

In the Red

An Assessment of Bank Policies for Financing Pulp and Paper



IN THE RED

AN ASSESSMENT OF BANK POLICIES FOR FINANCING PULP AND PAPER



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SUMMARY

This report presents the results of a process by the Environmental Paper Network (EPN) to assess how ready the financial sector is to manage the environmental and social risks of financial involvement with the pulp and paper industry. From 2016 to 2017 we carried out a benchmark assessment of the pulp and paper policies of 42 private banks. We believe that a bank policy assessment is necessary because financiers of the pulp and paper sector should have proper policies in place to prevent any financing for socially or environmentally harmful practices of this sector.

We have assessed the publicly available policy framework from each bank against fourteen Red Lines. These are environmental and social criteria, based on *Green Paper, Red Lines*, a briefing published by EPN in 2016, which articulates minimum requirements that pulp and paper companies must meet before investment in them is considered.

The selected banks are either important financiers of the pulp and paper sector, and/or are involved in 'Dodgy Deals', i.e. pulp mill projects or companies that are the subject of active campaigns by our member organisations due to their harmful environmental and social impacts.

The Red Lines used to assess the policy framework of each bank cover a wide range of regulatory, social and environmental issues. We conducted an in-depth, qualitative study of the publicly available policy framework of each bank – including adopted voluntary initiatives such as forest certification schemes – and assessed to what extent the bank policies protect it from the risks of clients breaching each Red Line (criterion). The assessment determined for each Red Line whether the bank is not protected, partly protected or well protected.

It was not the intention of this research to rank the banks, but to point out the gaps in each policy framework to move banks in the right, less harmful, direction. It was also not the objective of this study to look at implementation of the policies.

The results of our assessment reveal that bank policies are extremely disappointing. Unfortunately none of the banks we assessed manages to thoroughly protect itself from clients breaching the Red Lines. Indeed for most of the Red Lines, the vast bulk of banks are at best only partly protected. We can only conclude that the banking sector does not have policies that are fit for purpose to avoid irresponsible investment in damaging pulp and paper projects and companies.

Based on these results, EPN urges each bank to improve its policy framework. We recommend that each bank should:

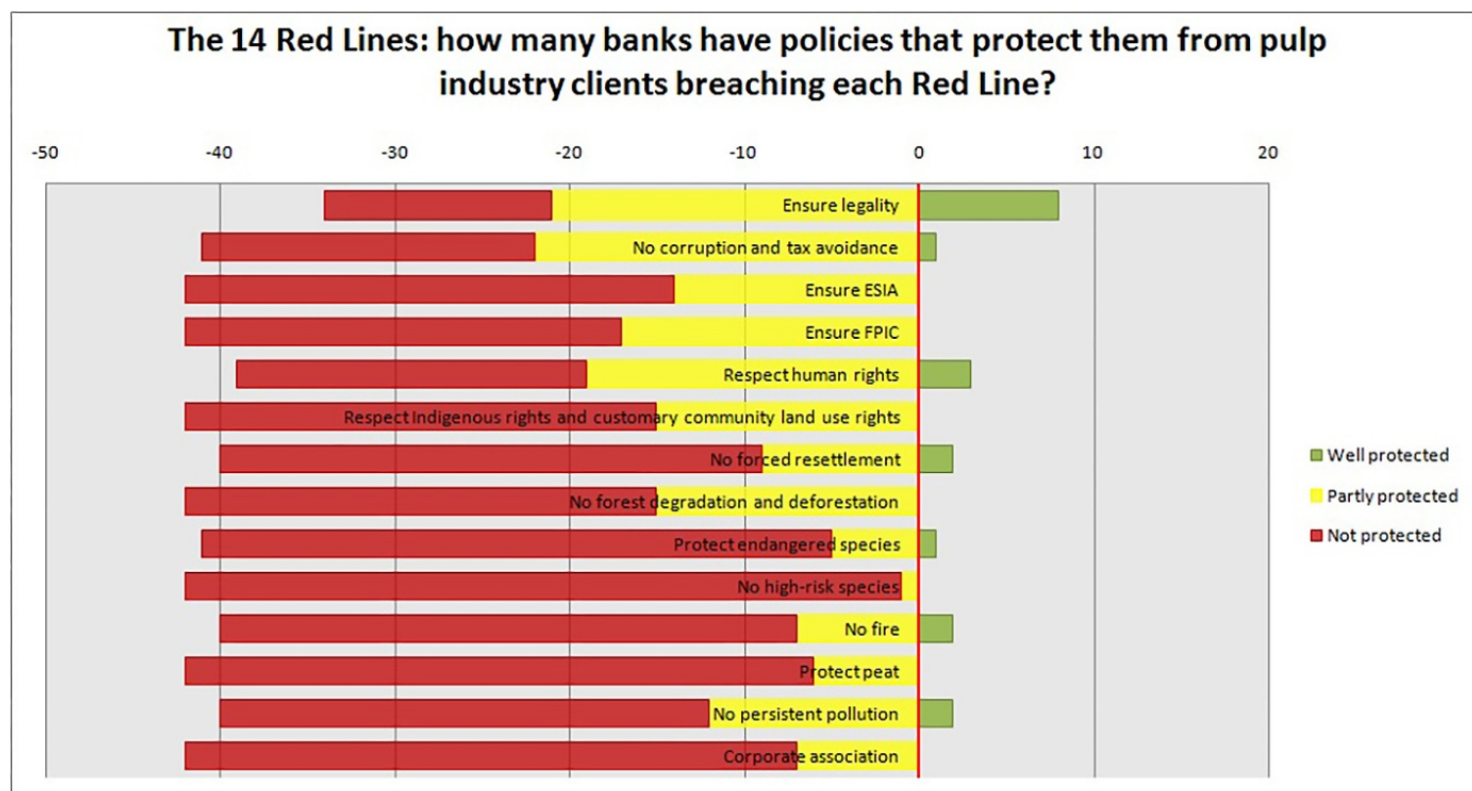
- if it has not already done so, create and make publicly available a full investment policy framework for the pulp and paper sector;
- examine EPN's assessment of its policy and improve it where necessary, to make sure of avoiding becoming financially involved in any companies or projects that breach the Red Lines;
- have consultation meetings with concerned groups in the process of policy formation;
- maintain open communication with civil society organisations and community groups; publish policy through a range of media; and
- ensure that these policies are implemented through adequate due diligence procedures.

Green Paper, Red Lines is a document strongly supported by more than 140 civil society organisations worldwide. We hope that the banking sector will use it to work with us to move the pulp and paper industry towards a sustainable future.

KEY FINDINGS

Summary of Results

The diagram below shows, for each Red Line, the extent to which bank policies protect the 42 banks well, partly or not at all, against the risks of investing in companies that breach the Red Line.



Each horizontal bar of the chart represents one Red Line. The green part of each bar, on the right hand side, represents the number of banks that have a policy that protects them well against involvement with clients that breach that Red Line. The yellow part of each bar represents the number of banks that have a policy that partly protects them against involvement with clients that breach that Red Line. The red part of the bar represents the number of banks that have a policy that does not protect them at all against involvement with clients that breach that Red Line.

So for example, in the middle of the chart, consider the bar representing the Red Line that requires companies to respect human rights. This shows that 3 banks have policies that protect them well (green), 19 banks have policies that partly protect them (yellow) but 20 banks do not have policies that protect them at all (red) against the risk of financial involvement with companies that breach the Red Line by not respecting human rights.

Lack of policies

Not all of the banks have a policy framework that is publicly available and therefore allows for a sufficient assessment. This is of great concern to us, as these banks were selected as important financiers of the pulp and paper sector, either because they have a large financial stake in the industry or because they are involved in expansion plans for pulp mills as identified in our research in 2015¹. Having publicly available policies is the starting point of improvement; it allows for a conversation with other stakeholders such as civil society organisations.

Overall, very few of the Red Lines are covered well by bank policies. We even found that two banks do not protect themselves on any of the Red Lines, and a further 18 have policies that give partial protection against breaches by their clients of three or fewer Red Lines. There is therefore a very high risk that these banks may proceed with financing even the most devastating pulp and paper projects.

For six of the Red Lines no banks have strong enough policies to protect them well against investing in unacceptable projects or companies. There is therefore clearly an urgent need for banks to develop stronger policies about these requirements:

- ensuring free, prior and informed consent (FPIC) of affected parties;
- respect for indigenous rights and customary community land use rights;
- no forest degradation or deforestation;
- avoiding high-risk species, such as invasive or genetically modified species;
- protecting peatlands;
- extending policies to all corporate associates of clients (parent, sister or subsidiary companies).

Regulatory requirements

- 34 banks do not manage to fully protect themselves on the Red Line on **legality**, as these banks often focus on illegal logging but fail to state a requirement to comply with other social and environmental norms and standards.
- On **corruption and tax avoidance**, only one of the banks fully protects itself on this Red Line. Banks often have a corruption policy in place, but do not extend this to their clients. We have not seen any policy that covers tax avoidance, which indicates a huge gap.
- Signatories of the Equator Principles should protect themselves well on the Red Line on **Environmental and Social Impact Assessments (ESIA)** for finances that fall within the scope of the principles, but these banks usually do not extend this requirement to other finances and no banks are well protected on this issue.

Social requirements

- All banks fail to reach the level of well protected for the Red Lines on **Free, Prior and Informed Consent (FPIC)**; **Indigenous rights and customary community land use rights**; and although two are well protected on **forced resettlement**, more

¹ http://www.environmentalpaper.eu/wp-content/uploads/2015/09/Mapping_Pulp_Mill_-Expansion.pdf

than thirty are not protected at all. Many of these policies do not cover the customary land use rights of communities. For instance, if a bank requires a client to conduct FPIC, it often only applies to Indigenous people. There are forty banks that do not protect themselves well on any of these social Red Lines, other than through implementation of voluntary initiatives.

- On **human rights**, things are slightly better, with just over half (22) of the banks being either well or partly protected from clients performing unacceptably.

Environmental requirements

- The Red Line on **forest degradation and deforestation** has six sub-requirements that should be in a bank's policy framework. Although many banks prohibit financing for activities that impact High Conservation Value (HCV) forests, UNESCO heritage, Key Biodiversity Areas, the conversion of natural forest and legally protected areas, the 'degradation of areas where forest restoration or threatened wildlife re-introduction is taking place' and 'degradation of critical habitat for endangered and threatened species' is most of the time not covered. While no bank is well protected on this issue, fifteen are at least partly protected.
- The Red Lines on **endangered species**, **high-risk species**, **fire**, and **peat**, are mostly not covered by banks in their policies. As these are crucial aspects to look out for when financing the pulp and paper sector, the assessment is very worrying in that it shows the vast bulk of banks are completely unprotected from their clients breaching these Red Lines, with 36 unprotected on endangered species. (Many banks rely on CITES instead of the IUCN Red List for their policy on **endangered species**. This however does not lead to any protection against breach of the Red Line, as CITES is a matter of legality and is not as complete as the IUCN Red List). A terrifying 41 banks (all but one) have no protection from their clients using high-risk species, 33 have policies that offer no protection on fire and 36 are inadequate on peat.
- Performance is better on **pollution**, partly because many of the Chinese banks now have strict policies against investing in companies that cause persistent pollution.

Corporate association

The Red Line on corporate association underlines the importance of banks to fully 'know your customer'. This includes its parent, sister or subsidiary companies as well as any related third parties. The pulp and paper sector tends to be complex and most companies either have many small subsidiaries from which to source their wood or make use of sourcing companies. Any investor therefore needs to make sure the Red Lines will be secured from breaches over the entire supply chain. However, in our research no banks protect themselves well, and only seven manage to partly protect themselves from their clients breaching this Red Line.

1. INTRODUCTION

1.1 The problems of the pulp and paper sector

Forests play a crucial role in sustaining life on earth: they provide essential ecological functions to humans and other species, enabling us to survive every day. Forests are the most bio-diverse terrestrial ecosystems on earth, home to 70% of the world's biodiversity.² When intact, forests also are critical climate buffers, acting as a carbon sink, but clearing forests results in the release of large quantities of carbon dioxide and other greenhouse gases into the atmosphere.

On a social level, forests are home to billions of people worldwide who depend on them for their livelihoods and for cultural and spiritual use.

Nevertheless, despite these substantial social and environmental values - of which these are only a few examples - forests worldwide are under substantial threat from many factors.³ Logging for the pulp and paper sector and the establishment of new monoculture plantations for pulp are significant drivers of deforestation and forest degradation.⁴

Global paper consumption is constantly growing, with current use of more than one million tonnes of paper worldwide every day. As a result of perceived demand growth, particularly in Asia, a massive pulp mill expansion is underway, especially in Latin America, Russia and South East Asia.⁵ This is very likely to contribute to even more deforestation and forest degradation if these pulp and paper projects are not managed in a sustainable manner.

Manufacturing of pulp and paper in an environmentally and socially sustainable way is possible and economically feasible, and paper recovery and the use of recycled pulp has increased in the last decade. However, the production of virgin pulp continues to rise.

Pulp mill expansion is one of the main drivers behind the expansion of intensively managed tree plantations. Many plantations are unsustainably established, causing social and environmental harm such as land grabs and land conflicts, lowering of water tables, the release of greenhouse gases, loss of biodiversity, and severe soil erosion.

Pulp mills themselves often contribute to air and water pollution of their surrounding areas, particularly if they are not using totally chlorine free (TCF) technology for bleaching. In addition to chemicals and other additives, they require vast amounts of energy (with its associated greenhouse gas emissions), and huge volumes of water.

It can therefore be seen that there are multiple, cross-cutting risks of environmental and social harm from pulp and paper developments.

² WWF, n.d. *Forest habitat, overview*. [online] Available [here](#). [Accessed 29 March 2017].

³ Kissinger, G., Herold, M., & Sy, de V. 2012. *Drivers of Deforestation and Forest Degradation: A Synthesis Report for REDD+ Policymakers*. [pdf] Vancouver: Lexeme Consulting. Available [here](#). [Accessed 29 March 2017]

⁴ European Environmental Paper Network, 2015. *Mapping Pulp Mill Expansion - Risks and Recommendations*. [pdf] Available [here](#).

⁵ Idem

1.2 Green Paper, Red Lines

Banks and other investors have an important role to play in reducing the risks of the pulp and paper industry. A crucial first step for banks with an exposure to this sector is to develop and properly implement strong policies covering their pulp and paper finance.⁶

To guide banks in the right direction, we published *Green Paper, Red Lines*⁷ in June 2016, a document that lists minimum requirements ('Red Lines') for pulp and paper industry projects to avoid social and environmental harm. It consists of fourteen requirements that cover regulatory, social, environmental and corporate issues, ranging from land and Indigenous peoples' rights to corruption and tax avoidance to technical standards for paper mills and peatland protection.

Now, EPN has taken the next step by assessing the pulp and paper investment policies of 42 banks. The 42 banks have all been shown to be involved in the pulp and paper sector, either through investments in the biggest pulp and paper companies or through their financial contribution to Dodgy Deals. See 'financiers of the pulp and paper sector' for more details on the scope of this research.

The Red Lines form the basis of the fourteen criteria against which we have assessed the quality of bank policies. The overriding question for the assessment is whether the policy framework in place can guarantee that the bank will only finance pulp and paper projects that do not breach the Red Lines.

Note that we consider the Red Lines as minimum standards for the pulp and paper sector. Companies that do not cross the Red Lines are not automatically deemed to be operating in a sustainable manner. However, companies that do cross these Red Lines are certainly unsustainable and financiers providing support to them are likely to find themselves the target of civil society campaigns.

⁶BankTrack, 2016. *Banks and pulp and paper*. [online] Available [here](#).

⁷Environmental Paper Network & BankTrack, 2016. *Green Paper, Red Lines*. [pdf] Available [here](#).

2. METHODOLOGY

2.1 Overview

The objective of our research was to assess whether the total framework of publicly available investment policies and sustainability commitments in place at a bank ensures that it does not support companies or projects in the pulp and paper sector which breach the Red Lines. To do so, we have assessed:

- all publicly available investment policies and guidelines (or summaries thereof) that are of relevance to financing the pulp and paper sector; and
- all voluntary sustainability standards that are of relevance to financing the pulp and paper sector. These include the Equator Principles and references to forest certification schemes.

Once we established which policies and standards were of relevance for each bank, we set out to assess these against criteria based on the fourteen Red Lines (see Table 2). We evaluated for each Red Line whether a bank's policies left them well protected, partly protected but still at risk of the Red Line being violated, or not protected. This was a qualitative assessment based on close reading of the set of relevant policies.

The assessment of bank policies took place between July 2016 and April 2017 by a team of assessors in six countries. We gave each bank the opportunity to comment on its results before this publication, to make sure we covered all the relevant documents and fully understood its policy framework.

2.2 Limitations of this assessment

It is important to note that with our assessment we have *not* attempted to come up with a comparative ranking of policies of all banks covered in the research. This would go beyond our objective to have an informed basis for further engagement with the banks financing the pulp and paper sector.

Further, this study does not cover the extent to which policies are actually implemented, nor the quality of the due diligence that is conducted to implement a policy. For example, we assume that where a bank's policies create requirements on its clients, the client must demonstrate to the bank that it meets these requirements.

The study has been carried out by a team of people in six countries able to read bank policies in their native languages where necessary. There will inevitably be some variation of nuances and interpretations of terms in different countries but we have made every effort to ensure consistency of the assessments carried out by team members in different countries.

2.3 Pulp and paper benchmarking criteria

The assessment criteria are based on the *Green Paper, Red Lines*. For each Red Line, we have explained in which circumstances we consider the bank to be well protected or partly protected, and provided some additional explanatory notes, particularly in response to questions received from banks when reviewing their draft results.

When evaluating bank policies against these criteria, we have been mindful to interpret the language used consistently. For example, where a bank's policy states that it "expects" certain practice from a client, we assumed this implies a requirement, and that the bank has processes in place to make sure the expectation is met. However, when a bank policy states that it "encourages" certain practices, we assumed that this is not an absolute requirement in place, and that the bank may continue to finance clients which do not respond positively to this encouragement.

Table 1 Assessment tool for a bank's pulp and paper policy framework

Requirements for pulp and paper clients and projects
Regulatory requirements
<p>Ensure legality:</p> <p><i>All prospective clients must be in full compliance with all local, national and international norms, regulations, laws and conventions related to acquisition, harvesting, sourcing or use of land, concessions, forest products or production materials.⁸</i></p> <p>Well protected: Bank policies require compliance with all the above. Partly protected: Finance for illegal logging is prohibited; or bank policies require compliance with local/national law OR international norms, regulations, laws and conventions but not both.</p>
<p>No corruption and tax evasion:</p> <p><i>Clients must not be involved in corruption nor establish ownership structures that are clearly meant to avoid the payment of taxes in the country where the production activities are taking place.</i></p> <p>Well protected: Bank policies require compliance with both of the above. Partly protected: Bank policies prohibit clients involved in tax avoidance OR in corruption</p>

⁸ Relevant international laws and conventions include: ILO Fundamental Work Rights, ILO Convention 169 for the Protection of the Rights of Indigenous Peoples, General Declaration of HR, UN Convention for the Elimination of all Forms of Racial Discrimination, International Agreement on Economics, Social and Cultural Rights, International Agreement on Civil and Political Rights, UN Declaration of the Rights of Indigenous Peoples, UN Guiding Principles on Business and Human Rights.

but not both.

Note: Bank policies on corruption will only protect against a breach of the Red Line where they ensure bank *clients* are not involved in corruption. Policies which only address the possibility of the bank's own involvement in corruption are not sufficient to protect the Red Line. Relying on "ensuring legality" is not sufficient to ensure banks do not finance customers involved in corruption and tax avoidance, e.g. because not all countries have sufficient anti-corruption regulations in place, and because tax avoidance is by definition legal. Corruption and tax avoidance both contribute to social inequality in themselves, and increase the chances of a company contributing to deforestation and other social harm.^{9 10}

Ensure environmental and social impact assessments for mills and plantations:

Prospective clients must provide evidence that they have completed and publicly disclosed, online, a full and comprehensive Environmental and Social Impact Assessment (ESIA) covering all direct and indirect impacts of their activities involving management of and sourcing from forests and plantations, their manufacturing facilities and their operation. Clients must demonstrate that all relevant stakeholders were properly consulted when conducting the assessment and that their concerns and rightful interests have been fully taken into account.

Well protected: All aspects of the above are required for mills and plantations.

Partly protected: ESIA's are required for mills OR plantations, e.g. without public disclosure. Full stakeholder consultation may not be explicitly required.

Note: The need for bank clients to have ESIA's in place for mills and plantations should be part of a bank's policy framework for all types of finance, not just for financial transactions where the use of proceeds is known.

Social requirements

Ensure Free Prior and Informed Consent:

Clients must demonstrate that proposed operations have obtained the free, prior and informed consent (FPIC) of all affected Indigenous peoples and communities with customary rights. This must include documentation of the FPIC procedures for identification, consultation and documentation of all affected communities, as well as the establishment of a dispute mechanisms for, and provision of remedy for, adverse impacts.

Well protected: All aspects of the above are required for mills and plantations.

Partly protected: FPIC is required for mills OR plantations, OR FPIC requirement is limited

⁹ Lopez-Claros, A., 2014. Nine reasons why corruption is a destroyer of human prosperity. *World Bank, Future Development*, [blog] 31 March. Available [here](#). [Accessed 10 April 2017].

¹⁰Koyunen, C. & Yilmaz, R., 2009. The impact of corruption on deforestation: a cross-country evidence. *The Journal of Developing Ideas*, [online]. Available at [here](#). [Accessed 10 April 2017].

to Indigenous peoples, OR aspects including documentation / establishment of a grievance mechanism is not explicitly required.

Respect Human Rights:

Clients must demonstrate that their operations respect human rights, as defined by the United Nations and other international bodies, throughout their own operations as well as within the companies from which they source or which they contract. Clients must respect all core conventions of the International Labour Organisation, including those on child labour, forced labour and debt bondage.

Well protected: The bank commits to respect human rights and conduct human rights due diligence extending to the impacts of its finance, and refuses to finance child labour and forced labour. In addition, it has an explicit requirement for clients to demonstrate that they respect human rights, for example, via ensuring they have appropriate human rights policies and processes in place, or via prohibiting of finance for companies which fail to respect human rights.

Partly protected: The bank commits to respect human rights and conduct human rights due diligence extending to the impacts of its finance or refuses to finance child labour and forced labour.

Respect Indigenous rights and customary community land use rights:

Clients must demonstrate that their operations fully respect Indigenous rights, as defined in the UNDRIP, as well as traditional rights, including land tenure and use rights of local communities.

Well protected: All aspects of the above are required for mills and plantations.

Partly protected: Bank policies require that clients respect Indigenous rights but do not extend to other communities' land use rights.

No forced resettlement:

Clients must not cause resettlement of people who are dependent for their livelihoods on land affected by the client's project, whether full or partial, permanent or temporary, physical or economical, without their Free, Prior and Informed Consent.

Well protected: Any form of resettlement without FPIC is prohibited for mills and plantations.

Partly protected: Resettlement without FPIC is prohibited for mills OR plantations, but not both, OR enhanced due diligence is required for resettlement, OR physical resettlement is prohibited, but economic resettlement only requires compensation.¹¹

¹¹Economic resettlement or displacement includes loss of assets or access to assets that leads to loss of income sources or means of livelihood, following the definition in [IFC PS5](#).

Environmental requirements

No forest degradation and deforestation:

Clients must prove that their operations, or those of the companies from which they source materials for their manufacturing process, do not involve activities that lead to:

- *loss of endangered forests and high conservation value forests, ecosystems and habitats;*
- *conversion of natural forests or other high conservation value ecosystems into plantations for paper fibre;*
- *loss or degradation of high carbon stock forests;*
- *loss or degradation of regionally, nationally or internationally protected areas (UNESCO Natural World Heritage Sites, UNESCO Man and the Biosphere Reserves, IUCN Protected Areas, Key Biodiversity Areas, and wetlands designated under the Ramsar Convention on Wetlands of International Importance);*
- *degradation of areas where forest restoration or threatened wildlife re-introduction is taking place;*
- *degradation of critical habitat for endangered and threatened species.*

Well protected: At least five of the six elements above are substantially prohibited in bank policies.

Partly protected: Up to four of the six elements above are explicitly prohibited in bank policies OR finance for some types of forest degradation and deforestation is prohibited (e.g. activities causing deforestation in tropical moist forests) OR the policies do not cover third party operations (e.g. suppliers of timber to pulp mills).

Note: Where banks require either FSC or PEFC certification from clients, we do not consider that this provides protection against breach of the Red Lines, as we do not recognise PEFC certification as effective in this regard. Please see section 4.2 Forest certification schemes and the Red Lines, below, for further explanation.

Protect endangered species:

Clients must not harvest or trade in species that are protected under host country laws or regulations or listed on the IUCN Red List for endangered species, or allow this to take place as a result of their operations.

Well protected: All aspects of the above are required for mills and plantations.

Partly protected: Policies are in place aimed at protecting endangered species, but these are short of a full prohibition of all IUCN OR the policies do not cover third party operations (e.g. suppliers of timber to pulp mills).

Note: Forestry companies can impact endangered species, principally through harvesting or damaging endangered tree species and by damaging habitats of endangered animal species. Bank policies which exclude harvest or trade of species covered by CITES, the Convention on International Trade in Endangered Species of Wild Fauna and Flora, do not contribute towards protecting this Red Line, as CITES is an international treaty and

therefore covered under "ensuring legality". The IUCN Red List is more extensive than CITES.

No high-risk species:

Clients must not introduce genetically modified species into the environment, or introduce or use invasive alien species, or allow this to take place as a result of their operations.

Well protected: All aspects of the above are required.

Partly protected: Policies prohibit introduction of genetically modified species OR introducing or using invasive alien species (but not both) OR the policies do not cover third party operations (e.g. suppliers of timber to pulp mills).

No fire:

Clients must not use fire for the conversion of land, or allow this to take place as a result of their operations. Exceptions can be made only for cases where there is a scientific consensus that fire is part of the natural dynamics of the ecosystem and where the use of fire is essential to maintain the ecosystem.

Well protected: Policies explicitly prohibit use of fire as outlined above.

Partly protected: Policies prohibit uncontrolled and illegal use of fire for conversion of land, OR the policies do not cover third party operations (e.g. suppliers of timber to pulp mills).

Note: Where banks require that their clients have policies against uncontrolled and/or illegal use of fire, we do not consider this Red Line as well protected as this does not rule out financing for companies using controlled fire. As fire is a method of land clearance that causes rapid releases of large amounts of greenhouse gases and is damaging soil and biodiversity with often substantial human risks to human health and local economies as a result, the acceptance of controlled fire does not decrease these risks. Moreover, the term 'controlled fire' can be misleading since many 'controlled fire' operations lead to uncontrolled fire. The only exception is where fire is a natural part of the ecosystem functioning and the local biology is therefore adapted to survive fires.¹²

¹²Nasi, R., Dennis, R., Meijaard, E., Applegate, G. & Moore, P., n.d. *Forest fire and biological diversity*. [online] FAO Corporate Document Repository. Available [here](#). [Accessed at 11 April 2017].

Protect peat:

Clients must not establish plantations on peatland, regardless of depth, nor degrade peatland, or allow this to take place as a result of their operations.

Well protected: Policies explicitly prohibit all aspects of the above.

Partly protected: Policies are in place aimed at protecting peatland, but these are short of a full prohibition OR the policies do not cover third party operations (e.g. suppliers of timber to pulp mills).

Note: Policies protecting peatland are crucial as clearing and draining peatland for agriculture or forestry emits carbon dioxide, increases the risks of large scale fires, and contributes to climate change, while peatland – if kept intact – protects against flooding, provides water security for millions of people, and is a biodiverse habitat.^{13 14 15}

No persistent pollution:

Technology used in mills must include at least secondary effluent treatment and must not emit persistent pollution to air or water, or cause lethal or chronic toxicity to aquatic species. No use of elemental chlorine bleaching. No use of hog fuel from logs that have been transported in salt water.

Well protected: Policies require all aspects above.

Partly protected: Policies are in place to prevent pollution, but only partly prohibit the aspects above OR the policies do not cover third party operations (e.g. suppliers of timber to pulp mills).

Corporate association / scope of the policy

The scope of a client's responsibility includes the sourcing of forestry commodities from third parties that may be involved in activities listed in this list of Red Lines or the association through a holding to a parent, sister or subsidiary company which is active in the forestry sector and which is involved with such activities.

Well protected: Policies make clear that the requirements apply to sourcing from third parties AND parent, sister and subsidiary companies.

Partly protected: Policies make clear that the requirements apply to third parties OR parent, sister and subsidiary companies, but not both.

Note: Where bank pulp and paper policies do not cover sourcing forestry commodities from third parties, they can quickly turn out to be useless, as large pulp and paper companies tend to source from third party suppliers, and if these suppliers are not taken into account, this damages the extent to which other Red Lines are protected.

¹³ Wetlands International, 2014. *Factsheet: Subsidence of peat soils – flooding risks in South-East Asia*. [pdf]. Available [here](#). [Accessed at 10 April 2017].

¹⁴ Wetlands International, n.d. *Peatland Treasures*. [online] Available [here](#). [Accessed at 10 April 2017].

¹⁵ *Too Much Hot Air*, EPN Discussion Document, May 2017 [online]. Available [here](#).

3. FINANCIERS OF THE PULP AND PAPER SECTOR

The research covers 42 private-sector banks that are financially involved in the pulp and paper sector. EPN selected these banks on the basis of two criteria:

1. **Financial involvement in the pulp and paper sector.** Research by Profundo carried out in 2014 for EPN and BankTrack identified the 15 most important private sector banks financing the pulp and paper sector. The research focused on loans and issuances between 2009 and 2014, provided to 883 pulp and paper companies. Most of these banks are not known to have substantially reduced their exposure to the pulp and paper industry since this research was carried out.
2. **Exposure to “dodgy” pulp and paper projects** that are currently subject to campaign efforts from EPN, BankTrack and allies (see Appendix 1 for a list of these Dodgy Deals). 27 banks involved in financing one or more of these Dodgy Deals were added to the list of 15 biggest financiers of the pulp and paper industry.

Table 2: The resulting selection of 42 banks is listed below

Bank	Country	Exposure
ABN AMRO	Netherlands	Dodgy Deal (APRIL)
Agricultural Bank of China	China	Dodgy Deal (APRIL)
Banco Bradesco	Brazil	Dodgy Deal (Pulp & paper in Brazil)
Banco do Brasil	Brazil	Dodgy Deal (Pulp & paper in Brazil)
Banco Estado	Chile	Dodgy Deal (Arauco)
Banco Itaú	Brazil	Dodgy Deal (Pulp & paper in Brazil)
Bank of America	United States	Top 15 financiers
Bank of China	China	Dodgy Deal (APRIL)
Bank of Taiwan	Taiwan	Dodgy Deal (APRIL)
Bank of Tokyo-Mitsubishi UFG	Japan	Top 15 financiers, Dodgy Deal (Arauco)
Barclays	United Kingdom	Top 15 financiers
BNDES	Brazil	Dodgy Deal (Pulp & paper in Brazil)
BNP Paribas	France	Top 15 financiers
BTG Pactual	Brazil	Dodgy Deal (Pulp & paper in Brazil)
Caixa Economica Federal	Brazil	Dodgy Deal (Pulp & paper in Brazil)

Cathay United Bank	Taiwan	Dodgy Deal (APRIL)
China CITIC Bank	China	Dodgy Deal (APRIL)
China Construction Bank	China	Dodgy Deal (APRIL)
China Development Bank	China	Dodgy Deal (APP, Amazar Pulp and Saw Mill)
China Merchants Bank	China	Dodgy Deal (APRIL)
Citigroup	United States	Top 15 financiers
Commerzbank	Germany	Dodgy Deal (Portucel Mill)
Credit Suisse	Switzerland	Top 15 financiers, Dodgy Deal (APRIL, APP)
Deutsche Bank	Germany	Top 15 financiers, Dodgy Deal (Arauco)
First Gulf Bank	United Arab Emirates	Dodgy Deal (APRIL)
Goldman Sachs	United States	Top 15 financiers
HSBC	United Kingdom	Top 15 financiers
Industrial and Commercial Bank of China	China	Dodgy Deal (APRIL)
JPMorgan Chase	United States	Top 15 financiers, Dodgy Deal (Portucel Mill, Arauco)
Land Bank of Taiwan	Taiwan	Dodgy Deal (APRIL)
Morgan Stanley	United States	Top 15 financiers
Mizuho Bank	Japan	Top 15 financiers
O Bank (formerly Industrial Bank of Taiwan)	Taiwan	Dodgy Deal (APRIL)
Ping An Bank Co	China	Dodgy Deal (APRIL)
Rabobank	Netherlands	Dodgy Deal (Pulp & paper in Brazil)
Royal Bank of Scotland (RBS)	United Kingdom	Top 15 financiers
Santander	Spain	Dodgy Deal (APRIL, Portucel Mill, Arauco)
Scotiabank	Canada	Dodgy Deal (APRIL, Arauco)
Sumitomo Mitsui Banking Corporation	Japan	Top 15 financiers, Dodgy Deal (Arauco)
Taiwan Business Bank	Taiwan	Dodgy Deal (APRIL)
Wells Fargo	United States	Top 15 financiers
Wing Lung Bank	Hong Kong	Dodgy Deal (APRIL)

In addition to the overall assessment per bank, we have assessed the extent to which bank adherence to the Equator Principles (EPs), participation in other initiatives such as the Soft Commodities Compact and Natural Capital Declaration, the Green Credit Guidelines (GCG) for Chinese Banks, and the use of forest certification schemes including FSC and PEFC help ensure further protection of the Red Lines. As mentioned in the methodology, we have assessed each initiative on the basis of the Red Lines criteria.

Where the initiatives create strict requirements, as in the case of FSC and the Equator Principles, we have provided a table analysing these requirements against the Red Lines.

4. VOLUNTARY INITIATIVES AND CERTIFICATION SCHEMES

4.1 Equator Principles and the Red Lines

The Equator Principles are a risk management framework, created and adopted by financial institutions, for determining, assessing and managing environmental and social risks in project financing. Currently, 90 Equator Principles Financial Institutions (EPFIs) in 37 countries have officially adopted the EPs.

The EPs comprise ten principles, and reference the eight IFC Performance Standards on Environmental and Social Sustainability (referred to below as PS1, PS2, etc.) and the World Bank Environmental, Health and Safety Guidelines (EHS Guidelines).¹⁶

The EPs apply four different types of finances: Project Finance Advisory Services, Project Finance, Project-Related Corporate Loans and Bridge loans. For project finance, the EPs apply where total project capital costs are USD 10 million or more. For project-related corporate loans, they apply where the total aggregate loan is USD 100 million or more, and the individual EPFI's contribution is USD 50 million or more.

Under Principle 1, projects are first categorised into one of the following:

Category A - projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented;

Category B - projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures;

Category C - projects with minimal or no adverse environmental and social risks and/or impacts.

¹⁶IFC Performance Standards are available [here](#). World Bank EHS Guidelines are available [here](#).

Category A and B projects must then have an environmental and social assessment conducted by the client. (Principle 2). For projects in a 'designated country',¹⁷ this should assess whether the project is in compliance with "relevant host country laws regulations and permits that pertain to environmental and social issues". For projects in less-developed 'non-designated countries', the assessment evaluates compliance with IFC Performance Standards and EHS Guidelines. Principles 3-6 further elaborate on the applicable requirements for the environmental and social assessment. Principles 7-10 explain the reporting requirements for both the financial institutions and the companies, and the requirement for independent consultants during the processes of assessment and reporting.

The table below assesses the extent to which the EPs - including the IFC Performance Standards and EHS Guidelines - ensure projects within their scope do not cross the Red Lines ("protects" the Red Lines).

Note: In the individual bank tables, we have noted if and where the EPs protect a Red Line 'better' than the bank's policies from breaching.

The Equator Principles and the Red Lines
Regulatory requirements
<p>Ensure legality: Clients receiving finance for Category A/B projects need to conduct a check of compliance with "relevant host country laws, regulation and permits that pertain to environmental and social issues". The client should covenant this in the financial documentation. For projects in non-designated countries the EPs require compliance with the IFC Performance Standards, which in turn require (PS1) that clients comply with applicable national law, including "host country obligations under international law". The EPs assume that designated countries have included all relevant international legislation in their national legislation.</p> <p>Partly protected.</p>
<p>No corruption and tax evasion: This is not discussed in the EPs.</p> <p>Not protected.</p>
<p>Ensure environmental and social impact assessments for mills and plantations: The EPs require a client to conduct E&S impact assessment for Category A/B projects, where in the client needs to demonstrate that all relevant stakeholders are consulted and their interests taken into account. This is required to be available and accessible for every</p>

¹⁷'Designated countries' are those countries deemed by the EPA to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment. The full list of designated countries is available [here](#). Of the countries experiencing rapid expansion of pulp mill production (Indonesia, Russia, China, Vietnam, Laos, Brazil, Chile, Mozambique), only Chile is 'designated'.

relevant stakeholder, affected communities included. For project in non-designated countries: the assessment evaluates compliance with applicable IFC Performance Standards and EHS Guidelines. At minimum, a summary of the E&S impact assessment needs to be available online.

Well protected.

Social requirements

Ensure Free Prior and Informed Consent:

If a project has adverse impact on Indigenous peoples in a non-designated country, FPIC needs to be ensured (PS 7). As this is part of the stakeholder engagement, the client needs to publish the documentation. This does not apply to affected communities and not to projects in 'designated countries', where the EPs expect that FPIC is secured in national legislation. The extent to which this is the case is uncertain; there are 'designated countries' where FPIC is controversial, not fully recognised or implemented.¹⁸

Partly protected.

Respect Human Rights:

PS1 states that "businesses should respect human rights", although, critically, clients are not required to demonstrate this. PS2 effectively protects core labour standards, where applicable. For projects in designated countries, the EPs expect that human rights are secured in national legislation.

Partly protected.

Respect Indigenous rights and customary community land use rights:

Principle 5 states that projects affecting Indigenous people "will need to comply with the rights and protections for Indigenous peoples contained in relevant national law, including those laws implementing host country obligations under international law". PS5 recognises customary and traditional tenure arrangements, and this is also mentioned in PS7 for Indigenous People. No specific reference to UNDRIP. The EPs expect that this is secured in national legislation for projects in designated countries.

Partly protected.

No forced resettlement:

PS5 endorses a definition of involuntary resettlement as strict as the Red Line does. Physical displacement is allowed under certain circumstances (and in accordance with law). Economical displacement is allowed when the client ensures that there is a full, sufficient compensation. FPIC is only required for projects affecting Indigenous peoples (PS7). The EPs expect that this is secured in national legislation for projects in designated countries.

Partly protected.

¹⁸ See for example BankTrack's [Dodgy Deal](#) on the Dakota Access Pipeline:

Environmental requirements

No forest degradation and deforestation:

The client should avoid any impact on biodiversity (PS6). If this is not possible, the client should implement measures to minimise impacts and restore biodiversity and ecosystems. There are specific requirements for projects in protected areas and internationally recognised areas, but the projects are not forbidden. The EHS Guidelines endorse both PEFC¹⁹ and FSC as internationally-acceptable standards of forest management.²⁰ The EPs expect that this is secured in national legislation for projects in designated countries.

Partly protected.

Protect endangered species:

The importance of endangered species/critically endangered species habitat is mentioned in PS6 6 (applies the IUCN Red List for Endangered Species). A client is only allowed to operate in these areas when all four aspects are demonstrated: i) there are no other alternatives, ii) "the project does not lead to measurable adverse impacts on those biodiversity values for which the critical habitat was designated, and on the ecological processes supporting those biodiversity values", iii) it does not result in a "net reduction in the global and/or national/regional population of any Critically Endangered or Endangered species over a reasonable period of time", and iv) a monitoring and evaluation program is in place. This also applies to third party operations. No specific ban on harvesting/trading in endangered species. The EPs expect that this is secured in national legislation for projects in designated countries.

Partly protected.

No high-risk species:

Clients may not introduce any new alien species, unless this is done in accordance with existing laws/regulations (PS6). If the alien species are of high risk to the area, this is not permitted (regardless the local regulations). This applies to third party operations. No mention of genetically modified species. The EPs expect that this is secured in national legislation for projects in designated countries.

Partly protected.

No fire:

EHS Guidelines for Forest Harvesting Operations allow burning as a land management technique, "in addition to other uses" (p.14).

Not protected.

Protect peat:

Not mentioned in the relevant documents.

Not protected.

¹⁹See our assessment on Forest Scheme Certification in section 4.2 for more explanation on PEFC and FSC.

²⁰International Finance Corporation World Bank Group, 2007. *Environmental, Health and Safety Guidelines for Forest Harvesting Operations*. [pdf]. Available [here](#).

No persistent pollution:

The EHS Guidelines for Pulp and Paper Mills²¹ strongly recommended avoiding the use of elemental chlorine bleaching, and provide sufficient replacements for this technique. For wastewater management, it requires secondary and, if necessary, tertiary treatment. IFC PS3, EHS Guidelines on Wastewater and Ambient Water Quality²² and EHS Guidelines on Air Emissions and Ambient Air Quality²³ together prevent the pollution of water, air and ecological sensitive areas. The client is always required to use the least hazardous alternatives. No mention of hog fuel. The EPs expect that this is secured in national legislation for projects in designated countries.

Partly protected.

Corporate association / scope of the policy

The Performance Standards (and therefore the EHS Guidelines) apply to all activities financed under the project (e.g. non-designated countries). PS6 (Biodiversity Conservation and Sustainable Management of Living Natural Resources) is the only standard that mentions supply chain implementation.

Not protected.

4.2 Forest certification schemes and the Red Lines

Multiple banks assessing the sustainability of pulp and paper sector clients rely heavily on certification of forest management, such as Forest Stewardship Council (FSC) Programme for Endorsement of Forest Certification Schemes (PEFC), as evidence of sustainability. Forest certification, when sufficiently reliable, can offer a guarantee only of good practice in the forest, and many of the risks associated with the pulp and paper sector are in wood processing in pulp mills and the handling of effluent and pollution downstream, none of which are relevant to certifiers of forest management.

EPN's position on forest certification is that only independent third party certification is acceptable and that at present only the FSC comes close to guaranteeing sustainable forest management. This only happens in low-risk, well-governed countries, where there are strong forest laws and good compliance, and FSC Principle 1 can be well verified. FSC is the only forest management standard referred to in the EPN's Global Paper Vision because it has attributes that set it apart from other standards. FSC focuses on setting high standards of forest management, but for example, the use of genetically modified organisms and conversion of natural forest to plantations are not permitted under the FSC system, and the FSC also seeks the identification and maintenance of high conservation value forests within the forest ecosystem. Furthermore, the FSC system encourages in an equitable way the participation of a diverse range of interest in the

²¹International Finance Corporation Word Bank Group, 2007. *Environmental, Health and Safety Guidelines: Pulp and Paper Mills*. [pdf]. Available [here](#).

²²International Finance Corporation Word Bank Group, 2007. *Environmental, Health and Safety Guidelines: Wastewater and Ambient Water Quality*. [pdf]. Available [here](#).

²³International Finance Corporation Word Bank Group, 2007. *Environmental, Health and Safety Guidelines: Air Emissions and Ambient Air Quality*. [pdf]. Available [here](#).

setting of forest management standards, and requires stakeholder consultation in certification processes, allowing stakeholders such as local communities, unions, Indigenous peoples and environmental organisations a say in how forests are managed. The processes for civil society participation in other certification systems have questionable credibility. Finally, the FSC system requires field audits and is transparent – all certification processes and following summary audit reports are public on the internet. Other forest certification schemes lack some or all of these attributes. Alternative forest certification systems that we do not recommend or support include PEFC, SFI, MTTC, CSA, CERTFOR and CERFLOR.

However, even the FSC is not a panacea and indeed there exist controversial and criticised instances of FSC certification, particularly of logging in roadless forest areas or intact forest landscapes, extensive clear-cutting in natural forests (especially in Scandinavia and Russia), and plantations and areas where there are unresolved Indigenous peoples rights or land rights claims (for example in Latin America and Africa). Scrutiny is required to ensure that any claimed certificates are not controversial or being actively questioned by civil society, and to ensure that certificates cover the entire supply chain of a pulp mill, rather than only a part. It is critical to not confuse Chain of Custody (COC) certification – which is only a tracking mechanism – with forest certification. COC FSC certification does NOT entail forest certification. Only submission of an FSC certificate can guarantee the use of FSC certified wood. Full forest certification should also not be confused with the FSC Controlled Wood standard, which arrives in the market under the FSC Mix label. Controlled Wood is not a sufficient guarantee for sustainable forest management.

There are particularly high risks of non-compliance with the FSC standard in some countries, such as Indonesia, Russia and many African countries.

The table below assesses the extent to which FSC certification would guarantee that a pulp company's activities do not cross any of the Red Lines.

FSC and the Red Lines
Regulatory requirements
<p>Ensure legality: At least for forestry activity, not necessarily for other aspects, e.g. mill legality. Partly protected</p>
<p>No corruption and tax evasion: This is again covered only as far as the forest gate. Partly protected</p>
<p>Ensure environmental and social impact assessments for mills and plantations: Not covered in the FSC documentation. Not protected.</p>

Social requirements

Ensure Free Prior and Informed Consent:

Should be covered in the forest (except in high-risk countries) but not for mill or downstream impacts.

Partly protected.

Respect Human Rights:

Should cover forest peoples, e.g. affected communities, but not necessarily mill workers' rights. Beware of high-risk countries.

Partly protected.

Respect Indigenous rights and customary community land use rights:

Should be covered in the forest but beware of high-risk countries.

Partly protected.

No forced resettlement:

Should be covered (other than for mill sites) but beware of high-risk countries.

Partly protected.

Environmental requirements

No forest degradation and deforestation:

May be covered, however, there is evidence of substantial loss of intact forest landscapes in FSC-certified forests in Russia, clear-cutting in old-growth forests in Sweden and forest degradation caused by selective logging in Africa, for example.

Partly protected.

Protect endangered species:

May be covered, but again, be aware of problematic cases.

Partly protected.

No high-risk species:

May be covered, but again, be aware of problematic cases.

Partly protected.

No fire:

Unclear, probably not covered.

Not protected.

Protect peat:

Unclear, probably not covered.

Not protected.

No persistent pollution:

Processing is beyond the scope of forest certification. Not protected.
Corporate association / scope of the policy
Not covered in the FSC documentation. Not protected.

4.3 Green Credit Guidelines

The Green Credit Guidelines (GCG) is a national bank regulation published by the China Banking Regulatory Commission (CBRC). It applies to all Chinese banks, including policy, development, commercial, and rural banks. The GCG broadly encourages banks to develop green credit mechanisms, strengthen due diligence, and control for environmental and social risks, which are defined as those relating to energy, pollution, land, health, safety, resettlement of people, environmental protection, and climate change. The policy was significant in both the Chinese and international banking sector for establishing a standardized environmental and social risk management framework to manage both domestic and overseas loans.

Although the GCG is a voluntary risk management framework, all Chinese banks are expected to comply, being required to report their level of implementation via Key Performance Indicators (KPIs) to the CBRC annually. KPIs are included for each article of the Guidelines. For instance, Article 21, which obligates Chinese banks to comply with host country law and international norms and best practices when investing abroad, contains five KPIs, one of which is whether a bank has committed to international commitments such as the Equator Principles or Global Compact.

For clients with a poor record of environmental performance, Chinese banks are encouraged to develop loan contract clauses to strengthen environmental and social performance, in addition to including remedies banks can resort to in case of default made by clients (Article 18). The GCG also allows for banks to suspend or terminate funds where “major risks or hazards are identified” (Article 19).

As a national banking regulation, the GCG does not include specific provisions related to the pulp and paper sector. However, the GCG expects Chinese banks to follow national Chinese standards related high pollution and high carbon industries per Chinese environmental law, of which includes the pulp and paper industry and are referenced in the KPI appendices. Notably, the KPI appendices also include suggested loan clauses to encourage better environmental and social performance from clients, which can be relevant to pulp and paper projects.

Although it is a general risk management framework, the GCG can still be applied for pulp and paper projects. See therefore below for the assessment against the Red Lines.

Note: In the individual bank tables, we have noted if and where the GCG protect a Red Line ‘better’ than the bank’s policies from breaching.

The Green Credit Guidelines and the Red Lines
Regulatory requirements
<p>Ensure Legality:</p> <p>The Green Credit Guidelines require that Chinese banks are in compliance with Chinese national law for domestic loans. For overseas investments, the GCG requires that banks comply with host country law and international norms and best practices.</p> <p>Well Protected.</p>
<p>No Corruption and Tax Evasion:</p> <p>Corruption and tax evasion is not discussed in the GCG. As the GCG is an environmental and social risk management framework, Chinese bank policy discusses tax evasion and corruption separately.</p> <p>Not protected.</p>
<p>Ensure Environmental and Social Impact Assessments for mills and plantations:</p> <p>The GCG requires that banks monitor and identify environmental and social risks of clients. However, the GCG does not contain specific language on environmental and social impact assessments, as EIAs are covered in the Environmental Impact Assessment Law of China.</p> <p>Partly Protected.</p>
Social requirements
<p>Ensure Free Prior and Informed Consent:</p> <p>The GCG does not contain specific reference to ensuring FPIC. However, as an internationally recognized standard, requiring FPIC is valid under the GCG per Article 21.</p> <p>Partly Protected.</p>
<p>Respect Human Rights:</p> <p>The GCG does not contain specific reference to ensuring human rights. However, as an internationally recognized set of norms, requiring or invoking the UNDHR or relevant human rights covenants is valid under the GCG per Article 21.</p> <p>Partly Protected.</p>
<p>Respect Indigenous rights and customary community land use rights:</p> <p>The GCG does not contain specific reference to ensuring indigenous rights or community land use rights. However, as an internationally recognized standard, invoking or requiring the UN Declaration of the Rights of Indigenous Peoples or other relevant community land use rights is valid under the GCG per Article 21.</p> <p>Partly Protected.</p>
<p>No Forced Resettlement:</p> <p>Although the GCG defines resettlement as a major social risk, it does not contain specific language regulating or restricting the forced resettlement of peoples. However, civil</p>

<p>society organizations can reference international or regional norms or laws regarding the resettlement of peoples per Article 21.</p> <p>Partly Protected.</p>
<p>Environmental requirements</p>
<p>No Forest Degradation and Deforestation:</p> <p>The GCG does not contain specific reference to ensuring no forest degradation and deforestation. Specific policies regarding forestry are discussed in China's silviculture policies. However, invoking an internationally recognized no forest degradation or deforestation standard is valid under the GCG per Article 21.</p> <p>Partly Protected.</p>
<p>Protect endangered species:</p> <p>The GCG does not contain specific reference to protecting endangered species. Specific policies regarding wildlife is discussed in China's wildlife laws and policies. However, invoking an internationally recognized biodiversity standard is valid under the GCG per Article 21.</p> <p>Partly Protected.</p>
<p>No high-risk species:</p> <p>The GCG does not contain specific reference to protecting high risk species. Specific policies regarding endangered animals is discussed in China's wildlife laws and policies. However, invoking an internationally recognized biodiversity standard is valid under the GCG per Article 21.</p> <p>Partly Protected.</p>
<p>No fire:</p> <p>The GCG does not contain specific reference restricting the use of fire in clearing forest land. Specific policies regarding forestry is discussed in China's silviculture laws and policies. However, invoking an internationally recognized No Fire standard is valid under the GCG per Article 21.</p> <p>Partly Protected.</p>
<p>Protect peat:</p> <p>The GCG does not contain specific reference to protecting peat. Specific policies regarding forestry is discussed in China's silviculture laws and policies. However, invoking an internationally recognized peat protection standard is valid under the GCG per Article 21.</p> <p>Partly Protected.</p>
<p>No persistent pollution:</p> <p>The GCG makes clear that banks are responsible for controlling and mitigation pollution from their clients' activities. A client's pollution record is expected to form the basis for assessing creditworthiness (Article 19). In all stages of a loan, banks are also expected to consider environmental impacts, including pollution (Article 19 and 20).</p> <p>Well protected.</p>

Corporate association / scope of the policy

The GCG does not necessarily pertain to third parties or parent, sister, or subsidiary companies.

Not protected.

4.4 Soft Commodities Compact and the Red Lines

The Soft Commodities Compact²⁴ is an initiative *“that aims to mobilise the banking industry to help transform soft commodity supply chains, thereby helping corporate clients to achieve zero net deforestation by 2020”*. The compact is established by the Consumer Goods Forum (CGF), Banking Environment Initiative (BEI), and with advice from WWF.

By adopting the Compact, a bank makes two commitments:

- It commits to finance the transformation of supply chains to zero net deforestation. This commitment applies to palm oil, timber products, soy and beef.
- The bank will raise industry-wide banking standards. The bank will establish internal mechanisms so that by 2020 all corporate and investment banking clients are able to verify their operations are free of deforestation. The Compact considers FSC verification and PEFC to be “a good starting point”. However in this report, PEFC is not considered as providing protection against breach of the Red Lines, as explained in the paragraph on *Forest Certification Schemes*.

As the Soft Commodities Compact takes the form of a 2020 goal rather than a current bank policy position, and as it recognises PEFC certification as equivalent to FSC, it is not considered to protect against breaches of the Red Lines.

4.5 Natural Capital Declaration and the Red Lines

The Natural Capital Declaration (NCD)²⁵ is a declaration established by the United Nations Environment Programme Finance Initiative (UNEP FI), the Global Canopy Programme (GCP), and the Getulio Vargas Foundation, presented at Rio +20. The declaration’s aim is to make progress on the “green economy and an institutional framework for sustainable development”, by demonstrating (with the NCD) their commitment “to work towards the integration of natural capital into financial products and services”.

Natural capital is defined in the declaration as Earth’s natural assets (soil, air, water, flora and fauna), and ecosystem services (benefits for humans that arise from different

²⁴The Banking Environment Initiative (BEI) & the Consumer Goods Forum (CGF), 2016. *Soft Commodities Compact*. [pdf] Available [here](#).

²⁵ UNEP Finance Initiative, Global Canopy Programme & FGV, 2012. *The Natural Capital Declaration*. [pdf]. Available [here](#).

ecosystems).The declaration acknowledges the crucial role of financial institutions in the transformation to a “*financial system that reports on and ultimately accounts for the use, maintenance, and restoration of Natural Capital in the global economy*” (p.1). The NCD states that natural capital is worth trillions, but not adequately valued compared to social and financial capital by financial institutions.

BankTrack strongly criticised the NCD as a false and disturbing response to our profound ecological crisis, as representing a claim by adopting institutions to the right to identify, price and market the realm of nature, when we consider that the trend towards financialisation of nature rather needs to be reversed.²⁶ Aside from this, the NCP does not create rules or requirements that might protect against breaching the Red Lines.

²⁶ BankTrack, 2012. *BankTrack position on the Natural Capital Declaration*. [online]. Available [here](#).

5. ASSESSMENTS OF EACH BANK

ABN AMRO

Relevant policies and standards

- The Equator Principles
- [Animal Welfare Statement](#) (July 2016)
- [Code of Conduct](#) (December 2015)
- [Exclusion List](#) (July 2016)
- [Human Rights Statement](#) (October 2014)
- [Summary - Agri-Commodities Policy](#) (August 2016)
- [Summary - Investment Products & Services Policy](#) (August 2016)
- [Sustainability Risk Policy](#) (October 2014)
- [Sustainability Risk Policy for Lending](#) (April 2014)
- [Tax Policy](#) (May 2014)

Overall assessment

ABN AMRO's policies at least partly protect the majority of the Red Lines, for finance which falls outside the Equator Principles. The regulatory and social requirements are all at least partly protected, with the Red Lines on legality, ESIA, human rights, and forced resettlement being well protected. The policies do not cover the environmental requirements for high-risk species and pollution, but partly protect the other environmental Red Lines. The Red Line on corporate association is partly protected.

Overview of approach to pulp & paper finance

ABN AMRO's pulp and paper lending is primarily governed by its Agri-Commodities Policy and Exclusion List, which applies to all ABN AMRO's activities and finances. The Agri-Commodities Policy has a specific session on forest commodities that applies to clients active in the pulp and paper sector. This section lists a set of minimum requirements and benchmark criteria. The bank will only finance clients that comply with all applicable requirements, or have a plan in place to do so within two years.

ABN AMRO requires from its pulp and paper clients to comply with all applicable national and international environmental and social laws and regulations. In case of new operations, land transfer or expansion, the bank requires its client to conduct an ESIA for mills and plantations, to have mitigation plans in place, and to obtain FPIC or to undertake consultations. This is different from ABN AMRO's human rights due diligence process, which includes a check if the client complies with international standards on FPIC. Regarding human rights, the bank will not knowingly finance nor invest in activities that cause human rights violations, or activities that result in resettlement of Indigenous people and/or vulnerable groups without FPIC. On environmental requirements, ABN

AMRO requires its clients to be certified and to source from certified plantations (FSC and PEFC certification are endorsed), to have “zero burning and fire prevention measures” in place, and to source from plantations that protect peatland.

ABN AMRO: Assessment against Red Lines	
The majority of Red Lines are at least partly protected by ABN AMRO’s policies.	
Regulatory requirements	
Ensure legality: Producers, processors and traders are all required to comply with local ES laws and regulations, which cover both national and international laws. Logging or trade of illegally harvested timber is listed on ABN AMRO’s exclusion list. The bank expects its clients to comply with local applicable laws and regulations regarding animal welfare. The bank also assesses whether a client follows international standards on human rights.	Well protected.
No corruption and tax avoidance: Producers, processors and traders are all required to have a policy in place that addresses bribery and corruption. ABN AMRO’s Tax Policy addresses tax avoidance, but does not extend this to the client. Other bank policies also fail to cover tax avoidance.	Partly protected.
Ensure environmental and social impact assessments for mills and plantations: In case of new operations, land transfer or expansions, the client is required to conduct an environmental and social impact assessment and to have mitigation plans in place. There is however no requirement for the bank’s client to public disclose the information, no requirement to measure both direct and indirect impacts during the ESIA, and no need to demonstrate that all relevant stakeholders have been consulted.	Partly protected. (Equator Principles: Well protected).
Social requirements	
Ensure Free Prior and Informed Consent: In case of new operations, land transfer or expansions, the client is required to obtain FPIC or to undertake consultations, including a transparent grievance process. Producers and processors are required to have clear and transparent mechanisms in place for communication with affected communities, including a complaints mechanism. Part of the human rights due diligence is a check if a client follows the international standards on FPIC and grievance mechanisms. The policies however do not mention customary land rights.	Partly protected.
Respect Human Rights: ABN AMRO will not knowingly finance or invest in activities that cause human rights violations, e.g. child labour, forced labour and human trafficking. Producers and processors are required to have a human rights and labour policy or statement in place, and their working conditions should be in line with ILO core conventions.	Well protected.

Respect Indigenous rights and customary community land use rights: The bank includes a client's policies and practices regarding land rights in its human rights due diligence, but does not specifically mention Indigenous rights or customary community land use rights.	Partly protected.
No forced resettlement: Activities that result in the resettlement of Indigenous people or vulnerable groups (unspecified) without FPIC, are listed on ABN AMRO's exclusion list.	Well protected.
Environmental requirements	
No forest degradation and deforestation: Producers and processors are required to (i) have FSC or PEFC ²⁷ certification for own production and its suppliers (ii) commit to source from production sites which protect HCV Forest and HCS. ABN AMRO will not knowingly finance logging in uncertified (FSC or PEFC or equivalent) primary forests or the trade in uncertified timber, nor will it finance activities resulting in significant conversion or degradation of critical habitat (UNESCO, Ramsar Convention, IUCN). Degradation of areas where forest restoration or threatened wildlife re-introduction is taking place, or of critical habitat for endangered and threatened species, are not covered.	Partly protected.
Protect endangered species: ABN AMRO will not knowingly finance trade in wildlife or wildlife products under CITES ²⁸ , and does not accept the trade in endangered species for commercial purposes. The bank uses the IUCN Red List of Threatened Species and national legislation to define endangered species. Harvesting is however not covered in the policies.	Partly protected.
No high-risk species: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Partly protected).
No fire: Producers and processors are required to implement "zero burning and fire prevention measures", this applies to both own production sites and a client's supply chain. The bank will not knowingly finance activities that involve the burning of natural occurring systems "for the purpose of land clearing for the establishment of large scale agricultural plantations".	Well protected.
Protect peat: Plantations on peatland are not prohibited, but producers and processors are required to commit to source from production sites that protect peatland.	Partly protected.
No persistent pollution: Not covered in the applicable policies and documentation.	Not protected. (Equator

²⁷See FSC under 'Forest certification schemes and the Red Lines' in section 4.2 for more information.

²⁸Please see the note on CITES in section 2 for more explanation.

	Principles: Partly protected).
Corporate association / scope of the policy	
Several requirements (working condition, FSC or PEFC certification) in the forest commodities policy apply to the client and its supply chain. A client is required to have a selection process in place for suppliers based on E&S criteria, and to address sustainability issues with its suppliers. Parent, sister and subsidiary companies are not covered.	Partly protected.

AGRICULTURAL BANK OF CHINA

Relevant policies and standards

- The Green Credit Guidelines
- [Agricultural Bank of China Corporate Social Responsibility Report 2015](#) (Chinese Edition)
- [Agricultural Bank of China Corporate Social Responsibility Report 2015](#) (English Edition)
- [Agricultural Bank of China Corporate Social Responsibility Report 2014](#)
- [Notice of the CBRC on Issuing the Green Credit Guidelines](#)(Feb. 24, 2012)

Overall judgement

The Agricultural Bank of China's policies do not protect against its clients breaching a majority of the Red Lines. There is partial protection for the regulatory Red Lines, and the Red Line requiring free, prior and informed consent from those affected by investments, and the bank is well protected on pollution, but it is not protected on all the other Red Lines.

Overview of approach to pulp & paper finance

As one of the four largest state-owned commercial banks in China, the Agricultural Bank of China holds to the basic environmental and social standards which Chinese law requires. The Agricultural Bank of China is a member of the Green Finance Committee at the China Society for Finance & Banking; and also a member of the Green Credit Committee at the China Banking Association. The Agricultural Bank of China, under the guidance of the Chinese government, provides favourable loans with low interest and long repayment terms to priority pulp and paper projects in China. This approach is premised on the objective of reducing China's dependence on imported wood fibre, paper and processed wood products, and to develop the domestic wood fibre base. ABC International Holdings, based in Hong Kong, is an international investment arm of the

Agricultural Bank of China. Both ABC and ABC International have no specific policies for clients or transactions in the pulp and paper industry.

Agricultural Bank of China: Assessment against Red Lines	
The bank's policies fail to protect it against breach by clients of the majority of the Red Lines.	
Regulatory requirements	
Ensure Legality: The bank needs to comply with Chinese laws and regulations. Its subsidiary ABC International, an investment flagship, complies with Hong Kong SAR laws.	Partly Protected. (Green Credit Guidelines: Well protected).
No Corruption and Tax Avoidance: Corruption and tax evasion are not allowed in the bank's investment and related projects which need to receive strict financial auditing.	Partly Protected.
Ensure Environmental and Social Impact Assessments for mills and plantations: Projects in which the bank invests would need to conduct environmental and social impact assessments, though there is no specific policy covering what pulp mill projects should include in these assessments.	Partly protected.
Social requirements	
Ensure Free Prior and Informed Consent: ABC would carry out a process similar to the rules in the Green Credit Guidelines.	Partly protected.
Respect Human Rights: The bank policy does not include the protection of human rights potentially violated by its clients.	Not protected. (Green Credit Guidelines: Partly protected).
Respect Indigenous rights and customary community land use rights: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No Forced Resettlement: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).

Environmental requirements	
No Forest Degradation and Deforestation: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Protect endangered species: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No high-risk species: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No fire: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Protect peat: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No persistent pollution: A strict no pollution rule applies to all projects. ABC has the right to suspend environmentally-harmful projects.	Well protected.
Corporate association / scope of the policy	
Third parties/sister/parent/subsidiary companies of the clients are not covered in the publicly available policies and documentation.	Not protected.

BANCO DEL ESTADO DE CHILE

Relevant policies and standards

- [Manual de Ética](#) Ethics Manual (2010, accessed November 2016)
- [Memoria Integrada](#) Integrated Report (2014, accessed November 2016)
- [Reporte de Sostenibilidad](#) Sustainability Report (2013, accessed November 2016)

Overall judgement

Banco del Estado de Chile's policies do not protect against clients breaching a majority of the Red Lines. Only one requirement, on corruption and tax evasion, is partly protected. The rest of the Red Lines are left unprotected by the bank's policies.

Overview of approach to pulp & paper finance

The bank has big clients in the pulp and paper sector, however, there is no publicly available specific regulations regarding the sector. We made an effort to find external specific regulations on the internet, but we could not find anything. In the summary of the Sustainability Report, it can be observed, that social requirements, environmental regulations as well as human rights are covered only for the internal practices of the company, nothing has been said regarding the relationships with clients.

Banco del Estado de Chile: Assessment against Red Lines

Banco del Estado de Chile's policies mostly do **not protect** them from clients breaching the Red Lines.

Regulatory requirements

Ensure Legality: The bank requires full adherence to the laws and regulations that regulate the banking industry, and customers are required to comply with them. However, this requirement does not apply to other scopes of national or international regulations, such as environmental laws.	Not protected.
No Corruption and Tax Avoidance: The bank does not allow money laundering, terrorist financing and bribery. Tax evasion is not covered in the applicable policies and documentation.	Partly protected.
Ensure Environmental and Social Impact Assessments for mills and plantations: Not covered in the applicable policies and documentation.	Not protected.

Social requirements

Ensure Free Prior and Informed Consent: Not covered in the applicable policies and documentation.	Not protected.
Respect Human Rights: Not covered in the applicable policies and documentation.	Not protected.
Respect Indigenous rights and customary community land use rights: Not covered in the applicable policies and documentation.	Not protected.
No Forced Resettlement: Not covered in the applicable policies and documentation.	Not protected.
Environmental requirements	
No Forest Degradation and Deforestation: Not covered in the applicable policies and documentation.	Not protected.
Protect endangered species: Not covered in the applicable policies and documentation.	Not protected.
No high-risk species: Not covered in the applicable policies and documentation.	Not protected.
No fire: Not covered in the applicable policies and documentation.	Not protected.
Protect peat: Not covered in the applicable policies and documentation.	Not protected.
No persistent pollution: Not covered in the applicable policies and documentation.	Not protected.
Corporate association / scope of the policy	
Third parties/sister/parent/subsidiary companies of the clients are not covered in the publicly available policies and documentation.	Not protected.

BANCO DO BRASIL

Relevant policies and standards

- The Equator Principles
- [Socioenvironmental Responsibility Policy \(SERP\)](#) (10 February 2015)
- [Sustainability Guidelines/Sector Policies \(SP\)](#) (not dated, assessed December 2016)
- (See [here](#) for the English version)
- [Corporate Governance Code \(CGC\)](#) (not dated, assessed December, 2016)
- [Banco do Brasil's Commitment to Human Rights \(CHR\)](#) (not dated, assessed December 2016)

Overall judgement

Banco do Brasil's policies partly protect against its clients breaching the Red Lines, for finance that falls outside the Equator Principles. From the regulatory requirements, the legality one is partly protected, the corruption Red Line is not and the EIA Red Line is well protected. The social requirements are all partly protected and so are four of the environmental requirements. However, the Red Lines on fire and peat are not protected. The red line on corporate association is partly protected.

Overview of approach to pulp & paper finance

The bank has an overarching Socio-environmental Responsibility Policy, which details the bank's approach based on principles of relevance, proportionality and efficiency. Its sustainability guidelines contain several sector policies, including one on pulp and paper. However, this policy only contains three clear demands, regarding legality, the prohibition of child and slave labour and the prohibition of financing activities in indigenous areas. The rest of the policy consists of recommendations.

The corporate governance code affirms the bank's commitment to legality, to its sustainability guidelines and to a list of other initiatives it is a member of, like the Equator Principles, the global compact and the anti-slave labour pact. Finally, the bank's commitment to human rights states it is consistent with the UN Guiding Principles on Business and Human Rights. It states the banks approach to the issue and reaffirms that they do not finance clients who submit workers to degrading forms of work.

Banco do Brasil: Assessment against Red Lines

The Red Lines are only **partly protected** by Banco do Brasil's policies.

Regulatory requirements

Ensure Legality: The bank's policies require companies to comply with the law and to provide an environmental license. However, they do not mention international laws and the environmental

Partly protected.

license does not necessarily guarantee the legality of the client's suppliers.	
No Corruption and Tax Avoidance: Banco do Brasil is signatory to the Business Pact for Integrity and Against Corruption , but this does not seem to extend to the bank's clients. There is also no clear text on tax evasion.	Not protected.
Ensure Environmental and Social Impact Assessments for mills and plantations: The SP policy requires companies to provide an environmental license, which will require some consideration of environmental impacts, but this does not necessarily include a full ESIA.	Partly protected. (Equator Principles: well protected).
Social requirements	
Ensure Free Prior and Informed Consent: The Banco do Brasil policies do not mention FPIC but it does explicitly prohibit funding third party activities in indigenous areas, or renewing credit before indigenous lands have been demarcated.	Partly protected.
Respect Human Rights: Banco do Brasil prohibits financing for companies that have been convicted for child or slave labour. However, it is not clear if the bank also applies this to the third parties that their clients source from. The bank also fails to prohibit finance for any other human rights violation.	Partly protected.
Respect Indigenous rights and customary community land use rights: The policy prohibits funding third party activities in indigenous areas, or renewing credit before indigenous lands have been demarcated.	Partly protected.
No Forced Resettlement: Not covered in the applicable policies and documentation.	Not protected (Equator Principles: Partly protected).
Environmental requirements	
No Forest Degradation and Deforestation: The Sustainability Guidelines state that the bank "avoids" funding for activities that cause a loss in biodiversity, but does not state any requirements for its clients.	Not protected (Equator Principles: partly protected).
Protect endangered species: Not covered in the applicable policies and documentation.	Not protected (Equator Principles: partly protected).
No high-risk species: Not covered in the applicable policies and documentation.	Not protected (Equator Principles: partly protected).

No fire: Not covered in the applicable policies and documentation.	Not protected.
Protect peat: Not covered in the applicable policies and documentation. It is mostly not relevant for investments in Brasil, but it can be abroad.	Not protected.
No persistent pollution: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: partly protected).
Corporate association / scope of the policy	
The scope of a client's responsibility: The Banco do Brasil states that it takes into account if its client has a sustainability policy for its suppliers.	Partly protected.

BANK OF AMERICA

Relevant policies and standards

- The Equator Principles
- [Credit Policy](#) (not dated, assessed August 2016)
- [Code of conduct](#) (2017)
- [Human Rights Statement](#) (2014)
- [Forest Practices](#) (October 2016)
- [Position on Forest Certification](#) (October 2016)
- [Environmental and Social Risk Policy Framework](#) (November 2016)

Overall assessment

A majority of Red Lines are partly protected by Bank of America's policies, for finance which falls outside the Equator Principles. The Red Lines on social requirements are all partly protected, as are the Red Lines on forest degradation and deforestation and avoidance of fire. The Red Line on legality is well protected by Bank of America's policies.

Overview of approach to pulp & paper finance

Bank of America's pulp and paper lending is primarily governed by its Forests Practices policy, which applies to all extensions of credit and bond underwriting where proceeds are project specific, and the Environmental and Social Risk Policy (ESRP) Framework, which applies to all the bank's business entities and geographies. The Forests Practices policy applies primarily to upstream forestry companies, but also to commercial projects or operations that result in resource extraction from forests. It does not explicitly specify whether this includes pulp and paper mills.

Bank of America conducts 'standard due diligence' when environmental and social risks are well understood or expected to be relatively low. If a client, transactions, business activity, industry or geography is identified with heightened risk, the bank will conduct 'enhanced due diligence'. The enhanced due diligence "may include engagement of subject matter experts, use of internal resources, media searches and information sources, and client website and disclosures".

The bank's policies Ensure legality but do not require ESIs or have an explicit requirement for clients not to be involved in corruption or tax avoidance. The Forest Practices policy requires Indigenous participation in decision-making and excludes finance where Indigenous land claims are not settled, and the ESRP Framework covers FPIC for Indigenous people. The latter is however not extended to communities with customary land rights. It precludes finance that may result in extraction from UNESCO World Heritage sites and primary tropical moist forests or intact forests as defined by WRI, and requires audited evidence of sustainability or conservation plans for forests in temperate or boreal forest regions and HCV forests. However, other protected areas than UNESCO Heritage sites are not protected and aspects including protecting peat and avoiding trade in endangered timber species are not covered. Pollution prevention measures for pulp and paper mills are not required.

The ESRP Framework lists a prohibited list, stating that the Bank of America will not knowingly engage in illegal activities. This includes child labour, forced labour and illegal logging or uncontrolled fire. The list extends to activities not illegal, but deemed contrary to the bank's values. It therefore excludes engagement in activities that extract natural resource in UNESCO World Heritage sites (unless there is prior consensus between UNESCO and the host country government), and transactions designed to manipulate financial results.

Bank of America: Assessment against Red Lines

Most elements of the Red Lines are at least **partly protected** by Bank of America's policies.

Regulatory requirements

Ensure legality: The bank's credit policy requires clients to be in full compliance with environmental laws and regulations. Forest Lending Policy requires compliance with all applicable laws and regulations governing timber harvesting, and excludes illegal logging. The bank will not finance any companies or projects that contravene any relevant binding international environmental agreement or that violate local, state or national environmental, social or labour laws.

Well protected.

No corruption and tax avoidance: Code of conduct covers corruption but does not ensure clients are not involved in corruption. The Prohibited list in the ESRP Framework states that the bank will not knowingly engage in illegal activities or transactions designed to manipulate financial results, but that does not rule out finance for corruption or tax avoidance.

Not protected.

<p>Ensure environmental and social impact assessments for mills and plantations: The Forest Practices Policy and the ESRP Framework state that the bank will conduct enhanced due diligence procedures for project in primary temperate/boreal or HCV forest to evaluate the impact on the Indigenous peoples that could be affected, but the policies do not require ESIA for mills and plantations.</p>	<p>Not protected. (Equator Projects: Well protected)</p>
<p>Social requirements</p>	
<p>Ensure Free Prior and Informed Consent: The bank conducts enhanced due diligence for transactions in which the majority use of proceeds is attributed to activities that may negatively impact land that is used or traditionally claimed by Indigenous communities. In this case, the bank expects its customers to demonstrate compliance with IFC PS 7 which includes FPIC. This is however not extended to communities with customary rights, or to transactions in which only a minority use of proceeds it attributed to activities that impact land.</p>	<p>Partly protected.</p>
<p>Respect Human Rights: Child labour and forced labour are on the bank's prohibited list. The bank also has a Human Rights Statement and a due diligence process in place that evaluates other human rights issues. It will not finance companies or projects that contravene the ILO Conventions, but does not state any strict requirement for its clients regarding other human rights.</p>	<p>Partly protected.</p>
<p>Respect Indigenous rights and customary community land use rights: Forest Policy requires Indigenous participation in decision-making and excludes finance where Indigenous land claims are not settled. It does not require Indigenous rights as defined in UNDRIP are fully respected.</p>	<p>Partly protected.</p>
<p>No forced resettlement: FPIC is required for transactions negatively impacting (the majority use of proceeds) Indigenous peoples, but this is not extended to economic resettlement or local communities. This also does not apply to transactions in which the minority use of proceeds negatively impact Indigenous peoples.</p>	<p>Partly protected.</p>
<p>Environmental requirements</p>	
<p>No forest degradation and deforestation: The bank's Forest Practices policy rules out finance leading to extraction from primary tropical moist forests or intact forests as defined by WRI. For logging in primary forests in temperate or boreal forest regions it requires an independent sustainability audit, and for HCV unless it requires audited conservation plans. The ESRP Framework rules out engagement in illegal logging and activities that extract national resources in UNESCO World Heritage sites. The policies however do not cover other protected areas (IUCN, biodiversity areas, wetlands) or high carbon stock forests. The bank endorses FSC, SFI and CSA certification, but does not extend this to its clients (Position on Forest Certification).</p>	<p>Partly protected.</p>

Protect endangered species: The bank will not finance companies or projects that contravene CITES, but does not include IUCN Red List for endangered species.	Not protected. (Equator Projects: Partly protected).
No high-risk species: Not covered in the applicable policies and documentation.	Not protected. (Equator Projects: Partly protected).
No fire: Forests policy states clients must have a policy against uncontrolled and/or illegal use of fire, and monitor its implementation. The prohibited list states the bank will not knowingly engage in uncontrolled fire for clearing forest lands.	Partly protected.
Protect peat: Not covered in the applicable policies and documentation.	Not protected.
No persistent pollution: Not covered in the applicable policies and documentation.	Not protected. (Equator Projects: Partly protected).
Corporate association / scope of the policy	
It is unclear if the policy applies to parent, sister or subsidiary companies of the bank's client.	Not protected.

BANK OF CHINA

Relevant policies and standards

- The Green Credit Guidelines
- [Bank of China Corporate Social Responsibility Rreport 2015](#)
- [Bank of China Corporate Social Responsibility Report 2014](#)
- [Bank of China Corporate Social Responsibility Report 2013](#)
- [Bank of China Risk Management and Internal Control](#)
- [Bank of China anti-money laundering and counter-terrorism financing customer due diligence and risk classification management \(2008 edition\)](#)

Overall judgement

The Bank of China is protected from client breaches of some of the regulatory, social and environmental Red Lines. It is well protected on corruption and tax evasion, and partly

protected on the other regulatory Red Lines. It is partly protected on FPIC and human rights but not on the other social Red Lines. It is unprotected on all of the environmental Red Lines except for partial protection on pollution and unprotected with respect to corporate associations of its clients.

Overview of approach to pulp & paper finance

As large state-owned merchants bank, the Bank of China (BoC) complies with the Green Credit Guidelines (GCG) in a strict way, especially on regulatory requirements and human rights. BoC carries out a one-vote negation system and list management in the process of environment assessment and credit standard management, in which customer credit ratings, or internal ratings, are used to accurately assess customers' credit-worthiness, calculate the borrower's probability of default and take the risk of credit. In BoC's credit standard management, each object has ten levels according to their nature of industry, Commerce, real estate development, public utilities and integration sessions. In recent years, BoC updated its credit ratings tool and made it more effective. An industry such as pulp & paper should thereby be assessed strictly before getting a loan, however the BoC has no specialized pulp & paper finance policies. All pulp & paper projects will be considered under the framework of the GCG.

Bank of China: Assessment against Red Lines	
The bank's policies mostly fail to protect it against breach by clients of the Red Lines,	
Regulatory requirements	
Ensure Legality: Based on GCG, BoC would not give credit extension to enterprises with environmental violation and keep close contact with national environmental protection system to get data in qualification examination.	Partly Protected. (Green Credit Guidelines: Well protected).
No Corruption and Tax Avoidance: Clients are all required to meet a strict qualification requirement in the primary engagement process. Corruption and tax evasion is forbidden.	Well Protected.
Ensure Environmental and Social Impact Assessments for mills and plantations: BoC attaches great importance to the environmental impact assessment and every client is required to do one. Social impact assessment is less clear.	Partly protected.
Social requirements	
Ensure Free Prior and Informed Consent: In its internal risk control management and practice, BoC asks clients to establish a full and effective stakeholder communication mechanism to achieve similar goals to FPIC, but without articulating the full process required.	Partly protected.
Respect Human Rights: BoC will not issue a loan to clients which use cheap labour or have low welfare or labour protection	Partly protected.

standards.	
Respect Indigenous rights and customary community land use rights: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No Forced Resettlement: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Environmental requirements	
No Forest Degradation and Deforestation: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Protect endangered species: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No high-risk species: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No fire: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Protect peat: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No persistent pollution: BoC emphasizes after-loan management in case of serious pollution. The bank has the right to suspend cooperation in such cases.	Partly protected.
Corporate association / scope of the policy	
Third parties/sister/parent/subsidiary companies of the clients are not covered in the publicly available policies and documentation.	Not protected.

BANK OF TAIWAN

Relevant policies and standards

- [Bank of Taiwan Corporate Social Responsibility Report 2015](#)
- [Bank of Taiwan Corporate Social Responsibility Report 2014](#)
- [Taiwan Financial Holdings Corporate Governance/Social Responsibility](#) (not dated, accessed in 2017)
- The Equator Principles

Overall judgement

As a state-owned bank, Bank of Taiwan abides by the laws and regulations of Taiwan. However, Bank of Taiwan policies do not protect it well against clients breaching any of the Red Lines except for pollution. It is partly protected on corruption and tax evasion, human rights and indigenous rights but otherwise not protected.

Overview of approach to pulp & paper finance

Bank of Taiwan's parent company, Taiwan Financial Holdings adopts green purchasing policies, and set a target of procuring at least 90% Green Mark (certified) products. It has some policies that offer some protection. For example, the bank states that it will not deal with any company or supplier known or considered to be involved in any form of 'modern slavery'. The bank will terminate any relationship with a business partner or supply chain where it is evident that there is such involvement. However, the bank's investment in the pulp & paper sector does not have an established policy to safeguard environmental and social standards. The Bank of Taiwan focuses more on its social responsibility in Taiwan, but there is far less indication of environmental concerns outside Taiwan. The bank, in 2010, adopted the Equator Principles into its rating system for projects, but it has not formally signed the principles.

Bank of Taiwan: Assessment against Red Lines

The bank's policies fail to protect it against breach by clients of the majority of the Red Lines.

Regulatory requirements

Ensure Legality: The bank will comply with Taiwan laws and regulations and rules but it is not clear if it checks the legality of all its clients' practices.	Not protected
No corruption and tax avoidance: The bank has a code of conduct that requires honesty and an ethical manner, and to avoid conflicts of	Partly protected.

interest. Bank of taiwan uses an internal staff management web system to avoid corruption. It also strictly enacts Taiwanese state laws including Public Officer Property Reporting Act and Public Officer Conflict of Interest Avoidance Act, but it is unclear that this completely prevents it financing companies that may have some corrupt practices or that evade or avoid tax.	
Ensure Environmental and Social Impact Assessments for mills and plantations: Not covered in publicly available policies and documentation.	Not protected.
Social requirements	
Ensure Free Prior and Informed Consent: Not covered in publicly available policies and documentation.	Not protected.
Respect Human Rights: Policies indicate support for the senior, underprivileged communities, as well as protection of indigenous people. The bank is committed to understanding the offences of modern slavery including slavery, forced or compulsory labour and human trafficking to ensure that there is no modern slavery in its business or supply chains.	Partly protected.
Respect Indigenous rights and customary community land use rights: Bank of Taiwan pledges to abide by The Indigenous Peoples Basic Law in Taiwan which respects traditional (customary) land rights and cultural heritage of indigenous people in Taiwan. However, the bank does not specify if the practices cover regions outside Taiwan.	Partly protected.
No Forced Resettlement: Not covered in publicly available policies and documentation.	Not protected.
Environmental requirements	
No Forest Degradation and Deforestation: Not covered in publicly available policies and documentation.	Not protected.
Protect endangered species: Not covered in publicly available policies and documentation.	Not protected.
No high-risk species: Not covered in publicly available policies and documentation.	Not protected.
No fire: Not covered in publicly available policies and documentation.	Not protected.
Protect peat: Not covered in publicly available policies and documentation.	Not protected.
No persistent pollution: Since February 2008, Bank of Taiwan established a High Pollution Environmental Industry Notification System.	Well Protected.

Corporate association / scope of the policy	
Third parties/sister/parent/subsidiary companies of the clients are not covered in the publicly available policies and documentation.	Not protected.

BANK OF TOKYO-MITSUBISHI UFJ

Relevant policies and standards

- The Equator Principles
- [Compliance](#) (July 2016)
- [CSR Materiality 2 Community](#) (July 2016)
- [CSR Materiality 3 Responsible Finance](#) (July 2016)
- [Principles of Ethics and Conduct](#) (Bank of Tokyo-Mitsubishi, not dated, assessed August 2016)

Overall assessment

Bank of Tokyo-Mitsubishi UFJ's policies do not protect a majority of the Red Lines. Only one requirement, on corruption and tax avoidance, is partly protected. The rest of the Red Lines are left unprotected by the bank's policies, for finance which falls outside the Equator Principles.

Overview of approach to pulp & paper finance

Bank of Tokyo-Mitsubishi UFJ is a core subsidiary of Mitsubishi UFJ Financial Group (MUFG). The corporate social responsibility policies and Code of Conduct for the bank are both controlled by MUFG. MUFG has identified three material CSR issues: community, responsible finance, and customers. The policies however do not describe any requirement for clients or transactions in the pulp and paper industry.

Bank of Tokyo-Mitsubishi UFG: Assessment against Red Lines

Almost all the Red Lines are **not protected** by Bank of Tokyo-Mitsubishi UFG's policies.

Regulatory requirements

Ensure legality: The bank will comply with applicable laws, regulations and rules, but does not extend this requirement to its client or transactions. Nor does it refer to environmental or social regulations.	Not protected. (Equator Principles: Partly protected).
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No corruption and tax avoidance: The bank does not conduct business with "criminal elements", neither does it allow its financial products and services to be used for illegal or improper activities such as money laundering, fraud, or terrorist activities. Tax avoidance is however not covered in its policy framework.	Partly protected.
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Ensure environmental and social impact assessments for mills and plantations: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Well protected).
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Social requirements

Ensure Free Prior and Informed Consent: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Partly protected).
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Respect Human Rights: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Partly protected).
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Respect Indigenous rights and customary community land use rights: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Partly protected).
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No forced resettlement: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Partly protected).
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Environmental requirements

No forest degradation and deforestation: MUFG is engaged in activities to conserve World Heritage Sites in Japan and overseas, but these stand apart from environmental policies. The group has no policy in place that requires clients to not degrade such sites. The remaining aspects of this Red Line are not covered in the documentation.	Not protected. (Equator Principles: Partly protected).
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Protect endangered species: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Not protected).
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	Partly protected).
No high-risk species: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Partly protected).
No fire: Not covered in the applicable policies and documentation.	Not protected.
Protect peat: Not covered in the applicable policies and documentation.	Not protected.
No persistent pollution: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Partly protected).
Corporate association / scope of the policy	
The CSR policies and documentation apply to each MUFG subsidiary, but it is not clear whether the policies apply to a client's sister/parent company or subsidiary as well.	Not protected.

BARCLAYS

Relevant policies and standards

- The Equator Principles
- [Environmental and Social Risk Briefing: Forestry & Logging](#) (March 2015)
- [Environmental and Social Risk in Lending](#) (April 2016)
- [Statement on human rights](#) (March 2015)
- ["The Barclays Lens"](#) (2014)

Overall assessment

Barclays' policies provide minimal protection against the bank financing clients that breach the Red Lines. The majority of Red Lines are not covered by Barclays' policies, for finances that falls outside the Equator Principles.

Overview of approach to pulp & paper finance

Barclay manages its financing for the pulp and paper sector mainly through the Environmental and Social Risk Briefing on Forestry & Logging. However, this briefing does not provide statements of policy or create requirements of customers. Instead it sets out internal guidance on the sector, the regulatory framework, key risks in the sector and suggested (rather than required) controls for managing those risks. As a result, the

bank's framework provides few policy positions to guard against its clients breaching the Red Lines.

Two Red Lines are partly protected: the bank's Barclays Environmental Risk Standard stipulates that an ESIA is required for any project-related finance or advice to a potentially sensitive project; and its Human Rights Statement includes a commitment to human rights due diligence. The remaining Red Lines are unprotected from breaching by the bank's clients.

Barclays: Assessment against Red Lines	
Most elements of the Red Lines are not protected by Barclay's policies.	
Regulatory requirements	
Ensure legality: The bank has no policy ensuring prospective clients in the pulp and paper sector are in full compliance with relevant laws, norms and conventions was found.	Not protected. (Equator Projects: Partly protected).
No corruption and tax avoidance: Barclays has a Statement on Bribery and Corruption and a Statement of Tax Principles, but these do not ensure clients are not involved in corruption or tax avoidance.	Not protected.
Ensure environmental and social impact assessments for mills and plantations: Barclays requires an Environmental and Social Impact Assessment (ESIA) to be undertaken for all transactions that fall within the scope of its Environmental Risk Standard (not public). It is not known if this would apply to all mills and plantations.	Partly protected. (Equator Projects: Well protected).
Social requirements	
Ensure Free Prior and Informed Consent: Not covered in the applicable policies and documents.	Not protected. (Equator Projects: Partly protected).
Respect Human Rights: Barclays has a human rights statement which commits to consider clients' material human rights impacts as part of its due diligence, but does not publicly require its clients to respect human rights.	Partly protected.
Respect Indigenous rights and customary community land use rights: Not covered in the applicable policies and documents.	Not protected. (Equator Projects: Partly protected).
No forced resettlement: Not covered in the applicable policies and documents.	Not protected. (Equator Projects: Partly protected).

Environmental requirements	
No forest degradation and deforestation: The bank's forestry guidance considers risks and controls related to deforestation (destruction of high conservation value forests, non-sustainable harvesting of forest resource, conversion of primary forest, changes in carbon dioxide levels due to the large-scale forest clearing, etc.) but does not include criteria or policy positions to prevent finance for clients causing such impacts.	Not protected. (Equator Projects: Partly protected).
Protect endangered species: Disturbance to protected species is recognised as a risk, but the bank does not include criteria to prevent finance for clients causing such impacts.	Not protected. (Equator Projects: Partly protected).
No high-risk species: Not covered in the applicable policies and documents.	Not protected. (Equator Projects: Partly protected).
No fire: Controls indicate that "forest fire management – should include prevention, suppression and training", but the bank does not include specific criteria.	Not protected.
Protect peat: Not covered in the applicable policies and documents.	Not protected.
No persistent pollution: Health risk of pollution arising from timber processing is recognised as a risk, with relevant controls considered. However, the bank does not include specific criteria that protect this Red Line.	Not protected. (Equator Projects: Partly protected).
Corporate association / scope of the policy	
The Forestry Briefing does not have the status of a policy, and it is unclear if it applies to parent, sister or subsidiary companies of the bank's client.	Not protected.

BNDES

Relevant policies and standards

- [Social and Environmental Responsibility Policy \(SERP\)](#), 10 November 2014. ([EN](#))
- [Social and Environmental Policy \(SEP\)](#), (not dated, assessed December, 2016). (See [here](#) for the English version)
- [Implementation plan of the social and Environmental Responsibility plan](#), 2014.
- [Corporate anti-corruption policy](#) in the BNDES system (PCA), 18 March 2015.
- [Integrity questionnaire for clients](#), (not dated, assessed December, 2016).

Overall judgement

BNDES' policies only partly protect against its clients breaching the Red Lines. From the regulatory requirements, the Red Line on legality is well protected, and the Red Lines on corruption, tax and EIAs are partly protected. Among the social requirements, only the human rights one is partly protected, with all the others not protected. Likewise, none of the environmental Red Lines, nor the corporate association red line, are protected.

Overview of approach to pulp & paper finance

The BNDES has an overarching Social and Environmental Policy which sets out guidelines. These contain a requirement to act in line with the applicable laws. The bank classifies enterprises in environmental categories, according to the risk of them causing adverse impacts. The pulp and paper sector is classified in the highest risk category – A. Clients in this category will undergo a more rigorous due diligence process. However, the BNDES does not have a pulp and paper sector specific policy, nor a policy on forestry.

It also does not establish clear safeguards for the Red Lines in its social environmental policy, even though it lists a number of relevant issues it “considers” and “promotes” when evaluating a client. Its anti-corruption corporate policy affirms the bank's commitment to the issue and establishes another set of guidelines, but it has no clear demands for its clients. The bank does have a rather detailed questionnaire for clients on their integrity, however it is not clear what the consequences are if the answers show a lack of integrity.

BNDES: Assessment against Red Lines

A minority of the Red Lines are well or partly protected but most are not protected.

Regulatory requirements

Ensure Legality: Both the SEP and the SERP require the BNDES to comply with local, national and international laws. The SEP also refers to specific environmental legislation and sector specific norms, it

Well protected.

requires a judicial statement that the client is in compliance with local legislation and it will only finance forestry projects when they comply with the ecological-economic zoning.	
No Corruption and Tax Avoidance: BNDES has a Corporate Anti-corruption Policy, which aims to protect, detect and punish corruption and which applies to all of its stakeholders. BNDES also has a detailed questionnaire on integrity for its clients, which, among others, asks companies if they have an anti-corruption policy. Furthermore, on its website it states its commitment to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. But, the BNDES does not have a clear policy on tax evasion or avoidance.	Partly protected.
Ensure Environmental and Social Impact Assessments for mills and plantations: The BNDES SEP classifies pulp and paper projects as category A projects, for which it requires social and environmental impact studies, preventive measures and mitigation actions .It does not clearly state that the EIA should also cover the plantations. It also does not specifically require all stakeholders to have been consulted, nor for the study to be published online.	Partly protected.
Social requirements	
Ensure Free Prior and Informed Consent: Not covered in the applicable policies and documentation.	Not protected.
Respect Human Rights: The bank requires the clients to comply with legislation regarding child labour and slave labour. According to the SEP, it checks if companies have been convicted of slave labour, but it is not clear what the consequences are if it has been. In the SERP, the BNDES commits to protect human rights but it is not clear whether this applies just internally, or to its clients too.	Partly protected.
Respect Indigenous rights and customary community land use rights: Not covered in the applicable policies and documentation.	Not protected.
No Forced Resettlement: Not covered in the applicable policies and documentation.	Not protected.
Environmental requirements	
No Forest Degradation and Deforestation: According to the SEP, projects that involve sylvicultural, as well as projects that impact protected areas, primary and natural forests, and other forest with high biodiversity value, are listed as category A. This means that an EIA has to be submitted and there will be extra screening. It is not clear though if financing activities in these areas is prohibited or if, when accompanied with mitigation measures, they are acceptable.	Not protected.
Protect endangered species: Not covered in the applicable policies	Not protected.

and documentation.	
No high-risk species: Not covered in the applicable policies and documentation.	Not protected.
No fire: Not covered in the applicable policies and documentation.	Not protected.
Protect peat: Not covered in the applicable policies and documentation. It is mostly not relevant for investments in Brasil, but it can be abroad.	Not protected.
No persistent pollution: Not covered in the applicable policies and documentation.	Not protected.
Corporate association / scope of the policy	
The scope of a client's responsibility: Not covered in the applicable policies and documentation.	Not protected.

BNP PARIBAS

Relevant policies and standards

- The Equator Principles
- Soft Commodities Compact
- [The BNP Paribas Group Code of Conduct](#) (March 2016)
- [BNP Paribas Group Financial Security Program](#) (July 2016)
- [Sector Policy - Wood Pulp](#) (September 2011)
- [Agriculture Sector Policy](#) (December 2015)
- [Dialogue with Stakeholders](#) (July 2015)
- [Our Environmental Responsibility Commitments](#) (not dated, assessed August 2016)
- [BNP Paribas & Human Rights](#) (December 2012)
- [BNP Paribas Anti Corruption Policy](#) (September 2011)
- [Goods and activities on the exclusion list: Group public disclosure](#) (December 2011)
- [CSR Materiality Framework](#) (April 2015)

Overall assessment

Most of the Red Lines are at least partly covered by BNP Paribas's policies, for finance that fall outside the scope of the Equator Principles. The policies partly protect the social requirements, most of the environmental and most of the regulatory requirements. The Red Lines on legality, fire, and forced resettlements are well protected.

Overview of approach to pulp & paper finance

BNP Paribas's finance for the pulp and paper industry is mainly governed by its Sector Policy on Wood Pulp. This policy applies to all BNP Group entities and all financing activities, including management of proprietary assets and third-party assets, with the exception of index-linked products. It covers companies directly involved in both the upstream and downstream wood pulp value chain.

BNP Paribas does not finance companies or plantations on land occupied by Indigenous people or local communities without FPIC, proper compensation and the implementation of a grievance mechanism. The bank will not finance projects that convert UNESCO World Heritage sites, HCV forest, or wetlands. The use of illegal wood as a source is not allowed for pulp companies, and BNP Paribas encourages pulp companies to become certified, either FSC or PEFC. It has requirements for mill technologies, the management of water- and air emissions, and peat land management.

BNP Paribas Group: Assessment against Red Lines	
Most of the Red Lines are at least partly protected by BNP's policies.	
Regulatory requirements	
Ensure legality: Mills and plantations should comply with all local, state, provincial and international environmental and social regulations and laws.	Well protected.
No corruption and tax avoidance: BNP Paribas's Code of Conduct includes due diligence aimed at ensuring customers are not involved in economic crimes including corruption and bribery. The bank has a financial security program in place to ensure its clients comply with applicable anti-money laundering, counter-terrorist financing and sanctions regulations. The Anti-Corruption Policy applies to clients and financial transactions. Tax avoidance is not covered.	Partly protected.
Ensure environmental and social impact assessments for mills and plantations: Policies do not require ESAs for mills and plantations.	Not protected. (Equator Principles: Well protected).
Social requirements	
Ensure Free Prior and Informed Consent: BNP Paribas requires FPIC for both mills and plantations. Grievance mechanism must be implemented when a new plantation is developed on land owned or occupied by local communities. The bank does not specify how the client must document this.	Partly protected.
Respect Human Rights: The bank is committed to the protection and respect of internationally recognised human rights standards. The bank's policy states that it "expects" clients to manage their business in	Partly protected.

accordance with human rights standards, but it does not indicate that clients are required to demonstrate this (e.g. by having their own policies in place). It requires pulp and paper customers to avoid forced and child labour.	
Respect Indigenous rights and customary community land use rights: The bank requires pulp mills and plantations to comply with ILO convention 169 concerning Indigenous & Tribal Peoples in Independent Countries. The bank does however not mention customary community land use rights, unless it is secured in the local/state/provincial regulations.	Partly protected.
No forced resettlement: FPIC from local communities is required for both upstream and downstream pulp companies in case of a new plantation on land of local communities.	Well protected.
Environmental requirements	
No forest degradation and deforestation: The bank requires mills and plantations (i) to not use illegally harvested wood (that includes: logging protected species, logging in protected areas, and logging in prohibited areas), and (ii) to not convert UNESCO World Heritage Site, Wetlands on the Ramsar list or HCV forests into plantations. The bank considers FSC and PEFC as sustainable forestry management certifications that should be in place with each plantation and company's suppliers. If this is not the case, the company is required to have an action plan in place ensuring certifications within 5 years. Downstream companies (producers and traders) are not required, but encouraged to do so. High carbon stock forests; degradation of areas where forest restoration or threatened wildlife re-introduction is taking place; and degradation of critical habitat for endangered/threatened species, are not covered in the policies.	Partly protected.
Protect endangered species: The bank will not finance the trade of species listed in CITES. The bank requires in its wood pulp policy that pulp mills and plantations comply with CITES and the Convention on Biological Diversity, and that a client does not use illegally harvested wood, including protected species. This applies to suppliers as well.	Partly protected.
No high-risk species: Not covered in the applicable policies and documents.	Not protected. (Equator Principles: Partly protected).
No fire: Both upstream and downstream pulp companies are required to have a no-burn policy in place that is in line with the ASEAN policy or any other regional best practice.	Well protected.
Protect peat: The bank encourages alternatives to peatland plantations, but plantations on peatland are allowed when they have a peatland management procedure in place.	Partly protected.
No persistent pollution: The bank requires Elementary Chlorine Free and Totally Chlorine Free technology for <i>new mills</i> , and a transition of the process towards ECF or TCF technology in case of existing plants. Pulp	Partly protected.

producers are required to present a management plan for water/air pollution that is compliant with the IFC EHS Guidelines for pulp and paper, which includes secondary effluent treatment. Downstream pulp companies are not required, but encouraged to do so. PCBs (polychlorinated biphenyls, an organic chlorine compound that is proven environmentally toxic and classified as a persistent organic pollutant) is on the exclusion list of BNP. Hog fuel is not covered.	
Corporate association / scope of the policy	
Paper making companies which do not produce their own pulp fall outside of the scope of the Wood Pulp Policy. Suppliers of pulp companies should have sufficient certification (FSC and PEFC) or have an action plan to ensure certification within 5 years. Parent, sister and subsidiary companies are not covered.	Partly protected.

BRADESCO

Relevant policies and standards

- The Equator Principles
- Policy overview [page](#)
- [Corporate Sustainability Policy \(CSP\)](#), (not dated, assessed December, 2016).
- [Social and Environmental Sustainability Standard \(SES\)](#), 2015.
- [Corporate Anti Corruption Policy \(CCP\)](#), (not dated, assessed December, 2016).

Overall judgement

Bradesco's policies do not protect it against its clients breaching the Red Lines. On the regulatory requirements, the legality red line is partly protected, the corruption and the ESIA Red Lines are not. The social and environmental Red Lines are not covered in the relevant policies and the only protection the bank could gain would be by strict implementation of the Equator Principles. The red line on corporate association is also not protected.

Overview of approach to pulp & paper finance

Bradesco's Corporate Sustainability Policy provides the banks approach to the issue, but does not have any clear commitments. Bradesco does not have any sector policies. Its anti-corruption policy only establishes four guidelines and has no clear safeguards.

Bradesco: Assessment against Red Lines

The Red Lines are **not protected** by Bradesco's policies.

Regulatory requirements	
Ensure Legality: The SES requires clients to comply with applicable legislation, but this does not necessarily cover their suppliers.	Partly protected.
No Corruption and Tax Avoidance: Bradesco has an anti-corruption Policy, but this does not seem to apply to its clients.	Not protected.
Ensure Environmental and Social Impact Assessments for mills and plantations: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Well protected).
Social requirements	
Ensure Free Prior and Informed Consent: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Partly protected).
Respect Human Rights: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Partly protected).
Respect Indigenous rights and customary community land use rights: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Partly protected).
No Forced Resettlement: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Partly protected).
Environmental requirements	
No Forest Degradation and Deforestation: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Partly protected).
Protect endangered species: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Partly protected).
No high-risk species: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Partly protected).

No fire: Not covered in the applicable policies and documentation.	Not protected.
Protect peat: Not covered in the applicable policies and documentation.	Not protected.
No persistent pollution: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Partly protected).
Corporate association / scope of the policy	
Not covered in the applicable policies and documentation.	Not protected.

BTG PACTUAL

Relevant policies and standards

- [Socio Environmental and Corporate Governance Policy](#) (SEP), (10 February 2015)
- [Os Nove Princípios de Investimento Responsável do TIG](#) (TIG), (notdated, assessed December, 2016)

Overall judgement:

BTG Pactual's policies mostly do not protect against its clients breaching the Red Lines. Only the social requirement on respect for human rights is partly protected.

Overview of approach to pulp & paper finance:

The Banks ESG policy establishes the bank's principles and approach to the issue. It does not provide any protection for clients breaching the Red Lines. BTG Pactual does not have any sector policies. It does have "the 9 principles of its Timberland Investment Group" (TIG), which only provides a reference to legality, and commitments to human rights protection and to fighting corruption.

BTG Pactual: Assessment against Red Lines

Almost all of the Red Lines are **not protected** by BTG Pactual's policies.

Regulatory requirements

Ensure Legality: BTG requires compliance with the law, but it does not mention international conventions. It is also not clear if this applies to the bank's clients.	Not protected.
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No Corruption and Tax Avoidance: The bank's policy requires it to fight corruption, but it does not clearly extend the policy to its clients. There is also no reference to tax evasion or avoidance.	Not protected.
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Ensure Environmental and Social Impact Assessments for mills and plantations: Not covered in the applicable policies and documentation.	Not protected.
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Social requirements

Ensure Free Prior and Informed Consent: Not covered in the applicable policies and documentation.	Not protected.
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Respect Human Rights: BTG states it respects human rights and that this policy also applies to its clients. But it does not reference ILO conventions.	Partly protected.
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Respect Indigenous rights and customary community land use rights: Not covered in the applicable policies and documentation.	Not protected.
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No Forced Resettlement: Not covered in the applicable policies and documentation.	Not protected.
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Environmental requirements

No Forest Degradation and Deforestation: Not covered in the applicable policies and documentation.	Not protected.
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Protect endangered species: Not covered in the applicable policies and documentation.	Not protected.
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No high-risk species: Not covered in the applicable policies and documentation.	Not protected.
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No fire: Not covered in the applicable policies and documentation.	Not protected.
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Protect peat: Not covered in the applicable policies and documentation. It is mostly not relevant for investments in Brasil, but it can be abroad.	Not protected.
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No persistent pollution: Not covered in the applicable policies and	Not protected.
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documentation.	
Corporate association / scope of the policy	
Not covered in the applicable policies and documentation.	Not protected.

CAIXA ECONOMICA FEDERAL

Relevant policies and standards

- The Equator Principles
- [Social and Environmental Responsibility Policy](#)(SERP) (not dated, assessed December 2016)
- [Integrity Program](#) (IP) (28 September 2016)

Overall judgement

CEF's policies only partly protect against its clients breaching the Red Lines. On the regulatory requirements, the legality Red Line is partly protected, the corruption one is not and the EIA red line is well protected. The social requirements are all partly protected, as are four of the environmental Red Lines. However, the Red Lines on fire and peat are not protected, just like the Red Line on corporate association

Overview of approach to pulp & paper finance

The CEF has a Social and Environmental Responsibility Policy, which establishes a number of guidelines and the CEF's overall approach to the issue. It does not have any clear requirements and does not protect the bank from clients breaching the Red Lines other than requiring compliance with the law, on national and international level. Its integrity program applies to the bank itself, but not to its clients.

Caixa Economica Federal: Assessment against Red Lines

Most elements of the Red Lines are **not protected** by CEF's policies.

Regulatory requirements

Ensure Legality: CEF states it is committed to respecting the law in all countries it operates in and that it does not tolerate any illegal operations. This applies also to its 'relationships', however, it is not completely clear to what extent this applies to its clients, and the suppliers of its clients.	Partly protected.
No Corruption and Tax Avoidance: CEF has an integrity program, which aims to prevent, detect and correct any corrupt acts. However, this seems to apply only to the CEF itself, and not to its clients.	Not protected.
Ensure Environmental and Social Impact Assessments for mills and plantations: Not covered in the applicable policies and documents.	Not protected. (Equator Principles: Well protected).

Social requirements

Ensure Free Prior and Informed Consent: Not covered in the applicable policies and documents.	Not protected. (Equator Principles: Partly protected).
Respect Human Rights: There is a reference to the respect for human rights in the SERP, but this does not clearly apply to its clients. It has signed the Brazilian Pact to fight Slave labour, which is a commitment not to do business with those involved in slave labour.	Not protected. (Equator Principles: Partly protected).
Respect Indigenous rights and customary community land use rights: Not covered in the applicable policies and documents.	Not protected. (Equator Principles: Partly protected).
No Forced Resettlement: Not covered in the applicable policies and documents.	Not protected. (Equator Principles: Partly protected).

Environmental requirements

No Forest Degradation and Deforestation: Not covered in the applicable policies and documents.	Not protected. (Equator Principles: Partly protected).
Protect endangered species: Not covered in the applicable policies and documents.	Not protected. (Equator Principles: Not protected).

	Partly protected).
No high-risk species: Not covered in the applicable policies and documents.	Not protected. (Equator Principles: Partly protected).
No fire: Not covered in the applicable policies and documents.	Not protected.
Protect peat: Not covered in the applicable policies and documentation. It is mostly not relevant for investments in Brasil, but it can be abroad.	Not protected.
No persistent pollution: Not covered in the applicable policies and documents.	Not protected. (Equator Principles: Partly protected).
Corporate association / scope of the policy	
Not covered in the applicable policies and documents.	Not protected.

CATHAY UNITED BANK

Relevant policies and standards

- [Cathay Financial Holdings Corporate Social Responsibility Report 2015](#)
- [Cathay Financial Holdings Corporate Social Responsibility Report 2014](#)
- [Taiwan Financial Holdings Corporate Governance/Social Responsibility](#) (not dated, accessed in 2017)
- [Corporate Sustainability of Cathay Financial Holdings](#)(Not dated, accessed in Feb. 2017)
- [Cathay United Bank Equator Principles](#)

Overall judgement

Cathay United Bank policies and its compliance with the Equator Principles only partly protect it against clients breaching a majority of the Red Lines. It is well protected against illegality.

Overview of approach to pulp & paper finance

Cathay United Bank is a subsidiary of Cathay Financial Holdings. As one of largest commercial banks in Taiwan, Cathay United Bank upholds environmental values and supports forest conservation activities. The bank's corporate social responsibility is governed by the parent group. Cathay United Bank is the first Taiwanese bank who

became an Equator Principles signatory in 2015. Cathay United Bank and its parent group strongly emphasises environmental conservation and has funded a number of environmental initiatives both within the group and also to Taiwanese schools and NGOs.

Cathay United Bank signed up for CDP Water Discloser and Forest Footprint Discloser system. The bank emphasises conservation of forests in Taiwan and rainforests ecosystem in other countries such as Indonesia, however no specific policy is available on pulp & paper investment.

Cathay United Bank: Assessment against Red Lines

Most requirements in the Red Lines are partly protected by Cathay United Bank policies from breaching by its clients.

Regulatory requirements

Ensure Legality: The bank will ensure compliance with Taiwanese laws and regulations. Its parent group Cathay Financial Holdings assembled a Responsible Investment Working Group in 2014, which is responsible for developing responsible investment policies and internal strategy. In 2015, TWSE selected the components of the Taiwan Corporate Governance 100 Index base on corporate governance evaluation, liquidity, and financial indicators. Cathay FHC actively participated in the evaluation, and stood out in the aspects of "Information Transparency" and "Corporate Social Responsibility".	Well Protected.
No Corruption and Tax Avoidance: A code of conduct emphasizes anticorruption in the bank's business. Cathay United Bank incorporates anticorruption and anti-bribery inspections into annual routine inspections and has an Employee Code of Conduct. Legal compliance is also included as a compulsory item of employee performance evaluation. However it is not clear how deeply the bank inspects its clients for their avoidance of corruption.	Partly protected
Ensure Environmental and Social Impact Assessments for mills and plantations: Not covered in publicly available policies and documentation.	Not protected. (Equator Principles: Partly protected)

Social requirements

Ensure Free Prior and Informed Consent: Not covered in publicly available policies and documentation.	Not protected. (Equator Principles: Partly protected).
Respect Human Rights: Cathay United Bank runs a programme to facilitate potential development of new immigrants in Taiwan, but the	Not protected. (Equator

bank policy does not include the protection of human rights potentially violated by its clients and/or through its investment.	Principles: Partly protected).
Respect Indigenous rights and customary community land use rights: Cathay United Bank pledges to abide by The Indigenous Peoples Basic Law in Taiwan by not acting in any way that violates their rights but it is not completely clear how deeply this extends to client activity, especially internationally.	Partly Protected.
No Forced Resettlement: Not covered in publicly available policies and documentation.	Not protected. (Equator Principles: Partly protected).
Environmental requirements	
No Forest Degradation and Deforestation: Cathay United Bank has a strong awareness of forest conservation and emphasizes rainforest ecosystem protection in Taiwan and Southeast Asia. The bank signed the CDP Water Disclosure Project and Forest Footprint Disclosure Project, using them as the basis for responsible investment and credit risk management.	Partly protected.
Protect endangered species: Not covered in publicly available policies and documentation.	Not protected. (Equator Principles: Partly protected).
No high-risk species: Not covered in publicly available policies and documentation.	Not protected. (Equator Principles: Partly protected).
No fire: Not covered in publicly available policies and documentation.	Not protected.
Protect peat: Not covered in publicly available policies and documentation.	Not protected.
No persistent pollution: Not covered in publicly available policies and documentation.	Not protected. (Equator Principles: Partly protected).
Corporate association / scope of the policy	
Third parties/sister/parent/subsidiary companies of the clients are not covered in the publicly available policies and documentation.	Not protected.

CHINA CITIC BANK

Relevant policies and standards

- The Green Credit Guidelines
- [CITIC Corporate Social Responsibility Report 2015 \(English Edition\)](#)
- [CITIC Corporate Social Responsibility Report 2014 \(English Edition\)](#)
- [CITIC Corporate Social Responsibility Report 2013 \(English Edition\)](#)
- [CITIC Corporate Social Responsibility Report 2012 \(English Edition\)](#)

Overall judgement

CITIC's policies for its prior authorization review procedure include legality and financial risk assessment, which gives it partial protection from clients breaching some Red Lines, namely legality, corruption and tax evasion and pollution. However, no relevant policy about pulp and paper industry is found, so all of the other Red Lines are not protected, and the only protection will be provided by strict implementation of the Green Credit Guidelines.

Overview of approach to pulp & paper finance

As the largest subsidiary corporation of the CITIC group, CITIC Bank has responded to the Green Credit Guidelines positively by developing a one-vote system and other credit standards to control financial risks and it makes environmental performance a core standard when assessing a project. This is also applicable to the pulp & paper industry, even it has been limited to investments in China, however, detail of relevant policies is lacking. CITIC's green credit policies mainly focus on investment standards. According to the Green Credit Guidelines, there should be after-loan monitoring procedures. But no more detailed context can be found in the bank's official documents.

China CITIC Bank, Assessment against Red Lines

The bank's policies fail to protect it against breach by clients of most of the Red Lines.

Regulatory requirements

Ensure Legality: Legal compliance is a necessary condition in the investigation and approval system before loans.	Partly Protected. (Green Credit Guidelines: Well protected).
No Corruption and Tax Evasion: Corruption and tax evasion is an important part of financial risk assessment. CITIC would cooperate with third party independent auditing organization to carry out financial auditing.	Partly protected.
Ensure Environmental and Social Impact Assessments for	Not protected. (Green

mills and plantations: Not covered in publicly available policies and documentation.	Credit Guidelines: Partly protected).
Social requirements	
Ensure Free Prior and Informed Consent: CITIC has good communication with international civil society organizations to fulfill its Corporate Social Responsibility (CSR) commitments and it carries out an improved stakeholders communication mechanism but FPIC is not detailed in their CSR report or environmental policies.	Not protected. (Green Credit Guidelines: Partly protected).
Respect Human Rights: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Respect Indigenous rights and customary community land use rights: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No Forced Resettlement: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Environmental requirements	
No Forest Degradation and Deforestation: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Protect endangered species: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No high-risk species: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No fire: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Protect peat: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No persistent pollution: CITIC requires employees to avoid environmental risks from projects involving high pollution and high consumption and it emphasizes environment protection.	Partly protected.

Corporate association / scope of the policy	
Third parties/sister/parent/subsidiary companies of the clients are not covered in the publicly available policies and documentation.	Not protected

CHINA CONSTRUCTION BANK

Relevant policies and standards

- The Green Credit Guidelines
- [CCB Corporate Social Responsibility Report 2015](#)
- [CCB Corporate Social Responsibility Report 2014](#)
- [CCB Corporate Social Responsibility Report 2013](#)
- [CCB Corporate Social Responsibility Report 2012](#)

Overall judgement

The bank is well protected on legality, and partly protected from breaches by its clients of the other regulatory Red Lines, due to its regulatory requirements. It is also partly protected on FPIC and pollution, but not protected on the other Red Lines

Overview of approach to pulp & paper finance

The CCB has developed a systematic work procedure on green credit, represented by its Energy Conservation and Emission Reducing and Credit Granting Workplan. Clients must meet its financial standard before going further in the qualification process. However, many of the specific Red Line issues are not addressed in this plan or in other policies, leaving the bank largely unprotected from breaches by its clients.

China Construction Bank: Assessment against Red Lines	
The bank's policies fail to protect it against breach by clients of most of the Red Lines, where it relies for protection on strict implementation of the Green Credit Guidelines.	
Regulatory requirements	
Ensure Legality: This is an essential condition for Chinese banks, according to GCG requirements, and CCB also make it a strict admittance procedure. According to CCB's credit business	Well protected.

handbook, the bank's operating procedures for granting credit to customers has five stages: acceptance, investigation evaluation, examination and approval, use of quota and follow-up management, in each of which there are particular requirements for customers. Once risk control department finds something wrong or controversial, then original assessment report will be invalid and the bank needs to assess customer's legality again.	
No Corruption and Tax Evasion: CCB requires all clients to offer financial auditing reports and it keeps supervising these.	Partly protected.
Ensure Environmental and Social Impact Assessments for mills and plantations: CCB requires social and environmental impact assessment reports.	Partly protected.
Social requirements	
Ensure Free Prior and Informed Consent: Not detailed but contained in the social risk assessment process. It is similar to FPIC in that consent from affected local people should be involved in social risk assessments.	Partly protected.
Respect Human Rights: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Respect Indigenous rights and customary community land use rights: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No Forced Resettlement: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Environmental requirements	
No Forest Degradation and Deforestation: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Protect endangered species: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No high-risk species: Not covered in publicly available policies and documentation.	Not protected. (Green Credit

	Guidelines: Partly protected).
No fire: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Protect peat: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No persistent pollution: CCB doesn't allow credited projects to emit persistent pollution without treatment.	Partly protected.
Corporate association / scope of the policy	
Third parties/sister/parent/subsidiary companies of the clients are not covered in the publicly available policies and documentation.	Not protected.

CHINA DEVELOPMENT BANK

Relevant policies and standards

- The Green Credit Guidelines
- [China Development Bank Core Values](#) (Not dated, accessed in 2017)
- [CDB Sustainable Development Report 2015](#) (2016)
- [Circular on Implementing Credit Policies and Strengthening Environmental Protection Work](#)(March 29, 1995)
- [Framework for EIA of Small Business Loans](#)(July 7, 2006)

Overall judgement

Chinese law may give China Development Bank some protection against its domestic clients breaching some areas in the Red Lines. It is partly protected on legality and ESIA's, but its policies do not protect the bank for its overseas loans and investment on any of the other Red Lines.

Overview of approach to pulp & paper finance

CDB is a member of the UN Global Compact LEAD, and a member of Green Finance Committee at the China Society for Finance & Banking; also a member of Green Credit Committee at the China Banking Association. The CDB's policies are well applied domestically, but its green credits compliance for overseas clients is questionable. China

Development Bank regards the pulp and paper sector as a major area for economic growth and infrastructure investment. The bank policies uphold the Green Credit Guidelines, which obliges clients to obey Chinese environmental laws; and for loans to clients overseas, their local environmental laws. The bank's vision of green credit still mostly focuses on investment in environmental-related business and places emphasis on holding clients accountable for their projects' environmental records. However, in most areas its policies lack the detail to protect it against breach of the Red Lines.

<h2>China Development Bank: Assessment against Red Lines</h2> <p>The bank's policies fail to protect it against breach by clients of almost all the Red Lines.</p>	
Regulatory requirements	
Ensure Legality: The bank will comply with Chinese laws and regulations and rules, and claims to abide by local law and regulation in other countries. But the bank does not concern itself with legality matters of its foreign clients when local laws are breached.	Partly protected. (Green Credit Guidelines: Well protected).
No Corruption and Tax Evasion: Tax evasion or avoidance is not covered. The bank conducts anti-corruption inspection internally and also by Chinese government. Corruption at the clients' side is not of the bank's concern.	Not protected.
Ensure Environmental and Social Impact Assessments for mills and plantations: EIA is required but SIA is not included.	Partly protected.
Social requirements	
Ensure Free Prior and Informed Consent: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Respect Human Rights: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Respect Indigenous rights and customary community land use rights: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No Forced Resettlement: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).

Environmental requirements	
No Forest Degradation and Deforestation: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Protect endangered species: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No high-risk species: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No fire: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Protect peat: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No persistent pollution: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Corporate association / scope of the policy	
Third parties/sister/parent/subsidiary companies of the clients are not covered in the publicly available policies and documentation.	Not protected.

CHINA MERCHANTS BANK

Relevant policies and standards

- The Green Credit Guidelines
- [CMB Corporate Social Responsibility Report 2015](#)
- [CMB Corporate Social Responsibility Report 2014](#)
- [CMB Corporate Social Responsibility Report 2013](#)
- [CMB Corporate Social Responsibility Report 2009](#)

Overall judgement

CMB is partly protected in all the legal requirements and the FPIC and pollution Red Lines, but unprotected on the other social and environmental requirements.

Overview of approach to pulp & paper finance

CMB has strict qualification standards since it developed a systematic green credit policy in 2007 which means it can meet some of the requirements of the Red Lines. In 2009, CMB issued a Green Financial Credit Policy and Renewable Energy Industry Marketing Guidance to respond to the Green Credit Guidelines. CMB is a member of the United Nations Environment Programme Financial Institutions (UNEP-FI) and won an award from UNEP FI in 2009 because of these two policies. It seems to be effective in supervising projects because CMB has rights to suspend projects which cannot meet these policies. It may be applicable to the pulp & paper finance assessment process. However, several of the specific Red Lines are not covered by its policies so the only protection will be provided by strict implementation of the Green Credit Guidelines.

China Merchants Bank. Assessment against Red Lines

The bank is partly or not protected from breach of the Red Lines by its clients.

Regulatory requirements

Ensure Legality: Only clients who pass through a legality qualification examination can get access to the next step in CMB's investing process.	Partly Protected. (Green Credit Guidelines: Well protected).
No Corruption and Tax Evasion: Projects should provide a strict financial auditing report to avoid corruption or tax evasion according to CMB's financial policies.	Partly protected.
Ensure Environmental and Social Impact Assessments for mills and	Partly protected.

plantations: All projects should involve impact assessments, including mills and plantations.	
Social requirements	
Ensure Free Prior and Informed Consent: Not detailed in the policy but contained in social risk assessment process.	Partly protected.
Respect Human Rights: No related policy and the bank has been criticised on this topic.	Not protected (Green Credit Guidelines: Partly protected).
Respect Indigenous rights and customary community land use rights: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No Forced Resettlement: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Environmental requirements	
No Forest Degradation and Deforestation: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Protect endangered species: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No high-risk species: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No fire: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Protect peat: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No persistent pollution: The CMB's dynamic monitoring mechanism	Partlyprotected.

can ensure reducing pollution.	
Corporate association / scope of the policy	
Third parties/sister/parent/subsidiary companies of the clients are not covered in the publicly available policies and documentation.	Not protected.

CITIBANK

Relevant policies and standards

- The Equator Principles
- [Environmental Policy Framework](#) (October 2015)
- [Sustainable Forestry Standard](#) (2013)
- [Statement on Human Rights](#) (April 2014)
- [Anti-Bribery and Corruption Policy](#) (October 2016)
- [Code of Conduct](#) (2016)

Overall assessment

Half of the Red Lines are partly protected by Citi's policies, for finance that fall outside the scope of the Equator Principles. Red Lines on social requirements and ensuring legality are partly protected, while a number of environmental requirements, including avoiding use of fire and protecting peat, are not covered.

Overview of approach to pulp & paper finance

Citibank manages financing for the pulp and paper sector mainly through its Sustainable Forestry Standard and the Environmental Policy Framework. The Framework applies to all of Citibank's businesses, and the forestry policy applies to all customers "engaged in harvesting or processing of forest resources from either natural forests or plantations".

Citibank has firm-wide prohibitions on financing projects or activities involving illegal logging. It has a commitment to not finance transactions that significantly convert or degrade a critical habitat. Clients logging or processing timber in countries designated by the bank as "high risk" must present a time-bound plan to achieve *some form* of independent certification. Where significant concern has been raised about the legality of their operations, the time-bound plan must be for FSC certification. Other environmental criteria are not covered. Citibank has firm-wide prohibitions on financing projects or activities that include harmful forms of child or forced labour. With regard to activities affecting Indigenous peoples, it conducts additional due diligence, and where the impacts are in emerging markets it requires clients to obtain FPIC in the

circumstances outlined by IFC Performance Standard 7. Customary community land use rights are not covered.

Citibank: Assessment against Red Lines	
Half of the Red Lines are partly protected by Citi's policies.	
Regulatory requirements	
Ensure legality: Citi prohibits finance for illegal logging and production or trade in any product that is illegal under local laws. It reviews all customers in forestry or timber processing for compliance with local and national forestry and environmental laws to prevent illegal logging, but not for compliance with all local, national and international laws.	Partly protected.
No corruption and tax avoidance: Under Citi's Anti-Bribery and Corruption policy it reserves the right to terminate any business relationship that violates "our high ethical standards and our commitment to responsible finance". It does not prohibit clients establishing ownership structures designed for tax avoidance.	Partly protected.
Ensure environmental and social impact assessments for mills and plantations: Citi policies do not require ESIA's for mills and plantations.	Not protected. (Equator Principles: Well protected).
Social requirements	
Ensure Free Prior and Informed Consent: Citi requires projects affecting Indigenous Peoples in 'emerging markets' (consistent with the EPs, which means the non-designated countries) to obtain FPIC in the circumstances outlined in IFC PS 7 (which includes documentation of FPIC procedures). This is not required in developed markets or for other communities with customary rights. The bank also applies the FSC requirements to this Red Line, but FSC fails to ensure FPIC in high-risk countries or downstream impacts.	Partly protected.
Respect Human Rights: Citi has a Human Rights Statement including a commitment to due diligence, and prohibits finance for activities involving harmful or exploitative forms of child or forced labour. It has no explicit requirement for clients to respect human rights.	Partly protected.
Respect Indigenous rights and customary community land use rights: Citi "exercises extra caution and diligence" in the case of impacts on Indigenous People, and where these impacts take place in emerging markets it requires a process of "informed consultation and participation". It does not explicitly require clients	Partly protected.

to demonstrate that their operations fully respect Indigenous and traditional rights. Other customary land use rights are not covered.	
No forced resettlement: The bank's policies require enhanced due diligence for transactions involving large-scale resettlement, however they do not cover small-scale resettlement or traditional rights of local communities. Forced resettlement is covered where IFC Performance Standards are applied (i.e. in non-designated countries) and where FSC certification is required, but not elsewhere (e.g. for mills and designated countries).	Partly protected.
Environmental requirements	
No forest degradation and deforestation: Citi will not finance transactions that significantly convert or degrade a critical habitat. This includes protected areas, HCV forests and areas of significant biodiversity. Beyond this, clients logging or processing timber in 'high risk' countries must present a time-bound plan to achieve some form of independent certification, and where significant concern has been raised about the legality of their operations, a time-bound plan for FSC certification is required. High carbon stock forests, internationally protected areas and areas where forest restoration or threatened wildlife re-introduction is taking place, are not covered in the policies.	Partly protected.
Protect endangered species: Citi does not exclude trade in species on the IUCN Red List, but prohibits production or trade in species listed under CITES.	Not protected. (Equator Principles: Partly protected)
No high-risk species: Not covered in the applicable policies and documents.	Not protected. (Equator Principles: Partly protected)
No fire: Not covered in the applicable policies and documents.	Not protected.
Protect peat: Not covered in the applicable policies and documents.	Not protected.
No persistent pollution: Not covered in the applicable policies and documents.	Not protected. (Equator Principles: Partly protected)
Corporate association / scope of the policy	
It is unclear if the policy applies to parent, sister or subsidiary companies of the bank's client.	Not protected.

Relevant policies and standards

- [Compliance Code of Conduct](#) (May 2016)
- [Corporate Responsibility Report](#) (2015)
- [Environmental Policy](#) (October 2015)
- [GRI \(Global Reporting Initiative\) Report](#) (July 2016)
- [Member of Green Bond Principles](#) (July 2014)
- [Member of the Roundtable on Sustainable Palmoil](#) (August 2014)
- [Position on Human Rights](#) (April 2016)
- [Positions and Directives](#) (not dated)
- [Standard for Sustainable Procurement](#) (December 2016)
- [UN Global Compact Signatory](#) (since 2006)

Overall judgement

Two-thirds of the Red Lines are at least partly protected by Commerzbank's policies. Regulatory requirements are mostly well protected. Basic points of the social and environmental requirements are partly protected but the bank is unprotected from breaches of some Red Lines, including free prior and informed consent (FPIC), endangered species and peat.

Overview of approach to pulp & paper finance

Commerzbank has an extensive Reputational Risk Management process which undertakes a range of investigations in the case of proposed finance deals in connection with land, forestry and the exploitation of raw materials like the pulp and paper sector. Projects relevant to Commerzbank's 'Corporate Responsibility Guidelines' include early identification and appropriate handling of environmental, social or ethical risks. They are assessed and mitigated on the basis of a risk analysis which is conducted once a year. These external standards are supplemented by a wide range of internal policies like Commerzbank's 'Position on Human Rights', their 'Environmental Policy' and a 'Standard for Sustainable Procurement'. Together, they form the framework of Commerzbank's 'Compliance Management'. Commerzbank reports on its sustainability performance in accordance with the guidelines published by the Global Reporting Initiative (GRI). This report serves as an annual communication on progress regarding the implementation of the ten principles of the UN Global Compact.

As a signatory to the UN Global Compact, Commerzbank is committed to protecting fundamental human rights, ensuring fair working conditions in compliance with ILO standards, combating corruption, and protecting the environment. Regarding Commerzbank's environmental guidelines, they indicate that investigations are undertaken (with the involvement of local specialists or non-governmental organizations) whether high conservation value areas, UNESCO World Heritage sites or other conservation areas will be protected. Reports of illegal logging by companies are investigated as well and clients have to comply with FSC requirements. But there are neither clear exclusion criteria nor information whether third party operations are covered.

Commerzbank: Assessment against Red Lines

A majority of the requirements in the Red Lines are **partly or well protected** by Commerzbank's policies.

Regulatory requirements

Ensure Legality: Commerzbank's Compliance management examines whether the bank and all its business partners comply with all national and international laws and guidelines. It is not clearly indicated if third parties are covered.	Partly protected.
No Corruption and Tax Evasion: As a signatory of the UN Global Compact Commerzbank is committed to fighting corruption in all its forms, including extortion and bribery and acts responsibly for preventing money laundering. These external standards are observed intensively by their Compliance management.	Well protected.
Ensure Environmental and Social Impact Assessments for mills and plantations: According to Commerzbank's sustainability strategy, all loans that have a significant environmental, ethical or social dimension are subjected to detailed assessment by the Reputational Risk Management unit. Depending on the outcome of the check, the loan may be refused.	Well protected.

Social requirements

Ensure Free Prior and Informed Consent: Involuntary resettlement or dispersion is investigated by Commerzbank's Reputational Risk Management only in combination with indigenous peoples. FPIC is not mentioned in their policies.	Not protected.
Respect Human Rights: Commerzbank joined the UN Global Compact and has a detailed position on human rights based on internationally accepted human rights standards and takes further guidance from the United Nations Guiding Principles on Business and Human Rights. The international labour standards of the International Labour Organization (ILO) are part of the policies as well. Violating human rights and also child labour and forced labour can result in the rejection or termination of business relations.	Well protected.
Respect Indigenous rights and customary community land use rights: As a signatory to the UN Global Compact, Commerzbank is committed to upholding and promoting fundamental human rights and protecting the environment. This especially provides the protection of indigenous peoples, who are often subjected to compulsory measures such as involuntary resettlement or dispersion. Communities with customary land rights are not mentioned.	Partly protected.

No Forced Resettlement: Not clearly mentioned in policies, only above with indigenous peoples.	Not protected.
Environmental requirements	
No Forest Degradation and Deforestation: With proposed finance deals in connection with land and forestry Commerzbank's Reputational Risk Management undertakes investigations (with the involvement of local specialists or non-governmental organizations) whether high conservation value areas, UNESCO World Heritage sites or other conservation areas will be protected. Reports of illegal logging by companies are investigated and clients have to comply with FSC requirements. Third party operations are not covered.	Partly protected.
Protect endangered species: Not covered in policies.	Not protected.
No high-risk species: Commerzbank's Reputational Risk Management investigates criticism concerning genetically modified organisms (GMOs). But clear guidelines are missing.	Partly protected.
No fire: Not covered in policies.	Not protected.
Protect peat: Not covered in the relevant policies.	Not protected.
No persistent pollution: With proposed finance deals companies in sectors where toxic materials are used on a regular basis are investigated by Commerzbank's Reputational Risk Management if they are used securely and sparingly. Particular attention is paid to the extent to which the companies in question have adhered to emissions and exposure limits in the past. This is done with reference to, for example, the World Bank's Pollution Prevention and Abatement Handbook (PPAH, 1998).	Partly protected.
Corporate association / scope of the policy	
Potential compliance risks are assessed and mitigated on the basis of a risk analysis. It is conducted once a year for the entire Group, covering all Group companies, branch offices and other affiliated or dependent enterprises in Germany or abroad that are considered to be relevant to compliance. These external standards are supplemented by a wide range of internal policies. Together, they form the framework of Commerzbank's compliance management. It is not clearly indicated in the policies if third parties are covered.	Partly protected.

Relevant policies and standards

- The Equator Principles
- [Summary of Credit Suisse's Sector Policies and Guidelines](#) (April 2017)
- [Code of Conduct](#) (December 2010)
- [Statement on Human Rights](#) (September 2015)

Overall assessment

Credit Suisse's policies partly protect at least half of the Red Lines, for finance that fall outside the scope of the Equator Principles. Red Lines on forest degradation and deforestation, human rights, forced resettlement and ensuring legality, are partly protected. A number of requirements, including those related to Indigenous Peoples and high-risk timber species, are not covered.

Overview of approach to pulp & paper finance

Credit Suisse governs financing for the pulp and paper sector through its Forestry and Agribusiness Policy, available in summary form in the Summary of Credit Suisse's Sector Policies and Guidelines. This applies to companies or projects involved in the extraction of resources from forests or the management of forests or operate plantations, including pulp and paper mills.

Credit Suisse requires clients to respect local, national and international law, and will not finance activities in HCV or primary tropical moist forests, nor in protected areas or on land cleared after 2005 unless certified to "FSC or equivalent" certification standard. It will not finance the illegal or uncontrolled use of fire and expects clients to have a policy on this. It strongly recommends clients to be certified and evaluates clients on their policies on water management and the management of hazardous materials. Its policies however do not cover high-risk species or endangered species. The bank will not finance activities involving child or forced labour, violence against local or Indigenous communities nor major resettlements. It expects impacted populations to be properly consulted by the client, but does not ensure FPIC.

Credit Suisse: Assessment against Red Lines	
At least half of the requirements in the Red Lines are partly protected by Credit Suisse's policies.	
Regulatory requirements	
Ensure legality: Credit Suisse avoids financing or advising companies involved in illegal logging, or with credible evidence of material violations of applicable laws and regulations.	Partly protected.
No corruption and tax evasion: The Code of conduct covers corruption but does not extend to ensuring clients are not involved in corruption. Its policy is not to assist clients in activities intended to breach their tax obligations, although this does not include a prohibition on clients establishing ownership structures designed for tax avoidance.	Partly protected.
Ensure environmental and social impact assessments for mills and plantations: Credit Suisse policies do not require ESIA's for mills and plantations.	Not protected. (Equator Principles: Well protected).
Social requirements	
Ensure Free Prior and Informed Consent: Credit Suisse's sector policy requires the client to demonstrate that it has adequately addressed (unspecified) public involvement, consultation and disclosure. The bank however does not require clients to demonstrate that proposed operations have obtained FPIC.	Not protected. (Equator Principles: Partly protected).
Respect Human Rights: The bank commits to respect human rights, and companies with credible evidence of involvement in grave human rights abuses - such as forced labour, employment of children, or the use of violence against local communities and Indigenous groups - are excluded (Summary of Forestry and Agribusiness Policy). It does not require clients to respect human rights.	Partly protected.
Respect Indigenous rights and customary community land use rights: Policies do not require clients to demonstrate that their operations respect Indigenous and traditional rights.	Not protected. (Equator Principles: Partly protected).
No forced resettlement: Credit Suisse excludes finance for forestry operations that require resettlement of substantial numbers of people. The bank fails to address small scale resettlement.	Partly protected.
Environmental requirements	
No forest degradation and deforestation: Credit Suisse's policy excludes finance for forestry and agribusiness operations in UNESCO World Heritage Sites; Wetlands on the Ramsar List; most protected	Partly protected.

areas (IUCN categories I, II, III and IV); and critical natural habitats where there is significant degradation or conversion (unless legacy assets are involved). It will not finance activities in HC VF or primary tropical moist forests, nor in protected areas or on land cleared after 2005, unless this was certified to "FSC or equivalent" standard. It does not cover loss or degradation of high carbon stock forests or degradation of areas where forest restoration or threatened wildlife re-introduction is taking place.	
Protect endangered species: Credit Suisse does not exclude trade in species on the IUCN Red List, but does exclude trade in species protected under CITES Appendix 1.	Not protected. (Equator Principles: Partly protected).
No high-risk species: Not covered in the applicable policies and documents.	Not protected. (Equator Principles: Partly protected).
No fire: Uncontrolled and/or illegal use of fire is an excluded activity in the Forestry and Agribusiness policy, but this does not rule out all uses of fire.	Partly protected.
Protect peat: Plantations on peatland are not excluded, but particular scrutiny is applied to legality and to ensure "best practices are applied for managing plantations on peat soils and for minimizing the release of greenhouse gases captured in peat".	Partly protected.
No persistent pollution: Clients need to demonstrate they have adequately addressed issues on water contamination and use, and on air emissions. The policy does however not clarify what is meant with 'adequately addressed'.	Partly protected.
Corporate association / scope of the policy	
The sector policies apply to "all business activities of Credit Suisse relating directly to companies operating in those sectors, regardless of whether the company is in a direct contractual relationship with Credit Suisse or the object or target of a Credit Suisse client". It however is not clear if this applies to the human rights policy as well.	Partly protected.

Relevant policies and standards

- [Environmental and Social Policy Framework](#) (January 2017)
- [Position on monocultural farming / palm oil](#) (not dated, assessed in August 2016)
- [Code of Business Conduct and Ethics](#) (September 2015)
- [Human Rights position](#) (not dated, assessed in August 2016)
- [Financial crime](#) (2016)
- [Anti Money Laundering Policy](#) (2013)

Overall assessment

Deutsche Bank's policies at least partly protect a majority of requirements in the Red Lines. The social requirements are all partly protected. Some Red Lines, for example on persistent pollution and requiring ESIs, are not protected.

Overview of approach to pulp & paper finance

Deutsche Bank has an Environmental and Social Risk Framework and a Position Paper on monoculture farming and palm oil, which together govern the bank's financing for the pulp and paper sector. These apply to environmental and social risks from Deutsche Bank's own operations and business relationships with clients "across corporate financing, including project finance, trade finance, and investment banking".

Regarding environmental requirements, the bank "prefers" timber clients to be FSC or PEFC certified, and requires an enhanced environmental and social review for clients in this sector. As a signatory to the Soft Commodities Compact it aims to support clients to achieve zero net deforestation by 2020. To support this, it expects clients to demonstrate a zero net deforestation commitment or policy. It will not engage in business relationships where there is clear and known evidence on clearing of primary tropical moist forests, illegal logging or uncontrolled and/or illegal use of fire. Neither the high-risk species nor pollution requirements are covered in the bank's policies. Regarding social requirements, Deutsche Bank will not finance clients with evidence of severe human rights violations, and requires FPIC in circumstances outlined in IFC PS 7. It however lacks measures on tax avoidance or requirements for ESIs for mills and plantations.

Deutsche Bank: Assessment against Red Lines

A majority of requirements in the Red Lines are **partly or well protected** by Deutsche Bank's policies.

Regulatory requirements

Ensure legality: The bank will not finance clients where there is clear and known evidence of illegal logging or illegal use of fire. The bank expects its clients at minimum to meet applicable environmental and social laws and regulations and to hold relevant licenses and permits.	Well protected.
No corruption and tax evasion: The Code of Conduct of the bank states that it will not engage with "any external party that is involved in illegal or improper activities" (improper activities is unspecified). It "will not tolerate corruption", but it remains vague to what extent this applies to clients and transactions. As part of 'know your customer', clients will be screened against criteria (undefined) that cover corruption, but the bank does not state any requirement for a client to not be involved in corruption. Further, no policy precluding finance for clients engaged in tax avoidance was found.	Not protected.
Ensure environmental and social impact assessments for mills and plantations: The bank's policies do not require ESIA's for mills and plantations.	Not protected.

Social requirements

Ensure Free Prior and Informed Consent: Deutsche Bank expects clients to obtain FPIC from affected communities in the circumstances outlined in IFC PS 7 (which includes documentation of FPIC procedures), but this does not cover communities with customary land use rights.	Partly protected.
Respect Human Rights: Deutsche Bank has integrated human rights considerations in its due diligence process, and will not engage in any activities or relationships when there is clear evidence of severe human rights violations, child labour or forced labour as defined in ILO conventions. The bank expects clients to have processes and policies in place to minimise any negative impact on communities.	Partly protected.
Respect Indigenous rights and customary community land use rights: In cases of potential impacts on Indigenous peoples, clients are expected to meet the requirements of IFC PS 7. This is not the case for impacts on other communities with customary land use rights. The ES policy requires clients to ensure respect for land rights, but does not specify this.	Partly protected.
No forced resettlement: In cases involving resettlement, Deutsche Bank expects clients to meet IFC PS 5 on Land Acquisition and Involuntary Resettlement (which allows forced resettlement in some circumstances, e.g. with compensation). In addition, it requires FPIC as noted above).	Partly protected.

Environmental requirements	
No forest degradation and deforestation: Deutsche Bank expects clients to have a “zero net deforestation” commitment, ²⁹ and will not knowingly finance projects or activities located in/involving the clearing of primary tropical moist forests or illegal logging. Clearing boreal or dry forest is not prohibited. The bank expects forestry clients to conduct an assessment for impacts on HCV forests and to demonstrate measures to protect endangered species and prevent soil erosion, land degradation and natural stock depletion (including RAMSAR Convention). It requires government and UNESCO consensus to finance activities in or close to World Heritage Sites, and requires enhanced reviews in the case of impacts on protected areas. It prefers timber clients active outside the EU and US to certify with FSC or PEFC. It does not exclude loss or degradation of high carbon stock forests or degradation of areas where forest restoration or threatened wildlife re-introduction is taking place.	Partly protected.
Protect endangered species: Clients are required to demonstrate measures to protect endangered species.	Partly protected.
No high-risk species: Not covered in the applicable policies and documentation.	Not protected.
No fire: Uncontrolled and/or illegal use of fire is an excluded activity, and the approach to using fire should be publicly disclosed.	Partly protected.
Protect peat: Clients are expected to commit not to develop new plantations on peatlands, but this does not extend to a commitment to not allow this as a result of their operations.	Partly protected.
No persistent pollution: Not covered in the applicable policies and documentation.	Not protected.
Corporate association / scope of the policy	
It is unclear if the policy applies to parent, sister or subsidiary companies of the bank’s client.	Not protected.

²⁹ See under ‘the Soft Commodity Compact and the Red Lines’ in section 4.4 for more explanation on the “zero net deforestation” commitment.

FIRST GULF BANK

Relevant policies and standards

- [CSR webpage](#) (April 2016)
- [Code of conduct](#) (not dated, assessed December 2016)

Overall judgement:

First Gulf Bank policies do not protect against its clients breaching the Red Lines. None of the Red Lines is covered in the documentation.

Overview of approach to pulp & paper finance

First Gulf Bank has no publicly available documents that mention any specific sector or risk management policy or activity. The document or webpage do not cover any potential environmental and social risk of clients. The CSR webpage is about sponsorship, and shows therefore no social or environmental requirements for the bank's clients.

First Gulf Bank: Assessment against Red Lines	
First Gulf Bank policies do not protect any of the Red Lines	
Regulatory requirements	
Ensure Legality: Not covered in the applicable policies and documentation.	Not protected.
No Corruption and Tax Evasion: Not covered in the applicable policies and documentation.	Not protected.
Ensure Environmental and Social Impact Assessments for mills and plantations: Not covered in the applicable policies and documentation.	Not protected.
Social requirements	
Ensure Free Prior and Informed Consent: Not covered in the applicable policies and documentation.	Not protected.
Respect Human Rights: Not covered in the applicable policies and documentation.	Not protected.
Respect Indigenous rights and customary community land use rights: Not covered in the applicable policies and documentation.	Not protected.
No Forced Resettlement: Not covered in the applicable policies and	Not protected.

documentation.	
Environmental requirements	
No Forest Degradation and Deforestation: Not covered in the applicable policies and documentation.	Not protected.
Protect endangered species: Not covered in the applicable policies and documentation.	Not protected.
No high-risk species: Not covered in the applicable policies and documentation.	Not protected.
No fire: Not covered in the applicable policies and documentation.	Not protected.
Protect peat: Not covered in the applicable policies and documentation.	Not protected.
No persistent pollution: Not covered in the applicable policies and documentation.	Not protected.
Corporate association / scope of the policy	
Not covered in the applicable policies and documentation.	Not protected.

GOLDMAN SACHS

Relevant policies and standards

- [Environmental Policy Framework](#) (2015)
- [Statement on Human Rights](#)(2011)

Overall assessment

Goldman Sachs' policies partly protect half of the requirements in the Red Lines. The social requirements are all partly protected. A number of environmental requirements, including on peat, endangered species and persistent pollution, are not covered.

Overview of approach to pulp & paper finance

Goldman Sachs governs its finance for the pulp and paper sector through its Environmental Policy Framework, which has a specific section on forestry. These environmental policies are more comprehensive where the use of proceeds is known (e.g. project-related finance) than for general corporate finance.

Goldman Sachs will not knowingly finance companies or projects involving illegal logging or illegal/uncontrolled fire. It examines companies involved in processing or trading timber from high risk countries to ensure it is sourced legally. When financing projects (not companies) impacting HCV forests, it requires clients to have, or be working towards, FSC certification "or a comparable certification" (comparable schemes are not specified, and may include PEFC). It will not provide finance where the specified use of proceeds would significantly convert or degrade a critical natural habitat, and will not knowingly finance projects involving logging in UNESCO World Heritage sites. The policies however do not extend to general corporate finance. The bank will not finance transactions with evidence of the use of child or forced labour and requires clients to follow IFC PS 7 in the case of impact on Indigenous Peoples, but does not extend this to customary community land use rights. Goldman Sachs lacks measures to prevent finance for clients involved in corruption or tax avoidance, and does not require ESAs when financing mills and plantations.

Goldman Sachs: Assessment against Red Lines	
Half of the Red Lines are partly protected by the bank's policies.	
Regulatory requirements	
Ensure legality: Goldman Sachs' environmental policies prohibit finance for illegal logging, or illegal or uncontrolled use of fire. The bank's general policies prohibit finance for projects (but not clients) that contravene relevant international environmental agreements which have the force of law locally.	Partly protected.
No corruption and tax evasion: The bank's policies on corruption do not prohibit finance for clients involved in corruption. No policy on tax avoidance found.	Not protected.
Ensure environmental and social impact assessments for mills and plantations: Goldman Sachs conducts environmental and social due diligence, but does not specifically require ESAs for mills and plantations.	Not protected.
Social requirements	
Ensure Free Prior and Informed Consent: For transactions where the use of proceeds may directly impact Indigenous peoples, clients are expected to follow IFC PS 7 on Indigenous Peoples, including free, prior and informed consent. This is not extended to communities with customary land use rights.	Partly protected.
Respect Human Rights: The bank conducts human rights due diligence and will not finance transactions where there is evidence of the use of forced or child labour. The results of the human rights due diligence are used to 'inform business decisions', but the bank does not have an explicit requirement for clients to respect human rights.	Partly protected.
Respect Indigenous rights and customary community land use rights:	Partly

As above, in cases of potential impacts on Indigenous Peoples, clients are expected to meet the requirements of IFC PS 7. Customary land use rights are not covered.	protected.
No forced resettlement: In cases of large-scale resettlement, the bank will "closely evaluate the stakeholder engagement process and, if appropriate, work with the company to improve aspects such as compensation measures and/or community engagement." This does not rule out financing clients that cause resettlement without FPIC.	Partly protected.
Environmental requirements	
No forest degradation and deforestation: When financing projects (not companies) impacting HCV forests, the bank requires clients to have or be working towards FSC certification "or a comparable certification" (This is not specified and may include PEFC). It will not provide finance where the specified use of proceeds would significantly convert or degrade a critical natural habitat, and will not knowingly finance projects involving logging in UNESCO World Heritage sites. These policies do not extend to general corporate finance.	Partly protected.
Protect endangered species: Not covered in the relevant policies, except where trade or processing is illegal under local laws.	Not protected.
No high-risk species: Not covered in the applicable policies and documentation.	Not protected
No fire: The bank will not finance companies or projects involving illegal or uncontrolled use of fire.	Partly protected.
Protect peat: Palm oil companies are required to have a commitment to no peatland development, but for forestry clients peat is not mentioned.	Not protected
No persistent pollution: Not covered in the applicable policies and documentation.	Not protected.
Corporate association / scope of the policy	
It is unclear if the policy applies to parent, sister or subsidiary companies of the bank's client.	Not protected.

Relevant policies and standards

- The Equator Principles
- [Introduction to Sustainability Risk Policies](#) (March 2014)
- [Forestry Policy](#) (March 2014)
- [Statement on Forestry and Palm Oil](#) (March 2014)
- [Agricultural Commodities Policy](#) (March 2014)
- [Statement on human rights](#) (September 2015)
- [World Heritage Sites and Ramsar Wetlands Policy](#) (March 2014)
- [HSBC Group Anti-Bribery and Corruption Policy Statement](#) (not dated, assessed August 2016)

Other supporting documentation:

- [ProForest Policy Review](#) (January 2014)
- [PwC Forestry Policy Compliance Review](#) (May 2014)
- [Forestry Policy Reviews: HSBC Management Response](#) (July 2014)

Overall assessment

HSBC's policies do not protect a majority of requirements in the Red Lines, for finance which falls outside the Equator Principles. Its policies are reliant on certification, however use of weak certification schemes which provide minimal protection is permitted.

Overview of approach to pulp & paper finance

HSBC's financing for the pulp and paper sector is primarily governed through its Forestry Policy and its Statement on Forestry and Palm Oil. Its Forestry Policy applies to business customers involved in production or processing of timber.

HSBC states it will not knowingly finance illegal logging; wood logged in violation of traditional and civil rights; wood logged in forests where high conservation values are threatened by industry; or forests being converted to plantation or to non-forest use (deforestation). Beyond this, its Forestry Policy relies on certification, with a focus on ensuring customers are 100% FSC or PEFC certified where logging in or buying from countries considered High Risk. As noted above, we do not consider this provides protection against breach of the Red Lines, since we do not recognise PEFC certification as effective in this regard. The bank does not support projects which could result in a World Heritage Site being placed on the "In Danger" list, unless the World Heritage Committee specifically agrees in advance to that project; or threats to Ramsar Wetlands. However its policies fail to address other environmental requirements, and most social and regulatory requirements.

HSBC has had two independent reviews conducted in 2014 into its forest policies and their implementation, which are published (one in summary form) on its website together with a statement from the bank (see links above).

<h2>HSBC: Assessment against Red Lines</h2> <p>Most elements of the Red Lines are not protected by HSBC's policies.</p>	
Regulatory requirements	
Ensure legality: Policies prohibit finance for illegal logging. Customers are expected to operate legally, but it is not clear if this is reinforced with due diligence or if this extends to international norms and conventions.	Partly protected.
No corruption and tax evasion: The bank's Anti-Bribery and Corruption policies cover corruption but do not ensure clients are not involved in corruption. No policy tax avoidance was found.	Not protected.
Ensure environmental and social impact assessments for mills and plantations: HSBC's policies do not require ESIA's for mills and plantations, except where required under the Equator Principles.	Not protected. (Equator Principles: Well protected).
Social requirements	
Ensure Free Prior and Informed Consent: Not covered in the applicable policies and documents. The requirement for clients to be certified may ensure FPIC in circumstances where FSC certification is used, and for forestry operations rather than timber processing. This also applies to other Social requirements below.	Not protected. (Equator Principles: Partly protected).
Respect Human Rights: HSBC is committed to respecting human rights, but the bank's Human Rights Statement does not require clients to demonstrate their operations respect human rights nor does it have an explicit requirement for clients to respect human rights.	Not protected. (Equator Principles: Partly protected).
Respect Indigenous rights and customary community land use rights: HSBC will not finance (directly and indirectly via the supply chain) logging in violation of traditional and civil rights.	Partly protected.
No forced resettlement: Not covered in the applicable policies and documents.	Not protected. (Equator Principles: Partly protected).
Environmental requirements	
No forest degradation and deforestation: HSBC will not finance (directly and indirectly via the supply chain) illegal logging, logging where HCV forests are industry; or forest conversion (deforestation). It does not support projects which could result in a World Heritage Site being placed on the "In Danger" list, unless the World Heritage Committee specifically agrees in advance to that project; or in threats to Ramsar Wetlands. The bank endorses both FSC and PEFC certification. The policy does not discuss degradation of high carbon	Partly protected.

stock forests, or of critical habitat for endangered or threatened species.	
Protect endangered species: HSBC does not specifically preclude clients that harvest or trade in endangered tree species.	Not protected. (Equator Principles: Partly protected).
No high-risk species: Not covered in the applicable policies and documents.	Not protected. (Equator Principles: Partly protected).
No fire: Not covered in the applicable policies and documents.	Not protected.
Protect peat: Not covered in the applicable policies and documents.	Not protected.
No persistent pollution: Not covered in the applicable policies and documents.	Not protected. (Equator Principles: Partly protected).
Corporate association / scope of the policy	
It is unclear if the policy applies to parent, sister or subsidiary companies of the bank's client.	Not protected.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA

Relevant policies and standards

- The Green Credit Guidelines
- [ICBC Corporate Social Responsibility Rreport 2015](#)
- [ICBC Corporate Social Responsibility Report 2014](#)
- [ICBC Corporate Social Responsibility Report 2013](#)
- [ICBC Green Credit Policy](#)

Overall judgement

ICBC is partly protected from breaches by its clients on all of the regulatory requirements, and in the social and environmental Red Lines, only the Free, Prior and Informed Consent and avoidance of persistent pollution Red Lines are partly protected, all others being not protected.

Overview of approach to pulp & paper finance

ICBC has a strict qualification standard since it developed a systematic green credit policy in 2007, which means it can meet some of the requirements of the Red Lines. In the same year, ICBC officially claimed to strictly adhere to credit environmental compliance, and set its long-term business development strategy to be a "green credit" bank. ICBC applies a one-vote (veto) system, whereby if a client's enterprise/project does not meet its environmental standard, then the ICBC will not approve a loan to it, even if all other requirements are met, thereby making environmental concerns an issue of no compromise. It also uses a green credit dynamic monitoring mechanism and green product rules in order to reduce its financial risk and environmental and social problems. These rules shall be applicable to all projects but there is no specific pulp & paper finance policy. All clients should comply with national policies. ICBC restricts the introduction of projects with high consumption of energy, heavy pollution and low technology, and the pulp & paper industry is included.

ICBC: Assessment against Red Lines	
The bank is not protected from clients breaching the Red Lines on human rights, indigenous rights and land use rights and many of the pulp & paper environmental policy Red Lines. The bank is partly protected on regulatory issues and pollution through its enterprise monitoring system.	
Regulatory requirements	
Ensure Legality: All projects should meet the essential requirement of legality. ICBC also develops and improves the internal management process.	Partly Protected. (Green Credit Guidelines: Well protected).
No Corruption and Tax Avoidance: Projects should provide a strict financial auditing report to avoid corruption or tax evasion. In ICBC's management framework, there must be independent auditing departments in both the boards of directors and supervisors.	Partly protected.
Ensure Environmental and Social Impact Assessments for mills and plantations: The banks rules implementing the Green Credit Guidelines, requires project owners to make effective environmental and social impact assessments.	Partly protected.
Social requirements	
Ensure Free Prior and Informed Consent: No detailed policy but it is contained in the social risk assessment process. Projects opposed by local people or experts will be inspected further.	Partly protected.
Respect Human Rights: Not covered in publicly available	Not protected. (Green

policies and documentation.	Credit Guidelines: Partly protected).
Respect Indigenous rights and customary community land use rights: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No Forced Resettlement: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Environmental requirements	
No Forest Degradation and Deforestation: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Protect endangered species: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No high-risk species: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No fire: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Protect peat: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No persistent pollution: ICBC establishes environment-protecting enterprise data to enable dynamic monitoring to approved projects. According to its rules implementing the Green Credit Guidelines, persistent pollution is forbidden in any projects which are approved by ICBC.	Partly protected.
Corporate association / scope of the policy	
Third parties/sister/parent/subsidiary companies of the clients are not covered in the publicly available policies and documentation.	Not protected.

Relevant policies and standards

- The Equator Principles
- [Socio- Environmental Risk Policy \(SERP\)](#) (not dated, assessed December 2016).
- [Sustainability and Socio-Environmental Responsibility Policy \(SSERP\)](#) (29 October 2015)
- [Corporate policy on the prevention of corruption \(PC\)](#) (28 April 2016)
- [Commitment on human rights \(CHR\)](#) (not dated, assessed December 2016)

Overall judgement:

Itaú's policies only partly protect it, at best, against its clients breaching the Red Lines. On the regulatory requirements, the legality, corruption and ESIA Red Lines are partly protected. Of the social and environmental requirements all except Human Rights are not protected, other than through the bank's strict implementation of the Equator Principles. The red line on corporate association is also not protected.

Overview of approach to pulp & paper finance

Itaú's Sustainability and Socio-Environmental Responsibility Policy establishes guidelines and the bank's approach towards the issue. It does not contain any specific requirements for the clients.

The social and environmental risk policy does provide a list of excluded and restricted activities, and establishes some requirements regarding legality, labour, social and environmental impacts and GMOs. It also states that social and environmental covenants should be included in contracts, where applicable. The bank does not have a sector specific policy. Its human rights commitment and its policy on corruption do apply to all clients, but provide little safeguards for the Red Lines.

Itaú: Assessment against Red Lines

Most of the Red Lines are at best **partly protected** by Itaú's policies and the bank is not protected from its clients breaching most social and environmental requirements.

Regulatory requirements

Ensure Legality: The policies do not have an explicit commitment to respect all local, national and international legislation. The SERP policy does require companies to declare they are operating legally, but this does not necessarily cover their suppliers.

Partly protected.

No Corruption and Tax Evasion: The policy on corruption

Partly protected.

applies to all clients and refers to 19 national and international laws and regulations on corruption. However, it's not clear if it also applies to the suppliers of its clients. Itaú does not have a clear policy on tax evasion.	
Ensure Environmental and Social Impact Assessments for mills and plantations: The SERP requires the bank to take the environmental licencing process into account, which means that an EIA has to be made for the mill, but not necessarily for the plantations. It also does not specifically require all stakeholders to have been consulted, nor for the EIA study to be published online.	Partly protected (Equator Principles: Well protected).
Social requirements	
Ensure Free Prior and Informed Consent: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Partly protected).
Respect Human Rights: Child and slave labour are on the prohibited activities list (SERP).Itaú is committed to protect Human Rights and references UN Human Rights Conventions among others, but not ILO. Its policy applies to its clients, but it is not clear if it also applies to the supply chain of its clients.	Partly protected.
Respect Indigenous rights and customary community land use rights: The Itaú policies do not specifically mention indigenous nor customary land rights.	Not protected. (Equator Principles: Partly protected).
No Forced Resettlement: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Partly protected).
Environmental requirements	
No Forest Degradation and Deforestation: The SERP mentions Itaú has specific procedures for credit to projects that involve wood extraction from native forests. However, it does not specify these procedures. There is also no clear protection for forests and biodiversity.	Not protected. (Equator Principles: Partly protected).
Protect endangered species: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Partly protected).
No high-risk species: Itaú requires GMOs to have been legally approved, which indicates this is not excluded from finance.	Not protected. (Equator Principles: Partly protected).
No fire: Not covered in the applicable policies and documentation.	Not protected.

Protect peat: Not covered in the applicable policies and documentation. It is mostly not relevant for investments in Brasil, but it can be abroad.	Not protected.
No persistent pollution: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Partly protected).
Corporate association / scope of the policy	
Not covered in the applicable policies and documentation.	Not protected.

JPMORGAN CHASE

Relevant policies and standards

- The Equator Principles
- Soft Commodities Compact
- [Environmental and Social Policy Framework](#) (March 2017)
- [Human Rights statement](#) (not dated, assessed August 2016)
- [Code of Conduct](#) (June 2016)
- [JPMorgan Chase & Co. Supplier Code of Conduct](#) (October 2016)

Overall assessment

JPMorgan Chase's policies partly protect half of the requirements in the Red Lines, for finance that falls outside the scope of the Equator Principles. Three out of four social requirements are partly protected. A number of environmental requirements, including on peat, endangered species and persistent pollution, are not covered in the bank's policies. The regulatory requirements are also mostly left unprotected.

Overview of approach to pulp & paper finance

JPMorgan Chase sets out policies governing its financing for the pulp and paper sector in its Environmental and Social Policy Framework, which includes a chapter on Forests and Biodiversity. This applies to certain transactions made by the Corporate and Investment Bank and Commercial Bank divisions, in sectors with the greatest potential for significant E&S impacts.

The bank will not finance commercial logging in primary moist forests, and will finance plantations only on non-forested areas or on heavily degraded forestland. The bank will also not finance transactions for natural resource development within UNESCO World Heritage sites, unless there is prior consensus with the government and UNESCO.

Transactions are subject to 'Enhanced Review' where they impact protected areas, critical habitats or HCV forests. When financing forestry projects that impact HCV forests, FSC certification is preferred. Where no FSC certification is in place, a plan to achieve it within five years is required. The bank lacks policies covering high-risk species, protecting peat or preventing pollution in its policies. Regarding social requirements, the bank requires FPIC where Indigenous Peoples are impacted, but does not extend this to other communities with customary rights. Clients subject to an E&S review are assessed for their commitment to human rights, and the bank will not finance activities that involve child or forced labour.

JPMorgan Chase: Assessment against Red Lines	
Half of the Red Lines are partly protected by JPMorgan's policies.	
Regulatory requirements	
Ensure legality: The bank's policies prohibit finance for illegal logging, and require clients to have a policy against illegal use of fire. Other environmental or social local, national and international norm, regulations and conventions are not mentioned.	Partly protected.
No corruption and tax evasion: The bank's Code of Conduct and Supplier Code of Conduct cover corruption but do not ensure clients are not involved in corruption. No policy on tax avoidance found.	Not protected.
Ensure environmental and social impact assessments for mills and plantations: JPMorgan policies do not require ESIA's for mills and plantations, except where required under the Equator Principles.	Not protected. (Equator Principles: Well protected).
Social requirements	
Ensure Free Prior and Informed Consent: For transactions with possible impacts on Indigenous Peoples, clients are expected to apply IFC PS7, including with respect to FPIC. This is however not extended to communities with customary rights.	Partly protected.
Respect Human Rights: Clients subject to E&S review are assessed for their commitment to respect human rights and their capacity to effectively implement their policy. The bank will not finance transactions where there is evidence of the use of forced or child labour, but does not extend this prohibition to other human rights.	Partly protected.
Respect Indigenous rights and customary community land use rights: As above, in cases of potential impacts on Indigenous peoples, clients are expected to meet the requirements of IFC PS 7. This does not include customary land use rights.	Partly protected.
No forced resettlement: Not specifically covered in JPMorgan policies, except for Indigenous Peoples and via Equator Principles.	Not protected. (Equator

	Principles: Partly protected).
Environmental requirements	
No forest degradation and deforestation: JPMorgan will not finance logging, or logging equipment purchase, in primary tropical moist forests, but this does not extend to e.g. dry or boreal forest. It will finance plantations only on non-forested areas or on heavily degraded forestland. Transactions are subject to Enhanced Review where they impact protected areas (e.g. World Heritage sites, Ramsar Wetlands), critical habitats, legally protected areas or HCV forests. When financing forestry projects that impact HCV forests, FSC certification is preferred. Where no FSC certification is in place, a plan to achieve it within five years is required. It does not exclude, for example, loss or degradation of high carbon stock forests or degradation of areas where forest restoration or threatened wildlife re-introduction is taking place.	Partly protected.
Protect endangered species: JPMorgan does not specifically preclude clients that harvest or trade in endangered tree species, except via FSC requirements.	Partly protected.
No high-risk species: Not covered in the applicable policies and documents.	Not protected. (Equator Principles: Partly protected).
No fire: Clients must have a policy against uncontrolled and/or illegal use of fire.	Partly protected.
Protect peat: Not covered in the applicable policies and documents.	Not protected.
No persistent pollution: Not covered in the applicable policies and documents.	Not protected. (Equator Principles: Partly protected).
Corporate association / scope of the policy	
It is unclear if the policy applies to parent, sister or subsidiary companies of the bank's client.	Not protected.

LAND BANK OF TAIWAN

Relevant policies and standards

- [2015 Annual Report](#) (June 2016)

Overall judgement

Land Bank of Taiwan (LBT)'s policies do not protect against its clients breaching a majority of the requirements in the Red Lines. Two Red Lines are partly protected: ensure legality and no corruption and tax evasion. The rest of the Red Lines are left unprotected by the bank.

Overview of approach to pulp & paper finance

LBT is a state-owned bank. The Bank has not set any special policy to promote corporate social responsibility or environmental protection. LBT states that the bank follows government requirements and International Accounting Standards regarding to information disclosure, social and environmental requirement for clients, and integrity management. But this does not protect it from clients breaching most of the Red Lines.

Land Bank of Taiwan: Assessment against Red Lines	
The bank's policies fail to protect it against breach by clients of almost all of the Red Lines.	
Regulatory requirements	
Ensure Legality: The bank will assess relevant legal issues for clients.	Partly protected.
No Corruption and Tax Evasion: The bank staff shall abide by Integrity and Ethics guidelines promulgated by government. LBT evaluates its clients' integrity records and establishes Integrity Deed regulations in commercial contracts.	Partly protected.
Ensure Environmental and Social Impact Assessments for mills and plantations: No requirement for LBT's clients.	Not protected.
Social requirements	
Ensure Free Prior and Informed Consent: Not covered in publicly available policies and documentation.	Not protected.
Respect Human Rights: The bank follows government requirements for open and transparent purchases, and evaluates the performance of suppliers that have a bad record in relation to the environment and society prior to having business with them, but it is not clear that this	Not protected.

extends to a policy for respecting human rights.	
Respect Indigenous rights and customary community land use rights: Not covered in publicly available policies and documentation.	Not protected.
No Forced Resettlement: Not covered in publicly available policies and documentation.	Not protected.
Environmental requirements	
No Forest Degradation and Deforestation: Not covered in publicly available policies and documentation.	Not protected.
Protect endangered species: Not covered in publicly available policies and documentation.	Not protected.
No high-risk species: Not covered in publicly available policies and documentation.	Not protected.
No fire: Not covered in publicly available policies and documentation.	Not protected.
Protect peat: Not covered in publicly available policies and documentation.	Not protected.
No persistent pollution: Not covered in publicly available policies and documentation.	Not protected.
Corporate association / scope of the policy	
No mention of third party/parent/sister/subsidiary companies.	Not protected.

MIZUHO

Relevant policies and standards

- The Equator Principles
- [Fiscal 2016 Group CSR Initiative Policy, Plan, Targets](#) (Not dated, accessed August 2016)
- [Anti-Money Laundering Policy](#) (Not dated, accessed August 2016)
- [Basic Policy on Respect for Human Rights](#) (Not dated, accessed August 2016)
- [Human Rights Due Diligence](#) (Not dated, accessed August 2016)
- [Medium and Long Term Initiative Policy of CSR](#) (Not dated, accessed August 2016)
- [Mizuho's Corporate Identity and the Mizuho Code of Conduct](#) (Not dated, accessed August 2016)

- [CSR Promotion Structure](#) (Not dated, accessed August 2016)
- [Compliance](#) (Not dated, accessed August 2016)
- [Food and Agriculture](#) (not dated, assessed December 2016)
- [Environmental Policies and Targets](#) (not dated, assessed December 2016)

Overall assessment

Mizuho's Bank policies do not protect the majority of the Red Lines, for finance which falls outside the Equator Principles. Two Red Lines are partly protected: No corruption and tax evasion, and respect Human Rights. The rest of the Red Lines are left unprotected by the bank.

Overview of approach to pulp & paper finance

As a subsidiary of Mizuho Financial Group (MHFG), Mizuho Bank's corporate social responsibility issues are controlled by the Group, including the financing activities for the pulp and paper sector. MHFG has several documents in place that describe the bank's CSR policies and initiatives. Together, these policies and statements of MHFG however do not describe any actual requirements for clients and transactions. The bank's Anti-Money Laundering Policy, the Mizuho Code of Conduct, and the Basic Policy on Respect for Human Rights provide some requirements, and partly protect against human rights violations and corruption.

Mizuho Bank: Assessment against Red Lines The majority of the Red Lines are not protected by Mizuho Bank's policies.	
Regulatory requirements	
Ensure legality: MHFG states it will comply with environmental laws and regulations, and that it is committed to strict observance of all laws and regulations. It does however not extend this requirement to its clients.	Not protected. (Equator Principles: Partly protected).
No corruption and tax evasion: The bank will not finance any client or transaction involved in money laundering or terrorist financing. It strives to prevent any financial crime, monitors new accounts, and systematically monitors transactions that are "improper, suspicious, or otherwise potentially problematic". No mention of tax avoidance.	Partly protected.
Ensure environmental and social impact assessments for mills and plantations: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Well protected).
Social requirements	
Ensure Free Prior and Informed Consent: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Partly

	protected).
Respect Human Rights: MHFG has a human rights policy including a commitment to respect human rights and conduct human rights due diligence. It does not require clients respect ILO conventions on child or forced labour.	Partly protected.
Respect Indigenous rights and customary community land use rights: Not covered in the applicable policies and documentation	. Not protected. (Equator Principles: Partly protected).
No forced resettlement: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Partly protected).
Environmental requirements	
No forest degradation and deforestation: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Partly protected).
Protect endangered species: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Partly protected).
No high-risk species: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Partly protected).
No fire: Not covered in the applicable policies and documentation.	Not protected.
Protect peat: Not covered in the applicable policies and documentation.	Not protected.
No persistent pollution: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Partly protected).
Corporate association / scope of the policy	
No mention of third party/parent/sister/subsidiary company.	Not protected.

MORGAN STANLEY

Relevant policies and standards

- [Statement on Human Rights](#) (November 2012)
- [Environmental Policy Statement](#) (2011)
- [Code of Ethics and Business Conduct](#) (July 2016)
- [Code of Conduct](#) (2016)

Overall assessment

Morgan Stanley's policies at least partly protect a majority of requirements in the Red Lines. Most regulatory and social requirements are at least partly protected. Several environmental requirements, including on endangered species, high-risk species, fire and peat, are not covered in the bank's policies.

Overview of approach to pulp & paper finance

Morgan Stanley's financing for the pulp and paper industry is primarily governed through its Environmental Policy Statement. The scope of this policy is not clear.

The bank requires clients to respect Indigenous land rights, including FPIC, but does not extend this to affected communities. It will not finance any activities that would significantly impact critical habitat, or allow extractive activities and commercial logging in World Heritage sites. Practices in HCV forests require credible third-party certification such as FSC. When no certification is in place, the bank will assist the client to achieve it. Morgan Stanley is not a signatory to the Equator Principles, but states that when evaluating transactions "of potentially damaging projects where Morgan Stanley is acting as lead bookrunner or arranger and can trace the transaction proceeds to a particular asset", it uses the Equator Principles as general guidelines.

Morgan Stanley: Assessment against Red Lines

More than half of the Red Lines are at least **partly protected** by Morgan Stanley's policies.

Regulatory requirements

Ensure legality: Morgan Stanley will not finance any project that violates "international agreements that have been enacted into the law of, or otherwise have the force of law, in the country in which the project is located". Its policies do not cover international conventions not ratified in the host country. The bank will not finance companies engaged in illegal logging.

Partly protected.

No corruption and tax evasion: The bank's Code of Conduct prohibits all forms of corruption and bribery for its employees, but this is not extended to the bank's clients. If a client is linked to corruption, this raises a red flag

Not protected.

under the bank's Franchise Risk Policy, but this does not lead to exclusion. Tax avoidance is not covered.	
Ensure environmental and social impact assessments for mills and plantations: The Environmental Policy Statement explains that Morgan Stanley has due diligence and risk management processes in place, but does not specify this further. In case of significant environmental risks (unspecified), the bank uses the EPs as general guidelines to evaluate financings "of potentially damaging projects", which require an ESIA.	Partly protected.
Social requirements	
Ensure Free Prior and Informed Consent: Morgan Stanley requires that the client, when financing projects in Indigenous territories, demonstrates it has obtained FPIC, that government grievance channels are provided, and that adverse impacts on Indigenous lands are compensated. This is however not extended to other affected communities with customary rights.	Partly protected.
Respect Human Rights: Morgan Stanley has a human rights statement, but this does not include a commitment to human rights due diligence, or a requirement for clients to demonstrate respect for human rights.	Not protected.
Respect Indigenous rights and customary community land use rights: Morgan Stanley states that it respects the rights of Indigenous peoples regarding issues affecting their lands and territories. UNDRIP and customary land-use rights of non-Indigenous peoples are not covered.	Partly protected.
No forced resettlement: FPIC is required for Indigenous people, but not other affected communities. In case of impacts on Indigenous people, the client must demonstrate it has obtained FPIC.	Partly protected.
Environmental requirements	
No forest degradation and deforestation: The bank will not finance activities that convert or degrade critical habitats, including IUCN Protected areas, areas protected by traditional communities, areas critical for endangered species, or with high suitability for biodiversity conservation, or logging in World Heritage sites. In HCV forests, it "prefers" (but does not require) that logging companies have, or are actively considering, third-party verified management systems such as FSC. Clients need to show all the above during the due diligence process. High carbon stock forests, forest restoration, and threatened wildlife re-introduction, are not covered in the bank's policies.	Partly protected.
Protect endangered species: Not covered in the applicable policies and documents.	Not protected.
No high-risk species: Not covered in the applicable policies and documents.	Not protected.
No fire: Not covered in the applicable policies and documents.	Not protected.

Protect peat: Not covered in the applicable policies and documents.	Not protected.
No persistent pollution: Morgan Stanley will not finance projects that are not in compliance with World Bank standards (IFC PS and EHS Guidelines) regarding pollution prevention.	Partly protected
Corporate association / scope of the policy	
During the due diligence process, the client is required to show it is not involved in illegal logging through its supply chain. It is not clarified whether the rest of the policies and documents apply to parent, sister or subsidiary companies as well.	Not protected.

O-BANK (FORMERLY TAIWAN INDUSTRIAL BANK)

Relevant policies and standards

- [2015 Corporate Social Responsibility Report](#) (Not dated, accessed February 2017)
- [Corporate Social Responsibility Best Practice Principles](#) (June 2016)
- [Code of Conduct for Honest Operation](#) (January 2017)
- (The Equator Principles)

Overall judgement

O-Bank policies do not protect it against its clients breaching a majority of the requirements in the Red Lines. Three Red Lines are partly protected: ensure legality, no corruption and tax evasion, and corporate association. The rest of the Red Lines are left unprotected by the bank.

Overview of approach to pulp & paper finance

O-Bank doesn't have any specific policy related to pulp & paper finance. Although not a signatory, O-Bank states that it adheres to the Equator Principles in its loan policy. In August 2015, the bank revised its loan policy which requires the assessment of client's performance on environmental protection, integrity management and risk management in terms of Equator Principles. Most of O-Bank's environmental policies are for the bank itself, rather than its clients.

O-Bank: Assessment against Red Lines Most of the Red Lines are not protected by O-Bank policies.	
Regulatory requirements	
Ensure Legality: The bank will assess relevant legal issues for clients.	Partly protected.
No Corruption and Tax Evasion: The bank will not finance any client with dishonest acts, including corruption. No mention of tax evasion.	Partly protected.
Ensure Environmental and Social Impact Assessments for mills and plantations: Clients' environmental performance is one of the indicators to evaluate the loan application. ESIA's are not required.	Not protected.
Social requirements	
Ensure Free Prior and Informed Consent: Communities are not identified as key stakeholders of O-Bank. Not covered in publicly available policies and documentation.	Not protected.
Respect Human Rights: Not covered in publicly available policies and documentation.	Not protected.
Respect Indigenous rights and customary community land use rights: Not covered in publicly available policies and documentation.	Not protected.
No Forced Resettlement: Not covered in publicly available policies and documentation.	Not protected.
Environmental requirements	
No Forest Degradation and Deforestation: Not covered in publicly available policies and documentation.	Not protected.
Protect endangered species: Not covered in publicly available policies and documentation.	Not protected.
No high-risk species: Not covered in publicly available policies and documentation.	Not protected.
No fire: Not covered in publicly available policies and documentation.	Not protected.
Protect peat: Not covered in publicly available policies and documentation.	Not protected.
No persistent pollution: Not covered in publicly available policies and documentation.	Not protected.

Corporate association / scope of the policy	
Some of O-Bank policies apply to subsidiary companies and those the client has substantial control over.	Partly protected.

PING AN BANK

Relevant policies and standards

- The Green Credit Guidelines
- [Ping An Bank Third-season report 2016](#)
- [Ping An Bank Corporate Social Responsibility Report 2015](#)
- [Ping An Bank Corporate Social Responsibility Report 2014](#)
- [Ping An Corporate Social Responsibility Report 2013](#)
- [Ping an bank offshore customers anti-money laundering work detailed rules for the implementation](#)

Overall judgement

Ping An Bank is partly protected from its clients breaching Red Lines on human rights and pollution, but the bank's policies fail to protect it from clients breaching all of the other Red Lines and only through strict implementation of the Green Credit Guidelines can it protect itself.

Overview of approach to pulp & paper finance

Ping An Bank has no detailed policies for environment and other risk control management. A Chinese joint-stock commercial bank with its headquarters in Shenzhen, it primarily operates in Shenzhen, Shanghai and Fuzhou. The bank is one of the three main pillars of the Ping An Group: insurance, banking and asset management. Ping An Bank mainly serves small and midsize enterprises so it has relatively little exposure to pulp & paper finance, and it lacks relevant policies for this area. As a subsidiary of Ping An Insurance, Ping An Bank was involved in a bribery scandal in recent years - its anti-corruption policies are inadequate.

Ping An Bank: Assessment against Red Lines

The bank's policies fail to protect it against breach by clients of the Red Lines.

Regulatory requirements

Ensure Legality: According to its CSR report, the bank shall comply with national laws and regulations as well as its articles of association but this does not protect it from breaches by its clients.	Not protected. (Green Credit Guidelines: Well protected).
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No Corruption and Tax Evasion: Ping An Bank's policies mention corruption and tax evasion and it has produced its own articles on this area, but the bank has been swamped with bribery scandals in recent years.	Not protected.
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Ensure Environmental and Social Impact Assessments for mills and plantations: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
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Social requirements

Ensure Free Prior and Informed Consent: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
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Respect Human Rights: Ping An Bank has some articles and practice on internal employees, customers and special groups.	Partly protected.
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Respect Indigenous rights and customary community land use rights: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
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No Forced Resettlement: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
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Environmental requirements

No Forest Degradation and Deforestation: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
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Protect endangered species: Not covered in publicly available	Not protected.
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policies and documentation.	(Green Credit Guidelines: Partly protected).
No high-risk species: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No fire: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Protect peat: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No persistent pollution: Projects with high environmental pollution risks probably will be suspended.	Partly protected.
Corporate association / scope of the policy	
Third parties/sister/parent/subsidiary companies of the clients are not covered in the publicly available policies and documentation.	Not protected.

RABOBANK

Relevant policies and standards

- The Equator Principles
- Soft Commodity Compact
- [Sustainability Policy Framework \(SPF\)](#) (November 2015)
- [Land Governance Statement](#) (September 2015)
- [Tax Policy Statement](#) (2015)

Overall assessment

Rabobank's policies at least partly protect all fourteen requirements in the Red Lines, for finance that fall outside the scope of the Equator Principles. The environmental and most

of the social requirements are partly protected, and 'Ensure legality' and 'respect human rights' are well protected.

Overview of approach to pulp & paper finance

Rabobank's finance for the pulp and paper industry is governed by its Sustainability Policy Framework, which includes overall policies on climate change and human rights, and "Theme Policies" on Agricultural Commodities Derivatives and Land Governance. It also has a Sector Policy on forestry. The policies apply to all of Rabobank's services and products.

Rabobank requires forestry clients to have their business and wood products FSC or PEFC certified, or have a time-bound plan to become certified. This does not provide protection against breach of the Red Lines, since we do not recognise PEFC certification as effective in this regard. Clients are expected to not damage or convert HCV forests. Purchasing logging equipment for use in primary tropical moist forest is listed as a restricted activity, and clients are expected not to operate in legally protected or preserved areas that contain significant concentration of biodiversity values. Further, trading in wildlife or wildlife products that are on the IUCN Red List is also listed as a restricted activity. The bank has some measurements in place to manage fire, peat and pollution, but these fall short of full prohibition or strict requirements for its clients.

The bank requires free, prior, and informed consent for Indigenous people and local communities (if this is part of their legitimate rights), but not in all circumstances. Further, Rabobank expects its clients to respect human rights as described in both UN Declaration on Human Rights and the ILO Conventions. It recognises UNDRIP in its policies, although customary land use rights are not covered. Clients are expected to conduct an ESIA regarding land governance, but not for all forestry operations (e.g. mills that source from certified plantations).

Rabobank: Assessment against Red Lines

All of the requirements in the Red Lines are at least **partly protected** by Rabobank's policies.

Regulatory requirements

Ensure legality: Rabobank expects clients to comply with all applicable local, nationally and internationally ratified laws and regulations and other statutory requirements and be able to show the legality of their operations.	Well protected.
No corruption and tax evasion: Rabobank states it does not tolerate corruption from those it does business with. Its Tax Policy Statement states that tax evasion is unacceptable, and that it will not engage in a transaction in case of doubt on the tax intentions of its counterpart. It does however not prohibit customers establishing ownership structures for the purpose of tax avoidance.	Partly protected.
Ensure environmental and social impact assessments for mills and	Partly

<p>plantations: Rabobank expects clients to conduct ESIA's with regards to land governance, but not for all forestry operations (e.g. mills that source from certified plantations). Its policies do not include a requirement to publish the documentation and the inclusion of all relevant stakeholders into the process.</p>	<p>protected. (Equator Principles: Well protected).</p>
<p>Social requirements</p>	
<p>Ensure Free Prior and Informed Consent: Rabobank's human rights policy requires clients to respect and uphold FPIC, but not in all circumstances. The land governance policy states that it recognises the "legitimate rights of local communities and individuals regarding access to and use of land", but it does not have a strict requirement for its clients regarding FPIC in all circumstances and to extend this to local communities.</p>	<p>Partly protected.</p>
<p>Respect Human Rights: The bank commits to respect human rights and expects clients to respect and promote human rights, and to avoid human rights abuses, as described in the UN Declaration of Human Rights and in the ILO Declaration on Fundamental Principles and Rights at Work.</p>	<p>Well protected.</p>
<p>Respect Indigenous rights and customary community land use rights: UNDRIP is recognised in the bank's human rights policy and clients are expected to uphold these rights. However, in its Land Governance Policy, Rabobank <i>encourages</i> clients "to deal responsibly with land governance, including respecting land tenure and land rights".</p>	<p>Partly protected.</p>
<p>No forced resettlement: Rabobank's policies recognise "legitimate land tenure and the rights of local communities and individuals". The bank encourages its clients to deal responsibly with these rights and respect FPIC of all stakeholders regarding changes in land ownership or land use, and it has several mechanisms in place to minimize the client's impact on local communities. Clients should follow 'industry Best Practices' regarding land governance. However, none of this is stated as a strict requirement for clients to prevent any resettlement without FPIC in place.</p>	<p>Partly protected.</p>
<p>Environmental requirements</p>	
<p>No forest degradation and deforestation: Rabobank requires forestry clients to have their business and wood products FSC or PEFC certified. Those clients that are not yet certified are expected to avoid deforestation of primary forests or wetlands in temperate, boreal and tropical zones. Under its biodiversity policy, clients (in all sectors) are expected to not damage, cause or contribute to the conversion of HCV areas; not to operate in national/international legally protected or preserved areas and areas containing significant concentrations of biodiversity values; and not to operate in protected areas such as UNESCO World Heritage sites and Ramsar wetlands "unless the development is legally permitted and consistent with recognized management plans for the area". Purchasing logging equipment for use in primary tropical moist forest is listed as a restricted activity. Aspects including degradation of high carbon stock forest, or forest restoration are not sufficiently protected.</p>	<p>Partly protected.</p>

Protect endangered species: Clients are expected to not cause or contribute to a net reduction in the population of endangered species, and forestry clients without FSC or PEFC certification are expected to refrain from the harvesting and trading of timber from endangered species protected under CITES (not IUCN Red List) without the necessary permits. The bank lists trade in wildlife or wildlife products regulated under CITES or IUCN Red List as “restricted activities”.	Partly protected
No high-risk species: Clients must not intentionally introduce alien species, but the bank does not prohibit the introduction of genetically modified species into the environment.	Partly protected
No fire: Rabobank expects uncertified forestry clients to avoid uncontrolled and illegal use of fires.	Partly protected.
Protect peat: Peat disturbance and associated carbon emissions are mentioned as a potential adverse impact in the Forestry sector, but there are no specific requirements beyond certification.	Partly protected.
No persistent pollution: Rabobank expects clients to apply pollution prevention principles, however this lacks specific requirements for technology used in mills.	Partly protected.
Corporate association / scope of the policy	
The land governance policy states that the bank “expects our business clients to do the same in their own operations and in their relationships with business partners and supplies”. It is unclear to what extent the policies apply to parent and sister companies.	Partly protected.

ROYAL BANK OF SCOTLAND (RBS)

Relevant policies and standards

- The Equator Principles
- Soft Commodity Compact
- [RBS Group Position on Human Rights](#) (August 2014)
- [Statement on Anti-Bribery and Corruption](#) (May 2016)
- [Environmental, Social and Ethical Risk Policy Summary: Forestry, Fisheries and Agribusiness Sectors](#) (Updated December 2016)
- [RBS Environment Statement](#) (July 2015)
- [Anti-Money Laundering Statement](#) (August 2015)
- [Code of Conduct](#) (December 2016)

Overall assessment

RBS's policies at least partly protect half of the requirements in the Red Lines, for finance that falls outside the scope of the Equator Principles. The Red Lines on legality, forced resettlement, and most environmental requirements are partly protected. The Red Line on human rights is well protected.

Overview of approach to pulp & paper finance

RBS's pulp and paper finance is primarily governed by its Environmental, Social and Ethical Risk Policy Summary for the Forestry Sector which applies to any financial support to companies involved in forestry and forest products. The policy sets out activities that are prohibited, restricted and normal. RBS does not finance customers or transactions involved in prohibited activities, and it performs enhanced due diligence for customers or transactions involved in restricted activities. This enhanced due diligence entails further assessment of the company or transaction to understand the situation, followed by a senior level check. The aim is to find out if the situation can be improved.

RBS prohibits finance for companies directly involved in illegal logging or the purchase of illegally harvested timber, companies harvesting or trading species listed by CITES, companies using illegal and/or uncontrolled use of fire for land clearance, and companies using harmful child labour or forced labour. Restricted activities include projects that displace large numbers of people, activities in HCV forests or protected areas, and clearing of peatland without an adequate management plan. Clients in the forestry sector are required to meet FSC or PEFC standards or have a time-bound plan to become certified. The bank lacks policies to ensure ESAs are in place for mills and plantations. Its policies also fail to address the Red Line on indigenous rights, or the protection of endangered and high-risk species. RBS has a human rights policy in place with a requirement for its clients to respect human rights, and the use of child labour and forced labour are prohibited activities. The bank is shifting its geographical focus to the UK.

RBS: Assessment against Red Lines

Half of the Red Lines are at least **partly protected** by RBS' policies.

Regulatory requirements

Ensure legality: The bank will not finance clients where there is direct involvement in illegal logging, the purchase of illegally harvested timber, or illegal and/or uncontrolled use of fire. Material violations of environmental and social laws are restricted (i.e. give rise to enhanced due diligence), but not prohibited.

Partly protected.

No corruption and tax evasion: RBS' Statement on Anti-Bribery and Corruption states that the bank has a zero tolerance to bribery and corruption. The bank has developed an AML programme to ensure compliance with AML laws and regulations, to prevent money-laundering and terrorism financing, but this does not extend to corruption or tax avoidance.

Partly protected.

Ensure environmental and social impact assessments for mills and plantations: Policies do not require ESIA for mills and plantations.	Not protected. (Equator Principles: well protected).
Social requirements	
Ensure Free Prior and Informed Consent: Displacement of Indigenous peoples without FPIC is a restricted activity (i.e. requiring enhanced due diligence). The bank however does not address FPIC for other activities, and does not extend this to communities with customary rights.	Partly protected.
Respect Human Rights: RBS has a human rights policy under which it conducts human rights due diligence. It expects clients to "share its commitment to respecting human rights" but does not explicitly require clients to demonstrate this. Use of harmful child labour or forced labour is prohibited.	Partly protected.
Respect Indigenous rights and customary community land use rights: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: partly protected).
No forced resettlement: The bank considers clear evidence of the direct displacement of Indigenous peoples without FPIC or resettlement of large numbers of people as a restricted activity (i.e. requiring enhanced due diligence), but the activity is not prohibited.	Partly protected.
Environmental requirements	
No forest degradation and deforestation: Direct involvement in illegal logging or the purchase of illegally harvested timber is prohibited. Tree felling or clearance within HCV Forests, UNESCO World Heritage Sites or IUCN Protected Sites; operations in Ramsar Convention Sites, UNESCO Man & Biosphere Sites, or Marine Protected Areas; and finance for companies without FSC or PEFC certification, are all restricted (enhanced due diligence required).	Partly protected.
Protect endangered species: Harvesting or trade of CITES-listed species is prohibited, but no mention of IUCN Red List for endangered species.	Not protected. (Equator Principles: partly protected).
No high-risk species: Not covered in the applicable policies and documents.	Not protected.
No fire: Use of illegal and/or uncontrolled fire for land clearance is prohibited.	Partly protected.
Protect peat: Clearing of peatlands for commercial plantations without	Partly

a clear and stringent peat management procedure is restricted (give rise to enhanced due diligence, but is not prohibited).	protected.
No persistent pollution: Companies with recent significant environmental incidents including major pollution events are restricted (not prohibited).	Partly protected.
Corporate association / scope of the policy	
It is unclear if the policy applies to parent, sister or subsidiary companies of the bank's client.	Not protected.

SANTANDER

Relevant policies and standards

- The Equator Principles
- [General sustainability policy](#) (December 2015)
- [Human rights policy](#) (December 2015)
- [Climate change policy](#) (December 2015)
- [General code of conduct](#) (not dated, assessed September 2016)
- [Soft Commodity policy](#) (2015 – full text not online)

"The **soft commodities** policy provides Santander's lending criteria for the agricultural raw materials sector: manufacture, preparation and commercialisation of wood products; wood pulp extraction and treatment for making paper; manufacture, processing and commercialisation of pulp and/or paper, biomass projects, biofuel production, palm and soy oil planting and production, rubber planting and production, and livestock and agricultural activities. These standards involve the enforcement of recognised standards that aim to sustainably manage these resources and help prevent deforestation. Throughout 2016, both corporate and local internal risk processes will be adapted to comply with current policies."

Overall judgement

Santander's policies only partly protect it against its clients breaching the Red Lines, for finance that falls outside the scope of the Equator Principles. The Red Lines on ESIs, human rights protection, endangered species protection and deforestation and degradation are partly protected, whilst the other Red Lines are not adequately covered.

Overview of approach to pulp & paper finance

Santander governs its finances for the pulp and paper sector mostly through the soft commodity policy, but this policy is not available online. Also, the policies do not apply to all the stakeholders concerned, except with financing which is prohibited by law.

Elements covering some of the Red Lines can be found in the sustainability policy, human rights policy and the general code of conduct, including corruption and tax

evasion, human rights protection, endangered species protection and deforestation and degradation.

Santander: Assessment against Red Lines	
Santander's policies protect only some of the Red Lines against breaches by its clients.	
Regulatory requirements	
Ensure Legality: Requirement only for the Bank's employee. For customers, only Anti-Money Laundering and Terrorist Financing are explicitly prohibited.	Not protected. (Equator Principles: Partly protected).
No Corruption and Tax Evasion: Bank policy prohibits clients to be involved in money laundering, but tax evasion and bribery is prohibited only for the bank itself. Tax avoidance is not covered for the bank, nor clients, and client is not screened on tax evasion and bribery.	Not protected.
Ensure Environmental and Social Impact Assessments for mills and plantations: ESIA's are required but public disclosure and full stakeholder consultation are not explicitly mentioned in the policies found online.	Partly protected. (Equator Principles: Well protected).
Social requirements	
Ensure Free Prior and Informed Consent: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Partly protected).
Respect Human Rights: The bank commits to respect human rights and conduct human rights due diligence extending to the impacts of its finance, and refuses to finance child labour and forced labour, but not explicitly mentions that suppliers of clients should comply.	Partly protected.
Respect Indigenous rights and customary community land use rights: Not covered in the publicly available policies and documentation.	Not protected. (Equator Principles: Partly protected).
No Forced Resettlement: Not explicitly mentioned in the applicable policies and documentation.	Not protected. (Equator Principles: Partly protected).
Environmental requirements	
No Forest Degradation and Deforestation: Clearing of woodlands officially declared to be of high ecological value in relation to the soft commodities sector is prohibited.	Partly protected.

Protect endangered species: Policies are in place aimed at protecting endangered species, under Appendices II and III of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) or on national lists (unless the activities are meant to protect such species) but these are short of a full prohibition of all IUCN red listed species and the policy does not cover third party operations (e.g. suppliers of timber to pulp mills).	Partly protected.
No high-risk species: Not covered in the publicly available policies and documentation.	Not protected. (Equator Principles: Partly protected).
No fire: Not covered in the publicly available policies and documentation.	Not protected
Protect peat: Not covered in the publicly available policies and documentation.	Not protected
No persistent pollution: Not covered in the publicly available policies and documentation.	Not protected. (Equator Principles: Partly protected).
Corporate association / scope of the policy	
Third parties/sister/parent/subsidiary companies of the clients are not covered in the publicly available policies and documentation, except for the money laundering requirements.	Not protected

SCOTIABANK

Relevant policies and standards

- The Equator Principles
- [Environmental Policy \(extract of the CSR 2015 report\)](#) (2014)
- [Guidelines for business conduct](#) (2014)
- [Whistle blower policy](#) (2015)
- [CSR report 2015](#) and [2016](#)
- [Annual report](#)(2015)
- [Anti-money laundering statement](#)(2014)
- The bank mentions in the 2015 annual report an “environmental credit risk policy” and “social and environmental guidelines for project finance loans in developing countries”, which are not available online.

Overall judgement

Scotiabank's policies mostly do not protect the bank against its clients breaching the Red Lines, for finance that falls outside the scope of the Equator Principles. All but one of the Red Lines are not covered, as key documents on assessing social and environmental risks of clients are not shared, only those regarding the direct impact of the bank, such as paper saving and greenhouse gas emissions. The Red Lines on human rights is partly protected, but the bank is unprotected from breaches by the bank's clients of all the remaining Red Lines.

Overview of approach to pulp & paper finance

Scotiabank most likely governs its finances for the pulp and paper sector through the *environmental risk policies* and its *social and environmental guidelines for project finance loans in developing countries*. However, these policies are not made public. Elements covering some of the Red Lines are mentioned in the Annual Report 2015, such as indigenous peoples rights and child labour, but only in relation to the implementation of the Equator Principles

SCOTIABANK: Assessment against Red Lines	
Scotiabank is only protected from its clients breaching the Red Line on human rights, but not protected from them breaching any other Red Lines.	
Regulatory requirements	
Ensure Legality: The bank policies prohibit money laundering and terrorist financing only.	Not protected. (Equator Principles: Partly protected).
No Corruption and Tax Evasion: The bank has an internal policy only, which does not extend to its clients.	Not protected.
Ensure Environmental and Social Impact Assessments for mills and plantations: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: Well protected).
Social requirements	
Ensure Free Prior and Informed Consent: Not covered in the applicable policies.	Not protected. (Equator Principles: Partly protected).
Respect Human Rights: The bank does not invest in child and forced labour, but has no requirements regarding other human rights or a	Partly protected.

human rights due diligence.	
Respect Indigenous rights and customary community land use rights: Relies on the implementation of the equator principles which have been internalized, mentions explicitly Indigenous rights.	Partly protected.
No Forced Resettlement: Not covered in the applicable policies.	Not protected. (Equator Principles: Partly protected).
Environmental requirements	
No Forest Degradation and Deforestation: Not covered in the publicly available policies and documentation.	Not protected. (Equator Principles: Partly protected).
Protect endangered species: Not covered in the applicable policies.	Not protected. (Equator Principles: Partly protected).
No high-risk species: Not covered in the applicable policies.	Not protected. (Equator Principles: Partly protected).
No fire: Not covered in the publicly available policies and documentation.	Not protected.
Protect peat: Not covered in the publicly available policies and documentation.	Not protected.
No persistent pollution: Not covered in the applicable policies.	Not protected. (Equator Principles: Partly protected).
Corporate association / scope of the policy	
Only reference to Equator Principles (EP) made – same scope as in the EP.	Not protected.

SUMITOMO MITSUI BANKING CORPORATION

Relevant policies and standards

- The Equator Principles
- [SMFG Corporate Governance Guidelines](#), including code of conduct and disclosure policy, SMFG (May 2015)
- [Corporate Governance](#), SMFG (2016)
- [Environmental Preservation Initiatives](#), including Environmental Policy, SMFG (not dated, assessed September 2016)
- [CSR Report 2015](#), SMFG (2016)

Overall assessment

Sumitomo Mitsui Banking Corporation's (SMBC) policies do not protect it from clients breaching any of the Red Lines, for finance which falls outside the Equator Principles.

Overview of approach to pulp & paper finance

SMBC is a wholly owned subsidiary of Sumitomo Mitsui Financial Group (SMFG). SMBC's corporate social responsibility is governed by SMFG, although SMBC rather than its parent company is an Equator Principles signatory.

SMFG has published Corporate Governance Guidelines, including a Code of Conduct, and a web page on Environmental Preservation Initiatives, which briefly outlines a summary of the Group Environmental Policy. Neither document however mentions any specific requirements for the bank's clients.

SMFG has identified three different priority issues that the group should address: Environment, Next Generation, and Community. Its CSR Report 2015 shows which activities have been undertaken to address each issue. These activities have not, to date, included establishing social and environmental requirements for its customers and corporate clients.

Sumitomo Mitsui Banking Corporation: Assessment against Red Lines

All of the Red Lines are **not protected** by SMBC's policies.

Regulatory requirements

Ensure legality: SMFG's Environmental Policy states that it will strictly comply with environment-related laws and regulations, but does not specify whether this applies to its clients.

Not protected.
(Equator Principles:
partly protected).

No corruption and tax evasion: SMFG does not have policies addressing corruption and tax avoidance by the bank's clients,

Not protected.

although its Code of Conduct includes general consideration of ethical conduct. It has established a whistleblowing system to detect any violations of law by SMFG's directors, corporate auditors and employees.	
Ensure environmental and social impact assessments for mills and plantations: Not covered in the applicable policies or documents.	Not protected. (Equator Principles: well protected).
Social requirements	
Ensure Free Prior and Informed Consent: Not covered in the applicable policies or documents.	Not protected. (Equator Principles: partly protected).
Respect Human Rights: SMFG supports the UN Global Compact, but does not require clients to demonstrate it.	Not protected. (Equator Principles: partly protected).
Respect Indigenous rights and customary community land use rights: Not covered in the applicable policies or documents.	Not protected. (Equator Principles: partly protected).
No forced resettlement: Not covered in the applicable policies or documents.	Not protected. (Equator Principles: partly protected).
Environmental requirements	
No forest degradation and deforestation: Not covered in the applicable policies or documents.	Not protected. (Equator Principles: partly protected).
Protect endangered species: Not covered in the applicable policies or documents.	Not protected. (Equator Principles: partly protected).
No high-risk species: Not covered in the applicable policies or documents.	Not protected. (Equator Principles: partly protected).
No fire: Not covered in the applicable policies or documents.	Not protected.
Protect peat: Not covered in the applicable policies or documents.	Not protected.
No persistent pollution: Not covered in the applicable policies or documents.	Not protected. (Equator Principles: partly protected).
Corporate association / scope of the policy	
Not covered in the applicable policies or documents.	Not protected.

TAIWAN BUSINESS BANK

Relevant policies and standards

- [Corporate Social Responsibility](#) (Not dated, accessed in February 2017)
- [Q & A of Stakeholder Concern](#) (Not dated, accessed in February 2017)
- [Corporate Governance Best Practice Principles](#) (April 2014, revised in November 2015)
- [Corporate Social Responsibility Best Practice Principles](#) (April 2014)
- [Code of Conduct for Honest Operation](#) (April 2014, revised in September 2015)
- (The Equator Principles)

Overall judgement

Taiwan Business Bank (TBB) policies do not protect it against its clients breaching a majority of requirements in the Red Lines, for finance which falls outside the Equator Principles. Three Red Lines are partly protected: ensure legality, no corruption and tax evasion, and respect human rights. The rest of the Red Lines are left unprotected by the bank.

Overview of approach to pulp & paper finance

As a SME(Small Medium Enterprise) Bank, TBB doesn't have any specific policy relating to pulp & paper finance. Although not a signatory of the Equator Principles, TBB mentions the realization of the spirit of the Equator Principles in its loan policy. However, according to TBB's code of conduct and CSR report, most of its environmental policies are for the bank itself, rather than its clients.

Taiwan Business Bank: Assessment against Red Lines

The bank's policies fail to protect it against breach by clients of most of the Red Lines.

Regulatory requirements

Ensure Legality: In its implementation of the Equator Principles (though not a signatory), TBB is required to check the information on client legality as well as environmental protection, labour safety and food safety when undertaking credit business. Clients' corporate social responsibility is one of the indicators to evaluate the loan application.	Partly protected.
No Corruption and Tax Evasion: The bank will not finance any client with dishonest acts, which includes corruption. No mention of tax evasion or avoidance.	Partly protected.
Ensure Environmental and Social Impact Assessments for mills and	Not protected.

plantations: The bank is only 'advised to access' information on a client's impact on the environment and society. ESIA's are not required for TBB's clients.	
Social requirements	
Ensure Free Prior and Informed Consent: Not covered in publicly available policies and documentation.	Not protected.
Respect Human Rights: TBB advises clients to conduct human rights due diligence, including labor safety and labor rights.	Partly protected.
Respect Indigenous rights and customary community land use rights: Not covered in publicly available policies and documentation.	Not protected.
No Forced Resettlement: Not covered in publicly available policies and documentation.	Not protected.
Environmental requirements	
No Forest Degradation and Deforestation: Not covered in publicly available policies and documentation.	Not protected.
Protect endangered species: Not covered in publicly available policies and documentation.	Not protected.
No high-risk species: Not covered in publicly available policies and documentation.	Not protected.
No fire: Not covered in publicly available policies and documentation.	Not protected.
Protect peat: Not covered in publicly available policies and documentation.	Not protected.
No persistent pollution: Not covered in publicly available policies and documentation.	Not protected.
Corporate association / scope of the policy	
Third parties/sister/parent/subsidiary companies of the clients are not covered in the publicly available policies and documentation.	Not protected.

Relevant policies and standards

- The Equator Principles
- [Human Rights Statement](#) (not dated, assessed August 2016)
- [Environmental and Social Risk Management - 2015 Statement and Report](#) (2015)
- [Code of Ethics and Conduct](#) (not dated, assessed August 2016)
- [Indigenous Peoples Statement](#) (not dated, assessed April 2017)

Overall assessment

Wells Fargo's policies provide minimal protection against its clients breaching the Red Lines. Twelve of the fourteen Red Lines are not protected by Wells Fargo's policies, for finance which fall outside the scope of the Equator Principles. The Red Lines that are partly protected by Wells Fargo's policies are those regarding FPIC and forced resettlement.

Overview of approach to pulp & paper finance

Wells Fargo's financing for pulp and paper clients is primarily governed by its Environmental and Social Risk Management (ESRM) Statement, which applies to the bank's Community Banking, Wealth and Investment Management, and Wholesale Banking operations.

Its ESRM Statement includes a section on agriculture, forestry and fisheries, which states that the bank is the largest US lender to the agriculture sector and has a dedicated team assessing risks to its clients in these sectors, including timber growers and processors. It states that labour issues, wastewater treatment and environmental risks are taken into account. However, it does not publish any requirements for its clients active in this sector, other than for clients which import lumber to the US, for which the bank screens for compliance with the Lacey Act, which bans trafficking in illegal wildlife, including illegally sourced wood products.

The bank also has a Human Rights Statement which includes a commitment to conduct human rights due diligence, but does not exclude any specific activities that are listed in the Red Lines such as involvement in child or forced labour.

Wells Fargo: Assessment against Red Lines

Most of the elements are **not protected** by Wells Fargo policies.

Regulatory requirements

Ensure legality: The bank's policies do not require legal compliance from customers, or prohibit finance for illegal logging. Its ESRM

Not protected.
(Equator

policy screens for compliance with the US Lacey act only.	Principles: partly protected).
No corruption and tax evasion: Wells Fargo has an anti-bribery and corruption policy, however it is not publicly available. The Code of Ethics and Conduct covers corruption internally and through third-party service providers, but does not clearly ensure clients are not involved in corruption. The Human Rights statement states that the bank will not tolerate abusive, misleading or fraudulent lending. No mention of tax avoidance.	Not protected.
Ensure environmental and social impact assessments for mills and plantations: In case of possible adverse environmental or social impacts, Wells Fargo performs an industry-, issue- or transaction specific E&S due diligence that includes a water assessment and considers stakeholder expectations. The bank discusses with clients to engage with communities. Nothing is however framed as a requirement, nor is it clear if a client needs to conduct an ESIA.	Not protected. (Equator Principles: well protected).
Social requirements	
Ensure Free Prior and Informed Consent: For project where the use of proceeds is known, the bank expects its clients to demonstrate compliance with IFC PS7 with respect to FPIC. No mention of affected communities.	Partly protected.
Respect Human Rights: Wells Fargo recognises its responsibility to respect human rights, and seeks tangible ways to apply this throughout its actions and relationships with customers. The bank strives to engage with business customers that respect human rights, and has enhanced due diligence for clients active in sensitive industries (including the forestry industry). The Bank will engage with clients when there are signs of human rights abuses, and may seek opportunities to exit. Its policies however have no requirement for clients to respect human right, and do not prohibit finance for clients involved in child or forced labour.	Not protected.
Respect Indigenous rights and customary community land use rights: The bank states that governments have a central role in protecting Indigenous rights, but also states that it encourages its clients to take these into account.	Not protected. (Equator Principles: partly protect).
No forced resettlement: Wells Fargo respect Indigenous Peoples' rights "to determine their own way of life on their own lands". The bank conducts due diligence in sensitives industries (covered in their ESRM Policy) to ensure that its clients engages conducts stakeholder engagement of which informed consultation and participation is a requirement. FPIC is required for projects where the use of proceed is known, and as explained in IFC PS 7 (which fails to protect economic resettlement). No mention of affected communities.	Partly protected.
Environmental requirements	

No forest degradation and deforestation: Wells Fargo has a due diligence process for clients active in the agriculture sector, which includes discussion of the client's forest management policies and practices its efforts at certification. However, the bank does not disclose any specific requirements of its customers, other than screening clients importing lumber to the US for compliance with the Lacey Act.	Not protected. (Equator Principles: partly protected).
Protect endangered species: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: partly protected).
No high-risk species: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: partly protected).
No fire: Not covered in the applicable policies and documentation.	Not protected.
Protect peat: Not covered in the applicable policies and documentation.	Not protected.
No persistent pollution: Not covered in the applicable policies and documentation.	Not protected. (Equator Principles: partly protected).
Corporate association / scope of the policy	
Not covered in the applicable policies and documentation.	Not protected.

WING LUNG BANK

Relevant policies and standards

- The Green Credit Guidelines
- [Wing Lung Bank Corporate Social Responsibility](#)

Overall judgement

Wing Lung policies do not protect it against clients breaching a majority of the Red Lines.

Overview of approach to pulp & paper finance

Wing Lung Bank is a subsidiary of China Merchants Bank. However, as a Hong Kong-based entity, Wing Lung Bank is not obliged to follow mainland Chinese law and regulations. As a wholly-owned subsidiary of China Merchants Bank (CMB), its corporate social responsibility policies and credit guidelines are, in theory, in line with CMB. However, CMB's green credits policies might not necessarily be imposed on Wing Lung Bank. There are no finance policies specific to Wing Lung Bank disclosed on its website.

Wing Lung Bank: Assessment against Red Lines	
The bank's policies fail to protect it against breach by clients of the Red Lines, and the only protection will be provided by strict implementation of the Green Credit Guidelines.	
Regulatory requirements	
Ensure Legality: The bank will comply with Hong Kong SAR laws and regulations and rules. The bank's overseas investment policies are factually controlled by China Merchants Bank.	Not protected. (Green Credit Guidelines: Well protected).
No Corruption and Tax Evasion: Not covered in publicly available policies and documentation.	Not protected.
Ensure Environmental and Social Impact Assessments for mills and plantations: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Social requirements	
Ensure Free Prior and Informed Consent: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Respect Human Rights: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Respect Indigenous rights and customary community land use rights: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No Forced Resettlement: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines:

	Partly protected).
Environmental requirements	
No Forest Degradation and Deforestation: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Protect endangered species: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No high-risk species: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No fire: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Protect peat: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
No persistent pollution: Not covered in publicly available policies and documentation.	Not protected. (Green Credit Guidelines: Partly protected).
Corporate association / scope of the policy	
Third parties/sister/parent/subsidiary companies of the clients are not covered in the publicly available policies and documentation.	Not protected

6. RECOMMENDATIONS TO BANKS

EPN assessed the publicly available policy framework of 42 banks for this pulp and paper policy benchmark. The assessment of each bank is based on the *Green Paper, Red Lines*, a briefing published in June 2016 by EPN in cooperation with BankTrack. This briefing sets out fourteen minimum requirements (Red Lines) for banks and their clients involved in the pulp and paper sector to avoid any social and environmental harm. This policy benchmark study has been a next step, to gain more insight in the status of the pulp and paper policies of banks.

Although the 42 banks widely vary in their scores on each Red Line, **none of the banks assessed here fully protects itself on each Red Line.** This is extremely worrying because the Red Lines form the minimum requirements for pulp and paper companies to avoid social and/or environmental harm. As stated in *Green Paper, Red Lines*, 'Companies that do not cross these Red Lines are not automatically deemed to be operating in a sustainable manner. However, companies that do cross these Red Lines, and financiers providing support to them, are highly likely to be the target of campaigns by civil society organisations.'

We therefore recommend that each bank should:

- if it has not already done so, create and make publicly available a full investment policy framework for the pulp and paper sector;
- examine EPN's assessment of its policy and improve it where necessary, to make sure of avoiding becoming financially involved in any companies or projects that breach the Red Lines;
- have consultation meetings with concerned groups in the process of policy formation;
- maintain open communication with civil society organisations and community groups;
- publish policy through a range of media; and
- ensure that all policies are implemented through adequate due diligence procedures.

The *Green Paper, Red Lines* is a document strongly supported by more than 140 civil society organisations worldwide. We hope that the banking sector will use it to work with us to move the pulp and paper industry towards a sustainable future.

APPENDICES

Appendix 1: Dodgy Deals

The table below lists the “dodgy” pulp and paper projects that were part of the selection procedure for banks covered in this report. The financiers of APP and APRIL are identified by research from Profundo in 2014. The financiers of the five dodgy pulp and paper projects and companies in Russia, Mozambique and Chile were identified in research carried out by Profundo in October 2016, commissioned by EPN and BankTrack. More details of these projects can be found on [BankTrack's website](#) under ‘Dodgy Deals’.

We considered that investing in any pulp and paper project in Brazil should be considered risky due to the cumulative impact: Brazil is the country with the biggest pulp expansion plans worldwide. Financiers of the Brazilian pulp and paper industry were identified by EPN in the course of field and desk research in Latin America in 2015-2016.³⁰

<i>Overview of pulp and paper dodgy projects</i>		
Name project or company	Type	Country
Asia Pacific Resources International Holdings Limited (APRIL)	Company	Indonesia (operating in Asia)
Asia Pulp and Paper (APP)	Company	Indonesia (operating in Asia)
Arauco	Company	Chile
Pulp and paper projects in Brazil	Project	Brazil
Amazar Pulp and Saw mill	Project	Russia
Siberian Forest's Lesosibirsk Mill	Project	Russia
Portucel Mill	Project	Mozambique

³⁰Van der Mark, M. & Haggith, M., [Expansion of the Brazilian pulp industry](#). Environmental Paper Network Discussion Document, March 2017.

Appendix 2: List of abbreviations

CERTFLOR	Certificação Florestal – Forest Certification
CERTFOR	Chilean forest certification system, endorsed by PEFC
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
COC	Chain of Custody
CSA	Canadian Standards Association
EHS Guidelines	Environmental, Health and Safety Guidelines
EPs	Equator Principles
EPFI	Equator Principles Financial Institution
ES	Environmental and Social
ESIA	Environmental and Social Impact Assessment
FPIC	Free, Prior and Informed Consent
FSC	Forest Stewardship Counsel
HCV	High Conservation Value
HCS	High Carbon Stock
IFC PS	International Finance Corporation Performance Standards
ILO	International Labour Organisation
IUCN	International Union for Conservation of Nature
MTTC	Malaysian Timber Certification Counsel
NCP	Natural Capital Declaration
PEFC	Programme for Endorsement of Forest Certification Schemes
SFI	Sustainable Forestry Initiative
UNDRIP	United Nations Declaration of the Rights of Indigenous Peoples
UNESCO	United Nations Educational, Scientific and Cultural Organisation
WRI	World Resources Institute