Financing Agribusiness

November 2014

This statement outlines Westpac Group’s position on lending to customers involved in cultivating, processing or distributing agricultural products.

Purpose

Agribusiness plays a fundamental role worldwide in feeding the global population, driving economic growth, reducing poverty and supporting livelihoods.

Westpac recognises that this sector also has a range of environmental and social impacts which need to be responsibly managed. These include, for example: degradation of habitats, biodiversity and ecosystem services through land conversion; release of greenhouse gas emissions to the atmosphere through land conversion and other agribusiness practices; impacts on soil, water and local communities through unsustainable water use and intensive use of agrochemicals; and impacts on local communities, for example where they are displaced without free, prior and informed consent.

At a global level, with forecast growth in population and rising living standards, there will be increased demand for agricultural commodities creating pressure to further intensify production and expand the areas used for agricultural production – making responsible approaches to environmental and social risk management ever-more important.

Westpac is a member of the Banking Environment Initiative and a signatory to the Soft Commodities Compact, aligning us with the Consumer Goods Forum’s 2010 resolution to help achieve zero net deforestation by 2020. This commits us to:

- using all reasonable endeavours to work with Consumer Goods Forum supply chains to explore how we can finance the growth of the markets producing palm oil, timber products, soy, and beef to zero net deforestation standards; and
- prioritising the establishment of the internal mechanisms such that by 2020 all corporate banking customers whose operations include significant production or processing of palm oil, timber products, or soy in markets at high risk of tropical deforestation can verify that these operations are consistent with zero net deforestation.

Westpac is also a signatory to the New York Declaration on Forests, which commits us, collectively with a range of other companies, Governments and civil society organisations across the world, to do our part to achieve a range of outcomes in partnership aimed at reducing and halting deforestation.

This position statement outlines the principles which we will apply within agribusiness banking and supports the implementation of our commitments under both the Soft Commodities Compact and the New York Declaration on Forests.
Scope

For the purpose of this position statement, agribusiness refers to all businesses that cultivate, process, and distribute products from agriculture. It applies to the agribusiness sector in all jurisdictions where Westpac operates and to all financing of corporate, institutional, and business banking, direct agribusiness customers. Where indicated in this position statement, it also extends to customers and suppliers that are manufacturers and retailers of products using agribusiness inputs. It does not apply to desktop traders that do not take possession of a physical commodity.

Our principles

As a leader in sustainability, we assess all customers and transactions in accordance with our internal Sustainability Risk Management Framework. We also seek to promote responsible business practices amongst our customers, recognising that as one of the largest companies in our region, we have an ability to influence and a broad role to play.

We support the development of credible independent certification schemes as a means to promote and verify sustainable business practices. We place a strong emphasis on independent certification schemes, where available, as an effective and practical way of ensuring that our customers demonstrate that their behaviour is consistent with sustainable business principles. We monitor the development of certification schemes relevant to the sectors in which we operate and may update our position on agribusiness sectors as schemes evolve.

Our position

We seek to develop relationships with agribusiness customers that do not:

- adversely impact on high conservation value forests;
- violate the rights of workers;
- violate the rights of local communities, such as the principle of free, prior, and informed consent. This includes a commitment to zero tolerance for ‘land grabbing’;
- mistreat livestock and are in compliance with relevant jurisdictional animal welfare standards.

We also seek to develop relationships with agribusiness customers that do not develop on areas of high carbon stock forest, although recognise that this is aspirational since the definition and classification of high carbon stock forests is not yet well developed.
We will not knowingly finance agribusiness customers that are not in compliance with these standards. Where a customer group also operates in other sectors, we will not knowingly provide finance, directly in support of its companies that are not compliant with this position statement.

We require all of our agribusiness customers to be in compliance with local, national, and international ratified law and regulations including industry minimum standards.

For all agricultural commodities sectors, we will follow up on credible allegations that customers do not meet our standards and take action as appropriate.

We also apply these standards to our own suppliers, and encourage our suppliers to procure agricultural commodity inputs from sustainable, and where possible certified sources.

Certification requirements

Palm oil:
Westpac will require customers that are growers, producers and processors of palm oil to be fully certified under the Roundtable for Sustainable Palm Oil (RSPO) by 2020. Where they are not currently certified, they must provide Westpac with evidence that they are working towards full certification with a satisfactory timeline.

The above definition does not include end product manufacturing (of palm oil or products with palm oil ingredients), trading or retailing. For these downstream sectors we will encourage certification with the RSPO and / or procurement of certified inputs as appropriate. Risks will be assessed on a case by case basis.

Soy:
Westpac will require all customers that are soy producers in higher risk geographies, to be fully certified under the Roundtable for Sustainable Soy (RTRS) by 2020. Where they are not currently certified, they must provide Westpac with evidence that they are working towards full certification with a satisfactory timeline.

Westpac will require all customers that are soy processors to ensure that all soy inputs procured from producers in higher risk geographies are fully certified under the RTRS by 2020. Where this is not the case, they must provide Westpac with evidence that they are working towards fully certified inputs with a satisfactory timeline.

For downstream sectors, namely manufacturers, traders or retailers of soy products, we will encourage procurement of certified inputs. Risks will be assessed on a case by case basis.

Timber:
Westpac will require growers (forest managers) and processors in higher risk geographies to be compliant with either the Forest Stewardship Council (FSC) or a national scheme endorsed against the 2010 Programme for the Endorsement of Forest Certification (PEFC) meta-standard for timber products by 2020.

For manufacturers or retailers of timber products grown in higher risk geographies, we will encourage chain of custody certification under FSC or a national scheme endorsed against the 2010 Programme for the Endorsement of Forest Certification (PEFC) meta-standard for timber products, and / or procurement of certified inputs. For traders of timber products grown in higher risk geographies we will encourage procurement of certified inputs. Risks will be assessed on a case by case basis.
Supporting policies and standards

Westpac expects that its customers will operate in accordance with relevant global, regional and national laws and regulations governing sustainability performance dimensions. This statement is designed to work in conjunction with Westpac’s existing risk policies, processes and procedures, and the Sustainability Risk Management Framework.

End notes

1 Net zero deforestation is an aspirational goal which applies at a global level, and allows for changes in the configuration of the land-use mosaic (that is, changes in the use of individual parcels of land), provided the net quantity, quality and carbon density of forests is maintained.


3 Where transactions have multiple counterparties, this position statement will be applied only in our assessment of our direct customers.

4 Based on the HCV principles established by ProForest. See: http://www.proforest.net/publications/HCVF/hcvf-toolkit-part-1-final-updated.pdf

5 Based on the International Land Coalition (2011) Tirana Declaration: Securing Land Access for the Poor in Times of Intensified Natural Resources Competition, land grabbing is defined as ‘large-scale land acquisition or concession which does one or more of the following: violates human rights, particularly those of women; flouts the principle of free, prior, and informed consent; takes place without or disregards a thorough assessment of social, economic, and environmental impacts; avoids transparent contracts with clear and binding commitments on employment and benefit sharing; or eschews democratic planning, independent oversight, and meaningful participation’.

6 Natural forests and trees act as stores of carbon and biodiversity, but this carbon is released and biodiversity is lost when the trees are felled and the area deforested. The amount of carbon stored within an area of land varies according to the type of vegetative cover. The HCS approach distinguishes natural forest from degraded lands that only have small trees, shrubs, or grasses remaining. GAR/TFT/Greenpeace has developed an HCS methodology and is available at http://www.goldenagri.com.sg/sustainable_hcs.php. Other equivalent approaches may be used.

7 Encouragement may be done through Group or division level advocacy or industry engagement and / or individual conversations where appropriate.

8 Higher risk’ refers to environmental, social and corporate governance risks in the broadest sense, including countries at higher risk of deforestation and / or potential social impacts such as ‘land grabbing’. At this stage these geographies are defined for Westpac as all countries of operation outside of Australia and New Zealand.