**HSBC re Facing Finance report investigates abuses by 20 companies & their ties to financial institutions**

22 Mar 2016

*Business & Human Rights Resource Centre invited HSBC to respond to the following item:*

* "Dirty Profits 4: Report on Companies and Financial Institutions Benefitting from Violations of Human Rights," (pg. 38-39, 72, 75, 77), Facing Finance, 16 Feb 2016, <http://www.facing-finance.org/files/2016/02/ff_dp4_EN_WEB.pdf>

*HSBC sent us the following response:*

“Thank you for giving us the opportunity to respond in the Business & Human Rights Weekly Update on Facing Finance’s *Dirty Profits* report.

**Confidentiality**

You will appreciate that we cannot comment on the companies named in the HSBC section – either to confirm or deny that they are customers – because of our contractual duty of client confidentiality.  There are broadly only four exceptions\* to this duty:

* where we are legally required to disclose;
* where we have a public duty to disclose;
* where our legitimate business purposes require disclosure; and
* where the disclosure is made with [the client’s] consent.

None of these exceptions applies to the content of *Dirty Profits*.

Turning to the topics raised by Facing Finance, we would make the following observations.

**ESG policies**

Our sector policies are regularly reviewed.  They are designed to offer measurable commitments, rather than aspirational statements.  They are designed to apply globally.  And they are designed to last for a number of years.  In that context, one would not expect to see annual changes.

That said, we revised our forestry and agricultural products policies in 2014, when we also introduced a new policy on World Heritage Sites and Ramsar Wetlands.  HSBC's approach to forestry and palm oil saw it come top in the independent Forest 500 ranking of the approaches of 500 corporates, governments and investors.

The report says we have published little about 2015; we normally publish information concerning the previous year, in this case 2015, at the time of our Annual General Meeting, to be held later in April 2016.  We published a statement on Human Rights in September 2015.  We are currently reviewing our mining and metals policy.

The report also makes an implicit criticism that HSBC's policies are over reliant on client membership of industry associations.  Organisations like FSC (on which our Forestry Policy relies) are supported by industry and NGOs, and company assessments are made independently.  Of course, we accept that certification cannot physically stop a company from doing something irresponsible.  However, certification would be cancelled if this is proven and could lead to the termination of a banking relationship.  At the end of 2014 for example, we took the decision to exit 60 forestry and 104 palm oil clients who were unwilling or unable to meet the standards we expected of them by the end of 2014

**Shareholdings**

HSBC does not engage in proprietary trading, that is it does not hold shares (short- or long-term) on its own behalf.  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 for an individual or group of individuals, such as a pension scheme.  Many of these individuals’ holdings will be in the form of index or other tracker funds.

**The Low Carbon Economy**

HSBC agrees that climate change is one of the most serious threats that the world faces today.  Banks have a role to play in combating climate change, and HSBC will certainly play its part.  We have reduced our own absolute carbon dioxide emissions by 22% over the last four years (2011-2015), and have a target to obtain 25% of our electricity from renewable sources by 2020.

In parallel, we have increased our support for low-carbon sectors such as renewable energy.  We have also restricted finance for the two sectors with the highest emissions – deforestation and coal-fired power stations.

But the move to a low-carbon economy requires governments and business working together to ensure a just and orderly transition.  The *Pathways to carbon neutrality* speech given by Stuart Gulliver, HSBC’s Group Chief Executive, at the Caring for Climate Business Forum, COP21 in Paris in December 2015, and which can be found as a pdf document at this [link](http://www.hsbc.com/news-and-insight/2015/pathways-to-carbon-neutrality), sets out HSBC’s current position.

I hope this information is useful, and thank you once again for giving us the opportunity to comment.”