DO NOT CROSS
Red Lines in Pulp and Paper

Social and environmental criteria for financial institutions active in the pulp and paper industry

Environmental Paper Network

Cover photo: Primary forest. ***Sergio Baffoni***
Inside cover photo: Deforestation for pulp and paper production in the Kampar Peninsula, Indonesia. ***Joshua Martin/EPN***

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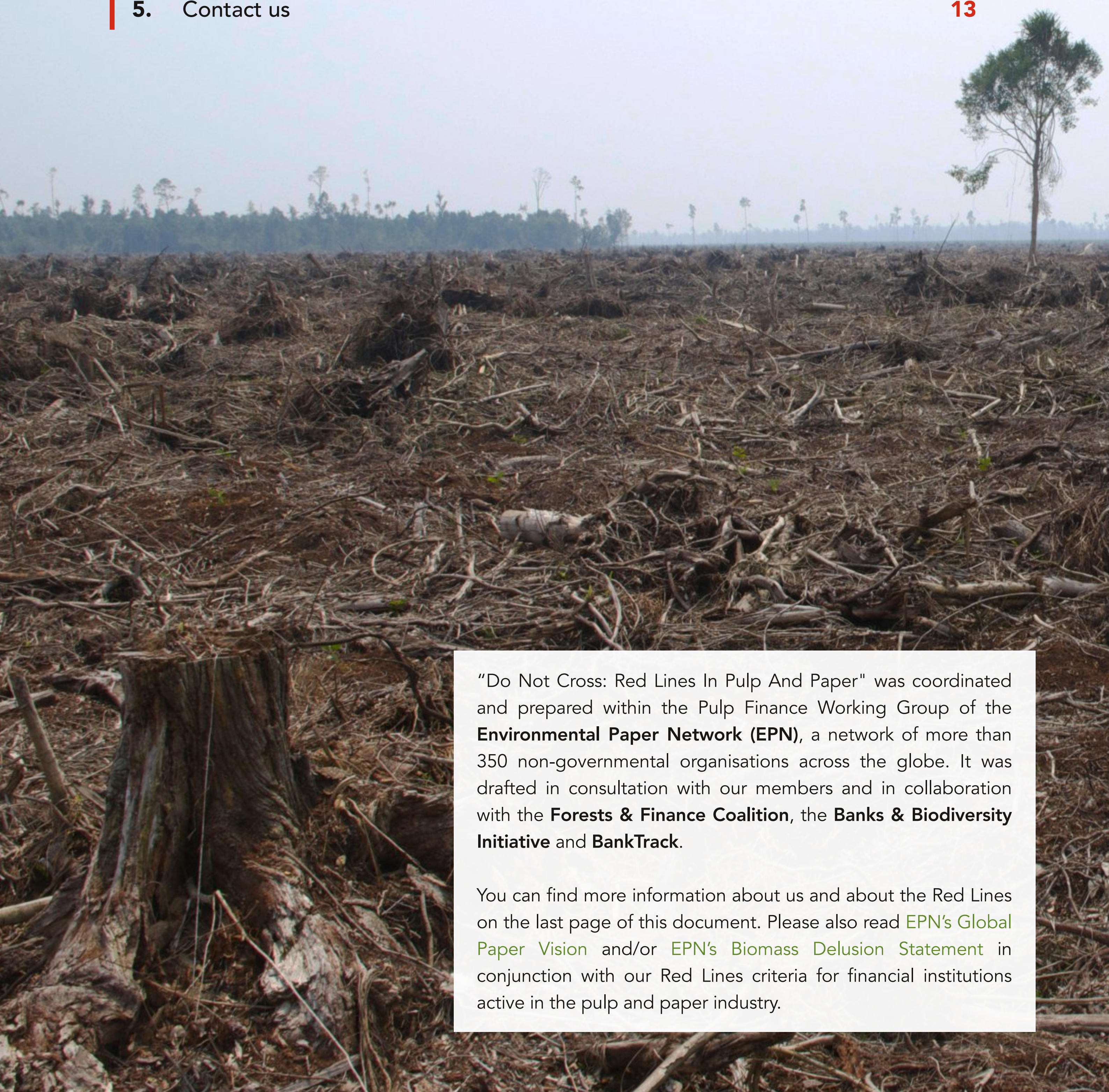


"Do Not Cross: Red Lines In Pulp And Paper" was coordinated and prepared within the Pulp Finance Working Group of the **Environmental Paper Network (EPN)**, a network of more than 350 non-governmental organisations across the globe. It was drafted in consultation with our members and in collaboration with the **Forests & Finance Coalition**, the **Banks & Biodiversity Initiative** and **BankTrack**.

You can find more information about us and about the Red Lines on the last page of this document. Please also read EPN's Global Paper Vision and/or EPN's Biomass Delusion Statement in conjunction with our Red Lines criteria for financial institutions active in the pulp and paper industry.

1. Introduction

Our world's natural forests and other natural landscapes are disappearing at an alarming rate. This is caused in large part by humanity's (vast) over-use of global wood resources for the production and consumption of goods made from pulp and paper.

Financial institutions can play a strong role in a global push towards a more sustainable pulp and paper future, leading to better protection and regeneration of *natural* forests (not wood plantations) as well as reducing harm to the people directly reliant on these forests for their livelihood.

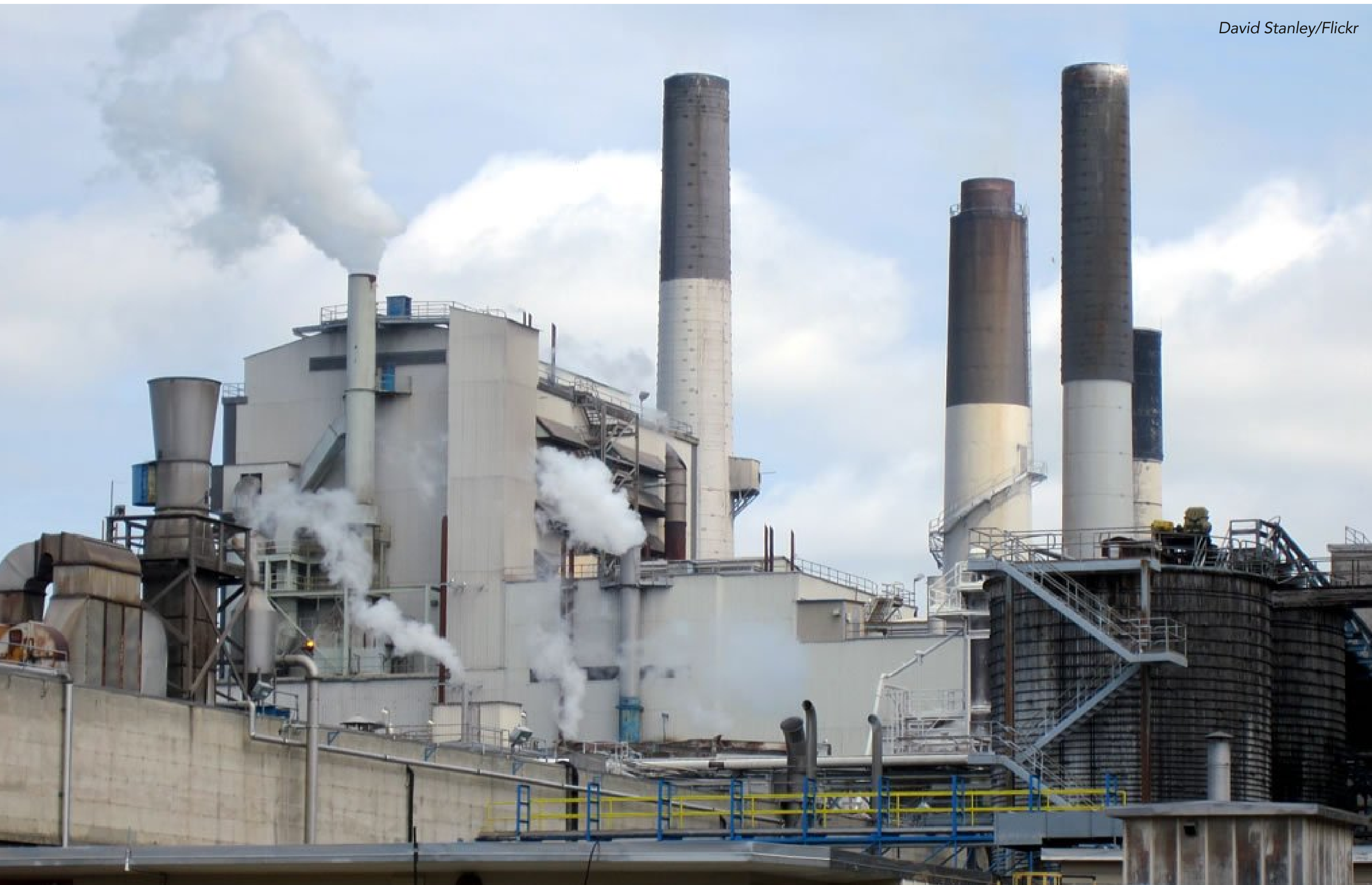
The pulp and paper branch is of course not an industry that needs to cease to exist entirely in order to regain global climate and environmental stability (as is the case for the fossil fuel and biomass industry, to name two examples). However, many of the current practices related to the global pulp and paper industry are harmful and need significant improvement.

Financial institutions have the power to make a positive impact by conducting thorough due diligence and by divesting from industries and companies with unscrupulous business practices.

The following document establishes a set of baseline requirements for the pulp and paper industry as well as industry-related projects and businesses. These criteria are necessary - in fact essential - if we wish to avoid serious harm to both people and the environment.

It is important to understand that the 'Red Lines' listed in this document are to be read as minimum standards. Therefore, a company should not be automatically assumed to be operating sustainably simply because no Red Lines have been crossed.

Financial institutions - act responsibly! If any of the Red Lines criteria listed below are not met, financial institutions should steer clear of such companies and projects.



David Stanley/Flickr

2. Key issues with pulp and paper industry practices and what financial institutions can do

Overexploitation and expansion

Healthy forest ecosystems are key to maintaining global biodiversity and climate stability. Yet our world's forests are being massively overexploited and are disappearing at an ever-increasing rate. Since the 1960s, global wood harvesting has increased by 65 percent, reaching a staggering amount of almost 4 billion cubic meters in the year 2020,[1] which is far higher than what the world's forests can sustainably supply.[2]

One of the main drivers of this rising demand for wood is the fast growing consumption of paper. Both current and predicted (additional) growth are strongly associated with an increasing replacement of single-use plastic products with single-use wood and paper products. This development, although often well meaning, unfortunately further increases overall global paper consumption. At the same time, there has been a significant global increase in the use of sanitary paper, as well as packaging material related to the extensive growth of online shopping worldwide.

The production of paper has increased fivefold over the past 60 years,[3] and paper is projected to be the fastest growing category of all wood products in the coming 25 years.[4]

If we continue with business as usual, by 2050 paper production is estimated to have doubled once again, reaching 870 million tons of yearly paper production.[5]

Another major driver of global pulp demand is the increasing consumption of pulp for viscose in the fashion industry. Thus, 'fast fashion' (as another symptom of global human over-consumption) has become an important additional factor in the world's rising demand for wood and pulp.

If the predicted trends in global pulp production are to become a reality, a vast additional expansion of large-scale monoculture tree plantations is to be expected, resulting in further global deforestation and ecosystem degradation. A more detailed account of global pulp and paper industrial expansion can be found on our website (see footnote for the weblink).[6]

Impacts on the ground

Both the construction and the operation of pulp and paper mills often lead to severe and long-lasting social and environmental impacts. These include, but are not limited to: the deforestation and degradation of natural ecosystems (such as old-growth forests and peatlands) and large-scale emissions of pollutants (which for example poison water and soils, impact human health and warm the global climate).

The destruction of nature is further driven by unsustainable and harmful logging practices, the expansion of plantations, and the introduction of non-native species. All these practices will inevitably result in significant environmental and social harm.

If proper safeguards are not adhered to, significant damage to natural landscapes and watercourses will result. This threatens the livelihoods of people who for example depend directly on their forest land and whose land and/or water resources are lost to tree plantations. Additionally, communities are often driven away from their traditionally owned lands in ways that are closely linked to human rights violations and lead to further social conflict in surrounding areas.

[1] Food and Agriculture Organization of the United Nations, 2025, FAOstat database. https://www.fao.org/faostat/en/#data/FO
[2] WWF, 2022, *Everything from wood. The resource of the future or the next crisis.*
https://www.wwf.de/fileadmin/fm-wwf/Publikationen-PDF/Wald/WWF-Study-Everything-from-wood.pdf
[3] Food and Agriculture Organization of the United Nations, 2025, FAOstat database.
[4] WWF, 2022, *Everything from wood. The resource of the future or the next crisis.*
[5] Ibid.
[6] https://environmentalpaper.org/mapping-the-expansion-of-the-paper-industry/

The role of financial institutions

Owners and financiers of pulp and paper production sites, as well as of their associated plantations, have a joint responsibility to ensure that such negative ecological and social impacts are avoided and that any unsustainable expansion is halted.

As many projects would never be able to get off the ground without investment, loans and/or guarantees from public or private banks, insurers and other financial entities, this co-responsibility extends to all institutions involved in financing the pulp and paper industry and provides ample opportunity for financial institutions to exert leverage and drive change towards a more sustainable pulp and paper future.

Financial and reputational risk

Pulp mills operate for decades. If proper safeguards are not met in their entirety right from the start, their long-term operation will inevitably result in long-term damage. This in itself should be worrying to financial institutions, as such damages also threaten the future supply of the pulp and paper industry, a sector heavily dependent on functioning ecosystems and very exposed to nature-related risks.

The prevention of negative impacts is also in the interest of financial institutions, as their involvement in destructive projects can pose serious financial risks. Illegal activity, social conflict and environmental harm can directly impact the viability and profitability of these projects, costing both pulp and paper producing businesses and their financiers dearly, not only financially but also in terms of reputation and market share.

What is needed: Due diligence, strong policies, continuous monitoring

Financial institutions must carry out strong due diligence procedures[7] concerning their potential clients and the projects they propose in order to ensure that negative impacts are avoided. A financial institution's due diligence should cover all its financial services and products.

Certification can be one of a number of different tools in a due diligence process, but it cannot and should not replace a complete due diligence process. If a financial institution relies on certification as part of its due diligence, it is crucial that it also conducts (and monitors) a proper due diligence of the certification scheme itself.

Once financial institutions have entered into a business relationship with a client, they should continue to monitor their client's activities regarding social and environmental harm and use their leverage to ensure compliance. Persistent non-compliance should lead to disengagement with the client.

Our list of Red Lines[8] in the following pages sets out minimum criteria for pulp and paper projects to avoid environmental and social harm. The Red Lines should be read in conjunction with each other, and should not be prioritised or selectively chosen for convenience.

It is essential to understand that they are to be treated as absolute minimum standards. (A company is not necessarily operating in an overall sustainable manner simply because no Red Lines have been crossed.) We therefore strongly encourage financial institutions to develop sector-specific policies that incorporate the Red Lines laid out below and develop stronger requirements (stronger than the Red Lines minimum criteria) for their clients in the pulp and paper industry.

[7] We refer to the UN Guiding Principles on Business and Human Rights and the OECD Guidelines & Guidances for definitions of a good due diligence process.
[8] We chose to use the term 'Red Lines' - a phrase which is commonly understood to mean a figurative point which should not be crossed - to make it clear that if a company does not fulfil the requirements set out in this document, then it has crossed a point which makes it no longer fit to finance.

A financial institution financing or investing in a high-impact sector, such as the pulp and paper industry, or considering doing so, should have public policies in place for the sector that:

1) acknowledge that it is impossible to expand monoculture plantations in a sustainable manner and, therefore, commit to no longer supporting the expansion of plantations in the sector or the construction of new mills; and

2) ensure that they will only finance, underwrite securities, manage assets, or provide financial advice to companies whose production, sourcing, and/or selling activities do not cross the Red Lines outlined below.

Financial institutions - act responsibly!

Financial institutions are in a position to exert leverage on all industries that they support and therefore have a great deal of responsibility to positively impact the future of the global pulp and paper industry.

We urge financial institutions actively engaged in financing pulp and paper companies (or who are considering engagement) to conduct a full and thorough due diligence review concerning these companies and their activities by taking full account of our criteria as laid out below.

The following criteria should be considered absolute "Red Lines" (a threshold which should not be crossed) for eligibility for pulp and paper finance.

By adhering to strong social and environmental standards, financial institutions can lead the charge toward a more equitable and resilient future.

If any of the following Red Lines are crossed, we expect financial institutions to divest, remove the client from its portfolio and/or refuse to invest in the project, activity or company.

3. Red Lines in pulp and paper[9]

1. Systemic criteria

1.1 No further expansion of industrial plantations

Financial institutions should require their clients to neither develop nor contribute to the development of new monoculture industrial plantations. Financing the expansion of monoculture industrial plantations should be an absolute NO GO for responsible banks.

Clients should have a public commitment and a time-bound target in place to decrease their total plantation area and to restore the natural habitats that have been destroyed.

1.2. Reduction of single-use products

Financial institutions should require clients who are active in the pulp and paper sector to have a circular economy transition plan in place in order to move away from the production of single-use products such as food packaging and other throw-away items (thus moving away from an ever-increasing demand for further expansion of industrial plantations for global pulp and paper production). Exceptions can of course be made for crucial products needed in health care, for people with disabilities, or required for safety measures.

Instead, clients should move towards solutions that reduce the demand for pulp and paper while continuing to provide the same services. Solutions should include the re-use of products rather than their substitution by single-use products made from other materials. Plain material substitution should NOT be an option, as it does not reduce the problem of human overconsumption of natural resources.

2. Regulatory and governance criteria

2.1. Ensure legality

Financial institutions should require all prospective clients to be in full compliance with all applicable local, national and international norms, regulations, laws and conventions[10] related to acquisition, harvesting, sourcing or use of land, concessions, forest products or production materials.

If different types of legislation are not aligned, the most strict one should be applied. Both financial institutions and their clients must commit not to lobby against stronger regulation of their industries.

2.2. No corruption and tax evasion

Financial institutions should require their clients to refrain from engaging in corruption and from establishing ownership structures designed to evade tax obligations in the country where production activities occur. Clients should not be involved in transfer pricing schemes to evade taxation.[11]

[9] We use the Accountability Framework Initiative (AFI) as a reference for definitions. The Accountability Framework Initiative (AFI) is a collaborative NGO effort to achieve agricultural and forestry supply chains that protect forests, natural ecosystems, and human rights. The AFI offers the Accountability Framework as a practical roadmap to help companies and other stakeholders achieve responsible supply chains. Weblink to the Accountability Framework Initiative: https://accountability-framework.org/; Weblink to AFI definitions: https://accountability-framework.org/use-the-accountability-framework/definitions/

[10] See AFI definition on applicable law: https://accountability-framework.org/use-the-accountability-framework/definitions/applicable-law/

[11] Transfer pricing refers to financial transactions within and between enterprises under common ownership or control. Because these transactions can significantly affect corporate tax liabilities, adhering to international guidelines (e.g. as defined by the OECD) must be mandatory.

2.3. Full transparency concerning clients' corporate group structure

Financial institutions should require clients and holding companies[12] to be fully and publicly transparent about the structure of their corporate group.[13]

Financial institutions must not finance clients who have subsidiaries incorporated in jurisdictions that shield shareholder identities from public access (or who obscure and/or hide corporate/shareholder identities in other ways), especially if these subsidiaries and/or their shareholders are beneficiary owners of companies involved in disputable practices (such as those mentioned in this document).

2.4. Transparency and accountability for clients' corporate group impact

Financial institutions should require their clients to be fully, publicly transparent and accountable for the impacts of their activities and publish key operational information such as:

- Satellite maps of plantations they source from (in order to ensure the traceability of logging sites and/or plantations)[14]
- Their ESG commitments and the process thereof
- Baseline studies and environmental impact data (e.g. water table & pollution data)
- Sharing ESG impacts as soon as they happen
- Comprehensive data about social conflicts
- Policies, procedures (SOPs)
- Due diligence on land acquisitions

2.5. Corporate association

Financial institutions should clarify that the scope of a client's responsibility includes:

1) Sourcing of forestry commodities from third parties that may be involved in activities covered by the Red Lines,

   as well as

2) the entire corporate group, including the parent, sister or subsidiary companies (amongst others) and also other controlled entities as defined in the Accountability Framework.[15]

2.6. Ensure that environmental and social impact assessments are conducted

Financial institutions should require prospective and existing clients to provide evidence that they have completed and publicly disclosed[16] a full and comprehensive Environmental and Social Impact Assessment. This should cover 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 publicly demonstrate that all relevant stakeholders and rights-holders were properly consulted when conducting the assessment, and that their concerns and rightful interests have been fully considered.

[12] See AFI definition of company: https://accountability-framework.org/use-the-accountability-framework/definitions/company/
[13] See AFI definition of corporate group: https://accountability-framework.org/use-the-accountability-framework/definitions/corporate-group/
[14] Companies and their suppliers must publish geo-referenced maps of all concession areas and plantations under their management.
[15] https://accountability-framework.org/use-the-accountability-framework/definitions/corporate-group/
[16] See AFI definition on disclosure: https://accountability-framework.org/use-the-accountability-framework/definitions/

2.7. Ongoing impacts

Both the financial institution's and the client's due diligence[17] should also cover social and environmental impacts that started in the past but are still ongoing or unresolved.

This should for example include impacts that happened before the client or its supplier assumed land ownership (including plantations), as well as impacts that had previously been regarded as legal but no longer are.

In cases where there are ongoing impacts, clients must commit to the resolution of complaints and disputes through an open, transparent and consultative process and in a way that is satisfactory to the impacted communities.

Ongoing land legacy conflicts as well as historical land conflicts should always be seen as a clear red flag for financing.

2.8. Complaints and disputes

Financial institutions should demand that clients commit to the resolution of complaints and disputes through an open, transparent and consultative process.

Both financial institutions and their clients must also have, or participate in, an effective grievance mechanism[18] with processes and outcomes publicly reported.

3. Social requirements

3.1. Ensure free prior and informed consent

Financial institutions should require clients to demonstrate that their current and proposed operations have obtained the free, prior and informed consent (FPIC)[19] of all potentially affected individuals and communities.

This must include public documentation of FPIC procedures for identification, consultation and documentation of all affected communities, as well as the establishment of a grievance mechanism for, and provision of, remedy for adverse impacts.

3.2. Respect human rights

Financial institutions should require their clients to make a public commitment to human rights (as defined by the United Nations and other international bodies)[20] and to have policies in place which ensure that these are adhered to throughout their own operations, their corporate group,[21] as well as within the companies which they source from or contract with.

[17] Clients' due diligence measures must necessarily be aligned with up to date relevant international standards, e.g. the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.
[18] Grievance mechanisms should be aligned with the most up to date relevant international standards, such as the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.
[19] See AFI definition on FPIC: https://accountability-framework.org/use-the-accountability-framework/definitions/
[20] Please see the BankTrack Human Rights Benchmark for practical suggestions for a financial institution on how to best implement international human rights standards.
[21] See AFI definition of *corporate group*: https://accountability-framework.org/use-the-accountability-framework/definitions/

Clients must respect all core conventions of the International Labour Organisation, including those on child labour, forced labour and debt bondage.

Clients must additionally respect the broader social, economic and cultural rights of communities affected by their operations, including the right to health and an adequate standard of living, acknowledging that humans rely on healthy, intact ecosystems to survive and thrive. Clients must therefore acknowledge such environmental rights to a healthy, intact ecosystem as human rights - as was also recognised by the UN General Assembly in 2022.[22]

3.3. Respect indigenous rights and customary community land use rights

Financial institutions should require clients to fully respect indigenous rights (as defined in the UN Declaration on the Rights of Indigenous Peoples), as well as traditional rights including land tenure and use rights of local communities.

3.4. Zero tolerance: no criminalisation and no retaliation

Financial institutions should implement effective zero tolerance policies against the criminalisation of, and/or retaliatory action towards, environmental and human rights defenders, communities, and anyone voicing criticism of the pulp company or project. Examples are 'SLAPP' suits (strategic lawsuits against public participation) and contributing to a negative narrative about activists.

4. Environmental requirements

4.1. No forest degradation and deforestation[23]

Financial institutions should require clients (including their corporate group and companies they source from) to publicly prove that, since 1994,[24] their operations have not involved activities that lead to any of the following:

- loss or degradation of natural forests and other high conservation value ecosystems and key habitats;
- conversion of natural forests or other high conservation value ecosystems into plantations;
- loss or degradation of high carbon stock forests;
- loss or degradation of regionally, nationally or internationally protected areas (among others 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 nature forest restoration or threatened wildlife reintroduction is taking place;
- degradation of critical habitat for endangered and threatened species, according to the IUCN Red List.

[22] See for example: https://www.unep.org/news-and-stories/story/historic-move-un-declares-healthy-environment-human-right

[23] See the AFI definitions of *forest degradation* and of *deforestation*: https://accountability-framework.org/use-the-accountability-framework/definitions/degradation https://accountability-framework.org/use-the-accountability-framework/definitions//deforestation/

[24] 1994 is the original FSC cut-off date (meaning no more deforestation was allowed after this date). Since cut-off dates are supposed to remain fixed rather than being postponed every X years, we strongly urge financial institutions to stick with the original date.

4.2. Protect endangered species

Financial institutions should require that clients do 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.

4.3. No high-risk species

Financial institutions should require that clients do not introduce or use genetically modified species, introduce or use invasive alien species, or allow this to occur due to their operations.

4.4. No use of fire

Financial institutions should require that clients do not use fire to convert land or allow this to take place as a result of their operations. Forest practices with a risk of causing fires must be avoided (for example soil scarification during drought).

4.5. No fire-prone plantations

Financial institutions should require that clients do not establish plantations or monocultures that are prone to catching fire, such as plantations on drained peatlands or large-scale eucalyptus or pine plantations.[25] If this last condition occurs on already existing plantations, clients must take appropriate measures to prevent fires, such as plantation retirement to restore natural forests in the affected areas.

4.6. Protect peatlands

Financial institutions should require that clients do not establish plantations on peatlands, regardless of depth and whether or not they are forested. Clients/projects must not degrade peatlands or allow this to take place as a result of their operations.

Clients that currently have or source from existing plantations established on peatlands must have time-bound peatland restoration plans in place in order to counter greenhouse gas emissions.

4.7. No persistent pollution

Financial institutions should require that the technology used in clients' mills 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. The use of chlorine (either elemental chlorine or ECF bleaching) should not be allowed in their mills.

4.8. Protect water, air and soil

Financial institutions should require that clients minimise their impacts on groundwater levels, water quality, air and soil.

Clients must publicly demonstrate - through independent verification of data - that they have conducted impact analyses (such as a baseline water assessment) before starting the construction work of the pulp mill, developing fibres that would supply it, or developing the necessary infrastructure. Clients must also publicly demonstrate that they monitor impacts on water, air and soil throughout the project.

[25] Scientific evidence clearly identifies non-native tree plantations as a factor that increases fire risk, see for example: https://www.europeandatajournalism.eu/cp_data_news/portugal-wildfires-and-the-eucalyptus-curse/

4.9. No bioenergy from woody biomass

Financial institutions should prohibit clients from using or producing bioenergy from woody biomass, whether this comes from plantations, forests or other wooded areas.

Financial institutions should prohibit clients that already have biomass boilers from:

1) Supplying bioenergy to third parties.
2) Using woody biomass from forests or plantations for energy generation in pulp, paper or saw mills, i.e. only use pulp mill residues (black liquor and bark).

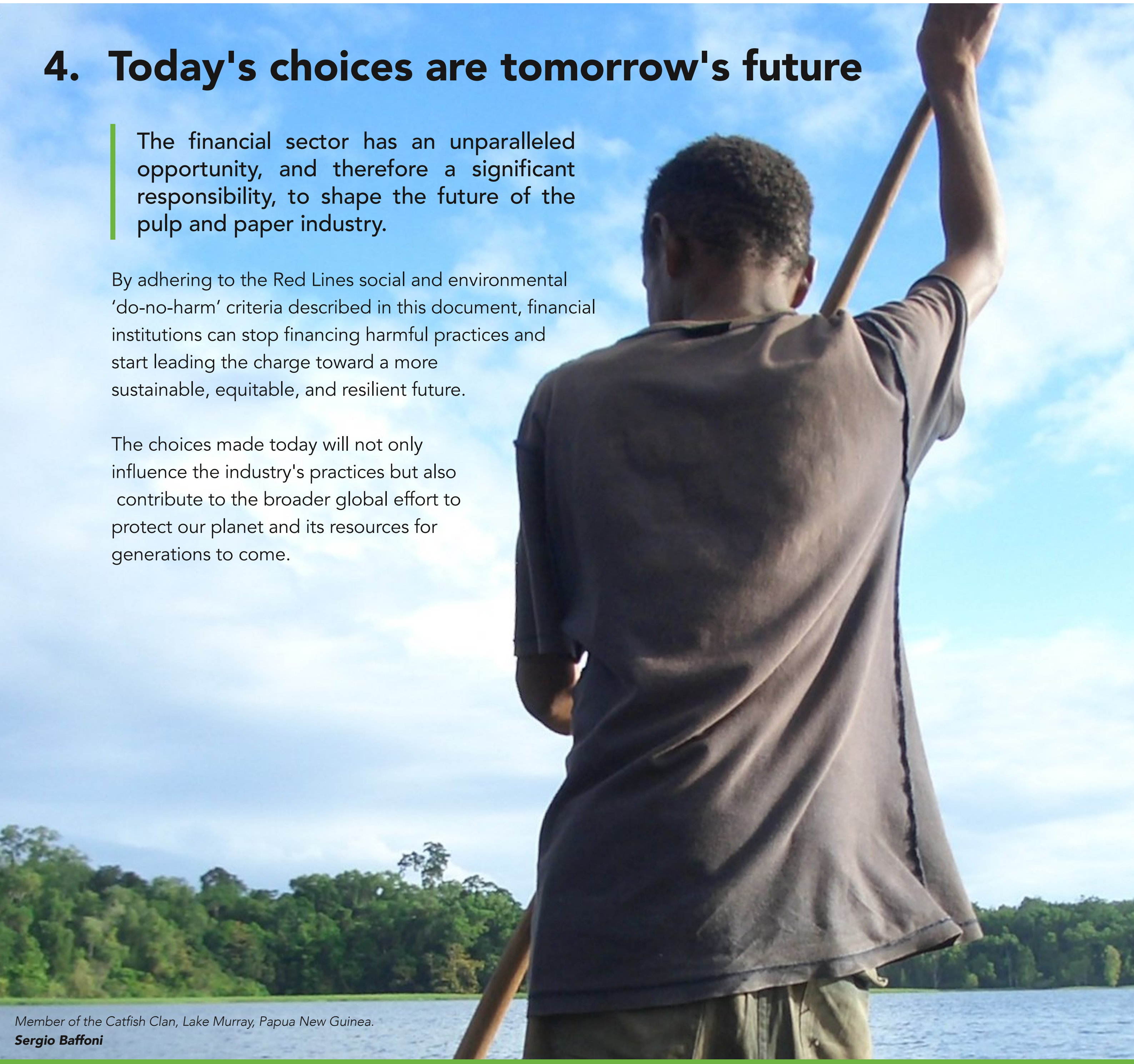
Clients should provide transparent and publicly available information about the feedstock of woody biomass used to produce energy.

4. Today's choices are tomorrow's future

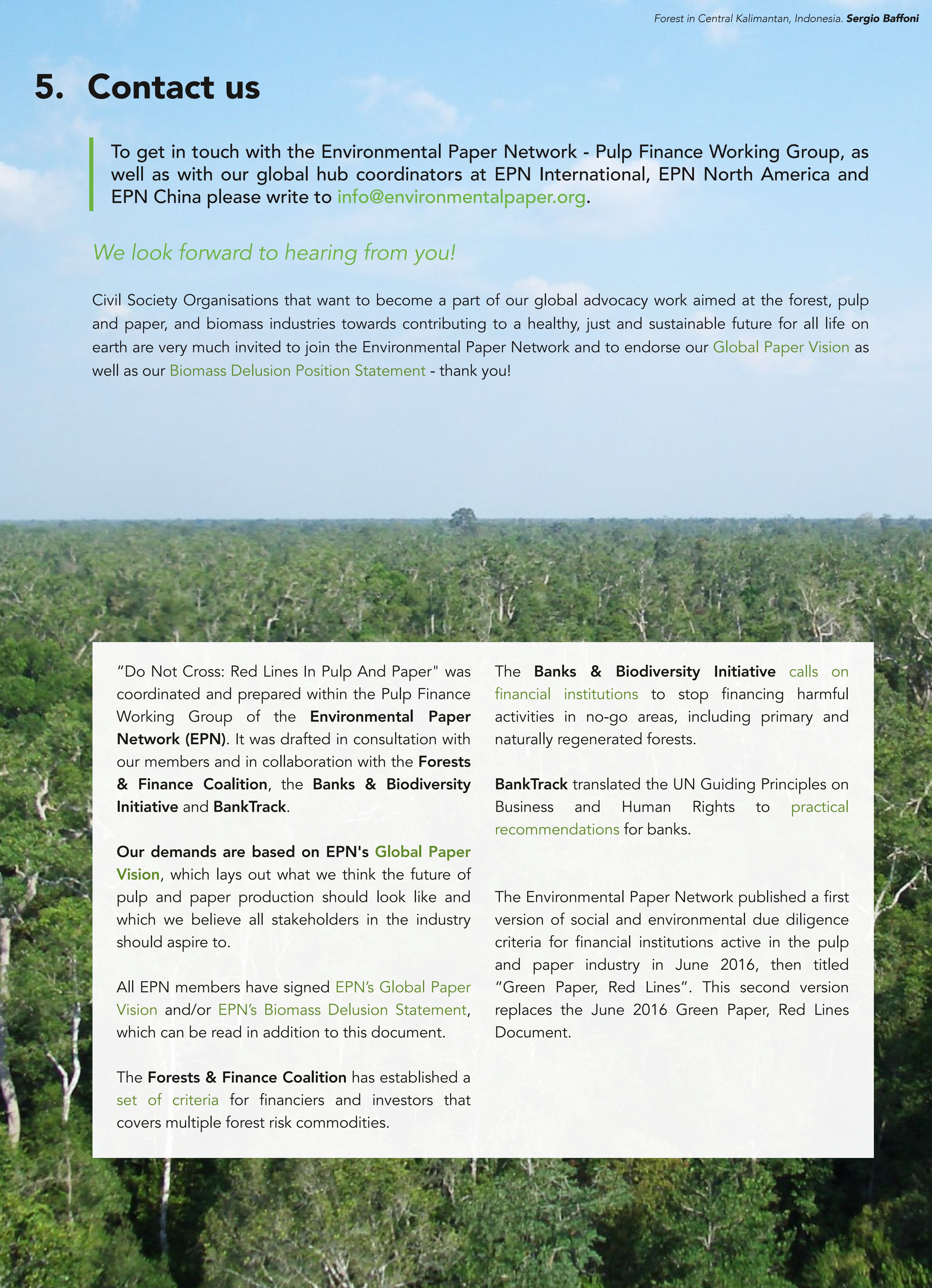
The financial sector has an unparalleled opportunity, and therefore a significant responsibility, to shape the future of the pulp and paper industry.

By adhering to the Red Lines social and environmental 'do-no-harm' criteria described in this document, financial institutions can stop financing harmful practices and start leading the charge toward a more sustainable, equitable, and resilient future.

The choices made today will not only influence the industry's practices but also contribute to the broader global effort to protect our planet and its resources for generations to come.



Member of the Catfish Clan, Lake Murray, Papua New Guinea.
Sergio Baffoni



Forest in Central Kalimantan, Indonesia. ***Sergio Baffoni***

5. Contact us

To get in touch with the Environmental Paper Network - Pulp Finance Working Group, as well as with our global hub coordinators at EPN International, EPN North America and EPN China please write to info@environmentalpaper.org.

We look forward to hearing from you!

Civil Society Organisations that want to become a part of our global advocacy work aimed at the forest, pulp and paper, and biomass industries towards contributing to a healthy, just and sustainable future for all life on earth are very much invited to join the Environmental Paper Network and to endorse our Global Paper Vision as well as our Biomass Delusion Position Statement - thank you!

"Do Not Cross: Red Lines In Pulp And Paper" was coordinated and prepared within the Pulp Finance Working Group of the **Environmental Paper Network (EPN)**. It was drafted in consultation with our members and in collaboration with the **Forests & Finance Coalition**, the **Banks & Biodiversity Initiative** and **BankTrack**.

Our demands are based on EPN's Global Paper Vision, which lays out what we think the future of pulp and paper production should look like and which we believe all stakeholders in the industry should aspire to.

All EPN members have signed EPN's Global Paper Vision and/or EPN's Biomass Delusion Statement, which can be read in addition to this document.

The **Forests & Finance Coalition** has established a set of criteria for financiers and investors that covers multiple forest risk commodities.

The **Banks & Biodiversity Initiative** calls on financial institutions to stop financing harmful activities in no-go areas, including primary and naturally regenerated forests.

BankTrack translated the UN Guiding Principles on Business and Human Rights to practical recommendations for banks.

The Environmental Paper Network published a first version of social and environmental due diligence criteria for financial institutions active in the pulp and paper industry in June 2016, then titled "Green Paper, Red Lines". This second version replaces the June 2016 Green Paper, Red Lines Document.