

Mr. Noel Quinn  
Group Chief Executive  
HSBC  
8 Canada Square  
London  
E14 5HQ

**Thursday 8 December 2022**

Dear Mr. Quinn,

I am writing to share ShareAction's 2022 banking survey '**In Planetary Debt? An Assessment of the 25 largest European banks' biodiversity and climate strategies**'. We are extremely grateful for your contribution to our report and for all the positive engagement we have had this year with HSBC.

With COP27 now behind us and little progress made, we need the financial sector to lead the way if we are to reach the Paris climate goal net-zero by 2050. Banks have the opportunity to play a critical role by reducing the financing of harmful activities and increasing the finance to low-carbon alternatives.

The report assesses the themes critical to achieving net zero by 2050 and ranked banks based on the performance of their policies. We also highlight leading practice and call out banks whose policies are falling behind their peers.

Our research shows that Europe's largest banks are not yet doing enough to address the twin crises of climate change and biodiversity loss. This exposes banks to risks which pose a serious threat to future revenue and reputation, as well as posing material risks to our planet and everyone on it. While we recognise that the turbulent economic and political environment this year has created challenges, we urge banks to urgently strengthen their climate change and biodiversity policies.

Based on our analysis, your organisation ranked 8<sup>th</sup> with an overall score of 47% which is equivalent to a B- grade. The climate change section of our questionnaire accounting for two-thirds of the marks. HSBC scored 48% of the points in the climate section and 45% in the biodiversity section. We would like to commend HSBC for featuring in one leading practice case study on stakeholder engagement, for including capital markets activities in its high-carbon disclosures, and setting an absolute oil & gas target that includes all relevant greenhouse gas emissions.

To support you with identifying priorities for 2023, we have outlined three key asks for climate change and one key ask for biodiversity for HSBC which will be the focus of our engagement next year:

- Set a 2030 overarching target to reflect its fair share of absolute emissions reduction across all activities and update sectoral targets to include capital markets activities ahead of its 2023 AGM. Banks should account for the full share of their capital markets activities in their targets.

- Strengthen its oil and gas policy by: (1) Introducing corporate financing restrictions for companies that are highly exposed to unconventional oil & gas (Arctic oil and gas, shale oil and gas, oil sands, and ultra-deepwater). These restrictions should be ratcheted up over time to lead to a phase out and cover companies that have a diversified asset base but remain large unconventional producers or developers. (2) Excluding asset financing to new oil & gas fields, new upstream oil & gas projects and unconventional oil & gas projects including related infrastructure such as pipelines. (3) Publishing a plan by end 2023 to restrict financing for new oil and gas at the corporate level, including a public set of core red lines and decarbonisation expectations for the assessment of the transition plans of oil & gas clients.
- Strengthen thermal coal policy by introducing restrictions for non-OECD coal companies and requiring clients to publish coal phase out plans in line with the bank's own by a specific date.

Biodiversity loss poses material risks to banks and requires urgent action. We encourage HSBC to prioritise taking action on biodiversity loss with the same urgency as climate change and publish a standalone biodiversity strategy ahead of its 2024 AGM.

We are committed to engaging with and supporting HSBC in the development of its policies and targets, and hope that our constructive dialogue will continue throughout 2023. As a next step, the banking team would appreciate the opportunity to present our report to you in the new year. Leyla Arpacioğlu, Engagement Manager (Banks – Climate change and Biodiversity), will be in touch shortly to organise this with you.

I truly wish you and your team a wonderful Christmas break and I'm looking forward to building on our valuable relationship in 2023.

Warm regards,

A handwritten signature in black ink that reads "Catherine Howarth". The signature is written in a cursive, flowing style.

Catherine Howarth

Chief Executive

ShareAction