

HSBC: FOSSIL FUEL FUNDING

1 ISSUE

Climate change is a major risk to global society, and by implication to investors.

The bulk of our engagement on climate change concentrates on companies involved in the direct extraction and use of fossil fuels. However, through financing other companies and activities, financial companies can either enable or hinder the transition to net zero.

2 PROCESS

In early 2021 we were part of an investor group led by ShareAction, a charity that promotes responsible investment. This group decided to file a resolution at HSBC's AGM, taking issue with the fact that its policies on financing companies weren't aligned with the Paris Agreement's goal of limiting global warming to 1.5°C.

The resolution was formally filed, but in negotiation with the company, we noted several proposals and commitments by HSBC that prompted the investor group to withdraw its resolution. At the AGM, HSBC proposed that the bank would publish and implement a policy to phase out the financing of coal-fired power and thermal coal mining by 2030 in EU/OECD markets, and by 2040 in other markets. Shareholders agreed to this.

We kept up dialogue with the company, whose formal coal phase-out policy was made public in December 2021. Throughout 2022, via our partners in the ShareAction engagement, we met with the company to encourage greater progress on phasing out financial support not just for coal but for other fossil fuels too.

3 OUTCOME

In October 2022, the bank presented its oil and gas policy to ShareAction and representatives of the ShareAction investor group. This group provided detailed feedback.

In December 2022, HSBC made a very significant public commitment: for the oil and gas sector, the bank would "no longer provide new lending or capital markets finance for the specific purpose of projects pertaining to new oil and gas fields and related infrastructure when the primary use is in conjunction with new fields."

This makes HSBC the biggest bank to exclude direct support to new oil and gas fields, as aligned with scientific consensus on how best to achieve the Paris goals.

HSBC BECOMES BIGGEST BANK TO EXCLUDE DIRECT SUPPORT TO NEW OIL AND GAS FIELDS