

HSBC Forestry Policy

February 2025

Forestry Policy

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 approach¹.

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

Approximately 60% of the world’s forests are used for the production of wood, paper and non-wood products (mainly food). Deforestation, often through illegal logging, presents significant environmental and human rights risks.

HSBC’s Approach

HSBC does not have appetite to finance: wood logged in violation of traditional and human rights; or forests being converted to plantation or to non-forest use (deforestation).

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.

As the forestry sector has 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.

¹ 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 applies to corporate clients involved in timber, pulp & paper, as follows:

Client Activity	Location of Client Activity
Production: logging, including the ownership or management of forest plantations	All production (logging) sites in <i>High-Risk Countries</i> ²
Processing: sawmilling, processing of wood chips and lumber and/or pulp for paper production Trading: Trading of timber or lumber, and/or the wholesale trading of pulp or paper Manufacturing: timber or lumber manufacturing, and manufacturing of pulp and paper	All facilities sourcing wood or pulp from or originating from <i>High-Risk Countries</i>

Certification and Due Diligence

HSBC expects clients to obtain, maintain and evidence certification from either the Forest Stewardship Council (“FSC”) or a national scheme endorsed by the Programme for Endorsement of Forest Certification (“PEFC”).

This expectation applies to all production (logging) sites located in *High-Risk Countries*, as well as processing facilities, trading operations, and manufacturing facilities involving wood or pulp sourced from or originating from *High-Risk Countries*.

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.

² 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 situation where location stated as “unknown.”

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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