

Green Paper, Red Lines

Requirements for pulp and paper industry finance

This document lists requirements for pulp and paper industry projects to avoid harm to people and the environment.

We urge banks or investors considering financial engagement with pulp and paper companies to make a thorough check whether these companies are on the right side of these 'red lines'.

If not, we expect banks and investors to stay clear.

This document has been prepared by the Pulp Finance working group of the [Environmental Paper Network \(EPN\)](#) in partnership with [BankTrack](#).

The EPN is a network of more than 140 non-governmental organisations globally, who all endorse the [Global Paper Vision](#). The current document should be read in the context of this vision, which sets out what we believe the future of paper production should entail and which we hope all stakeholders in the industry will aspire to.

A companion document, [Mapping Pulp Mill Expansion – Risks and Recommendations](#), contains more details of where new and expanded mills are planned and some concerns about those developments. For full definitions of some of the issues and terms used in this document, please see our [Frequently Asked Questions page](#).

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The construction and operation of pulp and paper mills can lead to a range of long-term negative social and environmental impacts, including emissions of toxics and greenhouse gases, threats to natural ecosystems such as old growth forests and peatlands through unsustainable logging practices and introduction of non-native species, threats to the livelihoods of people who depend on forests or whose land or water resources are lost to tree plantations, expulsion of communities from their traditionally owned lands, and so on. Pulp mills operate for decades, and if the conditions below are not met when construction starts, their operation may cause a widening radius of impacts on forests and water courses and lead to ever growing social conflict in a wide area around the project.

Financiers of pulp and paper mills, and their associated plantations, are co-responsible with the pulp companies for ensuring that these negative impacts are avoided. Prevention of such impacts

is in the interest of financial institutions because destructive projects also pose a serious financial risk: illegal activity, social conflict and environmental harm directly impact on the profitability of projects and can cost both pulp companies and their financiers dearly in reputation and market share.

A financial institution considering finance for the pulp and paper sector should have investment policies for the sector in place that state clearly that it will only finance, underwrite securities, manage assets or advise companies whose production, sourcing or selling activities do not cross the red lines below. It must carry out due diligence procedures on its potential clients and the projects they propose to ensure that this is indeed the case. Once it enters into a business relation with a client it should constantly monitor adherence to its investment policy and use its leverage to ensure compliance. Persistent non-compliance should lead to disengagement with the client. Financial institutions are

strongly encouraged to support activities in line with the EPN Global Paper Vision, such as efficiency and recycled pulp mills.

The list overleaf sets the absolute minimum requirements for pulp and paper projects. 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 strongly encourage financial institutions to develop further sector specific policies that lay down stronger requirements for their clients in the pulp and paper industry, and encourage transition of the sector towards pulp and paper that is part of the solution to climate change and is made from responsibly sourced fibres, using entirely low-carbon, renewable energy, with water that is as clean after paper production as before, and producing zero waste and zero emissions.



Environmental Paper Network

BANKTRACK

The following requirements should be considered red lines (essential thresholds for eligibility) for pulp and paper finance

Regulatory Requirements

Ensure Legality

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.

No Corruption and Tax Evasion

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.

Ensure Environmental and Social Impact Assessments for Mills and Plantations

Prospective clients must provide evidence that they have completed and publically disclosed, online, a full and comprehensive Environmental and Social Impact Assessment 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.

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 grievance mechanisms for, and provision of remedy for, adverse impacts.

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.

Respect Indigenous Rights and Customary Community Land Use Rights

Clients must demonstrate that their operations fully respect indigenous rights, as defined in the UN Declaration on Indigenous Peoples rights (UNDRIP), as well as traditional rights, including land tenure and use rights of local communities.

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.

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.

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.

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.

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.

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.

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.

Corporate Association

The scope of a client's responsibility includes those for 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 an apparent, sister or subsidiary company which is active in the forestry sector and which is involved with such activities.