



# *Forestry*

Position statement  
Danske Bank

September 2018



# Introduction

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## About Danske Bank Group

Danske Bank is a Nordic universal bank with strong regional roots and close ties to the rest of the world. For more than 145 years, we have helped people and businesses in the Nordics realise their ambitions. Today, we serve more than 3.2 million personal, business and institutional customers in 16 countries, and in addition to banking services, we offer life insurance, pension, mortgage credit, wealth management, real estate and leasing services and products. Our vision is to be recognised as the most trusted financial partner.

## Societal impact and sustainability at Danske Bank Group

Danske Bank Group has a responsibility and sizeable societal impact as one of the largest Nordic financial institutions. By being solid, balanced and predictable, we aim to conduct our business in a responsible and transparent manner and contribute to financial stability and economic growth. We are driven by an ambition to create value for all our stakeholders and use our expertise to drive sustainable progress and a positive impact in the societies we are part of.

We are committed to respecting human and labour rights, mitigating adverse environmental impacts and eliminating corruption in all of its forms throughout our business. Internationally recognised principles dealing with environmental, social and governance (ESG) aspects of business lay the foundation for how we conduct our business in a responsible and transparent manner. Further, they provide a shared framework for our relations and dialogue with stakeholders.

Danske Bank Group observes and supports the following international agreements, guidelines and voluntary standards:

- 2030 Agenda and the UN Sustainable Development Goals<sup>1</sup>
- UN Global Compact<sup>2</sup>
- OECD Guidelines for Multinational Enterprises<sup>3</sup>
- UN Guiding Principles on Business and Human Rights<sup>4</sup>
- UN-supported Principles for Responsible Investment (PRI)<sup>5</sup>
- The Universal Declaration of Human Rights<sup>6</sup>
- UN Environment Programme Finance Initiative (UNEPFI)<sup>7</sup>
- The ILO Declaration of Fundamental Principles of Rights at Work<sup>8</sup>

## Purpose and scope of position statements

Danske Bank Group works continually to improve its responsible business practices, and we expect the companies we work with to do the same by integrating ESG in their business practices.

Our position statements clarify how Danske Bank Group operates and outline our expectations to companies we actively invest in, lend to and procure from. They establish a shared framework for a constructive and forward-looking dialogue about risks and opportunities.

The statements apply to all markets we operate in and encompass all the operations of Danske Bank Group.

#### Existing policies and position statements

The internationally recognised principles that Danske Bank Group has endorsed lay the foundation for several of our policies and procedures. We have sector-specific position statements on agriculture, arms & defence, fossil fuel, mining & metals and forestry. These position statements are complemented by cross-sector position statements on climate change and human rights.

In addition to the position statements, we have a Responsibility Policy, Code of Conduct Policy, Whistleblower Policy, Responsible Investment Policy, Supplier Code of Conduct and Credit Policy as well as Credit Directives on ESG risks in specific industries. We also publish an annual statement of carbon neutrality and annual statement on the steps taken to eradicate and prevent modern slavery in the supply chain and any other parts of our business in the past financial year.

#### Engagement, feedback and contact

For more information about how we work in this area, please visit our website at [www.danskebank.com/responsibility](http://www.danskebank.com/responsibility). Please contact Kristina Øgaard, Head of Sustainability Strategy & Governance, Danske Bank ([krga@dankebank.com](mailto:krga@dankebank.com)) with any questions or comments.

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- 1) <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>
  - 2) <https://www.unglobalcompact.org/what-is-gc/mission/principles>
  - 3) <http://www.oecd.org/>
  - 4) [http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)
  - 5) <https://www.unpri.org/about/the-six-principles>
  - 6) <http://www.un.org/en/universal-declaration-human-rights/>
  - 7) <http://www.unepfi.org/about/unep-fi-statement/>
  - 8) [http://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---declaration/documents/publication/wcms\\_467653.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_467653.pdf)

# Forestry

POSITION STATEMENT  
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## 1. Introduction

According to the Food and Agriculture Organization of the United Nations, the forestry industry contributed more than USD 227 billion to the global economy in 2016, representing an important contribution to international trade and national economies<sup>9</sup>. Further estimates by the UN Forum on Forests indicate that 1.6 billion people are dependent on the industry for the creation of livelihoods, making forestry a key contributor to employment and household incomes<sup>10</sup>.

Well-managed forests are a necessity for sustainable development both locally and globally. Besides generating livelihoods, the forests contribute to the stabilisation of the global climate system, regulate water cycles, and provide a habitat for flora, fauna and people.

The ESG risks identified in the forestry industry concern impact on local communities, water use, impact upon biodiversity and endangered species, rights of indigenous people, worker's safety and conditions, forced labour, employment terms as well as an indirect contribution to climate change because of general deforestation.

At Danske Bank, we acknowledge the need for sustainability in the forestry sector as it can contribute to reduce the risk of natural disasters, mitigate climate change and provide shelter, jobs and security. When working with the companies we invest in and lend to in the forestry industry, we aim to minimise the potential adverse environment and social impact and to support good governance by promoting international recognised standards whenever relevant.

## 2. Our approach

In promoting sustainable forest practices, Danske Bank is guided by a number of international principles. We expect the companies we invest in and lend to operate in accordance with relevant international norms as well as regional and national laws, regulations and permits.

As set forth in our Responsible Investment Policy and Credit Policy, we take into consideration ESG risks based on international principles and standards in our investment and lending practices.

## 3. Implementation

To ensure that we manage our investments and lending associated with ESG risks on the basis of the international standards we endorse, we have implemented processes that have a risk-based approach and are structured around two phases: 1) Screening and ESG risk analysis and 2) Dialogue and engagement. We will continue to monitor our efforts in order to meet our customers' and stakeholders' needs and expectations in the best possible manner.

#### Screening and ESG risk analysis

- We integrate ESG considerations into investment and lending practices and monitor the development of ESG risks on an ongoing basis.
- When investing in listed companies in the forestry industry, we conduct an ESG screening of the portfolio companies in collaboration with our screening and research partners to ensure that their conduct is in accordance with our Responsible Investment Policy and the international principles we endorse.
- When investing in unlisted companies in the forestry industry, we screen for possible ESG risks as part of the due diligence process. If the ESG risks are assessed to be of significant importance, the results will be examined with the Sustainability & Impact Investment team in Danske Bank.
- When we decide to invest in the forestry industry as part of our alternative investment strategy, we prefer to invest in assets in developed and mature markets such as the EU, North America, Australia and New Zealand.
- When lending and renewing credit to customers in the forestry industry, we conduct an ESG assessment in order to ensure that our customers' conduct is in accordance with our Credit Policy, Responsibility Policy and the international principles we endorse.

#### Dialogue and engagement

- We seek to influence the companies we invest in through ongoing dialogue, voting at general meetings and participation in nomination committees when we believe it will have a substantial effect.
- If there are allegations that a company who we lend to is potentially breaching the international principles we endorse, has identified ESG issues or is not compliant with our Credit Policy or our Responsibility Policy, we initiate a dialogue in order to determine a solution with the customer. The aim is to clarify the circumstances, recommend that they follow a set of international standards and principles (as set forth in section 4) and to determine whether the company plans to change its behaviour.
- We prefer to engage with the companies we lend to and invest in and encourage the development of higher standards of responsibility instead of excluding them from our portfolio or terminating the credit relationship. However, if a company fails to demonstrate sufficient commitment towards improvement, we reserve the right to terminate the relationship whenever possible and in a controlled manner.

#### 4. Standards and principles

Whenever relevant, we expect the companies we lend to and invest in to operate in accordance with the following sets of international agreements and principles:

- UN Global Compact<sup>11</sup>
- UN Guiding Principles on Business and Human Rights<sup>12</sup>
- The Universal Declaration of Human Rights<sup>13</sup>
- The ILO Declaration of Fundamental Principles of Rights at Work<sup>14</sup>
- OECD Guidelines for Multinational Enterprises<sup>15</sup>

#### Industry specific

For the companies we invest in and lend to in the forestry industry, we expect them to follow the guidelines listed below whenever relevant:

- Limit use of chemicals and the pollution of soil, water and air by using the best available techniques when producing pulp and paper
- Include sustainability criteria in management plans for forests and plantations plans
- Do not have a negative impact on the cultural and natural sites on the UNESCO World Heritage List<sup>16</sup>

- Do not have a negative impact on the wetlands covered by the Ramsar convention<sup>17</sup>
- Do not have a negative impact on the protected areas that fall under categories I-IV of the International Union for Conservation of Nature (IUCN)<sup>18</sup>
- Be in compliance with the conditions set forth in the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)<sup>19</sup> when being engaged in trading of endangered plant and animal species
- Prevent deforestation and protect natural forests such as old growth forests, bogs, mangroves and rainforests, as described in the high conservation value (HCV) concept<sup>20</sup>
- Have management systems or processes that deal with employee complaints, labour law violations and conflicts and monitor and ensure compliance with labour laws
- Have policy commitments on health and safety
- Ensure equal treatment and working conditions for all employees, including women and migrant workers
- Respect the indigenous people and their right to customary lands by gaining acceptance when entering such land as described in the principle for Free, Prior and Informed Consent (FPIC)<sup>21</sup>
- Meet the permission and processing requirements described in the UN Convention on Biological Diversity<sup>22</sup> and the related Nagoya Protocol<sup>23</sup> and Cartagena Protocol<sup>24</sup>
- Observe zero tolerance of cutting and trading illegal timber

For the listed companies we invest in, we perform a screening in collaboration with our screening and research partners to make sure that they act in line with the below international principles and conventions:

- UNESCO World Heritage List<sup>25</sup>
- Ramsar convention<sup>26</sup>
- International Union for Conservation of Nature (IUCN)<sup>27</sup>
- Minimum Age Convention<sup>28</sup>
- Worst Forms of Child Labour Convention<sup>29</sup>
- Free, Prior and Informed Consent (FPIC) as covered in the ILO Convention 169<sup>30</sup> and the UN Declaration on the Rights of Indigenous Peoples<sup>31</sup>
- UN Convention on Biological Diversity<sup>32</sup> and the related Nagoya Protocol<sup>33</sup> and Cartagena Protocol<sup>34</sup>
- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)<sup>35</sup>
- High conservation value (HCV) concept<sup>36</sup>
- Rio Declaration on Environment and Development<sup>37</sup>

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- 9) <http://www.fao.org/forestry/statistics/80938/en/>
  - 10) [http://www.un.org/esa/forests/wp-content/uploads/2017/09/UNSPF-Briefing\\_Note.pdf](http://www.un.org/esa/forests/wp-content/uploads/2017/09/UNSPF-Briefing_Note.pdf)
  - 11) <https://www.unglobalcompact.org/what-is-gc/mission/principles>
  - 12) [http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)
  - 13) <http://www.un.org/en/universal-declaration-human-rights/>
  - 14) [http://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---declaration/documents/publication/wcms\\_467653.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_467653.pdf)
  - 15) <http://www.oecd.org/>
  - 16) <http://whc.unesco.org/en/list/stat>
  - 17) <http://www.ramsar.org/sites/default/files/documents/library/sitelist.pdf>
  - 18) <https://www.iucn.org/theme/protected-areas/about>
  - 19) <https://cites.org/sites/default/files/eng/disc/CITES-Convention-EN.pdf>
  - 20) <https://www.hcvnetwork.org/about-hcvf/the-hcv-process-folder>
  - 21) Covered in the ILO Convention 169: [http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100\\_INSTRUMENT\\_ID:312314:NO](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:312314:NO) and the UN Declaration on the Rights of Indigenous People: [http://www.un.org/esa/socdev/unpfii/documents/DRIPS\\_en.pdf](http://www.un.org/esa/socdev/unpfii/documents/DRIPS_en.pdf)
  - 22) <https://www.cbd.int/convention/>
  - 23) <https://www.cbd.int/abs/doc/protocol/nagoya-protocol-en.pdf>
  - 24) <http://bch.cbd.int/protocol/text/>
  - 25) <http://whc.unesco.org/en/list/stat>
  - 26) [http://www.ramsar.org/sites/default/files/documents/library/scan\\_certified\\_e.pdf](http://www.ramsar.org/sites/default/files/documents/library/scan_certified_e.pdf)
  - 27) <https://www.iucn.org/theme/protected-areas/about>
  - 28) [http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100\\_ILO\\_CODE:C138](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100_ILO_CODE:C138)
  - 29) [http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100::NO:12100:P12100\\_ILO\\_CODE:C182:NO](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100::NO:12100:P12100_ILO_CODE:C182:NO)
  - 30) [http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100\\_INSTRUMENT\\_ID:312314:NO](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:312314:NO)
  - 31) [http://www.un.org/esa/socdev/unpfii/documents/DRIPS\\_en.pdf](http://www.un.org/esa/socdev/unpfii/documents/DRIPS_en.pdf)
  - 32) <https://www.cbd.int/convention/>
  - 33) <https://www.cbd.int/abs/doc/protocol/nagoya-protocol-en.pdf>
  - 34) <http://bch.cbd.int/protocol/text/>
  - 35) <https://cites.org/sites/default/files/eng/disc/CITES-Convention-EN.pdf>
  - 36) <https://www.hcvnetwork.org/about-hcvf/the-hcv-process-folder>
  - 37) <http://www.un.org/documents/ga/conf151/aconf15126-1annex1.htm>