EDUCATION RESOURCE YEAR 9-10

BANKING ON SHAKY GROUND

AUSTRALIA'S BIG FOUR BANKS AND LAND GRABS

GROW
FOOD. LIFE. PLANET.

OXFAM Australia

Guarani Kaiow Jatayvary Indigenous Land, Ponta Porã. Mato Grosso State, Brazil. Photo: Tatiana Cardeal/Oxfam.

1 INTRODUCTION

Around the world, small-scale farmers and food producers' livelihoods are being threatened by a phenomenon known as "land-grabbing". Land grabbing is when governments, foreign investors or transnational corporations acquire land, without regard to the social, economic, and environmental impacts. They also often violate the human rights of the local people who were living or working on the land. According to The Land Matrix, in the past 13 years nearly 36 million hectares of land (an area almost the size of Germany, or the whole of Victoria and two Tasmanias) has been snapped up by companies in large-scale land deals[1]. The trouble is, land grabs often force people from their land and homes, leaving them with no way to grow food or earn a living. A review by the World Bank found many of these deals mean that local people, who are often poor and vulnerable to begin with, are left even worse off[2].

On 28 April 2014, Oxfam Australia released a report that for the first time exposed connections between Australia's big four banks — ANZ, Commonwealth Bank, National Australia Bank and Westpac — and land grabs[3]. The report detailed evidence to show the banks are supporting agricultural and timber companies in Cambodia, Brazil, Papua New Guinea and Indonesia that are accused of land grabbing.

Through the practice of land grabs, companies supported by the Australian banks have been contributing to food shortages and evictions of people from their homes and farms without Free, Prior and Informed Consent (FPIC), leaving vulnerable local people homeless and hungry. The agricultural and timber companies use the land for commercial reasons, often profiting highly from the land they have procured cheaply and unethically. Some companies have also been found to contribute to illegal logging and child labour.

Land grabs often result in serious human suffering, and also highlight the issue of ethical corporate behaviour. Oxfam Australia's report found that by supporting such companies, Australia's big four banks are putting themselves and their investors at risk.

1 The Land Matrix, http://landmatrix.org/en/

2 Klaus Deininger and Derek Byerlee, Rising Global Interest in Farmland: Can it Yield Sustainable and Equitable Benefits? (2011), World Bank http://siteresources.worldbank.org/INTARD/Resources/ESW_Sept7_final_final.pdf

3 A copy of Oxfam's report Banking on Shaky Ground: Australia's big four banks and land grabs can be downloaded from here: http://oxf.am/GWj

2 CASE STUDIES: THE BIG FOUR BANKS AND LAND GRABS

The following provides a snapshot of Oxfam's report, and the ways it has found each of the big four banks are linked to companies and projects accused of land grabs.

Westpac

Oxfam's report revealed Westpac has a 19-year banking relationship with a controversial timber company, WTK Group. In Papua New Guinea, the company is logging pristine old-growth rainforest in defiance of an explicit finding by PNG's Commission of Inquiry into Special Agricultural Business Leases that its lease was invalid and should be revoked.

Additionally, in 2003 the PNG Department of National Planning and Monitoring raised concerns the company's logging operations were illegal, and the company was linked to violence, sexual misconduct in relation to local women, and environmental damage.

Oxfam has evidence of flawed consent processes for obtaining land for logging practices, with links to WTK's operations that have seriously impacted local people through food insecurity, deforestation, water pollution, destruction of sacred sites, and increased community conflicts.

ANZ

Oxfam's report details that in Cambodia, the ANZ Bank was financing Phnom Penh Sugar, a sugar business that has been implicated in child labour, using the military to help them grab land, forced evictions, and food shortages. Hundreds of families were evicted from their homes and land to build the Phnom Penh Sugar plantation, with some given just $100 as compensation. Many farming families were resettled on infertile land, making it impossible for them to grow enough food to feed their own families let alone provide an income.

An audit by the International Environment Management Company in 2013 revealed ANZ's client failed to ensure resettled families had adequate access to food, and failed to implement environmental, health and social management programs required by ANZ to meet its ethical lending obligations.

A 7.30 Report story also outlined that many families have had no choice but to seek employment with Phnom Penh Sugar, for very low wages, and in unsafe working conditions[4]. Many families feel forced to send their children to work to make enough money to survive, and worker deaths have been linked to unsafe work practices.

The community members have been trying to negotiate with ANZ's client to sustainably restore their quality of life and livelihoods. They also raised concerns that ANZ may try to "cut and run" from the bad publicity of this case rather than support the community. In mid-2014, after the Oxfam report was published, Phnom Penh Sugar repaid its loan to ANZ. ANZ is now saying it no longer as any relationship with the company; however, community members emphasise that as ANZ profited from its investment in Phnom Penh Sugar, it has a responsibility to help affected communities.

Commonwealth Bank

The Commonwealth Bank has invested $14.21 million in shares in an agribusiness giant called Bunge. In Matto Grosso do Sul, Brazil, one of Bunge's sugar mills is sourcing sugar cane from 8,800 hectares of land, which the Brazilian government has declared as being in the process of returning to its rightful Indigenous owners, who were forced from their land. Another nearby sugar mill has stopped sourcing sugar cane from these Indigenous lands following a request from a Brazilian federal prosecutor; however, Bunge has failed to do so.

After losing their land, at least 60 families from the Jatayvary community have found themselves living on the edge of Bunge's plantation, where they are exposed to pesticides, smoke from burning sugar cane, pollution of waterways; and heavy traffic from big vehicles that transport the sugar cane.

Bunge has recently signaled plans to sell the company's Brazilian sugar milling business due to financial losses, which raises questions about what will happen to the community in Jatayvary if the company pulls out.

NAB

The NAB has lent more than $218 million to Singaporean Palm Oil giant Wilmar, the world's leading processor and trader of Palm Oil. NAB first loaned money to the company in 2010, when the World Bank Group suspended lending to Wilmar and the entire palm oil industry, following complaints about Wilmar's operations. In 2011 and 2012, *Newsweek* ranked Wilmar as the least sustainable company in the world — despite this, and NAB's stated commitment to environmental sustainability, NAB made another loan to one of Wilmar's wholly-owned subsidiary companies in September 2013.

4 http://www.abc.net.au/news/2014-04-28/anz-faces-accusations-it-financed-business-that/5416790

Oxfam's report outlined that Wilmar has been linked to land grab allegations in Indonesia and Malaysia since 2011, and complaints about it and its subsidiary companies have been made throughout Asia and Africa since 2007.

Oxfam's report stated that despite NAB's publicly stated commitments to environmental sustainability, it has not made any public statements about the controversial palm oil industry, the issue of land grabs, nor its exposure to one of the industry's leading players. NAB is noticeably absent from initiatives like the Roundtable on Sustainable Palm Oil — set up to address environmental and social issues in the palm oil industry — and the lists of Wilmar investors who have attempted to push the company towards better practice.

In December 2013, after years of pressure from NGOs, investors, and official complaints, Wilmar took the enormous step of committing to a "No Deforestation, No Peat, No Exploitation" Policy, which also addressed land grabbing in its supply chain. This strong step by the company highlights even further the silence and seeming lack of action on these issues from Wilmar's own lender, the NAB.

Additional case studies

Oxfam's report outlines an additional 12 companies linked to Australia's big four banks that are facing allegations of land grabbing. The list demonstrates that the four main case studies are just the tip of the iceberg when it comes to the bank's exposure to land grabbing.

Jatayvary Indigenous Land, Ponta Porã. Mato Grosso do Sul: Angela Martins shows cassava planted by her family with Janaína Locari (in pink hat), members of the Guarani-Kaiowá community. Indigenous communities are fighting the occupation of their land by sugar plantations supplying the Bunge Mill. Coca-Cola buys sugar from Bunge in Brazil but says it does not buy from this particular mill. The plantations have destroyed the forests that the people had relied upon for food. Photo: Tatiana Cardeal/Oxfam.

3 WHY IS THIS A PROBLEM FOR THE BIG FOUR BANKS?

Apart from the fact that Australians' money could be going towards projects that create injustices and suffering for communities, backing companies like this leaves banks exposed to financial risks, and often is at odds with their own company policies.

All four banks have stated that doing more business in emerging markets in the Asia-Pacific region is significant to their future success. Like many large corporations, they are pursuing opportunities to grow their profits and get the most return on their investments. As a result, the big four banks invest in agribusinesses in the region.

However, if banks have billions of dollars invested in the overseas agribusiness commodities industry without adequate safeguards they leave themselves vulnerable to issues endemic to this industry — such as the issue of land grabs. Unethical and illegal company activities can see companies prosecuted and punished in numerous ways, including being ordered to pay large fines or stop their operations. This not only damages a company's ability to operate and create a profit, but can also damage their reputation in the business and investment industry.

Additionally, the banks have a responsibility for the consequences of their financial decisions and are implicated in the social, environmental and human rights impacts of their client's actions. By 2014, all of the big four banks had made important public commitments to international responsible investment and human rights principles and processes, signing frameworks such as the UN Global Compact, Universal Declaration of Human Rights, the UN Principles for Responsible Investment, and more. Oxfam is particularly concerned about how the banks apply their human rights responsibilities and define and manage Environmental, Social and Corporate Governance (ESG) risk.

As signs of leadership are emerging from multinational companies, there is also a risk that our banks will be left behind in global ethical leadership issues. With the sector increasingly moving towards ensuring sustainable and ethical business practices, the banks are in danger of supporting those who are lagging behind, which may make it more difficult for them to recruit clients who are market leaders. As many companies are starting to reject working with other companies who cannot prove their sustainable credentials, this puts Australia's big four banks at even greater risk. Exposure to the agricultural commodities industry without putting in place significant due diligence practices in relation to land grabs, and the associated risks of supporting conflict, corruption and undermining the rule of law, does not sit well with being respected partners in long-term growth in the Asia-Pacific region.

There is approximately $522 billion worth of Australian household deposits sitting in the big four banks, the equivalent to almost one third of Australia's GDP. Regardless of whether you bank with the big four or not, their practices are integral to the stability and reliability of Australia's entire economy and impact all Australians.

Jatayvary Indigenous Land. Ponta Porã, Mato Grosso do Sul State, Brazil: Edilza Duarte, 24, with daughter Stephanie Duarte and son Jason Duarte. She says that the sugar plantations have put an end to her culture by clearing the forest and spreading "poison" (the chemicals sprayed on the sugar plantations). Photo: Tatiana Cardeal/Oxfam.

4 WHAT OXFAM IS ASKING THE BANKS TO DO

The four big banks state they take their human rights and sustainability responsibilities seriously, and have all received international recognition and awards for their sustainability practices.

Despite this, the gaping hole in the banks' due diligence policies towards land grabbing and the allegations of bad business practice outlined in Oxfam's report leaves the banks far behind the decisive action other global companies have taken in response to this issue, for example the Coca-Cola Company and PepsiCo.

In the April 2014 report, Oxfam Australia called on the ANZ, CBA, NAB and Westpac to swiftly commit to four key actions:

1. **Know and show their exposure to land grabs:** Banks must uncover the risks and impacts their support has on communities, and transparently report on their exposure to deals that could cause land grabs.
2. **Commit to a "zero tolerance for land grabs" policy:** Banks must demonstrate a clear and public policy against land grabs, and use this policy to guide bank staff and investors.
3. **Advocate for responsible financing:** Banks could use their considerable power and influence as a force for good, and become advocates in the finance sector for responsible lending practices to address issues of land grabbing.
4. **Ensure justice for affected communities:** Oxfam is urging banks not to "cut and run", but instead work to address the concerns of communities affected by land grabbing and provide them with full and fair remediation. This could include making sure communities' rights to food, shelter and sustainable livelihoods are restored after the loss of their homes and land.

OXFAM'S REPORT

A copy of Oxfam's report, *Banking on Shaky Ground: Australia's big four banks and land grabs,* can be downloaded from here: **http://oxf.am/GWj**

CHANGE IS POSSIBLE — COKE AND PEPSI'S COMPANY POLICY AND PRACTICE CHANGE

Land grabs are a significant issue that have already been recognised by leading corporations, including Coca-Cola, PepsiCo and Nestle, and international financial institutions such as the World Bank. These organisations have all adopted tough due diligence policies to prevent their future involvement in land grabs.

On 7 November 2013, in response to a campaign driven by Oxfam, Coca-Cola announced set of industry-leading commitments to protect the land rights of farmers and communities in the world's top sugarcane-producing regions, advancing its ongoing efforts to drive transparency and accountability. Working with Oxfam, Coca-Cola outlined a concrete action plan to address land rights in its global supply chain, including zero tolerance for land grabs[5].

Coke's zero tolerance declaration includes commitments to: adhere to the principle of Free, Prior and Informed Consent across its operations and require suppliers to follow suit; disclose the top three countries and suppliers of its cane sugar; conduct and publish third-party social, environmental and human rights assessments, with an initial focus on land conflicts in Brazil, Colombia, Guatemala, India, the Philippines, Thailand and South Africa; and engage with governments and international organizations to advocate for responsible land rights practices.

Then on 18 March 2014, PepsiCo — the world's second largest food and beverage company — committed to take steps to stop land grabs from happening in its supply chain[6]. The company also said it will do sweeping social and environmental assessments across its supply chains, beginning with its top sugar sourcing country, Brazil by the end of 2014, followed by Mexico, Thailand and the Philippines. In addition, the company publicly disclosed for the first time its top suppliers and sourcing countries for palm oil, soy and cane sugar — three commodities at the heart of the global land rush.

In July 2014, Nestlé also committed to policy provisions to hold its suppliers accountable for community land rights, and to ensure zero tolerance for land grabs[7]. In plain and simple language, the company has committed to ensure that its ingredients don't come from land that has been illegally, underhandedly, or unfairly taken from poor people.

5 http://assets.coca-colacompany.com/6b/65/7f0d386040fcb4872fa136f05c5c/proposal-to-oxfam-on-land-tenure-and-sugar.pdf

6 http://www.pepsico.com/Assets/Download/PepsiCo_Land_Policy.pdf

7 http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-commitment-land-rights-agriculture.pdf


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