

# Forestry & Agricultural Commodities Statement

April 2023



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## About this document

This document sets out our revised position and approach in relation to Forestry and Agricultural Commodities. This document takes effect on 1 July 2023. Our Forestry and Agricultural Commodities statement published in August 2020 will continue to apply up to and including 30 June 2023.

April 2023

## Introduction

Our purpose is to deploy finance responsibly to support people and businesses, acting with empathy and integrity, championing innovation and sustainability, for the common good and for the long term. Our purpose informs our overall business strategy.

The forestry and agricultural commodities sectors are responsible for producing a range of agricultural commodities such as timber, pulp & paper, palm oil, beef and soy that play a critical role in feeding the world's population and driving economic development. The production and processing of these commodities is also a major source of income and supports the livelihoods of millions of people across the world, particularly in developing economies. However, these activities can also be associated with a range of adverse environmental and social impacts, including climate change, deforestation, biodiversity loss, and human rights issues.

Deforestation accounts for around 12% of the world's greenhouse gas emissions, principally driven by agricultural expansion<sup>1</sup>. Forests, peatlands, savannahs and other habitats act as essential carbon sinks by absorbing carbon dioxide from the atmosphere and their preservation is a key part of achieving net zero goals.

At COP26, 13 of the world's largest agricultural commodities companies signed a joint statement committing to develop a shared roadmap for enhanced supply chain action consistent with a 1.5°C pathway for the soy, palm oil, cattle and cocoa<sup>2</sup> sectors. In November 2022 these companies published the resulting Agriculture Sector Roadmap to 1.5C (the "Roadmap"). This position statement reflects the ambition and commitments within the Roadmap for companies in these sectors, including the objective of eliminating deforestation across commodity supply chains by 2025, while supporting the transition to a more sustainable agricultural sector. This approach is also aligned with Barclays' overall purpose, climate change strategy and ambition to become a net zero bank by 2050.

We recognise that the forestry and timber sector is not covered by the Roadmap and that there is less alignment within this sector on timebound supply chain deforestation commitments and progress reporting, compared with the other sectors covered by the Roadmap. We have set out in this position statement our increased expectations of this sector, in order to provide clarity to our clients, customers and stakeholders across all sectors covered in this position statement.

We also recognise the significant impact of deforestation and land conversion on nature and biodiversity. Nature and biodiversity is a growing area of focus for Barclays and the wider financial services industry, given that nature and its ecosystem services fundamentally underpin economies and societies, as well as having interlinkages with climate change. At Barclays we recognise the important role of the finance sector in stewarding responsible finance towards a nature-positive future. We continue to work to build an understanding of the ways in which our financing activities impact nature, as well as the ways in which the bank and our clients depend on nature. Sustainable land use was recognised as part of the Kunming-Montreal Global Biodiversity Framework, adopted at COP15 in 2022, which includes a target to ensure all areas under agriculture, aquaculture and forestry are managed sustainably. This position statement supports these global objectives, as well as our efforts to reduce the impact of our activities on nature and help facilitate a nature-positive future.

## Scope of Position Statement

This position statement covers the provision of Financial Services to Barclays clients<sup>3</sup> that majority own or operate:

- I. Soy production (e.g. soybean growing) or primary processing (e.g. soybean crushing) operations in High Deforestation Risk Countries in South America. These are termed "soy companies" in this statement.
- II. Beef production (e.g. cattle ranching) or primary processing (e.g. meatpacking) operations in High Deforestation Risk Countries in South America. These are termed "beef companies" in this statement.

<sup>1</sup> Intergovernmental Panel on Climate Change (IPCC), "Special report on climate change and land use," Summary for Policy Makers, A.3, p. 10, 2019, <https://www.ipcc.ch/srccl>

<sup>2</sup> This Statement covers soy, beef, palm oil and timber, as production of these is responsible for approximately three quarters of tropical deforestation globally, and does not currently cover cocoa.

<sup>3</sup> For the avoidance of doubt this includes all clients that majority own or operate the relevant operations including, but not limited to, pulp & paper, agricultural commodities and biofuel companies.

- III. Palm oil production (e.g. palm oil plantations) or primary processing (e.g. palm oil milling) operations in High Deforestation Risk Countries. These are termed “palm oil companies” in this statement.
- IV. Timber production (e.g. forestry plantations, logging) or primary processing (e.g. timber milling) operations in High Deforestation Risk Countries. These are termed “forestry and timber companies” in this statement.

This revised Statement introduces provisions for companies producing or processing beef in High Deforestation Risk Countries in South America. When assessing these beef companies against the provisions we apply these to the entity (and its subsidiaries) being financed, whether a corporate parent or a subsidiary.

Where an entity is assessed as non-compliant with the provisions, in certain cases we may maintain relationships with other entities in a corporate group not engaged in<sup>4</sup> the production or primary processing of beef in High Deforestation Risk Countries in South America where these entities can demonstrate (and provide an undertaking) that any financial support is not used (directly or indirectly) to support the activities, or benefit the entities, that are assessed as non-compliant.

In these circumstances we may require ring-fencing of this financing through, for example, undertaking letters or contractual loan covenants, provided by the entity being financed to ensure no transfer of proceeds, or direct/indirect financing, to the non-compliant entities in the group.

## Effective date

This position statement takes effect on 1 July 2023.

## Forestry and Agricultural Commodities Restrictions

Barclays has **no appetite** for providing Financial Services to soy, beef, palm oil, forestry and timber companies that are directly involved in:

- I. Illegal logging or related trading activities.
- II. Use of fire in forestry or plantation operations, including for land clearance and preparation.
- III. Acts of violence against or exploitation of people and local communities, including through forced or child labour, modern slavery and human trafficking.

In addition, for clients covered by this statement we apply the following requirements and expectations:

## Soy companies:

### Requirements

We require soy companies to:

- I. Prohibit the production or primary processing of soy on/from areas in the Amazon cleared or converted after 2008<sup>5</sup>.
- II. Obtain membership of the Roundtable on Responsible Soy (RTRS) or equivalent certification schemes<sup>6</sup> and adhere to relevant standards.
- III. Commit to achieving full traceability of their South American soy supply chain (direct and indirect) by December 2025 in Areas at High-Risk of Deforestation and Conversion, which include the Amazon, Cerrado and Chaco Biomes.
- IV. Commit to achieving a Deforestation-Free South American soy supply chain (direct and indirect) by December 2025 in Areas at High-Risk of Deforestation and Conversion, which include the Amazon, Cerrado and Chaco Biomes.

<sup>4</sup> An entity is defined as “engaged in” if it generates more than 5% of its revenues from this activity

<sup>5</sup> A 2008 cut-off date for the Amazon is applied in line with the Brazilian Forest Code and sector agreements for the soy (i.e. Amazon Soy Moratorium) and beef (i.e. Amazon Cattle Agreements) sectors

<sup>6</sup> This includes other credible certification schemes that cover the deforestation and biodiversity considerations addressed in this statement, such as the International Sustainability & Carbon Certification (ISCC) or Basel Criteria for Responsible Soy Production (BCRSP)

- V. Monitor, verify and report on Deforestation-Free soy volumes by December 2025.
- VI. Have a policy commitment to respect human rights across their operations and supply chain.

## Expectations

We expect soy companies to:

- I. Commit to achieving a Conversion-Free South American soy supply chain (direct and indirect) by December 2025 in Areas at High-Risk of Deforestation and Conversion, which include the Amazon, Cerrado and Chaco Biomes, and we will encourage clients to do so during annual client due diligence.
- II. Undertake human rights due diligence across their operations and supply chain and we will encourage clients to do this during annual client diligence.

## Beef companies:

### Requirements

We require beef companies to:

- I. Prohibit the production or primary processing of beef on/from areas in the Amazon cleared or converted after 2008.
- II. Commit to achieving full traceability of their South American beef supply chain (direct and indirect) by December 2025 in Areas at High-Risk of Deforestation and Conversion, which include the Amazon, Cerrado and Chaco Biomes.
- III. Commit to achieving a Deforestation-Free South American beef supply chain (direct and indirect) by December 2025 in Areas at High-Risk of Deforestation and Conversion, which include the Amazon, Cerrado and Chaco Biomes.
- IV. Monitor, verify and report on Deforestation-Free beef volumes by December 2025.
- V. Have a policy commitment to respect human rights across their operations and supply chain.

## Expectations

We expect beef companies to:

- I. Commit to achieving a Conversion-Free South American beef supply chain (direct and indirect) by December 2025 in areas at High Risk of Deforestation and Conversion, which include the Amazon, Cerrado and Chaco Biomes and we will encourage clients to do so during annual client due diligence.
- II. Undertake human rights due diligence across their operations and supply chain and we will encourage clients to do this during annual client due diligence.

## Palm Oil companies:

### Requirements

We require palm oil companies to:

- I. Have a No Deforestation, No Peatland Development and No Exploitation (NDPE) aligned policy commitment covering their palm oil operations and supply chain (direct and indirect).
- II. Obtain membership of the Roundtable on Sustainable Palm Oil (RSPO), and certification of their palm oil operations (owned plantations and mills). In the absence of RSPO certification, we require the client to develop a time-bound action plan to achieve this within three years<sup>7</sup> which will be monitored annually by Barclays.
- III. Commit to achieving full traceability of their palm oil supply chain (direct and indirect) by December 2025.
- IV. Commit to achieving an NDPE compliant palm oil supply chain (direct and indirect) by December 2025.

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<sup>7</sup> requirement to establish a plan to achieve RSPO certification within three years applies to these companies' estates and mills. Certification of scheme / plasma smallholders is required, but the timeframe for this be will be determined on a case by case basis

- V. Monitor, verify and report on NDPE compliant palm oil volumes by December 2025.
- VI. Have a policy commitment to respect human rights across their operations and supply chains.
- VII. Work to obtain the consent of affected indigenous and local communities prior to acquiring new land or resources and prior to new plantation developments or expansions through a credible “free, prior and informed consent” process.

## Expectations

We expect palm oil companies to:

- I. Undertake human rights due diligence across their operations and supply chain and we will encourage clients to do this during annual client due diligence.

## Forestry and timber companies:

### Requirements

We require forestry and timber companies to:

- I. Prohibit the conversion of Natural Forests, High Conservation Value (HCV) areas and peatlands in their own forestry operations.
- II. Obtain membership of Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC) and certification<sup>8</sup> of owned logging sites in High Deforestation Risk Countries (where such these certification schemes are established). In the absence of FSC or PEFC certification, we require the client to develop a time-bound action plan to achieve this within three years, which will be monitored annually by Barclays.
- III. Have in place a policy commitment to respect human rights across their operations and supply chain.
- IV. Work to obtain the consent of indigenous and local communities prior to acquiring new land or resources and prior to new plantation developments or expansions through a credible “free, prior and informed consent” process.

## Expectations

We expect forestry and timber companies to have in place or undertake the following and we will encourage clients to do this during annual client due diligence:

- I. Have a policy commitment prohibiting the conversion of Natural Forests, High Conservation Value (HCV) areas and peatlands in their timber/wood fibre supply chain.
- II. Commit to achieving full traceability of their timber/wood fibre supply chain by December 2025.
- III. Commit to sourcing 100% FSC or PEFC certified<sup>9</sup> timber/wood fibre by December 2025.
- IV. Monitor, verify and report on deforestation free or sustainability certified timber/wood fibre volumes by December 2025.
- V. Undertake human rights due diligence across their operations and supply chain.

## Approach to Enhanced Due Diligence

This position statement contains both mandatory requirements and non-mandatory expectations which are applied to clients. All clients deemed within the scope of this position statement are reviewed against these on a case by case basis and subject to enhanced due diligence.

In cases where clients are identified as non-compliant with the mandatory requirements, Barclays will require the client to develop and implement an action plan to remediate this within a limited timeframe. Where these clients are unable or

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<sup>8</sup> FSC or PEFC Forest Management (FM) certification required for owned logging sites

<sup>9</sup> FSC or PEFC Forest Management (FM) or Controlled Wood (CW) / Chain of Custody (CoC) certification required for sourced timber/wood fibre.

unwilling to do so we will seek to exit the relationship taking into account existing contractual arrangements.

In cases where clients are identified as not meeting the non-mandatory expectations, Barclays will engage with these clients during annual client due diligence and encourage them to adhere to these. Where these clients are unable or unwilling to do so over time, we will review the relationship and may reduce our support.

In addition to these requirements and expectations, clients are analysed against specific environmental and social risk considerations, which include, but are not limited to:

- I. Adherence to local and national environmental regulation and standards and industry best practice.
- II. Impacts on protected areas such as World Heritage Sites and Ramsar Wetlands.
- III. Association with environmental and social controversies including deforestation, land conversion, significant adverse impacts on human rights and nature.

## Referral and Escalation Procedure

Where client relationships or transactions are assessed as higher risk following an enhanced due diligence review, they are then considered for escalation to the appropriate business unit review committee where there is representation from the appropriate subject matter experts.

Should the issues be assessed as presenting material reputational risk, these clients/ relationships would be escalated to the Group Reputation Risk Committee, which comprises members of the Group Executive Committee.

## Governance

This position statement is reviewed annually and any revisions are approved by the Head of Public Policy & Corporate Responsibility. This document is also noted by the Group Executive Committee.

## Definitions

Term	Explanation
<b>Agriculture Sector Roadmap for 1.5C</b> <b>("Roadmap")</b>	A shared roadmap developed by 13 of the world's largest agri-commodity traders and processors outlining commitments to enhance supply chain action to reduce emissions from land use change consistent with a 1.5°C pathway.  Source: <a href="#">Agriculture Sector Roadmap for 1.5C</a>
<b>Amazon Biome</b>	The world's largest rainforest, covering 6.7 million km <sup>2</sup> across eight countries (Brazil, Bolivia, Peru, Ecuador, Colombia, Venezuela, Guyana and Suriname). The Amazon is covered predominantly by dense moist tropical forest, with relatively small inclusions of several other types of vegetation such as savannas, floodplain forests, grasslands, swamps, bamboos, and palm forests, and contains approximately ten percent of the world's species of animals and plants.
<b>Areas at High-Risk of Deforestation and Conversion</b>	Areas identified by Soy Companies and Beef Companies as presenting high-risk of Deforestation and Conversion through their participation in the Agriculture Sector Roadmap to 1.5C. At a minimum, these areas must cover the Amazon, Cerrado and Chaco Biomes.
<b>Cerrado Biome</b>	The world's largest savannah, covering almost two million km <sup>2</sup> in central Brazil, and extending marginally into Paraguay and Bolivia. The main habitat types of the Cerrado consist of forest savannah, wooded savannah, park savannah and gramineous-woody savannah, as well as savannah wetlands and gallery forests, which together contain

Term	Explanation
	<p>approximately five percent of the world’s species of animals and plants.</p> <p>Source: <a href="#">Global Landscape Forum</a></p>
<b>Chaco Biome</b>	<p>The second largest forest ecosystem in South America (after the Amazon), covering approximately one million km2 of central-north Argentina, western Paraguay and southeast Bolivia. It comprises a mosaic of ecosystems from savannahs to wetlands, including one of the largest remaining tracts of dry forests in the world.</p> <p>Source (paraphrased): <a href="#">Organization of American States</a></p>
<b>Conversion</b>	<p>Conversion of a natural ecosystem (including but not limited to Natural Forests) to another land use or profound change in the natural ecosystem’s species composition, structure, or function.</p> <p>Source: <a href="#">Accountability Framework Initiative</a></p>
<b>Conversion-Free</b>	<p>Commodity production and sourcing that does not cause or contribute to Conversion.</p>
<b>Deforestation</b>	<p>Loss of Natural Forests as a result of i) conversion to agriculture or other non-forest land use; ii) conversion to a tree plantation; or iii) severe and sustained degradation.</p> <p>Source: <a href="#">Accountability Framework Initiative</a></p>
<b>Deforestation-Free</b>	<p>Commodity production and sourcing that does not cause or contribute to Deforestation.</p>
<b>Financial Services</b>	<p>Refers to all lending, underwriting, arranging and distributing of debt and equity, trade and working capital finance, derivatives and FX transactions.</p>
<b>High Conservation Value (HCV) areas</b>	<p>Areas identified as containing High Conservation Values; biological, ecological, social or cultural values considered to be of outstanding significance or critical importance and require special protection to ensure their continued maintenance and/or enhancement. The six High Conservation Values are:</p> <ol style="list-style-type: none"> <li>I. Concentrations of biodiversity</li> <li>II. Large landscape level forests</li> <li>III. Rare or threatened ecosystems</li> <li>IV. Services of nature in critical situations</li> <li>V. Basic needs for local communities</li> <li>VI. Sites of critical cultural significance to local communities</li> </ol> <p>Source: <a href="#">HCV Resource Network</a></p>
<b>High Deforestation Risk Countries (for forestry &amp; timber and palm oil companies)</b>	<p>All countries in the Forest 500 High Risk Country List. These countries are:</p> <ul style="list-style-type: none"> <li>- Angola, Argentina, Bolivia, Brazil, Cambodia, Cameroon, Colombia, Cote d’Ivoire, Democratic Republic of Congo, Ecuador, Ethiopia, Gabon, Ghana, Guatemala, Guinea, Honduras, India, Indonesia, Laos, Liberia, Madagascar, Malaysia, Mexico, Mozambique, Myanmar, Nicaragua, Nigeria, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Suriname, Tanzania, Thailand, Uganda, Venezuela, Vietnam, Zambia.</li> </ul>



Term	Explanation
	Source: <a href="#">Forest 500</a>
<b>High Deforestation Risk Countries in South America</b> (for soy and beef companies)	All South American countries in the Forest 500 High Risk Country List where beef or soy is identified as an important driver of deforestation. These countries are: <ul style="list-style-type: none"> <li>- Argentina, Bolivia, Brazil, Colombia, Ecuador, Paraguay.</li> </ul> Source: <a href="#">Forest 500</a>
<b>Natural Forests</b>	Land spanning more than 0.5 hectares with trees higher than five meters and a canopy cover of more than ten percent, or trees able to reach these thresholds in situ.  Source: <a href="#">UN FAO</a>
<b>NDPE</b>	No deforestation, no new expansion on peat, no exploitation – a widely used commitment made by companies in the palm oil sector.