



15 July 2016

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By e-mail

Dear Danielle,

Thank you for giving us the opportunity to comment on the further observations made by Facing Finance. We are particularly encouraged to see that they consider "gathering company feedback at an earlier stage in the process will provide for constructive dialogue" and we welcome the opportunity to engage on ESG issues with NGOs as well as other stakeholders.

On defence, our position is quite clear and the publicly available defence policy, available at <http://www.hsbc.com/our-approach/sustainability/finance>, under *Sustainability risk policies*, includes the following:

Anti-personnel mines and cluster bombs

HSBC does not provide financial services to customers – including holding companies - which manufacture or sell anti-personnel mines or cluster bombs. We do not provide financial services for transactions involving such weapons. These weapons can have an indiscriminate impact on civilian populations, sometimes killing and maiming people long after a conflict has ended. HSBC uses the definitions within the 1997 Mine Ban Treaty and the 2008 Convention on Cluster Bombs for guidance in implementation.

Other weapons

HSBC does not provide financial services to customers who solely or primarily manufacture or sell other weapons. We do not provide financial services for transactions for the purchase of other weapons. 'Other weapons' are defined as: weapons which can be clearly identified, such as guns or missiles; platforms for weaponry, such as tanks and combat aircraft; and material parts of a weapon or a platform for weaponry with no generally accepted non-military use, such as the turret of a tank.

On shareholdings, we can only repeat that HSBC usually appears on companies' shares registers where it acts either as a custodian of assets for another financial institution or as the nominee holder.

On the low-carbon economy, Facing Finance has taken one paragraph from the speech cited that, on its own, does not reflect HSBC's approach to climate change. The speech highlights specific actions to move towards the low carbon economy, including for example green bonds

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for sustainable investment. We recognise that within the energy sector, coal fired power plants are the most significant contributor to climate change. Under our energy policy, introduced in 2011, HSBC “will increasingly support only new CFPPs which have lower carbon intensities”. The full details can be found on our website, and you will note that there are further policy restrictions triggered by the aggregate generating capacity of any customer.

Further detail on HSBC’s Climate Business can be found on our website at <http://www.hsbc.com/our-approach/sustainability/finance/climate-business>.

The revisions to the mining and metals policy, expected to be published later this year, will further extend the limitations on HSBC’s involvement with coal, and are designed to tie in to countries’ commitments under the 2015 Paris Agreement on climate change and their Intended Nationally Determined Contribution plans to mitigate climate change.

On external certification, our position is as set out at <http://www.hsbc.com/our-approach/sustainability/finance/forestry-and-agricultural-commodities>, which includes the following:

We believe that certification demonstrates that a company is taking sustainability concerns seriously. It also helps protect our customers from reputational risk and can put them in a stronger position commercially because increasing numbers of buyers want to know that products have been responsibly produced.

HSBC continues to be a member of the Board of Governors of the RSPO. HSBC has also sponsored the RSPO annual conferences, which offer an opportunity for industry and civil society stakeholders to set its future direction.

We supported the development of the RSPO “Next” – a voluntary scheme that allows leading companies to demonstrate that they are consistently exceeding the RSPO’s main certification standard. We also have a representative on the stakeholder council of ISEAL, a trade association for sustainability-related certification standards, with the aim of supporting the development of these schemes and encouraging financial institutions to use them. We are also funding the FSC to build resources and capacity in India and Indonesia.

The HSBC Statement on Forestry and Palm Oil, again available on the website, also says:

*We consider the certification schemes mentioned above as the **minimum acceptable standard** for our customers. We will work to understand how the finance sector can **support higher standards** and effectively implement them.*

We also support the Roundtable for Responsible Soy and Bonsucro, which are certification schemes for soy and sugar cane respectively.

It goes on to say:

*HSBC recognises that independent certification needs to be strengthened to make sure that people and the environment are effectively protected. **HSBC will provide support to help certification schemes to develop their organisations, improve their standards and strengthen their processes. We will also encourage our customers and others to use and support credible certification as a tool. Finally, we will use our networks to help promote certification through international supply chains, through to manufacturers and consumers, in both mature and emerging markets.***

Finally, HSBC published further ESG data including inter alia reports on progress to UN Global Compact and UN Principles for Responsible Investment around the time of the AGM held in April this year, as advised.

Thank you again for giving us the opportunity to comment.

Yours sincerely,



Brendan McNamara
Head of Global NGO Engagement