



13 April 2016

Johan Frijns
Director
BankTrack

Jan Gruiters
General Director
PAX

By E-mail

Dear Messrs Frijns and Gruiters,

Thank you for your letter of 17 February 2016 addressed to Douglas Flint, Group Chairman of HSBC Holdings plc, concerning the mining company Drummond. I have been asked to reply, and this response can also be used as our response to Ryan Brightwell's request of 21 March 2016 for comment on the forthcoming Bank Track Human Rights Impact report, scheduled for publication in May 2016, and which also concerns Drummond.

Confidentiality

Let me first address the question of client confidentiality. In previous correspondence I have stated that "HSBC does not and cannot discuss individual customers, nor do we confirm whether an individual or business is or has been a customer, for reasons of client confidentiality". This remains the case and, because I am unable to discuss a specific company, I cannot respond to Mr Brightwell's three specific questions. As you know, we are happy to meet BankTrack to discuss issues, most recently in January of this year.

But let me go further and try to explain what you see as the apparent contradiction of our referencing companies in, for example, the 2013 Sustainability Report, and the availability of information through Thomson Reuters or Bloomberg.

The duty of confidentiality by a bank to its client is clearly understood in English law; there are, broadly, only four exceptions¹ 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.

Clients referenced in our sustainability reports, or indeed the full HSBC Holdings plc Annual Report and Accounts, appear only because they have consented to be included.

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With regard to Thomson Reuters or Bloomberg data, these companies are aggregators and distributors of information which is in the public domain, usually because of a regulatory requirement under, for example, the Listing Rules governing publicly traded companies. These usually require companies to make public, via an announcement through a regulatory information system, details of any securities (shares) or debt (bonds). The responsibility for making this information public lies with the company concerned and not the financial institutions that may be arranging or underwriting any issue. Separately, there are (in the UK) requirements under the Companies Act and various accounting standards, for other financial information to be made available through, for example, interim and full year financial results. Again, the responsibility for publication lies with the company and not its banker(s).

Sector Policies

As you are aware, HSBC focuses its policies on sectors which may have a high adverse impact on people or the environment and in which we have a significant number of customers. They are designed to offer measurable commitments, rather than aspirational statements; they are designed to apply globally; they are designed to last for a number of years; and they are not applied retrospectively. Where customers continue to remain non-compliant with our policies, despite our engagement and efforts to move them towards good (or best) practice, then we close our banking relationships as soon as contractually possible. You will know that, at the end of 2014 for example, we decided to exit 60 forestry and 104 palm oil clients who were unwilling or unable to meet the standards we expected of them.

Following the COP21 agreements in Paris in 2015, we started a review of our Mining and Metals Policy, principally to look closely at the impacts of coal mining, but also to look at other potential impacts, such as on human rights. We chose to await the outcome of COP21 so any future policy changes aligned with what many stakeholders sought, and also because it is important to support the political process which will be integral to combating climate change successfully. As with our other sector policies, we will consult widely with interested stakeholders, including customers and non-governmental organisations, as we mentioned in our meeting with you, Johan, in January this year as well as in subsequent correspondence.

Human Rights

At that meeting we also discussed, albeit briefly, HSBC's position on the broad issue of human rights. You will be aware that we published a statement in September 2015, which is available on our website and attached for ease of reference. Human rights are important and banks accept they have a role to play – under the Guiding Principles, business has a responsibility to respect human rights. We are signatories to or have expressed support for a number of international guidelines, all of which are set out in our statement.

HSBC does investigate any credible allegations that customers have committed human rights violations, as specifically mentioned in our Mining & Metals policy. Allegations of human rights abuses or adverse impacts are often complex, and difficult to investigate or substantiate, for example often dating back well before our own policy or even the introduction of UN or government guidelines. We sometimes find court cases have investigated the issues/allegations and the courts' decisions can be a source affecting HSBC's decision to offer banking services.

In mining, as in other sensitive sectors, we work with clients who meet our sustainability standards – including those relating to human rights – and clients who are making credible progress towards meeting them. As demonstrated above concerning forestry/palm oil, where clients are unwilling or unable to meet our standards, we do end the banking relationship.

BankTrack's Human Rights Case Studies Series

You will be aware that in response to a previous request for HSBC to comment on one of BankTrack's case studies, my colleague John Laidlow wrote to Mr Brightwell to explain that we could not comment on individual companies and that any response to future requests would have focus on HSBC's policies. This remains the case; all our sector policies and statement on human rights, which guide our approach, are publicly available on our website.

We do welcome engagement with NGOs and others, particularly in the development and implementation of our sector policies as they bring extremely useful experience and perspective to the table. We look forward to hearing from you as we update our Mining policy and no doubt on other issues through the year.

Thank you again for writing to us.

Yours sincerely



Brendan McNamara
Head of Global NGO Engagement

¹ See: *Tournier v National Provincial and Union Bank of England* [1924] 1 KB 461.