also concluded that, in 2019, cattle from illegal pastures in protected natural areas were ending up in JBS's supply chain.²⁵ Researchers at Chain Reaction Research identified 1984, 531 and 328 hectares of deforested land at ranches supplying JBS, Marfrig and Minerva in 2020, respectively.²⁶

Brazil is a dangerous place for people who stand up in defense of their land rights and the environment. Global Witness documented the killing of 317 land and environmental defenders in the period 2012–2020.²⁷ Hostility towards defenders has worsened under Bolsonaro's rule. In fact, according to the Brazilian NGO Cimi, the number of land invasions in indigenous areas has increased sharply. In 2019 and 2020, Cimi registered 263 and 256 cases respectively, more than twice as many as the 111 cases in 2018.²⁸ The three meat giants have been linked to ranchers accused of land grabs and human rights violations by Brazilian authorities. For example, JBS and Marfrig indirectly purchased cattle from a fugitive accused of the brutal slaying of nine men in 2017.²⁹

ABP and PFZW: major investors in Amazon devastation

At the end of 2020, Dutch pension funds had about € 170 million in deforestation risk investments in Brazilian meat companies: ABP € 106 million, PFZW € 41 million and BpfBouw € 12 million. The pension funds PMT and PME and insurer Aegon had also invested in these meat companies.

ABP and PFZW acknowledge the link between the Brazilian meat industry, deforestation and climate change. They require that companies prevent deforestation in their supply chain. They have also indicated that they prefer engagement with these companies over divestment. A spokesperson for PFZW's pension provider PGGM told Brazilian journalists at the end of 2020: "Also, we focus our CO₂ reductions on the three sectors where we have the biggest exposures in our portfolio: Energy, Materials and Utilities. Deforestation-related activities (not just beef but also palmoil, soy) are very much smaller. Also, we serve the pension fund for its primary objective: paying out pensions. Whereas we try deliver those pensions at minimum negative impact (ESG), we can't manage our assets solely for solving the world's (or Brazil's) troubles."³⁰

ABP stated in March 2021 that its investment in JBS fits within its Sustainable and Responsible Investment policy.³¹ ABP did not respond to a request from Friends of the Earth Netherlands to comment on its financial relations with the Brazilian meat multinationals. PFZW informed Friends of the Earth Netherlands that it has intensified its efforts to put pressure on companies to achieve deforestation goals and transparent supply chains over the past year.³²

Aegon also acknowledges that JBS does not comply with its sustainability policy, but the insurer does not want to ban the company. Aegon responded to an investigation by Dutch journalists in March 2021, writing: *"We're convinced that we can be more effective as an investor than by simply abandoning the company. However, if it turns out that JBS reveals structurally inadequate efforts and fails to show improvement, Aegon can always reconsider its position."*³³ Aegon did not respond to a request by Friends of the Earth Netherlands to comment on the financial relationships that were identified.

The persistent abuses in the meat companies' chains raises questions about the effectiveness of ABP, PFZW and AEGON's engagement strategy. Several institutional investors, such as the Norwegian central bank's investment fund and the investment arm of Nordea, Northern Europe's leading financial services group, have removed JBS from their portfolios as a reaction to the risk of corruption and the risk of deforestation, respectively.³⁴ The Dutch pension funds PMT and PME have also decided that due to sustainability issues, JBS no longer fits into their investment portfolios.³⁵ PME sold its shares in the company in the summer of 2019 and PMT over the course of 2020. PME and PMT have also divested from Marfrig and Minerva.

Soy destroys the Cerrado savanna

In addition to livestock farming, the expansion of soy cultivation is also a major cause of deforestation in Brazil. Over the past ten years, Brazilian soybean exports have doubled. In 2019–2020 there was a record harvest of 128 million tonnes of soy.³⁶ The demand for soy continues to increase because more people are eating more meat and dairy.

Soybean cultivation continues to expand, especially in the Cerrado savanna. Of the 734,010 hectares of savanna destroyed in 2020, 207,813 hectares were on farms with soy fields in 2017. The conversion of land for new soy fields in Brazil creates emissions totaling 60 million tonnes of CO₂ annually.³⁷ That is the equivalent of the annual emissions of 13 million cars. The expansion of soybean cultivation is also often linked to land grabs, the violation of indigenous peoples' rights and violence. In Brazil's Matopiba region, an area in the states of Maranhao, Tocantins, Piaui and Bahia, the expansion of soybean cultivation is leading to further exclusion and social conflict.³⁸



PHOTO: VICTOR MORIYAMA/AMAZONIA EM CHAMAS

The soy traders who are responsible

Four companies represent 56% of Brazil's soy exports. These are the so-called "ABCD" companies, namely: Archer Daniel Midlands (ADM), Bunge, Cargill and Louis Dreyfus Company (LDC).³⁹ Together with Amaggi and COFCO they represented 66% of the risk of deforestation linked to the expansion of soybean farming in Brazil in 2017.⁴⁰ The NGO Mighty Earth has mapped the relationships between deforestation cases in Brazil and the supply chains of meat companies and soy traders. It has linked Cargill to 66,000 hectares, Bunge to 60,000 hectares, COFCO to 21,500 hectares, ADM to 7,000 hectares and Louis Dreyfus to 5,000 hectares of deforestation since March 2019.⁴¹ Recent Global Witness research reveals that ADM, Bunge and Cargill are directly linked or have contributed to land grabs in the state of Bahia.⁴²

ING is the leading financier of the soy trade

Since 2016, ING, Rabobank and ABN AMRO have provided more than € 360 million in credit for the Brazilian soy activities of the "ABCD", COFCO and Grupo Amaggi. ING and Rabobank are among the most important non-Chinese lenders for the surveyed companies active in this sub-sector. By financing these companies, they are linked to the deforestation of the Amazon forest and the Cerrado savanna. ING did not respond to a Friends of the Earth Netherlands request to comment on these financial relationships. A Rabobank spokesperson argued that commenting on these relations *"does nothing to further the discussion, if that were even possible without violating the rules of client confidentiality."* Client confidentiality is a standard argument used by banks to hide behind in order to avoid disclosing information about customers involved in deforestation and human rights violations.⁴³ Rabobank says it is working with international traders to improve their traceability and facilitate the elimination of illegal and legal deforestation in its supply chains.⁴⁴ ABN AMRO also does not discuss the financing of individual companies. The bank does, however, claim that a strategic change of course has greatly reduced their involvement in the sectors in question.⁴⁵

ING, ABN AMRO and Rabobank involved in palm oil scandals in Indonesia

Over the past two decades, 10 million hectares of primary forest have been lost in Indonesia, more than twice the area of the entire Netherlands.⁴⁶ The development of palm oil plantations has been the primary cause of this deforestation.⁴⁷ Indonesia is the world's leading palm oil producer, accounting for more than half of total global production. The decimation of primary forest has, however, been declining since 2016. In 2020, Indonesia's deforestation rate was the lowest since monitoring began in 1990. The rate of deforestation in palm oil concessions was also 58% lower last year than in 2019, partly due to travel restrictions in efforts to curb the spread of COVID-19.⁴⁸ Experts fear that deforestation may pick up again as the result of a number of factors including deregulation, rising palm oil prices and the likelihood of a new El Niño.⁴⁹

Protection of the environment, land rights and the rights of indigenous communities are all very weak in Indonesia. Land conflicts between palm oil companies and local communities are ubiquitous. Furthermore, corruption is widespread in the palm oil sector. Land and environmental defenders face criminalization, intimidation, physical assault and even murder. Indonesia is one of the deadliest countries in Southeast Asia for land and environmental defenders. Global Witness has documented the murders of 12 land and environmental defenders since 2015.⁵⁰

The systemic abuses in the palm oil sector have been documented and raised for decades by local residents, scientists and NGOs. Yet, land grabbing, worker exploitation and deforestation remain rife in the sector. Moreover, the problems have also begun expanding to new areas, for example, to West Africa and to the island of New Guinea. Since the early

2000s, Friends of the Earth Netherlands has been calling on financial institutions to stop the flow of money to companies linked to deforestation and human rights violations.⁵¹ ING, Rabobank and ABN AMRO are structurally involved in scandals that involve deforestation and land grabs in Asia and in Africa. The Draw the Line report revealed that the three major banks lent at least € 4.9 billion to 14 palm oil companies guilty of such abuses in the period 2010-2018.⁵² Through the investment funds they offer, they are involved in the financing of many more palm oil companies.⁵³

Our research shows that the Dutch financial sector remains the most important European investor in the selected palm oil companies. Rabobank is the leading non-Asian, palm oil moneylender. Meanwhile, ABN AMRO and Rabobank, in the period 2016-March 2021, provided € 513 million in loans and underwriting services to the Sinar Mas group's palm oil activities. Dutch banks were the third largest provider of credit for these activities, behind financial institutions based in Indonesia and Malaysia.

The Sinar Mas Group is active in palm oil through Golden Agri Resources (GAR), the largest palm oil plantation company in Indonesia. The NGO Forest Peoples Program (FPP) has accused GAR of illegal deforestation in the Central Kalimantan concessions and filed a complaint with the Roundtable for Sustainable Palm Oil (RSPO).⁵⁴ GAR responded by insisting that the allegations were factually incorrect and baseless.⁵⁵ But the RSPO complaints panel is further investigating the matter. According to Chain Reaction Research, GAR was linked to 926 fire alerts in 2019.⁵⁶ A Greenpeace investigation found 323 fire hotspots in concessions linked to GAR between January and September 2019. In February 2021, the High Carbon Stock Agreement (HCSA) concluded that Golden Veroleum Liberia (GVL), which is controlled by GAR, deforested more than 1000 hectares and violated the rights of the local population in

Liberia.⁵⁷ This verdict came after a complaint from Friends of the Earth Netherlands, the Sustainable Development Institute (SDI) and Friends of the Earth US. GAR has acknowledged deforestation took place and is now required to implement a recovery action plan.⁵⁸

PGGM, PFZW's pension manager, sold its shares in GAR because it saw insufficient improvement in the company's sustainability policy.⁵⁹ ABN AMRO is phasing out its loan to GAR as a consequence of a strategic change of course.⁶⁰ Rabobank pointed out that if GVL were to knock on its door for a loan today, the answer would be no.⁶¹ Remarkable, because in 2018, Rabobank's sustainability director, Bas Rüter, referred to GVL as another example of sustainable investment.⁶² And in 2020, the bank still had an ongoing credit agreement with GAR.⁶³ A Rabobank spokesperson informed Friends of the Earth Netherlands that it is following FPP's ongoing complaint against GAR, which is being dealt with by the RSPO complaints panel.⁶⁴ However, the treatment of this kind of complaint can take years, while the violations continue. This is also the case with GVL.

Conclusion: time for legislation

Dutch financial institutions are complicit in the destruction of forests, climate damage and human rights violations.

Banks provide loans and other financial services to companies that are directly and indirectly involved in these serious abuses. Pension funds, insurance companies and asset managers invest in these companies. They earn their profits from the biodiversity and climate crises and from the disruption of the lives of people who depend on forests for their livelihood. In the absence of laws and regulations that make them responsible for the damage to which they contribute, they get away with it without facing any consequences.

Not that they're oblivious: Friends of the Earth Netherlands among others have been pointing out the facts to them for over two decades. Almost all financial institutions have developed policies that deal with deforestation and the destruction of nature. They invariably claim that they're part of the solution by engaging with the violating companies in efforts to encourage them to improve. This approach has failed to abrogate deforestation practices and other abuses in the supply chains. And while some pension funds have recently repudiated some of the controversial companies, most banks, insurers and pension funds rarely cut their ties with companies even after repeated abuses. Transparency regarding their efforts and the (lack of) results is difficult to come by. Financial institutions that profit from deforestation are part of the problem, not the solution.

Moreover, the deforestation policy of financial institutions often relies on certification systems. But these voluntary initiatives, such as the Roundtable on Responsible Soy (RTRS) and the Roundtable on Sustainable Palm Oil (RSPO), do not guarantee that certified companies are not involved in deforestation and human rights abuses. The WWF, one of the initiators of these roundtables, recently stated that it no longer had faith in the RTRS label.⁶⁵

The government's responsibility is significant. Dutch policy is mainly based on the idea that the sector itself will make its money flows more sustainable.⁶⁶ The government has relied on that notion for too long. This report reveals that this policy is failing. The rules of the game for the financial sector's work against the protection of the remaining forests and their inhabitants.

During the recent climate summit (COP26) in Glasgow, more than 100 countries, including the Netherlands, signed a Declaration on Forests and Land Use. In it, the signatories promise, among other things, to bring money flows in line with international goals to combat deforestation and forest degradation. The Netherlands also promised to support activities that strengthen deforestation-free and sustainable financial markets.⁶⁷ If the Dutch government takes its own policy goal to halt global deforestation by 2030 seriously, it must work on legislation that limits the role of the Dutch financial sector as a financier of deforestation and climate change.

Recommendations

For the Dutch government

- Introduce, in the short term, a Dutch International Responsible Business Conduct (IRBC) Act including a climate obligation for companies and financial institutions.
- In the European Council, advocate for the inclusion of rules for the financial sector in the proposed EU anti-deforestation regulation, as requested by the European Parliament.

For Dutch financial institutions

- Perform rigorous due diligence with regard to companies active in sectors with a high deforestation risk, regardless of their position in the supply chain.
- End the financing of companies for which the risk of deforestation and human rights violations in the chain cannot be prevented or mitigated.
- Report transparently on the due diligence measures taken with regard to clients and companies in which investments are made and on the results thereof.
- Use financing to leverage the transition from industrial plantations owned by large companies to community-led agro-ecological farming systems and forest management.

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