

HSBC Statement on Forestry and Palm Oil

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HSBC is committed to sustainable business and was among the first banks to introduce a Forest Land and Forest Products Sector Risk Policy in 2004. Forests, and forest products, are an important global resource and key to economic development for many nations. But we know that logging, pulp and paper manufacture and agricultural development in forest areas can have an impact on the environment and local people.

HSBC supports the growth of legal and sustainable forestry and palm oil. We have therefore reviewed our policy and strengthened the support we provide to customers and certification schemes, to help improve standards right across these sectors.

Our approach

HSBC's policies are focused on the role that banks can play. Banks are not directly involved in the production, processing or trading of timber or palm oil products. HSBC's revised policies are therefore directed to the role that banks play in providing financial services to their customers, along the supply chain.

The forestry and palm oil sectors are in a transition to sustainability, and therefore we support credible independent certification schemes and **require that our customers use certification** as a tool to evidence their commitment to sustainable development. We believe that independent certification of forestry and palm oil operations is the most effective way of ensuring that our customers demonstrate that their behaviour is consistent with these principles.

We engage with our customers to help them understand and implement our policies. **If they are unwilling or unable to achieve the standards we require by the deadlines we have set, we will end our banking relationships with them.** However, HSBC's aim is to support customers to operate to good standards and to be able to show that our strategy of engagement makes a positive and balanced contribution to sustainable development. We are aware that a number of leading companies have made commitments to achieve higher standards, some over a shorter period of time. We support an **accelerated transition to sustainability**, by which we mean a balance of positive environmental, social, and economic outcomes, and **we will support and take a leading role in initiatives** – such as the new RSPO Working Group – to achieve this.

Our policies

HSBC has reviewed its Forest Land and Forest Products Policy and has now issued a revised Forestry Policy and an Agricultural Commodities Policy (available at www.hsbc.com/sustainability). Under these policies, HSBC will not knowingly finance operations that are illegal, fail to protect high conservation value forests/land or violate the rights of workers and local people.

We will report on the application of our Forestry and Agricultural Commodities Policies. Confidentiality requirements mean that we cannot name specific customers, however we will report on the achievement of the policy requirements at a portfolio level.

To support the implementation of our policies **we will follow up credible allegations** that customers do not meet our standards and train our colleagues in the Risk function and Global Businesses to implement our policies.

Independent certification

HSBC uses credible certification schemes: in the case of forestry, the Forest Stewardship Council (FSC) and the Programme for the Evaluation of Forest Certification (PEFC); and for palm oil, the Roundtable on Sustainable Palm Oil (RSPO).

Forest certification is now mature and HSBC therefore expects all its forestry customers in high risk countries to achieve FSC/PEFC certification by December 2014. Palm oil certification is less well developed and HSBC therefore expects all its customers who grow oil palm all to have all of their plantations certified to RSPO standards by December 2018, proving they are on a path to achieve that in 2014.

We consider the certification schemes mentioned above as the **minimum acceptable standard** for our customers. We will work to understand how the finance sector can **support higher standards** and effectively implement them.

We also support the Roundtable for Responsible Soy and Bonsucro, which are certification schemes for soy and sugar cane respectively.

Support to certification schemes

HSBC recognises that independent certification needs to be strengthened to make sure that people and the environment are effectively protected. **HSBC will provide** support to help certification schemes to develop their organisations, improve their standards and strengthen their processes. We will also encourage our customers and others to use and support credible certification as a tool. Finally, **we will use our networks to help promote certification** through international supply chains, through to manufacturers and consumers, in both mature and emerging markets.

Support to our customers

As certification is not yet mainstream, we will help our customers to understand what is needed to achieve certification, by providing them with information and other support.

HSBC has developed a specific product – **discounted finance for RSPO-certified palm oil** that will be offered to our customers from 1 July 2014 – to incentivise trade in sustainable palm oil, to encourage them to achieve RSPO certification more rapidly.

Looking to the future

We believe in the growth of legal and sustainable forestry and palm oil; we welcome initiatives from other participants – growers, traders, end-users and NGOs, amongst others – that will support this development. And we will work with interested parties to bring about the collation of various sector standards and reporting mechanisms that could potentially form the basis of a **public index or scorecard of responsibility** for all participants in the forestry and palm oil sectors.