

Statement

Indonesian Deforestation

17 January 2017

HSBC Statement on Indonesian Deforestation

HSBC shares Greenpeace's concern about deforestation in Indonesia and appreciates the informed and constructive contribution which Greenpeace provides to both the palm oil and the forestry sectors. In particular, HSBC values the input Greenpeace provided to our revised Agricultural Commodities and Forestry Policies in 2013-14 – especially as HSBC was one of only three banks to score top marks in the 2016 independent [Forest 500](#) analysis.

Customer confidentiality restricts us from commenting on specific companies. We recognise that this can cause frustration but do direct stakeholders to public information where we are aware of it.

Looking specifically at the palm oil sector, HSBC believes that palm oil can bring many benefits to society, such as economic development and the alleviation of poverty. And we agree with Greenpeace that palm oil can also result in negative impacts if not managed legally and sustainably. **HSBC has no interest in financing customers involved in: illegal operations; land clearance by burning; the conversion of *high conservation value* areas; harmful or exploitative child labour or forced labour; the violation of the rights of local communities, such as the principle of free prior and informed consent; and operations where there is significant social conflict.**

Our Agricultural Commodities and Forestry policies reflect this and **HSBC does not knowingly provide financial services which directly support palm oil companies which do not comply with our policy.**

HSBC uses independent external certification from the Roundtable on Sustainable Palm Oil ('RSPO') to check that the policies are being effectively implemented. The RPSO has improved its systems significantly in recent years and we welcome the continuing research provided by Greenpeace and others to challenge its effectiveness. HSBC investigates credible evidence that companies may not comply with our policies. **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.**

HSBC takes these commitments very seriously. Following the revisions to the policies in 2014, including firm dates by which customers had to complete certification, we decided to close banking relationships with 60 forestry and 104 palm oil customers. We are not complacent and continue to monitor these sectors closely, and will publish more information later this year. We do not consider closing a relationship a success, as we lose influence to promote higher standards, although we have no doubt that our policies benefit from having a bar, below which relationships will be ended.

More importantly, HSBC is pleased that so many customers have embraced sustainability, certification and HSBC's policy standards. Although any certification decisions are ultimately taken by our customers, we have engaged with them - up to the highest levels of executive management - to advocate the benefits of a sustainable approach.

HSBC supported and promoted (as a Board Member of RSPO) the adoption of RSPO NEXT as a means for leading companies to demonstrate even higher standards through a third party standardised verification process. This is now available for growers and buyers of certified palm oil. And HSBC supports Greenpeace's request for maps, but we cannot "ensure" that all details are published – for example, where customers are legally precluded from providing this information.

We are pleased that Greenpeace recognises that HSBC has made significant improvements in its approach to palm oil companies and deforestation, and that Greenpeace is not seeking HSBC's withdrawal from the sector. As mentioned above, we value the open engagement we have with Greenpeace on this and other issues, which is an essential part of the very serious and considered approach we take.