



global witness

**GLOBAL WITNESS**

**INVESTIGATING  
PREVENTING**

**CAMPAIGNING**

**COMBATTING  
EXPOSING  
PROTECTING**

**SECURING**

**ANNUAL REVIEW**

**2013**

## ANNUAL REVIEW 2013

- 4-5 **FOUNDERS' MESSAGE**
- 6-7 **ENDING SECRECY IN OIL, GAS AND MINING DEALS**
- 8-9 **70% OF WORLD'S BIGGEST LISTED EXTRACTIVE COMPANIES COVERED BY TRANSPARENCY LAWS**
- 10-11 **CONGO'S LOST \$1.36BN**
- 12-13 **INVESTIGATING CORRUPTION ALLEGATIONS IN "THE DEAL OF THE CENTURY"**
- 14-15 **PREVENTING THE INTERNATIONAL FINANCIAL SYSTEM FUELLING CORRUPTION**
- 16-17 **HISTORIC ROLL-BACK OF CORPORATE SECRECY**
- 18-19 **ENDING RESOURCE-RELATED CONFLICT**
- 20-21 **MAJOR VICTORY IN DEFENCE OF CONFLICT MINERALS LAW**
- 22 **CAMPAIGNING FOR EFFECTIVE NATURAL RESOURCE LAWS IN FRAGILE STATES**
- 23 **NATURAL RESOURCE LAWS: UGANDA**
- 24-25 **COMBATTING THE DRIVERS OF DEFORESTATION AND LAND GRABBING**
- 26-27 **EXPOSING CORRUPTION AND ILLEGAL FOREST AND LAND DEALS IN SARAWAK**
- 28-29 **PROTECTING 40% OF LIBERIA'S FORESTS**
- 30-31 **EXPOSING OUR THIRST FOR RUBBER AND LAND GRABBING**
- 32-33 **PROTECTING OUR VANISHING RAINFORESTS, SECURING THE FIRST SEIZURE OF ILLEGAL TIMBER UNDER NEW RULES IN EUROPE, STOPPING THE CONSTRUCTION OF A DESTRUCTIVE HIGHWAY IN PERU**
- 34-35 **OUR WORK WITH CHINA**
- 36-37 **FUNDRAISING 2013**
- 38-39 **THE GLOBAL WITNESS CHALLENGE FUND CAMPAIGN**
- 40-41 **FINANCE 2013**

# FOUNDERS' MESSAGE

In 2013, and because of our work, it is becoming harder for the corrupt to steal and for billions of dollars to go missing in natural resource deals. Illegal land-grabbing backfired on one of the world's most notorious logging companies, and Global Witness continued to investigate and expose large scale corruption and secretive payments in the mining industry.

Back in 2009, Global Witness's campaigners first drew attention to the problem of anonymous companies. This is one of the basic flaws in our global corporate system which allows an individual to conceal whether they ultimately own, control or benefit from a company and the money tied up in it.

This ludicrous loophole means we are giving anyone with an interest in hiding their identity – the corrupt, drug traffickers, terrorists, other criminals – a perfectly legal means of structuring their illegal activities, as they can use companies to disguise their activities and move money around the globe.

This year, after years of campaigning by us and others, things got tougher for the corrupt as the UK government made the issue of anonymous companies a key part of its G8 Presidency. As a result, the G8 made an historic commitment to tackling the issue. And the UK government went even further by announcing the creation of a public registry listing the owners and controllers of UK companies.

There's still a long way to go (including ensuring the rules are right and dealing with the U.S. and the British Overseas Territories and Crown Dependencies – which include the most notorious secrecy

jurisdictions, together with the other two global hubs for corporate anonymity). But we're on the right track now and momentum is building behind this crucial issue.

Followers of Global Witness (and this report) will know that we have been campaigning for an end to secrecy in the oil and gas sector for almost as long as we've been around. 2013 saw yet more progress towards a global transparency standard – something that now seems inevitable (despite big oil's continued resistance).

In March, an overwhelming majority of 96% of MEPs voted in favour of EU laws requiring extractive companies to open up their books to scrutiny. Taken together with U.S. law, this now means that over 70% of the world's biggest publicly listed extractive companies are covered by transparency laws – something which will help millions of citizens follow the billions of dollars tied up in natural resource deals. We also had the honour of teaming up with the Africa Progress Panel, chaired by Kofi

**Right** L-R: Global Witness's Founding Directors: Simon Taylor, Charmian Gooch, Patrick Alley.  
Photo: Global Witness



Annan, this year. Our investigators collaborated on the Panel's 2013 report, *Equity in Extractives*, which looked into how much had been lost to the people of the Democratic Republic of Congo as a result of a series of secretive mining deals. The report revealed that a staggering \$1.36 billion (at a minimum) has been diverted from DRC's state coffers. Global Witness's work to expose the deals being done, and improve governance in the country's extractive sector, continues.

Global Witness's work this year also contributed to Liberia's President – Ellen Johnson Sirleaf – issuing an Executive Order placing a moratorium on so-called Private Use Permits (PUPs).

We had previously revealed that these permits, designed to offer local landowners the potential to earn income from small-scale logging on their land, were being abused by international logging companies in cahoots with local officials and other individuals. As a result, 25% of the country's total land area (covering 40% of its forests), had been handed over to logging companies via these permits, a situation that was potentially catastrophic for the country's precious forests and forest-dependent people.

President Johnson Sirleaf's announcement was hugely encouraging. However, logging companies in Liberia appear not to have received the message that they must operate in accordance with the law, and no one has yet been prosecuted.

At the time of going to print, Liberia is struggling to manage a significant outbreak of the Ebola virus and we are seeking ways to help. We also remain

committed to monitor companies in Liberia and push for accountability – this is our task for 2014 and beyond.

November 2013 marked the start of Global Witness's 20th Anniversary year. We can't quite believe it's been this long and, alongside getting used to that idea this year, we'll be continuing our work with the Global Witness team to plan for the next twenty. Expect an update on that on the pages of the 2014 report.

And finally, our heartfelt gratitude goes to all those who have supported us this year, and indeed over the past 20. To our donors, the countless volunteers, and those who offer us support in-kind – our campaigns and cutting edge investigations just would not happen without you. We are immensely grateful for your continued support.

*Patrick Alley*  
*Charmian Gooch*  
*Simon Taylor*

*Patrick, Charmian and Simon*

# ENDING SECRECY IN OIL, GAS AND MINING DEALS

Throughout our 20 year history, Global Witness has campaigned tirelessly for transparency in the oil, gas and mining sectors. From operating out of a front room in 1993, to co-launching the now-global Publish What You Pay campaign in 2002, to playing an instrumental role in securing the passage of landmark transparency laws in the U.S. in 2010.

Our campaign has gone from strength to strength and continues to gather momentum: 2013 saw laws introduced which now mean that over 70% of the world's biggest publicly listed extractive companies are now covered by transparency laws.

Our ground-breaking investigative journalism also continued in 2013, providing some of the most compelling stories yet about corruption scandals and secretive payments in the mining industry.

## 2013: IMPACTS AT A GLANCE

**OVER 70% OF THE  
WORLD'S BIGGEST  
PUBLICLY LISTED  
EXTRACTIVE  
COMPANIES ARE  
NOW COVERED BY  
TRANSPARENCY  
LAWS**

Our campaigning was instrumental to the passage of EU transparency legislation requiring oil and mining companies in all 28 EU countries to report what they pay to governments on a project-by-project basis.

The G8 declared a strong commitment to these industry transparency standards.

One trillion dollars of resource payments were disclosed through the Extractive Industry Transparency Initiative.

**INVESTIGATING  
SOME OF THE WORLD'S  
BIGGEST MINING  
SCANDALS**

We collaborated with the Africa Progress Panel (APP) to reveal that the Democratic Republic of Congo (DRC) has lost out on \$1.36 billion as a result of selling off prize mining assets to secretive offshore companies.

Global Witness played a key role in informing the UK Department of Business, Innovation and Skills inquiry into the extractive industries, and our exposés helped encourage the opening of an official criminal investigation by the Serious Fraud Office.

We reported compelling evidence of corruption surrounding one of the world's biggest iron ore mines in Guinea.

**Above right**

The European Parliament voted by an overwhelming majority to require oil, gas and mining companies to publish the payments they make to governments on a project-by-project basis.

**Below right** Despite their best efforts, big industry players like Shell and Exxon haven't been able to stop the establishment of a legally binding transparency standard. Photo: Flickr/Thomas Mellenthin

# OVER 70% OF THE WORLD'S BIGGEST PUBLICLY LISTED EXTRACTIVE COMPANIES ARE NOW COVERED BY TRANSPARENCY LAWS



2013 saw the campaign for transparency in the extractives sector break new ground as the EU voted to require oil, gas and mining companies to open up their books to scrutiny and publish the payments they make to governments on a project-by-project basis.

These new laws received overwhelming support from European Parliamentarians – with 96% of MEPs voting in favour. Our campaigning, alongside Publish What You Pay (PWYP) groups from around the world, was crucial in securing this victory.

Taken with U.S. legislation, the *EU Accounting and Transparency Directives* mean that over 70% of the world's biggest publicly listed extractive companies are now covered by transparency laws.

The G8 summit in June 2013 also saw world leaders commit, in the strongest terms, to a global extractive sector revenue transparency standard. The UK, Germany, France, Italy, Sweden, Denmark and Finland all went even further and pledged to fast track implementation of the EU laws.

This was an historic announcement for the movement, signalling the campaign reaching a global high point.

## We stopped big oil including Shell and BP from gutting EU laws

Despite political opinion now aligning on both sides of the Atlantic, and the prospect of millions of citizens soon being able to see where money earned from natural resources ends up, leading extractive industry companies (in particular big oil companies including Shell, Exxon, BP and Chevron), continue their sustained and coordinated campaign to gut this historic progress.

2013 was no different as Shell turned its sights to the EU and members of the European Parliament in an attempt to dissuade them from bringing in transparency legislation. The vote in June was an emphatic defeat of their attempts to resist detailed reporting and include loopholes in the law that would allow them to continue making payments in secret in certain countries.

## 2014 and beyond:

Despite significant progress and overwhelming political support for transparency, big oil continues to invest huge effort into maintaining the status quo. As we head towards the vital implementing stage of the EU law – when member states will turn this piece of legislation into domestic law – some oil companies have their sights set on diluting the end result. And in the U.S. the American Petroleum Institute (API), an oil business lobby group, is pursuing a legal challenge against the law. Throughout 2014 we will be working to protect the progress we've made from industry attack.

## OUR INVESTIGATIVE WORK BECAME CENTRAL TO THE FIERCE EU NEGOTIATIONS: "THE OPL 245 TEST"

This report last year detailed Global Witness's investigations and reporting on a \$1.1 billion oil deal in Nigeria – raising concerns that secrecy in the oil and gas sector, and the use of anonymous companies, had led to huge sums of money being diverted from Nigeria's citizens and into the hands of a convicted money-launderer.

## A RECAP OF THE DEAL

The oil giants Shell and Eni paid the Nigerian government \$1.1 billion for one of west Africa's biggest oil blocks, known as 'OPL 245.' But the money ended up going to a company controlled by the former Nigerian oil minister, Dan Etete (the company was called Malabu Oil and Gas).

Shell and Eni deny paying any money to Malabu Oil and Gas in respect of the licence, and indeed they made their payment to the Nigerian government. However, evidence from UK High Court proceedings involving a broker who alleged that he was due payment from Malabu, as well as other evidence seen by Global Witness, revealed that, in reality, both oil companies were aware and in agreement that the deal would benefit Malabu.

During 2013, and amidst continued revelations, the authorities in the UK, Italy and Nigeria decided that the circumstances surrounding the deal raised such corruption risks that they were going to investigate. The deal was also threatened with cancellation after a vote by the Nigerian House of Representatives. As a result, Shell could lose the block – and with it at least 447m barrels of oil, which would be very bad for business.

This case became central to the fierce negotiations over the EU Accounting and Transparency Directives as senior civil servants, EU committees and MEPs all asked themselves whether the language of the proposed law met "the OPL 245 test" by revealing individual payments made for oil, gas and mining contracts and licenses.

Senior UK civil servants in charge of the UK position confirmed that OPL 245 had discredited Shell's lobbying to weaken the law, and EU MEP Arlene McCarthy used the case as her key example to successfully persuade the European Parliament to take a progressive position on the law. The case was also mentioned in the introductory speech at the European Parliament before the final vote on the law.

# CONGO'S CITIZENS HAVE LOST OUT ON \$1.35 BILLION FROM SECRETIVE MINING DEALS

**Below** "Africa loses twice as much in illicit financial outflows as it receives in international aid." Kofi Annan on the issues raised in the Africa Progress Panel's 2013 report calling for more transparency in dealings with Africa. Photo: Africa Progress Panel 2013 / Rodger Bosch

On the pages of this report last year, we detailed our work to expose how the Democratic Republic of the Congo (DRC), a desperately poor, war ravaged country, is losing out on hundreds of millions of dollars in secretive deals involving two of the world's largest mining companies, offshore companies with links to a friend of the President, and the Congolese state.



During 2013, we collaborated with the Africa Progress Panel (APP), chaired by Kofi Annan, in conducting detailed and painstaking investigations into how much has been lost to DRC's citizens as a result of these lucrative deals.

The APP published the results of this research in their annual report: *Equity in Extractives*. The research revealed that a minimum of \$1.36 billion has been lost by Congo due to these deals between 2010 and 2012. This astonishing sum amounts to almost twice the country's annual health and education spending combined. Congo remains at the very bottom of the UN's Human Development Index.

## A recap of the scandals

Global Witness has been investigating how two major international mining companies – Glencore and Eurasian Natural Resources Corporation before (ENRC) – are linked to the controversial secret sales of prize mining assets in the DRC.

Between 2010 and 2012, the Congolese state sold off major mining concessions in secret and at prices steeply below market value. Rather than the state collecting most of the profits from these deals, the bulk of the money went to a series of offshore companies linked to Dan Gertler, a businessman and friend of DRC President Joseph Kabila.

The offshore companies sometimes paid under five per cent of market valuation for their mining rights, before striking immensely profitable deals with international companies. If the state had dealt directly with the international companies, DRC could have kept the profits for itself.

Global Witness believes the deals made little commercial sense for the Congolese state and has expressed concern that figures from the Congolese elite could be corruptly benefitting from the deals, possibly through involvement in offshore companies whose real ownership is unknown.

Glencore, ENRC and Mr Gertler all deny any wrongdoing. We have published official responses from Mr Gertler's representatives and Glencore on our website.

## Stopping the City of London facilitating these deals

Our work informed a government inquiry into extractive industries and helped pave the way for an official criminal investigation by the Serious Fraud Office.

Deals like those we're investigating in DRC do not exist in a vacuum. During 2013, Global Witness has campaigned to tackle the role that external facilitators have played in allowing them to happen.

Our exposés and campaigning on Eurasian Natural Resources Corporation's purchase of mines from Mr Gertler's companies in the DRC helped pave the way for an official criminal investigation by the Serious Fraud Office, and the launch of an enquiry by the UK Business, Innovation and Skills (BIS) Select Committee into the extractive industries.

This enquiry includes a review of reputational risk to the City of London and the need for the London Stock Exchange (LSE) regulator to prevent conflicts of interest at the heart of listings processes.

It is the responsibility of the listing company's 'sponsor' to conduct checks on a company's corruption risks before listing on the prestigious LSE. However, those sponsors are often banks that stand to profit from the listing.

**Below** No country better illustrates the high costs associated with opaque natural resource trading than the DRC, which ranks lowest on the UN's Human Development Index despite being one of the most mineral-rich countries on the planet. Infographic sources: Source: IRIN (2011), DRC: Millions miss out on basic education. UNDP (2012), The Nutrition Challenge in Sub-Saharan Africa. UNESCO (2012), Global Monitoring Report. World Bank (2013), World Development Indicators. Infographic courtesy of: www.africaprogesspanel.org

## Democratic Republic of the Congo losses in concession trading versus budgets for health and education



17 OUT OF EVERY 100 CHILDREN DO NOT REACH THEIR 5TH BIRTHDAY



11.8 MILLION CHILDREN UNDER 5



MODERATE AND SEVERE STUNTING OF CHILDREN 43%

11.2 MILLION CHILDREN IN SCHOOL AGE (6-11)



7 MILLION CHILDREN OUT OF SCHOOL

# INVESTIGATING CORRUPTION ALLEGATIONS IN “THE DEAL OF THE CENTURY”

Global Witness has been at the forefront of investigating the corruption allegations surrounding the acquisition of mining rights in Guinea by mining company Beny Steinmetz Group Resources (BSGR) in what has been dubbed ‘the deal of the century’.

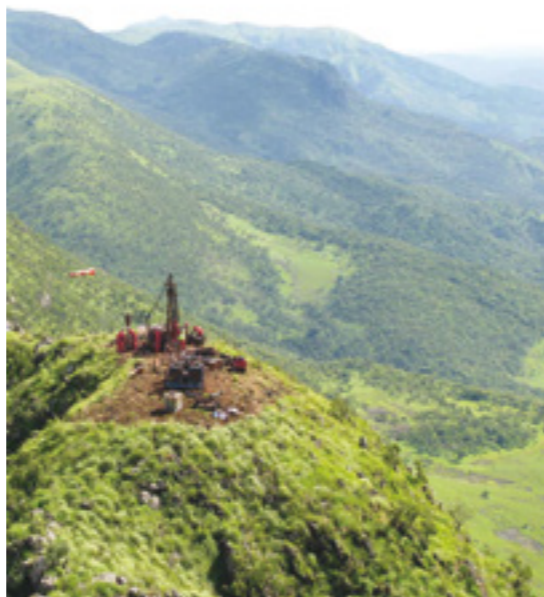
In 2008, Lansana Conté’s Guinean dictatorship cancelled rights to half of the vast Simandou iron ore reserve and handed them to mining company Beny Steinmetz Group Resources (BSGR) for nothing.

While BSGR says it then spent at least \$160 million on studying the concessions, it booked a vast profit when it sold half of the rights on to the world’s largest iron ore company, Brazil’s Vale, for \$2.5 billion. This sum is equivalent to twice the entire budget of Guinea, one of the poorest nations in the world.

In 2013 Global Witness published exposés detailing the evidence of corruption behind the deal including evidence that:

- BSGR was lying when it said it had no business dealings with one of the Guinean president’s wives, Mamadie Touré. We obtained video recordings of her alongside BSGR officials and revealed the existence of corrupt contracts that promised her millions of dollars in exchange for help in obtaining the iron ore concession.

- A director of BSGR set up a company that signed corrupt deals with Touré. We laid bare the ties between senior BSGR executives and a secretive offshore firm incorporated in the British Virgin Islands of which there was evidence it had been used to channel bribes in relation to the deal. We also showed how a BSGR agent had wired payments to Touré in Florida.



- BSGR had been misleading investigators with claims that Touré was not married to the president. We revealed attempts to hush up press reports about her ties to the company and published a copy of her diplomatic passport proving the relationship with Conté.

- A former agent of BSGR tried to bribe Touré to hand back the contracts when it became clear U.S. investigators were taking an interest, U.S. court filings indicate. After gathering evidence including transcripts of FBI surveillance, we showed how Beny Steinmetz was apparently personally implicated in the Simandou scandal.

- BSGR’s relationship with the former agent who tried to bribe Touré was far closer than the company had admitted. We also published testimony from Touré in which she told an investigator that a top BSGR official bribed her with cars, jewellery and a bag containing \$1 million in cash.

BSGR asserts that Touré had no involvement in its business dealings and says the Touré contracts are forged. BSGR also says that there was no corrupt behaviour in its acquisition of licences, that the allegations are “entirely baseless” and that it has always acted “to the highest standards of corporate governance.”

The company is now at the centre of a criminal investigation in the U.S. after a federal grand jury in New York launched an inquiry into the Simandou deal. One of BSGR’s former advisers in Guinea, Frédéric Cilins, has pleaded guilty to attempting to destroy documents and obstruct the investigation.



**Above left** The Simandou iron ore mine in Guinea. Global Witness has been at the forefront of investigating serious corruption concerns around the deal for this lucrative mine. Photo: Rio Tinto

**Above** An iron ore deposit on the side of a hill in Simandou, Guinea. Simandou is home to one of the largest un-tapped iron ore deposits in the world. Photo: Moises Saman/Magnum Photos

**Right** Former adviser to BSGR Frédéric Cilins, pleaded guilty to obstructing a U.S. criminal investigation into alleged bribes to obtain mining rights in Guinea. Photo: Global Witness

BSGR’s offices in Geneva and other premises in France and Switzerland were raided by police, who summoned company officials for questioning – including Steinmetz himself.

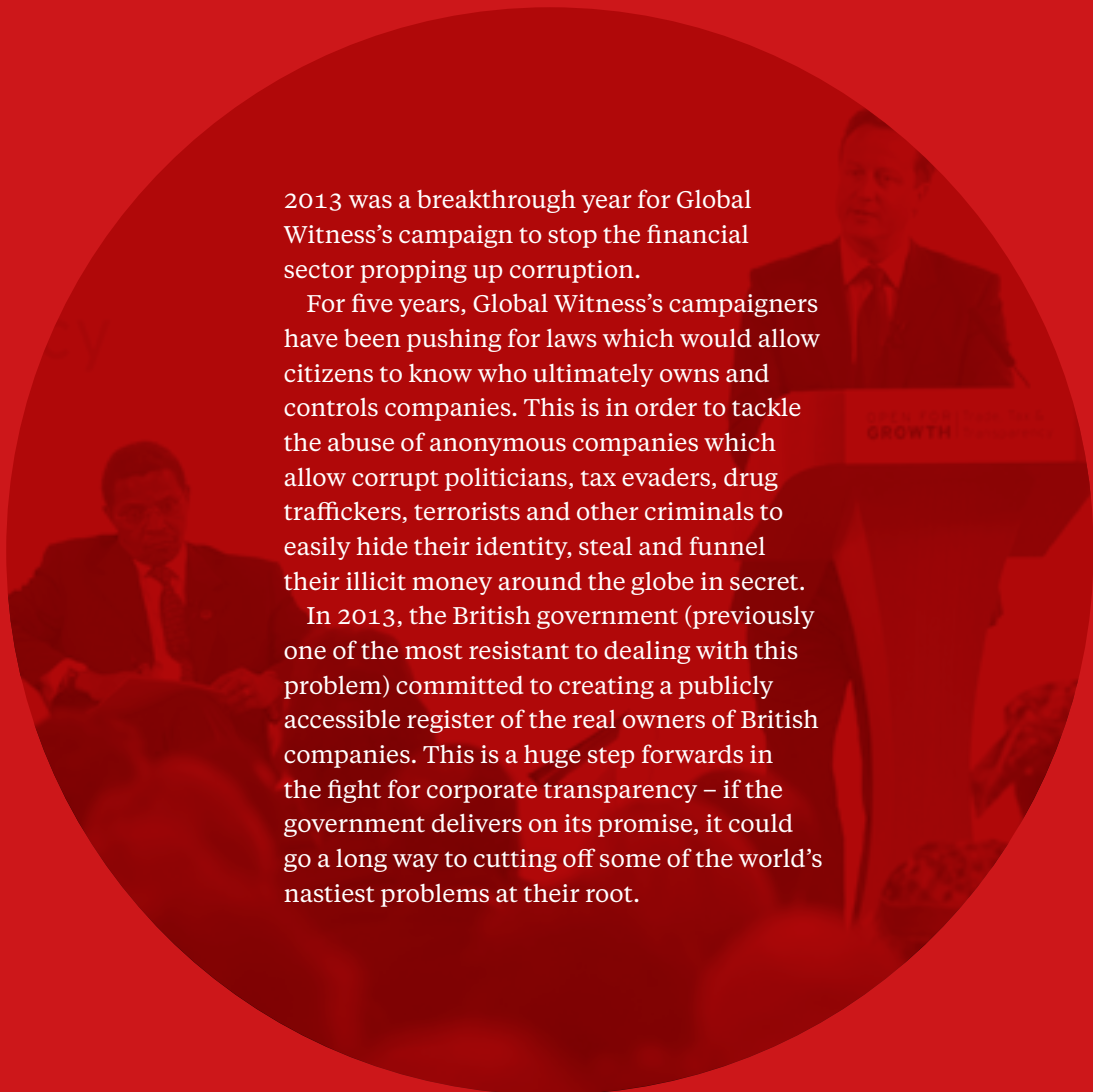
A Guinean committee reviewing past mining contracts has now decided to confiscate the Simandou concession from BSGR and its partner Vale, after finding that BSGR had obtained the rights through corruption. BSGR is facing lawsuits from both Vale and Rio Tinto, the owner of the concession before confiscation.

Late in 2013, officials of BSGR and Onyx Financial Advisers filed a claim in the UK High Court against Global Witness under the Data Protection Act – demanding we hand over information relating to them, BSGR and our sources. BSGR has also accused Global Witness of being part of a conspiracy against it.

We are robustly defending our position. The attempt to misuse the Data Protection Act is without precedent. Were BSGR to succeed, it would pose a widespread threat to investigative journalism in the United Kingdom, effectively handing corporations a means of shutting down public-interest reporting of their activities. BSGR’s accusations that Global Witness is part of a plot appear to be an attempt to distract attention from what has emerged as one of Africa’s biggest mining scandals.



# PREVENTING THE FINANCIAL SECTOR FUELLING CORRUPTION



2013 was a breakthrough year for Global Witness's campaign to stop the financial sector propping up corruption.

For five years, Global Witness's campaigners have been pushing for laws which would allow citizens to know who ultimately owns and controls companies. This is in order to tackle the abuse of anonymous companies which allow corrupt politicians, tax evaders, drug traffickers, terrorists and other criminals to easily hide their identity, steal and funnel their illicit money around the globe in secret.

In 2013, the British government (previously one of the most resistant to dealing with this problem) committed to creating a publicly accessible register of the real owners of British companies. This is a huge step forwards in the fight for corporate transparency – if the government delivers on its promise, it could go a long way to cutting off some of the world's nastiest problems at their root.

## 2013: IMPACTS AT A GLANCE

### SECURING A HISTORIC ROLL-BACK OF CORPORATE SECRECY

The UK government announced its commitment to a public registry of the real, or "beneficial," owners of UK companies.

The G8 announced its support for the idea of collecting information on the real owners of companies.

### INFLUENCING NEW BANKING STANDARDS LEGISLATION IN THE UK

Our advocacy led to increased personal accountability for senior bankers responsible for anti-money laundering failures – as loopholes were removed from UK legislation.



**Right** David Cameron announced historic plans to create a publicly accessible central registry of information on the real owners and controllers of companies at the Open Government Partnership meeting in 2013. Photo: g8uk/Flickr

# SECURING A HISTORIC ROLL-BACK OF CORPORATE SECRECY

Tax evaders, terrorists, drugs cartels and corrupt politicians don't want to keep their dirty money in their own names. So what they typically do is create a company – or a series of companies – and have the company own their assets. The company can open a bank account, it can buy a yacht or a mansion and it can wire money around the world. And, importantly, it's immensely difficult – sometimes totally impossible – to link the company back to the person who really owns it. This makes it an attractive method for hiding, moving and using money or other assets.

The use of anonymous companies lies at the heart of why many of the world's poorest people are permanently stuck in desperate poverty. In nearly every corruption case that Global Witness has investigated – often involving the diversion of billions of dollars away from state coffers – anonymous companies have been used by the protagonists to easily hide their identities and steal vast sums of money.

We've been campaigning for several years for the acceptance of a simple principle: that we should know who owns and controls companies. And we've been calling for the introduction of laws that would require the information on the real – or beneficial – owners of companies to be a matter of public record, therefore putting this simple principle into practice.

## The UK government has committed to a public registry of 'beneficial ownership'

The UK government made the issue of anonymous companies a key part of its 2013 G8 presidency, and government ministers and officials have said that we played a pivotal role in that decision. The concluding statement of the summit included a commitment by all G8 countries, including the British tax havens, to a set of collective principles that represent a first step towards dealing with the problem.

And the UK government went even further. Following a consultation with businesses and other groups, the Prime Minister announced that the UK register will be available to the public, rather than just to law enforcement. This represents a truly momentous step forwards – and places the UK at the forefront of global efforts to tackle this issue. Our challenge now is to make sure the UK lives up to its promises, and brings its Overseas Territories and Crown Dependencies (currently huge providers of anonymous companies) along with it.

## Support from business

The campaign has gained support from prominent business bodies. The Institute of Directors, the UK's oldest business association, has said that "anonymous companies' [...] have no place in a modern economy and bring the entire business sector into disrepute." And the European Banking Federation has called for beneficial ownership information to be made public.

Global Witness worked closely with a coalition of other civil society groups, including ActionAid, Christian Aid, ONE, Oxfam and Save the Children to achieve this victory. Key to our successful advocacy on this issue was a cost benefit analysis that Global Witness commissioned on the costs to the UK of creating a public register, and our sustained high level advocacy with the UK government. We were able to demonstrate that the impact on business would be relatively minimal and the benefits to law enforcement and wider society would be significant. Vince Cable, the Secretary of State for Business, Innovation and Skills stated that Global Witness's analysis "transformed" the UK government's thinking on the need for public registries.



## 2014 and beyond...

Global Witness will be campaigning for others to follow the UK's lead. The EU is currently updating its Anti-Money Laundering Directive, which is an opportunity to push for a new European-wide standard on the real owners and controllers of companies. We are working with parliamentarians and European governments to strengthen the language so that it requires public registers.

A study by the World Bank found that American companies are the number one choice for the

corrupt. The U.S. incorporates ten times as many companies as all the world's tax havens combined. During 2013, we played a leadership role in campaigning for the Obama Administration to pursue a strong position on company ownership transparency, and for the introduction of Congressional legislation. We will continue this campaign throughout 2014.

Early in 2014, Global Witness was pleased to announce that Charmian Gooch, one of our Co-Founders and Directors, had been chosen as the TED Prize winner 2014. This prestigious

million-dollar prize is awarded annually in recognition of an individual's "bold and creative vision to spark global change." Charmian announced her Wish – "to know who owns and controls companies so that they can no longer be used anonymously against the public good" live onstage at the TED conference in Vancouver in March 2014. Coming in our 20th year, this is a perfect birthday present – we'll be updating on progress in our 2014 Annual Review.

# INFLUENCING NEW BANKING STANDARDS LEGISLATION IN THE UK

We had a significant campaign success for our work focusing on the role banks play in aiding and abetting corruption. By taking money stolen from national budgets or paid as bribes, banks help corrupt officials to hide and spend these ill-gotten gains. There are laws designed to prevent this, but banks often break them. This is mainly because senior executives face no personal responsibility when their banks are found to have broken these laws. Global Witness has been calling for this to change.

In December 2013, after months of pressure from Global Witness and parliamentarians who supported our cause, the UK introduced a new measure in the Banking Reform Bill. This will require a senior executive at every bank to be held personally accountable for ensuring that the bank turns away the proceeds of corruption and other crimes. It should be a powerful incentive for banks to change their behaviour.

# ENDING RESOURCE- RELATED CONFLICT

Voluntary schemes aren't enough to break the links between our global mineral supply chains, and war and human rights abuses. What's needed is legally binding standards for companies.

Throughout 2013, we have worked at the international and national level to push for and defend laws aimed at preventing the minerals trade from fuelling human suffering. Our work contributed significantly to a major victory in defence of Section 1502 of the Dodd Frank Act – a ground-breaking piece of U.S. legislation that requires companies sourcing minerals from eastern Democratic Republic of Congo (DRC) and neighbouring countries to carry out checks on their supply chains to ensure their mineral purchases do not fund harm.

We have also continued our detailed work in countries that are at a critical stage in the development of their own laws and frameworks governing natural resources. Our aim is to help ensure that natural resource wealth benefits the citizens of countries like Afghanistan, Congo and South Sudan, rather than fuelling instability and corruption.

## 2013: IMPACTS AT A GLANCE

### MAJOR VICTORY IN DEFENCE OF THE U.S. CONFLICT MINERALS LAW

We helped to secure a major victory in defence of the U.S. conflict minerals law. Our arguments contributed to defeating many of the industry claims aimed at destroying it.

We exposed military involvement in eastern DRC supply chains. The Congolese government launched an investigation following our exposé, and foreign companies and industry groups explicitly stated that their continued involvement in the DRC's minerals trade is contingent upon demilitarisation of the mining sector.

### CAMPAIGNING FOR EFFECTIVE EXTRACTIVE SECTOR LAWS IN FRAGILE STATES

**AFGHANISTAN:** We persuaded MPs to table amendments to the proposed mining law in line with our recommendations and the U.S. government to oppose the law's passage until proper checks and balances are in place.

**SOUTH SUDAN:** Significant progress was made towards strong reporting and auditing provisions in South Sudan's Petroleum Act and Petroleum Management Bill. However, in late 2013 civil conflict broke out, threatening this progress.

# MAJOR VICTORY IN DEFENCE OF THE U.S. CONFLICT MINERALS LAW

**Below** Artisanal miners dig for gold in an open mine in eastern Congo's Ituri district. Our work led to the first ever statement from foreign companies and industry groups that their involvement in DRC's minerals trade is dependent on demilitarisation of the mining sector. Photo: Guillaume Bonn/Corbis



Section 1502 of the Dodd-Frank Act requires U.S.-listed companies to carry out supply chain checks – known as due diligence – on minerals sourced from the DRC and neighbouring countries, and to publish information about whether their mineral purchases may have funded armed groups.

In October 2012, the U.S. Chamber of Commerce, the National Association of Manufacturers (NAM) and the Business Roundtable – three of America's largest industry associations and key opponents of this ground-breaking law – mounted a legal challenge against the U.S. regulator (the Securities and Exchange Commission). The lawsuit challenged the regulator's final rules on how companies should comply with the law.

In July 2013, the Washington D.C. District Court ruled against the business groups, saying their arguments 'lacked merit' and that some of their concerns about the effect of the law on businesses were 'overinflated.' Global Witness's support was instrumental in achieving this result.

The D.C. Court's ruling was an important victory for human rights. U.S.-listed companies now have until 2nd June 2014 to report on the checks they carry out on their supply chains. Properly implemented, this law will help prevent some of the world's worst human rights abusers from funding their fight via money made from eastern Congo's minerals trade.

In 2014, Global Witness will analyse the first company reports under Section 1502 to ensure that companies conduct and publish proper supply chain checks and don't just 'tick the box'.

**Below** The U.S. Chamber of Commerce, the National Association of Manufacturers (NAM) and the Business Roundtable launched a legal attack against the ground-breaking U.S. conflict minerals law. Their challenge was rejected in 2013, representing an important victory for human rights. Photo: AP Photo



## Exposing military involvement in eastern DRC supply chains

In March and April 2013, Global Witness conducted on-the-ground investigations in eastern DRC, Burundi and Rwanda. Several of our findings highlighted serious concerns: the involvement of high-level military officials in the region's gold trade and a Congolese army-run mineral-smuggling racket at eastern Congo's flagship responsible tin mining initiative in South Kivu Province.

We published our findings in the report *Putting Principles into Practice*, which sparked a series of

meetings in the Kivus and Kinshasa to examine the illegal involvement of the national army in key mining areas. As a result, the Congolese government committed to undertake mitigation efforts and improve awareness amongst the military of their obligation to support conflict-free sourcing efforts.

Following the publication of our report, foreign companies and industry groups explicitly stated that their continued involvement in the DRC's minerals trade is contingent upon demilitarisation of the mining sector – the first time industry groups had made such a statement.

## THE COURT'S RULING INCLUDED THE FOLLOWING KEY DECISIONS:

**The cost-benefit analysis of the law is 'eminently appropriate'**

Companies argued that the costs of implementing Section 1502 are too high and would place them at a competitive disadvantage. They called the costs 'arbitrary' and 'capricious'.

The D.C. Court said the SEC's analysis of the costs and benefits of Section 1502 was neither arbitrary nor capricious and found that the SEC had fully considered comments received and used an 'eminently appropriate' methodology to calculate the costs to industry of implementing the final rule.

**The SEC's decision not to include a *de minimis* exemption clause was upheld**

Companies argued that there should be an exemption clause in the rule, which would exempt companies using small amounts of tin, tantalum, tungsten and gold from publicly reporting on their supply chains. Global Witness considered such an exemption a major loophole.

The D.C. Court agreed with us, noting that a *de minimis* exemption would undermine the impact of the law.

**The D.C. Court rejected the claim that public disclosure of information would violate First Amendment rights**

Industry claimed that requiring public disclosure of supply chain information was a violation of their right to freedom of speech under the First Amendment.

Although his claim was firmly rejected by the D.C. Court, which ruled that the final rule's disclosure requirements 'directly and materially advanced Congress' interest in promoting peace and security in and around the DRC', the industry associations have since appealed this verdict. Global Witness will support the final rule throughout the Appeal process in 2014.

# CAMPAIGNING FOR EFFECTIVE EXTRACTIVE SECTOR LAWS IN FRAGILE STATES

## South Sudan

In December 2013, South Sudan was plunged into a violent crisis. At the time of going to print, large sections of the country's population may face displacement, famine or death by the end of the year. The country's oil resources have become a central focus of the recent violence as both sides fight to control the strategically critical oilfields, and oil income has been diverted towards military spending.

The renewed violence threatens much of the progress made towards building an independent South Sudanese state in the past two years. In 2013, the government took steps to consolidate the development of a robust and transparent legal framework to govern the oil sector, the country's most important source of revenue. The Petroleum Revenue Management Bill, which includes important provisions for the transparent and responsible management of South Sudan's oil incomes, awaits the President's signature to become law.

Global Witness actively shaped the language of the legislation, working with MPs to highlight areas of the Bill where strong provisions for transparency were critical, and advocated against changes that threatened to weaken it.

Unfortunately, the outbreak of conflict has meant finalising this law is no longer a priority for the government. As such, and throughout 2014, we will be working to ensure oil revenues are not squandered on funding conflict, but are protected to provide a future for South Sudanese citizens.

**Right** An Afghan journalist walks by an exhibit of minerals at the Afghan Ministry of Mines in Kabul. Afghanistan's vast mineral wealth is estimated to be worth up to US\$ 1 trillion. But will this vast wealth drive development, or further insecurity? Photo: Musadeq Sadeq/AP Photo

**In fragile states, mismanaged natural resources fuel instability, hamper development and increase the risk of conflict.**

For many years, Global Witness has campaigned to ensure that countries at a vital stage in the development of the laws and regulations that will govern their natural resource sectors are supported, but also scrutinised, ensuring the money benefits ordinary citizens.

## Afghanistan

U.S. government projections place a value of up to US\$1 trillion on Afghanistan's mineral resources, but there is a grave risk these will do more harm than good to the country. Major political actors are competing for control of mining and oil extraction, and there are already many armed groups – both insurgents and nominally pro-government forces – supporting themselves from the minerals trade. At the same time, Afghans are seeing little benefit from their natural riches: with thousands of illegal mines operating, natural resources provide only a tiny fraction of government revenues.

In 2013, we focused our attention on strengthening the vital draft mining law, which will lay the foundation for the sector for years to come. Several MPs committed to tabling amendments to the law in line with our recommendations and we succeeded in securing a clause on employment opportunities for communities affected by mining. We also substantially shifted the terms of the debate among the donors; the US embassy for example changed their position on the passage of the crucial mining law from unconditional support to asking for a number of amendments – although their resolve on this has been weak under pressure.

In 2014, we will continue our work to document illegal extraction in several Afghan provinces, and look in detail at the revenue the Afghan government is losing from illegal mining – a figure likely to run into the hundreds of millions of dollars every year.



# SUPPORTING & SCRUTINISING COUNTRIES DEVELOPING NATURAL RESOURCE LAWS: UGANDA

## Benchmarks on good oil management and increased funding for Uganda's civil society

Uganda is at a vital crossroads – the country is currently finalising how it plans to run its oil sector which is expected to start producing from 2018.

Following a backlash from the government against Ugandan civil society, parliamentarians and international groups like Global Witness who pushed for reforms of Uganda's oil laws during 2012, we spent the first part of 2013 calling on Uganda's donors to step up their support for civil society who had come under attack from the government. We also called on the donors to do more to safeguard the oil sector.

Our work resulted in some key decisions being taken by the country's donors – namely that they will increase funding for local civil society. They have also included benchmarks on good oil management as a condition of future assistance.

During 2014, as the sector moves ever closer towards production and as the government selects the companies who will build the refineries and export pipelines, Global Witness will continue to play its watchdog role: monitoring progress closely and uncovering any abuses of power. In particular, we will be calling for better contract terms and regulations which protect people and the environment before the country starts pumping oil.

# COMBATTING THE DRIVERS OF DEFORESTATION AND LAND GRABBING

## 2013: IMPACTS AT A GLANCE

### EXPOSING HIGH LEVEL CORRUPTION AND ILLEGAL FOREST AND LAND DEALS IN SARAWAK, MALAYSIA

Our undercover investigative work meant we were able to publish the first ever evidence demonstrating the corruption and illegality at the heart of governance in Sarawak, Malaysia.

HSBC bank reviewed and updated their forest policies and dropped all of its Sarawak logging and palm oil clients as a result of our exposés.

### PROTECTING 40% OF LIBERIA'S FORESTS

Our campaigning alongside Liberian groups contributed to the cancellation of controversial logging permits in Liberia, protecting 40% of the country's forests.

### EXPOSING HOW THE HUNGER FOR RUBBER IS FUELLING A LAND GRABBING CRISIS

Our exposé of how Vietnamese companies and international financiers are driving a land grabbing crisis in Cambodia and Laos resulted in one company's share price dropping by 6% and key investors withdrawing.

We've all been duped by the logging industry into thinking that our appetite for cheap tropical timber is not only normal and sustainable, but that it helps some of the poorest communities in the world.

But the reality is that industrial logging is neither sustainable, nor a friend of development. Rather, it drives land grabs, promotes corruption, contributes to climate change, fuels conflict and human rights abuses, and threatens over one billion people who rely on forests for their livelihoods and well-being.

It is possible to save our forests. But to do so, we must urgently dispel the myth that says large-scale logging is sustainable. We must see our forests in a new way - not just as a source of timber that can be liquidated for easy money. Only in doing this can we combat the drivers of deforestation and land grabbing.

### PROTECTING OUR VANISHING RAINFORESTS

#### Securing the first seizure of illegal timber under new rules in Europe

Our complaints highlighting the presence of illegally imported timber in EU markets resulted in the seizure of illegal logs by the German authorities.

#### Debunking the myth that logging leads to development

We exposed systematic tax avoidance by logging companies costing Congo more than US\$11 million in 2011 and 2012.

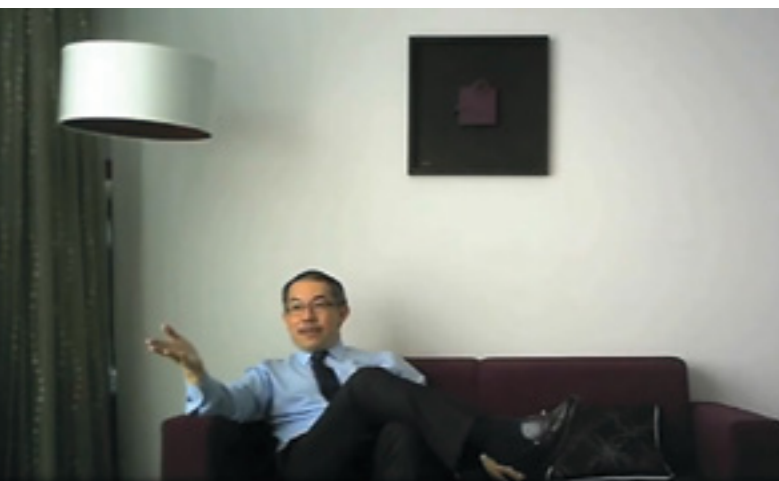
#### Investigating examples of large-scale building projects threatening forests

Our expose of how a highway-building project in Peru would have opened up large tracts of Peruvian rainforests to deforestation led to the plans being shelved.

# EXPOSING HIGH LEVEL CORRUPTION AND ILLEGAL FOREST AND LAND DEALS IN SARAWAK, MALAYSIA

The Malaysian state of Sarawak on the island of Borneo has experienced some of the most intense rates of logging seen anywhere in the world. This destruction, and the associated human rights abuses against Sarawak's indigenous communities, has been overseen by the state's notoriously corrupt leader – Abdul Taib Mahmud.

During 2013, undercover investigations and secret recordings made by Global Witness revealed how family members of Taib and lawyers involved in deals related to his interests planned to sell forest-covered land for oil palm plantations using illegal off-shore deals (via Singapore) to evade Malaysian taxes and flout Malaysian law. They also demonstrated their complete disregard for the people who have lived in and depended on the forests for generations.



## Smoking gun

Our undercover footage provided the first ever concrete evidence of what many had long known: the scale of corruption at the heart of Malaysia's elite.

Our sting also revealed the mechanisms being used by the small elite surrounding Taib to enrich themselves at the expense of ordinary citizens – and one of the world's most precious forest ecosystems.

The film of the sting, *Inside Malaysia's Shadow State*, created a political and media storm in Malaysia and internationally – receiving over 1.2 million viewings on YouTube, trending on Twitter, and receiving coverage across a huge range of influential outlets including Al-Jazeera, ABC, the Financial Times, Economist, Huffington Post, BBC Indonesia, Southern Weekly newspaper, as well as Malaysian and Singaporean media. Around 10,000 copies of the film were independently translated into local dialects and distributed by boats to rural areas by local activists.

Within Malaysia, it stirred up considerable debate on corruption, forest destruction and the



**Above** Bill Oddie investigates a creature closely related to man, yet is subtly but very meaningfully different: the Banker. Photo: Global Witness

**Below left** Our undercover investigator secretly filmed members of Sarawak's ruling elite and their lawyers. They described how they illegally sell off land for palm oil plantations and hide the proceeds offshore, at the expense of the people of Sarawak. Photo: Global Witness.

undermining of the rights of indigenous forest-dependent communities. This also resulted in a petition from Sarawakian citizens calling for an inquiry into the actions of Chief Minister Taib which generated significant coverage and over 16,000 signatures to date.

The Malaysian Anti-Corruption Commission (MACC) created a special task force to investigate the evidence in the film and subsequently raided the offices of Alvin Chong, one of the lawyers featured in it. The Singapore and Malaysian governments both admitted that their double taxation agreement is outdated and will be amended, and pressure within Sarawak to bring prosecutions against Chief Minister Taib and his associates significantly increased.

In early 2014, Taib resigned from the position of Chief Minister and assumed the position of Governor of Sarawak effectively making himself immune from prosecution. But he does remain under investigation.

## Big banks and forest destruction: HSBC and Sarawak

In 2012, we revealed how the UK's biggest bank (HSBC) had violated its own sustainability policies and made around \$130 million in interest and fees by bankrolling logging companies causing widespread environmental destruction and human rights abuses in Sarawak, Malaysia.

In 2013, we teamed up with UK naturalist and household name, Bill Oddie, to launch a public petition calling on HSBC to admit it's wrongdoing, drop the clients in question and fix its forest policies and compliance procedures in order to ensure its investments don't finance forest destruction.

The spoof documentary that we produced with Oddie, *Bankwatch*, received almost 230,000 YouTube views and was hugely successful in raising public awareness of the role of private finance backing illegal and unsustainable logging and palm oil development. At the same time, almost 25,000 people sent messages to the HSBC's CEO via our online petition calling on the bank to drop clients who do not meet the bank's sustainability policies, including many pledges that people would divest from the bank unless they cleaned up their act.

Within days of the launch of the film, and amid widespread public pressure, HSBC agreed to commission two independent reviews to examine their international forest policies. In addition, HSBC subsequently cut ties with its Sarawak clients and further closed its commercial banking business in Sarawak. Our sources have informed us that HSBC has also closed all investment and personal bank accounts held by the family of the Chief Minister of Sarawak.



# PROTECTING 40% OF LIBERIA'S FORESTS

**Above** Liberia is home to the last large tracts of West African rainforest. 40% of Liberia's forests were saved from destruction after the cancellation of controversial logging permits. Photo: Global Witness

**Right** Former President Charles Taylor was sentenced to 50 years in prison for war crimes and crimes against humanity by the International Criminal Court. "Blood diamonds and conflict timber were the fuel for Taylor's war machine in both Sierra Leone and Liberia," Patrick Alley, Global Witness Founding Director. Photo: Sinclair/AP Photos

Liberia is rich in natural resources including timber, oil and diamonds. Since emerging from armed conflict fuelled by the exploitation of these natural assets, the government of President Ellen Johnson Sirleaf has brought in a number of policy and legal reforms aimed at improving the way in which the country uses its natural resources, and has sought to make sure that the wealth they generate drives economic development.

Despite some progress, major challenges remain. Reformed laws have been broken with impunity, institutions designed to promote accountability are being undermined, corruption persists and, rather than supporting development, large concessions in the forest and land sectors threaten land rights, livelihoods and stability in rural areas. These failures seriously jeopardise the country's fragile progress towards stability.

On the pages of this report last year, we detailed our work alongside Liberian groups to uncover and expose the abuse of so-called Private Use Permits (PUPs). These permits, designed to offer local landowners the potential to earn income from small-scale logging on their land, were being abused by international logging companies in cahoots with local officials and other individuals.

25% of the country's total land area covering 40% of its precious forests had been handed over to logging companies via these permits, a situation that was potentially catastrophic for the country's precious forests and forest-dependent people.

Our advocacy and follow-up of this process in 2013 contributed to President Ellen Johnson Sirleaf issuing an Executive Order placing a moratorium on logging by PUP holders, and a commitment to prosecute and sanction companies, government officials and other individuals who were found to have broken the law. Continued pressure throughout the year contributed to the cancellation of almost half – 29 out of 63 of the controversial permits by December 2013.

This strong initial action by the President to put a halt to PUPs was very encouraging. However, at the time of going to print, logging companies in Liberia appear not to have received the message that they must operate in accordance with the law. Government officials involved in the scandal have been indicted but neither these officials nor company representatives have been prosecuted. There remains a critical need to monitor the situation and push for accountability and a fresh approach to Liberia's forests. In early 2014 Liberia was faced with an outbreak of the deadly ebola virus. Global Witness is concerned about its many civil society partners, all of whom are joining the fight against ebola. This outbreak will significantly affect our work throughout 2014 and beyond; we will continue to monitor the situation closely.

## Freedom of speech and the need for libel reform in Liberia

In August 2013, Rodney Sieh – a prominent Liberian journalist reporting on corruption in Liberia – was convicted of libelling a former government minister and, unable to pay the US\$1.5 million in damages, subsequently imprisoned.

Jointly with Human Rights Watch and Amnesty International, we wrote to President Johnson Sirleaf to request the government urgently

review Sieh's case and simultaneously review the country's outdated libel laws. We were invited to meet the President to discuss the matter, and as a result of this meeting secured a commitment that the Liberian government will conduct a review and look into the release of Sieh.

In November 2013 Rodney Sieh was released unconditionally and the damages quashed. We will continue to monitor potential reform of libel laws in Liberia in 2014.

## Charles Taylor's conviction upheld

During 2013, the conviction of Charles Taylor, the former president of Liberia, for war crimes was upheld and Taylor moved to serve his 50-year sentence in the UK. The Special Court for Sierra Leone found Taylor criminally responsible for aiding and abetting in crimes including pillage, murder and rape committed during Sierra Leone's bloody civil war.

Taylor was a warlord and later President of Liberia which shares a border with Sierra Leone. During Sierra Leone's 1991-2002 war, Taylor trained and armed the Sierra Leonean rebel group the Revolutionary United Front (RUF). The RUF became notorious for horrific abuses, including sexual violence, cutting off limbs and forcibly recruiting child soldiers.

For many years, Global Witness's investigations revealed how President Taylor used diamonds and timber to bankroll brutal campaigns against the people of Liberia and neighbouring Sierra Leone.

"One of the key architects of Sierra Leone's brutal war, which killed tens of thousands and displaced many more, has finally been brought to justice," said Global Witness Director Patrick Alley. "Heads of state who commit grave human rights abuses, whether at home or abroad, are no longer beyond the reach of the law."



*“I think natural resources are limited and I need to take them before they’re gone.”*

— Doan Nguyen Duc, CEO of HAGL, describing his business strategy

# EXPOSING HOW THE HUNGER FOR RUBBER IS FUELLING A LAND GRABBING CRISIS IN CAMBODIA AND LAOS

**Below** Villagers walk through recently cleared forest inside a HAGL rubber plantation in Cambodia in 2013. Photo: Global Witness

Rubber is everywhere. In the shoes on our feet, the tyres of our cars and bikes, conveyer belts in our supermarkets and factories.

The main natural rubber producer countries are short on land, however, and in the face of growing demand, the last few years has seen a new wave of rubber investors acquiring large swathes of land in ‘frontier’ countries such as Cambodia, Laos and Myanmar.

This rush for land has had devastating consequences for both people and forests.

In 2013, Global Witness exposed how this thirst for rubber has driven a land grabbing crisis in Cambodia and Laos. Our report and film, *Rubber Barons*, revealed how 200,000 hectares of land has been acquired for rubber plantations by two of Vietnam’s largest companies: Hoang Anh Gia Lai (HAGL) and the Vietnam Rubber Group (VRG).

Our exposé revealed how these ‘rubber barons’ are financed by international investors including

**Below** Satellite images showing extensive forest clearance in and beyond rubber concession areas belonging to VRG member companies Dong Phu and Dong Nai, Kratie province, Cambodia. Photo: Global Witness

Deutsche Bank and the International Finance Corporation (IFC) – the private lending arm of the World Bank. The report also laid bare the culture of secrecy and impunity that has allowed such a scandal to unfold – both companies having struck secretive deals with the Laos and Cambodian governments and have close links with the region’s corrupt political elites. Finally, it exposed how the rubber sector is one of the last global commodity industries which has yet to commit to social and environmental standards for production.

## A drop in share price, and divestments from the Rubber Barons

The launch of *Rubber Barons* reportedly coincided with a 6% drop in HAGL’s share price, representing a \$20 million personal loss for HAGL’s Chairman. At least two investors known to Global Witness also withdrew their investments from the company.

The well-known Forest Stewardship Council labeling system suspended VRG’s certification based on a ‘major non-compliance’ by the company. This decision was based solely on Global Witness’s research.

VRG itself committed to rolling out a ‘community consultation process’ across their 19 plantations in Cambodia and Laos, and agreed to establish a feedback and complaints mechanism across their operations in the two countries.



## RUBBER BARONS REVEALED:

The new Rubber Barons – HAGL and VRG – have devastated local livelihoods and the environment in their rush for rubber, evidence shows. Households were facing impoverishment, burial grounds had been destroyed and indigenous ethnic minorities were disproportionately bearing the brunt of the impacts, despite their rights to land and resources given special protection under international law.

HAGL and VRG systematically ignored the law. Both companies’ concession areas appeared to far exceed legal limits and have openly ignored legal, environmental and social safeguards.

The IFC and Deutsche Bank had investments in HAGL and VRG, whose operations apparently violate the banks’ social and environmental commitments. At the time of publishing *Rubber Barons*, IFC had investments of US\$14.95 million in a Vietnamese fund with equity in HAGL. Deutsche Bank had a number of institutional relationships with HAGL, including holding 3.4m of its shares, worth approximately US\$4.5 million. The Bank also held 1.2 million shares in VRG member company Dong Phu, worth US\$3.3 million.

More evidence of the pattern of failures of governance and human rights abuses in Cambodia and Laos. Both countries have allocated huge swathes of land as ‘concessions’ to corporate interests. Communities and activists who speak out against these concessions face increasing threats and human rights violations perpetrated by companies and government authorities. When people have attempted to get their land and forests back, they have been threatened, detained and even shot at by security forces on the payroll of concessionaires.

The absence of international law to prevent land grabbing. Affected communities in Cambodia and Laos are also being let down by the international community. Binding global regulation to tackle land grabbing and illegal operations of companies such as HAGL and VRG is starkly absent and the rubber sector now lags far behind other agribusinesses having failed to reach consensus on industry-based standards for sustainable production.



**Below** Illegal timber logged by international companies awaits export in the port of Greenville, Liberia. Our complaints highlighting the presence of illegally imported timber in EU markets resulted in the seizure of illegal logs by German authorities. Photo: Global Witness

# PROTECTING OUR VANISHING RAINFORESTS

## Securing the first seizure of illegal timber under new rules in Europe

In 2013, the EU's Timber Regulations (EUTR) came into force, making it illegal for any company to place illegally harvested timber or products made from illegal timber on the EU market. If properly enforced, this law could help stem the international trade in illegal timber which is estimated to be worth up to US\$100 billion globally.

In 2013, and into 14, we investigated logging in the Congo Basin and Liberia, highlighting the risks that timber imported from these countries may be illegal.

Three weeks before the EU law came into force, we revealed that thousands of pounds worth of illegal Liberian timber was sitting in a French port, the presence of which could land the importer two years imprisonment or a €50,000 fine. Our investigations revealed that the huge tropical logs were clearly labelled, showing they were cut under permits that were found to be illegal by an investigative committee set up by Liberian President Ellen Johnson Sirleaf.

We also collaborated with other local NGOs and Greenpeace to submit complaints to authorities across Europe highlighting cases of illegally imported timber from the DRC (and the Republic of Congo in one case). This resulted in the German authority making their first seizure of timber under the EUTR in November 2013 – linked to the company identified in our complaint.

## Debunking the myth that logging leads to development

The Democratic Republic of Congo's (DRC) forests are one of the country's most valuable assets, which millions of Congolese rely on for their survival and which the planet cannot do without. These precious natural assets attract some of the world's largest logging companies – who promise governments and communities major benefits and sustainable development in return for access to the country's forests and the right to liquidate them for cash.

Our 2013 report, *The Cut Price Sale of DRC's Forests*, revealed not only that the Congolese state was leasing these precious assets for a vastly reduced rate, but also that the majority of logging revenues in the DRC were lost to tax avoidance and other illegal financial arrangements in 2012. This was facilitated by the Ministry of Forests, Nature Conservation and Tourism (MECNT) which was allowing the logging industry to skirt Congo's laws and deprive the Congolese people of the few economic benefits they are due in return for the felling of their forests.

The findings demonstrated what is wrong with the industrial logging trade: it promises sustainable development, yet systematic tax avoidance by companies has deprived one of the world's poorest countries of more than US\$11 million in 2011 and 2012.

We called on the Congolese government and its donors to clamp down on the illegal financial dealings of logging companies in the DRC and the administrative failings and lack of transparency that allowed them to happen. In the longer term, we also called for urgent investment in alternative models of forest management which put forest people and civil society at the heart of decision making, and prioritise keeping the trees standing.

## Investigating examples of large-scale building projects threatening forests. Plans for the Purús highway shelved in Peru

The Peruvian Amazon contains the fourth largest area of tropical forest on earth and is one of a handful of regions where over 50 percent of forest cover is still undisturbed. This pristine wilderness harbours the richest stands of mahogany left in Peru, and is home to some of the few remaining indigenous groups living in 'voluntary isolation.'

One of the biggest threats to the Peruvian Amazon and indigenous people's territories comes from impacts associated with major infrastructure projects. According to one estimate, 91% of Peru's tropical forest will be degraded or deforested within

30 years if all current plans for infrastructure and resource use across the country go ahead.

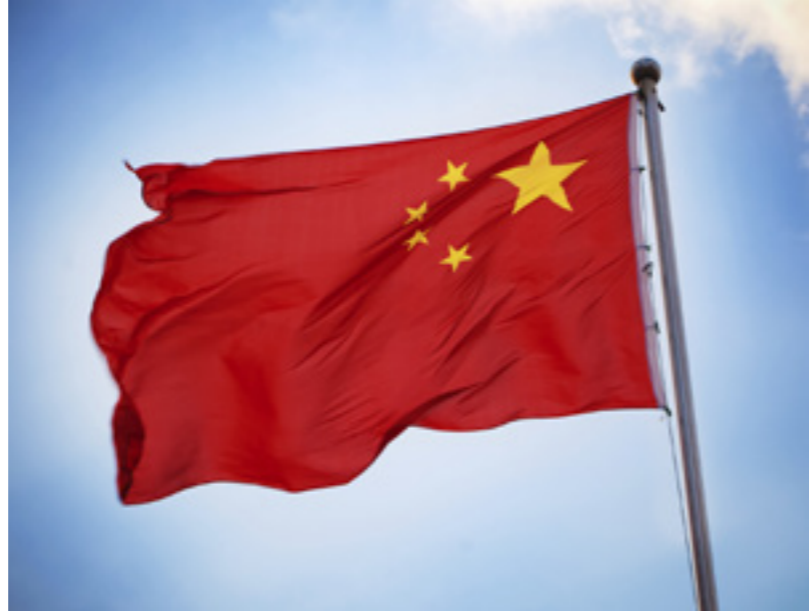
In 2013, Global Witness investigators travelled to Peru to investigate one such infrastructure project: a 270km highway that would cut through the Alto Purús National Park (the largest reserve in the country), the Purús Community Reserve and the Madre de Dios Territorial Reserve.

In May, we published the findings of our research, revealing that the highway plans were mired in legal violations, alleged corruption and potential conflicts of interest. If approved, the highway was set to have a devastating impact on the environment and indigenous communities.

Global Witness's exposé resulted in prominent national and international media coverage and public opposition in Peru to the highway. As a result, the plans for the highway were shelved.



**Left** Global Witness investigated a proposed infrastructure project to build a highway that would cut through Purús, home to some of the last indigenous groups living 'in voluntary isolation.' Following our exposé, subsequent media coverage and local opposition to the highway, the plans were shelved. Photo: Global Witness



China is the most important emerging power and a major operator in natural resource extraction around the world. How it decides to meet its growing appetite for natural resources has global ramifications.

During 2013, Global Witness stepped up its work in China. With an expanded team, including a representative based in Beijing, we have broadened our work with Chinese stakeholders to ensure the country adopts and adheres to the best possible international standards of transparency and accountability in the natural resource sector.

### Addressing China's role in the global timber trade

As the world's largest importer and exporter of illegal timber products, China needs to take action to stem the flow of illegal wood across its borders. In 2013 Global Witness began reaching out to the Chinese government agencies responsible for timber imports to establish a dialogue about what steps China will take to address this issue. On the back of these initial communications, we have been invited to act as an advisor to a Chinese government project to assess the ecological impact of forest products used in China.

In 2014 a major focus will be providing input on government guidelines for Chinese companies involved in forestry and the timber trade overseas, which are under development. This guideline will not provide the regulation prohibiting illegal timber imports that the Chinese authorities need to put in place, but it could offer an important stepping stone.

2014 will also see Global Witness stepping up its investigations into global supply chains for illegal timber. Our expectation, given the global picture, is that some of these may lead through China. We intend to present any China-related findings directly to decision makers in Beijing to strengthen the case for prompt government action.

# GLOBAL WITNESS'S WORK WITH CHINA

## China's role in improving oil, gas and mining sector transparency

Ground-breaking transparency laws in the U.S. and EU mean that over 70% of the world's biggest publicly listed extractive companies are now required to publish the payments they make to host governments on a project-by-project basis. Over the coming year and beyond, Global Witness will be building on this momentum by campaigning for the introduction of matching legislation in other key jurisdictions in order to capture the remaining 30%.

China has shown leadership on this issue in the past. Before the U.S. and EU rules were being talked about, the Hong Kong Stock Exchange set an important global precedent by requiring extractive companies to produce a one-off report on their payments to governments when first listing. Moreover, China has occasionally

**Above** China is home to some of the world's biggest extractive companies. Greater transparency could help to promote a better business and investment environment for Chinese companies, enhance China's reputation abroad and promote international development.

**Right** China is the world's largest importer and exporter of illegal timber products. Global Witness is working with Chinese stakeholders to stem the flow of illegal wood across its borders. Photo: Global Witness

endorsed the principles of the Extractive Industry Transparency Initiative (EITI), an international voluntary scheme which promotes greater transparency of payments by companies to governments.

Despite these promising signs, there are currently no rules on the books in either China or Hong Kong that require listed companies to reveal what they are paying the governments of the countries where they operate. Global Witness is working to persuade regulators to remedy this situation, a move that would boost the credentials of leading Chinese firms as responsible global actors.

## China's investments in conflict-affected and post-conflict areas

Chinese companies invest in a range of resource rich countries that are affected by conflict, including Afghanistan, Democratic Republic of Congo and South Sudan. It is crucial that such firms follow international standards to ensure that their activities do not fuel instability and human rights abuses.

In 2013, Global Witness began advising on an initiative overseen by the Chinese Ministry of Commerce to establish a new set of guidelines for Chinese companies involved in the minerals business overseas. We plan to use this opportunity to persuade

the government to hold companies to international standards of supply chain due diligence designed to curb the trade in conflict minerals.

## China and Myanmar

Since 2011, Chinese companies involved in natural resource extraction have found themselves facing a public backlash in Myanmar. The backlash stems from the perception that their practices have had harmful environmental and social consequences and brought limited benefits to local people. This represents a serious setback for Chinese political and economic interests in the region and leading thinkers in and around the government in Beijing are attempting to draw out the lessons from the Myanmar case.

Global Witness has begun engaging with Chinese firms and diplomats in Myanmar to encourage them to support efforts to build greater transparency and accountability, such as the nascent EITI process. In 2014 and beyond, we will research one or more case studies that illustrate the arguments for Chinese firms to embrace rather than hinder greater openness and we will use these in Beijing to advocate for increased transparency by Chinese companies around the world.



# FUNDRAISING 2013

**Below** (l-r) Global Witness's Corinna Gilfillan stands next to Allard Prize award winner Anna Hazare, and Dr. Sima Simar. Global Witness was thrilled and honoured to be selected as a finalist for the inaugural Allard Prize for International Integrity – awarded to an individual, movement or organisation that has demonstrated exceptional courage and leadership in combating corruption. Photo: University of British Columbia Faculty of Law

**We are enormously grateful to all of our donors and supporters who contributed to the £6.1 million we raised in 2013. It is their commitment to funding our work which has contributed to the campaign successes shared in this impact report. Thank you for your continued support.**

Most of our income continues to come from trusts, foundations and governments including substantial new multi-year grants from the Ford Foundation, the Royal Danish Ministry of Foreign Affairs and Irish Aid.

To achieve our goals, Global Witness will continue to rely on the exceptional generosity and vision of individuals, numerous charitable foundations and public-sector bodies to meet the challenges of the future. Maintaining and developing a diverse funding base is essential to ensure the long term future of the organisation. We constantly seek to build

relationships with new funding partners interested in working with us to deliver the changes we seek on a global scale.

An integral part of this relationship-building strategy is to develop a network of donors, each giving \$75,000 (£50,000) or over per annum. The group, to be called the GW20, will be invited to join us annually to critique and analyse the progress of the international community in tackling corruption, conflict, human rights and transparency issues. Please contact us if you'd like to learn more about this initiative.

Global Witness was thrilled and honoured to be among the three finalists selected for the inaugural 'Allard Prize for International Integrity' in September 2013. The prize is awarded to an individual, movement or organization that has demonstrated exceptional courage and leadership in combating

**Right** George Grosz's (July 26, 1893 – July 6, 1959) work exposes the shadowy aspects of the human quest for power, which he believed was personified within politics and business. Global Witness was the NGO partner to a Grosz exhibition in 2013. Photo: Courtesy Richard Nagy Ltd., London.

corruption, especially through promoting transparency, accountability and the rule of law. We were selected from more than 160 nominations and were eventually chosen as one of two runners up.

2013 was a great year for Global Witness's burgeoning events programme. In September, the art dealer Richard Nagy generously hosted an exhibition of George Grosz works, to which Global Witness was the NGO partner. Grosz's works are savagely critical of corruption and injustice and therefore resonate strongly with our campaigns to tackle these crucial issues.

We also launched our 'Corruption Conversations' – a ground-breaking series of debates on the service economy of corruption. Our inaugural event saw Bill Browder and Geoffrey Robertson QC examine London's role as the capital of reputation-laundering.

## Our donors and supporters

Global Witness is indebted to the following donors who have made direct financial contributions and to those who have also given their time, in-kind assistance and creativity. The individuals listed below are those who gave their consent to be listed but we are very grateful to all who gave.

Our Advisory Board members have continued to be fantastic advocates and ambassadors for Global Witness.

## Statutory, Trusts and Foundations

Adessium Foundation, The Ajahma Charitable Trust, The Alexander Soros Foundation, Allard Prize for International Integrity, Arcus Foundation, Center for International Policy, David and Anita Keller Foundation, The David and Elaine Potter Foundation, Ford Foundation, Foundation to Promote an Open Society, UK Department for International Development, Grantham Foundation for the Protection of the Environment, Irish Aid, JMG Foundation, Jocardno Fund, The John D. and Catherine T. MacArthur Foundation, National Endowment for Democracy, Norwegian Ministry for Foreign Affairs, Oak Foundation, Royal Danish Ministry of Foreign Affairs, The Sigrid Rausing Trust, Swedish International Development Cooperation Agency (SIDA), The Roddick Foundation, Wallace Global Fund, Vanguard Charitable Endowment Program

## Individuals

Keith Bain, Eric & Tilly Beinhooker, Jim Bennett, Joost Beunderman, Simon Bianco, Mark Brannan, Andrew Burch, Aaron Clements-Partridge, James Coxon, Alan Donovan, Emily Goodenough, Rebecca Haile, Fran Haynes, David Hendry, Johanna Hertel, Sophie Holcroft, Fearghas Jamieson, Paul Jump, Helen Kay, Dave Kwinter, Will Lanier, Warren MacLeod, Juliet Martinez, John McCormick, Peter McLaverty, Graym McMillan, Richard Nagy, Emma Oxford

Full details of support from funders can be found on our website at [www.globalwitness.org](http://www.globalwitness.org)



## Global Witness Advisory Board

Alexander Soros, Bennett Freeman (Chair), Christopher Mitchell, Edward Zwick, Mabel van Oranje, Misha Glenny, Silas Siakor

## Trustees of Global Witness Trust

Jeremy Bristow, Caroline Digby, Lorna Mackinnon, Christopher Mitchell (Chair), Tony Stevenson

## Directors of Global Witness Foundation

Patrick Alley (President), Stafford Matthews

In the UK, Global Witness Trust (registered charity 1117844) is a separate entity that receives funds from certain donors and under strict trust guidelines donates these funds to Global Witness. In the U.S., Global Witness Foundation, a 501(c)(3) organisation, operates in the same way. Financial information for both entities is available on our website at [www.globalwitness.org/about-us/governance](http://www.globalwitness.org/about-us/governance)

We extend our deepest thanks to our volunteers who provide research and campaigning support on a daily basis and those who support us with pro-bono legal advice, especially through the wonderful Advocates for International Development (A4AID).



# THE GLOBAL WITNESS CHALLENGE FUND CAMPAIGN

The Open Society Foundations (OSF) has shown its confidence in Global Witness and wants to help build a campaigning organisation that is deep-rooted, long-lasting and even more effective, with a strong infrastructure at its core. They have pledged a grant of £4.5 million to help Global Witness develop and strengthen over the next decade, but only if we match it by raising twice that amount.

## This is our challenge

Global Witness is seeking the support of passionate, discerning donors to confront and dismantle powerful vested interests and to really change how the world works – in order to benefit the needs of the many not the few.

We are seeking supporters who understand the importance of evidence, the need for persistent campaigning, the value of expertise and who are not daunted by those who appear too powerful or attitudes that seem too entrenched. We need your help both to put 'Eyes on the Bad Guys' and to build a compelling case for global change.

Thanks to the wonderful generosity of our supporters, we are now more than half way towards reaching our target – having raised a total of £3.2m towards our Challenge Fund in 2012 – 2013

This support has allowed us to invest more in campaigns and investigations – the core of what we do. And we've also used it to strengthen our organisational infrastructure – to sustain us long into the future.

**Right** We need your support to make sure we keep our bold and tenacious investigations at the heart of everything we do. Here, Global Witness staff track illegal logging activities in the Democratic Republic of Congo. Photo: Global Witness.

For more information about the Global Witness Challenge Fund, please contact Christine Oram: [coram@globalwitness.org](mailto:coram@globalwitness.org)

During 2012-13 we have invested in:

### Cutting edge investigations, boosting campaigning capacity and information technology

We're committed to making sure the culture of investigation across Global Witness, the bedrock of what we do and who we are, is kept right at the cutting edge. As such we've:

- Hired an expert investigator to train and skill Global Witness staff in the latest investigative techniques, including covert filming and data analysis.

- Invested in information intelligence systems to improve our ability to organise and retrieve vast amounts of campaign data gathered over the last 20 years.

- Expanded our collaborative work with technology experts like the Open Knowledge Foundation, to improve our use of data, both during our investigations, and in communicating our work.

- Invested in the latest overt and covert audio-visual equipment to improve our ability to gather evidence in the field – the raw material for our investigative work.

### Building our expert team

- Three Deputy Campaign Directors have joined the Global Witness team, bringing their considerable knowledge and expertise to bear on our three strategic areas of work: corruption, conflict and fragile states, and environmental governance.



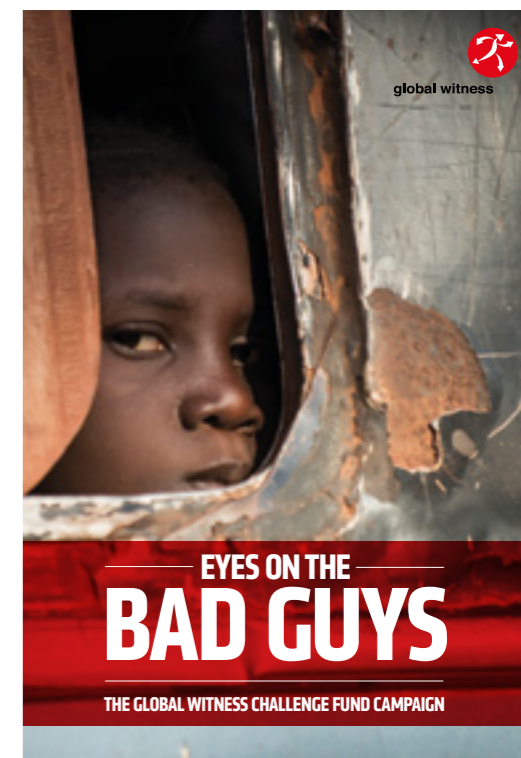
**Right** Eyes on the Bad Guys: the Global Witness Challenge Fund campaign. The Open Society Foundations have pledged a grant of £4.5 million to help Global Witness develop and strengthen over the next decade, but only if we match it by raising twice that amount.

- We have strengthened the Fundraising Team by appointing a Director of Development, as well as a new Director of Fundraising Campaigns to lead the Challenge Fund Campaign and our work to reach out to individual major donors. We have also brought in an Events Manager to lead on the development of our innovative events programme.

### Communications: Telling the story

- We are committed to constantly improving the way we campaign and we know that a key element to that is investment in excellent, innovative and creative communications. As such, we have bolstered our communications team and now have a senior communications professional working within each of our three strategic campaigning areas – working day to day with our campaigners.

- Global Witness is investing significantly in digital communications. A major redevelopment of our website is underway, and we're expanding our use of online tools – including social media, open data, and data visualisation. The aim is to greatly improve how external and internal stakeholders access and use our information, and create a more interactive and appealing online site for visitors.



# FINANCE 2013

YEAR ENDED 30 NOVEMBER  
(IN £ THOUSANDS)

|   | 2013         | 2012         |
|---|--------------|--------------|
| <b>INCOME</b>   |              |              |
| INCOME FROM GRANTS AND DONATIONS  | 6,136        | 7,824        |
| INTEREST AND OTHER INCOME   | 47           | 39           |
| <b>TOTAL INCOME</b>   | <b>6,183</b> | <b>7,863</b> |
| <b>EXPENDITURE</b>  |              |              |
| ENVIRONMENTAL AND HUMAN RIGHTS RESEARCH AND CAMPAIGNING                   |              |              |
| RESOURCES AND CONFLICT  | 717          | 697          |
| CORRUPTION  | 2,029        | 1,712        |
| ENVIRONMENTAL GOVERNANCE  | 3,011        | 2,799        |
| <b>SUB TOTAL CAMPAIGN EXPENDITURE</b>                                     | <b>5,757</b> | <b>5,208</b> |
| FUNDRAISING   |              |              |
| GOVERNANCE  | 698          | 661          |
| <b>TOTAL EXPENDITURE</b>  | <b>6,528</b> | <b>5,926</b> |
| <b>NET MOVEMENT IN FUNDS, BEING NET (EXPENDITURE) INCOME FOR THE YEAR</b> |              |              |
|   | <b>(345)</b> | <b>1,937</b> |
| NET MOVEMENT OF UNRESTRICTED FUND   |              |              |
| NET MOVEMENT OF DESIGNATED FUND (CHALLENGE FUND)                          | 290          | 164          |
| NET MOVEMENT OF RESTRICTED FUND   | (440)        | 1,426        |
|   | (195)        | 347          |
| <b>INCREASE IN NET ASSETS</b>   |              |              |
|   | <b>(345)</b> | <b>1,937</b> |
| NET ASSETS AT BEGINNING OF YEAR   |              |              |
|   | 3,190        | 1,253        |
| <b>NET ASSETS AT END OF YEAR</b>  | <b>2,845</b> | <b>3,190</b> |

**Directors' statement.** The summary financial statement has been agreed by our auditors, Chantrey Vellacott DFK LLP, as being consistent with the full financial statements for the year ended 30 November 2013. These were prepared in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" 2005 and received an unqualified audit opinion.

The summary financial statement may not contain sufficient information to enable a full understanding of the financial affairs of Global Witness. For further information, the full Directors' Annual Report and Accounts, and the Independent Auditor's report should be consulted. Copies of these can be obtained from the registered office. The full financial statements were approved by the Board of Directors on 1 May 2014 have been submitted to Companies House.

The auditor has issued unqualified reports on the full annual financial statements and on the consistency of the directors' report with those financial statements. Their report on the full annual financial statements contained no statement under sections 498(2)(a), 498(2)(b) or 498(3) of the Companies Act 2006.

**Independent auditor's statement to the members of Global Witness.** We have examined the summary financial statements of Global Witness for the year ended 30 November 2013. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors.** The directors are responsible for preparing the summarised annual report in accordance with applicable United Kingdom law.

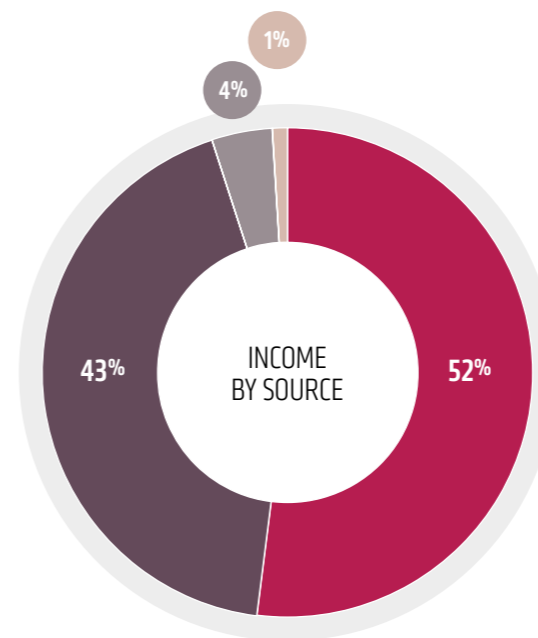
Our responsibility is to report to you our opinion on the consistency of the summary

financial statement within the summarised annual report with the full annual financial statements, the directors' report, and its compliance with the relevant requirements of section 427 of the Companies Act 2006 and the regulations made thereunder.

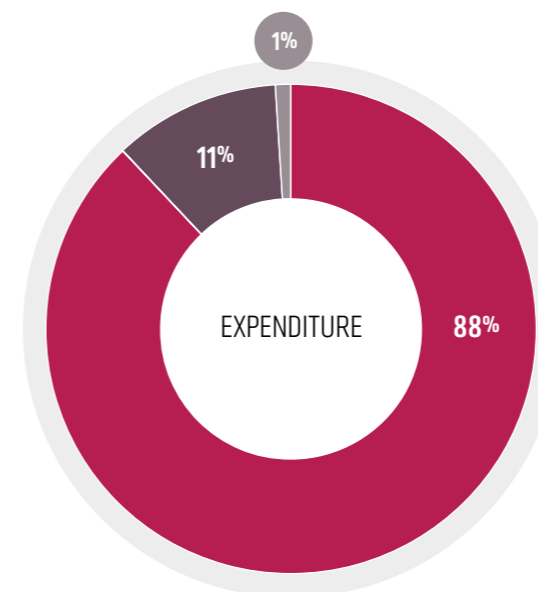
**Basis of audit opinion.** We conducted our work in accordance with Bulletin 2008/3 "The auditor's statement on the summary financial statement" issued by the Auditing Practices Board. Our report on the company's full annual financial statements describes the basis of our audit opinion on those financial statements.

**Opinion.** In our opinion the summary financial statement is consistent with the full annual financial statements of Global Witness for the year ended 30 November 2013 and complies with the applicable requirements of section 427 of the Companies Act 2006, and the regulations made thereunder.

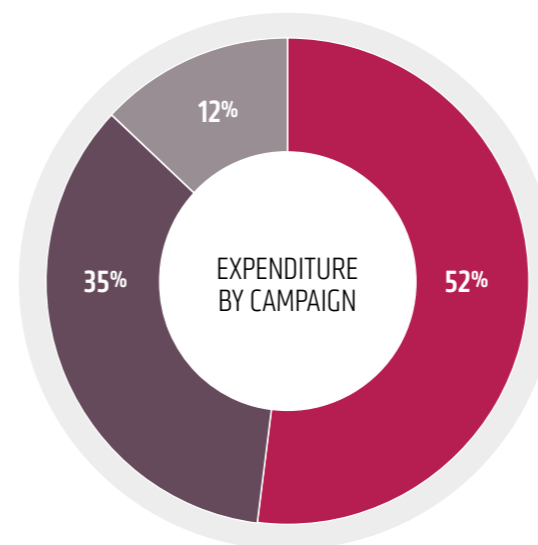
*Chantrey Vellacott DFK LLP, Chartered Accountants, Statutory Auditor, London, 1 May 2014*



| INCOME BY SOURCE             | £000  |     |
|------------------------------|-------|-----|
| Governments                  | 3,208 | 52% |
| Trusts and Foundations       | 2,639 | 43% |
| Individuals                  | 238   | 4%  |
| Other NGOs and Multilaterals | 98    | 1%  |



| EXPENDITURE              | £000  |     |
|--------------------------|-------|-----|
| Campaigns                | 5,757 | 88% |
| Cost of generating funds | 698   | 11% |
| Governance               | 73    | 1%  |



| BY CAMPAIGN              | £000  |     |
|--------------------------|-------|-----|
| Environmental Governance | 3,011 | 52% |
| Corruption               | 2,029 | 35% |
| Resources and Conflict   | 717   | 12% |

**“Global Witness brings together the issues of human rights, corruption, the trade in natural resources, the role of banks, the arms trade, conflict. It is the only organisation that does this, period.”**

**Aryeh Neier – President Emeritus,  
Open Society Foundations.**

## “ Global Witness, Global dumb-dumb. ”

2008. Charles Taylor's ex-Minister of Mines, Liberia.

## “ Mr Gavin, you must come to Equatorial Guinea but be careful, people get hurt. ”

2004. Minister from Equatorial Guinea speaking to Global Witness's Director of Campaigns at a meeting in London, following the first revelations about the country's missing oil money.

## “ It's a bit naughty of them [Global Witness], to use their big power to blacken my name. ”

2013. Mahmud Taib Chief Minister of Sarawak since 1981. Family members of super-rich Taib tried to engage in a corrupt land deal with a Global Witness undercover investigator. The covert film of the sting achieved 1.2 million hits on YouTube and sparked a major scandal in Malaysia.

## “ If they come to Cambodia, I will hit them [Global Witness] until their heads are broken. ”

2007. Hun Neng, brother of Cambodian Prime Minister Hun Sen, and Governor of Kompong Cham province statement after Global Witness implicated relatives of the Prime Minister and other senior government officials in corrupt deals.

In the UK, Global Witness Trust (registered charity 1117844) is a separate entity that receives funds from certain donors and under strict Trust guidelines donates these funds to Global Witness. In the U.S., Global Witness Foundation a 501 (c) (3) organisation, operates in the same way. Financial information for both entities is available on our website at [www.globalwitness.org/about-us/governance](http://www.globalwitness.org/about-us/governance)



Printed by Park Communications  
which is ISO14001 and EMAS certified.



Printed on Revive 100 White Offset, containing 100% post consumer recycled fibre, which is either Process Chlorine Free (PCF) or Totally Chlorine Free (TCF).



100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and, on average, 99% of any waste associated with this production will be recycled.