



To: Export Development Canada

From: Colectivo VientoSur, Global Forest Coalition (GFC), Biofuelwatch, BankTrack and the Environmental Paper Network (EPN)

Concerning: Severe social & environmental impacts caused by Celulosa Arauco y Constitución

19 July, 2022

Dear Sir, Madam,

We are writing to you, along with a number of other financial institutions, as we understand that you are a shareholder AND/OR financier of Celulosa Arauco y Constitución (Arauco)¹.

With this letter, we would like to draw your attention to a report we recently [published](#), on Chile's largest pulp & paper company, headquartered and operating in Chile². In the report, we list the financiers and investors of Arauco and list our requests to these financial institutions, including yours. We therefore also would like to schedule a meeting with representatives of Export Development Canada. At the end of the letter, we make a proposal for such a meeting.

Arauco was originally a public company, but privatized during the Chilean military dictatorship (1973-1990). The company, then called Bosque Arauco, obtained a large area of land from the military junta, much of it taken from the indigenous Mapuche communities, and received generous subsidies from the government to convert the land into timber plantations. Local communities were forcibly evicted by Arauco officials, backed by the army.

In the report, it is shown that after the dictatorship, most of the severe damage was not remedied – and still is not. Natural forests have not been restored, nor have the stolen lands been returned to their traditional owners. On the contrary, large-scale plantations have continued to expand and put pressure on surrounding habitats. When indigenous communities tried to reclaim their traditional lands, they encountered violence and criminalisation that grew into an escalation of protests and repression.

Given the severity of the social and environmental impacts, and the increased international awareness on it, we believe they will likely pose serious reputational and financial risks to investors and financiers connected to Arauco.

Firstly, as set out in the report, Arauco is complicit in many severe impacts, ranging from land & water grabbing, deforestation and forest destruction, to the criminalisation of and violence against indigenous communities. This poses reputational risks to all companies and financial institutions that are associated with Arauco as the impacts of the company are exposed..

¹ This is based on our own research. If this information is incorrect, please let us know.

² The report is available in [English](#) and [Spanish](#), and distributed in Europe, North America, Chile and throughout Latin America.

Secondly, the social conflicts are of such an extent that they may result in huge financial costs and even stranded assets, due to conflict escalation. The escalation of the conflict, combined with Arauco's aim to criminalize Indigenous rights, [could very likely lead to financial loss](#) for the company. At the same time, Chile's new President Boric acknowledged the need for restitution of lands for indigenous peoples. This is an unprecedented recognition of the real roots of the conflicts in the Araucania region, and will hopefully result in full ownership of land for indigenous peoples. For Arauco however, it could mean that it would have to give land back.

Thirdly, even though most of the severe impacts originated many years ago, the consequences are still very present, and the [Accountability Framework initiative \(AFI\) Core Principles](#), UN Guiding Principles for Business and Human Rights (UNGPs) and the latest [OECD Guidance](#) for financial institutions all state that as long as an impact is not fully remedied, it is considered 'ongoing'. The company, Arauco in this case, will be responsible for stopping and remedying the impacts.

A financial institution connected to Arauco will also be connected to the impact, even when the impact occurred before the financial institution was involved in the company. If Export Development Canada does not take sufficient action, it may shift from being "directly linked" to the impacts, to "contributing" to it, in the language of the UNGPs, meaning that your institution will have a share of the responsibility for the remediation of these impacts. This is not only a reputational risk, but a huge financial risk as well.

We therefore urge Export Development Canada to avoid any **new** finance - whether through investment, lending, underwriting or otherwise - to Arauco, and use your leverage to ensure that Arauco agrees to and successfully implements (as per independent third party audit) the demands in the report (p.30 of the English and Spanish version of the report). **If Arauco fails to act responsibly, we strongly urge you to divest and/or refuse to provide further finance to the company until the issues are satisfactorily addressed.**

We would be pleased to arrange a meeting within the next 3 months, in which we can answer questions and elaborate on our requests to Export Development Canada. Please consider this as an open invitation for such meetings.

In case there is no sufficient response to this letter, which sets out how you will act on the issue, we will explore other options to achieve the demands outlined in the report and this letter, including more public exposure of Arauco's financiers and investors. For now, we will make this letter public and publicize if you responded and how sufficient your response is.

We sincerely thank you for your consideration, and are looking forward to hearing from you.

Kind regards,

Colectivo VientoSur (Chile)

Karen Vermeer - Finance Working Group Coordinator, **Environmental Paper Network International**

Hannah Greep - Banks & Nature Campaign Lead, **BankTrack** (Netherlands)

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