

# HSBC Agricultural Commodities Policy

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This document (the “Policy”) is one of HSBC’s sustainability risk policies. It should be read in conjunction with our Introduction to HSBC’s Sustainability Risk Policies (the “Introduction”), which explains common features and approach<sup>1</sup>.

HSBC takes a risk-based approach when identifying clients to which this Policy applies, adopting approaches proportionate to risk and materiality. This helps HSBC to focus its efforts on areas where it believes it can help drive meaningful change, whilst taking into account experience from policy implementation over time.

## Background

The agricultural commodities sector has a presence in almost all countries, and includes a huge and diverse range of commodities, some of which could also present significant environmental and human rights risks. This Policy focuses on palm oil, soy, and cattle. These commodities have potentially high impacts and represent sectors where HSBC has a relevant geographical footprint.

## HSBC’s Approach

HSBC does not have appetite to finance: new plantations on peat; deforestation, including the conversion of primary tropical forests, or land clearance by burning; harmful or exploitative child labour, forced labour, and/or the violation of the rights of local communities or the principle of free, prior and informed consent.

Where a client is not able to demonstrate compliance with our policy expectations, HSBC will need to formally assess whether we continue to provide financing for that client.

Where sectors have credible certification schemes, we use certification to assess the legal, environmental and social risks related to a client’s operations. Certification schemes allow producers, processors and traders to demonstrate to buyers, banks and other stakeholders that their products as well as the raw materials they source from suppliers are from sustainably managed sources. Credible schemes typically offer a complaints system to investigate allegations of non-compliance.

<sup>1</sup> The Policy is made public for information only. HSBC’s sustainability risk policies are for HSBC’s use only and HSBC shall owe no obligation or liability to third parties in relation to them.

## Scope

The Policy relates to corporate clients that carry out activities relating to the following commodities in the locations identified below:

Commodity	Client Activity	Location of Client Activity
Palm Oil	1. Production: oil palm estates / plantations 2. Processing: palm oil mill(s), palm kernel crushing plant(s), refining of crude palm oil and/or palm kernel oil 3. Trading of palm oil	All (global)
Soy	1. Production: growers / plantations 2. Processing: mills and crushing plants	Argentina, Bolivia, Brazil, Paraguay, Uruguay
Cattle	1. Production: ranches 2. Processing: slaughterhouses / abattoirs.	Argentina, Brazil, Colombia, Mexico, Paraguay, Uruguay

## Certification and Due Diligence

### Palm Oil

HSBC expects clients to obtain, maintain and evidence certification from the Roundtable for Sustainable Palm Oil ("RSPO") for all production sites, processing facilities and trading operations in scope of this Policy.

Clients in the process of achieving certification (for example, due to the development or acquisition of new operations) will be subject to enhanced due diligence.

### Soy

Clients with production and processing facilities in scope of this Policy that do not evidence certification from the Roundtable on Responsible Soy (RTRS) will be subject to enhanced due diligence.

### Cattle

Clients with production and processing facilities in scope of this Policy will be subject to enhanced due diligence.

## Important Notice

The Policy should not form the basis of any third party's decision to undertake, or otherwise engage in, any activity and third parties do not have any right to rely on it. The Policy, by its nature, is not comprehensive and has not been independently verified. It contains various statements that are or could be "forward-looking" statements including as to HSBC's intentions and objectives. However, a number of risks, uncertainties and other important factors could cause actual developments and / or results to differ materially from HSBC's expectations. These include, among others, the risks and uncertainties we identify in our Annual Report and Accounts filed with the Securities and Exchange Commission ("SEC") on Form 20-F and interim reports and earnings releases furnished to the SEC on Form 6-K from time to time.

In making the assessments and determinations further described in the Policy, HSBC will use such information as it determines necessary and relevant, in its sole discretion. However, there can be no guarantee of the accuracy, currency or completion of such information, which may not have been independently verified. In making the assessments and determinations described in the Policy, HSBC relies on internal and, where appropriate and available, external data sources, guided by certain industry standards. While reporting on these matters has improved over time, data remains of limited availability, quality and consistency. Methodologies and scenarios HSBC uses may develop over time in line with market practice, regulation and/or developments in science, where applicable. Any such developments in methodologies or scenarios, or changes in the availability and quality of data over time could result in revisions to reported data going forward, including on financed emissions, meaning that such data may not be reconcilable or comparable year-on-year. This could also result in HSBC having to re-evaluate its progress towards its ambitions, commitments and targets in the future.

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