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A detailed analysis of HSBC's net zero ambition

On 9 October 2020, HSBC pledged to "reduce financed emissions from [its] portfolio of customers to net zero by 2050 or sooner, in line with the goals of the Paris Agreement[i]".

2020 has been a significant year for the climate crisis, with Australia suffering some of its worst wildfires in its history[ii], a fifth of the world's countries found to be at risk of their ecosystems collapsing[iii], and Greenland losing ice at its fastest rate in 12,000 years[iv].

This briefing analyses the five pillars of HSBC's new net zero ambition outlined in HSBC Chief Executive Noel Quinn's letter to customers. Whilst an encouraging step, this briefing argues that HSBC's new climate strategy lacks detail. In particular, it fails to mention the bank's financing of the fossil fuel industry. The briefing ends with a list of recommended questions for investors interested in engaging with HSBC on its climate strategy.

Commitment 1

> "HSBC will work with its clients to **reduce carbon emissions from its portfolio of customers to net zero by 2050 or sooner, in line with the Paris Agreement goal.** To make sure it stays on track, the bank will communicate its progress regularly in line with the Taskforce on Climate-Related Financial Disclosure, and ask its clients to do the same".

HSBC had already pledged to support governments in achieving the goals of the Paris Agreement as early as 2015[v]. However, it is encouraging to see the bank commit to achieving net zero in its own operations and supply chains by 2030 and most importantly, take responsibility for its financed emissions by becoming a net zero bank by 2050 at the latest. HSBC committed to work with "peers, central banks and industry bodies" to develop a consistent, future-proofed standard to measure financed emissions. A group of European and North American banks, such as Citibank, Lloyds Banking Group, Morgan Stanley and Natwest Group, have recently joined the Partnership for Carbon-Related Accounting Financials (PCAF)[1], an industry-led partnership that aims to do just that – i.e. to develop and implement a harmonized approach to assess and disclose the greenhouse gas emissions associated with their loans and investments.

To be credible, HSBC's ambition to be a net-zero bank by 2050 at the latest must be backed by credible short- and medium- decarbonisation targets. The IPCC Special Report on 1.5 ºC

1 See here for a full breakdown of signatories to the initiative: https://carbonaccountingfinancials.com/financial-institutions-taking-action#overview-of-institutions

finds that limiting global warming to 1.5ºC would require global net human-caused emissions of CO2 to fall by ~45 per cent from 2010 levels by 2030, reaching net zero by ~2050. Given the bank's commitment to be a net zero bank by 2050, its decarbonisation targets need to be commensurate with the target recommended by the IPCC. Scientists at Imperial College and the University of Leeds have found that meeting the 1.5ºC target would require immediate phase-out of current fossil fuel infrastructure[vi]. Their study highlights the risk of carbon lock in – i.e. that investments made today commits us to a certain amount of warming. For example, it notes that a new coal plant will emit CO_2 for roughly 40 years across its lifecycle.

HSBC commits to using the Paris Agreement Capital Transition Assessment Tool (PACTA) to develop clear, measurable pathways to net zero. While PACTA may help answering questions on sectoral portfolio compositions, and give important insights about what the technology mixes of the future might look like, it does not in itself do the work that HSBC has to do: make difficult decarbonisation decisions. This is especially the case as PACTA is sector-focused, and focuses on carbon intensities. Sector-based approaches to decarbonisation are important, but present a number of risks:

- Portfolio level intensity targets could allow banks to offset investments in brown by investing in green projects - at least in the short to medium term. For example, an expansion of lending to renewable energy companies, whilst continuing to finance coal reliant companies, could result in a drop in portfolio carbon intensity that is Paris aligned, even if the coal reliant company is out of step with the Paris goals.

- Even if absolute targets are introduced, these do not preclude investments in the most polluting sources of energy or the infrastructure that supports it (e.g. new tar sands pipelines), which lasts for decades. It only caps the total carbon emissions embedded in the bank's financing of a specific sector.

For this reason, sectoral approaches to decarbonisation need to be complemented by robust energy policies preventing financing of the most polluting companies and projects. Arguments that terminating a particular financing relationship might not result in real world impact, because the company might receive financing elsewhere, are unsatisfactory. Firstly, because HSBC first and foremost needs to be concerned with the decarbonisation of its own balance sheet, and real-world impact will become evident once other banks follow. Secondly, because coal executives have already reported struggling to access finance partly as a result of global banks curbing their financing of the sector[vii] [viii].

Given the bank's early endorsement of the Science Based Targets initiative (SBTi), which uses 1.5ºC scenarios developed by the IPCC, it is surprising that the SBTI was nowhere to be seen in its net zero announcement.

Finally, HSBC notes that: "This is a statement of ambition and we are very clear that we do not have all the answers." Decarbonising a global bank is complex. However, investors should question why the bank has made a statement of ambition, and not a statement of commitment. In the context of Barclays enshrining its net zero commitment in law via a shareholder resolution, HSBC's announcement that it has an ambition to become net zero is out of step with some of its peers.

Commitment 2

> "HSBC will work with its customers to develop tailored solutions to reduce emissions. HSBC's ambition is to support customers with between **US$750 billion and US$1 trillion of finance and investment by 2030** to help with their transition and apply a climate lens to its financing decisions."

The OECD estimates that US$6.9 trillion a year is required up to 2030 to meet climate and development objectives. It notes that financial actors such as banks will have a crucial role to play in meeting these objectives – both in their own right and as a part of the broader financial system[ix].

It is thus excellent to see HSBC upping its ambition regarding the low-carbon transition. The bank also committed to setting up a "dedicated unit and tailored proposition to support CleanTech innovation companies, and target US$100 million of investment in CleanTech within our technology venture debt fund" as well as launching a "philanthropic programme to donate US$100 million to scale climate innovation ventures, renewable energy, and nature-based solutions between now and 2025". The bank will also lead the FAST-Infra initiative to drive investment in sustainable infrastructure, working with the OECD and the World Bank Group.

These commitments nicely build on the bank's positive reputation for its sustainable finance investments, although it is slightly unclear whether they replace or complement the bank's sustainable finance target of US$100 billion by 2025.

Furthermore, it remains unclear how HSBC plans to support its customers to develop tailored solutions and reduce their emissions. Whilst a welcome commitment, HSBC should make clear that it expects its clients to reduce emissions in line with the 1.5 ºC goal of the Paris agreement. At present, the bank only commits to "encourage its clients to [make regular, transparent disclosures to communicate progress in line with the Taskforce on Climate-Related Financial Disclosures guidelines]". Yet this strategy is likely to be insufficient to get its customers to align their business model with the Paris climate goals. The bank should also outline its decarbonisation expectations per sector and publish an engagement policy with clear objectives and timelines as well as a clear escalation process. This is discussed in more detail in the section below.

Commitment 3

> "We've established a dedicated **Environmental, Social and Governance (ESG) Solutions Unit** to lead our engagement with clients and launch new products and asset classes."

HSBC's commitment to launch an ESG solutions unit to lead its engagement with clients is welcome. This was identified as an area that requires further attention from banks by ShareAction's 2020 banking survey. It found that whilst all surveyed banks claimed to engage with some clients operating in the sectors most exposed to climate-related risks on 1.5°C alignment, only 25 per cent had set clear climate-related objectives and timelines for clients. Furthermore, only 20 per cent outline what the consequences are if clients do not meet the objectives, and state that this could include ending the provision of financing and all other services. No bank includes details on this in loan covenants[x].

Engagement is especially important with clients operating in harder to abate sectors, such as the cement[2], steel, and plastics sectors. Analysis of Eikon data suggests that 70 per cent of multi-lateral financing for these sectors comes via syndicated loans, opening up a clear opportunity of more targeted engagement by investors on how banks are financing and engaging with these companies on decarbonisation.

Banks also have a key role to play to decarbonise carbon-intensive sectors such as the shipping sector. Indeed, research by ShareAction has found that the shipping sector will form a small proportion of global banks' overall loan books, but that due to the carbon-intensive nature of the sector, it cannot be ignored. Doing so would present both climate and economic benefits. For example, ShareAction found that energy efficient ships do not just reduce carbon emissions but also have a higher resale value, allowing companies to better repay bank debts in the event of default. This is important given the industry's surplus of ships and rising debt levels[xi]. Banks interested in decarbonising their shipping portfolios have signed up to the Poseidon Principles. HSBC has not yet joined the Poseidon Principles.

Engagement will need to be combined with phase out for it to be a credible strategy – and for HSBC to be able to meet its climate ambition. For example, it is becoming standard practice amongst HSBC's European peers to institute phase-out and engagement policies for the coal industry. For example, Crédit Mutuel Alliance Fédérale will cease to work with businesses that either produce over 10MT of coal a year, have over 5GW of installed coal-fired capacity, derive over 20 per cent of their revenue from coal or have an energy mix in which coal contributes over 20 per cent. The bank will also cease financing coal energy

2 For more information on the decarbonisation of the cement sector, and a list of recommended questions for banks and investors interested to engage with cement companies on decarbonisation, see here: https://shareaction.org/wp-content/uploads/2019/10/CementBriefingForInvestors.pdf

by 2030. It has urged its remaining clients to publish by 2021, showing how they plan to close down all coal assets by 2030[xii]. Similarly, BNP Paribas has committed to phase-out its exposure to the coal mining and power sector in the EU/OECD by 2030 and worldwide by 2040. BNP Paribas will not provide any financial products or services to mining entities that belong to groups that produce more than 10Mt of thermal coal per year, companies that generate more than 20 per cent of their revenues from coal, or to coal infrastructure developers. It has asked its coal clients –i.e. clients planning new coal capacities and/or having no exit strategy- to publish an exit plan aligned by the end of 2021, aligned with BNP's coal phase out timelines[xiii xiv].

The exclusion thresholds and timelines for exiting coal used and set by HSBC's peers suggest they believe that utility companies that are highly exposed to and reliant on coal will struggle to transition away from their primary business on a timeline aligned with the Paris agreement.

Commitment 4

> "HSBC will significantly expand its portfolio of transition finance solutions to help decarbonise the most emissions-intensive sectors, while ensuring a just and stable transition to maintain economic stability."

ShareAction welcomes HSBC building out its portfolio of transition finance solutions and its support for the Just Transition. The Paris Agreement is clear about the need to "[take] into account the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities". Investors are increasingly recognising the strategic significance of the just transition, as more than 161 institutions representing US$10.2 trillion have now expressed support for the just transition[xv]. HSBC should outline a clear institutional strategy for how the bank's climate strategy will help make the economy more resilient, more inclusive and more regionally balanced. The LSE's Grantham Research Institute on Climate Change and the Environment recommends that banks interested in embedding the just transition across banking operations "outline a clear institutional action plan for how the bank plans to operationalise the just transition. This should cover culture, governance, risk, opportunity, compliance and the treatment of customers. The strategy should identify clear financial targets and be accompanied by training and awareness-raising among staff. Milestones and metrics can then link progress against targets to financially reward and remunerate bank employees, including senior executives[xvi]".

However, the bank must provide time bound targets that outline how and when it will phase out its exposure to high-carbon sectors, acting as a guide for the transition process. As outlined by the LSE Grantham Institute, must work closely with policymakers and their clients to develop appropriate products.

This will send clear signals to HSBC's clients and to policymakers, that the bank is serious about aligning its business model with the Paris climate goals and fostering the just transition.

Commitment 5

> "HSBC will develop ways to finance the management of natural environments, and invest in activities that preserve, protect and enhance nature over the long-term. The bank will invest **US$100 million in clean technology** through a dedicated venture debt fund, and l**aunch a US$100 million philanthropic programme** to help scale climate innovation."

ShareAction welcomes HSBC's new focus on natural capital and the launch of its joint venture called HSBC Pollination Climate asset management, particularly in light of the findings of WWF and the Zoological Society of London's Living Planet Report 2020[xvii]. The report, one of the most comprehensive assessments of global biodiversity available, found that global populations of mammals, birds, fish, amphibians and reptiles plunged by 68 per cent between 1970 and 2016, increasing by 8 per cent over just two years. HSBC should clarify how its new focus on natural capital will tie into the bank's plans to support companies' transitions, especially in relation to meat producers, which are most responsible for land-use change and biodiversity loss.

For example, HSBC analysts recently raised the alarm over the potential risks of investing in JBS, the world's biggest meat company, as it has "has no vision, action plan, timeline, technology or solution" for monitoring and reducing deforestation in its cattle supply-chains. HSBC analysts said they had asked the company "multiple times" about its plan to address deforestation but appeared to be unsatisfied, leading them to conclude that "the pressure is on JBS[xviii]". Yet it still recommended investors buy JBS stock for "its debt reduction story, diverse portfolio of proteins, geographic footprint, leadership in the industry and scale". It is currently unclear whether the bank's new approach to nature will impact its engagements with companies like JBS.

The elephant in the room: HSBC's financing of the fossil fuel industry

HSBC is Europe's second largest financier of fossil fuels, after Barclays, according to the Rainforest Action Network[xix]. Since the signing of the Paris Agreement, HSBC has provided US$87 billion in financing to top fossil fuel companies. Between 2017 and Q3 2019 it also provided nearly US$8 billion in loans and underwriting to 29 companies that are developing coal plants[xx].

Last year a group of investors – representing more than US$1 trillion in assets – sent a letter to HSBC's then-CEO asking it to cease financing to companies that are highly dependent on coal mining or power[xxi]. The group included Schroders, Hermes EOS and Edentree Investment Management. So far, the bank has only implemented one of the asks made in the letter, when it closed the loophole in its coal project finance policy, which still allowed the bank to continue financing coal power projects in Bangladesh, Vietnam and Indonesia[xxii].

Commenting on HSBC's net zero announcement, a number of mainstream investors raised concerns about the bank's omission of its exposure to the fossil fuel industry, especially coal. Indeed, the Director of Responsible Investment at BMO Global Asset Management commented that "Whilst HSBC's announcement is detailed when it comes to pledges to provide Paris aligned finance to clients, we still need more information on what they won't do anymore. I'm particularly thinking of their coal portfolio. With HSBC's large presence in Asia, it will be most interesting to see what it means for the regional extractives' portfolio[xxiii]." The global head of governance and stewardship at Aviva Investors, said: "This is a positive step and should support the bank's leadership ambition in sustainable finance. (…) The acid test will be how the bank translates this ambition into a clear road map for its lending book, with a particular focus on its evolving position on coal[xxiv]." Edentree Investment Management agreed: "A net-zero target for a global bank like HSBC is a positive, but any net zero target should start with focusing on ceasing financing of fossil fuel projects and other environmentally destructive industries, thus avoiding and reducing emissions rather than merely seeking to compensate or offset financed emissions. It is not yet clear which option HSBC will favour and whether avoiding fossil fuel financing will be a key part of this commitment. The statement today still leaves many questions unanswered[xxv]."

These investors are right to be worried. The bank has so far been reluctant to curb its financing of the fossil fuel industry. Indeed, only weeks before its announcement, HSBC participated in the US$400 million financing for the construction of a FPSO, a type of oil and gas production and storage facility. Furthermore, in the 12 months preceding HSBC's announcement, the bank has provided financing to a number of companies heavily exposed to the fossil fuel sector and/or known for lobbying against policy-making on climate change. This section looks at HSBC's recent provision of financial services to a selection of these companies, namely:

- Korea Electric Power Corporation (KEPCO) and CEZ– two utilities highly dependent on coal and/or working to expand the coal-related infrastructure

- Enbridge & Transcanada Pipelines Ltd (now TC Energy) – two companies that are working to expand tar sands infrastructure

- ExxonMobil, Saudi Aramco and BP – three of the companies that have discovered the most reserves since the Paris agreement

1. Korea Electric Power Corporation (KEPCO)

KEPCO is the largest electric utility in South Korea, being responsible for 93 per cent of Korea's electricity generation. KEPCO's coal capacity represents 40 per cent of its total operating capacity[xxvi].

In recent years, KEPCO has been tapping into a US$3.5 billion project financing to build the Jawa 9 and 10 coal-fired power plants near Jakarta, Indonesia. The state-run Korea Development Institute (KDI) found that KEPCO's US$51 million investment into the project would lead to a US$7 million loss for KEPCO[xxvii]. Furthermore, earlier this month, the board of KEPCO decided to spend US$189 million on a 40 per cent stake in the proposed 1,200 MW Vung Ang 2 coal power project in the Ha Tinh province of Vietnam. According to Climate Change news, the move sparked instant criticism from the UK team in charge of next year's UN climate talks[xxviii]. Nigel Topping, who leads on private sector engagement and outreach for Cop26, tweeted: "This will be bad for climate, soon become a stranded asset, waste [South Korean] taxpayer's money and badly damage [the] reputation of all players[xxix]." John Murton, the British Cop26 envoy tweeted: "Why lose money building new coal that makes tackling climate change harder[xxx]?" In May 2020, Japanese NGOs submitted a petition, signed by 127 organisations from 40 different countries, calling for the cancellation of Vung Ang II[xxxi]. This followed an assessment by the Environmental Law Alliance Worldwide, which found that the Environmental Impact Assessment for Vung Ang 2 did not align with international standards[xxxii].

Global investors including Blackrock[xxxiii], Legal & General Investment Management[xxxiv], APG and the Church Commissioners for England[xxxv] have urged Kepco to drop overseas coal power projects, citing financial and environmental concerns. "The global financial market is turning its back from the coal-fired power sector…The Kepco chief executive and board members should understand that each of them must be held accountable for their decisions," APG said. In a separate article, LGIM said that: "Building new coal plants is fundamentally at odds with the path that scientists tell us we need to be on to avoid dangerous climate change, and it is increasingly at odds with market trends." Norges added Kepco to its exclusion list in 2017 because the utility did not meet its coal requirements[xxxvi].

Carbon Tracker found that KEPCO was not on track to align its coal power generation activities with the temperature goal of the Paris Agreement. KEPCO has targeted an 18 per cent reduction in coal capacity by 2030 from a baseline level of 29 per cent in 2018, including 4.7 GW of coal capacity retirement. KEPCO, together with Independent Power Producers (IPP), expect to triple combined renewable energy capacity. However, KEPCO also expects to increase its purchase of thermal power produced by IPPs by almost 60 per cent by 2030. Therefore, KEPCO's coal phase out plan is inconsistent with the need to retire all coal in non-OECD countries by 2040[xxxvii].

Furthermore, Carbon Tracker's analysis shows that it will be cheaper for KEPCO to build new utility-scale solar PV or onshore wind than to operate existing coal plants by 2023 in South

Korea, today in Philippines, by 2022 in Vietnam, today in Australia and today in Indonesia, meaning that continuing to operate existing coal plants is likely a high-cost and therefore an increasingly high-risk option[xxxviii].

Yet, KEPCO has received financing from HSBC in the last 12 months. In particular, HSBC Holdings was one of three joint bookrunners on KEPCO's cUS$500 million bond issuance on 7 June 2020. JPMorgan Chase and Citi were the two other lead left bookrunners.

HSBC has also been supporting coal utilities in Europe. For example, according to Eikon, it was one of five bookrunners for bonds worth cUS$820 million issued by CEZ on 21 November 2019, alongside Barclays, Citi, Deutsche Bank and BNP Paribas SA. CEZ is one of the EU's most coal polluting utilities[xxxix]. Coal represents 45 per cent of CEZ's total operating capacity and 39% of its generation. Yet its coal mining share of revenues is 2 per cent and overall coal revenues are less than 20 per cent of total revenues. CEZ is also planning a new CHP lignite unit, which should come online in 2022. This suggests that purely revenue-based coal exclusion policies will fail to screen out some of the worst coal polluters. HSBC's metals and mining policy prevents HSBC from providing financial services for new customers dependent on coal mining, which is defined as "the relevant turnover of the mine-owning legal entity exceeds 50 per cent of total turnover[xl]". This policy only applies to new customers and is purely revenue-based, minimising its impact. HSBC does not have any financing restrictions for companies highly dependent on thermal coal or developing new coal-related infrastructure.

2. Enbridge

Data from Eikon suggests that HSBC was a co-manager for the issuance of bonds worth cUS$950 million and US$1,000 million by Enbridge on 7 May 2020 and 5 July 2020, respectively. Enbridge is North America's largest energy infrastructure company. According to RAN, the company has a long track record of oil spills and Indigenous rights violations[xli]. Enbridge is currently building a new Line 3 Replacement pipeline which would be the company's largest project in its entire history, and one of the largest crude oil pipelines in the world, carrying up to 915,000 barrels per day of tar sands crude – one of the dirtiest fuels on earth[xlii]. Tar sands, or oil sands, are amongst the most carbon-intensive and environmentally destructive fossil fuels. The unchecked growth of tar sands development, one of the most carbon intensive sources of energy in the world, would see emissions from Canadian oil exhaust 16 per cent of the world's total carbon budget for staying below 1.5°C, or seven per cent of the 2°C budget[xliii]. Carbon Tracker recently found that no new oil sands project fit within a Paris compliant world[xliv].

The opposition group "Stop Line 3" affirm that the project is opposed by tribal nations and indigenous people in the path of the project, which makes the proposal to build a new Line 3 a violation of the fundamental principles of sovereignty - the right to self-determination and self-government guaranteed to tribal nations by the US Constitution and affirmed repeatedly by the US Supreme Court. This suggests that the UN principle of Free, Prior and

Informed Consent is not being upheld, and that Enbridge might not act in line with HSBC's own human rights policy and endorsement of the Equator Principles.

HSBC was also a mandated lead arranger for the provision of general corporate financing worth c.US$5,500 million to Transcanada Pipelines Ltd (now TC Energy) on 13 December 2019. Transcanada is the company behind the Keystone XL pipeline that would ship heavy crude from Canada's oil sands to refineries on the Texas Gulf Coast. For almost a decade, a coalition of First Nations, ranchers and farmers, environmentalists, youth fighting for their future and people from all walks of life resisted the construction of the 1,179-mile pipeline that would flow 830,000 barrels of oil a day. This ultimately led President Obama to reject the pipeline, although President Trump has since issued an executive order to unblock the construction of the Keystone XL pipeline[xlv]. The US Supreme Court has since upheld President Trump's order[xlvi].

HSBC's current oil sands policy prevents the bank from providing financial services for new greenfield oil sands projects, and companies where the majority of such lending is to be used for new greenfield oil sands projects or if the majority of such lending is to be used for new pipelines dedicated to the oil sands sector[xlvii]. HSBC can however continue to finance expansion, which are the most likely developments to go ahead in the near future. They can also continue to finance diversified companies that raise general corporate funding and do not implicitly allocate this funding to oil sands.

3. ExxonMobil

In its latest Banking on Climate Change report published in February 2020, RAN identified JPMorgan Chase, HSBC, and Citi as the largest supporters of companies that have discovered the most reserves since the Paris agreement – such as ExxonMobil, Saudi Aramco and BP. All of these companies have received financing from HSBC in the last 12 months. Oil and gas companies, particularly in Europe, have started responding to investor concerns with net-zero ambitions and increased responsibility for Scope 3 emissions. In contrast, ExxonMobil does not even report its Scope 3 product emissions as they are a "function of demand" and are "not within its direct control", both outdated arguments in the oil and gas industry[xlviii]. Carbon Tracker's latest report found that up to 80-90 per cent of ExxonMobil's BAU projects are inconsistent with 1.6C pathway[xlix]. The US oil major is also well-known for its role spreading disinformation and lobbying against the implementation of sensible climate policy[l]. ExxonMobil has been accused by investors of refusing to engage meaningfully with the CA100+ initiative and blocking shareholder proposals on climate change from being voted on[li].

In October 2020, Bloomberg News reported that Exxon had plans –before the Covid-19 pandemic- to increase annual carbon-dioxide emissions by as much as the output of the

entire nation of Greece. If ExxonMobil's plans are realized, the US oil major would add to the atmosphere the annual emissions of a small, developed nation, or 26 coal-fired power plants. Exxon officials responded to the story by saying the company's projections were "a preliminary internal assessment" and "have significantly changed" since the documents were circulated earlier this year. However, ExxonMobil has so far declined to provide any details about the new figures[lii].

Investors have long expressed concerns about ExxonMobil's climate strategy – or lack thereof. LGIM said it had "significant concerns about ExxonMobil's approach to climate change, political lobbying and board independence." This led the asset manager to vote against Exxon's board chair at the company's 2020 AGM[liii]. Earlier this month, the Church of England Pensions Board sold all its holdings of ExxonMobil because the oil giant failed to set goals to reduce emissions produced by its customers[liv].

ExxonMobil is a clear case of a company refusing to take meaningful action on climate change, and repeatedly obstruct efforts to engage with the company on its approach to tackling climate risk. Yet HSBC joined Morgan Stanley, Barclays, Societe Generale, Deutsche Bank, JP Morgan Chase, BankAmerica Corp and Citibank in providing general corporate financing worth US$10,000 million to the US oil major as recently as August 2020. HSBC was also one of the joint bookrunners on two bonds ($5bn on 22/6/2020 and $9.6bn on 12/4/2020) and a co-manager on another bond ($8.5bn on 17/3/2020) to ExxonMobil, according to Eikon

Recommendations for investors

Given the above, we recommend investors ask HSBC:

- Does HSBC plan to publish a clear engagement policy outlining the bank's expectations for its clients per sector, and its strategy and timeline for escalating engagement with companies that have failed to develop transition plans that are commensurate with its ambitions?

- Does HSBC plan to strengthen its energy policy by the end of the financial year? If not, how does HSBC expect to meet the goals of the Paris Agreement without directly addressing its exposure to fossil fuels?

- Does HSBC plan to publish phase out targets for its provision of financial services to energy and utility companies that are not aligned with the Paris climate goals?

- Are the figures outlined in the bank's transition finance ambition separate from its 2025 sustainable finance commitments?

- Will the bank set out interim decarbonisation targets that give additional structure and clarity to its net-zero ambition and facilitate a stable and just transition?

- How will the bank balance its new commitments to sustaining and developing natural capital with its relationships to companies that are highly exposed to deforestation in their supply chains?

- Will the bank follow the lead of Barclays and make a formal and binding commitment to its net zero goals?

- Does the bank plan to join PCAF, the Poseidon Principles or the Collective Commitment to Climate Action?

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