

Barclays Forestry and
Agricultural Commodities
Statement

August 2020



Introduction

The forestry and agribusiness industries are responsible for producing a range of commodities such as timber, palm oil 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 are also associated with a range of adverse environmental and social impacts, including loss of biodiversity, damage to precious ecosystems, labour exploitation and displacement of local communities. Deforestation, and forest and peatland degradation are also a significant challenge in many regions and a major contributor to climate change, accounting for up to 15% of global greenhouse gas emissions, and second only to the energy sector¹.

Barclays has therefore developed a specific approach to the forestry and agribusiness sectors which is outlined in this statement. We seek to support clients that promote sustainable land management practices whilst respecting the rights of workers and local communities.

Barclays is a signatory to the New York Forest Declaration of the United Nations² and its objective of supporting all endeavours to cut natural forest loss in half by 2020, and to end it by 2030. Barclays has also adopted the Banking Environment Initiative's Soft Commodities Compact³, which commits us to helping our corporate clients in a number of agricultural commodity sectors achieve zero net deforestation by 2020. Further, as a member of the Association of Banks of Singapore (ABS), Barclays adheres to the Guidelines on Responsible Financing⁴, including adoption of the Haze Diagnostics Kit⁵ during due diligence of forestry, pulp & paper and palm oil clients to assess fire risks in their plantation operations.

Scope of position statement

This statement covers the provision of all financial services to Corporate Banking and Investment Banking clients with the following operations in high deforestation risk countries⁶.

- Timber production (e.g. timber plantations, logging) or primary processing (e.g. timber milling). These are termed "forestry companies" in this statement.
- Palm oil production (e.g. palm oil plantations) or primary processing (e.g. palm oil milling). These are termed "palm oil companies" in this statement.
- Soy production (e.g. soybean growing) or primary processing (e.g. soybean crushing). These are termed "soy companies" in this statement.

Appetite criteria

Barclays has **no appetite** for providing financial services to forestry, palm oil or soy companies that are involved in:

- I. Illegal logging or 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.

- IV. Operations or business practices that do not comply with all applicable local, national, and international laws and regulations.

In addition, we require all forestry, palm oil and soy companies to:

- V. Work to obtain the consent of indigenous and local communities affected by their operations through a credible "free, prior and informed consent" process.
- VI. Prohibit the conversion or degradation of primary forests, High Conservation Value (HCV) or High Carbon Stock (HCS) areas and peatlands.
- VII. Adhere to recognised certification schemes within a limited timeframe. These schemes are:
 - a) For palm oil companies, membership of Roundtable on Sustainable Palm Oil (RSPO), and certification of owned plantations and mills in high risk countries.
 - b) For forestry companies, membership of Forest Stewardship Council (FSC) or comparable certification scheme⁷, and certification of owned logging sites in high risk countries (where such schemes are established).
 - c) For soy companies, membership of Roundtable on Responsible Soy (RTRS) or comparable certification schemes⁸, and adherence to relevant standards.

In the absence of certification, we require the client to develop a time-bound action plan to achieve this within three years⁹, which will be monitored annually by Barclays.

We also expect:

- VIII. Palm oil companies to adopt a public commitment to no net deforestation, no peatland development and no human rights violations (NDPE).
- IX. Soy companies to establish a sustainable sourcing policy, including a commitment to achieve deforestation-free soy supply chains, and work towards achieving supply chain traceability within a limited timeframe.

Approach to enhanced due diligence

All clients deemed within the scope of this position statement are reviewed on a case by case basis and subject to enhanced due diligence. These clients are analysed against specific environmental and social risk considerations in addition to the above requirements which include, but are not limited to:

- I. Adherence to local and national environmental regulation and standards and industry best practice.
- II. Adherence to the Equator Principles (if a project finance or credit transaction is deemed in scope) and relevant IFC Performance Standards.
- III. Management of direct environmental issues including deforestation, biodiversity protection, and impacts on protected areas such as World Heritage Sites and Ramsar Wetlands.
- IV. Management of haze and fire risks, as specified in the ABS Haze Diagnostics Kit.
- V. Impact on local communities and adoption of the "free prior and informed consent" (FPIC) principle, in particular when considering impacts on indigenous peoples.

Referral and escalation procedure

Our approach is that all client relationships that are deemed in scope will be subject to enhanced due diligence by the Banking and Sustainability teams. Where companies and transactions are considered at risk of not meeting the above criteria or that pose a material reputational risk, these are then escalated to the appropriate business unit Transaction Review Committee or Forum, the appropriate business unit Risk Committee and, if required, the Group Risk Committee, and the Barclays PLC/Barclays Bank PLC Board for final decision.

In line with our commitment to the Soft Commodities Compact and its aim of incentivising and supporting sustainable industry practices, we prefer to engage with existing clients who do not yet meet these requirements but who are willing and able to do so within a limited timeframe. However, in cases where clients are unable or unwilling to comply or agree to an action plan to address identified gaps, we will seek to exit the relationship taking into account existing contractual agreements.

¹ **Drivers of Deforestation and Forest Degradation: A Synthesis Report for REDD+ Policymakers** (G. Kissinger, M. Herold, V. De Sy, 2012), available at: https://www.forestcarbonpartnership.org/sites/fcp/files/DriversOfDeforestation.pdf_N_S.pdf

² **New York Declaration on Forests**, available at <http://forestdeclaration.org/about/>

³ **Soft Commodities Compact** overview is available at <https://www.cisl.cam.ac.uk/business-action/sustainable-finance/banking-environment-initiative/programme/sustainable-agri-supply-chains/soft-commodities>

⁴ **ABS Guidelines for Responsible Financing**, available at <https://www.abs.org.sg/docs/library/responsible-finance-guidelines-version-1-1.pdf>

⁵ **Haze Diagnostic Toolkit**, available at <https://abs.org.sg/docs/library/haze-diagnostic-kit-version-1-1.pdf>

⁶ **High Deforestation Risk Countries:** Argentina, 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, Paraguay, Papua New Guinea, Peru, Republic of Congo, Russia, Solomon Islands, Thailand, Uganda, Vietnam.

⁷ This includes other credible certification schemes that are comparable to FSC certification; primarily national schemes endorsed by the Programme for the Endorsement of Forest Certification (PEFC).

⁸ This includes other credible certification schemes that cover the deforestation and biodiversity considerations addressed in the RTRS standard, such as the International Sustainability & Carbon Certification (ISCC) or Basel Criteria for Responsible Soy Production (BCRSP).

⁹ For palm oil companies, the 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 will be determined on a case by case basis.