

HSBC Statement on Nature

October 2022

HSBC Statement on Nature

In Brief

Addressing nature loss is an urgent challenge. HSBC plans to focus on the following initiatives as we work to embed nature considerations into our financing decisions:

- ◆ Assessing the materiality of nature loss for HSBC's business activities
- ◆ Mainstreaming nature considerations within our approach to net zero
- ◆ Unlocking finance for nature-positive activities
- ◆ Managing our operational impacts on nature loss and ecosystem services
- ◆ Supporting collective action to help address the drivers of nature loss

Significant collaborative work is needed to measure nature-related impacts and dependencies and develop opportunities to overcome them.

This Statement on Nature aims to provide stakeholders with an overview of our approach and progress, while HSBC works towards a dedicated HSBC Framework for Nature as part of our Climate Transition Plan.

HSBC's Approach

Governments, businesses, communities and civil society face a common threat from dangerous levels of nature loss. To address this, all parties must work together and take collective action to drive the transformative changes needed to halt and reverse nature loss.

Governments will be crucial in setting long-term, stable policies which support the investment decisions needed in the transition to a more nature-based economy. The finance sector can also play a key role in helping to scale-up nature-related finance and reducing the finance flows that harm biodiversity.

In October 2020, HSBC announced its net zero ambition. Transition to Net Zero is now one of our four strategic priorities. We acknowledge that alongside energy transition, halting nature loss is key to achieving net zero by 2050. We are working to build on our longstanding commitment to address nature-related issues and to play our part in reversing nature loss, including working on a new holistic Deforestation Policy aimed at addressing the key commodity and sectoral drivers of deforestation. Our first Sustainability Risk Policy was published in 2004 and covered Forest Land and Forest Products, followed in 2014 by a dedicated policy on World Heritage Sites and Ramsar Wetlands and in 2017 by a policy on Agricultural Commodities. In 2020, HSBC Asset Management and Pollination Group Holdings created Climate Asset Management, with the ambition to grow the world's largest asset management company dedicated to natural capital.

Background

We recognise that nature loss is considered a potentially systemic risk to the global economy and the health of people and planet, with significant macroeconomic implications if not addressed. We also see the potential for major societal and economic benefits in addressing nature loss, including in terms of growth and job creation and emissions reduction.

Selected Initiatives

Protecting and restoring nature is unequivocally part of the journey to net zero and a sustainable future, and we can play a key role in providing and facilitating sustainable finance and investment to support our customers on their journey.

The initiatives provided in this statement represent a sample of the work being undertaken by HSBC. Up-to-date details of our initiatives can be found on our website at www.hsbc.com/our-approach/sustainability, www.gbm.hsbc.com/insights/responsible-business and [Responsible Investing | HSBC Asset Management](#)

1. Assessing the materiality of nature loss¹ for HSBC's business activities

As part of our net zero ambition, we are working to understand our nature-related risk exposure by:

- ◆ Conducting a sample analysis of the level of dependency of large corporate clients on ecosystem services, using the UN ENCORE tool², to assess its materiality for HSBC's loanbook.
- ◆ Stress-testing a sample of Asia-based heavy industry clients to water shortage, using a nature-related stress scenario defined by CISL³ to measure financial resilience.
- ◆ Testing the June 2022 Taskforce on Nature Related Financial Disclosures (TNFD) beta framework and participating in pilots⁴ to test the framework for financial institutions and assess how nature-related risks and opportunities are likely to impact across our risks and sustainable finance frameworks.

¹ TNFD defines Nature loss as "the loss and/or decline of the state of nature. This includes, but is not limited to, the reduction of any aspect of biological diversity e.g. diversity at the genetic, species and ecosystem levels in a particular area through death (including extinction), destruction or manual removal."

² [ENCORE \(naturalcapital.finance\)](#)

³ [Impact of water curtailment on the credit rating of heavy industry – Nature-related financial risk: use case | Cambridge Institute for Sustainability Leadership](#)

⁴ [TNFD Pilots – United Nations Environment – Finance Initiative \(unepfi.org\)](#)

⁵ [Finance sector backs new deforestation data initiative – Global Canopy](#)

2. Mainstreaming nature considerations within our approach to net zero

We have policies that aim to help protect and restore nature as we support our customers in the transition to net zero. Specifically, we have:

- ◆ developed sustainability risk policies designed to restrict financing activities which have a negative impact on nature. These include Forestry and Agricultural Commodities Policies which require customers involved with major deforestation-risk commodities to obtain independent certification of sustainable business operations, such as the requirement for palm oil customers to commit to 'No Deforestation, No Peat and No Exploitation'. While we seek to work with our clients to help ensure their alignment with our policies, we have withdrawn banking services to customers who have not engaged, for example, in meeting our certification requirements.
- ◆ a World Heritage Sites and Ramsar Wetlands Policy which prohibits the financing of any project that threatens the special natural characteristics of these internationally protected areas. Together, these policies mean that HSBC is ranked in the top 10 financial institutions in the Forest 500 report on the approaches of 150 financial institutions⁵.
- ◆ plans to release a new holistic Deforestation Policy informed by scientific and international guidance in 2023, as well as baseline financed emissions and targets for our agriculture portfolio in 2024.

3. Unlocking finance for nature-positive activities

HSBC is leading a number of commercial and philanthropic ventures to test and scale approaches to finance biodiversity and the sustainable nature solutions the global economy needs. Highlights from 2022 include:

- ◆ Launch of HSBC World ESG Biodiversity Screened Equity UCITS which tracks the Euronext ESG Biodiversity Screened Index series which was jointly developed by HSBC, Euronext and Iceberg Data Lab (IDL).
- ◆ Publication of a Global Biodiversity Discretionary Strategy for Global Private Banking services in Asia.
- ◆ Launch of impact funds contributing to the preservation and restoration of natural capital, which includes Climate Asset Management's funds and HSBC GIF Global Equity Circular Economy which invests in companies enabling the transition to a circular global economy by contributing to lowering pressure on natural systems.
- ◆ Publication of two reports⁶ by the Climate Solutions Partnership dedicated to the bankability of nature based solutions (NBS), one addressing the potential barriers and the other the potential success factors. The Climate Solutions Partnership is a five year \$100m philanthropic partnership with WWF and World Resources Institute announced by HSBC in 2020. It aims to remove barriers to the scaling-up of NBS and other climate innovations that protect and restore nature
- ◆ As part of the Climate Solutions Partnership, HSBC signed a multi-year partnership agreement with WWF in Asia, to support the deployment at scale of sustainable and regenerative palm oil, with a focus not only on the main producer countries, but also on Singapore, India and China, which together buy and consume more than a third of all the palm oil produced.

4. Managing our operational impacts on nature loss and ecosystem services

Alongside the ambition to be net zero in our operations, HSBC aims to be a responsible consumer of natural resources. Building on the success of HSBC's existing operational environmental strategy, we are identifying key opportunities to reduce our wider environmental impact by 2030.

As an international organisation, HSBC's branches, offices and data centres may be located in or near areas of water stress and/or protected areas of biodiversity. In 2021, approximately 28% of our offices, branches and data centres were located in areas currently identified as being subject to high and very high-water stress, accounting for 37% of HSBC's annual water consumption. These were predominantly urban or city centre locations with large, concentrated populations. Our industry is a low user of potable water, and we have implemented measures to further reduce water consumption.

⁵ [Financial Institutions | Forest 500](#)

⁶ [Common Success Factors for Bankable Nature-Based Solutions \(hsbc.com\)](#) and ["Nature Based Solutions – a review of current financing barriers and how to overcome these"](#)

HSBC strives – through design, construction and operational standards – to ensure that, where possible, our premises do not adversely affect the environment or natural resources.

5. Supporting collective action to help address the drivers of nature loss

HSBC recognises the role it can play in scaling up biodiversity finance to help bridge the financing gap. Collective initiatives will be instrumental in developing a comprehensive framework for managing, tracking, reporting and verifying overall progress. HSBC is part of a number of efforts dedicated to driving collective action:

- ◆ HSBC is a signatory to [Business for Nature’s Call to Action](#) and the [Get to Nature Positive campaign](#).
- ◆ HSBC was appointed as a Taskforce Member of TNFD. The Taskforce aims to develop a framework to identify and address nature-related risks, and improve disclosure standards, by September 2023.
- ◆ HSBC is a member of the Aligned Accountability project on deforestation data and metrics Working Group⁷ which aims to develop a comprehensive, collaborative and open database on corporate performance on deforestation, aligned with the Accountability Framework.
- ◆ HSBC Global Asset Management is a signatory to the Finance Pledge for Biodiversity and has endorsed the Investor Statement on deforestation and forest fires in the Amazon.⁸

We recognise that there is no net zero without halting nature loss, and that metrics, frameworks and scenarios are being developed to enable nature loss to be embedded in net zero and nature-positive aligned pathways. Whilst there is more to do, this statement reflects our progress so far in this fast-evolving area.

⁷ [Aligning data to increase accountability – Global Canopy](#)

⁸ [Investor statement on deforestation and forest fires in the Amazon.pdf \(ceres.org\)](#)