



# *Forestry*

Position statement  
Danske Bank

September 2019





# 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 Nordic countries realise their ambitions. Today, we serve more than 3.3 million personal, business and institutional customers in 16 countries. 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

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

We have 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. Furthermore, these 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>
- Principles for Responsible Banking<sup>6</sup>
- Task Force on Climate-related Financial Disclosures<sup>7</sup>
- The Universal Declaration of Human Rights<sup>8</sup>
- UN Environment Programme Finance Initiative (UNEPFI)<sup>9</sup>
- The ILO Declaration of Fundamental Principles of Rights at Work<sup>10</sup>

## Purpose and scope of position statements

Danske Bank Group works continually to improve its sustainable 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 also outline the expectations we have for our business partners, our customers and companies

we actively invest in. These position statements establish a shared framework for a constructive and forward-looking dialogue about risks and opportunities. The statements apply to all of the 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 Societal Impact & Sustainability Policy, Code of Conduct Policy, Whistleblower Policy, Sustainable 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 over the course of the past financial year to eradicate and prevent modern slavery in the supply chain and any other parts of our business.

#### **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@danskebank.com](mailto:krga@danskebank.com)) if you have 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) <https://www.unepfi.org/wordpress/wp-content/uploads/2019/06/PRB-Consultation-Document-12-Web-june-2019.pdf>
  - 7) <https://www.fsb-tcfd.org/>
  - 8) <http://www.un.org/en/universal-declaration-human-rights/>
  - 9) <http://www.unepfi.org/about/unep-fi-statement/>
  - 10) [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  
DANSKE BANK

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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>1</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>2</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 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 reducing 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 environmental and social impact and aim 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 our business partners and the companies we lend to and invest in to operate in accordance with relevant international norms, as well as with regional and national laws, regulations and permits.

As set forth in our Sustainable Investment Policy, Supplier Code of Conduct and Credit Policy, we take into consideration ESG risks based on international principles and standards in our investment, procurement and lending practices.

## 3. Implementation

To ensure that we manage our investments business activities 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 that are structured around two phases: 1) Screening and ESG risk analysis and 2) Dialogue and engagement. We also regularly monitor and assess our efforts in order to meet the needs and expectations of our customers and stakeholders in the best possible manner.

#### **Screening and ESG risk analysis**

- We integrate ESG considerations in investment 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 Sustainable 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 and Societal Impact & Sustainability 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 of potential breaches of international principles, identified ESG issues, or if the customer is not compliant with our Credit Policy or our Societal Impact & Sustainability Policy, we initiate a dialogue in order to determine a solution together with the customer. The aim is to clarify the circumstances, to 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 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>3</sup>
- UN Guiding Principles on Business and Human Rights<sup>4</sup>
- The Universal Declaration of Human Rights<sup>5</sup>
- The ILO Declaration of Fundamental Principles of Rights at Work<sup>6</sup>
- OECD Guidelines for Multinational Enterprises<sup>7</sup>

#### **Industry-specific**

We expect the companies we invest in and lend to in the forestry industry 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
- Identify and protect high carbon stock forests
- Prevent the introduction of invasive alien species in ecosystems



- Understand their material responsibility and risks regarding the environmental and social consequences of their business operations e.g. supply chain and contracts with subcontractors<sup>8</sup>
- Observe zero tolerance of cutting and trading illegal timber
- Do not have a negative impact on the cultural and natural sites on the UNESCO World Heritage List<sup>9</sup>
- Do not have a negative impact on the wetlands covered by the Ramsar convention<sup>10</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>11</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>12</sup> when being engaged in trading of endangered plant and animal species
- Meet the permission and processing requirements described in the UN Convention on Biological Diversity<sup>13</sup> and the related Nagoya Protocol<sup>14</sup> and Cartagena Protocol<sup>15</sup>
- 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>16</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>17</sup>

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 following international principles and conventions:

- UNESCO World Heritage List<sup>18</sup>
- Ramsar convention<sup>19</sup>
- International Union for Conservation of Nature (IUCN)<sup>20</sup>
- Minimum Age Convention<sup>21</sup>
- Worst Forms of Child Labour Convention<sup>22</sup>
- Free, Prior and Informed Consent (FPIC) as covered in the ILO Convention 169<sup>23</sup> and the UN Declaration on the Rights of Indigenous Peoples<sup>24</sup>
- UN Convention on Biological Diversity<sup>25</sup> and the related Nagoya Protocol<sup>26</sup> and Cartagena Protocol<sup>27</sup>
- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)<sup>28</sup>
- High conservation value (HCV) concept<sup>29</sup>
- Rio Declaration on Environment and Development<sup>30</sup>

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- 1) <http://www.fao.org/forestry/statistics/80938/en/>
  - 2) [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)
  - 3) <https://www.unglobalcompact.org/what-is-gc/mission/principles>
  - 4) [http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)
  - 5) <http://www.un.org/en/universal-declaration-human-rights/>
  - 6) [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)
  - 7) <http://www.oecd.org/>
  - 8) *Whereas we encourage all the companies that we lend to in to follow these expectations, we recognise that some smaller companies may not have the scale and resources to fully comply*
  - 9) <http://whc.unesco.org/en/list/stat>
  - 10) <http://www.ramsar.org/sites/default/files/documents/library/sitelist.pdf>
  - 11) <https://www.iucn.org/theme/protected-areas/about>
  - 12) <https://cites.org/sites/default/files/eng/disc/CITES-Convention-EN.pdf>
  - 13) <https://www.cbd.int/convention/>
  - 14) <https://www.cbd.int/abs/doc/protocol/nagoya-protocol-en.pdf>
  - 15) <http://bch.cbd.int/protocol/text/>
  - 16) <https://www.hcvnetwork.org/about-hcvf/the-hcv-process-folder>
  - 17) *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)
  - 18) <http://whc.unesco.org/en/list/stat>
  - 19) [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)
  - 20) <https://www.iucn.org/theme/protected-areas/about>
  - 21) [http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:P12100\\_ILO\\_CODE:C138](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:P12100_ILO_CODE:C138)
  - 22) [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)
  - 23) [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)
  - 24) [http://www.un.org/esa/socdev/unpfii/documents/DRIPS\\_en.pdf](http://www.un.org/esa/socdev/unpfii/documents/DRIPS_en.pdf)
  - 25) <https://www.cbd.int/convention/>
  - 26) <https://www.cbd.int/abs/doc/protocol/nagoya-protocol-en.pdf>
  - 27) <http://bch.cbd.int/protocol/text/>
  - 28) <https://cites.org/sites/default/files/eng/disc/CITES-Convention-EN.pdf>
  - 29) <https://www.hcvnetwork.org/about-hcvf/the-hcv-process-folder>
  - 30) <http://www.un.org/documents/ga/conf151/aconf15126-1annex1.htm>