

# Who pays the price?

## The cost of HSBC's climate damages

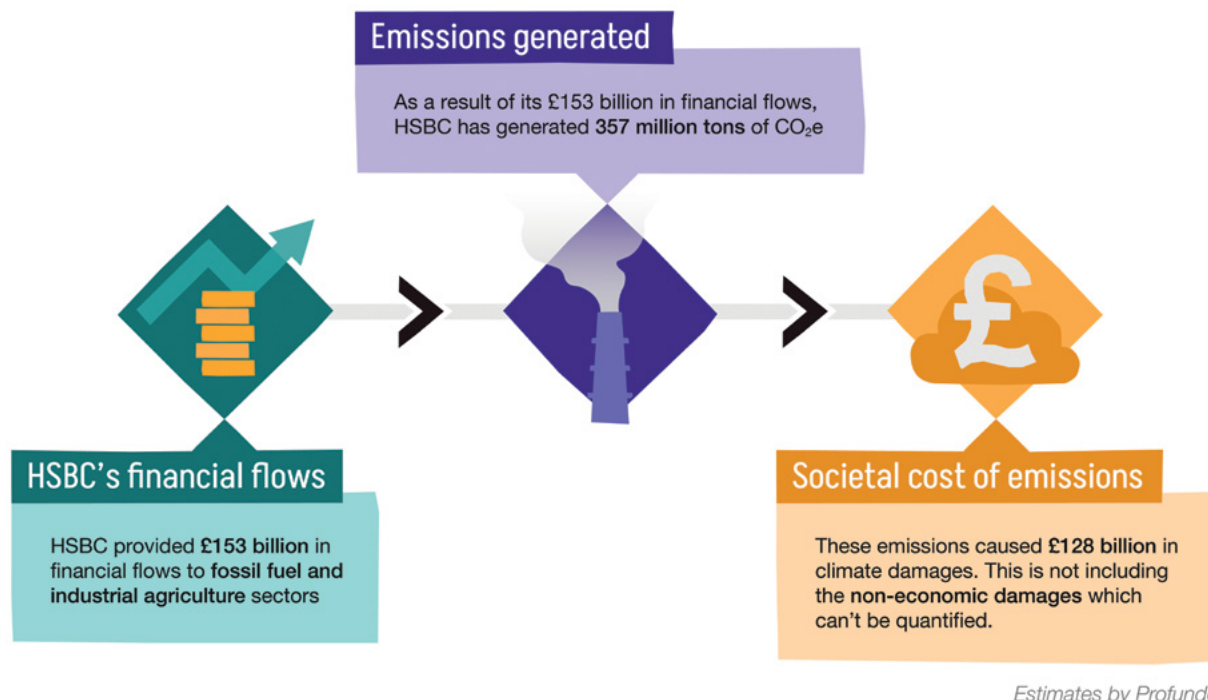
Revealing the real cost of HSBC's funding for fossil fuels and industrial agriculture and the harm it's causing to people and the planet

### Executive Summary

**Revealing the real cost of HSBC's funding for fossil fuels and industrial agriculture and the harm it's causing to people and the planet.**

Year on year, the climate crisis continues to worsen, with disproportionately negative impacts on countries in the Global South that have contributed the least to global emissions. Within these countries, women and girls bear the brunt of these impacts. It has never been more critical for Governments to act to cut emissions and prevent further global heating and destruction. Despite this, a lack of financial sector regulation means private finance continues to flow to the problem, with billions of dollars pumped by banks into climate-harmful industries each year.

Fossil fuels and industrial agriculture are the largest contributors to the climate crisis,<sup>1</sup> yet the financial flows by UK banks to these sectors remains largely unregulated by the UK Government. HSBC, headquartered in the UK, was identified by ActionAid's How the Finance Flows report (2023) as the largest overall financier of agribusiness in the Global South and the largest European financier of fossil fuels in the Global South.<sup>2</sup> The context of this report is HSBC's recent pushback on its climate target by a shocking 20 years,<sup>3</sup> and a broader and dangerous context of both banks and governments rolling back on their climate commitments.



In this new report, ActionAid UK investigates the costs to people and the planet resulting from HSBC's financing of these industries. This research looks at two types of harm caused by HSBC's financing of fossil fuels and industrial agriculture: 1) the quantifiable societal cost of emissions generated by these sectors as a result of HSBC's financing, and 2) the localised impacts on communities, particularly women and girls, of selected extractive projects operated by entities with links to HSBC.

Our research finds that HSBC is financing massive and widespread climate devastation. In the period 2021-2023, this report finds that HSBC provided £153 billion in financial flows to fossil fuel and industrial agriculture sectors. This includes £142 billion in loans and underwriting and £11 billion in investments in bonds and shares. As a result of these financial flows, HSBC has generated 357 million tons of Carbon dioxide equivalent (CO<sub>2</sub>e<sup>i</sup>). This includes 323 million tons as a result of loans and underwriting and 34 million tons from investments.<sup>ii</sup> The societal costs of these emissions are calculated at **£128 billion in climate damages, equivalent to three times HSBC's accumulated net profit in this period.**

HSBC's financial flows to companies active in the Global South is not only resulting in carbon

pumped into the atmosphere; their activities are also causing human rights and environmental harm. **Even in cases where HSBC is not financing harmful extractive projects directly, HSBC continues to finance companies engaged in harmful extractive activities through corporate financing, thereby indirectly financing their projects and allowing these industries to continue.**

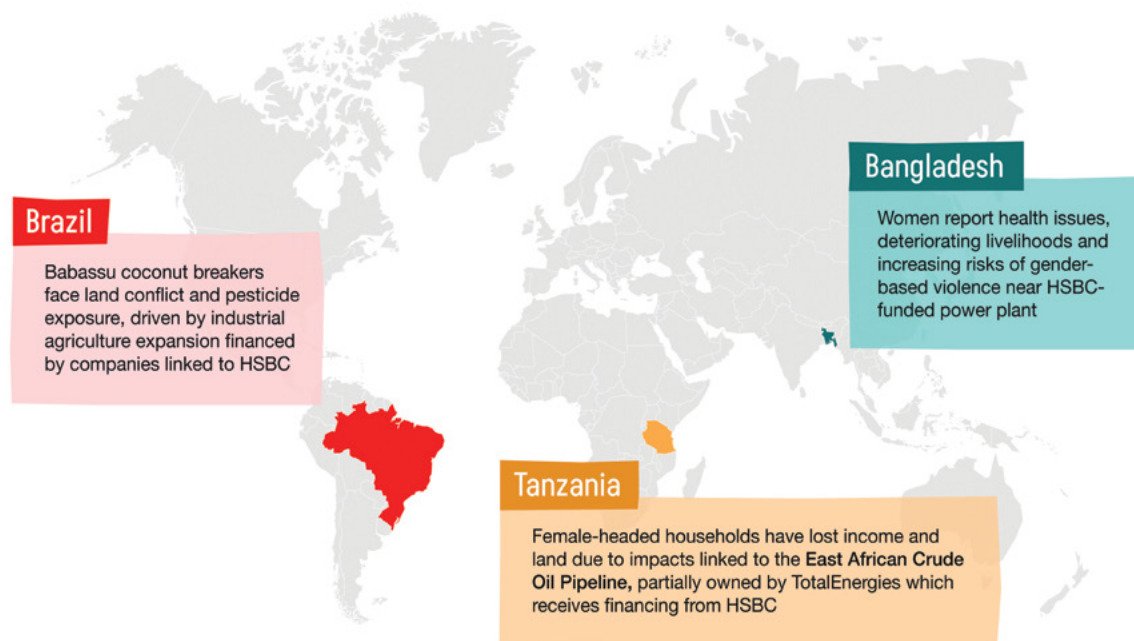
On the one hand, HSBC is directly financing projects with widespread localised harm, including the United Payra Power Ltd (UPPL) Power Plant in Bangladesh, and agribusiness giant Cargill's industrial soy expansion in Brazil. On the other hand, HSBC is providing corporate finance to TotalEnergies, which is indirectly facilitating the East Africa Crude Oil Pipeline (EACOP) in Tanzania. Stories of harm emerge from communities, particularly women and girls, impacted by these extractive projects. These impacts vary from case to case but taken together include deforestation, land grabbing, displacement of communities, risks to loss of biodiversity, violations of rights of indigenous people and local communities, gender-based violence, and pollution leading to health issues.

i. CO<sub>2</sub>e, or carbon dioxide equivalent, is a standardized unit of measurement used to compare the global warming potential of different greenhouse gases. It allows us to express the impact of various gases, like methane and nitrous oxide, in terms of their equivalent impact on the climate compared to carbon dioxide.

ii. As HSBC's reporting only covers investments for 2023, the total financial flows of £153 billion and CO<sub>2</sub>e emissions of 357 million tons for 2021-2023 are an underestimate.



## The **localised impacts** of HSBC's Financial Flows



### **HSBC's policies on fossil fuels, industrial agriculture, and human rights are insufficient in addressing the climate crisis and the direct impacts of these sectors.**

HSBC's policies do not effectively address the extent of its financial flows to the two sectors with the largest contribution to the climate crisis. HSBC's policies also lack the level of safeguarding mechanisms necessary to prevent harming of local communities and provide adequate reporting and response to harm.

The UK regulatory landscape for sustainable finance is highly fragmented, lacking coordination between the various policy bodies and their mandates. Most of the regulations already in place are voluntary, and there does not seem to be a clear legislative hierarchy between these regulations. Ambitious plans to develop a green taxonomy and comprehensive ESG reporting requirements are facing numerous delays and have not been realised yet. Moreover, banks, including HSBC, have lobbied against mandatory green finance requirements for the financial sector.<sup>4</sup> The UK has made clear its ambition to become one of the global centres of sustainable finance. However, in terms of introducing binding legislation that would ensure that the entire

financial sector is aligned with this ambition, it is lagging behind the EU. Neither the UK Taxonomy nor the obligatory transition plans have yet been put forward, and no timeline is available on their finalisation and rollout. **This inadequate regulatory landscape permits UK banks to continue financing fossil fuel and industrial agriculture sectors, fuelling the climate crisis with harmful impacts on women and girls.**

The UK, as a global financial power, has a responsibility to enforce significant changes to our financial systems to accelerate the transition to just and clean economies and societies where the rights of humans and the environment are upheld. The UK government must implement strong legislation and regulation of its financial sector, for which it is ultimately responsible for, to stop the root causes of the climate crisis. Similarly, HSBC must stop financing fossil fuel and harmful industrial agriculture expansion, to prevent further harms. According to the Polluter Pays principle, banks should also be held responsible for their contribution to climate damages, and must pay up for those damages caused to the Global South, who are already paying for those costs, to the detriment of people and planet.

## Recommendations

### Recommendations to UK Government:

- 1) Prohibit financing of fossil fuel expansion projects and harmful industrial agriculture
- 2) Introduce a gender-responsive Business, Human Rights and Environment Act (BHREA)
- 3) Make banks pay their fair share for the damages they cause
- 4) Establish and implement a rights-based, gender responsive UK Green Taxonomy
- 5) Address harmful industrial agriculture in sustainable finance regulations
- 6) Introduce robust disclosure and reporting requirements for greater transparency

### Recommendations to HSBC and other UK-regulated banks:

- 1) Stop financing fossil fuel expansion
- 2) Stop financing of harmful industrial agriculture
- 3) Strengthen human rights and gender due diligence, and ensure access to remedy
- 4) Ensure alignment with the Paris Agreement

Cover photos. Top left: Fire spreads among babassu coconut palm trees in the municipality of Timbiras, within the Alegria/Campestre territory (Lago do Junco, Maranhão, Brazil).

Image: Ruy Sposati/ActionAid/November 2024

Top right: Ikechukwu Julius Ugwu - Unsplash

## References

1. Reys, O., Anderson, T. (2023) How the finance flows. The banks fuelling the climate crisis. ActionAid. Available at: <https://actionaid.org/publications/2023/how-finance-flows-banks-fuelling-climate-crisis>.
2. Ibid.
3. HSBC (2025) Annual Report and Accounts 2024. p 58. Available at: Annual Report and Accounts 2024.
4. LobbyMap, HSBC profile: <https://lobbymax.org/company/HSBC-Holdings-1de7d9c226f74109101a5de37abcc0fc/projectlink/HSBC-in-Climate-Finance-f7397160a89531143e48308fe0898f84>; InfluenceMap (upcoming May 2025).

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