



HSBC Forestry Policy

Forestry Policy

This document is one of HSBC's sustainability risk policies. It should be read in conjunction with Introduction to HSBC's Sustainability Risk Policies, which is available on the [Sustainability risk page of the bank's corporate website](#), and explains common features and technical terms.¹

Introduction

The world has around 4 billion hectares of forest. 60% is used primarily for the production of wood, paper and non-wood products (mainly food). Timber and wood products were valued at US\$227 billion in 2016. A further 33% is primary (or high conservation value²) forest, commonly called rainforest in tropical regions and containing a disproportionately large share of the world's rare species of animals and plants. Forests also provide a home and livelihood for millions of indigenous and other people.

Deforestation, often through illegal logging, has had significant negative impacts on the environment, on people and – as rainforests are a particularly important store of carbon - on climate change.

HSBC's approach

HSBC does not wish to finance unacceptable impacts in this potentially high-risk sector. We wish to ensure that our customers operate in accordance with good international practice, helping those that make acceptable progress, but closing relationships with those who do not meet our standards. We also need to ensure that commitments made by HSBC can be successfully checked. As the forestry sector has credible certification schemes with a material market share, we use certification to check that customers meet our standards.

An independent certification scheme confirms that specific customer operations either meet a range of legal, environmental and social standards or have a time-bound plan to do so. They allow producers, processors and traders to prove to buyers, banks and others that their products are from a sustainably managed source. Credible schemes have a broad membership, including companies and non-government organisations (NGOs), and offer a complaints system to investigate allegations of non-compliance.

Sector Definitions

The policy relates to business customers involved in:

a) Production: logging, including the management of forest plantations, but excluding rubberwood (see the Agricultural Commodities Policy).

b) Supply chain:

- ◆ Processing, such as sawmilling;
- ◆ Timber or lumber manufacturing, such as panel products or wooden furniture, but excluding small businesses for whom certification is inappropriate such as craftsmen operating as sole traders and rubberwood;
- ◆ Timber or lumber trading including exporters, importers and major wholesalers, but excluding small wholesalers (principally those who buy from importers) and all retailers; and
- ◆ The manufacturing and wholesale trading of pulp and paper

c) "Non-sector" businesses, which are not defined above or in HSBC's Agricultural Commodities Policy, but may have similar impacts (such as forest clearance for mines, housing, pipelines or dams)

¹The policy is made public for information only. HSBC's sustainability risk policies are for HSBC's use only and HSBC shall owe no liability to third parties in relation to them.

²High Conservation Values (HCVs) are critical ecological attributes, ecosystem services or social functions – for example, forests containing endangered species or key hunting areas or sacred burial grounds of local communities.

Prohibited Business

HSBC will not knowingly provide financial services to customers involved directly, or indirectly via the supply chain, in: illegal logging; wood logged in violation of traditional and civil rights; wood logged in forests where high conservation values are threatened by industry; or forests being converted to plantation or to non-forest use (deforestation).

Implementation

HSBC's Global Businesses must check that their customers meet the following risk-based requirements, which focus on customers being 100% certified where logging in or buying from High Risk Countries³

| Activity | Location | Requirement |
|--------------|---|---|
| Production | All logging sites in High Risk Countries | FSC or PEFC ⁴ certification. |
| | All logging sites in Low Risk Countries | a) FSC or PEFC certification or b) No track record or credible allegations of unacceptable impacts |
| Supply Chain | All facilities sourcing wood or pulp from or originating from High Risk Countries | FSC or PEFC certification |
| | All facilities sourcing wood or pulp from or originating from Low Risk Countries | a) FSC or PEFC certification or b) No track record or credible allegations of unacceptable impacts |
| "Non-Sector" | Anywhere HSBC is aware that activities may be inconsistent with Prohibited Business | Make enquiries of the customer and from independent sources as appropriate. |

Global Businesses must manage these risks on an appropriate ongoing basis, not just at annual reviews. They must use internal implementation templates where provided.

Policy Compliance

There may be exceptional circumstances where customers meet the spirit, but not the letter of this policy, or where enquiries about a customer's compliance are incomplete. In such cases HSBC engages with the customers, seeks action plans to resolve the issues and monitors progress.

³ High Risk Countries: Bolivia; Brazil; Cambodia; Cameroon; Central African Republic; China; Colombia; Cote d'Ivoire; Democratic Republic of Congo; Ecuador; Equatorial Guinea; Estonia; Gabon; Ghana; Guatemala; Guyana; Honduras; India; Indonesia; Laos; Latvia; Liberia; Lithuania; Madagascar; Malaysia; Mexico; Mozambique; Myanmar; Nicaragua; Panama; Papua New Guinea; Peru; Republic of Congo; Russia; Solomon Islands; Thailand; Uganda; Vietnam; and any customer stating "unknown"

⁴ The Forest Stewardship Council or national schemes endorsed by the Programme for the Endorsement of Forest Certification