



FINANCIAL CRIMES AND LAND CONVERSION: UNCOVERING RISK FOR FINANCIAL INSTITUTIONS

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ACKNOWLEDGMENTS

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This report is an introduction to an Environmental Crimes Financial Toolkit being developed by WWF and Themis, as part of the **Climate Solutions Partnership**¹, a collaboration between HSBC, the World Resources Institute and WWF.

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¹ [Climate Solutions Partnership | HSBC Holdings plc](#)

Executive Summary

According to [Global Canopy](#), USD 6.1 trillion in funding was provided to the 350 companies with the greatest risk exposure to tropical deforestation by some 150 financial institutions in 2023. In light of this, WWF and Themis have partnered to create a series of practical resources for financial institutions to manage their exposure to deforestation, including this introductory report which will form part of a wider Environmental Crimes Financial Toolkit.

Deforestation has a range of devastating environmental and social impacts and poses a serious threat to global efforts to tackle climate change. It is perhaps the most widely discussed form of land conversion - a term which covers land use change across a range of different ecosystems and biomes, not merely forested areas, and which should therefore be considered as part of a widened scope beyond just deforestation. Indeed, although focus in recent years has tended towards preventative measures to curb deforestation in the Amazon, for example, important biomes, such as the Brazilian Cerrado and [Gran Chaco](#) (spanning Argentina, Brazil, Bolivia, and Paraguay), which comprise savannah, wetland, and dry forest, have suffered vast destruction and degradation from land conversion, with far less attention.





Financial institutions can be exposed to land conversion activity through investment, capital provision, and financing of trade in hard and soft commodities, especially cattle, soy, palm oil, timber, cocoa, coffee, rubber, minerals, oil, and gas. What's more, with upcoming legislation and regulation in the UK, EU, US and other jurisdictions across the world increasingly geared towards tackling deforestation from a funding perspective, financial institutions are facing greater regulatory risk than ever.

Given substantial environmental, social and governance (ESG)-related concerns, many firms are already risk assessing and attempting to limit their exposure to land conversion related activity. However, in addition, land conversion frequently converges with an array of financial crimes - regardless of whether it is in and of itself legal - including bribery and corruption, money laundering, tax evasion, and fraud, as well as other predicate crimes to money laundering, including trafficking in humans, drugs, wildlife, and other natural resources. In doing so, it feeds into a pernicious web of global crime, often organised in nature, destabilising the rule of law and depriving governments of tax revenue the world over - and representing a significant financial crime risk to firms.

These financial and predicate crimes can actively drive and enable or simply converge with land conversion.

For example:



Ranches, plantations, and mines established on cleared land to launder illicit proceeds from serious organised criminal activity and drugs trafficking. Land can also be cleared to make way for drugs cultivation, as well as the infrastructure necessary to transport drugs through undeveloped areas.



Fraudulent alteration or falsification of documentation, including mis-invoicing, permit trading, trade-database hacking, or fraudulent bills of lading, employed to conceal or misrepresent activity.



Timber companies acting as front operations for the smuggling of other goods, like products of the illegal wildlife trade, which have been found transported in hollowed out logs and timber shipments.



Corruption and bribery used to secure permits for land clearing that should not legally have been issued.



Financial flows from high secrecy tax havens funding land conversion activities.



Forced and child labour utilised to undertake dangerous land clearing activities.



Front companies used to evade taxes on land clearing activities.





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The convergence with this vast array of financial crimes indicates that firms should look beyond mere definitions of licit and illicit land conversion – which are, in any case, hard to demarcate, with much activity taking place in the grey area between the two – since the threat of convergence with other serious crimes is substantial, regardless. Indeed, given this extensive overlap, the presence of land conversion might in and of itself be treated by firms as a red flag and key indicator for other serious financial and predicate crimes.

As part of this project, WWF and Themis surveyed 644 financial services professionals from across 17 countries to gauge their understanding of and attitudes towards the issue of land conversion and related financial crime. This survey was complemented by desk-based research, interviews with subject matter experts, and focus groups with practitioners to better understand financial institutions' exposure to land conversion-linked financial crimes.

Data from the survey highlighted gaps in institutional knowledge across the industry, as well as key vulnerabilities in the global financial system when it comes to handling the proceeds of land conversion-related financial crimes. Notably, **almost half of financial institutions sampled reported operating with or in high-risk sectors or areas, yet over a quarter said they did not undertake specific related due diligence.**

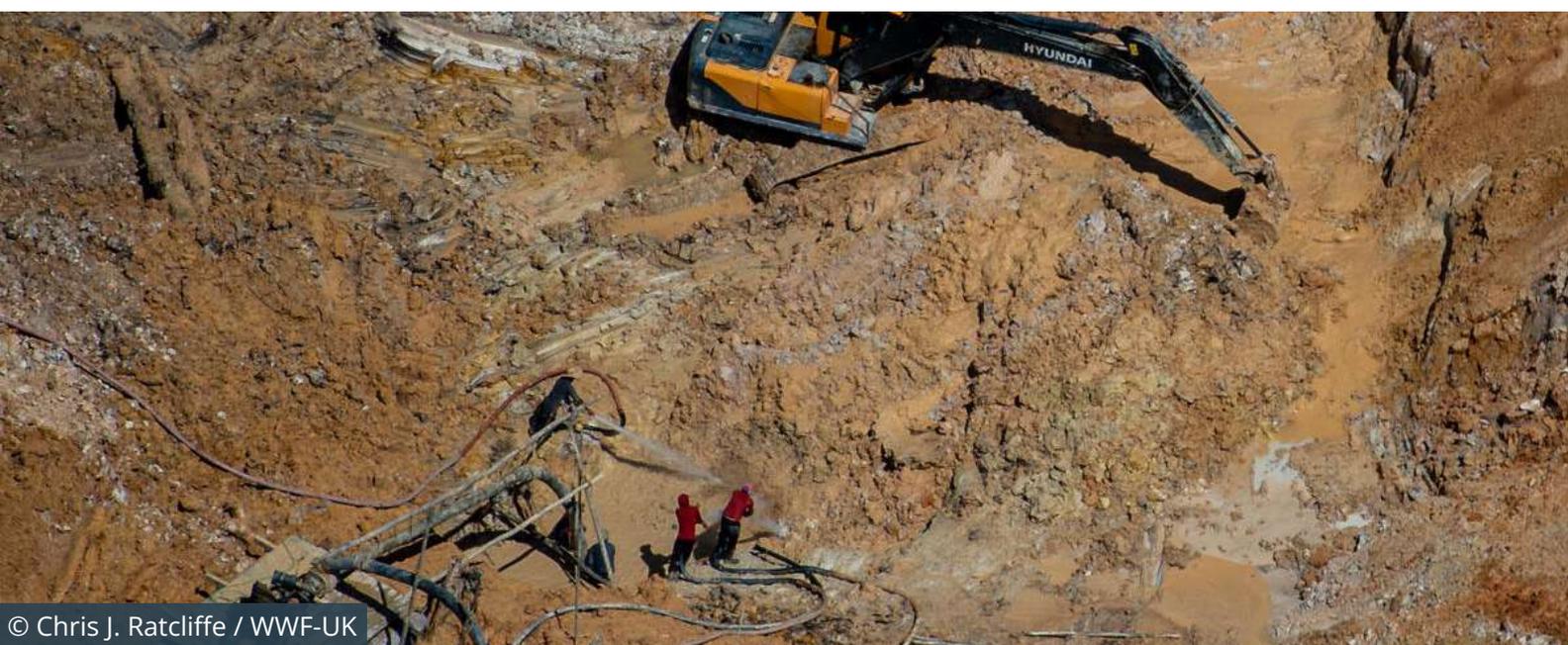
Furthermore, relatively few respondents stated that they monitor or screen companies on a periodic or ongoing basis rather than just in the early stages of a relationship. This indicates a vulnerability across the sector, especially a risk exposure to actors that only initiate illicit activity once they have been onboarded by a bank. This is even more concerning given **between a fifth and a third of survey respondents also stated that their firms had borne witness to third parties attempting to hide financial crime or unethical business practices linked to land conversion.**

The knowledge and procedural gaps identified by the survey – when combined with data on the amount of global funding provided to deforestation-risk companies by financial institutions – give cause for concern and indicate an urgent need to help firms address land conversion from a financial crime perspective, as well as an ESG one.

Indeed, participants in our research flagged land-conversion-specific training and resources targeted towards financial institutions as necessary to help firms overcome recognised obstacles, including insufficient internal prioritisation, institutional will, and funding. Additionally – and encouragingly – nearly **half of respondents indicated a willingness to end business relationships on the strength of concerns around land conversion-linked financial crime**. This suggests that delineating and emphasising the risk of exposure to financial crime through land conversion activity may be a key driver in ultimately reducing the financing of this harmful activity, helping firms to apportion risk and corresponding resources.

To address this need, this report serves as an introduction to a wider Environmental Crimes Financial Toolkit, the first stage of which we will be launching later this year. The impact of environmental crime is clear from an economic as well as an environmental perspective. According to analysis by RHIPTO, INTERPOL, and the Global Initiative Against Transnational Organized Crime in 2018, environmental crime is estimated to generate between USD 110 and 281 billion annually. As far back as 2016, INTERPOL and the United Nations Environment Programme assessed that the cost impact was rising by 5% to 7% annually – two to three times the rate of the global economy – making environmental crime the fourth largest criminal activity in the world behind drug trafficking, human trafficking and counterfeiting.

This initial iteration of the toolkit will equip firms with the means to better detect and monitor illicit activity related to land conversion, and will encompass typologies, red flag indicators, governance, and risk assessment. It is intended to be a highly practical digital resource that firms can incorporate into their existing controls, helping them to mitigate their own risk exposure to the illicit financial flows associated with land conversion, and therefore ultimately reduce the financing and impact of this devastatingly harmful activity across the world. This will ultimately form part of the wider Environmental Crimes Financial Toolkit which will broaden the focus to include other environmental crimes beyond just land conversion.



Get in Touch

If you would like to talk to us about any of the themes or updates covered in this report, please let us know.



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About Themis



Themis helps clients identify and manage their specific financial crime risks, through a combination of innovation, insight and intelligence. Our cutting edge platform helps organisations understand these strategic threats through an ESG and socio-economic lens and protects their customers, staff, suppliers and shareholders from criminal attacks or association. For more information, visit www.wearethemis.com

About WWF



WWF (Worldwide Fund for Nature) is one of the world's largest independent conservation organisations, active in nearly 100 countries.

Our supporters – more than five million of them – are helping us to restore nature and to tackle the main causes of nature's decline, particularly the food system and climate change. We're working to ensure a world with thriving habitats and species, and to change hearts and minds so it becomes unacceptable to overuse our planet's resources.



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