BlackRock's BIG Deforestation Problem

Friends of the Earth United States

AMAZON WATCH

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Cover image: Forest fire in the Amazon from 2018 courtesy of Amazon Watch.

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I. Introduction

The climate crisis is rapidly eroding the Earth's ability to sustain humanity, with cascading risks becoming increasingly severe as global temperatures rise.[1] The scientific consensus is clear: unprecedented natural disasters and a rapid decline of biodiversity, arable and wild lands and clean water around the planet are the consequences of an extractive economy that has reached its limits.[2]

Deforestation and degradation of vast swaths of land for commodities such as palm oil, pulp and paper cattle, soy, rubber and cattle are responsible for almost one quarter of all global greenhouse gas emissions.[3] Simultaneously, the occupation of such large areas of land for industrial plantation agriculture is a leading cause of violent land conflicts, as these activities tend to dispossess and displace local communities.[4]

By channeling global investment capital into the industries driving this crisis, the financial sector is instrumental in enabling the crisis, and therefore has a critical role to play in averting catastrophic outcomes, and instead financing the transition to a livable planet. Yet, the world's largest investors have barely begun to evaluate the risks associated with their investments in the sectors responsible for driving the climate crisis.

This paper examines the role of BlackRock, the world's largest fund manager with $6.5 trillion USD of assets under management, in financing the global crisis of deforestation and land conflict. By evaluating BlackRock's holdings in 167 publicly listed companies active in palm oil, cattle, pulp and paper, rubber, soy and timber between 2015 and 2018,[5] this research documents BlackRock's substantial exposure to deforestation and land conflict risks. The paper also considers BlackRock's recently publicized approach to engagement in the palm oil sector, offers brief Environmental, Social and Governance (ESG) risk profiles of a subset of companies selected from BlackRock's portfolios, and shows that BlackRock's ESG-labeled funds contain numerous high-risk holdings in deforestation and conflict-linked securities.

Photo: A cloud of smoke coming through forest fires covers farms and forest in Paranaíta, Mato Grosso state, next to the border with Pará state. Photo Credit: Amazon Watch. August 2016.

Photo: At the end of the undercurrent Fire Season in the Amazon, Greenpeace registered the destruction left by forest fires, in a region between the states of Amazonas, Acre and Rondônia, in Brazil. Courtesy of Amazon Watch. 2018.

Key Findings

- **BlackRock is among the top three shareholders in 25 of the world's largest publicly listed deforestation-risk companies, and among the top ten shareholders in 50 of the world's top deforestation-risk companies.**

- **BlackRock's investment in deforestation-risk companies has been increasing.** Between 2014 and 2018, BlackRock held shares in 82 of the 167 selected listed companies. By 2018, BlackRock held shares in 61 deforestation-risk companies, but the overall value of its investments had increased. In Q4 2014, BlackRock had a total of $1 billion USD in deforestation-risk investments. By Q4 2018, the value of these investments had increased to $1.6 billion USD. If the Q4 2014 portfolio had remained unchanged, the value of this portfolio would have been $825 million USD in Q4 2018. This indicates that BlackRock made significant investments in deforestation-risk companies between 2014 and 2018.

- **The main drivers of this trend are increases in investments in pulp and paper and palm oil companies, as well as investments in beef, rubber and timber.** BlackRock's investments in pulp and paper increased from $103 million USD in 2014 to $565 million USD in 2018 – an overall increase of 548 percent.

- **BlackRock's investments in the selected companies are primarily through index funds – and these holdings are on the rise.** In 2014, 80% of BlackRock's deforestation-linked commodity holdings were made through index funds; by 2018, this had increased to 94%. This trend potentially increases financial risk, as ESG-related issues are not measured, managed or mitigated by market indexes.

- **Many companies in BlackRock's ESG (Environmental, Social and Governance) funds have been linked to recent deforestation, land rights conflicts, and child and forced labor.** Several of these companies are on the Norwegian Government Pension Fund's blacklist due to ongoing environmental and human rights violations.

BlackRock's investments in deforestation-risk commodities **increased by more than half a billion dollars** between 2014 and 2018.

II. BlackRock's deforestation problem is trending the wrong way

The United Nations Intergovernmental Panel on Climate Change (IPCC) Special Report released in late 2018 calls for a 45% reduction in greenhouse gas emissions by 2030 in order to avoid the worst risks associated with climate change.[6] At the same time, the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) Global Assessment Report on Biodiversity and Ecosystem Services – the most comprehensive biodiversity assessment ever completed – made the stunning finding that around one million animal and plant species are now threatened with extinction, many within a few decades.[7] The August 2019 IPCC report, *Climate Change and Land,* makes clear that deforestation and destructive land use practices are a significant cause of both crises[8] – and therefore merit paramount consideration by investors.

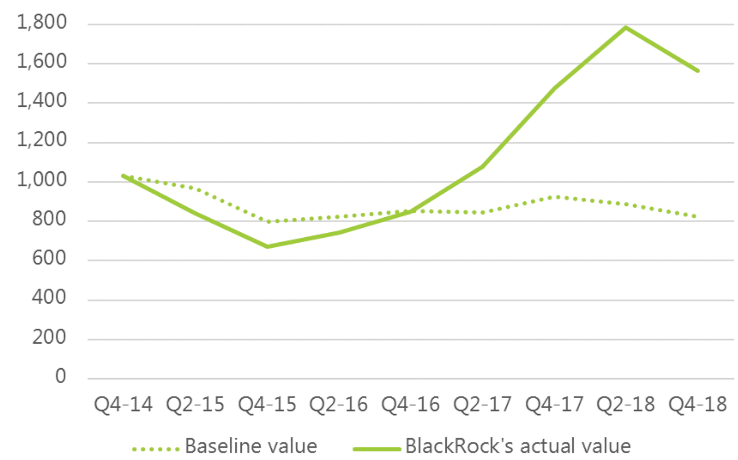
An increasing number of institutional investors understand the urgency of addressing climate-related risks. In June 2019, 477 institutional investors with $34 trillion USD in assets under management – nearly half of the world's invested capital – urged world leaders to dramatically increase their efforts to meet the goals of the Paris Agreement.[9] While the greatest attention regarding the climate crisis is justifiably given to the energy sector, deforestation accounts for some 15% of global greenhouse emissions, and industrial agriculture is responsible for around 80% of deforestation[10] – making a rapid transition away from commodity-driven deforestation crucial to addressing the climate crisis. With this understanding in 2018, investors representing $6.7 trillion USD called on the Roundtable on Sustainable Palm Oil to improve its standards, and in early 2019, investors managing over $6.3 trillion USD in assets signed a statement[11] of support for ending deforestation in soy supply chains.

Fiduciary duty to clients is one factor driving institutional investors to address deforestation and the larger climate crisis. Deforestation and associated land conflicts present a rapidly growing array of financial risks for companies, including physical, transition, operational, regulatory, reputational, competitive and legal liabilities. Academics, financial analysts and prudent investors may differ in their assessments of the tension between asset managers' duty to provide maximum short-term financial returns versus their need to account for long-term systemic risks and impacts. But a growing body of literature argues that the asset managers holding proportionately substantial shareholdings must consider the short and long-term impacts of social and environmental risk factors when carrying out their fiduciary duty.[12] Within the context of global ecological crisis, BlackRock, the world's largest investment firm, with assets under management greater than the world's third largest economy, has effectively reneged on its fiduciary duty to address these risks.

BlackRock first publicly acknowledged deforestation as a climate risk in 2016,[13] but has not yet articulated a specific, policy-bound policy to achieve zero deforestation in its portfolios. Furthermore, in a recent report on investor under-appreciation climate risks within their portfolios[14] BlackRock made no mention of deforestation-risk.

A look at BlackRock's holdings shows that its investments in the selected deforestation-risk companies is on a general upward trend, ending up at $740 million USD above the baseline (i.e. if portfolio constituents and number of shares held remained unchanged).

Figure 1: BlackRock shareholding in deforestation-risk companies trend analysis (2014–2018, $ millions USD)



Source: Thomson EIKON (2019, February), *Shareholdings*; Profundo's calculations.

A look at BlackRock's increase in deforestation-linked commodities holdings shows that the main drivers of this trend are increases in investments in pulp and paper and palm oil companies, as well as investments in beef, rubber and timber.

In Q4 2014, BlackRock had a total of $1 billion USD in deforestation-risk investments. By Q4 2018, the value of these investments had increased to $1.5 billion USD. BlackRock's investments in pulp and paper increased significantly between 2014 and 2018, from $103 million USD to $565 million USD. Palm oil investments decreased from $649 million USD in Q4 2014, to a low of $350 million USD in Q4 2015, but increased again to $630 million USD in Q4 2018. The trend in rubber investments is similar, which may be partly explained by the fact that a number of palm oil companies are also engaged in rubber production. Investments in beef increased from $68 million USD to $98 million USD, ending at more than $50 million USD above the baseline. Investments in timber saw a similar trend, increasing from $46 million USD to $67 million USD in Q4 2018, more than $24 million USD above the baseline trend.

Figure 2: BlackRock shareholding in palm oil and pulp & paper companies (2014–2018, in $ millions USD)

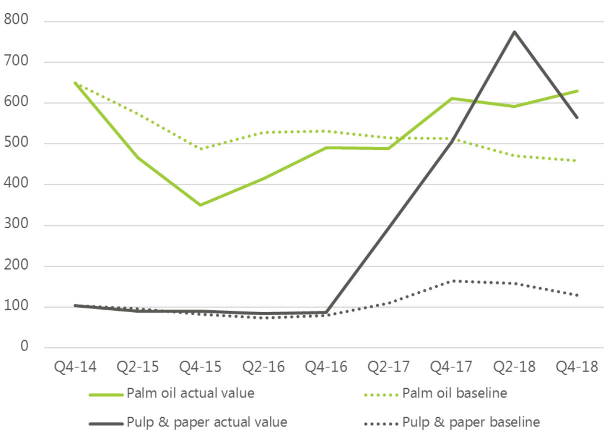


Figure 3: BlackRock shareholding in beef, rubber, soy and timber companies (2014–2018, $ millions USD)

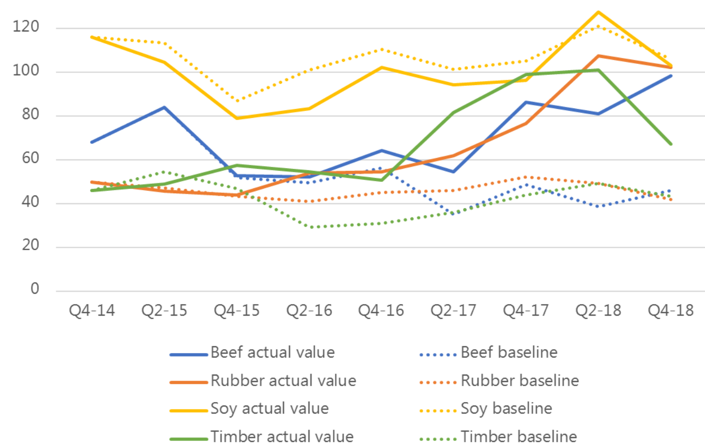
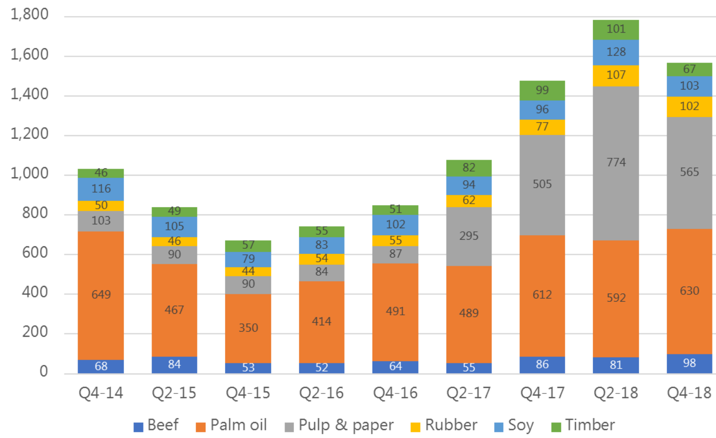


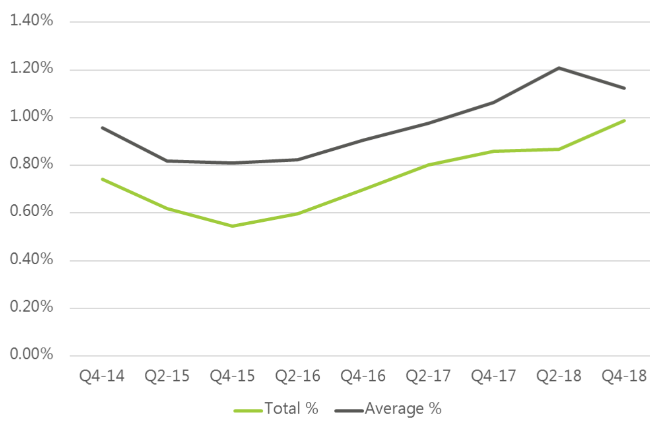
Figure 4: BlackRock shareholding in deforestation-risk companies per commodity (2014–2018, $ millions USD)



Source: Thomson EIKON (2019, February), *Shareholdings*; Profundo's calculations

Between Q4 2014 and Q4 2016, palm oil companies accounted for more than 50% of the value of BlackRock's investments in deforestation-risk companies. However, as of Q4 2016, the value of investments in pulp and paper companies accounted for an increasingly large proportion of BlackRock's deforestation-risk portfolio. Together, palm oil and pulp and paper companies have consistently accounted for between two-thirds and three-quarters of the value of investments in deforestation-risk companies.

Figure 5: Total and average ownership of deforestation-risk companies (2014–2018, %)



Source: Thomson EIKON (2019, February), *Shareholdings*.

Photo: Aerial view of destruction left by forest fires in a region between the states of Amazonas, Acre and Rondônia, in Brazil Credit: Daniel Beltrá / Greenpeace.

III. BlackRock's approach to engagement

In May of 2019, BlackRock quietly released a statement[15] on its approach to engagement with the palm oil industry. Of all plant-based oils, none has a higher carbon footprint than palm oil[16] making palm oil a crucial area for climate-focused investor engagement, Notably, it is the only deforestation-risk sector on which BlackRock has yet issued such a statement. BlackRock's two-page statement came after repeated efforts by civil society groups to draw BlackRock's attention to its disproportionate contribution to deforestation and land conflict, and shortly followed a letter from a group of U.S. Senators[17] inquiring about BlackRock's approach to due diligence and risk assessment in its palm oil holdings.

The release of the statement was the first time that BlackRock provided a window into its engagement on deforestation and related human rights and sustainability risks. However, BlackRock's statement did little to illuminate the firm's engagement approach, choosing instead to focus on justifying the firm's failure to take meaningful action. The statement reveals several major shortcomings, including failures to genuinely acknowledge the environmental, social and governance risks posed by the palm oil industry, inadequate engagement with civil society, weak and opaque engagement with incalcitrant companies, and an overall unwillingness to take responsibility for the materiality of the risks in its passive funds.

Failure to acknowledge the real risks of the sector

In its statement, BlackRock emphasizes that "regulatory measures and shifts in consumer demand may present risks to the long-term sustainability of companies [in the palm oil sector]." However, it fails to acknowledge the direct material risks of massive land conversion, biodiversity loss and human rights abuses that are inherent to the palm oil business and industrial plantation models which define agro-commodity production in much of the world. Land conflicts arising from communities resisting the forceful takeover of their traditional lands, pollution of their water sources, loss of livelihoods and violations of their rights pose significant financial risks to investors, including stranded assets and operational risks through the delay of operations and/or cancellation of company projects.

Disingenuous stakeholder engagement

In its Q1 2019 quarterly report, BlackRock says it consulted with World Wildlife Fund (WWF) as part of its due diligence on certain of its investments in the palm oil sector. BlackRock did not, however, seek input from other civil society groups who have raised serious concerns over its palm oil investments, including those in Africa, Asia and the Americas that have been at the forefront of palm oil expansion. By working with one civil society group, BlackRock checks the box for civil society engagement but avoids substantive discussion with the organizations that have raised these issues directly with BlackRock, as well as continue to address them on the ground.

Ad-hoc engagement without results

BlackRock's statement says it "will continue to engage with palm oil producers, downstream buyers, and other relevant stakeholders to promote sustainable palm oil practices, as part of fulfilling our fiduciary duty." BlackRock reveals that it has engaged with "three Indonesian, two Malaysian, one Korean, and one Liberian palm oil producer(s)." Yet, its 2018 Stewardship report makes no mention of the palm oil sector,[18] while its overall holdings in palm oil include $561 million USD in 44 companies. BlackRock notes that "While most of these (seven) companies [with which it has engaged] are members of the Roundtable on Sustainable Palm Oil (RSPO) and have publicly committed to various traceability and certification targets, we learned through our engagements that *progress towards full compliance of standards and procedures for certified sustainable palm oil remains a challenge for the industry."* This constitutes an acknowledgment of failure to comply with the most basic standards of sustainable business; yet even this assessment is drastically understated, as these companies' practices have not only faced "challenges" – *they have gone from bad to worse.* [See section IV below.]

Given little or no apparent change in these companies' management of their ESG risks, the questions must be asked: to what end does BlackRock engage with these companies, how does the firm evaluate the success or failure of its engagements, and, in the event of failed engagement, what actions is BlackRock willing to take to mitigate persistent risks?

Lack of engagement in other high-risk commodity sectors and regions

BlackRock also owns shares in some of the largest companies responsible for widespread deforestation in the Brazilian Amazon and Cerrado, including soy traders Bunge (8.8 million shares, 3rd largest shareholder) and ADM (42.3 million, 3rd largest) and meat producers JBS (58.1 million, 6th largest), Marfrig (5.8 million, 10th largest) and Minerva (945,000, 27th largest). Yet, BlackRock's statement on its palm oil engagement makes no mention of its approach to managing risk from deforestation and land conflicts across deforestation-risk commodities and regions, despite the fact that it is a major shareholder in these companies, and the fact that deforestation rates in the Brazilian Amazon, on the rise since 2012, have reached record highs since the election of Jair Bolsonaro in late 2018. This trend has been accompanied and enabled by severe threats to land rights and land and environmental defenders,[19] and has resulted in disastrous fires engulfing sections of the Brazilian Amazon in summer 2019. Furthermore, BlackRock seemed to celebrate the rise of the far-right president: after his election, BlackRock CEO Larry Fink lauded the "significant opportunities" for investors in Brazil and announced expanded BlackRock operations in the country.[20]

Failure to address risk in its passive holdings

BlackRock repeats an assertion that asset managers regularly employ to provide cover for poor fiduciary practices, when it writes, "Third party index providers determine the companies included in a particular index. Investors cannot selectively divest companies from an index fund." While it is true that index providers play a key role in choosing the companies that BlackRock includes in the portfolios it offers, it is not true that BlackRock has no control over what these funds contain, nor over its increasing preference for a passive investing approach.

With investor money predominantly gravitating to BlackRock's passive funds, the company's engagement with the palm oil industry underscores the limitations of passive funds integrating ESG criteria and accelerating sector-wide advances in sustainability. Despite its acknowledgment of palm oil's serious exposure to broad ESG risks, BlackRock does not articulate a specific vision on how to address these risks. Such a failure is all the more problematic given BlackRock's weight in the market: as one of the largest customers of the index providers, BlackRock could easily provide stronger standards for the construction of its passively-managed funds – and can undoubtedly purchase any ESG products it wants. Similarly, BlackRock could easily, encourage clients to seek deforestation-risk free funds, as, for example, Legal and General has done with fossil fuel-free options.[21] Given the inherent risks in agribusiness investments in emerging markets across the global South, it should provide more stringent standard to protect its investments from these risks.

Photo: Deforestation by Golden Agri-Resources in Liberia, Credit: Danielle Van Oijen, 2018.

IV. Profiles of risk in BlackRock's holdings

Golden Agri-Resources

BlackRock's holdings in Golden Agri-Resources (GAR) have fluctuated significantly between 2014 and 2018. As of Q1 2019, BlackRock held 162,580,102 shares worth $33 million USD, making it GAR's 4th largest institutional shareholder.

As the world's second largest palm oil company, GAR has a mixed record of driving deforestation and land conflict[22] and engaging in sustainability efforts.[23] Currently, GAR faces numerous RSPO complaints, including claims that the corporation controls more than 1,000 square kilometers (386 square miles) of land in Indonesia, in excess of the RSPO and legal Indonesian "land ceiling"; as well as complaints related to land grabbing and opaque corporate structures. GAR subsidiary Sinar Mas recently had several executives arrested for bribery in Indonesia.[24] Golden Veroleum Liberia, in which GAR is the primary investor and appears to maintain operational control,[25] has failed to address RSPO demands that it stop clearing land and resolve land conflicts after being found guilty of ongoing violations in Liberia. This includes ongoing allegations of illegal deforestation, destruction of endangered chimpanzee habitat and the use of violence and coercion to forcibly take community lands.

Salim Group

Salim Group is composed of several deforestation-risk companies in which BlackRock has held shares, including Indofood Sukses Makmur (2nd largest shareholder), First Pacific (12th largest shareholder), Salim Ivomas Pratama (4th largest shareholder), London Sumatra Indonesia and Indofood Agri Resources.

BlackRock divested completely from Indofood Agri Resources by Q4 2018. This is potentially related to a November 2018 RSPO complaints panel decision affirming the role of Indofood Agri's subsidiary London Sumatra Indonesia in 23 offences, including child labour, gender discrimination and toxic working conditions. Several large buyers including, Nestle, Cargill, Hershey's, Kellogg's, Unilever and Mars had already cut ties to the company. Indofood Agri Resources share price decreased by 75% between Q4 2014 and Q4 2018.[26] Indofood's refusal to submit the required corrective action plan forced RSPO to terminate Indofood's RSPO membership, while leaving Indofood's workers without remedy.[27]

BlackRock continues to be among the top shareholders in Indofood Sukses Makmur, which owns Indofood Agri Resources and is the flagship company of the Salim Group, as well as in Salim Ivomas Pratama, which withdrew from the RSPO in early 2019.[28] The CEO of Indofood Sukses Makmur, Anthoni Salim, has come under scrutiny for his other palm oil businesses, which, respectively, have illegally cleared substantial areas of peatlands in Borneo[29] and been continuously embroiled in serious land conflicts in West Papua.[30]

Photo: Man surveys destruction caused by Golden Agri-Resources in Liberia. Credit: Gaurav Madan, 2018.

Posco

BlackRock is the 2nd largest shareholder in Korean conglomerate Posco, and the 3rd largest shareholder in Posco International, the palm oil plantation subsidiary of Posco.

Posco International (formerly Posco Daewoo)[31], Korea's biggest trading company, operates in the districts of Merauke and Boven Digoel in Papua province, Indonesia, through its subsidiary PT Bio Inti Agrindo (PT BIA), in which it has an 85% stake. Since 2017, the company also administers a mill in the area.[32] PT BIA's concession is located in Indonesia's largest intact rainforest, an ecoregion known for its extremely diverse flora and fauna, including endangered species such as the tree kangaroo and birds of paradise.[33] Between 2012 and 2017 PT BIA was responsible for destroying 26,500 ha of forest,[34] or nearly 270 square kilometers. The clearing of its western block began in 2012 and finished in 2014. It is now fully converted into palm oil plantations, while the eastern block is partly deforested.[35] The affected land spreads across the territories of the Mandobo and Marind indigenous clans, fueling land conflicts that did not previously exist.

The Norwegian Sovereign Wealth Fund divested from Posco Daewoo/Posco International in 2015,[36] and in June 2018 ABP, the world fifth largest pension fund, divested 300,000 euros[37] from the company over its failure to address deforestation after months of engagement. Posco International's failure to adopt a credible No Deforestation approach puts its revenue at serious risk.[38]

Felda Global Ventures

BlackRock is the 7th largest shareholder in the Malaysian national palm oil conglomerate Felda Global Ventures (FGV), a company that has long faced complaints about severe and ongoing labor abuses. In 2018 Felda was sanctioned by the RSPO for labor violations[39] and is currently facing a potential import ban in the U.S. due to concerns that its abusive labor practices may violate U.S. Customs laws.[40]

Suzano

BlackRock is the 3rd largest shareholder in Suzano. An investment of 22,230,614 shares in Q4 2017 increased to 27,256,786 in Q4 2018, to a value of $267.5 million USD. Since it merged with Fibria in January 2019, Brazil-based Suzano is the largest paper and pulp company in the world, with markets in 80 countries. It also owns the biotechnology company Future Gene, which has operations in Brazil, Israel, the U.S. and China.[41]

With a landbank of 2.3 million he (as of mid-2019), of which 1.3 million ha contain plantations, Suzano and its subsidiaries have instigated widespread conflicts over land with indigenous, quilombola (Afro-descendant) and other rural communities.[42] In Bahia and Maranhão states, the company and its suppliers have been accused land grabbing, large scale destruction of native forests, and psychological and physical violence.[43] Conflicts around its Aracruz paper mill date back to 1967, when it displaced thousands of communities to establish large eucalyptus plantations – many of whom continue to inhabit the region where they face severe contamination from agrochemicals, water shortages and criminalization.[44] In Maranhão state Suzano and its subsidiary Paineiras are involved in several land conflicts, with one estimate holding that 70% of the company's plantations are traceable to landgrabs.[45]

Bunge

Blackrock is the 3rd largest shareholder in Bunge with 8.8 million shares. U.S.-based Bunge is one of the world's largest commodity traders and is part of the so-called ABCD group made up of Archer Daniels Midland (commonly known as 'ADM'), Bunge, Cargill, and Louis Dreyfus, which dominate the global grain trade.[46]

In April 2018, Bunge was among a group of agricultural traders fined by the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA in its Portuguese acronym) for purchasing 3,000 tons of soy and other grains from farms previously embargoed by IBAMA for destroying native vegetation in the Cerrado. Known as Operation Shoyo, IBAMA applied environmental fines – both to

Photo: Forest clearance by PT BIA. Photo courtesy Mighty Earth.

traders and farmers – that surpassed R$105 million ($27 million USD).[47]

JBS

Blackrock is the 6th largest shareholder of JBS with 58.1 million shares. JBS is the largest animal protein company in the world and the leading beef processor, with operations in Brazil, Canada, U.S. and Australia.

The company has a notorious history of corruption in Brazil, where its employees and leadership have been linked to various bribery scandals, including the bribing of three Brazilian presidents and an additional 1,829 elected officials, the misappropriation of $385 million USD in public funds, and insider trading.[48]

Recent reports also show how JBS sources cattle from companies fined for illegal deforestation and slave labor practices areas in the Brazilian Amazon despite claiming to adhere to rigorous social, environmental and traceability criteria.[49] While JBS and its Brazilian competitors have made strides in ensuring traceability of direct cattle suppliers, they have not provided consistent assurances that farms that sell to their suppliers (secondary suppliers) are not involved in illegal deforestation and human rights abuses.

V. Deforestation in BlackRock's ESG Funds

BlackRock appears to make no consideration for deforestation-risk in the constitution of its ESG funds, as the firm holds a growing proportion of investments in deforestation-risk companies in these funds. In Q4 2014, only 0.05% of BlackRock's investments in the selected companies were through its ESG funds. By Q4 2018, this share had increased to 0.29%. Given the increasing popularity of ESG funds, this proportion can be expected to increase further in the future. Additionally, the inclusion of environmentally destructive companies that have a record of human rights violations raises questions about BlackRock's commitment to sustainable finance.

All of BlackRock's ESG funds are based on MSCI ESG indexes. Most of BlackRock's investments in deforestation-risk companies through its ESG funds were made in Q4 2018. Notably, a number of these companies are on the Norwegian Government Pension Fund's blacklist for severe environmental damage. These include: *IJM*, *Genting* and *POSCO*.[50] Other ESG fund constituents, such as *Astra International* (through its subsidiary *Astra Agro Lestari*), *Indofood Sukses Makmur*, *IOI*, *Felda Global Ventures*, *Oji*, *Marubeni* and *Itochu*, have been linked to deforestation, land rights conflicts, and child and forced labor.[51]

Photo: The region between the states of Maranhão, Tocantins, Piauí and Bahia, known as MATOPIBA in Brazil, is considered the showcase of Brazilian agribusiness, with high grain yields for export, such as soybean and corn. For producers, deforestation and the annihilation of local communities is the price to pay for "progress". Credit: Amazon Watch.

Figure 6: BlackRock ESG funds constituents at fund level (Q4 2018, USD$ mln)

Fund Name	Security	Fund shares held
iShares Dow Jones Global Sustainability Screened UCITS ETF	Archer Daniels Midland	6,687
	Itochu	18,400
	Marubeni	21,484
	Mitsubishi	19,400
	Mitsui & Co	20,600
	POSCO	973
	Samsung C&T	1,146
	Sumitomo Forestry	2,000
iShares ESG MSCI EM ETF	China Agri-Industries Holdings	1,224,000
iShares ESG MSCI USA ETF	Archer Daniels Midland	3,775
iShares MSCI EAFE ESG Optimized ETF	Itochu	58,800
	Mitsubishi	50,400
	Sumitomo Rubber Industries	33,600
iShares MSCI EM ESG Optimized ETF	Astra International	3,631,200
	POSCO	15,504
	Sime Darby Plantations	1,033,600
	Indah Kiat Pulp & Paper	544,000
	Top Glove	340,000
iShares MSCI EM IMI ESG Screened UCITS ETF Fund	Kuala Lumpur Kepong	2,000
	China Agri-Industries Holdings	15,000
	Felda Global Ventures	18,200
	Genting Plantations	1,100
	Hap Seng Consolidated	1,000
	IJM	6,600
	IOI Corporation	3,200
	POSCO	152
	POSCO Daewoo	113
	QL Resources	1,500
	Indofood Sukses Makmur	9,200
	Samsung C&T	361
	Sime Darby	4,900
	Sime Darby Plantations	5,100
	Indah Kiat Pulp & Paper	4,900
	SLC Agricola	103

Fund Name	Security	Fund shares held
	Suzano	862
	Sawit Sumbermas Sarana	45,100
	Top Glove	3,000
	ZTE	4,000
iShares MSCI EMU ESG Screened UCITS ETF Fund	Bolloré	6,519
iShares MSCI Europe ESG Screened UCITS ETF Fund	Bolloré	1,030
iShares MSCI Japan ESG Screened UCITS ETF	Itochu	2,200
	Marubeni	2,400
	Mitsubishi	2,100
	Mitsui & Co	2,500
	Oji Holdings	1,300
	Sumitomo Rubber Industries	300
iShares MSCI KLD 400 Social ETF	Archer Daniels Midland	63,572
	Bunge	16,068
iShares MSCI USA ESG Optimized ETF	Bunge	4,130
iShares MSCI USA ESG Screened UCITS ETF Fund	Archer Daniels Midland	93
	Bunge	8
iShares MSCI USA ESG Select ETF	Bunge	109,493
iShares MSCI World ESG Screened UCITS ETF Fund	Archer Daniels Midland	231
	Bolloré	360
	Brookfield Asset Management	232
	Bunge	39
	Itochu	400
	Marubeni	400
	Mitsubishi	400
	Mitsui & Co	500
	Oji Holdings	200
	Golden Agri-Resources	1,800
	Sumitomo Rubber Industries	100
	Wilmar International	500

Source: Thomson EIKON (2019, February), *Shareholdings*.
* Note: Values are deforestation-risk commodity adjusted values.

VI. Conclusion

Consensus among the scientific community and civil society has confirmed beyond doubt that industrial commodity agriculture is a major contributor to deforestation, biodiversity loss, violent land conflicts and the climate crisis. Even as deforestation-risk sectors have proven unable to sufficiently mitigate the practices that contribute to catastrophic climate risks, BlackRock has responded by increasing its capital allocations in these sectors, thereby increasing both its exposure to risk and its complicity in the destruction. In order to address the risks of investment in deforestation-risk sectors, BlackRock must urgently take the following steps:

- Adopt due diligence policies and practices to manage deforestation and land rights risks, beginning with companies active in high-risk ecosystems like the Amazon and the Cerrado.
- Implement sector-specific ESG risk mitigation frameworks including active management of investments in high-risk deforestation-linked commodities. Active management should include time-bound, results-based engagement with company management and exclusion from portfolios of companies that fail to mitigate ESG risks.
- Make deforestation-free funds a default option in both active and passively managed products, and ask index providers to remove poorly governed high-risk companies from indices tracked by its funds, beginning with those funds it markets as "sustainable".
- Engage proactively and substantively with civil society stakeholders to inform policy implementation.

With the window rapidly closing to reverse course on climate change, there is no justification for increased investment in the sectors responsible for widespread environmental destruction and human rights abuses – and every justification for a truly responsible approach to investment stewardship.

Photo: APIB (National Indigenous Association of Brazil) during its 2018 national mobilization of indigenous peoples to Brasilia, called Terra Livre.
Credit: Midia Ninja/Movilização Nacional Indigena

Endnotes

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