MAY 02
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Greenwashing warning for HSBC draws attention to environmental targets

Article

The news: The Advertising Standards Authority (ASA) in the UK has accused **HSBC** of greenwashing its reputation for environmental consciousness.

More on this: The ASA is targeting two ads run by HSBC placed at bus stops in Bristol and London in October 2021.

- One ad stated the bank would provide $1 trillion in financing for clients to transition to net-zero greenhouse gas emissions.
- In the second ad, the bank pledged to plant 2 millions trees to trap 1.25 million tons of carbon.

The ASA's warning points out that these claims are misleading to consumers and may inappropriately influence them to open accounts or buy other products.

- The bank is currently financing businesses that emit up to 35.8 million tons of carbon dioxide per year.
- The bank also plans to finance thermal coal mining until 2040.

In defense of the ads, HSBC has stated that it plans to transition to net-zero emissions by 2030, including

- Providing $750 billion to $1 trillion financing to customers to aid in their transition.
- Phasing down the process of fossil fuel financing.

The bigger picture: Banks face growing pressure from consumers and shareholders to make sustainability a higher priority. HSBC's greenwashing accusations come just after three major banks—**Wells Fargo**, **Bank of America**, and **Citibank**—defeated climate resolutions brought forth at their annual shareholder meetings. The resolutions were supported by approximately 11% to 13% of the banks' shareholders. These shareholders are hopeful for increased backing of the resolutions and expect to see more support next year.

Despite banks' general movement towards net-zero-financed emission pledges, many still haven't figured out how to balance a shift toward sustainability with sustaining their profitability.

- Some major banks have been vague about their climate targets.
- Per Bloomberg, banks are finding fossil fuels more profitable than green debt, earning $16.6 billion in fees from the former between 2016 and 2020, compared to $7.4 billion from the latter.

Why does this matter? FIs will soon need to step up in this space as the regulatory landscape begins to take shape.

- The **Office of the Comptroller of the Currency** (OCC) is creating climate-related preparedness principles in the US.
- The **Federal Reserve** is developing stress tests involving environmental factors for banks and credit unions.
- The **Green Technical Advisory Group** in the UK is creating a framework for advertisers that market companies' sustainability credentials.
- Regulators in the UK are working on finalizing a set of environmentally sustainable economic activities through the Sustainable Finance Disclosure Regulation.
- The **Investment Association** in the UK will issue warnings to firms that fail to disclose financing that impacts the environment.

Banks must also consider their brands' reputation with consumers. The coming great wealth transfer will foreground a new cohort of millennial and Gen Z investors with a new set of beliefs and causes they care about, including the environment.

- The change in hands of financial assets from 2020 to 2030 will amount to over **$68 trillion** from boomers to millennials and Gen Z.
- A survey from Kearney reveals that 18- to 24-year-olds are nearly **twice as likely to switch to banks** based on their ESG credentials than those aged 55 and older.
- Roughly **a third of millennials** use ESG investment tools, as opposed to just 2% of baby boomers, per the Harris Poll.