

## PRESENTATION OF THE CSR SECTOR POLICY

# Forestry and Palm Oil

Preamble: this summary presentation of the sector policy is not intended to replace the official text of the Policy as presented on CACIB website:

[CSR Sector Policy – Forestry and Palm Oil](#)

### SCOPE OF THE POLICY:

The present policy applies to all forms of involvement of the Bank directly related to the forestry and palm oil sector. The forestry and palm oil sector covers oil palm plantations and timber harvesting as well as palm oil production.

### ISSUES:

Wood has numerous uses (construction, pulp and paper and fuel in the poorest countries), and presents interesting characteristics to store CO<sub>2</sub> as long as it is not burnt.

Palm oil is used up to almost 80% in the food industry as it offers many advantages over other competing vegetable oils (high yield resulting in proportionately less land being used, low production costs). It is also increasingly used for the production of biofuels.

According to the Food and Agriculture Organization of the United Nations, global demand for industrial roundwood is expected to increase strongly in the forthcoming years as well as demand for paper. Palm oil consumption also shows a strong increase worldwide.

Alongside their economic importance, forests have a high ecological importance (in particular for climate change mitigation and biodiversity conservation) and social importance (livelihoods of indigenous peoples, sacred sites). In a context of increasing pressure on forest resources, it appears crucial that timber harvesting and palm oil production are managed in a responsible manner in order to minimize deforestation and loss of biodiversity and to respect the rights of affected populations. This is especially important for palm oil whose production is geographically concentrated in two countries, Indonesia and Malaysia, for more than 80% of world production.

### REFERENCE FRAME:

In this sector, funding and investments are analyzed considering the identified issues and the works and standards resulting from the main conventions and initiatives of the sector (including the World Bank group standards, the Ramsar Convention, the Program for the Endorsement of Forest Certification (PEFC) and the Roundtable on Sustainable Palm Oil (RSPO)...).

### ANALYSIS CRITERIA:

The Bank analyzes every transaction related to the forestry and palm oil sector according to the following criteria:

- Dialogue with stakeholders and environmental and social risks management (quality of the environmental and social impacts assessment, quality of the management plans, consultation of affected populations and, if necessary, consent from indigenous peoples, setting up of a grievance mechanism at the project level, inter-States consultations in the event of cross-borders impacts).

- Environmental commitments (consideration of the ecological value of lands, in particular with respect to biodiversity, to conservation of endangered species and to carbon storage and potential impacts, conversion of important natural habitats, management of water resources, management of soil fertility and erosion, introduction of invasive species and management of pesticides).
- Social and human rights commitments (labor rights and working conditions including compliance with International Labor Organization core conventions, sanitary risks, impact on local communities including physical or economical displacement of population, rights of indigenous people over traditional lands, impact on cultural heritage).

## EXCLUSION CASES:

The Bank will not participate in transactions linked to this sector in the following cases:

- Illegal operation;
- Conversion of lands having a high conservation value with respect to biodiversity (protected area);
- Critical impacts on a protected area or on wetlands of international importance covered by the Ramsar Convention;
- Location within a site listed on the UNESCO World Heritage list.

These exclusions are adding up to cases where the Bank wouldn't receive, in its opinion, a satisfactory answer about the significant non-respect of standards relative to environment, health, or safety (in particular in terms of environmental and social management system, protection of fundamental rights of workers, displacement of population, protection of biodiversity, impacts on critical natural habitats, consent of indigenous peoples, and protection of cultural heritage) or the absence of public consultation, or, if appropriate, of consent of affected indigenous peoples, or the absence of inter-States consultation in the case of major cross-border impacts.

## IMPLEMENTATION:

When the transaction is directly linked to the development, expansion, operation or the acquisition of an asset covered by the Policy, the project will be assessed against all the analysis criteria above and the Bank will seek to determine if an exclusion criterion exists.

If an exclusion situation is identified or if the outcome of the general assessment is negative, the Bank will not participate in the transaction. Compliance with the environmental and social management plans and conditions will be monitored as part of the annual review process of the transactions.

When the transaction is not directly linked to a project but the client has a significant activity in this sector, the Bank expects the client to develop a policy consistent with the principles set out above. The Bank will in particular take into account the proportion of the client's controversial activities, the possibilities of evolution and could, if appropriate, limit its interventions to particular transactions (financings dedicated to specific investments for example).

The Bank will consider whether the assets of the clients are certified (Forest Stewardship Council, national certification endorsed by PEFC, RSPO, as the case may be). If the client has not committed to a plan targeting the certification of most of its assets within a reasonable period of time, the Bank will expect them to demonstrate implementing an impact assessment and management system of equivalent stringency and covering all the criteria listed above. In particular, the client shall have developed a no-deforestation policy (commitment not to develop its business to the detriment of primary forests or High Conservation Value forests).

Transactions that present uncertainty with respect to compliance with the Policy shall be referred to the CERES committee (ad hoc Evaluation Committee for transactions involving an Environmental or Social Risk) for recommendation, before a final arbitration by the General management of Crédit Agricole CIB.

This Policy falls within the implementation of the CSR Policy of "Crédit Agricole CIB, a useful and responsible Corporate and Investment Bank".