

ESG & SUSTAINABILITY

The interaction between environmental and financial crime

What do businesses need to know?

This article explores how environmental harm is being criminalised with a focus on the interaction between financial and environmental crime.

7 MIN READ

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Environmental crimes, including illegal logging, deforestation and pollution, are increasingly being criminalised and in some cases, incorporated into anti-money laundering (AML) frameworks. In this article, we examine how such offences are being treated as predicate crimes for money laundering, expanding the scope of financial crime laws and holding companies accountable for their environmental impact. We also consider the developments relating to the recognition of the offence of ecocide. Understanding how these matters are relevant to their operations can help businesses to better manage their environmental risks and ensure compliance with an increasingly complex regulatory environment.

What is environmental crime?

Environmental crimes can be broadly defined as activities that breach environmental laws which directly harm the environment¹.

Such activities include:

- the illegal trade in wildlife or protected species of plants
- the smuggling of ozone-depleting substances
- illegal mining
- dumping and illicit trade in waste
- illegal and unreported fishing
- illegal logging and the associated trade in timber harvested, transported, brought or sold illegally

Environmental crime is of growing concern. According to the European Commission, environmental crime is the fourth largest criminal activity worldwide after drug trafficking, human trafficking and counterfeiting and is growing at a rate of 5% to 7%² annually.

Europol highlights that environmental crime is highly lucrative. While it can be as profitable as illegal drug trafficking, such crime can be harder to detect and sanctions are much lower³. UN studies show that the proceeds from environmental crimes are in the same order of magnitude as other financial crimes⁴. However, actions by the government and private sector to investigate and prosecute have been limited. As Ghada Waly, Executive Director of the United Nations Office on Drugs and Crime (UNODC), has noted: “Crime and corruption are enablers of many activities that are driving forest loss, and yet crime prevention and criminal justice have largely been absent from the discussion”⁵.

1 Environmental Investigation Agency, Environmental Crime: A Threat to Our Future (October 2008)
2 European Commission, 'Questions and Answers: Corporate Sustainability Reporting Directive (CSRD)' (21 April 2021)
3 Europol, 'Environmental Crime'
4 United Nations Environment Programme, 'UNEP-INTERPOL Report: Value of Environmental Crime up to USD 258 Billion' (4 June 2016)
5 United Nations Office on Drugs and Crime, 'UNODC at COP28: Addressing Illegal Deforestation and Illegal Mining to Reduce Climate Change' (4 December 2023)

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A 2021 report by the Financial Action Task Force (**FATF**) found that environmental crimes are often low-risk and high-reward for perpetrators. This is partly because regulations are inconsistent across jurisdictions and often fail to address the financial aspects of these crimes. The FATF estimates that environmental crimes generate between US\$110bn to US\$281bn in criminal profits each year. Despite this, it is estimated that only a tiny percentage of such proceeds are ever recovered⁶.

Tackling environmental crime as financial crime

Given the scale of criminal profits and the challenges with enforcement, there is growing recognition that environmental offences must be tackled not only as legislative breaches but, where appropriate, as financial crimes. Environmental offences are now formally recognised as predicate offences to money laundering, bringing them within the scope of AML frameworks. In this context, predicate offences refer to a criminal component of a larger crime.

The European Union (**EU**)’s Directive on Combating Money Laundering by Criminal Law which runs alongside its sixth Money Laundering Directive, explicitly includes environmental crime within its definition of criminal activity⁷. This means that any financial benefit derived from, for example, illegal logging or trafficking in protected species, may now be treated as the proceeds of crime.

The Regulation of Deforestation-free Products (**EUDR**) complements this shift by requiring businesses to ensure that when commodities such as timber, cattle, rubber, cocoa and palm oil as well as certain derivative products are placed on the EU market or exported from the EU, such products aren’t associated with deforestation or forest degradation⁸. In addition to being subject to penalties under EUDR, this exposes companies to liability under AML frameworks, as the handling, use or investment of such profits may constitute money laundering, even if the company was not directly involved in the underlying environmental offence⁹.

Other jurisdictions are taking similar steps. Singapore has amended its Anti-Money Laundering Act to recognise foreign environmental crimes as predicate offences, expanding the powers of law enforcement agencies to investigate funds suspected of being derived from serious environmental crimes committed overseas¹⁰. Similarly, in the UK, the Proceeds of Crime Act 2002 adopts an all-crimes approach, allowing the recovery of property obtained through any unlawful conduct, including environmental offences. Notably, the World Uyghur Congress case in the UK clarified that proceeds derived from forced labour could be regarded as criminal assets, subject to AML enforcement¹¹. What this means is that banks and other financial institutions need to ensure their due diligence in respect of their clients and transactions covers environmental and human rights due diligence adequately.

6 Financial Action Task Force, Money Laundering from Environmental Crime (29 June 2021)
7 Directive (EU) 2018/1673 of the European Parliament and of the Council of 23 October 2018 on combating money laundering by criminal law [2018] OJ L284/22
8 Regulation (EU) 2023/1115 of the European Parliament and of the Council of 31 May 2023 on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010 [2023] OJ150/206,
9 Directive (EU) 2018/1673 of the European Parliament and of the Council of 23 October 2018 on combating money laundering by criminal law [2018] OJ L284/22
10 Anti-Money Laundering and Other Matters Act 2024 (Singapore), s 2
11 World Uyghur Congress, R (on the application of) v National Crime Agency [2024] EWCA Civ 715



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At the international level, the FATF has updated its standards to include environmental crimes as predicate offences, requiring member states to criminalise serious environmental harm and integrate environmental crime into their domestic AML frameworks¹².

Ongoing legal claims relating to environmental harm

Recent high-profile legal actions illustrate that there has been a broadening in the types of sectors to which claims of environmental harm are being made. In February 2024, the London Mining Network and Global Legal Action Network filed a legal action against the London Metal Exchange, alleging that it facilitated the trading of metals linked to environmental destruction and human rights abuses at the Grasberg mine in Indonesia¹³.

The claim asserts that the Exchange’s failure to prevent the trade in ‘dirty metals’ could amount to breaches under the UK’s Financial Services and Markets Act 2000 and the Proceeds of Crime Act 2002¹⁴.

Similar actions have been taken in France. In early 2023, Friends of the Earth (Les Amis de la Terre) France, Notre Affaire à Tous and Oxfam France, instituted proceedings in France against BNP Paribas over its financing of fossil fuels. The claim focused on lack of compliance with the French law on the duty of vigilance. Under this law, in scope businesses are required to put in place a plan to prevent the violation of human rights and environmental damage that may occur in the course of their business¹⁵. While this claim focused on the financing of fossil fuels, in the same year, BNP Paribas faced a second action, taken by Brazilian NGO Comissão Pastoral da Terra (CPT) and Notre Affaire À Tous.

The NGOs filed before the Judicial Court of Paris claiming that BNP Paribas, under the French law on the duty of vigilance, provided services with inadequate due diligence of corporations engaged in deforestation, forced labour and indigenous rights violations.

The claimants criticised BNP Paribas’s due diligence processes for failing to prevent human rights violations, specifically in its financial dealings with Marfrig, a major beef producer implicated in land-grabbing and deforestation in the Amazon¹⁶ This case is still ongoing.

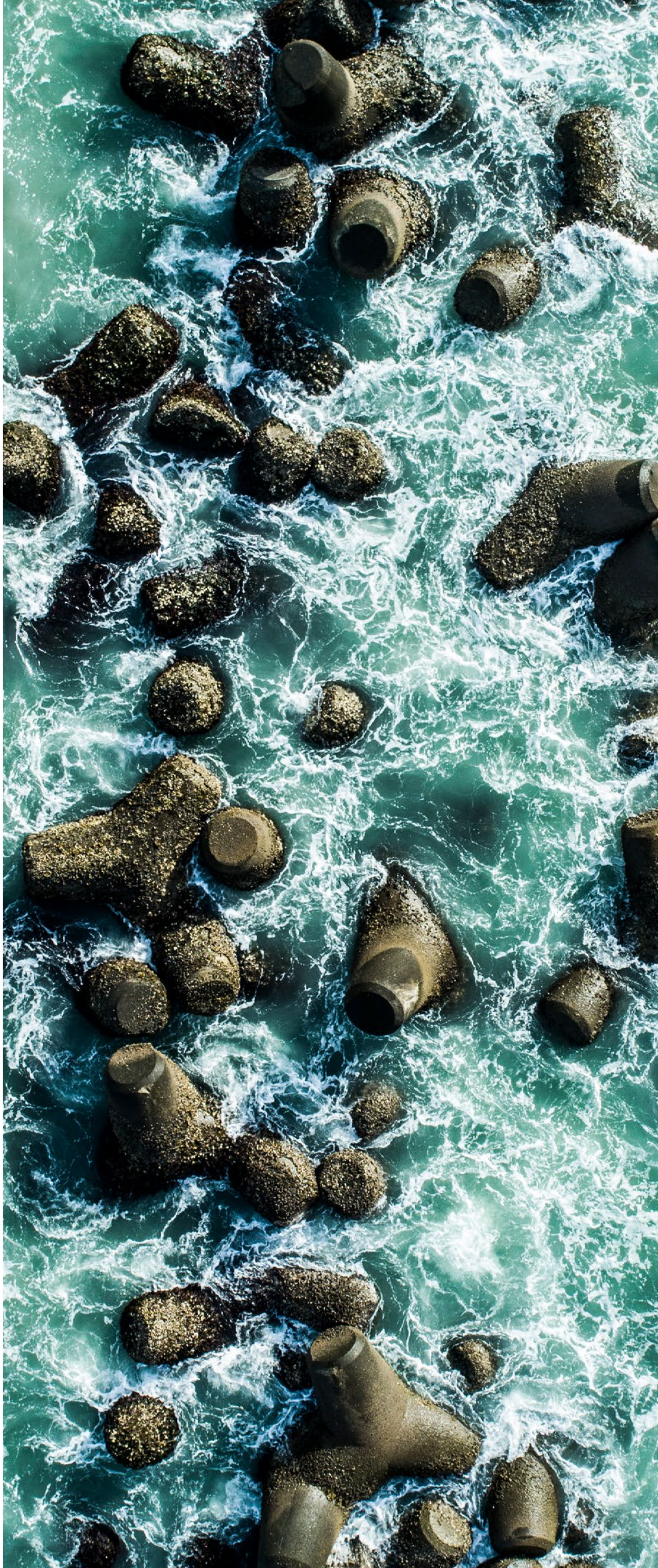
¹² Financial Action Task Force, 'The FATF Recommendations'

¹³ London Mining Network, 'London Metal Exchange Court Case' (22 February 2024)

¹⁴ Global Legal Action Network, 'Dirty Coppers: Grasberg Mine, West Papua (2025)

¹⁵ Climate Case Chart, 'Notre Affaire à Tous Les Amis de la Terre, and Oxfam France v. BNP Paribas' (2023)

¹⁶ Climate Case Chart, 'Comissão Pastoral da Terra and Notre Affaire à Tous v BNP Paribas' (2023)



How environmental harm is being
criminalised

Environmental misconduct is increasingly being criminalised both internationally and at an EU level. At an international level, there has been a particular focus on legally defining the offence of ecocide. In 2021, an expert legal panel published the following definition of ecocide – “*unlawful or wanton acts committed with knowledge that there is a substantial likelihood of severe and either widespread or long-term damage to the environment being caused by those acts*”. Organisations such as Stop Ecocide International argue that ecocide should be enshrined as a crime in the Rome Statute of the International Criminal Court (ICC)¹⁷. The ICC’s jurisdiction is limited to the four “most serious crimes of concern to the international community as a whole”: genocide, crimes against humanity, war crimes, and the crime of aggression. Ecocide would be the fifth serious crime if it were to be included within the Rome Statute.

In September 2024, the Pacific Island states Vanuatu, Fiji and Samoa formally submitted a proposed amendment to the Rome Statute to include a crime of “ecocide” to criminalise mass destruction of nature. This development marks the beginning of ICC member states’ formal consideration of ecocide as an international crime. If successful, the change could allow for the prosecution of individuals who have brought about environmental destruction, such as the heads of large polluting companies, or heads of state.

At an EU level, the revised Environmental Crime Directive¹⁸ (ECD) provides for a ‘qualified offence’ where crimes are committed and result in wide-scale environmental damage which is either irreversible or long-lasting. As discussed in our previous article on the ECD, the preamble suggests that such ‘qualified offences’ can encompass “*conduct comparable to ecocide*”¹⁹.

In addition, the ECD offers a more precise definition of environmental crimes compared to previous EU legislation, introducing new types of offences such as:

- placing pollutants on the market
- bringing invasive species into the EU
- water abstraction
- the production, placement on the market, import, export, use, or release of fluorinated greenhouse gases
- certain breaches of the EUDR²⁰

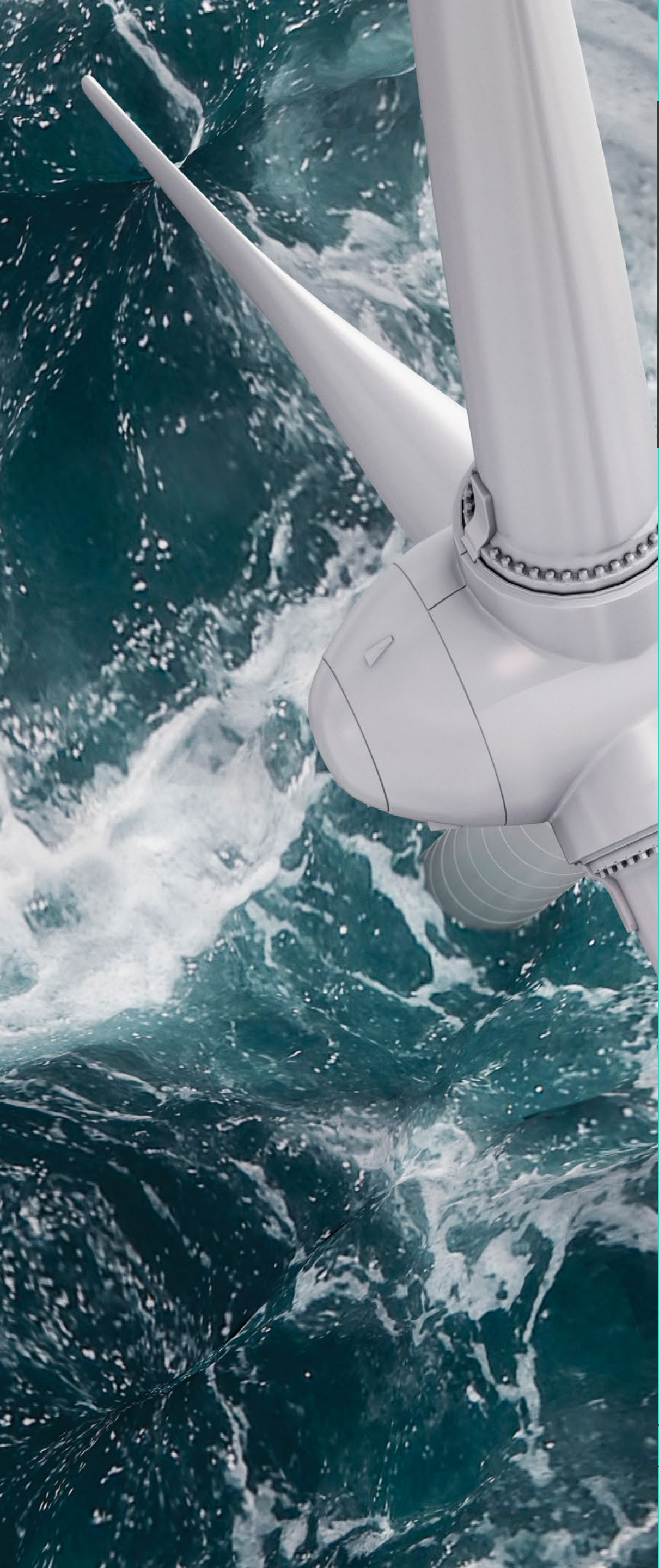
The Directive increases the number of environmental offences from the nine included in the previous directives to 20.

17 Stop Ecocide International – Independent Expert Panel launches definition of ecocide

18 Directive (EU) 2024/1203 of the European Parliament and of the Council of 11 April 2024 on the protection of the environment through criminal law and replacing Directives 2008/99/EC and 2009/123/EC [2024] OJ L 309/1

19 A&L Goodbody, ‘Protection of the Environment Through Criminal Law: New EU Directive on Environmental Crime’ (5 March 2024)

20 Directive (EU) 2024/1203 of the European Parliament and of the Council of 11 April 2024 on the protection of the environment through criminal law and replacing Directives 2008/99/EC and 2009/123/EC [2024] OJ L 309/1



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Environmental crime – the intersection of environmental and financial crime

The ECD also aims to harmonise penalties across all EU member states, applying them not only to individuals but, for the first time, to companies. Under the revised ECD, member states are required to criminalise unlawful and intentional actions that breach the EU's environmental objectives and ensure that penalties are effective, proportionate, and dissuasive for both individuals and businesses involved²¹ . It should be noted that Ireland opted not to be bound by the updated ECD, after raising concerns about reconciling certain provisions of the ECD with Ireland’s common law criminal justice system. Ireland remains bound by the provisions of the previous Environmental Crime Directive²².

In May 2025 the Council of Europe adopted the Convention on the Protection of the Environment through Criminal Law (the **Convention**)²³. This is the first legally binding international instrument that addresses serious environmental crimes. The Convention establishes minimum legal standards for environmental criminal offences, including those that equate to ecocide. It also provides a framework to enhance national and international cooperation in order to tackle criminal activity contributing to the climate change, pollution and biodiversity loss. The Convention broadly aligns with the ECD and similarly outlines environmental crimes for member states to ratify under national law. The Convention will come into force when 10 signatories, eight of which being member states of the Council of Europe have ratified the legislation²⁴. The Convention will be available for signing until 31 December 2025²⁵.

A number of EU member states are also considering introducing a criminal offence of “ecocide” following France’s lead in placing the crime on a legislative footing. France’s Climate and Resilience Law came into force in August 2021 and introduced offences related to environmental endangerment, pollution, and ecocide for the most serious cases²⁶. For instance, pollution of the environment can now lead to up to ten years’ imprisonment and/or a fine of €4.5m²⁷. In January 2024, the French Supreme Court confirmed that French courts have jurisdiction over international crimes against humanity committed by companies overseas, expanding the scope of French legal authority to address global environmental harm²⁸.

Similarly on 22 February 2024, Belgium’s Federal Parliament introduced the new offence of ecocide as part of the reform of the Belgian criminal code. Fines of up to €1.6m may be imposed on a company in violation of the code and individuals risk prison sentences of up to 20 years²⁹. Several other countries, including the Netherlands³⁰ have introduced draft bills.

21 A&L Goodbody, 'Protection of the Environment Through Criminal Law: New EU Directive on Environmental Crime' (5 March 2024)
22 Directive 2008/99/EC of the European Parliament and of the Council of 19 November 2008 on the protection of the environment through criminal law [2008] OJ L 328/28
23 Council of Europe, Committee of Ministers 134th Session, CM(2025)52 on the protection of the environment through Criminal Law (13-14 May 2025)
24 Council of Europe, Committee of Ministers 134th Session, CM(2025)52 on the protection of the environment through Criminal Law (13-14 May 2025), art 46
25 Council of Europe, 'Convention on the Protection of the Environment through Criminal Law'
26 International Bar Association, 'Environmental Criminal Law in the French Legal Framework' (2024)
27 Code de l'environnement, art L231-1 (Version in force since 25 August 2021)
28 Cour de cassation, crim, 16 janvier 2024, n°22-83.681
29 Stop Ecocide International, 'Belgium becomes first European country to recognise ecocide as international level crime'
30 Stop Ecocide Netherlands, Dutch Proposed Ecocide Criminalisation Act: English Translation (2024)

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What do companies need to be thinking about?

Companies should be aware of the increasing financial crime risks linked to environmental misconduct. As countries expand the scope of financial crime laws, environmental offences such as illegal logging, deforestation, and pollution are now often treated as predicate offences to money laundering. This shift means that businesses can face significant legal risks if they profit from activities linked to environmental crime.

In addition, the growing recognition of "ecocide" further enhances the legal landscape. Countries like Belgium and France have already moved toward criminalising ecocide, signalling that environmental crimes could soon lead to criminal liability for corporations or individuals causing significant harm to ecosystems. At an EU level, the Corporate Sustainability Due Diligence Directive³¹ introduces provisions where companies can be held liable for damage caused where the company, either intentionally or negligently failed to comply with the obligation to prevent potential adverse impacts or bring actual adverse impacts to an end.

As more countries adopt stringent regulations and introduce new offences, businesses must ensure that they keep track of these developments and the impacts that these can have on their operations.

For businesses, this means conducting due diligence is critical. Companies should:

- integrate environmental risk assessments into their AML and compliance programs
- monitor their supply chains for potential involvement in illegal environmental practices
- ensure compliance to mitigate both legal and reputational risks.

31 [Directive \(EU\) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive \(EU\) 2019/1937 and Regulation \(EU\) 2023/2859](#)



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