



HSBC Holdings plc

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EnvironmentEOS

HSBC Holdings is one of the world's largest banking and financial-services companies, with a significant presence in the majority of developed and emerging economies.

Background

In the last few years, we have engaged with many global financial institutions to ensure the development of strong climate strategies and policies, in line with the goals of the 2015 Paris Agreement. Most recently, we had a successful engagement with HSBC on its sustainable-finance agenda, focusing particularly on its efforts to support the transition to a low-carbon economy, and on its climate-related disclosures.

Our engagement

In a meeting with the new chair, we commended the work undertaken by the bank's internal climate-change centre. However, we specified that the bank could be more explicit when disclosing its exposures to the risks from climate change. We also proposed that it should have long-term, sustainable finance objectives and update its sustainability risk policies. In addition, we urged the bank to demonstrate its commitment to best practice by reporting in line with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

Following this meeting, the bank's sustainability director asked us to provide further input to the review of HSBC's energy policy. We provided feedback in terms of scope, prohibitions and specific actions with regard to the financing of coal-fired power plants. We also reiterated the need to state a lending ambition regarding renewables.

We also participated in a collaborative investor initiative on climate change within the banking sector at this time. In a letter to the world's largest banks, we called for enhanced disclosure of the climate-change-related risks and opportunities facing financial institutions, and how these are managed. Although TCFD has recently introduced new standards and expectations in this space, adherence to these is voluntary and progress depends on investors pressing for action.

Changes at the company

We have seen significant progress at HSBC, in the course of our engagement. In November 2017 the board updated the bank's sustainability strategy with five new commitments, to

support the transition to a low-carbon economy. It has agreed to intensify its support for clean-energy and low-carbon technologies, as well as for projects that support the implementation of the UN's Sustainable Development Goals.

The bank pledges to provide \$100bn in sustainable financing and investment by 2025, source 100% of its electricity from renewable sources by 2030 and reduce its exposure to thermal coal, while also managing the transition path for other high-carbon sectors. In addition, HSBC has adopted the recommendations of the TCFD – with the first disclosures reported in its 2017 annual report. It also continues to lead and shape the debate around sustainable finance and investment.

We are encouraged by the changes in its new energy policy too, particularly where we had advocated further strengthening of the policy with regard to the financing of new coal-fired power plants and inclusion of other 'sensitive' areas, including oil-sands projects and Arctic offshore-drilling projects.

HSBC has now decided to stop financing new coal-fired power in all countries apart from Bangladesh, Indonesia and Vietnam, to appropriately balance local humanitarian needs with the need to transition to a low-carbon economy. In addition, the bank has pledged not to provide financial services for new offshore oil and gas projects in the Arctic and a new greenfield oil-sands project.

We will continue to engage with the bank to monitor progress against its new five sustainable finance commitments.