THE MONEY BEHIND THE CHAINSAWS
HOW COMMERCIAL BANKS SUPPORT DESTRUCTIVE LOGGING IN PAPUA NEW GUINEA
ABOUT THIS REPORT

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Cover image: Logging truck in Vanimo © Hemis, Alamy Stock Photo

Act Now!

ACT NOW! is a community advocacy organisation based in Papua New Guinea. Its vision is for a 'gutpela sindaun blong olgeta' (a just and equitable society) that embraces PNG’s rich and diverse cultural and biological heritage and is based on the principles of sharing, communal land ownership and environmental stewardship.

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CONTENTS

Executive summary ..................................................................................................................................................................6
1. Introduction: the theft of one of the world’s great rainforests .................................................................10
   1.1 PNG’s destructive logging boom ......................................................................................................................10
   1.2 Illegality in PNG’s logging industry ..................................................................................................................12
2. The importance of PNG’s commercial banks to the operation of the logging sector .............................................14
   2.1 The PNG banking system .......................................................................................................................................14
   2.2 The role commercial banks play in supporting logging ..................................................................................14
3. Bank of South Pacific ........................................................................................................................................16
   3.1 BSP’s financing of the logging industry .............................................................................................................16
   3.2 BSP’s policies on logging ......................................................................................................................................18
4. Kina Bank ..........................................................................................................................................................19
   4.1 Kina Bank’s financing of the logging industry .................................................................................................19
   4.2 Kina Bank’s policies on logging ..........................................................................................................................19
5. Westpac and ANZ ............................................................................................................................................22
   5.1 Westpac’s and ANZ’s financing of the logging sector .......................................................................................22
   5.2 Westpac’s and ANZ’s policies on logging ..........................................................................................................24
6. The non-bank lenders driving the logging industry .........................................................................................26
7. The money laundering risks associated with logging ......................................................................................27
8. The role of investors and correspondent banks .............................................................................................28
9. Conclusion and recommendations ......................................................................................................................29
   9.1 Conclusion ..........................................................................................................................................................29
   9.2 Recommendations ...........................................................................................................................................29
Annex A: Methodology and data limitations .............................................................................................................30
Annex B: Details of bank charges ..............................................................................................................................32
Annex C: Notes on corporate ownership of logging companies .................................................................................37

TABLE OF ABBREVIATIONS

<table>
<thead>
<tr>
<th>AML</th>
<th>Anti-money laundering</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANCP</td>
<td>Australian National Contact Point</td>
</tr>
<tr>
<td>BSP</td>
<td>Bank of South Pacific</td>
</tr>
<tr>
<td>CTF</td>
<td>Counter Terrorism Financing</td>
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<tr>
<td>ESG</td>
<td>Environmental, social and governance</td>
</tr>
<tr>
<td>ESRM</td>
<td>Environmental and Social Risk Management</td>
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<tr>
<td>FASU</td>
<td>Financial Analysis and Supervision Unit</td>
</tr>
<tr>
<td>FSC</td>
<td>Forest Stewardship Council</td>
</tr>
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<td>ICRAF</td>
<td>Individual and Community Rights Advocacy Forum Inc</td>
</tr>
<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
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<tr>
<td>IPA</td>
<td>Investment Promotion Authority</td>
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<td>IRC</td>
<td>Internal Revenue Commission</td>
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<td>NAB</td>
<td>National Australia Bank</td>
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<td>OCBC Bank</td>
<td>Overseas Chinese Banking Corporation</td>
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<td>PEFC</td>
<td>Program for the Endorsement of Forest Certification</td>
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<td>PNG</td>
<td>Papua New Guinea</td>
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<td>PNGFA</td>
<td>Papua New Guinea Forest Authority</td>
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<td>PPSR</td>
<td>Personal Property Securities Register</td>
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<td>SABL</td>
<td>Special Agricultural and Business Lease</td>
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<td>WGTC</td>
<td>Wawoi Guavi Timber Co. Limited</td>
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EXECUTIVE SUMMARY
The forests of Papua New Guinea, which cover more than 70% of the country, sustain the lives and livelihoods of millions of people and are home to a staggering range of animal and plant species. Their role in rainfall patterns and carbon storage means they are of global importance, including in the fight against climate change. But efforts to curb deforestation are being hampered by a consistent flow of international financing that helps to fuel destructive logging industries.

This report looks at the role that commercial banks in Papua New Guinea (PNG), including PNG-based banks and subsidiaries of Australian banks, are playing in this picture. Over the past 20 years, the forests of PNG have been the site of a resource grab on a massive scale that has seen billions of dollars’ worth of valuable tropical hardwood logs shipped out of the country, with minimal returns.

This report explores how PNG’s four commercial banks have facilitated, and in some cases are still facilitating, this resource grab by providing credit, guarantees and transactional banking services to the logging companies.

Logging in PNG
PNG’s forests have been under threat for decades as a result of a logging boom that has seen the country become the world’s largest exporter of tropical round logs. Between 1972 and 2014, PNG lost 9 million hectares of primary rainforest—an area approximately the size of Portugal. While some of this forest loss has been due to agriculture, roads and housing, logging is a significant contributor, responsible for 81% of forest loss between 2002 and 2014.

According to export data, five logging exporting companies, each with links to overseas corporate groups, were responsible for over half of all round log exports from PNG in the last decade: Rimbunan Hijau (PNG) Limited, Cakara Alam (PNG) Limited, WTK Realty Limited, Vanimo Jaya Limited and KK Connections Limited.

The tropical logging industry in PNG is not just a threat to biodiversity, livelihoods and carbon stocks – it has also been implicated in illegality and human rights abuses. While almost all logging in PNG is licenced in some way, there are frequent breaches of the law in the granting of permits and permit extensions, and in the course of companies’ logging operations.

Legal and human rights concerns that have been raised in government inquiries, academic literature, court decisions and non-government investigations in relation to PNG’s logging sector include:
• Logging without the free, prior and informed consent of customary landowners, which is required by law;
• Illegal issuing, extension and use of licences and permits, including over-logging, logging in prohibited areas and unsustainable logging;
• Transfer mispricing and tax avoidance by logging companies;
• Bribery of officials;
• Co-opting police as private security; and
• Cultural harm and violence against women.

For these reasons, all of PNG’s tropical hardwood timber exports should be considered at risk of being derived from illegal logging.

Commercial banks’ role in supporting logging
There are four commercial banks that operate in PNG – Bank of South Pacific (BSP), Kina Securities Limited (which trades as Kina Bank), ANZ PNG and Westpac PNG. ANZ PNG and Westpac PNG are subsidiaries of Australian banks, while BSP and Kina Bank are headquartered in PNG.

PNG’s banking system plays an important role in enabling its logging industry to continue to operate by providing credit facilities (such as loans and lines of credit), transactional banking services (such as bank accounts) and bank guarantees.

Bank charges and financial statements available through PNG’s company registry filings reveal that PNG’s commercial banks have provided at least K$100 million (AUS$44 million) in available credit to the top five log exporting companies since 2000. Because nearly two-thirds of the registered financing transactions are for an unspecified amount, and the top five exporters only account for 52% of total exports, the total credit made available to the whole logging industry could reasonably be more than three times this amount.

Currently, PNG’s largest bank, BSP, is providing credit of up to K$64.77 million (AUS$6.55 million) to seven companies in the Rimbunan Hijau group. Some of these credit facilities are not due to expire until 2051.

Historically, all four banks have provided credit facilities to the five major logging companies:
• BSP has historically provided credit to WTK Realty and Kakara Alam.
• Kina Bank appears to have had an open line of credit with Rimbunan Hijau for over 10 years before October 2018 and, if (or banks it acquired) have previous financing links with WTK Realty and Kakara Alam.
• ANZ PNG historically provided credit to WTK Realty and Rimbunan Hijau, while Westpac had open lines of credit with WTK Realty up until at least 2000.
• Non-bank lender Heduru Moni has also provided Rimbunan Hijau, KK Connections and related companies with an estimated K$1 million (AUS$4.9 million) in vehicle financing as well as one credit facility secured by land.

This financing came over the period in which unsustainable logging decimated PNG’s forests, with PNG’s forest management and non-government reviews pointed to high risks of illegal logging and human rights abuses in the industry. But banks continued to offer support to the industry for years.

In 2021, Act Now! and Jubilee Australia wrote to PNG’s four commercial banks and to non-bank lender Heduru Moni to ask about their banking services to the logging sector.

The responses of BSP and Kina Bank were a major cause for concern. BSP advised that all logging activities including production or trade in wood but not non-wood products sourced from unsustainably managed forest are considered excluded activities, but did not deny having a financing relationship with Rimbunan Hijau, which suggests a gap between rhetoric and reality. Kina Bank has advised it has no financing relationship with Rimbunan Hijau but has not ruled out other banking relationships with that company, or with other companies involved in the logging industry. Heduru Moni did not respond.

Westpac PNG indicated that it had ceased, or started closure activity, for any banking relationship (including transaction services) with entities involved in the logging/timber industry who do not meet Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC) standards. ANZ PNG also indicated it had reviewed its exposure to the sector and now only has a banking relationship with one customer involved in logging, which holds FSC certification.

A “significant money laundering threat”
The logging sector clearly poses an environmental, social and governance (ESG) risk for PNG’s four banks and the financial institutions that are connected to them. It also poses a significant AML compliance and anti-money laundering (AML) regulations.

Money laundering occurs where property generated through criminal activities, including illegal resource extraction and tax evasion, is disguised in order to be incorporated into the legal economy – including where money is passed through the banking system.

Laws place a responsibility on banks, lawyers, accountants, and corporate service providers to monitor these risks, apply appropriate levels of due diligence, identify suspicious activity and report it. Failure to comply with AML requirements can result in disciplinary measures, or even criminal prosecution.

In 2017, a Bank of PNG National Risk Assessment concluded that illegal logging poses a significant money laundering threat. The assessment argued that “there are strong indicators of large-scale corruption and illegal logging in the forestry sector in PNG, which result in high levels of proceeds of crime”, and that “it is widely accepted that the problem is widespread and the lost revenue is extensive”.

The need for stronger policies and swift action
Each of the commercial banks operating in PNG has policies to address ESG and human rights issues, as well as AML risks – although we were not able to obtain all these policies for review. Some of these policies appear to be driving change in the way banks engage with logging companies. In other cases, these policies have clearly been insufficient. A lack of robust policies leaves banks at risk and is also a risk for their investors – including Australian custodian firms, PNG superannuation funds, the Asian Development Bank and the International Finance Corporation.

While Westpac and ANZ have taken positive steps to move away from the logging sector, continued due diligence is vital, including scrutinising banking relationships with companies in the same corporate family as the logging companies. History shows that it has taken the major banks too long to exit relationships with logging companies, with financing flowing to logging operations (and banks pocketing the revenue from those transactions) after local communities, government-funded reviews and NGOs had raised significant concerns.

For BSP and Kina Bank, the way forward is clear: to avoid complicity in human rights abuses, and the potential risk of handling proceeds of crime, these banks need to stop financing the logging industry. It is essential that both banks immediately cut all ties—including transactional banking relationships—with companies involved in large-scale tropical forest logging and rule out future financing to the sector.
RECOMMENDATIONS FOR COMMERCIAL BANKS
1. End all banking services to companies involved in large-scale tropical forest logging. This includes provision of loans, guarantees, transactional banking and any other banking or financing relationships.
2. Publish information on current banking relationships with PNG’s logging sector and what steps they are taking to exit relationships with companies linked to illegal logging, to ensure transparency and accountability.
3. Develop, and publicly release, policies detailing how due diligence and screening of logging companies will be undertaken to ensure that companies do not use the PNG banking system to facilitate illegal activity. Policies should cover information sharing between branches of banks and with correspondent banks, to tackle the multinational reach of illegal logging.
4. Commit to providing redress and remedy to communities affected by logging operations, where the banks have caused, contributed to, or been directly or indirectly linked to human rights abuses through their business relationships.

RECOMMENDATIONS FOR THE PNG FORESTRY AUTHORITY (PNGFA)
1. Immediately implement the recommendations of the 2017 Anti-Money Laundering and Counter Terrorism Financing National Risk Assessment and accompanying Strategic Plan, including:
   a. Conducting a risk assessment to identify key vulnerabilities in the registration and compliance of logging companies
   b. Establishing a strategy for mitigating the most serious risks, and
   c. Demonstrating progress in conducting compliance activities and undertaking enforcement action.
2. Work cooperatively to support the work of FASU and the Internal Revenue Commission to investigate money laundering threats and other illegal activity associated with the logging sector.

RECOMMENDATIONS FOR FINANCIAL ANALYSIS AND SUPERVISION UNIT (FASU) AND THE INTERNAL REVENUE COMMISSION (IRC)
1. Continue to investigate potential money laundering threats and other illegal activity associated with PNG’s commercial banks and the logging sector.
2. Make the findings of these audits publicly available.
3. Take appropriate enforcement action to penalise commercial banks and logging companies when legal breaches are identified.

For decades there has been overwhelming evidence of widespread illegalities in the logging sector in PNG. It is completely unacceptable that high street banks should be facilitating and profiting from the destruction of vital tropical forest resources.

EDDIE TANAGO
CAMPAIGN MANAGER, ACT NOW!
The forests of Papua New Guinea, which cover more than 70% of PNG's land area, sustain the lives and livelihoods of millions of people and are home to a staggering range of animal and plant species. The forests also sustain complex ecosystems – from the soil, to the watershed to the reef. Their importance is global. The forests of PNG contribute to the region’s high rainfall, and deforestation in PNG has the potential to impact local and regional weather patterns and the global climate. Reducing deforestation is an essential component of the global plan to address climate change. Healthy forests absorb carbon dioxide, while around 10% of global carbon emissions are caused by deforestation. It was estimated in 2004 that PNG’s forests had capacity to store the equivalent of nearly 1.5 times the entire emissions from fossil-fuel power stations worldwide.

But global efforts to curb deforestation are being hampered by a consistent flow of international financing that helps to fuel destructive logging industries. Globally, between 2013 and 2019, more than 300 banks and investors provided US$44 billion in financing to agribusiness companies responsible for the destruction of rainforests.

This report looks at the role that commercial banks in Papua New Guinea (PNG) are playing in this picture, and how they have helped to facilitate a massive timber resource grab that risks undermining both national and global climate goals.

1.1 PNG’s destructive logging boom

Despite the obvious and vital importance of PNG’s forests, they have nevertheless been under threat from a decades-long logging boom that has seen the country become the world’s largest exporter of tropical round logs. This logging boom has seen billions of dollars worth of unprocessed round logs sent out of the country with minimal returns, while damaging vitally important forest resources. Between 1972 and 2014, PNG lost 9 million hectares of primary rainforests – an area approximately the size of Portugal. This forest loss includes areas where the land has been completely cleared and areas where primary rainforest has been degraded through selective logging operations.

While some of this forest loss has been due to agriculture, roads and housing, logging is a significant contributor, responsible for close to half of the forest loss from 1972 to 2002. From 2002-2014, while the overall rate of forest loss slowed, logging was a greater contributor: responsible for 81% of forest loss over this time. PNG’s logging concessions cover a vast area of the country – in 2014 there were 298 current or proposed logging concessions covering 14.9 million hectares of rainforest. Most concessions are leased and operated by foreign companies – primarily from Malaysia.

Most of the timber harvested from these logging operations is shipped out of the country as unprocessed round logs, nearly 90% of which go to China. Over the last decade, round log exports reached record highs. Between 2011 and 2020, PNG exported an average of 3.52 million cubic metres of logs each year, a 35% increase from the preceding decade. The log export volumes reached their peak in 2018 with 4.04 million cubic metres of logs exported in that year alone. This is enough logs to fill more than 122,000 shipping containers – or to fill the Melbourne Cricket Ground 2.5 times over.

Log export volumes peaked in 2018 at 4.04 million m³/year - enough logs to fill more than 122,000 shipping containers - or to fill the Melbourne Cricket Ground 2.5 times over.

Exporting the bulk of its timber as unprocessed round logs means that PNG derives less economic benefit from its timber resources than if the logs were processed domestically and exported as sawn timber, plywood or wood products like furniture. While other countries in the region have put in place various kinds of log export bans – including Indonesia, Thailand, the Philippines, Laos, and Cambodia, PNG has expanded its exports. First mooted in the 1990s, PNG’s leaders have repeatedly expressed an intention to ban round log exports but changes have failed to materialise. The current target for log exports to cease is 2025. Shifting PNG’s forest industry from round log exports to a smaller but higher-value industry would go some way towards reducing overall logging rates.

Further exacerbating the economic losses, customary landowners receive only a fraction of the benefits of the logs felled on their land – an average of US$6 per m³ or around 6% of total log export revenues. In many cases, the impact is doubly felt, as logging operations often damage the forest resources and waterways that customary landowners rely on for food and income.

In 2020, there were 43 companies, some with multiple subsidiaries or related parties, exporting tropical logs from PNG. Over the past decade, over half of all log exports have come from operations linked to five companies: Rimbunan Hijau (PNG) Limited, Cakara Alam (PNG) Limited, WTK Realty Limited, Vanimo Jaya Limited and KK Connections Limited. For several of those corporate groups, logging operations first began in Sarawak, Malaysia before expanding into the Pacific following the depletion of forest resources in Borneo. Ironically, Sarawak now has restrictions on log exports.
1.2 Illegality in PNG’s logging industry

The logging industry in PNG is associated with widespread illegality and human rights abuses, in turn threatening biodiversity, livelihoods and carbon stocks. While almost all logging in PNG is licensed in some way, there are frequent breaches of the law in the granting and extension of logging permits and licences, and the way logging operations are conducted. For this reason, all of PNG’s tropical forest log and timber exports should be considered at risk of resulting from illegal logging.

Illegal issuing, extension and use of licences and permits

Illegal issuing, extension and use of licences and permits are common, including:

- licences granted without permission of customary landowners as required by law (see below);
- licences being issued, extended or renewed in contravention of laws and statutory processes;
- misuse of Forest Clearance Authorities for logging rather than agricultural projects;
- logging companies breaching contractual obligations (such as commitments to build roads, schools, hospitals or wood processing facilities);
- breaches of harvesting regulations, logging in prohibited areas and buffer zones around waterways; and
- exporting log volumes in excess of those permitted to be logged.

Tax evasion and avoidance

In 2021, PNG’s Internal Revenue Commissioner announced that 20 logging companies were being audited by the tax office, with more expected to be added to the list. The announcement called the logging industry “one of the most delinquent sectors insofar as tax compliance is concerned” and indicated preliminary observations revealed “an entrenched level of tax evasion” and “gross injustices of transfer pricing and under-declaration of income.”

This follows on from research by the Oakland Institute in 2016 that found that most logging companies in PNG appear to declare little to no profit from the export of tropical logs and generally do not pay the 30% income tax on profit required by national laws. The declared export price for PNG tropical logs is significantly lower than other tropical log exporting countries, and goods and services are often purchased from sister companies, creating a real opportunity for transfer mispricing. The report alleged that this tax evasion and financial misreporting in the sector had cost PNG more than US$100 million per year.

After the publication of that report, the PNG government announced an agreement with the Organisation for Economic Cooperation and Development (OECD) to send auditors PNG under its Tax Inspectors Without Borders program, to work with officials from the Finance Department and Internal Revenue Commission with a focus on natural resource extraction industries.

Bribery and corruption

The 2013 SABL Commission of Inquiry described a range of allegations of corruption relating to logging and agricultural land leases, implicating members of Parliament and government bureaucrats involved in the permit-granting process. It found evidence of corruption, mismanagement and lack of coordination in the Departments of Lands and Physical Planning, Environment and Conservation, Agriculture and Livestock, Provincial Affairs and Local Level Government, and the PNG Forest Authority. This confirmed an industry culture of corruption that was as far back as the Barnett Commission of Inquiry of 1989.

...landowner companies, developers and people with vested interests have hijacked the SABL process to suit their own ends. Greed and corruption at all levels, political, government bureaucracy, landowner agents /representatives, and developers have tained a noble landowner empowerment initiative.

Chief Commissioner John Numapo

The Special Agricultural and Business Lease scandal

PNG’s Special Agricultural and Business Lease (SABL) scheme was designed to facilitate small-scale agricultural development on customary land. The scheme allowed customary landowners to lease a small part of their land to the State, who would then lease it back to a nominated person or group of their choosing. This, in theory, would give customary landowners a legal title they could use to enter into agricultural projects. In practice, the leases were issued over large tracts of customary land and more than two thirds were subleased directly to private companies for 99 years leaving no residual rights for landowners. The companies were then able to obtain a Forest Clearance Authority to clear forest land ostensibly under the guise of plant oil palm or other crops. The scheme saw more than 12% of PNG’s total land area – more than 5 million hectares – pass out of the hands of customary owners and into the control of foreign enterprises, often the PNG-based subsidiaries of Malaysian logging and oil palm companies.

Following widespread reports of abuses of the SABL scheme, in 2011, the Government of PNG appointed a Commission of Inquiry to investigate it. Two of the three Commissioners issued final reports in 2013, covering 42 SABLs (the third Commissioner never submitted a report). The Commissioners found that 38 of the 42 SABLs demonstrated a lack of landowner consent. They found numerous instances of landowner consent being fraudulently obtained through misrepresentation, resulting in SABL leases issued directly to foreign companies with landowners not involved in the legal ownership of their customary land. They documented a system captured by the foreign enterprises who paid for almost every stage of the process, resulting in leases with no genuine consent, incorrect land boundaries and benefit-sharing agreements that left landowners out in the cold. Despite commitments from the then Prime Minister of PNG to cancel the leases, timber is still being exported from SABL areas.

Co-opting police

There have been widespread reports of local police forces working with logging companies, including a practice of logging companies providing police with transport, accommodation and allowances in exchange for protection. Successful Police Commissioners ordered all police to withdraw from logging sites in 2011, 2016 and 2017, but these efforts do not appear to have fixed the problem. Violent incidents and illegal logging camps were reported as recently as June 2021.

Other social and human rights impacts

Logging and related palm oil development have also had negative social impacts, partly stemming from an influx of foreign workers and internal migrants and resulting social conflict, as well as tensions within communities around distribution of royalties and loss of natural resources. Other social problems linked to logging include the destruction of sacred sites, erosion of cultural and customary norms and associated cultural harms. There are reports of workers in logging camps fuelling a harmful economy that drives increased movement of people, incentivises predatory behaviours and destabilises local, sustainable economies. This includes reports of a culture of gambling, heavy alcohol and drug use. Logging has also been linked to increases in violence against women within communities, driven in part by economic changes that skew any available opportunities in favour of men – which undermines equality and respect for women. There have been numerous allegations of sexual abuse by logging workers in logging camps. The US State Department has also identified allegations of trafficking in persons and forced labour linked to logging camps in PNG.

With corrupt government officials from implementing agencies riding shotgun for them, opportunistic loggers masquerading as agro-forestry developers are prowling our countryside, scooping opportunities to take advantage of gullible landowners and desperate for cash clan leaders.

Commissioner Numapo, SABL Commission of Inquiry Final Report

A ship waiting to load logs in Turubu Bay, East Sepik © The Oakland Institute
2. The Importance of Commercial Banks in PNG to the Operation of the Logging Sector

2.1 The PNG banking system

There are four commercial banks that operate in PNG – Bank of South Pacific (BSP), Kina Securities Limited (which trades as Kina Bank), ANZ Banking Group and Westpac PNG. BSP is the largest of these, with 44 branches and a 71% market share of deposits. Kina Bank and Westpac PNG offer banking services to individuals and corporates, while ANZ only offers corporate and institutional banking. PNG also has 13 smaller non-bank licensed financial institutions. PNG’s central bank, the Bank of Papua New Guinea, is responsible for regulating and supervising all banks and financial service providers in PNG.

Historically, PNG’s banking system was dominated by Australian banks, reflecting Australia’s colonial presence. Each of Australia’s “Big Four” were present in PNG before the country’s independence in 1975. The Commonwealth Bank of Australia, then an Australian government-owned bank, was the first to leave PNG with the Bank of PNG taking over its assets. When Australian Bank (NAB) sold its interests in 1993 to a local consortium, leading to the formation of Bank of South Pacific. ANZ and Westpac continue to have a presence in PNG.

2.2 The role commercial banks play in supporting logging

The export of PNG’s tropical logs is a global business. The vast majority of buyers of PNG’s logs are in China, while many of the largest log exporters are linked back to corporate networks in Malaysia. While the financing structures behind PNG’s logging companies are opaque and difficult to trace, it seems likely that some of the money made from the sale of PNG’s logs will be banked and spent overseas, although some may be returned to PNG to fund logging operations. While harder to track, some of PNG’s commercial banks are also likely to be providing transaction accounts and daily banking services to logging companies.

Bank guarantees and transactional banking

PNG’s commercial banks are also likely to be involved in the provision of bank guarantees, and transactional banking services to the company or whether it provides banking services of any kind to the other logging companies named in this report. The sections of this report below discuss each bank’s connection to the logging sector, based on the evidence available, with a focus on credit financing. There are several limitations to this data, discussed in more detail in Annex A, including incomplete information about charges, failures to update filings when credit facilities have closed and the complexity of some of the instruments. Customer confidentiality and an overall lack of transparency in the banking system (as in other banking systems globally) means that the information below is likely to be incomplete as it is based on publicly available records.

Act Now! and Jubilee Australia wrote to PNG’s four commercial banks to ask about their banking services to the logging sector. Westpac indicated that it had ceased, or started closure activity, for any banking relationship (including transaction services) with entities involved in the logging/timber industry who do not meet FSC or PEFC standards. ANZ also indicated it had reviewed its exposure to the sector and now only has a banking relationship with one customer involved in logging, which holds FSC certification. BSP advised it did not have facilities or owing to several specific companies named in this report, but did not confirm whether or not it provides financing or other banking services to the sector more broadly (although see its policies in section 2.1 below). Kina Bank advised it does not provide financing to Rimbunan Hijau and does not fulfill the role of security agent, but did not confirm whether it provides transactional banking services to the company or whether it provides banking services of any kind to the other logging companies named in this report.
3. BANK OF SOUTH PACIFIC

BSP was formed in 1993 as PNG’s first locally owned private bank, taking on some of NAB’s assets. It later purchased a significant portion of the PNG Banking Corporation, giving it a large network of branches across the country. 70 It has made a number of other acquisitions, including acquiring Westpac’s business in Cook Islands, Solomon Islands, Samoa, Tonga and Vamatu in 2015, and 2016. BSP also has a presence in Laos, Cambodia and Fiji. 71 As a bank headquartered in the Pacific, BSP heralds its ‘Melanesian uniqueness’ and commitment to the Pacific region. This makes it well placed to understand the importance of protecting customary land and resources to PNG’s self-determination and economic wellbeing.

BSP’s largest shareholders are also Pacific-based. This includes PNG state-owned entities Kumul Consolidated Holdings, the holding company for nine PNG state-owned enterprises, and Petroleum Resources Kutubu Limited, which holds the government and landowner interests in the Kutubu Petroleum Project. Two of PNG’s largest superannuation funds -Namibawan Super and NASFUND are major shareholders as well as Fiji National Provident Fund, Fiji’s largest financial institution. 72 As at December 2020, the International Finance Corporation, an arm of the World Bank Group, also held a small but significant shareholding (0.9%) in BSP. 

BSP listed on the Australian Stock Exchange in May 2021, but to date has maintained primarily PNG and Fiji based shareholders. Since it listed it has been subject to regulatory action by the Bank of PNG’s Financial Analysis and Supervision Unit (FASU) in relation to what FASU defined as failures of its Anti Money Laundering/Counter Terrorist Financing (AML/CFT) program (see below).

BSP has correspondent banking relationships with NAB and Commonwealth Bank, allowing clients to more easily transfer funds between PNG and Australia using the Australian banks as a portal. 73 This signals that any risks arising from BSP’s provision of services linked to illegal logging will also be of concern to its international banking partners.

3.1 BSP’s financing of the logging industry

Based on company filings, BSP is currently providing services to subsidiaries of Rimbunan Hijau with up to K64.77 million (AUS$28.55 million) in credit. 74 Rimbunan Hijau is a multi-industry Malaysian company operated by the Tiong family who are based in Sarawak. It is one of the largest timber groups in Southeast Asia. 75 Its operations span 15 different countries including Australia and New Zealand. 76 Rimbunan Hijau has a variety of interests in PNG including mining, oil palm, retail, hospitality and The National newspaper. There are 60 or more companies in PNG identified as being owned and controlled by the Tiong family, of which 30 are connected to logging businesses. 77 As outlined above, Rimbunan Hijau was by far PNG’s largest log exporter for most of the past decade.

BSP is has lines of credit open covering seven companies in the Rimbunan Hijau group:

- Rimbunan Hijau (PNG) Ltd
- Gilford Limited
- Monarch Investments Limited
- Niugini Lumber Merchants Ltd
- Rimbunan Hijau Timber Processing Ltd
- Timbers PNG Limited
- Wawoi Guavi Timber Co. Limited

Details of these charges is set out in Annex B. By the time BSP began providing financial to Rimbunan Hijau, serious concerns about Rimbunan Hijau’s logging operations had already been raised in government reports, non-government reports and in the courts. 78 These concerns should have raised red flags for PNG’s largest bank.

It is also notable that BSP provided four of these lines of credit in March 2011 to companies that had discharged equitable mortgages with ANZ in the preceding six months. 79 This suggests that BSP may have taken over some of the banking services previously provided to the conglomerate by ANZ.

BSP also historically held a financing relationship with two other logging groups: the WTK Group and Bakara Alam (PNG) Limited. Since 2001, BSP has provided WTK and its subsidiaries with up to K152.29 million (AUS$65.37) in credit. Founded in 1960, WTK owns and manages millions of hectares of forest concessions around the world. 80 The most recent financing relationship was entered into in 2013, with Amanab Forest Products Limited. From 2001-2005 BSP entered into financing arrangements with WTK Reality Ltd, Vanimo Forest Products Ltd, Vanimo Timber Company Ltd and Madang Timbers Ltd. BSP has advised that it has no facilities due or owing to any of the above companies and discharges were registered for all of these facilities in November 2021, after we reached out to BSP about them. 81

According to company filings, BSP provided Bakara Alam with a line of credit up to K2.5 million (AU$1.1 million) in 2006. BSP advised Act Now! and Jubilee Australia for this report that there are no facilities due or owing to Bakara Alam and a discharge was registered in November 2021. 82

Table 3: BSP top 10 shareholders (as at July 2021)

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Proportion held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kumul Consolidated Holdings</td>
<td>18.2%</td>
</tr>
<tr>
<td>Namibawan Super Limited</td>
<td>11.8%</td>
</tr>
<tr>
<td>Petroleum Resources Kutubu Limited</td>
<td>9.9%</td>
</tr>
<tr>
<td>NASFUND</td>
<td>9.7%</td>
</tr>
<tr>
<td>Fiji National Provident Fund</td>
<td>8.7%</td>
</tr>
<tr>
<td>Credit Corporation (PNG) Limited</td>
<td>7.1%</td>
</tr>
<tr>
<td>Motor Vehicle Insurance Limited</td>
<td>6.7%</td>
</tr>
<tr>
<td>PNG Sustainable Development Program Ltd</td>
<td>5.0%</td>
</tr>
<tr>
<td>Teachers Savings and Loans Society</td>
<td>3.3%</td>
</tr>
<tr>
<td>Comrade Trustee Services Limited</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

Source: BSP Investor Presentation, First Half 2021
In 2020, Madang Timbers was found guilty in the National Court of criminal charges including: instances of logging/road building in buffer zones, roads built more than 40km wide, and that the annual logged area was more than 1/35th of the total permitted logging area. It concluded in relation to this and the other concessions it found that "[t]he timber they produce are simply carried along to benefit or suffer as it unfolds.”

Cakara Alam

Cakara Alam was first registered in PNG in 1988. Since 2000, it has been wholly owned by C.A. Investments Limited, a company registered in Labuan in Malaysia, a tax haven. In 2020, Cakara Alam or its subsidiaries exported logs from five logging concessions, one in East New Britain Province and four in West New Britain Province.

Cakara Alam has been linked to multiple violations of the Forestry Act. A 2018 report by Global Witness, based on satellite imagery, raised concerns about inadequate landowner consultation in Rottock Bay, noting that “Landowner companies some withsubstantial history from previous projects, such as Rottock Bay TRP, are the main promoters of the project. The grass roots are simply carried along to benefit or suffer as it unfolds.”

Like several other companies discussed above, Cakara Alam has also been implicated in police brutality in 2018, the National Court found a place of work practice of violently assaulting the chairman of a landowner company after he had made a deal with a rival logger. The police officer was accompanied by a lawyer for Cakara Alam.

The same filings show a historical charge for a line of credit from PNG, which was discharged in 2001. This occurred before Kina Bank acquired Maybank's PNG business.

4. KINA BANK

Kina Securities Limited (now branded Kina Bank) was established in 1985 as a financial services company. In 2015 it acquired Maybank PNG, the PNG subsidiary of Malaysian bank Malayan Banking Berhad and listed on the Australian and PNG stock exchanges. Despite the public launch, Kina Securities established two business divisions: Kina Bank and Kina Wealth Management. A company officer was accompanied by a lawyer for Cakara Alam. It advised that there has been no existing or historical banking relationships with RH Group nor does it fulfils the role of security agent. However, it did not confirm or deny financing relationships with the other companies named in this report, nor did it answer our questions about whether it has had broader banking relationships with logging companies.

The lack of publicly available information about Kina Bank’s approach to financing the logging sector is a cause for concern. Our ESG and human rights policies are available online and can be referred to in our Annual Report and Corporate Social Responsibility report. As a major shareholder of the Asian Development Bank as a major shareholder conducted a detailed ESG audit of all the issues you have raised prior to investing, to ensure the business complied with the highest standards in this regard.

A search of Kina Bank’s website does not reveal any publicly available ESG or environmental policy. Its 2020 Annual Report states that it has a “Total Societal Impact Strategy”, which also does not appear to be on its website. It also states that the bank has started developing Environmental Social Governance Principles, in partnership with the ADB, to be completed in 2021. KSL received technical assistance from the ADB in 2019 for the development of an environmental and social management system, among other things.

In 2019, the Asian Development Bank made a US $100 million equity investment into KSL. According to the project documentation for that investment, Kina Bank had confirmed that it had not provided loans for business activities on the ADB’s prohibited investment activity list. The list of prohibited activities includes “commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests.” However, Kina Bank’s report that it is financing of 19 motor vehicles for Rimbunan Hijau Timber Processing raises questions about the accuracy of this. It is possible that a sawmill operation that exists primarily to allow investment in companies that have been the subject of legal proceedings. It also advised that it does not have any current financing arrangements with Rimbunan Hijau, nor does it fulfil the role of security agent. However, it did not confirm or deny financing relationships with the other companies named in this report, nor did it answer our questions about whether it has had broader banking relationships with logging companies.

The lack of publicly available information about Kina Bank’s approach to financing the logging sector is a cause for concern. Given well known money laundering risks associated with deforestation, a company officer was accompanied by a lawyer for Cakara Alam. It advised that there has been no existing or historical banking relationships with RH Group, nor does it fulfil the role of security agent. However, it did not confirm or deny financing relationships with the other companies named in this report, nor did it answer our questions about whether it has had broader banking relationships with logging companies. It also advised that it does not have any current financing arrangements with Rimbunan Hijau, nor does it fulfil the role of security agent. However, it did not confirm or deny financing relationships with the other companies named in this report, nor did it answer our questions about whether it has had broader banking relationships with logging companies.
RIMBUNAN HIJAU – KINA BANK’S SKELETON IN THE CLOSET

While the name Rimbunan Hijau does not feature prominently in Kina Bank’s promotional materials, individuals close to the logging giant have historically played a major role in Kina’s business in PNG.

As recently as 2015, prior to its IPO, Kina Securities Limited’s major shareholder was a Hong Kong company called Fu Shan Investment Limited, which held 89.5% of the company’s shares. Fu Shan’s 2015 IPO prospectus noted “Fu Shan is an investment company incorporated in Hong Kong. It is controlled by Madam Ho Lay Puay, a Singaporean national resident in Hong Kong. Madam Ho is a private investor with investments principally in the property, mining and resources sector.”

Madam Ho Lay Puay was married to Kiu King Tiong, brother of Rimbunan Hijau founder Hiew King Tiong. (Kiu King Tiong passed away in 2012.) In 2015, Fu Shan Investment Limited had one shareholder, Flensburg Inc, registered in Liberia. Liberia is a tax haven and has been called “the seventh most secretive country in the world.” Individuals associated with Rimbunan Hijau have also been directors of Kina Securities Limited in the past.

Fu Shan remained a substantial shareholder in Kina Securities Limited following the IPO, reducing its stake to 35%. It sold its remaining stake in 2018, three days after Kina Bank announced its acquisition of ANZ’s retail and commercial business.

Currently, one director of Rimbunan Hijau (PNG) Limited retains a small shareholding in Kina Securities Limited.

GILFORD LIMITED IN WEST POMIO

In West Pomio, East New Britain Province, Rimbunan Hijau subsidiary Gilford Limited operates the Sigite Mukus Integrated Rural Development Project which covers an area of 42,400 hectares. The concession covers three SABLs issued in 2008 and then subleased to Gilford Limited, who received a licence to clear the land for agriculture.

Customary landowners have reported that the SABLs were granted without the consent of the majority of landowners in the area, were based on the endorsement of only a handful of individuals purporting to represent the whole community and in some cases, based on use of forged signatures.

The company has faced opposition from the local community, including in the courts, and has, according to reports, responded with violence and intimidation. A 2013 fact-finding mission made up of government and NGO representatives concluded that Gilford had hired police officers and used them to thwart local attempts to stop the logging operation. It found police had assaulted men in raids on the villages using weapons such as trees and shrub branches, coconut branches, a fan belt and guns, describing the violence used as “grossly excessive.” In 2016, Act Now! published further reports of police intimidation at the site. Rimbunan Hijau disputed the findings of the fact-finding mission and stated that a March 2017 police investigation found no evidence of malpractice at the sites.

A 2021 report by Global Witness shared an incident reported by two Pomio landowners in which sixty five Pomio residents were allegedly taken by armed police and held tightly packed in a shipping container during the heat of the day for five to six hours without access to water or toilet facilities, after members of the group had tried to photograph company operations.

Since the SABLs were granted, tropical forests within the Pomio SABL have been devastated by logging. Estimates in 2021 based on satellite imagery have reported 24,000 hectares has been cleared and 1.3 million cubic metres of logs shipped out of the concession. A 2018 community-led damage assessment estimated the economic damage caused by logging and oil palm planting at K2.4 billion – including damage that had already occurred and future losses that will accrue to 2110 if the leases run their course.

BSP provided a line of credit to Gilford Limited in 2018 that is listed as set to expire in 2048. The amount available under this line of credit is unknown. While Maybank’s US$300 million credit facility, provided to Gilford in 2012, is reportedly closed, it is likely to have supported the continued operation of this concession during the events described above.

Fu Shan have been a longstanding investor and partner. They have been with us every step of the way since 1985 and I would like to put on the record our appreciation of their input, expertise and insight. Kina would not be what it is today without their valued contribution.

Kina Bank CEO, 28 June 2018
5. WESTPAC AND ANZ

Westpac Bank PNG Limited is a subsidiary of Australian “Big Four” bank, Westpac Banking Corporation. It opened its first branch (under the name Bank of NSW Limited) in Port Moresby in 1910. Westpac Banking Corporation owns 89.91% of Westpac Bank PNG Limited, with Nambawan Super Limited the other major shareholder, holding 8.73%.14

In December 2020, Westpac Banking Corporation announced it had sold its stake in Westpac PNG and Westpac Fiji to Kina Securities Limited. The announcement stated that Westpac had made a strategic decision to focus on consumer, business and institutional banking in Australia and New Zealand. However, PNG’s Consumer and Competition Watchdog issued a determination in September 2021 declining authorisation for the sale, citing concerns about market concentration, reduction of competition and the potential for negative impacts on consumers.15 It is unclear what Westpac’s plans are following this determination, and whether it will stay in PNG or seek another buyer.

Australia and New Zealand Banking Group (PNG) Limited (ANZ PNG) is a wholly-owned subsidiary of Australian bank Australia and New Zealand Banking Group Limited (ANZ).18 Like Westpac, ANZ PNG was established in 1910. ANZ PNG sold its retail and commercial/small-to-medium enterprise (SME) business to Kina Bank in 2018-19 and now only services institutional and large corporate clients.19 In Lapyerson’s terms, this means that it is no longer providing banking services to everyday people or small business in PNG – but is continuing to provide services to large companies.

Both Westpac and ANZ PNG had historical financing relationships with large logging companies.

5.1 Westpac’s and ANZ’s financing of the logging sector

Both Westpac PNG and ANZ PNG have historically provided credit to logging companies in PNG, although neither appears to have done so for some time. Neither bank appears to hold a current financing relationship with the companies named in this report.

ANZ’s historical banking relationship with Rimbunan Hijau’s subsidiaries in PNG is well documented. In 2006, one NGO from PNG and Australia brought a complaint to the Australian National Contact Point (ANCP) on the OECD Guidelines for Multinational Enterprises about ANZ’s support of Rimbunan Hijau in PNG. The ANCP is an independent investigator, based in the Australian Treasury, that can conciliate complaints against multinational enterprises who are alleged to have breached the Guidelines. The complaint alleged that ANZ had “actively facilitated and supported” Rimbunan Hijau’s PNG operations, which involved illegality, human rights abuses and environmental destruction.20 At the same time, the Green Party of Aotearoa New Zealand filed a similar complaint with the New Zealand NCP.21 Both complaints were rejected. The Australian NCP claimed that the performance related bank guarantee ANZ had given to the PNG Forest Authority did not constitute an “investment relationship”, so the OECD Guidelines did not apply.22 In a statement on its website updated in June 2007, ANZ outlined that it had discussed the concerns of environmental NGOs Rimbunan Hijau, that the company had refuted claims of illegal logging and that the PNG government had provided “written assurance that the logging activities of Rimbunan Hijau are legal and comply with Papua New Guinea’s Logging Code”.23

ANZ appears to have continued to do business with Rimbunan Hijau’s PNG subsidiaries until 2010. Financial statements filed with the IPA from 2006-2009 indicate that Rimbunan Hijau (PNG) had provided unlimited cross guarantees to ANZ to cover debts of 20 RH subsidiaries.24 There is no evidence in filings with the IPA of ANZ holding a banking relationship with Rimbunan Hijau’s PNG subsidiaries after 2010. ANZ PNG has advised that it currently has only one customer involved in the logging industry in PNG and that this company “has received certification in line with the FSC”.25

In the mid-1990s, Westpac provided financing to WTK Realty Limited and two of its subsidiaries – Vanimo Forest Products Limited and Vanimo Timber Company Limited. While the full amount of credit made available is unknown, at points during that time, the filings of WTK subsidiaries suggest they had outstanding loans with Westpac totalling over K3 million.26

In April 2014, Oxfam Australia reported on Westpac’s connections with WTK Realty Ltd, highlighting WTK’s links to land grabbing and human rights abuses under the SABL scheme.27 In November 2016, each of WTK Realty Ltd and Vanimo Forest Products Ltd filed a Notice of Satisfaction of Registered Charge which stated that their respective Westpac charges had been satisfied in October 2000.28 Both also filed a Discharge of Equitable Mortgage from Westpac dated November 2014. Westpac issued a media release stating that WTK Realty Ltd had not been a customer of the bank since 2000.29 However, it remained silent on the status of its relationship with Vanimo Forest Products. In response to questions from Act Now! and Jubilee Australia, Westpac advised that it had not had a financing relationship with any of the companies named in this report “for a significant period” but did not provide a specific date when these relationships had ended.30

ANZ also appears to have held a banking relationship with WTK Realty during the turn of the last century. WTK Realty’s 1999, 2000 and 2001 Annual Reports referred to ANZ as “its banker”.31 Vanimo Forest Products had also provided an equitable mortgage in favour of ANZ which was discharged in 2006.
Westpac has taken a comparatively strong position on logging. Westpac’s Agribusiness Position Statement (September 2020), which applies across its operations, including in PNG, states that it will not provide products and services to any activities giving rise to ‘Land Grabbing’. 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”.

This definition should exclude a large number of PNG’s logging operations. The same Position Statement also provides that Westpac will seek to develop relationships with customers that demonstrate commitment to particular standards – in the timber sector, these include that growers (forest managers) and processors must support FSC/PEFC certification and demonstrate credible progress towards full certification within a satisfactory timeline. For manufacturers, traders or retailers of timber products, Westpac encourages procurement of certified inputs.

In response to questions from Act Now! and Jubilee Australia, Westpac confirmed:

In FY13-14 Westpac Group introduced its Agribusiness Position Statement and financing facilities for customers involved in the logging/timber industry who do not meet FSC or PEFC standards were closed. The statement was developed to address a number of sustainability risks, including concerns related to customers in PNG and other offshore jurisdictions where there is less transparency, and followed the government review of PNG’s Special Agricultural Business Licences.

Last year we expanded the Group’s Agribusiness Position Statement to exclude all relationships with entities involved in the logging/timber industry who do not meet FSC or PEFC standards. Therefore, any other banking relationship with entities involved in the sector, such as transaction account services, has been ceased or closure activity commenced.

Act Now! and Jubilee Australia asked Westpac to confirm if it has any current banking relationship with Rimbunan Hijau (PNG) Limited, WTK Realty Limited, Kakara Alam (PNG) Ltd, Vanimo Jaya Limited, Kera Wara Limited, KK Connections Limited or any of their related parties or subsidiaries. While Westpac advised it does not have a current financing relationship with these parties (ie a relationship where Westpac extends credit/loan facilities), it did not indicate whether it had any current transactional banking relationship. It did, however, indicate that “actions following our latest review of the PNG customer base is on track to be finalised within weeks”.

Westpac also confirmed that logging is deemed a high-risk industry for the purposes of AML/CTF compliance, and that customers classified as high risk are subject to ongoing enhanced customer due diligence.

ANZ also has a specific sectoral policy on forestry. While the full policy is not available, an information document on the policy sets out that the bank uses a “principles-based risk framework” when making decisions on forest related transactions. The principles include supporting “customers that demonstrate a balanced approach to social, environmental and developmental impacts on forests and use internationally accepted industry management practices to manage social, environmental and economic impacts. It clarifies that ANZ’s policy provides “a framework comparable with internationally recognised certification schemes” such as PEFC and FSC, and that the bank will seek independent verification of certification or performance.

Unlike Westpac, ANZ’s policy does not require it to exit relationships with customers who do not meet FSC or PEFC certification, or explicitly require customers to achieve any particular environmental or social standard. However, in practice ANZ appears to have exited any relationships it had with the logging companies covered in this report. In response to questions from Act Now! and Jubilee Australia, ANZ confirmed:

Our approach to banking the forests and forestry sector in PNG has evolved over a number of years in line with our regional presence and strategy.

While we won't comment on the specifics of former or current customers, we can confirm that ANZ has progressively reviewed its exposures to the forests and forestry sector in PNG and currently banks only one customer involved in logging. This company has received certification in line with the FSC.

It should be noted that, while Westpac and ANZ appear to have changed their approach in relation to financing the major logging companies in PNG, our research has not covered the financing of other kinds of agribusiness linked to deforestation or activities outside PNG. In 2019, Friends of the Earth reported that Westpac and ANZ had each provided financing to global agribusiness and palm oil companies linked to rainforest clearing and land grabbing, despite their policies.

In November 2021, ANZ released a Human Rights Grievance Mechanism Framework, which allows communities that have been harmed by ANZ-financed projects to bring a complaint directly to the bank.

The framework provides a pathway for resolution of complaints with companies and, in some cases, for ANZ to contribute to a remedy, making ANZ the first large commercial bank in the world to adopt a human rights policy that offers a genuine pathway for redress.

The policy followed a complaint to the ANCP by NGOs from Cambodia and the US seeking justice for Cambodian communities evicted by a sugar company that was a customer of ANZ. The development of the Grievance Policy was a recommendation from the ANCP. This policy is a welcome step that should be replicated by the other banks operating in PNG to ensure that communities can hold banks accountable for the impact of the activities they finance.
6. THE NON-BANK LENDERS DRIVING THE LOGGING INDUSTRY

Heduru Moni Limited, which trades under the name of Moni Plus, is a licensed financial institution offering personal loans, assets finance, foreign exchange and fixed term deposits. Since 2018, the PPSR for assets including motor vehicles, heavy machinery and construction equipment. Since 2018, the PPSR for assets including motor vehicles, heavy machinery and construction equipment. Since 2018, the PPSR for assets including motor vehicles, heavy machinery and construction equipment. Since 2018, the PPSR for assets including motor vehicles, heavy machinery and construction equipment. Since 2018, the PPSR for assets including motor vehicles, heavy machinery and construction equipment. Since 2018, the PPSR for assets including motor vehicles, heavy machinery and construction equipment. Since 2018, the PPSR for assets including motor vehicles, heavy machinery and construction equipment. Since 2018, the PPSR for assets including motor vehicles, heavy machinery and construction equipment. Since 2018, the PPSR for assets including motor vehicles, heavy machinery and construction equipment.

Non-bank lender First Investment Finance Ltd has also provided financing to Rimbunan Hijau (PNG) Limited secured by seven properties in Port Moresby. The amount of this financing is unknown, but has the potential to be significant. It has also provided vehicle financing for Sinar Tiasa (PNG) Limited, a Rimbunan Hijau subsidiary. While the majority of transactions discussed above look like vehicle financing, it is not clear whether the transactions are like traditional car loans, where money is advanced to pay for a vehicle, or more general loans that the companies have secured with vehicles they already own.

Heduru Moni did not respond to requests for information from Act Now! and Jubilee Australia about its financing of logging companies. The Moni Plus website highlights a number of corporate social responsibility initiatives, including support for a number of sporting teams, but does not include any policies relating to responsible lending. Given that Moni Plus is providing millions of kina in financing to logging companies implicated in environmental destruction and human rights abuses, developing policies on lending to the logging sector should be a priority.

7. THE MONEY LAUNDERING RISKS ASSOCIATED WITH LOGGING

The logging sector clearly poses an environmental, social and governance (ESG) risk for PNG’s four banks and the financial institutions that are connected to them. But the logging sector in PNG is more than just a sensitive sector from an ESG perspective – it also poses a significant risk for banks’ compliance with anti-money laundering regulations.

Money laundering occurs where property generated through criminal activities is disguised or cleaned in order to be incorporated into the legal economy – including where money is passed through the banking system. Anti-money laundering regulations recognise a wide range of crimes such as bribery, fraud, drug trafficking, embezzlement, tax evasion and illegal resource extraction. These crimes cost the global economy trillions and often involve egregious human rights abuses. They depend on financial (e.g. bank accounts), legal (e.g. shell companies), and commercial machinery (e.g. sham contracts), to enact the crime and then retain the illicit benefits in a cleaned form.

Regulations, such as PNG’s Anti-Money Laundering and Counter Terrorist Financing Act 2015 and its Criminal Code 1975 place a responsibility on professional sectors like banks, casinos, lawyers, accountants, and corporate service providers to monitor these risks, apply appropriate levels of due diligence with customers, identify suspicious activity involving clients, and report matters to the relevant authorities. If an institution fails to comply with AML requirements it can face disciplinary measures, or even criminal prosecution.

The Bank of PNG’s 2017 Money Laundering and Financing of Terrorism National Risk Assessment concluded that illegal logging poses a significant money laundering threat. Breaches of the Forestry Act and Regulations are predicate offences for money laundering and, as outlined above, the sector is associated with a range of other criminal activities in PNG. The money generated from illegal logging in PNG generally accrues offshore when the logs are sold, but may pass back into PNG to fund logging or other business operations. The National Risk Assessment noted that PNG’s porous borders, cash-based and often informal economy exacerbate the country’s vulnerability to money laundering.

The assessment argued that “there are strong indicators of large-scale corruption and illegal logging in the forestry sector in PNG, which result in higher levels of proceeds of crime”, and that “it is widely accepted that the problem is widespread and the lost revenue is extensive”. The assessment also reported that more than 40 logging ports around the country are outside effective Customs control and these are known to be used for people movement, the export of flora and fauna and laundering. Despite this, the assessment found no evidence that any investigation into breaches of forestry laws had resulted in a successful prosecution of a timber operator or an individual associated with the industry (although this was disputed by PNGFA). The assessment noted that money laundering risks had already led one commercial bank to institute a policy of not dealing with companies involved in the logging industry.

There are strong indicators of large-scale corruption and illegal logging in the forestry sector in PNG, which result in higher levels of proceeds of crime. While the full extent of illegal logging and fishing is not known (inevitable whenever dealing with illicit activities), it is widely accepted that the problem is widespread and the lost revenue is extensive.

Bank of PNG, Money Laundering and Financing of Terrorism National Risk Assessment

In response to the National Risk Assessment, the Government of PNG issued the National Anti-Money Laundering and Counter Terrorist Financing Strategic Plan 2017-2022, which included an action for the PNGFA to conduct a sector risk assessment as well as a requirement to demonstrate progress in compliance activities and enforcement action.

They’re operating using a trans-national crime model, in that many of their efforts are actually in breach of various laws of the country. And the banks actually facilitate this by allowing them (logging interests) to use their services in the processing of what are essentially the proceeds of crime.

Gary Juffa
Governor of Oro Province

The bird of paradise is native to the forests of PNG © Nik Borrow
Recent regulatory action on money laundering has highlighted that the risks for banks are very real. In July 2020, the Financial Analysis and Supervision Unit (FASU) within the Bank of PNG announced it had taken regulatory action against BSP for failing to implement an effective AML/CTF and has failed to identify several due diligence requirements. FASU’s media release stated that BSP had failed to identify legitimate sources for payments to several PNG logging companies, and that it had failed to conduct due diligence on a customer who had credible allegations of money laundering against them. 

FASU’s next step was “a formal procedure of non-compliance” by BSP. While there is no evidence that any of these findings relate specifically to the logging industry, they do show that potential money laundering risks are very real in PNG.

BSP issued a response stating that it had complied with its AML/CTF obligations at all times. The Bank of Papua New Guinea also issued a statement disassociating itself from FASU’s media statement, arguing that it was concerned about the impact of the statement on the stability of the financial system. The Prime Minister of PNG, The Hon James Marape, also commented that he would not question the credibility of FASU.

While it is fair to say that alleged serious breaches of AML/CTF legislation by PNG’s largest bank could threaten the credibility of the PNG financial system as a whole, placing the blame for this on FASU, the regulator, seems to miss the point. FASU’s findings regarding BSP highlight the importance of banks maintaining a high level of due diligence when it comes to AML/CTF, and that the failure to do this could have implications for the entire financial system.

Westpac Banking Corporation also came under fire in Australia for “serious and systemic” breaches of Australian AML/CTF laws in 2019, for which it was ultimately hit with an AU$1.3 billion fine. Breaches included failure to appropriately report international funds transfers and failures to monitor the risks associated with the movement of money into and out of Australia through its correspondent banking relationships. While there is no suggestion that this breach related to transactions with PNG, this highlights the potential risks for correspondent banks.

Given the high levels of illegal behaviour associated with PNG’s logging sector, and the associated increased risk of money laundering, it should follow that all logging companies should be considered high risk clients and subject to enhanced due diligence. This is particularly so for those that have been specifically named in government reports, court judgments and NGO reports of illegal logging. For example, Australia’s NAB and Commonwealth Bank provide correspondent banking services to PNG’s major logging companies. These banks require all banks to undertake regular due diligence on their correspondent banking relationships. 

Evidence of commercial banks operating in PNG proceeding on PNG’s logging companies was investigated for possible money laundering. The Bank of PNG, BSP’s sister bank, which is PNG’s largest financial institution, also makes fundraising allegations against logging companies. It is important to identify and ensure all banking relationships with companies in the same corporate family as the logging companies are linked to the illegal logging industry through the back door. Evidence shows that the major banks too long to exit relationships with logging companies, to avoid supporting the industry, while continuing to finance logging operations they continue to fund. It is also important for these banks to do due diligence on the companies they know, or should know, that the funds they are providing could be supporting illegal logging.

The commercial banks’ exposure to the logging sector also creates risks for the banking system as a whole. Any implication that a major bank is linked to money laundering increases the likelihood of the confidence of investors and other actors in the financial system, which could be damaging for PNG’s economic stability. Until illegal logging is stamped out, bank involvement in the logging sector is a liability.

It is clear that some banks have already taken positive steps. Westpac has stated it is in the process of exiting banking relationships with logging companies that do not meet FASU’s or PEPFAR’s standards. ANZ says it has already done so. For these banks, continued due diligence is vital, including scrutinising the actual impact of the logging operations and continuing to monitor. It is also important they identify and end banking relationships with companies in the same corporate family as the logging companies, linked to the illegal logging industry through the back door. Loss of these relationships, which provides essential financing to logging operations well after local communities, NGOs and even government-funded reviews had raised significant concerns.

For BSP and Kina Bank, the way forward is clear: avoid complicity in human rights abuses, and the potential risk of handling proceeds of crime, these banks need to stop financing the logging sector, and to do so they should use their Safeguard Policies, and report to shareholders. A red flag for the ADB that Kina has not ruled out financing to many of the companies engaging in this activity.

The money laundering risks associated with the logging sector are high, still banks have not moved to stop financing to PNG’s logging industry. In 2019, after BSP was investigated for allegations of money laundering, BSP continued its relationship with Rimbunan Hijau, which is accused of being involved in illegal logging. In 2017, Westpac announced plans to exit relationships with companies involved in illegal logging, but failed to do so. These banks provide money laundering risks that could be serious for PNG’s financial system.

9.2 Recommendations

One of the ways to help bring an end to the scourge of illegal logging in PNG is to stop the flow of money to PNG’s logging companies. It is important for the government to ensure that all logging companies are licensed and monitored by transparent institutions.

RECOMMENDATIONS FOR FASU/IRC

1. Implement a strategy for mitigating the most serious risks, and
2. Demolishing the cash nexus and ending licensing for illegal logging.

RECOMMENDATIONS FOR THE PNGFA

1. End all banking services to companies involved in large-scale tropical forest logging. This includes provision of loans, guarantees, transactions, bank and other banking relationships.
2. Publish information on current banking relationships with PNG’s logging sector and what steps they are taking to exit relationships with companies linked to illegal logging, to ensure transparency and accountability.
3. Develop, and publicly release, policies detailing how due diligence and screening of logging companies will be undertaken to ensure that companies do not use the PNG banking system to facilitate illegal activity. Policies should clearly specify which branches of banks and with corresponding banks, to tackle the multinational reach of illegal logging.
4. Conduct due diligence and create strategies to communities affected by logging operations, where the banks have caused, contributed to or benefited from illegal logging activities.

RECOMMENDATIONS FOR THE PNGFA

1. Immediately implement the recommendations of the 2017 Anti-Money Laundering and Counter-Terrorism Financing National Risk Assessment and accompanying Strategic Plan, including:
   a. Conducting a risk assessment to identify key vulnerabilities in the registration and compliance of logging companies
   b. Establishing a strategy for mitigating the most serious risks, and
   c. Demonstrating progress in conducting a comprehensive risk assessment and undertaking enforcement actions.
2. Work cooperatively to support the work of PNG’s anti-money laundering and terrorism financing authorities.

RECOMMENDATIONS FOR FASU/IRC

1. Continue to investigate potential money laundering and other illegal activity associated with PNG’s commercial banks and other financial institutions.
2. Make the findings of these audits publicly available.
3. Take appropriate enforcement action to penalise commercial banks and other financial institutions.

9.1 Conclusion

Providing credit or other banking services to logging companies is a major liability for commercial banks operating in PNG. Financing of logging operations increases the potential risk of human rights abuses that plague the sector, and exposes them to the risk of dealing with companies in the process of illegal logging. Non-bank lenders, while playing a smaller role than the big commercial banks, also have a responsibility where they know, or should know, that the funds they are providing could be supporting illegal logging.

The commercial banks’ exposure to the logging sector also creates risks for the banking system as a whole. Any implication that a major bank is linked to money laundering increases the likelihood of the confidence of investors and other actors in the financial system, which could be damaging for PNG’s economic stability. Until illegal logging is stamped out, bank involvement in the logging sector is a liability.

It is clear that some banks have already taken positive steps. Westpac has stated it is in the process of exiting banking relationships with logging companies that do not meet FASU’s or PEPFAR’s standards. ANZ says it has already done so. For these banks, continued due diligence is vital, including scrutinising the actual impact of the logging operations and continuing to monitor. It is also important they identify and end banking relationships with companies in the same corporate family as the logging companies, linked to the illegal logging industry through the back door. Loss of these relationships, which provides essential financing to logging operations well after local communities, NGOs and even government-funded reviews had raised significant concerns.

For BSP and Kina Bank, the way forward is clear: avoid complicity in human rights abuses, and the potential risk of handling proceeds of crime, these banks need to stop financing the logging sector, and to do so they should use their Safeguard Policies, and report to shareholders. A red flag for the ADB that Kina has not ruled out financing to many of the companies engaging in this activity.

The money laundering risks associated with the logging sector are high, still banks have not moved to stop financing to PNG’s logging industry. In 2019, after BSP was investigated for allegations of money laundering, BSP continued its relationship with Rimbunan Hijau, which is accused of being involved in illegal logging. In 2017, Westpac announced plans to exit relationships with companies involved in illegal logging, but failed to do so. These banks provide money laundering risks that could be serious for PNG’s financial system.
Identifying the top five logging companies over the past decade

The top five companies were determined based on log export reports from Swiss company SGS SA from 2011-2020. Export volumes were collected for the top seven companies each year. The export rates for each year for these companies were then tracked across the decade. When new companies appeared in the top seven exporting companies, they were then back checked across the rest of the decade to determine overall exporting rates for that period. A decade average was taken for each company to determine the top five.

In determining the relevant subsidiaries for the top five companies for assessment, the listed subsidiaries in the SGS log export reports were used. This involved noting down all subsidiaries that appeared for each company between 2011-2020. At times, a subsidiary may only appear once. Furthermore, published reports were also relied upon where available. For example, the complex web of subsidiaries for Rimbunan Hijau outlined by the Oakland Institute in their report ‘The Great Timber Heist’ was used to cross check and add subsidiaries that had been found for Rimbunan Hijau.

Identifying bank charges

To identify financing provided by the major five logging companies from the last decade, we analysed records of bank charges from company filings listed on the Investment Promotion Authority (IPA) of PNG website and the Personal Property Securities Registry (PPSR), as well as company annual and financial reports where available.

<table>
<thead>
<tr>
<th>Company</th>
<th>Subsidiaries checked</th>
</tr>
</thead>
<tbody>
<tr>
<td>WTK Realty</td>
<td>• Vanimo Forest Products Ltd &lt;br&gt;• Madang Timbers Limited &lt;br&gt;• Amanab Forest Products Ltd &lt;br&gt;• Logohu Ltd &lt;br&gt;• Pacific Region Development Ltd</td>
</tr>
<tr>
<td>Rimbunan Hijau</td>
<td>• Rimbunan Hijau (PNG) Limited &lt;br&gt;• Island Forest Resources Ltd &lt;br&gt;• Niugini International Corporation Limited &lt;br&gt;• Gilford Limited &lt;br&gt;• Niugini Timber Merchants Ltd &lt;br&gt;• Saban Enterprises Ltd &lt;br&gt;• Sinaran Papua Ltd &lt;br&gt;• Wawoi Guavi Timber Co Ltd &lt;br&gt;• Beactive Ltd &lt;br&gt;• Central Sawnmill Ltd &lt;br&gt;• Evergreen Plantation Ltd &lt;br&gt;• Forest Management Services (PNG) Ltd &lt;br&gt;• GI Niugini Ltd &lt;br&gt;• Pacific Oil Palm Plantation Ltd</td>
</tr>
<tr>
<td>KK Connections/Kerawara Limited</td>
<td>• KK Connections Limited &lt;br&gt;• KL Connections Limited &lt;br&gt;• Kerawara Limited &lt;br&gt;• Chain Reaction Ltd &lt;br&gt;• GBB Limited &lt;br&gt;• Loi Looi No. 8 Ltd &lt;br&gt;• Super Green Limited</td>
</tr>
<tr>
<td>Vanimo Jaya Limited</td>
<td>• Vanimo Jaya Limited &lt;br&gt;• Border International Timber Ltd &lt;br&gt;• Sentawan (PNG) Ltd</td>
</tr>
<tr>
<td>Cakara Alam (PNG) Limited</td>
<td>• Cakara Alam (PNG) Limited &lt;br&gt;• Sumbar Alam (PNG) Limited &lt;br&gt;• Taan Pacific Limited</td>
</tr>
</tbody>
</table>

Limitations

There are several limitations to the data on bank charges:

- It appears that charges on the PPSR can be removed when they are satisfied. There may be additional charges that have been entered into since 2016 and then discharged that are not included in this report.
- Some charges registered on the IPA do not show a maximum prospective liability, and some do not provide any information on the property secured by the charge. Where information is incomplete, this is outlined in Annex B.

- It is difficult to determine whether certain charges listed on the PPSR are ‘continuations’ of previous charges prior to the change of reporting obligations, or whether they were new charges. In theory, when the PPSR came into effect, companies should have registered existing charges on the new system, even where those charges had previously been registered with the IPA. In practice, this requirement does not seem to have been rigorously followed. The charge listings in Annex B outline where we have treated a charge registered on the PPSR as a continuation of a previous charge.
- Information displayed on the PPSR does not include the maximum prospective liability secured by the charge and charge documents are not attached. For charges on the PPSR it has not been possible to identify the value of the financing provided.
### ANNEX B: DETAIL OF BANK CHARGES

Charges in favour of BSP

<table>
<thead>
<tr>
<th>No.</th>
<th>Company</th>
<th>Charge Registration No.</th>
<th>Details of charge</th>
<th>Maximum prospective liability (PGK)</th>
<th>Maximum prospective liability (AUD)**</th>
<th>Date Made</th>
<th>Evidence of Discharge</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>GILFORD LIMITED</td>
<td>1003795383</td>
<td>Charge over all the company’s present and after-acquired property</td>
<td>Unknown</td>
<td>Unknown</td>
<td>Registered 31 May 2018</td>
<td>No. According to PPSR charge is due to expire in 2048.</td>
</tr>
<tr>
<td>2</td>
<td>MONARCH INVESTMENTS LTD</td>
<td>1001803584</td>
<td>Charge over all the company’s rights, property and undertaking</td>
<td>Unknown</td>
<td>Unknown</td>
<td>Registered 9 May 2016</td>
<td>No. According to PPSR charge is due to expire in 2036.</td>
</tr>
<tr>
<td>3</td>
<td>NIUGINI LUMBER MERCHANTS LTD</td>
<td>19933</td>
<td>Line of credit secured by a fixed and floating charge over the company’s assets and undertakings.</td>
<td>K9.05 million</td>
<td>AUD3.35 million</td>
<td>31 March 2011</td>
<td>No. According to PPSR, charge was due to expire in 2021, but a continuation was lodged and the charge now expires in 2051.</td>
</tr>
<tr>
<td>4</td>
<td>NIUGINI LUMBER MERCHANTS LTD</td>
<td>17605</td>
<td>Line of credit secured by a fixed and floating charge over the company’s assets and undertakings.</td>
<td>K9.02 million</td>
<td>AUD3.88 million</td>
<td>15 September 2006</td>
<td>No. According to PPSR, charge was due to expire in 2021, but a continuation was lodged and the charge now expires in 2051.</td>
</tr>
<tr>
<td>5</td>
<td>RIMBUNAN HIAU (PNG) LIMITED</td>
<td>19928</td>
<td>Line of credit secured by a fixed and floating charge over the company’s assets and undertakings.</td>
<td>K15.6 million</td>
<td>AUD5.80 million</td>
<td>31 March 2011</td>
<td>No. No charge satisfaction filed on IPA. Below charge registered on PPSR may be the same as this charge, or this could be a different charge unregistered on PPSR.</td>
</tr>
<tr>
<td>6</td>
<td>RIMBUNAN HIAU (PNG) LIMITED</td>
<td>1001802573</td>
<td>Charge over all the company’s rights, property and undertaking</td>
<td>Unknown</td>
<td>Unknown</td>
<td>Registered 9 May 2016 (may have been made earlier)</td>
<td>No. According to PPSR charge is due to expire in 2036.</td>
</tr>
<tr>
<td>7</td>
<td>RIMBUNAN HIAU (PNG) LIMITED</td>
<td>1001802685</td>
<td>Letter of Set-Off over funds held in Term deposit account.</td>
<td>Unknown</td>
<td>Unknown</td>
<td>Registered 9 May 2016 (may have been made earlier)</td>
<td>Yes. Termination registered on PPSR in 2021.</td>
</tr>
<tr>
<td>8</td>
<td>RIMBUNAN HIAU TIMBER PROCESSING LTD</td>
<td>Unknown</td>
<td>Line of credit secured by a fixed and floating charge over the company’s assets and undertakings.</td>
<td>K12.03 million</td>
<td>AUD5.86 million</td>
<td>1 September 2015</td>
<td>No. No charge satisfaction filed on IPA. Below charge registered on PPSR may be the same as this charge, or this could be a different charge unregistered on PPSR.</td>
</tr>
<tr>
<td>9</td>
<td>RIMBUNAN HIAU TIMBER PROCESSING LTD</td>
<td>1001803360</td>
<td>Charge over all the company’s rights, property and undertaking</td>
<td>Unknown</td>
<td>Unknown</td>
<td>Registered 9 May 2016 (may have been made earlier)</td>
<td>No. According to PPSR charge is due to expire in 2036.</td>
</tr>
<tr>
<td>10</td>
<td>TIMBERS PNG LIMITED</td>
<td>20025</td>
<td>Line of credit secured by a fixed and floating charge over the company’s assets and undertakings.</td>
<td>K7.065 million</td>
<td>AUD2.63 million</td>
<td>31 March 2011</td>
<td>No. According to PPSR, charge was due to expire in 2021, but a continuation was lodged and the charge now expires in 2051.</td>
</tr>
<tr>
<td>11</td>
<td>TIMBERS PNG LIMITED</td>
<td>18606</td>
<td>Line of credit secured by a fixed and floating charge over the company’s assets and undertakings.</td>
<td>K6 million</td>
<td>AUD2.81 million</td>
<td>15 September 2008</td>
<td>No. According to PPSR, charge was due to expire in 2021, but a continuation was lodged and the charge now expires in 2051.</td>
</tr>
<tr>
<td>12</td>
<td>WAWO GUAWI TIMBER CO LIMITED</td>
<td>20026</td>
<td>Line of credit secured by a fixed and floating charge over the company’s assets and undertakings.</td>
<td>K6 million</td>
<td>AUD2.23 million</td>
<td>31 March 2011</td>
<td>No. According to PPSR, charge was due to expire in 2021, but a continuation was lodged and the charge now expires in 2051.</td>
</tr>
<tr>
<td>16</td>
<td>MADANG TIMBERS LTD.</td>
<td>14761</td>
<td>Line of credit – fixed and floating charge</td>
<td>K7 million</td>
<td>AUD4.07 million</td>
<td>31 July 2001</td>
<td>Yes. Termination registered on PPSR November 2021.</td>
</tr>
<tr>
<td>17</td>
<td>AMANAB FOREST PRODUCTS LTD.</td>
<td>21266</td>
<td>Line of credit – Fixed and floating charge</td>
<td>K25.29 million</td>
<td>AUD11.13 million</td>
<td>1 April 2013</td>
<td>Yes. Termination registered on PPSR November 2021.</td>
</tr>
<tr>
<td>18</td>
<td>CUKARA ALAM LIMITED</td>
<td>17507</td>
<td>Line of credit secured by a fixed and floating charge over all of the company’s assets and undertakings.</td>
<td>K2.502 million</td>
<td>AUD1.12 million</td>
<td>3 April 2006</td>
<td>Yes. Termination registered on PPSR November 2021.</td>
</tr>
<tr>
<td>19</td>
<td>TZEN NIUGINI LIMITED</td>
<td>17894</td>
<td>Line of credit secured by a fixed and floating charge over all of the company’s assets and undertakings.</td>
<td>K570,000</td>
<td>AUD227,004</td>
<td>4 April 2007</td>
<td>Yes. Termination registered on PPSR November 2021.</td>
</tr>
</tbody>
</table>
### Charges in favour of Kina Bank, Maybank and Kina Finance Limited

<table>
<thead>
<tr>
<th>#</th>
<th>Company</th>
<th>Charge registration no.</th>
<th>Details of charge</th>
<th>Maximum prospective liability (PKG)</th>
<th>Maximum prospective liability (AUD) ($)</th>
<th>Date made</th>
<th>Evidence of discharge</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>WAWOI GUAVI TIMBER CO. LTD.</td>
<td>Unknown</td>
<td>Overdraft facility secured by a bank guarantee (Maybank)</td>
<td>K$3 million</td>
<td>AUD$1.13 million</td>
<td>Unknown (referred to in 2011 financial statements)</td>
<td>No, however charge is not registered on the PPSR</td>
</tr>
<tr>
<td>2</td>
<td>GLISFORD LTD.</td>
<td>20444</td>
<td>Line of credit secured by fixed and floating charge (Maybank)</td>
<td>USD 300 million</td>
<td>AUD$291.35 million</td>
<td>10/04/2012</td>
<td>No, however charge is not registered on the PPSR</td>
</tr>
<tr>
<td>3</td>
<td>RIMBUNAN HIAU TIMBER PROCESSING LTD.</td>
<td>1003816015</td>
<td>Financing assets - collateral over 19 motor vehicles. (Kina Bank)</td>
<td>Unknown</td>
<td>Unknown</td>
<td>13/06/2018</td>
<td>Charge was registered on PPSR with expiry - 10/11/2021 Charge not listed on PPSR as at 17/11/2021</td>
</tr>
<tr>
<td>4</td>
<td>RIMBUNAN HIAU TIMBER PROCESSING LTD.</td>
<td>21297</td>
<td>Loan secured by a fixed and floating charge (Kina Finance Limited)</td>
<td>Registration of charge states that it secures repayment of the principal of K$2 million, plus interest and any other monies payable. Charge document lists maximum prospective liability as K$100 million.</td>
<td>AUD$45.42 million</td>
<td>20/08/2013</td>
<td>No, however charge is not registered on the PPSR</td>
</tr>
</tbody>
</table>

### Charges in favour of Westpac

<table>
<thead>
<tr>
<th>#</th>
<th>Company</th>
<th>Charge registration no.</th>
<th>Details of charge</th>
<th>Maximum prospective liability (PKG)</th>
<th>Maximum prospective liability (AUD) ($)</th>
<th>Date made</th>
<th>Evidence of Discharge</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>VANIMO FOREST PRODUCTS LTD</td>
<td>10184</td>
<td>Equitable Mortgage</td>
<td>Unknown. In 1998, Vanimo Forest Products had K$27.0 million owing against this charge. This was reduced to nil by its 2000 Annual Return.</td>
<td>Unknown</td>
<td>31/05/1995</td>
<td>Yes, discharge filed November 2014. Notice filed states charge satisfied in October 2000.</td>
</tr>
<tr>
<td>3</td>
<td>VANIMO FOREST PRODUCTS LTD</td>
<td>9101</td>
<td>Unknown</td>
<td>Unknown. In 1997, Vanimo Forest Products had K$31.7 million owing against this charge.</td>
<td>Unknown</td>
<td>08/06/1993</td>
<td>No, however charge is not registered on PPSR.</td>
</tr>
<tr>
<td>4</td>
<td>VANIMO FOREST PRODUCTS LTD</td>
<td>10090</td>
<td>Unknown.</td>
<td>Unknown. In 1995, Vanimo Forest Products had K$36.17 million owing against this charge.</td>
<td>Unknown</td>
<td>25/01/1995</td>
<td>Charge appears in 1997 VFP Annual Return as a charge in favour of Westpac. In 1998-2000 Annual Returns, the same charge number appears in favour of Hastings Dairying. This was discharged in 2000, noting it had been satisfied in 1995</td>
</tr>
<tr>
<td>5</td>
<td>VANIMO TIMBER COMPANY</td>
<td>10185</td>
<td>Registered floating charge</td>
<td>Unknown</td>
<td>Unknown</td>
<td>31/05/1995</td>
<td>No, however, charge not registered on PPSR.</td>
</tr>
</tbody>
</table>

### Charges in favour of ANZ

<table>
<thead>
<tr>
<th>#</th>
<th>Company</th>
<th>Charge registration number</th>
<th>Details of charge</th>
<th>Maximum prospective liability</th>
<th>Date Made</th>
<th>Evidence of Discharge</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>NIUGI NIUMBER MERCHANTS LTD</td>
<td>17716</td>
<td>Fixed and floating charge over company assets</td>
<td>Unknown</td>
<td>10 October 2006</td>
<td>Yes – 2010</td>
</tr>
<tr>
<td>2</td>
<td>STRAITS MARINE (PNG) LITID</td>
<td>17720</td>
<td>Fixed and floating charge over company assets</td>
<td>Unknown</td>
<td>10 October 2006</td>
<td>Yes - 2010</td>
</tr>
<tr>
<td>3</td>
<td>RH TRADING LIMITED</td>
<td>15368</td>
<td>Unknown</td>
<td>Unknown</td>
<td>31 December 2002</td>
<td>Yes – 2010</td>
</tr>
<tr>
<td>4</td>
<td>SOVEREIGN HILL PNG LIMITED</td>
<td>17698</td>
<td>Fixed and floating charge over company assets</td>
<td>Unknown</td>
<td>10 October 2006</td>
<td>Yes – 2010</td>
</tr>
<tr>
<td>5</td>
<td>DYNASTY ESTATES LIMITED</td>
<td>15567</td>
<td>Fixed and floating charge over company assets</td>
<td>Unknown</td>
<td>31 December 2002</td>
<td>Yes – 2010</td>
</tr>
<tr>
<td>6</td>
<td>EVERGREEN PLANTATION LIMITED (previously known as Formen Logging Limited)</td>
<td>17693</td>
<td>Fixed and floating charge over company assets</td>
<td>Unknown</td>
<td>10 October 2006</td>
<td>Yes - 2010 (under name of EVERGREEN PLANTATION LIMITED)</td>
</tr>
<tr>
<td>7</td>
<td>SEAL MANUS LIMITED</td>
<td>17697</td>
<td>Fixed and floating charge over company assets</td>
<td>Unknown</td>
<td>10 October 2006</td>
<td>Yes – 2010</td>
</tr>
<tr>
<td>8</td>
<td>PACIFIC OIL PALM PLANTATION LIMITED (previously known as Patpap Logging Limited)</td>
<td>17695</td>
<td>Fixed and floating charge over company assets</td>
<td>Unknown</td>
<td>10 October 2006</td>
<td>Yes - 2010</td>
</tr>
<tr>
<td>9</td>
<td>PACIFIC STAR LIMITED</td>
<td>17718</td>
<td>Fixed and floating charge over company assets</td>
<td>Unknown</td>
<td>10 October 2006</td>
<td>Yes – 2010</td>
</tr>
<tr>
<td>10</td>
<td>MONARCH INVESTMENTS LIMITED</td>
<td>17717</td>
<td>Fixed and floating charge over company assets</td>
<td>Unknown</td>
<td>10 October 2006</td>
<td>Yes – 2010</td>
</tr>
<tr>
<td>11</td>
<td>RIVERGRO NO 6 LIMITED</td>
<td>17687</td>
<td>Fixed and floating charge over company assets</td>
<td>Unknown</td>
<td>10 October 2006</td>
<td>Yes – 2010</td>
</tr>
<tr>
<td>12</td>
<td>SAN HIN DEVELOPMENT LIMITED</td>
<td>17699</td>
<td>Fixed and floating charge over company assets</td>
<td>Unknown</td>
<td>10 October 2006</td>
<td>Yes – 2010</td>
</tr>
<tr>
<td>13</td>
<td>SABAN ENTERPRISES LIMITED</td>
<td>17688</td>
<td>Fixed and floating charge over company assets</td>
<td>Unknown</td>
<td>10 October 2006</td>
<td>Yes – 2010</td>
</tr>
<tr>
<td>14</td>
<td>ISLAND FOREST RESOURCES LIMITED</td>
<td>17691</td>
<td>Fixed and floating charge over company assets</td>
<td>Unknown</td>
<td>10 October 2006</td>
<td>Yes – 2010</td>
</tr>
<tr>
<td>15</td>
<td>FRONTIER HOLDINGS LTD.</td>
<td>17719</td>
<td>Fixed and floating charge over company assets</td>
<td>Unknown</td>
<td>10 October 2006</td>
<td>Yes – 2010</td>
</tr>
<tr>
<td>16</td>
<td>MONARCH INVESTMENTS LIMITED</td>
<td>7292</td>
<td>Fixed and floating charge over company assets</td>
<td>Unknown</td>
<td>23 December 1997</td>
<td>Yes – 2010</td>
</tr>
<tr>
<td>17</td>
<td>RIMBUNAN HIAU TIMBER PROCESSING LTD.</td>
<td>11067</td>
<td>Fixed and floating charge over company assets</td>
<td>Unknown</td>
<td>10 October 2006</td>
<td>Yes – 2010</td>
</tr>
<tr>
<td>18</td>
<td>RIVERGRO NO 6 LIMITED</td>
<td>17687</td>
<td>Fixed and floating charge over company assets</td>
<td>Unknown</td>
<td>13 December 2006</td>
<td>Yes – 2010</td>
</tr>
<tr>
<td>19</td>
<td>RIMBUNAN HIAU TIMBER PROCESSING LTD.</td>
<td>11067</td>
<td>Fixed and floating charge over company assets</td>
<td>Unknown</td>
<td>18 March 1998</td>
<td>Yes – 2010</td>
</tr>
<tr>
<td>20</td>
<td>TIMBERS PNG LTD.</td>
<td>17692</td>
<td>Fixed and floating charge over company assets</td>
<td>Unknown</td>
<td>14 December 2006</td>
<td>Yes – 2010</td>
</tr>
<tr>
<td>21</td>
<td>WAWOI GUAVI TIMBER CO. LTD.</td>
<td>14251</td>
<td>Fixed and floating charge over company assets</td>
<td>Unknown</td>
<td>5 December 2006</td>
<td>Yes – 2010</td>
</tr>
<tr>
<td>22</td>
<td>VANIMO FOREST PRODUCTS LTD (WTK Realty Limited)</td>
<td>N/A</td>
<td>Fixed and floating charge over company assets</td>
<td>Unknown</td>
<td>21 July 2000</td>
<td>Yes - 2006</td>
</tr>
</tbody>
</table>
## ANNEX C: NOTES ON CORPORATE OWNERSHIP OF LOGGING COMPANIES

**Rimbunan Hijau**

This report discusses financing relating to 21 subsidiaries of the Rimbunan Hijau group. Information on corporate relationships draws on previous research conducted by the Oakland Institute in its 2016 report *The Great Timber Heist*. The following diagram is reproduced from that report with permission.

<table>
<thead>
<tr>
<th>#</th>
<th>Company Name</th>
<th>Registration No.</th>
<th>Details of Charge</th>
<th>Date</th>
<th>Expiry Date or Date Discharged</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>G88 LTD.</td>
<td>1004328882</td>
<td>5 Landcruisers</td>
<td>04/05/2020</td>
<td>Expiry - 04/05/2025</td>
</tr>
<tr>
<td>2</td>
<td>K L CONNECTIONS LTD.</td>
<td>1004184642</td>
<td>2 Landcruisers</td>
<td>05/06/2019</td>
<td>11/11/2020</td>
</tr>
<tr>
<td>3</td>
<td>K L CONNECTIONS LTD.</td>
<td>1004184866</td>
<td>1 Landcruiser</td>
<td>05/06/2019</td>
<td>11/11/2020</td>
</tr>
<tr>
<td>4</td>
<td>K L CONNECTIONS LTD.</td>
<td>1004373203</td>
<td>1 Landcruiser</td>
<td>14/12/2019</td>
<td>14/04/2021</td>
</tr>
<tr>
<td>5</td>
<td>K L CONNECTIONS LTD.</td>
<td>1004373315</td>
<td>1 Landcruiser</td>
<td>14/12/2019</td>
<td>14/04/2021</td>
</tr>
<tr>
<td>6</td>
<td>K L CONNECTIONS LTD.</td>
<td>1004373427</td>
<td>1 Landcruiser</td>
<td>14/12/2019</td>
<td>14/04/2021</td>
</tr>
<tr>
<td>7</td>
<td>K L CONNECTIONS LTD.</td>
<td>1004373531</td>
<td>1 Landcruiser</td>
<td>18/12/2019</td>
<td>14/04/2021</td>
</tr>
<tr>
<td>8</td>
<td>K L CONNECTIONS LTD.</td>
<td>1004384664</td>
<td>1 Landcruiser</td>
<td>31/12/2019</td>
<td>14/04/2021</td>
</tr>
<tr>
<td>9</td>
<td>NIDIGINI LUMBER MERCHANTS LTD.</td>
<td>1003877178</td>
<td>1 Landcruiser</td>
<td>07/08/2018</td>
<td>Expiry - 07/08/2023</td>
</tr>
<tr>
<td>10</td>
<td>NIDIGINI LUMBER MERCHANTS LTD.</td>
<td>1004328758</td>
<td>1 Landcruiser + 11 logging trucks</td>
<td>23/10/2019</td>
<td>Expiry - 23/10/2024</td>
</tr>
<tr>
<td>11</td>
<td>RIMBUNAN HIJAU (PNG) LTD. &amp; TIMBERS PNG LTD.</td>
<td>1004328758</td>
<td>11 logging trucks</td>
<td>23/10/2019</td>
<td>Expiry - 23/10/2024</td>
</tr>
<tr>
<td>12</td>
<td>RIMBUNAN HIJAU (PNG) LTD. &amp; TIMBERS PNG LTD.</td>
<td>1004535973</td>
<td>1 property</td>
<td>15/03/2020</td>
<td>Expiry - 15/03/2025</td>
</tr>
<tr>
<td>13</td>
<td>SABAN ENTERPRISES LTD.</td>
<td>1003876279</td>
<td>1 Landcruiser</td>
<td>05/08/2018</td>
<td>Expiry - 05/08/2023</td>
</tr>
<tr>
<td>14</td>
<td>SABAN ENTERPRISES LTD.</td>
<td>1004057964</td>
<td>1 Landcruiser</td>
<td>06/02/2019</td>
<td>Expiry - 06/02/2024</td>
</tr>
<tr>
<td>15</td>
<td>KK CONNECTIONS LTD.</td>
<td>25 different security interests</td>
<td>25 Landcruisers + 4 logging trucks</td>
<td>23/10/2019</td>
<td>Expiry - 23/10/2024</td>
</tr>
</tbody>
</table>

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**Figure 8: Mapping Rimbunan Hijau’s Subsidiary Companies that Are Directly or Indirectly Involved in Logging Operations**
WTK Group

This report discusses financing relating to four companies in the WTK Group.

WTK Realty Ltd and Vanimo Timber Company Limited are jointly owned by the same three individual shareholders. These three individuals are also shareholders in Madang Timbers Limited, alongside Malaysian-registered companies Lismore Trading Company Ltd, Pacific Timber International Corp, Rayley Co. Ltd. and PNG-headquartered Pacific Region Development Ltd.

Amanab Forest Products Limited has four shareholders: PNG-registered company Johnson Holding (PNG) Limited and the same three individual shareholders that own WTK Realty Ltd.

WTK Realty Ltd owns 100% of the shares in Vanimo Forest Products Limited.

Figure C.1: Relationship between WTK Group companies mentioned in this report

Cakara Alam (PNG) Ltd

Cakara Alam was first registered in PNG in 1988. Since 2000, it has been wholly owned by C.A. Investments Limited, a company registered in Labuan in Malaysia, a tax haven.

SGS log export reports from 2011 to 2020 list log exports from concessions held by Cakara Alam (PNG) Limited, Sumber Alam (PNG) Limited, Tzen Niugini Limited and Tzen Pacific Limited as part of the Cakara Alam corporate group.

Sumber Alam (PNG) Limited is also owned by C.A. Investments Limited and is managed by the same two directors as Cakara Alam (PNG) Limited. Tzen Pacific Limited has the same two directors as Cakara Alam (PNG) and Sumber Alam, and those two individuals are also its two shareholders.

Since 2009, the shares in Tzen Niugini Limited have been owned by a British Virgin Islands registered holding company. Over the period 2010 to 2012, directors in Tzen Niugini included individuals associated with the Cakara Alam Group and the East New Britain Resources Group. Since 2012, Tzen Niugini appears from its filings to be wholly controlled by the East New Britain Resources Group. To avoid confusion Tzen Niugini has not been considered part of the Cakara Alam corporate group for this report.

Figure C.2: Relationship between Cakara Alam group companies mentioned in this report

KK Connections Limited and Kerawara Limited

SGS Log export data from 2011 to 2017 includes exports from KK Connections Ltd logging operations under the umbrella of the Kerawara Limited corporate group. All log exports under the Kerawara Limited umbrella are from KK Connections Ltd or companies that are linked to KK Connections Ltd through common directors and shareholders. From 2018, log exports from KK Connections Ltd were reported under the umbrella of the KK Connections corporate group. For the purposes of identifying export volumes, exports from all companies in the group have been amalgamated.