



Financial institution Selection methodology 2018

How are the 150 financial institutions in the Forest 500 identified?

About the Forest 500:

Forest 500, a Global Canopy project, identifies and ranks the most influential companies and financial institutions in the race towards a deforestation-free global economy.

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About Global Canopy:

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INTRODUCTION

The financial institutions included within the Forest 500 have the power to influence the sustainability of forest risk commodity supply chains through their investments and lending. By setting clear expectations and engaging with companies involved in forest risk commodity supply chains, financial institutions can help accelerate the transition of companies towards sustainable production and procurement. The Forest 500 identifies and ranks the 150 financial institutions that have the power to incentivise a market-wide shift towards sustainable supply chains due to their financial links to 350 companies that play a major role in forest risk commodity supply chains.

The 150 financial institutions selected directly finance the 350 companies identified as key powerbrokers by the Forest 500. The 250 companies include some of the largest producers, processors, traders, manufacturers, and retailers of forest risk commodities and products derived from these commodities. Due to their importance in forest risk commodity supply chains that have driven two-thirds of tropical deforestation over the last decade, these companies are exposed to reputational, regulatory, market and operational risks. These risks all have the potential to cause higher operating costs, lower margins and price volatility for companies, which can, in turn lead to lower returns on investment for financial institutions.

The financial institutions most heavily financing the 350 companies were identified by collating information from financial databases, company annual and financial reports, as well as finance news. Financial institutions were prioritised for selection if they were identified as having significant bondholdings, shareholdings, or were found to be providing other loans or underwritings. The top financiers within each of these finance categories were selected rather than looking at total financing value across these finance classes, as this would bias the selection towards certain financial institution types. Additional lenders that finance the 350 companies were also prioritized if they are headquartered in Forest 500 producer countries and financing companies there, even if they do not feature highly on the 'global' list of financiers based on the total loan value.

This methodology lays out the data sources and metrics used to identify these 150 financial institutions. Over time, as new data sources become available, this methodology will be updated. Financial institutions will be reselected biannually based on new data.

SHAREHOLDINGS

SHAREHOLDERS IN PUBLICLY-LISTED COMPANIES

Thomson Reuters EIKOS and Bloomberg financial databases were used to identify all shareholders in publicly-listed Forest 500 companies¹ as of April 2018. In total, approximately US\$3 trillion of shareholdings in publicly-listed Forest 500 companies were identified. The institutions with the largest shareholdings in publicly-listed companies were included. Further research was carried out on those institutions with shareholdings for only one company to confirm that they were a financial institution rather than a company's founding individual or family.

Given that financial institutions constantly buy and sell shares, it is possible that companies could cease to be associated financially with Forest 500 companies over the course of the year. However, the majority of the financial institutions selected have holdings in a number of Forest 500 companies. It is

¹ The complete list of Forest 500 companies can be found at www.forest500.org/rankings/companies

therefore unlikely that those identified will cease to hold shares from all of the companies in the near future.

Of the 150 financial institutions selected 136 held shares in the publicly-listed companies included in the Forest 500. In total, the financial institutions selected collectively held approximately US\$2.5 trillion in publicly-listed Forest 500 companies in April 2018, representing three quarters of the total shareholdings identified in these companies.

LOANS AND UNDERWRITINGS

Loans

Syndicated loans (i.e. a loan offered collectively by a group of lenders) and bilateral loans (i.e. a loan made by a single financial institution) to Forest 500 companies were found by researching Thomson Reuters EIKON and Bloomberg databases. The information collated from this database was supplemented by research into annual and financial reports, and websites of the Forest 500 companies to find additional details of syndicated or bilateral loans. Other underwritings, such as bond and share issuances were also found by searching the Thomson Reuters EIKON and Bloomberg databases. A loan or underwriting was considered either if it had not reached maturity at the time of research (April 2018), providing a snapshot of the credit currently being provided to Forest 500 companies.

The proportional commitment of individual financial institutions to syndicated loans was often not specified. Where this was the case, Profundo's² bookratio formula (see below) was used to determine how the total amount loaned was allocated to individual banks depending on whether they acted as bookrunners (i.e. institutions responsible for underwriting or managing the issuance of finance) or loan participants (i.e. other finance providers). When the number of participants in relation to the number of bookrunners increases, the share that is attributed to bookrunners decreases (Table 1).

$$\text{Bookratio: } \frac{\text{number of participants} - \text{number of bookrunners}}{\text{number of bookrunners}}$$

Table 1. Percentage of loans and underwritings assigned to financial institutions acting as bookrunners

Bookratio	Loans	Underwritings
> 1/3	75%	75%
> 2/3	60%	75%
> 1.5	40%	75%
> 3.0	< 40% ³	< 75% ³

² Profundo is an economic research consultancy analysing commodity chains, financial institutions and Corporate Social Responsibility (CSR) issues. Profundo provided research support to GCP for this project, in particular, by helping uncover links between financial institutions and Forest 500 companies.

³ In deals where the bookratio was greater than 3.0, a formula which gradually lowers the commitment assigned to the bookrunners as the bookratio increases was used:

$$\frac{1}{\sqrt{\text{Bookratio}}} \\ 1.443375673$$

The number in the denominator is used to let the formula start at 40% in case of a bookratio of 3.0. As the bookratio increases the formula will go down from 40%. In case of issuances the number in the denominator is 0.769800358.

In total, approximately US\$1.1 trillion in loans and underwritings in Forest 500 companies were identified. Financial institutions with the largest loan values to Forest 500 companies were included. To capture financial institutions that may not provide a large total volume of finance to Forest 500 companies but that do lend to upstream companies operating in Forest 500 producer countries, the lenders headquartered in these countries, with the greatest total loans in Forest 500 companies, were also selected for inclusion.

BONDHOLDINGS

Bondholdings in Forest 500 companies were found by searching annual and financial reports, and by searching financial news listings. Deals were included if they had not reached maturity at the time of research (April 2018). The institutions with the largest bondholdings in Forest 500 companies were included. Of the 150 financial institutions selected 105 held bonds in the companies included in the Forest 500. In total, the financial institutions selected collectively held bonds worth approximately US\$176 billion in Forest 500 companies in April 2018, representing 80% of the total bondholdings identified in these companies.

FINANCIAL INSTITUTIONS SELECTED IN 2018

The following institutions have been identified as providing finance to Forest 500 companies.

Investor.Parent	Country	Selected as one of the largest shareholders	Selected as one of the largest lenders	Selected as one of the largest bond holders	Selected as one of the largest financiers in forest countries	Selected as largest for multiple types of finance
3G Capital	Brazil	1			1	
ABN Amro	Netherlands		1			
Aegon	Netherlands			1		
Affiliated Managers Group	United States	1				
Agricultural Bank of China	China		1			
Allianz	Germany	1		1		
Allstate	United States			1		
AmBank Group	Malaysia				1	
American Century Investments	United States	1				
American Equity	United States			1		
American Family	United States			1		
American International Group (AIG)	United States			1		
Ameriprise Financial	United States	1		1		
ANZ	Australia		1			
APG Group	Netherlands	1				
ARISAIG Partners	Singapore				1	
Aviva	United Kingdom			1		
AXA	France	1		1		
Baillie Gifford	United Kingdom	1				
Banco Bilbao Vizcaya Argentaria (BBVA)	Spain		1			

Banco do Brasil	Brazil				1	
Banco Nacional de Comercio Exterior	Mexico				1	
Bangkok Bank	Thailand				1	
Bank Central Asia	Indonesia		1		1	
Bank Negara Indonesia	Indonesia				1	
Bank of America	United States	1	1			
Bank of China	China		1			
Bank of New York Mellon	United States	1				
Bank of Philippine Islands	Philippines				1	
Barclays	United Kingdom		1			
Berkshire Hathaway	United States	1				
BlackRock	United States	1		1		
BMO Financial Group	Canada		1			
BNDES	Brazil				1	
BNP Paribas	France	1	1	1		
BPCE Group	France	1	1	1		
Bradesco	Brazil		1			
BTG Pactual	Brazil				1	
Capital Group	United States	1		1		
Cathay Financial	Taiwan			1		
Charles Schwab	United States	1				
China Construction Bank	China		1			
CIMB Group	Malaysia		1		1	
Citigroup	United States		1			
Commerzbank	Germany		1			
Commonwealth Bank of Australia	Australia		1			
Crédit Agricole	France	1	1	1		
Crédit Mutuel CIC Group	France		1			

Credit Suisse	Switzerland	1	1	1		
DBS	Singapore		1		1	
Deutsche Bank	Germany	1	1	1		
Dimensional Fund Advisors	United States	1		1		
DZ Bank	Germany	1				
Eaton Vance	United States	1				
Employees Provident Fund	Malaysia				1	
Export-Import Bank of Malaysia	Malaysia				1	
Farm Credit Services Commercial Finance Group	United States		1			
Fidelity International	Bermuda	1				
Fidelity Investments	United States	1		1		
Fifth Third Bancorp	United States		1			
Fisher Investments	United States	1				
Franklin Resources	United States	1				
Geode Capital Management	United States	1				
GIC	Singapore				1	
Goldman Sachs	United States	1	1			
Guggenheim Capital	United States			1		
HSBC	United Kingdom	1	1			
ICICI Bank	India				1	
Industrial and Commercial Bank of China	China		1			
ING Group	Netherlands		1			
Intesa Sanpaolo	Italy		1			
Invesco	United States	1				
Itaú Unibanco	Brazil				1	
J.P. Morgan Chase Bank	United States	1	1	1		
Janus Henderson	Jersey	1		1		
Krung Thai Bank	Thailand				1	

Legal & General	United Kingdom	1				
Legg Mason	United States	1		1		
Liberty Mutual Insurance	United States			1		
Lloyds Banking Group	United Kingdom		1			
Macquarie Group	Australia			1		
Magellan Financial Group	Australia	1				
Malayan Banking	Malaysia		1			
Manulife Financial	Canada			1		
MassMutual Financial	United States	1		1		
MetLife	United States			1		
Mitsubishi UFJ Financial	Japan	1	1			
Mizuho Financial	Japan	1	1			
Morgan Stanley	United States	1	1			
Nationwide Mutual Insurance	United States			1		
New York Life Insurance	United States			1		
Nomura	Japan	1	1			
Nordea	Sweden					1
Norinchukin Bank	Japan		1			
Northern Trust	United States	1	1			
Northwestern Mutual Life Insurance	United States			1		
Norwegian Government Pension Fund - Global	Norway	1				
Old Mutual	United Kingdom	1				
ORIX Corporation	Japan					1
Oversea-Chinese Banking Corporation	Singapore		1		1	
Petros	Brazil				1	
Pictet	Switzerland					1
PNC Financial Services	United States	1	1			
Power Financial Corporation	Canada	1		1		

Principal Financial Group	United States	1		1		
Prudential (UK)	United Kingdom			1		
Prudential Financial (US)	United States	1		1		
PT Bank Mandiri (Persero) Tbk (Mandiri)	Indonesia		1		1	
PT Bank Rakyat Indonesia (Persero)	Indonesia			1	1	
Rabobank	Netherlands		1			
RHB Banking	Malaysia				1	
Royal Bank of Canada	Canada	1	1			
Royal Bank of Scotland	United Kingdom		1			
Safra Group	Brazil				1	
Santander	Spain		1			
Schroders	United Kingdom	1				
Schweizerische Nationalbank	Switzerland	1				
Scotiabank	Canada		1			
Siam Commercial Bank	Thailand				1	
Société Générale	France		1			
Standard Chartered	United Kingdom		1			
Standard Life Aberdeen	United Kingdom	1				
State Bank of India	India				1	
State Farm	United States	1		1		
State Street	United States	1		1		
Sumitomo Mitsui Financial Group	Japan		1			
Sumitomo Mitsui Trust	Japan	1	1			
Sun Life Financial	Canada	1		1		
SunTrust	United States		1			
T. Rowe Price	United States	1		1		
Tarpon Investimentos	Brazil				1	
Temasek	Singapore				1	

Thrivent Financial	United States			1		
TIAA	United States	1		1		
Toronto-Dominion Bank	Canada	1	1			
Travelers	United States			1		
UBS	Switzerland	1	1	1		
UniCredit	Italy		1			
United Overseas Bank	Singapore		1		1	
United Services Automobile Association	United States			1		
US Bancorp	United States		1			
Vanguard	United States	1		1		
Voya Financial	United States			1		
VTB Group	Russia		1			
Wellington Management	United States	1		1		
Wells Fargo	United States	1	1			
Western & Southern Financial	United States			1		
Westpac	Australia		1			
White Mountains Insurance	Bermuda			1		
Yayasan Pelaburan Bumiputra	Malaysia					1



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