

## **ENVIRONMENTAL RISK**

*HSBC's environmental risk lending policies are covered by a Group-wide standard, as set out below.*

### **STANDARD**

All members of the HSBC Group must ensure that their decision-making processes address fully environmental risk assessment and establish suitable procedures for dealing with proposed transactions of a potentially environmentally sensitive nature.

### **PURPOSE**

HSBC has a restricted appetite for environmentally sensitive proposals and any transactions undertaken must seek to minimise environmental, credit and reputational risk. Staff must recognise situations where environmental impact risk may arise and establish appropriate controls and procedures. This will ensure that the Group's high business and ethical standards are not compromised.

### **APPLICATION**

It is not possible to provide a definitive list of how and where environmental risks may arise, but an illustrative list of examples would include:

- Industries with pollution potential e.g. power plants, oil refineries/petrochemicals,
- Commodity related e.g. pulp and paper mills, plantations, mineral extraction,
- Projects that have a major impact on the local environment e.g. logging and dams.

For the most part, the identification and management of environmental risk will be a reasonably straightforward exercise, focusing on clear-cut credit and legal aspects that can be documented and managed formally such as:

- Confirmation of compliance with local regulations and government legislation,
- Environmental impact assessments, audits or reviews by external parties,
- Fulfilment of international treaties or standards to which the company or industry sector may subscribe,

Identification and mitigation of environmental and potential reputational risks and the maintenance of high standards may prove challenging to staff in countries where the exploitation of natural resources is a core part of the national economy, and where the practice of environmental protection has historically not been a high priority. In such instances we cannot apply the local standard. The Group has a global brand and will be judged on higher global standards.