actionaid

Changing the world with women and girls

July 2025

Who pays the price? Why the UK Government must stop UK banks from funding climate harms

Introduction

The UK Government has committed to achieving net-zero emissions by 2050, yet UK financial institutions like HSBC continue to fund industries that exacerbate the climate crisis and violate human rights. Notably, HSBC's financing of fossil fuel projects and industrial agriculture continues to drive climate destruction, affecting communities across the globe, particularly women and girls in the Global South who bear the brunt of these impacts.

The current UK regulatory framework is insufficient, fragmented, and voluntary, failing to address the systemic risks posed by financial flows to high-emission sectors. These systemic risks include severe environmental degradation, human rights violations, and economic instability that can affect entire regions, with disproportionate impacts for communities in the Global South who are least responsible for climate change.

The UK Government must take decisive action to regulate financial institutions if it is to fulfil its own climate goals and human rights obligations, by:

1. Prohibiting financing of fossil fuel expansion projects and harmful industrial agriculture

2. Introducing a gender-responsive Business, Human Rights and Environment Act (BHREA) to mandate UK companies – including financial institutions – to conduct robust due diligence to identify, prevent and address environmental and human rights abuses

3. Making banks pay their fair share for the damages they cause

4. Establishing and implementing a rights-based, gender responsive UK Green Taxonomy

5. Addressing harmful industrial agriculture in sustainable finance regulations

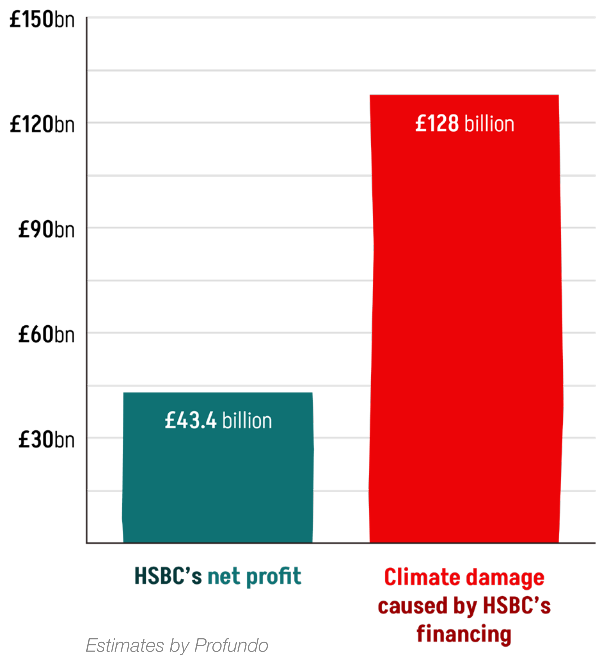
6. Introducing robust disclosure and reporting requirements for greater transparency

HSBC's climate impacts

In the three-year period 2021-2023 alone, HSBC financed the fossil fuel and industrial agriculture sectors to the tune of £153 billion globally. As a result of this financing, 357 million tons of CO_2e was generated globally, worsening the greenhouse effect and contributing to global temperature rise with disproportionate impacts on those in the Global South.

Considering the societal and economic damage caused by each additional tonne of carbon dioxide pumped into the atmosphere as a result of HSBC's financial flows, research by ActionAid and Profundo estimates that HSBC is responsible for £128 billion in climate damage costs over the three years 2021-2023. This is likely a low-end estimate due to the unquantifiable impact of many climate damages, but is still equivalent to 295% of HSBC's accumulated net profit in this period.

HSBC's net profit vs financed climate damages (2021-23)



Estimates by Profundo

Gender and Climate

Women and girls bear a disproportionate burden of climate change and environmental degradation. This is in part due to their reliance on natural resources for their livelihoods and health, as well as pre-existing gender inequalities that hinder their access to resources and decision-making processes. For example, women are disproportionately affected by undernutrition after droughts, and girls are more likely to drop out of school following extreme weather events. Water scarcity as a result of extreme weather can also mean women spend longer sourcing water for their families, thereby increasing their domestic work. Climate change can also put women at increased risk of Gender-Based Violence (GBV) as women travel greater distances to source resources or risk exploitation as livelihoods are threatened.

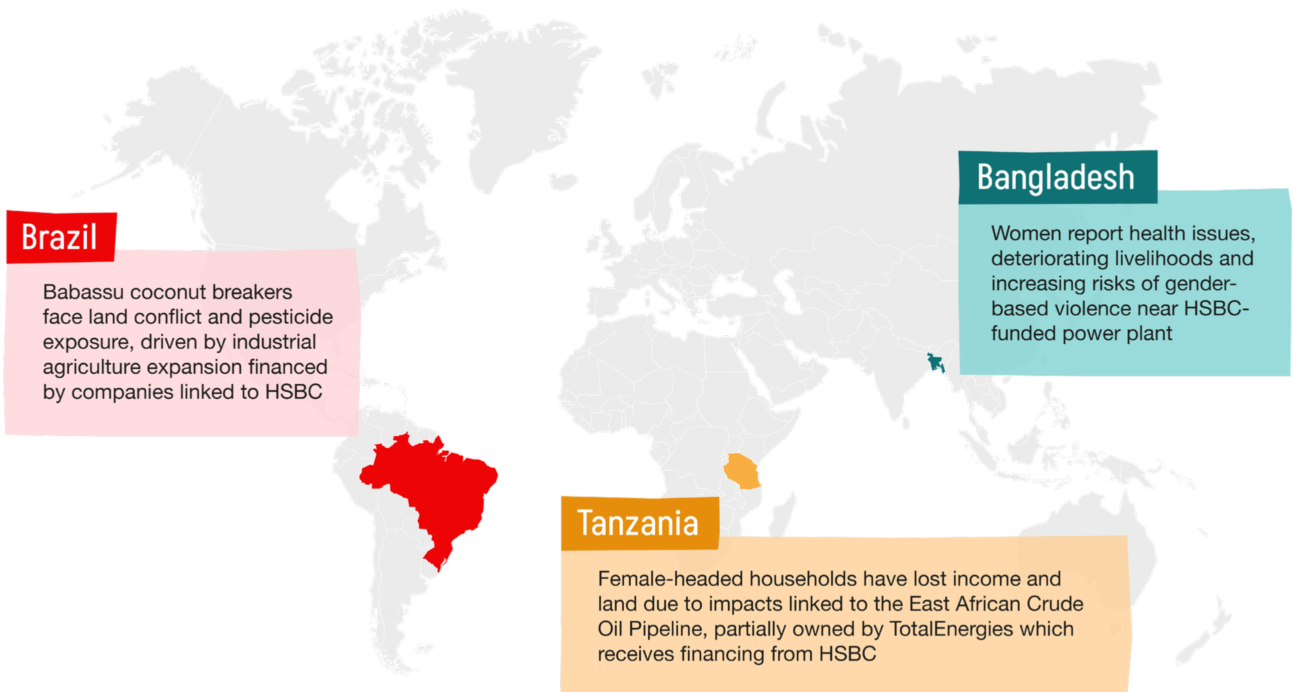
Contrary to its slogan 'Together We Thrive', HSBC continues to cause irreversible harm to marginalised communities in the Global South through its financial flows to fossil fuel and industrial agriculture companies. While in February this year HSBC delayed its net zero goal by a further 20 years, its financial flows continue to escalate environmental destruction and exacerbate inequalities, particularly for women and girls.

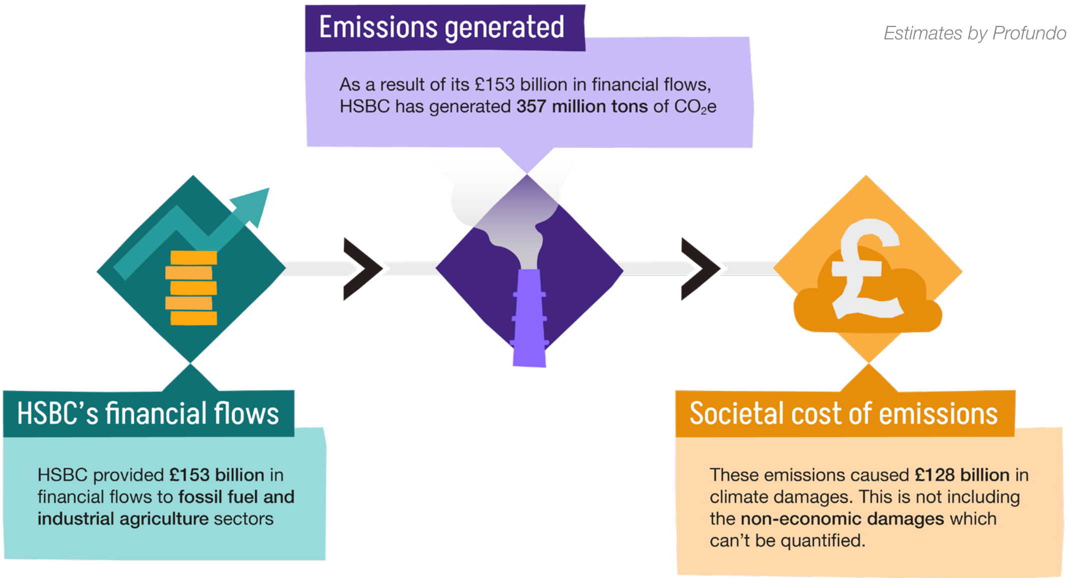
In **Bangladesh**, HSBC has financed the United Payra Power Plant, a heavy fuel oil-based electricity unit linked to significant social and environmental damage. Nearby communities describe how water has become scarce and the surrounding land covered in layers of dust and ash. Gender inequities have been exacerbated, as women – traditionally responsible for household water collection and caregiving – contend with water scarcity and pollution, economic insecurity, and heightened risk of gender-based violence (GBV). One community member shared: "Water is life, but here, it has become poison."

In **Brazil**, HSBC's financing of Cargill's industrial soy operations has supported the expansion of monocultures in the Cerrado and Amazon, driving deforestation and increasing greenhouse gas emissions. Beyond environmental harm, expansion of monocultures is encroaching on the land of indigenous and Afro-Brazilian communities, such as the Babassu coconut breaking women, who rely on the land for their livelihoods. The destruction of these ecosystems threatens their food security, economic autonomy, and cultural heritage.

In **Tanzania**, HSBC indirectly supports the East African Crude Oil Pipeline (EACOP) through its investments in TotalEnergies. Land grabbing is a major concern for communities, with residents receiving either unfair compensation or none. This controversial project has caused widespread displacement of communities, with women, particularly those dependent on farming, losing access to their land and resources, as well as cultural connection to the land.

The localised impacts of HSBC's financial flows





Gaps in UK financial regulation

The UK has made clear its ambition to become a global centre of sustainable finance ('the green finance capital of the world', as the 2024 Starmer Government put it). Yet, the UK's current financial regulation framework is failing to prevent widespread harm caused by UK banks' investments in climate-harmful sectors. It is highly fragmented, lacking coordination between the various policy bodies and their mandates. Most of the regulations already in place are voluntary, and there is a lack of clear legislative hierarchy between these regulations.

There are no mandatory requirements to stop financing fossil fuel projects, and weak disclosure standards allow financial institutions to obscure their support for high-emission industries. While a step in the right direction, the Financial Services and Markets Act 2023 still lacks enforceable measures to hold banks accountable for their investments in climate-harmful projects. Ambitious government plans to develop a UK Green Taxonomy – a framework classifying economic activities based on their climate impact – have faced repeated delays, signalling the government's lack of commitment to the regulation of climate-harmful investments.

This 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.

Time for reform

The UK Government must urgently implement reforms to prevent UK financial institutions from financing projects that contribute to the climate crisis. As a first step, this means prohibiting the UK financial sector from financing fossil fuel and harmful industrial agriculture expansion, as well as financing the companies behind the expansion.

Further, it should introduce a mandatory, gender-responsive Business, Human Rights and Environmental Act (BHREA) requiring financial institutions to conduct robust due diligence to identify and address environmental and human rights abuses.

Polluters must also pay up. The 'Polluters Pay' principle follows that those responsible for climate destruction should bear the financial burden of the consequences of their actions. Under this principle, financial institutions such as HSBC, which finance projects fuelling widespread climate harm, should be held accountable for the climate damages they enable. The UK Government must levy a polluters tax on UK financial institutions, which would generate funds that could be directed towards supporting affected communities in their climate adaptation and loss and damage efforts.

In addition, the UK must introduce stronger financial disclosure requirements. Banks should be required to report on and publicly disclose their financed emissions across all sectors, including industrial agriculture and fossil fuels, ensuring alignment with the Paris Agreement's 1.5°C target. Regular reporting by HM Treasury to Parliament on the climate impact of UK-regulated financial institutions would also provide transparency and oversight across the sector.

Furthermore, the UK's Green Taxonomy must be developed and implemented with a feminist and rights-based approach. This means embedding gender justice and human rights protections within the framework, prioritising women-led climate solutions, and phasing out financial activities that cause social and climate destruction. Strengthening the "Do No Significant Harm" criteria would ensure that financial flows do not support harmful activities.

As a global financial power, the UK has a responsibility to enforce significant changes to its financial system to accelerate the transition to just and clean economies and societies where the rights of humans and the environment are upheld.

Recommendations for the UK Government

The UK Government must introduce comprehensive regulatory reforms to align the financial sector with national and international climate goals. An urgent cross-departmental effort is needed to remedy the gaps in the UK's fragmentated financial regulation framework:

1. HM Treasury must prohibit financing of fossil fuel expansion projects and harmful industrial agriculture. This includes direct financing by UK financial institutions, as well as financing of the companies behind these projects.

2. The Department for Business and Trade must urgently introduce a gender-responsive, mandatory Business, Human Rights and Environment Act that requires all businesses, including banks, to prevent, address and remedy harm to human rights and the environment in their global supply chains. This must specifically recognise and mitigate the adverse and disproportionate impacts of corporate and environmental harms on women and girls, and include effective civil liability measures allowing women and girls to access justice and obtain fair compensation when harm occurs.

3. HM Treasury must make banks pay their fair share for the damages they cause by levying Polluters Pay tax on banks that fairly reflects their responsibility for financing and causing climate harm, and which serves to discourage irresponsible climate-destructive financing.

4. HM Treasury must establish and implement a rights-based, gender responsive UK Green Taxonomy ensuring human rights, gender and environmental considerations, and developing the criteria for agriculture as well as for fossil fuels, including the exclusion of deforestation-causing and harmful industrial agriculture. Harmful 'red' activities should include those threatening the rights of women and other groups at risk of marginalisation.

5. HM Treasury must ensure harmful industrial agriculture is addressed in sustainable finance regulations, including by presenting a detailed plan on how the UK Government will address agriculture in its Green Finance Strategy, and how it will include harmful industrial agriculture in its transition and phase out strategies.

6. The Financial Conduct Authority must introduce robust disclosure and reporting requirements for greater transparency. This includes mandating UK-regulated financial institutions to publish transition plans and report on and publicly disclose their financed emissions.

For further information or to discuss these recommendations, please contact the advocacy team **uk.advocacy@actionaid.org** at ActionAid UK.

ActionAid UK

33-39 Bowling
Green Lane,
London, EC1R 0BJ

www.actionaid.org.uk

@ActionAidUK

@ActionAidUK

ActionAid UK