Hey, that’s my money!

Investments in controversial mining companies by banks active in Belgium

Mines are everywhere, it’s just that we don’t always see them. Twenty-five years ago, the last coal mine closed in Belgium, but in Asia, South America, Africa and Eastern Europe, the mining industry is still alive and kicking.

So many of the materials that we use every day come from somewhere under the ground. Fossil fuels, iron, gold and copper are all acquired by way of mining.

Your smart phone? You would have to search long and hard to find any part of it that is not connected to mining. Our money? Invested in mining.

BankWijzer®

Photo: Peru, Espinar © Thomas De Boever - Broederlijk Delen

Last year, in the framework of the BankWijzer/ Scan des Banques project 11.11.11, Broederlijk Delen and FairFin investigated the investments of nine Belgian banks in 20 controversial mining companies. We found ties representing 32 billion euros (loans, shares and bonds). BNP Paribas, Deutsche Bank and ING Bank turned out to be the largest investors. KBC Bank also financed controversial mining. So what has happened since then?

The mining industry is a highly controversial sector: whereas Belgian mining was done under ground, today, most mining happens through the 'open pit' method, where a company simply digs away the whole upper layers of ground to be able to extract the useful materials (iron, gold, copper, …) from the surface. Those pits can measure up to two kilometers wide and one kilometer deep. One can imagine this method has an enormous impact on the local surroundings and the people living there.

In their rush for raw materials, mining multinationals often act like elephants in china shops. In many cases, they harm human rights, demolish the environment and put the future of local communities on the line. The companies involved are huge and extremely powerful and often act in countries where the government does not protect human rights. The victims are the people that live close to the mine.

Even though most mining sites are far away, Western society does have links to these stories. On the one hand through the products we use (electronics, jewelry, energy, …); on the other hand through our money. Controversial mining companies are in fact for a large part financed by 'our' banks.

Who are these mining companies?

In this brochure we focus on Glencore, BHP Billiton and Vale, three of the five biggest mining companies in the world. Other controversial mining companies are for instance Rio Tinto, Anglo American, Freeport-McMoRan and Barrick Gold.

1. Glencore

When the world's biggest commodity trader merged with mining firm Xstrata in 2012, a new commodity giant was born. **Glencore** was founded in the 1970's by US-based (and Antwerp born) Marc Rich. He made a fortune trading oil and other raw materials with dictatorial regimes and embargoed nations, facilitating deals between countries that were officially at war but actually trading oil. His philosophy was to make money with other people's money and had his trade backed by banks. One of the first banks Rich cooperated with was Paribas.[1]

Today, Glencore is an enormous market power active in 50 countries. It is the world largest mining company by revenue and the largest supplier of cobalt and zinc.[2] The company is very well diversified, both in the type of minerals it extracts and in the activities it is involved in along the commodity chain: Glencore has control over factories, harbors, railways and mines. Because of its diversification, Glencore has great market benefits and is being accused of market manipulation.[3] In 2015, Glencore was excluded from Norway's KLP Pension Fund.

---

[1] Daniel Ammann, *The King of Oil: The Secret Lives of Marc Rich*, 2009.

[2] The Guardian (2017). *Everything you need to know about Glencore, Dan Gertler and their interest in DRC.* https://www.theguardian.com/business/2017/nov/05/what-is-glencore-who-is-dan-gertler-drc-mining

[3] Facing Finance, Misereor and Red Sombra: *Fragwürdige Unternehmenstätigkeiten des Schweizer Bergbauriesen Glencore und die Verantwortung deutscher Banken,* 2017

In Peru, Glencore exploits the open pit mine Antapaccay in the province of Espinar. For years there have been tensions between the owners of the mine and the population, resulting in a big protest in 2012, where three civilians got killed and dozens got injured. The people of Espinar now pursue a court case against Glencore in London, accusing the company of murder, injuries and illegal arrests.

One of the reasons for the protests is the damage the mine does to the environment and the related health issues the population suffers from. Women in Espinar report a consistent pattern of health issues tormenting them and their families. Many studies carried out by the state have established that the population in Espinar is exposed to heavy metals and other chemical substances. Yet up to this day no state or company authority officially recognizes the link between these health issues and the mining activities. The people don't get any form of compensation and do not have access to proper health care. Specialists call the situation a ticking time bomb.[4]

Photo: Peru, Espinar © Thomas De Boever - Broederlijk Delen

Just after the decline of the rubber price in 1910, Democratic Republic Congo (DRC) discovered its immense mineral wealth: zinc, cobalt, tin, copper, gold, tungsten, manganese, tantalum and coal were found. Today, many of those materials are more desired than ever: tantalum (extracted from the metallic ore coltan) for mobile phones and other electronic appliances; cobalt and copper for batteries to be used in electronic cars. Multinationals move entire towns in favor of mining sites in DRC, leaving local communities in unsafe and polluted conditions.[5]

Glencore first came to Congo in 2006, interested in mining for copper in the Southern province Katanga. Initially negotiations with the state authority Gécamines – who then still owned the mines – fell apart, but this changed when the president's friend Dan Gertler joined in. Dan Gertler got introduced in Congo after 1997 and in the two decades since has become an unofficial gatekeeper for mining deals across the country.[6]

Photo: The mountains of DRC © Revital Cohen & Tuur Van Balen

Evidence from a US criminal investigation strongly suggests that Gertler has paid millions in bribes to Congolese officials and politicians.[7]

In December 2017, Paradise Papers showed that Glencore gave a 45 million dollar loan to Gertler's company to secure the mining agreement in 2009[8]. Paradise Papers also show that the Katanga Mining company (in which Glencore then had a small interest) got the mine at a 440 million discount from the authorities. For a country that spends only 235 million a year on education[9] - where tens of thousands of children are forced to work in artisanal mining for 1 or 2 dollars a day, that is a huge loss. All of the above shows that Glencore is responsible for human rights violations and does not shy away from corrupted relations.

Photo: Destroyed village in Minas Gerais © CATAPA

---

4 Amnesty International: *A Toxic State, 2017*

5 11.11.11, Broederlijk Delen, FairFin: *Gedolven grondstoffen, ontgonnen winsten, 2017*

6 The Guardian (2017). *Everything you need to know about Glencore, Dan Gertler and their interest in DRC.* https://www.theguardian.com/business/2017/nov/05/what-is-glencore-who-is-dan-gertler-drc-mining

7 Global Witness: *Regime Cash Machine*, 2017

8 The Guardian (2017). *Everything you need to know about Glencore, Dan Gertler and their interest in DRC.* https://www.theguardian.com/business/2017/nov/05/what-is-glencore-who-is-dan-gertler-drc-mining

9 Global Witness: *Regime Cash Machine*, 2017

2. BHP Billiton and Vale

In November 2015, the largest ecological disaster in Brazilian history occurred. In the state Minas Gerais, a mining dam collapsed causing millions of cubic meters of toxic waste flooding ten villages and polluting the river Doce, kilometers into the ocean. 19 people died, over 600 people lost their homes. The recovery will take over a decade and the harm to the health of the people and the ecosystem remains to be seen. Research by the federal police shows that Samarco, the responsible company, was aware of the risks of the dam and did too little to avoid the disaster. After the collapse they first told the population that the waste was not toxic. Samarco is a joint venture of **BHP Billiton** and **Vale**, two of the largest mining companies in the world.[10]

Photo: Destroyed village Visita à Bento © Romerito Pontes

Our 2017 report showed that between 2011 and 2016, BNP Paribas, Deutsche Bank, ING Group and KBC Group had invested billions in Glencore, Vale and BHP Billiton.[11]

Loans, underwriting services, bonds and shares 2011 - 2016 per bank in EUR mln

	Glencore	BHP Billiton	Vale	TOTAL
BNP Paribas	4913	2666	958	**8537**
Deutsche Bank	2928	964,7	785,7	**4678,4**
ING Group	2273	1369	54	**3696**
KBC Group	697	3	1	**701**
				17612

Photo: Destroyed region of Barralonga © Fabio Tito

[10] http://catapa.be/en/news/back-tragedy-samarco

[11] 11.11.11, Broederlijk Delen, FairFin: *Gedolven grondstoffen, ontgonnen winsten,* 2017

The situation today

After the publication of our report in 2017, public opinion was harsh on the banks investing in controversial mining. Belgian minister of Finance Johan Van Overtveldt was urged to question BNP Paribas (of which the Belgian state is a major shareholder).

In the discussions and correspondence with the banks that followed, we heard a series of interesting arguments against divestment from controversial mining. Banks mention the fact that mining companies are too diverse to exclude and that many other companies are dependent on them. They say divestment would put a hold to the dialogue and banks would lose the possibility to influence the companies. It was even suggested that there is no such thing as sustainable mining.

All of these arguments painfully illustrate how the problem of controversial mining is a structural one. The fact that these companies are diverse should not be an argument to invest. By supporting the company as a whole, banks are supporting their controversial activities as well. Dialogue is necessary but should have a clear set goal. It is unlikely that companies will change their policies when they do not feel the pressure on their investments. Moreover, dialogue can continue after divestment takes place. Banks need to give a signal to controversial companies that they do not agree with their practices. They can do that in the first place by including so-called red lines in their policies, pointing out which practices are unacceptable for them.

Photo: Dog being rescued from the flood © CATAPA

All banks took note of our recommendations and KBC Bank has confirmed to work on a more explicit mining policy. Yet until today, no changes have been made regarding their mining policies. The investment policies of Deutsche Bank, ING, BNP Paribas, KBC and Belfius still leave open the possibility to finance companies like Glencore, Vale and BHP Billiton.

In October 2017, BNP Paribas took a remarkable step in her policy by banning controversial energy production from tar sands and shale gas from all investments. This was an important signal for some large companies, with which the bank has a long-term financial relationship. KBC Bank recently excluded almost all fossil fuel companies from her sustainable investment funds. These examples show that divestment and strict policies are possible. We encourage BNP Paribas, KBC Bank and other banks to adopt the same attitude with regard to controversial mining companies. By adopting clear policies and red lines, banks can play an important role in making the choices of these companies more sustainable and social in the future.

Our new research shows that in fact all researched banks still financed the abovementioned companies in 2017.

Loans, underwriting services, bonds and shares 2017 per bank in EUR mln

	Glencore	BHP Billiton	Vale	**TOTAL**
BNP Paribas	317,7	38,43	91,75	**447,88**
Deutsche Bank	388,2	260,3	135,3	**783,8**
ING Group	399,5			**399,5**
KBC Group [12]	96,07	12,78	1,74	**110,59**
Candriam (Belfius' asset manager)	1,33	7,36	0,09	**8,78**
				1750,55

When we compare the amount of loans given to the three companies in 2017 with the yearly average of the loans given between 2011 and 2016, we notice a small decline in all banks. Share- and bondholdings on the other hand have increased: compared to 2016, share- and bondholdings almost doubled for all banks in 2017. Belfius also started financing Glencore, Vale and BHP Billiton: unlike in 2016, we did find some share- or bondholdings for Belfius' asset manager Candriam in 2017.

The decline in loans given to the three companies, can be explained by the fact that BHP Billiton no longer received new loans from any of the researched banks in 2017. All amounts invested in BHP Billiton represent shareholdings. As Vale does receive loans from those banks, it is unlikely that this divestment is related to the Samarco case. The divestment comes at a time when profits at BHP Billiton were declining. However this case is interesting, as it proves that banks can divest if they want.

---

[12] Candriam manages assets for Belfius. However, it is not said that all investments made by Candriam, are on Belfius' account.

Conclusion

The fact that banks active in Belgium choose to finance Glencore and Vale year after year, shows that they hold an ongoing business relationship. Although they might not specifically finance the projects mentioned in this report, they do give general loans to the companies which enables these companies to manage those harmful projects. In investing in Glencore and Vale, banks silently approve of their practices and enable them to continue on the same path.

FairFin, 11.11.11, CATAPA and Broederlijk Delen ask banks to strengthen their policies on human rights, environment and good governance, in order to exclude mining companies that act in a socially and environmentally irresponsible way. Prior to any financial engagement with mining companies and specific projects, banks should conduct proper due diligence processes to identify possible human rights, environmental and governance risks. More specifically:

<u>Banks:</u>

- should have **strong and transparent policies** on human rights and the environment, that include red lines indicating clearly which practices are unacceptable (such as the non respect for land rights or planned projects in UNESCO world heritage areas);
- should, when in dialogue with companies, clearly **state which improvements they expect within which timeframe**;
- should **exclude companies** that cross the indicated red lines or make insufficient progress after dialogue with a bank.

<u>The government:</u>

- should ensure that companies and financial institutions **report about their ESG (environment, social and governance) criteria**, in line with the EU Directive for non-financial reporting (2014/95/EU);
- should take steps to **anchor due diligence regulation in national laws**, ensuring that financial institutions and banks are not involved in practices that harm human rights or the environment;
- should insist that the EU takes on a constructive role in the negotiations on a UN binding treaty on business and human rights;
- should, as shareholder, **insist that BNP Paribas drafts a strict mining policy** with clear ‘red lines’, as mentioned above.

Photo: Peru, Espinar © Thomas De Boever - Broederlijk Delen

Do you want to put pressure on your bank to stop investments in controversial mining? Send a letter via

www.bankwijzer.be www.scandesbanques.be

Today's investments define the world of tomorrow.
Just as people have the right to claim their land and livelihoods, we have the right to claim what our money is being used for.

COLOFON

Text: Marjon Meijer (FairFin)

Research: Frank Vanaerschot (FairFin), Julia Dubslaff (Facing Finance), Profundo

Contributions: Lien Vandamme (11.11.11), Wies Willems (Broederlijk Delen), Charlotte Christiaens en Karolien Burvenich (CATAPA)

Design: Janneke Janssen

Research done in the context of the Mine the Gap festival at the Beursschouwburg

Vu Marjon Meijer, Vooruitgangstraat 333/9, 1030 Brussel