

Statement

Revised Agricultural Commodities Policy: Palm Oil

20 February 2017

HSBC Statement on Revised Agricultural Commodities Policy: Palm Oil

HSBC agrees that rainforests need to be safeguarded from destruction with protection for local people and the rare species dependent on them. HSBC's 2014 Agricultural Commodities Policy made it clear that we have no interest in financing illegal operations: land clearance by burning, the destruction of "high conservation value" areas like rainforest, harmful child labour, forced labour, or other activities violating the rights of local communities.

In recent meetings, NGOs have confirmed that they want HSBC to stay involved in the palm oil sector to support companies moving to good standards, and to close relationships with those that do not do so in a timely manner. This is what we do.

We take our policy commitments seriously. We are not complacent about the need to implement them properly or the need to review our approach from time to time. And we have not breached our policy.

HSBC has progressively raised the sustainability standards it applies to the palm oil sector since it introduced its first policy in 2004, resulting in our 2014 policy requiring customers to gain independent certification that their business operates sustainably. We remain open to tightening the policy further as society's expectations change and new standards develop. We have recently been happy to discuss with Greenpeace its request that HSBC incorporate new standards for the palm oil sector to protect high carbon stock ('HCS') forests and peat.

We have further strengthened our policy by expanding our prohibited businesses commitment, making it consistent with 'No Deforestation, No Peat and No Exploitation' (NDPE) policies which are increasingly common in the palm oil supply chain. We also extend our policy to include refiners and traders, as well as growers and mills. And, in the short transition period before customers have to make a commitment to NDPE, HSBC will not agree new financing facilities to customers who have not made the appropriate commitment.

Our duty of client confidentiality can cause frustration, so the policy now requires the consent of new customers, before any financial services are provided, to HSBC being able to disclose the relationship.

We also welcome and support further research and clarity from companies and technical experts that would allow HCS to be used more broadly in other agricultural sectors, notably soy, cattle ranching and rubberwood. You can read [our policy in full](#).

This NDPE policy will enhance our existing commitment to the Roundtable on Sustainable Palm Oil ('RSPO') which provides a common, shared system for growers, processors, buyers and banks to use in order to check that palm oil is sustainably produced. The 2016 HCS Convergence Agreement, between palm oil supply chain companies and NGOs, defines a common methodology for application in the palm oil sector, which we hope will be incorporated fully into – and thereby support - RSPO's voluntary higher standard, NEXT. RSPO has achieved much already, but we agree it needs to make further progress. HSBC – together with many companies in the sector and many respected NGOs – supports RSPO in making those improvements and would welcome the involvement of other NGOs with knowledge, experience and influence in supporting an improving RSPO.

We recognise that the finance sector can play a greater role and that the wider market participants – growers, processors, consumer goods companies, NGOs and banks – can work together more successfully to promote a sustainable palm oil sector. We will play our full part.

To that end, we will also seek to join the [Banking Environment Initiative](#), which is linked to the [Cambridge Institute for Sustainability Leadership](#) and we will join the [Tropical Forest Alliance](#), hosted by the World Economic Forum, which brings together governments, NGOs and business to reduce tropical deforestation, improve the livelihoods of smallholder farmers, conserve natural habitats, and protect tropical landscapes. HSBC's involvement will be led initially by the Group Chief Executive.

HSBC does not and will not knowingly provide financial services which directly support palm oil companies which do not comply with our policy. We will always investigate credible evidence that companies may not comply with our policies, but we are not aware of any current instances where customers are alleged to be operating outside our policy and where we have not taken, or are not taking, appropriate action.