



CSR is Not Enough

RRI Report's "wake-up call" to Global Paper Giant Protects Local Rights in Hepu County, China

Targeted and influential research by the Rights and Resources Initiative (RRI) challenged and ultimately altered the unethical practices of one of the world's largest paper companies. The well-publicized study highlighted the increased risk of global land rights abuses spurred by the growing demand for forest lands and resources and compounded by new funding available under international climate change agreements.

- + *RRI's research became a "wake-up call," alerting companies that they and their investors need to proactively investigate local land rights claims and ongoing land-related conflicts, rather than assume local rights and interests are being protected.*
- + *RRI finds that inequitable "land grabs" are indeed a global trend, as documented in a 2010 World Bank Report; however, the solution the World Bank recommends—that relying on corporate social responsibility to ensure good behavior is enough— has proven to be grossly inadequate.*
- + *CEO of global paper company, Stora Enso, publicly acknowledged "better awareness of the problems" as a result of RRI's report and committed to rectify existing contracts to ensure "they are based on the free choices of villaagers who receive fair compensation (for their land)."*

In October 2010 a new study by RRI and Landesa-RDI found that Stora Enso, one of the world's largest paper manufacturers, in concert with local officials and other middlemen, used illegal means to gain control over thousands of hectares of Chinese forestlands, with a goal of acquiring 120 thousand hectares for a eucalyptus plantation in the Guangxi Zhuang Autonomous Region of southern China.

Despite Stora Enso's well recognized commitment to corporate social responsibility (CSR) principles, paid middlemen acting on behalf of the Finnish pulp manufacturer often violated the law in their efforts to secure land; at times they physically threatened farmers who refused to sign over their rights. In the process, these agents undermined recent measures by China's central government to allow community collectives to devolve control over land to individual farmer households directly affecting 100 million hectares and benefiting about 400 million people.

According to Li Ping, co-author of the report, titled *A Case Study on Large-Scale Forestland Acquisition in China: The Stora Enso Plantation Project in Hepu County, Guangxi Province*, it was "unconscionable that these important and historic measures, which were designed to give farmers secure rights to their forest lands, have been so abused."

The RRI and Landesa-RDI report noted also that China is not alone in confronting inappropriate land grabs – rather, that abuse and exploitation of land rights have increased exponentially worldwide as demand for agricultural and forest land grows and new funding becomes available under global climate change agreements aimed at protecting forests.

The findings on this global trend were supported by a late 2010 World Bank report on "land grabs"; however, the Stora Enso case in Guangxi, proves that the solution the World Bank recommends—that we rely on corporate social responsibility to ensure good behavior—is grossly inadequate.

Authoring organizations used the report to expose the risk inherent with relying solely on CSR with hopes of converting growing investment rates into locally-sound enterprises that help lift rural people out of poverty. In Guangxi, where the central government is taking strong steps to strengthen the rights of poor rural farmers, RRI and Landesa-RDI effectively highlighted the need for local governments and investors to make sure the lands they acquire have been freely and legally given.

Although Stora Enso has received several awards for ethical business practices, their approach in the case is particularly disappointing. RRI and Landesa-RDI staff informed Stora Enso management of the legal irregularities in their land acquisitions as far back as early 2006 and again six months later during a field study of the plantations in Hepu County. This report, which ultimately led Stora Enso to change their harmful practices, was commissioned in 2009 when farmers' protests against the company's land acquisitions in Hepu ended in violence.

RRI and Landesa-RDI shared the final report with Stora Enso officials prior to its release and urged immediate remedial actions by the company to address these irregularities. Since the public release of the findings in October 2010, Stora Enso has begun to take action and has been in contact with both authoring organizations for advice on correcting their failed policies. In March 2011, Stora Enso representatives and officials from the International Finance Corporation met with Landesa-RDI, categorizing the report as a "wake-up call" for the company highlighting the following major improvements Stora Enso has undergone since October:

In the "Message from the CEO" in Stora Enso's Sustainability Report 2010, the CEO acknowledged "better awareness of the problems" as a result of the report and committed to "rectify contracts and ensure they are based on the free choices of villagers who receive fair compensation."

- Officially accepted the findings of the RRI/Landesia-RDI report and reemphasized their commitment to further improvements by "stepping up monitoring procedures to ensure that the requirements are fulfilled in practice, which will particularly involve sustainability self-assessments and conducting sustainability audits."
- Exploring making permanent changes to its land acquisition process, promising in their annual Sustainability Report that "we have taken specific measures to improve the land leasing process and to guarantee that land use rights are respected. In 2010 we finished the reviewing work (which covered almost 2,300 contracts) and the work to modify the contracts to satisfy all parties is underway."

The report served as a wake-up call for more than simply Stora Enso, alerting companies – even the best of companies – that they and their investors need to proactively investigate land rights and ongoing land-related conflicts. They cannot assume that local rights and interests are being protected, or that applicable laws are being followed, even when local governments pledge adherence to existing policy.

A Case Study on Large-Scale Forestland Acquisition in China is one example of the Rights and Resources Initiative's ability to combine solid and timely research with open and responsible engagement to defend and secure local peoples' rights to land. In this case, RRI and Landesa-RDI found that solely adhering to standards of corporate social responsibility is not enough to guarantee that local peoples' rights are respected. After the release of the October 2010 report, Stora Enso readily agreed.

What this case makes obvious is that local communities can't rely either on corporate social responsibility or the law for the protection of their rights. Independent mechanisms for accountability, vigilance and redress are also required.

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