CSR/environmental, social and corporate governance (ESG) sector guidance note – forest industries

DNB’s governing document on CSR/ESG “Group Guidelines for Corporate Social Responsibility – Credit Activities” contains all common information valid for all sectors in DNB.

Purpose
The purpose of the sector specific CSR/ESG guidance for forest industries is to

- highlight key elements of our sector strategy
- describe important environmental, social and governance risks in the sector
- point to DNB’s encouragement to have its clients work for continuous improvement of environmental, health and safety management and best practice in the industry
- document activities that are excluded by DNB
- document activities that require an elevated credit decision
- document thresholds that we have imposed with regard to our customers’ degree of involvement in activities where an enhanced CSR/ESG risk assessment is required.

The CSR/ESG sector guidance note – forest industries applies to credit services offered by DNB to customers operating in the forest sector.

Only companies with main operations in Europe, North America and South America are included in DNB’s credit strategy for paper and packaging.

Forest industry related activities within the scope of the guidance note are:

![Forest Industry Structure Diagram]

Environmental and social risks in forest industries
The forest industry is delivering a wide range of products in everyday use by consumers. The forest is a renewable resource if managed sustainably, but the sector entails risks for negative social and environmental impacts. We believe most of such impacts can either be avoided or reduced to an acceptable level if companies in the sector follow well-established international industry standards and use the best available technologies, such as FSC certification of forests and produced heat for energy production.

DNB is committed to addressing social and environmental risks when providing financing to the sector and to making sure that our clients manage and mitigate negative effects of their activities in a responsible way.

Forestry: Forestry operations include logging in both natural forests and plantations. If managed correctly the forest is a renewable resource, but logging can also cause significant, and sometimes irreversible, social and environmental damage to local communities and ecology. Key environmental and social risks can include:

- Impacts on legally protected areas or critical natural habitats or ecosystems due to land conversion and the introduction of alien species;
- Deforestation through unsustainable logging or clearing of natural forests for plantations;
- Water usage in plantations affecting natural habitats and agricultural areas in the proximity of the plantation;
Disputes over land use resulting in migration and involuntary resettlement.

**Pulp and paper production**: Paper is made from wood, which is a renewable resource, and can also be recycled several times. In many cases it is a more environmentally friendly alternative to, for example, plastics. Key environmental and social risks can include:

- Wood sourcing from unsustainable logging or plantations in ecologically sensitive areas
- GHG emissions due to the use of fossil energy
- Water pollution
- Waste in areas without established recycling routines

**Sawmills**: Sawmills outside the Nordic and Baltic countries are not included in DNB’s strategy. Key environmental and social risks can include:

- Wood sourcing from unsustainable logging
- Emissions from waste treatment

**Industry standards in the forest industry**
DNB encourages clients in the forest sector to seek continuous improvement in environmental, health and safety management and to follow best practices, which include:

- Forest Stewardship Council

**Exclusion of companies in the forest industry**
In addition to excluded activities defined in the Group Guidelines for Corporate Social Responsibility within the forest sector, DNB does not finance:

- Corporations with activities that negatively affect or harm other forests by using timber from illegal logging

**Escalated credit decision**
In addition to activities in the forest industry included in the Group Guidelines for Corporate Social Responsibility – credit activities chapter 7.1, DNB will escalate credit decisions if customers are involved in activities as described below:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Escalation to</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company is operating in proximity to deforestation fronts or ecologically sensitive forests without FSC approval for at least 80% of the wood sourcing</td>
<td>Level 1</td>
<td>Corporate Banking Credit Manual, chapters 3.8.3 and 3.8.4</td>
</tr>
</tbody>
</table>

**Enhanced ESG/CSR assessment**
In addition to any activities in the forest industry included in the Group Guidelines for Corporate Social Responsibility – Credit Activities, chapter 7.2 DNB applies the following thresholds with regard to our customers’ degree of involvement in activities as described below:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Threshold</th>
<th>Consequence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations in proximity to deforestation fronts with FSC approval</td>
<td>The company is operating in proximity to deforestation fronts or ecologically sensitive forests.</td>
<td>Perform CSR/ESG risk assessment as described in the Group CSR Guidelines, chapter 8.0.</td>
</tr>
<tr>
<td>Emissions to water and air</td>
<td>All new projects</td>
<td>Perform CSR/ESG risk assessment</td>
</tr>
</tbody>
</table>

1 [https://ic.fsc.org/en](https://ic.fsc.org/en)
| as described in the Group CSR Guidelines, section 8.2.2.1. |  |