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Sent via e-mail

The Honourable Chrystia Freeland
Minister of Finance
chrystia.freeland@fin.gc.ca

Dear Minister Freeland:

Re: Proposed Acquisition of HSBC Canada by the Royal Bank of Canada

We write to you on behalf of Stand Environmental Society (Stand.earth) regarding the proposed acquisition by the Royal Bank of Canada (RBC) of HSBC Bank Canada (HSBC Canada).¹

We understand that this acquisition requires your approval to proceed.² Stand.earth is concerned that this merger is not in the public interest unless you take action to address ongoing greenwashing by these banks. Both RBC and HSBC have been engaged in deceptive marketing by misleading consumers regarding their climate commitments and sustainable financing.

Climate change is a systemic risk to Canada's financial system. Failure to meet climate goals and keep warming below 1.5°C will significantly increase risks to the environment, people, and the financial system in Canada and around the world.³

Given this, you either must refuse to approve the acquisition or add conditions to the acquisition that require RBC and HSBC Canada to actually align their financing and investments with their climate commitments – this means ending all financing of and investment in companies that are building new fossil fuel supply projects and publishing a plan to phase out current investment and financing of existing fossil fuel companies, prioritizing those involved with particularly high emission projects such as coal, oil sands and offshore developments.

[HSBC and RBC are misleading consumers](#)

RBC is promoting sustainability as a factor in favour of this acquisition, saying “RBC and HSBC Canada share a focus on sustainability. RBC is committed to taking action in helping our clients transition to net zero. RBC has committed to providing \$500 billion in sustainable finance by 2025”.

However, these commitments are little more than greenwash. As described further below, both banks have been or are currently under investigation for misleading consumers by publicly promoting their climate commitments while omitting to mention their continued financing and investment in fossil fuel expansion.

[HSBC misled consumers with its sustainability–focussed advertising according to the UK Advertising Standards Authority](#)

In October 2022, the UK Advertising Standards Authority (the “Authority”) found that HSBC UK Bank plc, a wholly owned subsidiary of HSBC Holdings, had mislead consumers by omitting material information about the bank’s financing of fossil fuel companies and other high emitting industries.⁴ In particular, the Authority ordered the bank to remove advertising in the UK which focussed on HSBC’s financing and investment in helping clients transition to net zero and its efforts to plant trees because it omitted to mention that it was continuing to significantly finance businesses and industries that emit high levels of greenhouse gas emissions.

HSBC Canada is another wholly owned subsidiary of HSBC Holdings. On its website, HSBC Canada repeats the claims found to be misleading by the Authority, emphasizing that HSBC has “committed between \$750bn and \$1trn in sustainable finance and investment globally to support the transition to a net-zero economy”,⁵ while omitting that HSBC Holdings was the largest financier of upstream fossil fuel expansion of all European banks between 2016–2021.⁶ Despite new climate targets announced in early 2022, neither HSBC nor HSBC Canada have plans to end financing of or investment in fossil fuel expansion, despite this being essential to having a credible net-zero commitment.⁷

[RBC is under investigation by the Competition Bureau for its public commitments and advertising regarding climate change](#)

RBC is under investigation by the federal Competition Bureau for similar public statements about its climate commitments while the bank continues to be the largest financier of fossil fuels of any Canadian bank. Earlier this year, six Canadians, with the support of Stand.earth and Ecojustice, submitted a complaint to the Competition Bureau for an investigation into RBC regarding its misleading climate advertising.⁸ The Competition Bureau commenced an investigation on September 29, 2022, which is ongoing.

The investigation concerns RBC's claims that it "supports the principles of the Paris Agreement and the international goal to hold global warming to below 2°C" and is, therefore, committed to achieve "net-zero emissions in [its] lending by 2050" and "net zero emissions in [its] global operations annually".⁹ As part of its climate action, RBC commits to provide "\$500 billion in sustainable financing by 2025". – a statement repeated in its statement on the HSBC Canada acquisition. These representations give the impression that RBC is taking steps to reduce its emissions in line with the international goal of limiting global warming to 1.5°C.

However, in contrast to the impression it gives to the public, RBC is a major financier of the primary cause of climate change – fossil fuels. RBC ranks fifth out of the world's 60 largest private banks in terms of fossil fuel financing, providing \$201 billion (USD) between 2016 and 2021.¹⁰ In the 12 months since joining the United Nations' Net Zero Banking Alliance in October 2021, RBC provided \$9.2 billion (CDN) to companies with fossil fuel expansion plans. This is despite their commitment in joining the Net Zero Banking Alliance to achieve net-zero emissions in investments and lending by 2050 to align with the goal of limiting warming to 1.5°C.¹¹ RBC's level of financing, particularly for fossil fuel expansion, is wholly incompatible with these climate goals. Further, RBC has no plan to phase out its fossil fuel financing and associated emissions to achieve net-zero emissions by 2050 and some of its "sustainable finance" goes to fossil fuel companies.

Misleading consumers about climate change is not in the public interest or the best interests of the Canadian financial system

As Minister of Finance, it is your responsibility to determine if RBC's proposed acquisition is in the public interest by considering all relevant matters including:

- "the soundness and feasibility of the plans of the applicant . . . for the future conduct and development of the business of the bank";
- "the business record and experience of the applicant";
- the applicant's "reputation for being operated in a manner that is consistent with the standards of good character and integrity;"
- and "the best interests of the financial system in Canada."¹²

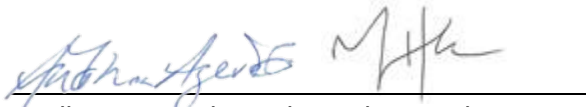
Unfortunately, neither RBC nor HSBC has a credible plan for addressing climate change (a major systemic financial risk) and the misleading nature of their public climate commitments contrasted with their fossil fuel financing brings the integrity of their operations into question. Misleading consumers and making false climate promises while financing the primary driver of climate change is not in the best interests of Canadians or the financial system.

Canada needs all economic actors to align with the goal of limiting warming to 1.5°C to reduce climate risks to the financial system and meet Canada's domestic and international climate commitments. This includes Canada's largest bank.

Greenwashing undermines the actions of institutions who are legitimately committed to and aligned with achieving net zero. As put by the United Nations' High-Level Expert Group on Net Zero Commitments, headed by former Minister of Environment and Climate Change Catherine McKenna, low quality or misleading net-zero targets "undermine the efforts of genuine leaders, creating both confusion, cynicism and a failure to deliver urgent climate action".¹³ The UN Expert Group further concluded that a commitment to achieving net zero emissions on or before 2050 cannot support new supply of fossil fuels.¹⁴ The UN Secretary General put this more bluntly: "Using bogus 'net-zero' pledges to cover up massive fossil fuel expansion is reprehensible. It is rank deception. . . The sham must end."¹⁵

As Minister of Finance, you must consider the credibility of RBC and HSBC Canada's climate commitments in deciding whether to approve this acquisition and what conditions to put on this acquisition if you do give your approval. You must protect the integrity of financial system, ensure that financial actors are prudently and honestly addressing climate risks, and protect consumers from being misled. You can take an important step in doing so by preventing RBC's and HSBC Canada's greenwashing from continuing.

Sincerely,



Andhra Azevedo and Matthew Hulse
Counsel for Stand.earth

cc: Peter Routledge, Superintendent of Financial Institutions, peter.routledge@osfi-bsif.gc.ca
Matthew Boswell, Commissioner of Competition, matthew.boswell@canada.ca
Hon. Steven Guilbeault, Minister of Environment and Climate Change, ministre-minister@ec.gc.ca
Miles Lockwood, UK Advertising Standards Authority, MilesL@asa.org.uk
Prudential Regulation Authority, Bank of England, PRA-ChangeinControl@bankofengland.co.uk

Endnotes:

¹ Royal Bank of Canada, “RBC to strengthen premium Canadian business with agreement to acquire HSBC Canada” *Cision* (29 November 2022), online: <https://www.newswire.ca/news-releases/rbc-to-strengthen-premium-canadian-business-with-agreement-to-acquire-hsbc-canada-893378623.html>.

² *Bank Act*, SC 1991, c 46, ss. 373, 396; *Competition Act*, RSC 1985, c C-34, s. 94(b).

³ IPCC, “Summary for Policymakers” [H.-O. Pörtner, D.C. Roberts, E.S. Poloczanska, K. Mintenbeck, M. Tignor, A. Alegria, M. Craig, S. Langsdorf, S. Löschke, V. Möller, A. Okem (eds.)]. In: *Climate Change 2022: Impacts, Adaptation and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change* (Cambridge, UK and New York: Cambridge University Press, 2022), online: https://www.ipcc.ch/report/ar6/wg2/downloads/report/IPCC_AR6_WGII_SummaryForPolicymakers.pdf; Bank of Canada and Office of the Superintendent of Financial Institutions, *Using Scenario Analysis to Assess Climate Transition Risk* (2022) at 2, 51, online: <https://www.bankofcanada.ca/wp-content/uploads/2021/11/BoC-OSFI-Using-Scenario-Analysis-to-Assess-Climate-Transition-Risk.pdf>.

⁴ *ASA Ruling on HSBC UK Bank plc* (19 October 2022), online: Advertising Standards Authority <https://www.asa.org.uk/rulings/hsbc-uk-bank-plc-g21-1127656-hsbc-uk-bank-plc.html>

⁵ HSBC Bank Canada, “Transition to Net Zero” (2022), online: <https://www.business.hsbc.ca/en-ca/campaigns/sustainable-finance/transition-to-net-zero>.

⁶ Jeanne Martin, Kelly Shields and Xavier Lerin, *Oil & gas expansion: A lose-lose bet for banks and their investors* (Share Action, February 2022), online: <https://api.shareaction.org/resources/reports/Oil-Gas-Expansion-lose-lose.pdf>.

⁷ Market Forces, “New HSBC oil and gas targets are ‘trying to con investors’ as bank’s annual report is released” (22 February 2022), online: <https://marketforces.org.uk/news/new-hsbc-oil-and-gas-targets-are-trying-to-con-investors-as-banks-annual-report-released/>; *ASA Ruling on HSBC UK Bank plc* (19 October 2022), online: Advertising Standards Authority <https://www.asa.org.uk/rulings/hsbc-uk-bank-plc-g21-1127656-hsbc-uk-bank-plc.html>.

⁸ The full Competition Bureau complaint provides further explanation of RBC’s representations and why they are misleading: https://ecojustice.ca/wp-content/uploads/2022/07/2022-06-10-Complaint-to-Competition-Bureau-re_-RBC-climate-representations-Final.pdf.

⁹ Royal Bank of Canada, *FY 2017 Climate Change Position & Disclosure Statement* (2017), online: http://www.rbc.com/community-sustainability/_assets-custom/pdf/RBC_ClimateChangePosition_Disclosure_Statement_2017.pdf; Royal Bank of Canada, “RBC announces progress on its climate strategy including new sustainable finance target of \$500 billion by 2025” (25 Feb 2021), online: <http://www.rbc.com/newsroom/news/2021/20210225-sustainable-financing.html>; Royal Bank of Canada *RBC Climate Blueprint* (15 Apr 2021), online: <https://www.youtube.com/watch?v=1kNtDDbwEgk>.

¹⁰ Rainforest Action Network, Banktrack, Indigenous Environmental Network, Oil Change International, Reclaim Finance, Sierra Club, Urgewald, *Banking on Climate Chaos: Fossil Fuel Finance Report 2022* (30 March 2022) at 8–9, 34–35, 66, online: https://www.bankingonclimatechaos.org/wp-content/themes/bocc-2021/inc/bcc-data-2022/BOCC_2022_vSPREAD.pdf.

¹¹ Stand.earth, *Royal Bank of Canada: Surging Finance of Fires, Floods & Climate Chaos* (7 November 2022) at 5, online: <https://stand.earth/resources/royal-bank-of-canada-surging-finance-of-fires-floods-climate-chaos/>.

¹² *Bank Act*, SC 1991, c 46, s 396(b)-(d), (h).

¹³ United Nations’ High-Level Expert Group on the Net Zero Commitments of Non-State Entities, *Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions* (November 2022) at 7, online: https://www.un.org/sites/un2.un.org/files/high-level_expert_group_n7b.pdf.

¹⁴ United Nations’ High-Level Expert Group on the Net Zero Commitments of Non-State Entities, *Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions* (November 2022) at 12, online: https://www.un.org/sites/un2.un.org/files/high-level_expert_group_n7b.pdf.

¹⁵ United Nations Secretary-General, “Secretary-General’s remarks at launch of report of High-Level Expert Group on Net-Zero Commitments [as delivered]” (8 November 2022), online: <https://www.un.org/sg/en/content/sg/statement/2022-11-08/secretary-generals-remarks-launch-of-report-of-high-level-expert-group-net-zero-commitments-delivered>.