



# Sector Policy

## Forestry

### Introduction

Forests occupy approximately one-fifth of the total land area in the Asia Pacific and provide essential economic and ecological functions. Not only are forests home to an estimated 80 per cent of the world's terrestrial biodiversity, they also act as an important buffer against climate change, prevent erosion, provide critical resources such as timber and food, as well as support the livelihoods of local communities.

Around 60 per cent of the world's forests are primarily or partially used for the production of wood and non-wood forest products. Uncontrolled forest exploitation could lead to significant environmental and social issues, such as: (i) deforestation which impacts ecosystems, the habitats of millions of species and surrounding communities, as well as contributes to climate change; (ii) environmental pollution due to the use of agrochemicals, especially for tree plantations in monocultures; (iii) potential labour exploitation, such as child labour and forced labour; and (iv) occupational health and safety risks arising from the use of logging equipment and moving timber. It is therefore vital for forests to be managed appropriately to preserve biological diversity while also sustaining economic viability and local communities.

### Scope

UOB's Forestry Policy applies to the upstream, midstream and downstream segments of the value chain. Upstream segments include timber as well as pulp and paper companies that own and/or operate plantations or have concessions to log natural forest land. Midstream segments include pulp and paper mills, panel mills, saw mills, as well as chip mills that produce, manufacture and process lumber, pulp and paper products, and wood and cork products.

### Principles

UOB will not knowingly provide financing to companies:

- involved in greenfield plantation projects that have not undergone Environmental and Social Impact Assessments (ESIAs), Environmental Impact Assessments (EIAs), or other equivalent regulatory impact assessment studies prior to development;
- involved in the use of open burning in new or ongoing operations for land clearance, land preparation, land management and waste management (on their own plantations and/or associated smallholder land);

- where their operations or projects threaten the outstanding universal value or special characteristics of UNESCO World Heritage Sites, Ramsar Wetlands, forests of high conservation value or sites with critical natural habitats;
- involved in and/or convicted for the trade of endangered species as defined by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);
- without measures in place to manage or mitigate the risk of air, soil and water pollution;
- involved in the exploitation of labour (including forced labour and child labour);
- in violation of the rights of local communities or without measures in place to avoid or manage adverse impact on local communities; and
- without measures in place to manage material occupational health and safety risks.

We require that our customers:

- comply fully with local environmental, social and governance regulations, including regulations governing the planting on peat or new peat, as well as logging;
- engage local communities around concession boundaries to build capacity on fire prevention and control, and to assist in responsibly clearing land in their supply base without the use of fire;
- adopt adequate measures to prevent, to monitor and to combat fire, such as by predicting areas at risk, constructing fire look-out towers, having adequate fire combatting equipment in place (e.g., fire extinguishers and water trucks), as well as adequate measures related to fire recovery;
- put in place measures to safeguard the rights of local communities, minimally in compliance with local regulations, and, in the event of displacement and/or resettlement of local communities, to obtain the consent of affected local communities through the Free, Prior and Informed Consent (FPIC) process;
- commit to implement a sustainable sourcing policy and/or processes to exclude purchases from sources that generate significant negative environmental and social impact; and
- implement or work towards implementing an appropriate Environmental and Social Management System (ESMS) to address key environmental and social risks in their operations and/or projects.

We also recommend that our customers:

- adopt relevant established industry standards in respect of environmental, health and safety (EHS) guidelines such as the International Finance Corporation (IFC) Performance Standards or the World Bank Group EHS Guidelines pertaining to Forestry;
- obtain internationally-recognised certifications such as Forest Stewardship Council (FSC) certification or the Programme for the Endorsement of Forest Certification (PEFC);
- improve traceability in their supply chains by purchasing from certified sources (e.g., FSC or PEFC); and
- adopt best practices in relation to:
  - reducing greenhouse gas emissions;
  - proper waste management;
  - water management and stewardship; and
  - adapting to and managing climate-related risks which may include developing a strategy to assess the potential financial impact of climate-related risks through climate scenario analysis and adopting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Where we deem that our customers are unable or unwilling to manage the potential adverse impact of their operations, the Bank may choose to exit the relationship.