## Ethical Screening of: Nationwide Building Society
### For: University of Cambridge
### Date: June 2023

### Company Details

<table>
<thead>
<tr>
<th>Ownership:</th>
<th>Nationwide Building Society was not owned by another corporate entity.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size:</td>
<td>Turnover: £3.87 b</td>
</tr>
</tbody>
</table>

### Contact details:

<table>
<thead>
<tr>
<th>Website:</th>
<th><a href="http://www.nationwide.co.uk">www.nationwide.co.uk</a></th>
</tr>
</thead>
<tbody>
<tr>
<td>Telephone:</td>
<td>01793 513513</td>
</tr>
<tr>
<td>Email:</td>
<td><a href="mailto:bettersociety@nationwide.co.uk">bettersociety@nationwide.co.uk</a></td>
</tr>
<tr>
<td>Address:</td>
<td>Nationwide House, Piper’s Way, Swindon, Wiltshire, SN38 1NW, UK</td>
</tr>
</tbody>
</table>

### Environment

**Environmental Reporting (score: 0)**

**Middle Ethical Consumer rating for Environmental Reporting (8 June 2023)**

On 08 June 2023, Ethical Consumer viewed the website of Nationwide Building Society, looking for discussion and action on the company’s environmental impacts, other than carbon emissions. Its 2023 Annual Report, Environmental Standard, Reducing Waste and Consumption web page and Enhancing Biodiversity web page were viewed.

A finance company with some evidence of action on the environmental impacts (other than carbon emissions) of its financed activities would get a middle rating, and if it did not fund or invest in fossil fuel companies, and had evidence of action on the environmental impacts of its own operations as well as financed activities, it would get a best rating.

The company stated that it did not invest in coal, mining, oil and gas, and power generation. It also stated that it did not invest in equities. It was therefore considered to be a financial institution that did not invest in fossil fuels.

It had some evidence of action on the environmental impacts (other than carbon emissions) of its financed activities. It stated that its business was predominantly one of retail lending and saving. Its financed activity mainly related to the houses in its portfolio. It stated: "Our Oakfield housing development consists of 239 EPC A-rated, off-gas, homes on a former Brownfield site in Swindon. Nationwide is the lead sponsor of Oakfield and has worked closely with the local community in the design and planning of the homes. It has been designed in a way that encourages wildlife and biodiversity, including green corridors and landscaping that is enhanced with plants recommended by the Royal Horticultural Society (RHS) ‘Perfect for Pollinators Plant List’.”

On its own operations it stated: "Since 2015, no waste produced across our locations has been sent to landfill. It is reused, recycled, or sent to an energy recovery facility." It also discussed removing plastic from its catering services, issuing card readers made with recycled plastic, recycling old tech, reducing...
reliance on paper, increasing biodiversity around its head office,

Overall, Nationwide Building Society received a middle Ethical Consumer rating for Environmental Reporting and lost a half mark in the category. A more systematic approach to addressing impacts beyond climate in its lending would have led to a Best Rating.(ref: 1)

Climate Change (score: 0)
Best Ethical Consumer rating for carbon management and reporting (12 June 2023)

On 12 June 2023, Ethical Consumer viewed the website of Nationwide Building Society, looking for information on what the company was doing to tackle climate change. Its 2022 Annual Report, Climate Related Disclosures 2023, and Intermediate Net Zero Ambitions were viewed.

Ethical Consumer was looking for the company to satisfy the following criteria:

1. A credible, detailed discussion of how it has made emissions cuts in the past and how it will make them in the future.

2. Does full annual public reporting of its emissions – all three scopes.

3. Has a future target that is either approved by the SBTi or at least the equivalent to 3.6% cuts/year in scope one and two emissions, and 2.5% cuts/year in scope 3.

4. Does not work in developing new extraction fossil fuel projects, building new fossil fired power stations or in doing anything with coal.

5. Is not engaging in highly misleading public messaging on climate change.

6. Has not been subject to credible secondary criticism on what it is doing on the climate.

If a company met all of these criteria it would receive a best rating. If it failed one it would receive a middle rating. If it failed more than one it would receive a worst rating.

1. The company discussed helping its customers to reduce their emissions through retrofitting. It mentioned a solar panel project it had run in 2022-3 on a small number of houses. It stated: “We recognise that we do not have the knowledge and expertise to solve all the challenges in the retrofitting market, and so we will focus where we can add most value, by developing finance propositions with the aim to support our customers in greening their homes”. It also discussed green financing: “We offer our customers, and The Mortgage Works (TMW) customers, preferential rate mortgages and additional borrowing to support green home improvements (through our Green Additional Borrowing and Green Further Advance products), as well as incentivising the purchase of more energy efficient properties (through our Green Reward mortgage which offers cashback to customers purchasing a home rated EPC A or high B).” And: “We have developed a Sustainability Linked Loan (SLL) for registered social landlords (RSLs). The SLL aims to reward RSLs with a rate reduction if they achieve agreed sustainability criteria across their portfolio. Suitably ambitious sustainable key performance indicators (KPIs) are agreed with the RSL and, upon loan completion, performance against the KPIs is monitored on an annual basis. Once the sustainable KPIs are met, and are evidenced by the RSL, Nationwide provides an interest rate reduction on the relevant loan."

It also discussed its Oakfield development, "which consists of 239 EPC A-rated homes, built on a brownfield site in Swindon, [and] was opened to the public in December 2022. Potential buyers [were] able to see first-hand the development's environmental credentials, including the fitting of air source heat pumps and solar panels."

In relation to its targets it stated: "We consider it highly unlikely that, at present, these targets can be achieved particularly in light of existing Government policies and the uncertainty over any future Government's policies in connection with the UK’s housing stock." It stated that it was involved in trying to influence government to develop a national retrofitting strategy by recommending a number of policy changes.
In relation to its own operations it stated: “From 2018, Nationwide has sourced 100% renewable electricity, and it is committed to continuing to do so. As at the end of 2022, we had removed the use of gas from over 75% of our branch network and are on track to remove 100% of gas from our branches by 2030, replacing it with electrical solutions. In addition, a project is underway to optimise the size and composition of our admin sites and data centres for our future needs, given the evolving ways of working. This will run alongside a project to explore the removal of gas from our admin sites and data centres, or the move to sites that are either gas-free or which use less gas.”

This was considered to constitute a credible and detailed discussion of how it had cut emissions in the past and would continue to do so.

2. The company reported its annual full scope 1, 2 & 3 emissions in tCO2e for the year 2022 to be: 2,361, 12,774 and 3,224,000. The scope 2 reporting appeared to be location based and the Scope 3 reporting appeared comprehensive.

3. The company had the following targets: to be net zero by 2050. Its intermediate targets were to reduce scope 1 emissions by 42% by 2030 from a baseline of 2021. Its target for scope 2 was to continue to source 100% renewable energy. This target could better. Its scope 3 targets were divided into upstream (42% by 2030), downstream mortgages (44% by 2030), and downstream - registered social landlords (45% by 2030).

4. The company was not found to work in developing new fossil fuel projects or doing anything in coal. It stated:”Our business model means that our strategy does not involve lending to, or investing in, the fossil fuel industry.”

5. The company did not appear to be engaged in misleading messaging.

6. The company did not appear to be subject to secondary criticism on what it was doing on the climate.

Overall, Nationwide Building Society received a best Ethical Consumer rating for carbon management and reporting and lost no marks in the Climate Change category. (ref: 2)

People
Workers’ Rights (score: 0)
Living Wage employer (8 June 2023)

In June 2023, Ethical Consumer viewed Nationwide’s website, which stated that it was a Living Wage Employer. It was therefore considered to have a positive policy addressing a workers rights issue. (ref: 3)

Politics
Anti-Social Finance (score: -1)

Excessive remuneration for directors or other staff (8 June 2023)

On 8 June 2023, Ethical Consumer viewed the latest Nationwide Building Society annual report dated May 2023.

It indicated that the company’s highest paid director received over £1 million in total compensation in 2022 (£3,455,000).

Ethical Consumer deemed any annual amount over £250k to be excessive, while compensation of £1 million or more would lose a full mark. The company therefore lost a full mark under Anti-Social Finance. (ref: 5)

Best Ethical Consumer rating for investment policy and transparency (8 June 2023)

On 08 June 2023, Ethical Consumer searched the Nationwide Building Society website for the Ethical Ranking of 10 UK banks 3
company’s ethical investment, engagement, or shareholder voting policies.

Most investment companies will hold a large amount of assets, some of which will be held as shares in companies and diversified across all sectors to avoid risk.

To get a best Ethical Consumer rating for investment transparency and not be marked down, a company must meet the following three criteria:

1. A clear ethical investment policy restricting investments in at least key problem areas for the sector including: coal/carbon, deforestation, indiscriminate weapons, human rights abuses, and animal abuse.
2. Clear investment disclosure (naming companies invested in not just sectors).
3. Full and clear disclosure on engagement or voting (stewardship) at company AGMs (it should be at least annually).

To get a middle rating, it would need some details of investments including named companies, engagement and voting policies, with some disclosure of voting history or other engagement. Companies with a middle rating would lose a half mark in six categories representative of the criticisms its investments would be likely to receive under our ratings system.

If no or very limited information on investment, engagement or shareholder voting policies could be found, it would receive a worst rating, and would lose a half mark in twelve categories representative of the criticisms its investments would be likely to receive under our ratings system.

Its responsible investment web page was viewed. Regarding its investment policy, the following was found:

"Being a building society, we’re different to a bank. Our assets must be largely formed of residential mortgages, for us this also includes social housing and buy-to-let lending. We don’t do corporate lending except for small, closed commercial real estate and private initiative portfolios that are getting smaller.

We don’t lend to or invest in the following industries:

- agriculture
- aluminium
- animal testing
- arms
- cement
- coal
- deforestation
- fashion
- iron and steel
- manufacturing
- mining
- oil and gas
- power generation
- tobacco
- transport

How we invest
We have a treasury investment portfolio held primarily for liquidity purposes, to cover potential member withdrawals and other outflows in line with UK regulation. This portfolio is made up of cash and low risk investments. As at 4 April 2022, treasury investments represented 23% of our total assets, including cash placed with the Bank of England. We don’t invest in corporate bonds or equities.”

As Nationwide did not invest in equities, neither investment disclosure nor engagement and voting history were required.

The company had published policy applying to all assets that restricted investments in key problem areas. It therefore received a best Ethical Consumer rating for investment transparency and was not marked down for having investments in companies criticised by Ethical Consumer. This story is for information only. (ref: 6)

**Best Ethical Consumer Rating for lending transparency (June 2023)**

On 5 June 2023 Ethical Consumer searched the Nationwide website, 2022 annual report and 2022 Pillar 3 report for information on its lending practices. The annual report stated that over 95% of the building society's lending was secured on residential property. It was therefore not considered to have business lending as a significant part of its business. As a result, Nationwide was not marked down in relation to transparency and ethics of corporate lending. (ref: 5)

**Information only - charging for unarranged overdrafts (August 2019)**

In September 2022, Ethical Consumer searched the Violation Tracker website for cases involving Nationwide Building Society. In August 2019, the Competition and Markets Authority found it had breached banking regulations as follows: "The CMA informed Nationwide that it had broken the Retail Banking Market Investigation Order by failing to send text alerts to customers about to enter unarranged overdrafts that warned them they would be charged. The company was refunding all fees incurred by customers, estimated at £6 million."

This reference is for information only. (ref: 7)

**Tax Conduct (score: 0)**

**Best Ethical Consumer rating for tax conduct (6 June 2023)**

On 6 June 2023, Ethical Consumer viewed a list of Nationwide Building Society's subsidiaries on the D&B Hoovers corporate research database.

The company had no subsidiaries based in jurisdictions on Ethical Consumer's tax havens list.

No significant secondary criticisms were found of the company's tax practices.

Overall, Nationwide Building Society received a Best Ethical Consumer rating for tax conduct and lost no marks in the Tax Conduct category. (ref: 8)

**Company Ethos (+ve) (score: 0.5)**

**Company is a mutual organisation (6 June 2023)**

In June 2023, Ethical Consumer viewed Nationwide's website which stated that the company was a mutual: "Nationwide isn’t a bank. We’re a building society, or mutual, owned by our members. That’s anyone who banks, saves or has a mortgage with us. We’re run for their benefit and to help the communities around us. We’re not run for shareholders in the same way that banks are."

The company received half a positive Company Ethos mark. (ref: 3)

**References**

1 - Nationwide Building Society Corporate Communications:Environmental Standard (8 June 2023)
1. Nationwide Building Society Corporate Communications: Climate Related Financial Disclosures 2023 (12 June 2023)
2. Nationwide Building Society Corporate Communications: https://www.nationwide.co.uk (6 June 2023)
5. Nationwide Auto Centres Corporate Communications: Responsible Investment Policy (8 June 2023)
6. Violation Tracker UK: Generic Violation Tracker Ref - 2017 (24 February 2022)
Ethical Screening of: Triodos Bank UK Limited  
For: University of Cambridge  
Date: June 2023

<table>
<thead>
<tr>
<th>Company Details</th>
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<tbody>
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<td><strong>Ownership:</strong></td>
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<td>Triodos Bank UK Limited was wholly owned by Triodos Bank NV, which was wholly owned by SAAT (&quot;Foundation for the Administration of Triodos Bank Shares&quot;).</td>
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<td><strong>Contact details:</strong></td>
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<tr>
<td><strong>Website:</strong> <a href="http://www.triodos.co.uk">www.triodos.co.uk</a></td>
</tr>
<tr>
<td><strong>Telephone:</strong> 0330 3550 355</td>
</tr>
<tr>
<td><strong>Email:</strong> not found</td>
</tr>
<tr>
<td><strong>Address:</strong> Deanery Road, Bristol, BS1 5AS</td>
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</tbody>
</table>

**Environment**

**Environmental Reporting (score: 0)**

**Best Ethical Consumer rating for Environmental Reporting (5 June 2023)**

On 5 June 2023, Ethical Consumer viewed the website of Triodos Bank UK Limited, looking for discussion and action on the company’s environmental impacts, other than carbon emissions. Its 2022 annual report was viewed.

A finance company with some evidence of action on the environmental impacts (other than carbon emissions) of its financed activities would get a middle rating, and if it did not fund fossil fuels, and had evidence of action on the environmental impacts of its own operations as well as financed activities, it would get a best rating.

The company was a financial institution that does not fund fossil fuels. It had evidence of reasonable action it was taking on the environmental impacts of its own operations as well as its financed activities.

It discussed its policies not to finance fossil fuels and exclusively to finance renewable energy initiatives in the energy sector; not to finance any projects that degrade natural habitats or diminish biodiversity; to finance organic agriculture only; and to finance companies focused on reducing waste generation and promoting reuse and recycling. It also discussed the impact of homeworking and the complexities of assessing its environmental impact at this stage. It reported on changes it had made to property and transport as well as pilot projects on waste management and working with sustainable suppliers.

Overall, Triodos Bank UK Limited received a best Ethical Consumer rating for Environmental Reporting and was not marked down in the category. (ref: 1)
Climate Change (score: 0)

Best Ethical Consumer rating for carbon management and reporting (5 June 2023)

On 5 June 2023, Ethical Consumer viewed the website of Triodos Bank UK Limited, looking for information on what the company was doing to tackle climate change. Its 2022 annual report and Net Zero Target and Strategy document dated November 2021 were viewed.

Ethical Consumer was looking for the company to satisfy the following criteria:

1. A credible, detailed discussion of how it has made emissions cuts in the past and how it will make them in the future.

2. Does full annual public reporting of its emissions – all three scopes.

3. Has a future target that is either approved by the SBTi or at least the equivalent to 3.6% cuts/year in scope one and two emissions, and 2.5% cuts/year in scope 3.

4. Does not work in developing new extraction fossil fuel projects, building new fossil fired power stations or in doing anything with coal.

5. Is not engaging in highly misleading public messaging on climate change.

6. Has not been subject to credible secondary criticism on what it is doing on the climate.

If a company met all of these criteria it would receive a best rating. If it failed one it would receive a middle rating. If it failed more than one it would receive a worst rating.

1. The company discussed its energy use and gave a breakdown of the sources of its CO2 emissions. It stated that it: “limits its environmental footprint as much as it can, avoiding the emissions of greenhouse gases wherever possible. It offsets any unavoidable emissions.” It also discussed its policies not to finance fossil fuels and exclusively to finance renewable energy initiatives in the energy sector; not to finance any projects that degrade natural habitats or diminish biodiversity; and to finance companies focused on reducing waste generation and promoting reuse and recycling. In its Net Zero Target and Strategy document it discussed its provision of green mortgages with lower interest rates linked to energy ratings and 0% retrofit loans, its intention to integrate regenerative agriculture into its portfolio alongside existing funding of organic agriculture, and its funding of renewable energy and its intention to support innovations in energy infrastructure.

This was considered to constitute a credible and detailed discussion of how it had cut emissions in the past and would continue to do so.

2. The company reported its annual full scope 1, 2 & 3 emissions in CO2e for the year 2021 to be:

Scope 1: 250 tonnes, scope 2: 58. The scope 2 reporting appeared to be location based.

In its annual report, the company reported its scope 3 emissions in CO2e for the year 2020, including transport, waste and paper, to be: 1000 tonnes. In its Net Zero Target and Strategy document it reported the climate impact of its loans and investments for 2020 to be 372 kTCO2e. As Triodos was a finance company, this was considered sufficient scope 3 reporting.

3. The company had a target in line with international agreements: to be net zero by 2035. It had also set intermediate targets. It stated: “Triodos has committed itself to the Science Based Targets initiative. Together with SBTi, in 2022 we worked on a validated set of (intermediate) targets. These targets were approved by SBTi on 10 March 2023. For the scope 1, 2 and 3 emissions related to our own operations, the following targets were set:

Scope 1 and 2

- Triodos Bank commits to reduce absolute scope 1 and 2 GHG emissions 63% by 2035 from a 2020 base year.
- Triodos Bank commits to increase annual sourcing of renewable electricity from 98.6% in 2020 to 100% by 2030.
Scope 3 category 1-14
• Triodos Bank commits to reduce absolute scope 3 categories 1-14 GHG emissions 63% by 2035 from a 2020 base year.

It had also set targets for its investment and lending portfolios, as follows:

"Scope 3 asset class level targets
• Electricity generation project finance (Sector Decarbonization Approach (SDA) method): Triodos Bank commits to continue only financing renewable electricity projects through 2030.
• Commercial real estate (SDA method): Triodos Bank commits to reduce its scope 3 GHG emissions from commercial real estate within its private debt and equity portfolio 70% per square meter by 2035 from a 2020 base year.
• Corporate loans (Portfolio coverage method): Triodos Bank commits to 27% of all other corporate lending, by gross carrying amount, setting SBTi validated targets by 2025, and 82% by 2035.
• Listed equity, private equity and corporate bonds (SDA + portfolio coverage method):
  • Triodos Bank commits to reduce its scope 3 GHG emissions from the pulp & paper sector within its listed equity and corporate bond portfolio 45% per ton paper and board produced by 2035 from a 2020 base year.
  • For all other sectors, Triodos Bank commits to 51% of its listed equity, private equity and corporate bond portfolio by net asset value setting SBTi validated targets by 2025, and 82% by 2035."

4. The company was not found to work in developing new fossil fuel projects or doing anything in coal.
5. The company did not appear to be engaged in misleading messaging.
6. The company did not appear to be subject to secondary criticism on what it was doing on the climate.

Overall, Triodos Bank UK Limited received a best Ethical Consumer rating for carbon management and reporting and was not marked down in the Climate Change category. (ref: 1)

People
Human Rights (score: -0.5)
Criticised for financing Cambodian micro-loan provider implicated in human rights abuses (3 July 2020)

In February 2023 Ethical Consumer viewed an article on The Geopolitics website dated 3rd July 2020 and titled “Global Banks Share Responsibility for Cambodia’s Microfinance Disaster” and another article on the Brussels Times website dated 6th July 2020 titled “European banks implicated in Cambodia’s microcredit scandal”. Both articles were written by Sam Rainsy, the leader of Cambodia’s main opposition party.


The articles described the growth of predatory lending practices in Cambodia’s microfinance sector, focusing on ACLEDA bank.

“Like its competitors in the microcredit sector, ACLEDA has sent an army of salesmen out to the provinces in search of highly profitable new lending contracts. They needed to create needs for cash and consumption among rural families who had until then practised self-sufficient subsistence agriculture. The salesmen knew how to tempt their targets with the promise of new material goods and new consumption habits. They neglected to establish careful repayment schedules based on
predictable incomes. But the loans were always based on a form of security, usually the farmers’ land. The borrowers were easier to convince given the high levels of illiteracy and innumeracy in the countryside. They signed contracts for loans which gave their land as security without realising the possible consequences. The profitability for the banks was assured and even potentially increased by the prospect of seizing land from defaulters. Rising land prices driven by speculation make the final margins even more enticing for the banks. The fact that the land was the farmers’ sole and vital asset didn’t enter into the calculations.”

The articles referred to NGO reports, published in 2019 and 2020, which had linked the exponential growth in microfinance lending in Cambodia to increased coerced land sales, child labour, debt-driven migration and bonded labour.

The Geopolitics article stated that ACLEDA’s shareholders included Sumitomo Mitsui Banking Corporation of Japan, BRED Banque Populaire group in France, Orix Corporation of Japan, and Triodos Bank, based in the Netherlands. It concluded “International financial institutions have a responsibility to their own stakeholders to act in ethical and sustainable ways. They also have clear leverage to curb the worst excesses of microfinance lending in Cambodia. The time to use it is now.”

The Brussels Times article concluded: “Slogans like “helping the poor to escape from poverty” have been used to secure the backing of international investors like BRED and Triodos, the Dutch “ethical bank.” In reality, unscrupulous microcredit is driving Cambodians further into misery.”

Triodos Investment Management lost half a mark in the Human Rights category. (ref: 3)

Workers' Rights (score: -0.5)
Investment in a company criticised by a trade union (26 October 2022)

In July 2020, Ethical Consumer was sent a report from the trade union SOC-SAT, based in Andalucia, Spain, which criticised BioSabor, a company which the trade union claimed was partly funded by Triodos.

The report (originally in Spanish), stated that the trade union had received complaints and testimonies from dozens of workers about BioSabor.

Ethical Consumer informed Triodos Bank about the union’s allegations against Biosabor in summer 2020 and produced a full report for Triodos about complaints surrounding Biosabor in 2022.

The report included findings from interviews Ethical Consumer conducted with former Biosabor workers, who alleged issues such as falsified timesheets which resulted in workers being paid for less hours than they worked, discrimination, and failure to provide secure contracts to long-term workers.

Triodos CEO Bevis Watts responded to the report as follows: “I have shared the report with my colleagues at both Triodos Bank in Spain and Triodos Bank Group. Following our latest internal discussions, we have again considered our banking relationship from an ethical and professional point of view. The evidence that Biosabor has provided continues to indicate its working practices and overall positive impact are aligned with Triodos Bank’s mission. Triodos Bank Spain’s relationship is with Consabor, a subsidiary of Biosabor, not Biosabor directly. As always, we remain open to any potential new inquiry, if specific claims were to come to light. I wanted to also take this opportunity to reassure you of Triodos Bank’s commitment to organic farming, as well as the need for legal and dignified working conditions for all.”

Triodos did not respond to the allegations made by workers in interviews.

The company lost half a mark under Workers Rights. (ref: 4)

Arms & Military Supply (score: 0)
Listed in the Hall of Fame Don’t Bank on the Bomb (2021)

On 5 June 2022 Ethical Consumer viewed the 2021 report ‘Rejecting Risk’ detailing which banks had
invested in and which had divested from companies producing nuclear weapons. Triodos was listed in the Hall of Fame for excluding all businesses involved in producing or trading in weapons.

This included the development, manufacture, maintenance and selling of weapons, as well as specifically designed components for weapons and services for the arms industry that were essential to the functioning of weapons, including nuclear weapons.

Triodos Bank’s exclusion policy applied to all activities including its commercial banking, investment banking and asset management activities, regardless of whether they are managed internally or by external asset managers.

Triodos Bank pro-actively supported the banning of nuclear weapons. Emphasising the value of transparency, Triodos published all direct investments on its website. For its investment funds (Triodos Investment Management), the annual reports of the respective funds provided a yearly overview of the investments. For investment funds in listed equities and bonds, these investments were based on their own research which uses data from ISS.

Triodos did not lose any marks for its positive policy under Arms and Military Supply. (ref: 5)

Hall of fame for cluster munitions policy (December 2018)

On 5 June 2023, Ethical Consumer viewed the report 'Worldwide Investments in Cluster Munitions: a shared responsibility', published in December 2018 by PAX. This updated earlier versions published annually since 2009.

The report was a state-of-the-art report on financial institutions’ investment in companies that developed or produced cluster munitions, on financial institutions disinvesting from producers of cluster munitions and on states banning investments in cluster munitions.

The Convention on Cluster Munitions (CCM) categorically banned the use, production, stockpiling and transfer of cluster munitions. 94 countries signed the convention at the Oslo Signing Conference held 3-4 December 2008. The convention entered into force on 1 August 2010.

The report revealed that many financial institutions were still financing cluster munitions producers, despite the international consensus being that such weapons were considered unacceptable, given that civilians made up 98% of all cluster munitions victims.

Triodos Bank was listed in the Hall of Fame.

Triodos Bank’s guidelines stated that the bank excluded all companies involved in arms-related activities. This included the development, manufacture, maintenance and selling of weapons, specifically designed components for weapons and weapons related services. The policy applied to both conventional and non-conventional weapons, including cluster munitions.

Triodos also excluded companies that invested (through shares, bonds or loans) or provided tailor made services to cluster munition companies.

Triodos Bank’s exclusion policy applied to all activities, including its commercial banking, investment banking and asset management activities, including assets managed by external asset managers.

Triodos Bank published a list of all companies it invests in. The list, based on own research and basic data from Sustainalytics, reflected Triodos Bank’s aim to be transparent as well as its proactive stance towards banning cluster munitions.

Triodos therefore was not marked down in the Arms and Military Supply category. (ref: 6)

Politics

Anti-Social Finance (score: -0.5)

Excessive remuneration for directors or other staff (5 June 2023)

On 05 June 2023, Ethical Consumer viewed the latest Triodos Bank NV annual report dated 2022.
It indicated that the company’s highest paid director received over £250k in total compensation in 2022 (412,000 Euros).

Ethical Consumer deemed any annual amount over £250k to be excessive, while compensation of £1 million or more would lose a full mark. The company therefore lost half a mark under Anti-Social Finance. (ref: 1)

Best Ethical Consumer rating for lending transparency (5 June 2023)

On 5 June 2023 Ethical Consumer searched the Triodos website and 2021 Pillar 3 report for information on its lending practices. The bank published details of every organisation that it lent to on its website at the time of writing. It also published formal, comprehensive and public ethical policies that constrained the types of lending or banking that it offered.

As a result, Triodos was not marked down in relation to transparency and ethics of corporate lending. (ref: 8)

Best Ethical Consumer rating for investment policy and transparency (5 June 2023)

On 08 February 2023, Ethical Consumer searched the Triodos Bank UK Limited website for the company’s ethical investment, engagement, or shareholder voting policies.

Most investment companies will hold a large amount of assets, some of which will be held as shares in companies and diversified across all sectors to avoid risk.

To get a best Ethical Consumer rating for investment transparency and not be marked down, a company must meet the following three criteria:

1. A clear ethical investment or lending policy restricting investments in key problem areas for the sector including: coal/carbon, deforestation, indiscriminate weapons, human rights abuses, and animal abuse.
2. Clear lending and investment disclosure (naming companies invested in not just sectors).
3. Full and clear disclosure on engagement or voting (stewardship) at company AGMs (it should be at least annually).

To get a middle rating, it would need some details of investments including named companies, engagement and voting policies, with some disclosure of voting history or other engagement. Companies with a middle rating would lose a half mark in six categories representative of the criticisms its investments would be likely to receive under our ratings system.

If no or very limited information on investment, engagement or shareholder voting policies could be found, it would receive a worst rating, and would lose a half mark in twelve categories representative of the criticisms its investments would be likely to receive under our ratings system.

Its website, Minimum Standards document, fund information, proxy voting guidelines and voting record were viewed. Regarding its investment policy, the following was found: Triodos Minimum Standards contained a detailed discussion of its restriction policies relating to a range of ethical areas including climate, biodiversity, deforestation, animals, human rights and weapons.

Regarding its investment disclosure, the following was found: The company published all its investments on its website and each individual fund published a full list of companies invested in.

Regarding its engagement or voting (stewardship), the following was found: The company published a full voting record up to 2021 on its website. Records for 2022 could not be found. Each fund published an annual impact report which described how it had engaged with companies on issues such as executive pay, hazardous chemicals, climate change, and plastic use.

Overall, the company had made publicly available: policy applying to all assets that restricted investments in key problem areas, a full list of investments, and a searchable database of the company’s voting history.

Ethical Ranking of 10 UK banks 12
As Triodos Bank UK Limited received a best Ethical Consumer rating for investment policy and transparency, it was not marked down for having investments in companies criticised by Ethical Consumer. This story is for information only. (ref: 9)

**Tax Conduct (score: 0)**

**Best Ethical Consumer rating for tax conduct (5 June 2023)**

On 05 June 2023, Ethical Consumer viewed a list of Triodos Bank UK Limited’s subsidiaries on the D&B Hoovers corporate database.

This showed that the company was headquartered in the Netherlands and had multiple subsidiaries in the Netherlands and Luxembourg, jurisdictions considered by Ethical Consumer to be tax havens at the time of writing.

Multiple of these were holding companies, which was considered a high-risk company type for likely use of tax avoidance, including:

- Triodos Investment Management B.V. in the Netherlands
- Triodos Sicav II in Luxembourg.

As the company was founded and actively operated in the Netherlands, its headquarters and subsidiaries there were considered to be low risk for tax avoidance.

No significant secondary criticisms were found of the company's tax practices.

The company had a public tax statement on its website stating its tax principles:

"Legal and regulatory compliance: Triodos Bank complies with local tax laws and regulations, taking into account the purpose and spirit of the relevant clauses.

2. Abiding economic reality: Triodos Bank pays its fair share of taxes in the countries where economic activities occur.

3. Serving our mission: All activities, products and transactions of Triodos Bank solely serve the main purpose and mission. Tax may never be the focus for an activity, product or transaction.

4. Integrity: Triodos Bank does not violate interests of stakeholders, including local governments.

5. Transparency: Activities, product and transactions of Triodos Bank should be reasonably explainable to our clients, (local) tax authorities and the general public, including their purposes."

As Triodos Bank had only one high risk company type registered in a tax haven, it received a best Ethical Consumer rating for tax conduct and lost no marks in the Tax Conduct category. (ref: 10)

**Company Ethos (+ve) (score: 1)**

**Innovative social and environmental alternative (5 June 2023)**

On 5 June 2023, Ethical Consumer downloaded Triodos' Minimum Standards, dated May 2022. This set out the categories which it excluded from its lending and investments as follows:

- Health and safety: alcohol, gambling, pornography, tobacco, weapons
- Human rights: conflict minerals, human rights, labour rights
- Animals: animal testing, factory farming, fisheries, fur and speciality leather
- Environment: biodiversity, deforestation, energy, genetic engineering, hazardous substances and contamination, natural resources and mining, water
- Governance: accounting and remuneration, corruption, taxes

The document went on to outline the specific thresholds for each of these issues, beyond which Triodos would exclude a company from financing or investment.
Triodos also published details of every organisation it lent money to. The bank was therefore considered to be focused exclusively on ethical/environmental/social lending and investing.

Triodos therefore received a positive mark for its company ethos. (ref: 9)

Certified B Corp (5 June 2023)

On 5 June 2023 Ethical Consumer viewed the B-Corp website which listed Triodos Bank NV as a B-Corp.

The company received a company ethos mark. (ref: 11)

References
1 - Triodos Bank NV Corporate Communications:Triodos Bank Annual Report 2022 (5 June 2023)
2 - Banks for Animals - Sinergia Animal:December 2021
3 - Brussels Times:European banks implicated in Cambodia’s microcredit scandal (6 July 2020)
4 - Triodos Bank NV Corporate Communications:SOC-SAT Report 2020 (2020)
7 - British Bankers' Association (BBA):www.bba.org.uk (23 July 2020)
8 - Triodos Bank NV Corporate Communications:https://www.triodos.co.uk (5 June 2023)
9 - Triodos Bank NV Corporate Communications:Triodos Bank Minimum Standard May 2022 (5 June 2023)
10 - Hoovers 2023 www.dnb.com:Generic Hoovers ref 2023
11 - B Corporation:https://www.bcorporation.net (5 June 2023)
Ethical Screening of: Co-operative Bank Holdings Limited
For: University of Cambridge
Date: June 2023

Company Details
Ownership:
Co-operative Bank was not owned by another corporate entity.

Size:

Turnover: £420 m

Contact details:
Website: www.co-operativebank.co.uk
Telephone: 0161 834 1212
Email: corporatePRTeam@coop.co.uk
Address: P.O. Box 101, 1 Balloon Street, Manchester, M60 4EP

Environment
Environmental Reporting (score: 0)

Best Ethical Consumer Rating for Environmental Reporting (2 April 2023)

On 02 April 2023, Ethical Consumer viewed the website of Co-operative Bank Holdings Limited, looking for discussion and action on the company's environmental impacts, other than carbon emissions. Its 2022 Sustainability Report was viewed.

A finance company with some evidence of action on the environmental impacts (other than carbon emissions) of its financed activities would get a middle rating, and if it did not fund or invest in fossil fuel companies, and had evidence of action on the environmental impacts of its own operations as well as financed activities, it would get a best rating.

The company was a financial institution that did not fund fossil fuels, and had evidence of reasonable action it was taking on the environmental impacts of its own operations as well as its financed activities, and did the following:

In its sustainability report, the company discussed its use of chemicals, office paper, PVC credit and debit cards, and production of waste.

It also stated: "We refuse banking services to those whose activities conflict with our customer's views on key issues, including the environment and human rights" and "[business] customers are screened based on their responses to make sure we are not providing banking services to any business whose activities conflict with our Ethical Policy." In 2022, the company had denied banking facilities to eight companies on ethical grounds, including "six businesses involved in the oil and gas sector whose activities were considered to be in conflict with our Ethical Policy statement on the exploration, extraction and production of fossil fuels."

The company's Ethical Policy stated: "We will not provide banking services to any business or organisation whose activity contributes to global climate change or the destruction of ecosystems, via:

• The exploration, extraction or production of fossil fuels (oil, coal and gas, including from tar sands and

Ethical Ranking of 10 UK banks
hydraulic fracturing)
• The operation and development of fossil fuel fired power stations or fossil fuel infrastructure, such as oil and gas pipelines
• The exploration or extraction of minerals using deep seabed mining, including the conduct of research that facilitates deep sea mining
• The degradation of areas that are critical stores of irrecoverable carbon
• The manufacture of chemicals that are persistent in the environment, bio-accumulative in nature or linked to long-term health concerns
• The unsustainable harvest of natural resources, including timber, fish and palm oil
• The development of genetically modified organisms where there is evidence of uncontrolled release into the environment, negative impacts on developing countries, or patenting, e.g. of indigenous knowledge
• The development of nanotechnology in circumstances that risk damaging the environment or compromising human health"

Overall, Co-operative Bank Holdings Limited received a best Ethical Consumer rating for Environmental Reporting and was not marked down in the category. (ref: 1)

Climate Change (score: -1)
Worst Ethical Consumer rating for carbon management and reporting (2 April 2023)

On 02 April 2023, Ethical Consumer viewed the website of Co-operative Bank Holdings Limited, looking for information on what the company was doing to tackle climate change. Its 2022 Sustainability Report was viewed.

Ethical Consumer was looking for the company to satisfy the following criteria:
1. A credible, detailed discussion of how it has made emissions cuts in the past and how it will make them in the future.
2. Does full annual public reporting of its emissions – all three scopes.
3. Has a future target that is either approved by the SBTi or at least the equivalent to 3.6% cuts/year in scope one and two emissions, and 2.5% cuts/year in scope 3.
4. Does not work in developing new extraction fossil fuel projects, building new fossil fired power stations or in doing anything with coal.
5. Is not engaging in highly misleading public messaging on climate change.
6. Has not been subject to credible secondary criticism on what it is doing on the climate.

If a company met all of these criteria it would receive a best rating. If it failed one it would receive a middle rating. If it failed more than one it would receive a worst rating.

1. The company stated: "As we have refused to provide banking services to business whose activities contribute to global climate change for over 20 years, it is our mortgage lending (Scope 3, Category 15) that has the largest climate impact. We will therefore focus on supporting the net zero transition of the UK housing sector and our customers’ homes. We will continue to finance renewable energy projects and to play our role in facilitating a just transition in the real economy through engagement with our customers, and through offering products and services that support decarbonisation." This was considered to constitute a credible and detailed discussion of how it had cut emissions in the past and would continue to do so.

2. The company did not appear to publicly report annually on its full Scope 1, 2 an 3 emissions in CO2e. It reported its scope 1 and scope 2 (location based) emissions to be 560 tCO2e and 1,562 tCO2e in 2021, respectively. No public scope 3 reporting was found.
3. The company did not appear to have a target in line with international agreements. It planned to reduce its "direct scope 1 & 2 emissions related to energy consumption by 6% in 2023 with a Net Zero status by 2030" and "Develop a robust programme of work [for reduction of its scope 3 emissions] as we strive to decarbonise the Bank and achieve Net Zero status by 2050." Since its scope 3 emissions were unknown and no target had yet been set for these emissions, this target was not considered to be in line with international agreements.

4. The company was not found to work in developing new fossil fuel projects or doing anything in coal.

5. The following was found which showed that the company had misleading messaging: "The Co-operative Bank has been 'beyond carbon neutral' for our operations since 2007. We achieve this by offsetting our carbon emissions, plus an additional 10% to address the impact our business activities have had in the past." Ethical Consumer considered it misleading if a company used offsetting to call itself "carbon neutral". The bank also stated that the offsets compensated for its scope 1 and 2 emissions plus business travel, which meant that its scope 3 emissions – likely its largest source of emissions – was not included in the claim that the company was "beyond carbon-neutral". The Co-operative Bank worked with Climate Impact Partners to deliver its offsetting programme, a company that Ethical Consumer had criticised for selling REGOs, a green energy certification that was not considered to meaningfully contribute to renewable capacity building.

6. The company did not appear to be subject to secondary criticism on what it was doing on the climate. Overall, Co-operative Bank Holdings Limited received a worst Ethical Consumer rating for carbon management and reporting and lost a full mark in the Climate Change category. (ref: 1)

People

Human Rights (score: 0)

Information only: Operations in oppressive regimes (2 April 2023)

On 02 April 2023, Ethical Consumer viewed Co-operative Bank Holdings Limited's list of subsidiaries on corporate information database D&B Hoovers, which stated that the company had operations in the countries listed below.

Nigeria.

At the time of writing Ethical Consumer considered this country to be governed by an oppressive regime.

Since the company had operations in only one oppressive regime, it did not lose marks under Human Rights. This reference is for information only. (ref: 2)

Arms & Military Supply (score: 0)

Listed in the Hall of Fame Don't Bank on the Bomb (January 2022)

In June 2023 Ethical Consumer viewed the January 2022 report 'Rejecting Risk' detailing which banks had invested in and which had divested from companies producing nuclear weapons. Co-operative Bank was listed in the Hall of Fame for excluding all businesses involved in producing or trading in weapons.

The Co-Operative Bank’s Ethical Policy stated that it would not invest in any company that “manufactures or transfers indiscriminate weapons”. Indiscriminate weapons included cluster munitions, antipersonnel landmines, depleted uranium munitions, incendiary munitions, chemical and biological weapons. It also includes "products or services classed as strategic to nuclear weapons." Companies found to conflict with the policy were excluded. The policy applied to all asset and liability classes relevant to the Co-operative Bank. The Co-operative Bank also declined banking facilities and terminated loan contracts of customers violating its ethical policy.

The Co-operative Bank utilised independent research by EIRIS to identify companies in breach of its policy. The list of companies was not publicly available.
Co-operative Bank did not lose any marks for its positive policy under Arms and Military Supply. (ref: 3)

**Hall of fame for policy on cluster munitions (December 2018)**


The report was a state-of-the-art report on financial institutions’ investment in companies that developed or produced cluster munitions, on financial institutions disinvesting from producers of cluster munitions and on states banning investments in cluster munitions.

The Convention on Cluster Munitions (CCM) categorically banned the use, production, stockpiling and transfer of cluster munitions. 94 countries signed the convention at the Oslo Signing Conference held 3-4 December 2008. The convention entered into force on 1 August 2010.

The report revealed that many financial institutions were still financing cluster munitions producers, despite the international consensus being that such weapons were considered unacceptable, given that civilians make up 98% of all cluster munitions victims.

Co-operative Bank was listed in the Hall of Fame.

Its Ethical Policy states that the Co-operative Bank “will not provide banking services to any business, organisation or government that (…) manufactures or transfers indiscriminate weapons (e.g. cluster bombs and depleted uranium munitions), torture equipment or other equipment that is used in the violation of human rights, or armaments supplied to oppressive regimes.” This meant that the bank would not finance any company that manufactured, sold or directly exported cluster munitions or strategic parts or services for cluster munitions.

The policy applied to all investments and all asset categories of the Co-operative Bank.

The Co-operative Bank utilised research by Vigeo Eiris to assist in determining whether any business was in breach of its policy. The list was not publicly available.

The Co-operative Bank was therefore not marked down in the Arms and Military Supply category. (ref: 4)

**Politics**

**Anti-Social Finance (score: -1)**

**Excessive remuneration for directors or other staff (2 April 2023)**

On 02 April 2023, Ethical Consumer viewed the latest Co-operative Bank Holdings Limited 2022 Annual Report.

It indicated that the company's highest paid director received over £1 million in total compensation in 2022. CEO Nick Slape had received a total of £2.4 million.

Ethical Consumer deemed any annual amount over £250k to be excessive, while compensation of £1million or more would lose a full mark. The company therefore lost a full mark under Anti-Social Finance. (ref: 5)

**Information only: Not lending to companies in particularly problematic areas (2 April 2023)**

In October 2022, Ethical Consumer searched The Co-operative bank's 2022 Pillar 3 and Annual Reports for information on its lending practices.

The Co-operative bank’s Pillar 3 report listed that The Co-operative bank had exposure in the following sectors:

- Agriculture, forestry and fishing
Manufacturing
Electricity, gas, steam and air conditioning supply
Water supply
Construction
Wholesale and retail trade
Transport and storage
Accommodation and food service activities
Information and communication
Financial and insurance activities
Real estate activities
Professional, scientific and technical activities
Administrative and support service activities
Public administration and defence, compulsory social security
Education
Human health services and social work activities
Arts, entertainment and recreation
Other services

The Co-operative bank had a customer-led ethical policy which indicated that it was committed not to provide banking services to any business or organisation whose activity contributes to global climate change or the destruction of ecosystems via for example:
- the exploration, extraction or production of fossil fuels
- exploration or extraction of minerals using deep seabed mining
- the degradation of areas that are critical stores of irrecoverable carbon
- the manufacture of chemicals that are persistent in the environment, bio-accumulative in nature
- uncontrolled release of GMO organisms into the environment

Furthermore the bank was committed not to provide banking services to any business or organisation that for example:
- fails in its responsibility to respect human rights and all elements of international human rights and humanitarian law applicable to business
- manufactures or transfers indiscriminate weapons, torture equipment or other equipment that is used in the violation of human rights
- has business relationships with an oppressive regime
- advocates discrimination and incitement to hatred
- that infringes animal welfare standards via: involvement in animal testing of cosmetic or household products or their ingredients, intensive farming methods (e.g. caged egg production),

As a result The Co-operative bank was not marked down in relation to transparency and ethics of corporate lending.

This reference is for Information only. (ref: 6)
Information only: Hedge fund investments (2 April 2023)

On 2 April 2023, Ethical Consumer searched the Co-operative Bank's 2022 Annual Report for information on the company's major shareholders. Invesco was still among them but Silver Point was not. There were no shareholders with a holding of 25% or more. This story is for information only.

In May 2020, Ethical Consumer searched the Co-operative Bank PLC's 2019 Annual Report for information on the company's major shareholders. Silver Point and Invesco Asset Management were amongst these.

In March 2018 Ethical Consumer performed some research into the hedge fund owners. According to Silver Point filing 13F the company had investments in EnPro Industries, which manufactured engineering products for industries including defense, automotive, oil and gas, power generation, aerospace and nuclear. The EnPro Industries' website stated that the company owned Fairbanks Morse Engine, the 'principle supplies of medium-speed diesel engines to the U.S. Navy.' Silver Point also had investments in Caesars Entertainment Corporation, a 'casino-entertainment provider', and PENN VA CORP NEW (Penn Virginia Corporation), an oil and gas company.

According to Invesco's SEC filing 13F the company had investments in the big oil company: Exxon Mobil Corp. The company also had investments in Amazon - a company which had a boycott call against it by Ethical Consumer. Other investments included: Caterpillar Inc, Apple Computer Inc, Coca Cola Co, Unilever, Wal-Mart. (ref: 5)

Tax Conduct (score: 0)

Information only: Tax conduct (2 April 2023)

On 2 April 2023, Ethical Consumer viewed a list of the Co-operative Bank Holdings Limited's subsidiaries in its latest annual report.

The annual report indicated that the company had subsidiaries on the Isle of Man and Ireland. At the time of writing these jurisdictions were on Ethical Consumer's tax havens list. However, as the subsidiary on the Isle of Man was dormant and no named subsidiary in Ireland was found, the Co-operative Bank Holdings Limited did not lose any mark for its tax conduct.

This reference is for information only. (ref: 5)

References

1 - Co-operative Bank Holdings Limited Corporate Communications:Sustainability Report 2022 (2023)
2 - Hoovers 2023 www.dnb.com:Generic Hoovers ref 2023
5 - Co-operative Bank Holdings Limited Corporate Communications:Annual Report and Accounts 2022 (February 2023)
6 - Co-operative Bank Holdings Limited Corporate Communications:Our Ethical Policy (2 April 2023)
Ethical Screening of: Monzo Bank Limited
For: University of Cambridge
Date: June 2023

Company Details

Ownership:
Monzo Bank was not owned by another corporate entity.

Size:

Turnover: £356 m

Contact details:

Website: monzo.com
Telephone: 0800 802 1281
Email: press@monzo.com
Address: Broadwalk House, 5 Appold Street, London, EC2A 2AG, UK

Environment

Environmental Reporting (score: -1)

Worst Ethical Consumer rating for Environmental Reporting (1 June 2023)

On 01 June 2023, Ethical Consumer viewed the website of Monzo Bank Limited, looking for discussion and action on the company's environmental impacts, other than carbon emissions. Its 2023 Annual Report and the section of its website called Protecting the Environment were viewed.

A finance company with some evidence of action on the environmental impacts (other than carbon emissions) of its financed activities would get a middle rating, and if it did not fund or invest in fossil fuel companies, and had evidence of action on the environmental impacts of its own operations as well as financed activities, it would get a best rating.

The company was a financial institution and had some evidence of action on the environmental impacts (other than carbon emissions) of its internal operation.

Regarding internal impacts, it discussed its use of Environmentally Preferred Purchasing (EPP), "so our washrooms are stocked with animal friendly and organic products, and we’ve removed most single-use toiletries". It also stated that it promoted recycling and offered a Cycle to Work Scheme. It stated that the packaging for its bank cards was fully recyclable.

Monzo was also a "a branchless, digital bank", so had a smaller, direct environmental impact than high street banks with multiple branches. However, for the company to get a best rating some discussion of the impacts of its supply chain and manufacturing processes was expected.

Regarding financed environmental impacts, Monzo did not invest in fossil fuel companies or engage directly in business lending. It did offer business accounts to some limited companies but excluded certain industries with 'higher risks'. These included high impact sectors such as "construction and civil engineering, mining and quarrying, precious metals and stones, defence and weapons, unlicensed scrap metal, unregistered waste management".
It, however, also stated that "in future, we might offer accounts to some of these industries", which suggested that some of these exclusions may have been pragmatic – due to the business risk of added exposure – rather than in place specifically to limit the company's environmental impact.

Although it stated that it only lent out a small proportion of its deposits (currently 3.5% of deposits) in the form of unsecured personal overdrafts and loans, it did not appear to show awareness that these loans themselves may generate 'financed' emissions and other impacts which needed recording and managing down.

Because of this, Monzo Bank Limited received a worst Ethical Consumer rating for Environmental Reporting and lost a mark in the category. (ref: 1)

**Climate Change (score: -1)**

**Middle Ethical Consumer rating for carbon management and reporting (1 June 2023)**

On 01 June 2023, Ethical Consumer viewed the website of Monzo Bank Limited, looking for information on what the company was doing to tackle climate change. Its 2023 Annual Report and a section of its website named 'Protecting the Environment' were viewed.

Ethical Consumer was looking for the company to satisfy the following criteria:

1. A credible, detailed discussion of how it has made emissions cuts in the past and how it will make them in the future.

2. Does full annual public reporting of its emissions – all three scopes.

3. Has a future target that is either approved by the SBTi or at least the equivalent to 3.6% cuts/year in scope one and two emissions, and 2.5% cuts/year in scope 3.

4. Does not work in developing new extraction fossil fuel projects, building new fossil fired power stations or in doing anything with coal.

5. Is not engaging in highly misleading public messaging on climate change.

6. Has not been subject to credible secondary criticism on what it is doing on the climate.

If a company met all of these criteria it would receive a best rating. If it failed one it would receive a middle rating. If it failed more than one it would receive a worst rating.

1. The company discussed:

The bank stated that it did "not invest in fossil-fuel based energy companies, arms companies or tobacco companies" and it provided sectoral exclusions for business lending on the Eligibility section of its website. Exclusions included high emissions sectors such as mining, quarrying, construction and manufacturing.

It also discussed its internal emissions, including a partnership with the software company 'Watershed' aiming to "measure our carbon footprint in line with industry-leading protocols, identify opportunities to reduce emissions, and recommend carbon removal projects for any remaining emissions to achieve net zero. Watershed has helped us measure our carbon footprint in a way that’s consistent with the Greenhouse Gas ("GHG") Protocol promulgated by the World Resources Institute and the World Business Council for Sustainable Development."

It outlined its plans for reaching net-zero by 2030, which it stated would not include carbon offsets.

It also outlined how it had reduced emissions over the past several years:

"-Emissions associated with our debit cards and wider payment processing since 2021 will be removed from the atmosphere, and on an ongoing basis in the future, making our cards and wider payment processing activities 100% carbon neutral.

- The packaging for our cards is fully recyclable.
-All UK monzonauts can be part of the Cycle to Work scheme, so it’s more convenient to use environmentally friendly transport for their commute. Our Cardiff office has also committed to the Business Healthy Travel Charter Wales."

It also stated that its offices ran off renewable energy, although it was not clear if this was based on a power purchase agreement.

Although Monzo's lending was small compared to other banks, it did not discuss the impact of its financed emissions anywhere. Because of this, it was not considered to constitute a credible and detailed discussion of how it had cut emissions in the past and would continue to do so.

2. The company reported the total of its annual scope 1, 2 & 3 emissions in CO2e for the year 2022 to be 12,802 tonnes CO2e. It stated that scope 1 and scope 2 emissions each accounted for 0.3% of this figure (28.4 tonnes CO2e), while the remaining 99.4% were scope 3.

Its Streamlined Energy and Carbon Reporting (SECR) showed that scope 2 reporting was location based. Its Scope 3 reporting primarily included production emissions at sources Monzo did not own or control, primarily card production, payment processing and travel. It did not include lending exposure. Although Monzo's lending was small in relation to other banks we think that its scope three measurements should contain financed emissions.

3. The company did not appear to have a target in line with international agreements. It stated that it aimed to be 'net-zero by 2030', but did not provide emission reduction target breakdowns by scope. It was not listed as a 'company taking action' on the SBTi website.

4. The company was not found to work in developing new fossil fuel projects or doing anything in coal. It stated that it did not invest in fossil fuels.

5. The company did not appear to be engaged in misleading messaging.

6. The company did not appear to be subject to secondary criticism on what it was doing on the climate.

Overall, Monzo Bank Limited received a worst Ethical Consumer rating for carbon management and reporting and lost a mark in the Climate Change category. (ref: 1)

Savings accounts are managed by other banks that have limited ethical policies (23 June 2023)

In June 2023 Ethical Consumer viewed the 'Saving with Monzo' page of the Monzo website. It listed a number of savings products that were managed by a range of different banks: Paragon, Investec, OakNorth, Charter and Shawbrook.

Monzo did not appear to have an ethical lending or investment policy that applied to these Monzo-branded but externally managed products. Ethical Consumer viewed the Responsible Investment Policy of Investec, which managed Monzo's 'Easy Access ISA' product. It stated:

"We do not have an IW&I Exclusions Policy. Our clients hold diverse views regarding the activities they believe cause harm to the planet or society. Our approach to exclusions is client-led enabling clients to exclude securities and/or sectors from their portfolios on the basis of their own personal values."

This was deemed inadequate, as Ethical Consumer expected investment companies to exclude particularly damaging sectors such as thermal coal extraction, controversial weapons, and companies associated with human rights and animal rights abuses. Investec appeared to be investing in fossil fuels. According to its 2022 Sustainability Report, Investec's energy portfolio breakdown was as follows: 38.2% in natural gas, 12.2% in oil and gas, 2.7% in coal, with the remaining 46.9% in renewables.

Whilst Monzo was not managing this investment directly, it was in a licensing relationship with Investec and Monzo ISA customers’ money was likely to be invested in fossil fuels. We are not currently marking down companies for this kind of relationship so this story is for information only. (ref: 2)
People

Human Rights (score: 0)

No operations in oppressive regimes (June 2023)

On 01 June 2023, Ethical Consumer searched for information on where Monzo Bank Limited operated. Ethical Consumer checked the D&B Hoovers corporate database.

Companies were marked down under Human Rights for operating in any countries which Ethical Consumer considered to be governed by an oppressive regime at the time of writing.

Monzo Bank Limited was not found to be operating in any of these countries and therefore was not marked down under Human Rights. This reference is for information only. (ref: 3)

Politics

Anti-Social Finance (score: -1)

Excessive remuneration for directors or other staff (1 June 2023)

On 01 June 2023, Ethical Consumer viewed the 2023 Monzo Bank Limited annual report.

It indicated that the company's highest paid director received £2.637 million in total compensation in 2023. £2 million of this was in the form of share-based payments.

Ethical Consumer deemed any annual amount over £250k to be excessive, while compensation of £1million or more would lose a full mark. The company therefore lost a full mark under Anti-Social Finance. (ref: 1)

Info only: No lending to problematic sectors (1 June 2023)

On 1st June 2023 Ethical Consumer viewed Monzo Bank Limited's 2023 Pillar 3 report. It showed that the bank's lending to the corporate sector represented <5% of its retail exposures.

The Business Banking Eligibility section of its website also stated that Monzo "can't support" the following industries because "Certain industries have higher risks, where we need to put extra checks and controls in place. We're currently focusing on industries that don't need these."

"construction and civil engineering

mining and quarrying

defence and weapons

consumer credit or lending money

dating or escort services

precious metals and stones (like jewellery)

tattoo and nail parlours

food stands

technology equipment, like lasers or telecommunications

probate and estate management

gambling and betting

weapons manufacturing and/or selling

unlicensed scrap metal

unregistered waste management

shell companies
illegal or unlicensed drugs
used automotive vehicles
bidding fee auctions
regulated or unregulated financial investment, loan, foreign exchange (FX) or banking businesses
selling or making cannabidiol products (CBD), like cannabidiol oil
certain types of manufacturing
financial and insurance activities
public administration and defence, and compulsory social security. That includes things like defence, immigration services, foreign affairs and running government programmes."
At this point Monzo Bank Limited was not marked down in relation to the transparency and ethics of its corporate lending. (ref: 4)

**Tax Conduct (score: 0)
No subsidiaries in tax havens (June 2023)**
On 01 June 2023, Ethical Consumer searched for information on where Monzo Bank Limited was operating. Ethical Consumer checked the D&B Hoovers corporate database.
Companies would be rated for their policies on tax avoidance if they, or their subsidiaries, were found to be registered in any country which Ethical Consumer considered to be a tax havens at the time of writing.
As Monzo Bank Limited and its subsidiaries were not found to be registered in any tax havens it received Ethical Consumer's best rating for likely use of tax avoidance strategies and was not marked down under Tax Conduct. (ref: 3)

**References**
1 - Monzo Bank Limited Corporate Communications:2023 Annual Report (1 June 2023)
2 - Monzo Bank Limited Corporate Communications:Investec 2022 Sustainability Report (23 June 2023)
3 - Hoovers 2023 www.dnb.com:Generic Hoovers ref 2023
4 - Monzo Bank Limited Corporate Communications:2023 Pillar 3 (1 June 2023)
Company Details

Ownership:

Al Rayan Bank plc was owned by Al Rayan (UK) Limited (98%), which was owned by Masraf Al Rayan (MAR) Q.S.C. (75%) and Qatar Holding LLC (25%). Qatar Holding LLC was wholly owned by Qatar Investment Authority, the sovereign wealth fund of the Government of Qatar.

Size:

Turnover: £67 million

Contact details:

Website: www.alrayanbank.co.uk
Telephone: 0845 6060786
Email: not found
Address: 44 Hans Crescent, Knightsbridge, London, SW1X 0LZ

Environment

Environmental Reporting (score: -1)

Worst Ethical Consumer rating for Environmental Reporting (15 June 2023)

On 15 June 2023, Ethical Consumer viewed the website of Al Rayan Bank plc (formerly IBB), looking for discussion and action on the company’s environmental impacts, other than carbon emissions. A website section titled Values and Heritage, and its 2022 Annual Report were viewed.

A finance company with some evidence of action on the environmental impacts (other than carbon emissions) of its financed activities would get a middle rating, and if it did not fund or invest in fossil fuel companies, and had evidence of action on the environmental impacts of its own operations as well as financed activities, it would get a best rating.

The company had no or very limited evidence of action on the environmental impacts of its product supply chain or financed activities. In its annual report it stated that it was “committed to its environmental impact” and had outlined a proposed ‘Ethical Roadmap’ “to ensure it fully engages in areas considered ethical by all audiences”. However, no evidence was found of actions that addressed the bank’s environmental impact other than carbon emissions.

Overall, Al Rayan Bank plc (formerly IBB) received a worst Ethical Consumer rating for Environmental Reporting and lost a whole mark in the category. (ref: 1)

Climate Change (score: -1)

Worst Ethical Consumer rating for carbon management and reporting (15 June 2023)

On 27 June 2023, Ethical Consumer viewed the website of Al Rayan Bank plc (formerly IBB), looking for information on what the company was doing to tackle climate change. Its 2022 Annual Report was viewed.
Ethical Consumer was looking for the company to satisfy the following criteria:

1. A credible, detailed discussion of how it has made emissions cuts in the past and how it will make them in the future.

2. Does full annual public reporting of its emissions – all three scopes.

3. Has a future target that is either approved by the SBTi or at least the equivalent to 3.6% cuts/year in scope one and two emissions, and 2.5% cuts/year in scope 3.

4. Does not work in developing new extraction fossil fuel projects, building new fossil fired power stations or in doing anything with coal.

5. Is not engaging in highly misleading public messaging on climate change.

6. Has not been subject to credible secondary criticism on what it is doing on the climate.

If a company met all of these criteria it would receive a best rating. If it failed one it would receive a middle rating. If it failed more than one it would receive a worst rating.

1. Inadequate information was found discussing reduction of its emissions in the past and future. According to its annual report, it had identified Climate Change as one of the priorities of its Ethical Roadmap (which was not found on the bank’s website). However, in the report the bank mostly discussed the financial risks associated with climate change. It stated that it had an ESG Committee "to manage the Bank’s approach to integrating environmental, social, and governance practices into its business strategy and operations, and its impact and sustainability” and was involved in “ongoing work to ensure financial risk from climate change is embedded across the Risk Management Framework.” Very limited discussion was found of the bank’s own emissions impact or efforts to reduce its emissions in the past and the future. The bank stated that its energy consumption had reduced because it had closed branches and that it had "signed up for ‘zero emission' providers where it ha[d] the option to select its providers".

2. The company did not appear to publicly report annually on its full scope 1, 2 & 3 emissions in CO2e. The company reported its scope 2 emissions to be 66 tCO2e in 2022 and its scope 3 to be 38 tCO2e. It was not clear whether scope 2 emissions were location or market based and scope 3 emissions only included business travel. No scope 1 reporting for 2021 or 2022 was found.

3. The company did not appear to have a target in line with international agreements.

4. The company was not found to work in developing new fossil fuel projects or doing anything in coal.

5. The company did not appear to be engaged in misleading messaging.

6. The company did not appear to be subject to secondary criticism on what it was doing on the climate.

Overall, Al Rayan Bank plc (formerly IBB) received a worst Ethical Consumer rating for carbon management and reporting and lost a full mark in the Climate Change category. (ref: 7)

Worst Ethical Consumer rating for investment policy and transparency (16 June 2023)

On 16 June 2023, Ethical Consumer searched the Al Rayan Bank plc (formerly IBB) website for the company’s ethical investment, engagement, or shareholder voting policies.

Most investment companies will hold a large amount of assets, some of which will be held as shares in companies and diversified across all sectors to avoid risk.

To get a best Ethical Consumer rating for investment transparency and not be marked down, a company must meet the following three criteria:

1. A clear ethical investment policy restricting investments in at least key problem areas for the sector including: coal/Carbon, deforestation, indiscriminate weapons, human rights abuses, and animal abuse.

2. Clear investment disclosure (naming companies invested in not just sectors).
3. Full and clear disclosure on engagement or voting (stewardship) at company AGMs (it should be at least annually).

To get a middle rating, it would need some details of investments including named companies, engagement and voting policies, with some disclosure of voting history or other engagement. Companies with a middle rating would lose a half mark in six categories representative of the criticisms its investments would be likely to receive under our ratings system.

If no or very limited information on investment, engagement or shareholder voting policies could be found, it would receive a worst rating, and would lose a half mark in twelve categories representative of the criticisms its investments would be likely to receive under our ratings system.

Al Rayan Bank plc (formerly IBB)’s website was viewed. Regarding its investment policy, only the following was found, which was considered inadequate:

In a website section titled 'Ethical banking', the company stated that it did not invest in industries connected with gambling, alcohol, tobacco, arms and pornography; any other industry where the activities were not permitted under Sharia; any derivative and fixed income instruments or structured notes on assets; and any commodity not backed by a tangible asset. Instead, it invested in property and "low risk commodities, such as metals".

The company's brochure 'Ethical banking for everyone' described the same policy.

No policy on investment in fossil fuels was found.

Regarding its investment disclosure, no information was found.

Regarding its engagement or voting (stewardship), no information was found.

As Al Rayan Bank plc (formerly IBB) had no or very limited ethical investment, engagement or shareholder voting policies it received a worst Ethical Consumer rating for investment transparency, and lost half a mark under the following categories:

Climate Change, Pollution and Toxics, Habitats and Resources, Animal Testing, Factory Farming, Animal Rights, Human Rights, Workers Rights, Controversial Technologies, Political Activities, and Anti-Social Finance. Its clear exclusion statement around Arms and Military Supply mean that it did not lose marks in that category. (ref: 1)

**Worst Ethical Consumer rating for investment policy and transparency (18 June 2023)**

On 18 June 2023, Ethical Consumer searched the Masraf Al Rayan (MAR) Q.S.C. website for the company’s ethical investment, engagement, or shareholder voting policies.

Most investment companies will hold a large amount of assets, some of which will be held as shares in companies and diversified across all sectors to avoid risk.

To get a best Ethical Consumer rating for investment transparency and not be marked down, a company must meet the following three criteria:

1. A clear ethical investment policy restricting investments in at least key problem areas for the sector including: coal/carbon, deforestation, indiscriminate weapons, human rights abuses, and animal abuse.
2. Clear investment disclosure (naming companies invested in not just sectors).
3. Full and clear disclosure on engagement or voting (stewardship) at company AGMs (it should be at least annually).

To get a middle rating, it would need some details of investments including named companies, engagement and voting policies, with some disclosure of voting history or other engagement. Companies with a middle rating would lose a half mark in six categories representative of the criticisms its investments would be likely to receive under our ratings system.

If no or very limited information on investment, engagement or shareholder voting policies could be found, it would receive a worst rating, and would lose a half mark in twelve categories representative of
the criticisms its investments would be likely to receive under our ratings system.

A website section on Al Rayan Investment as well as Masraf Al Rayan (MAR) Q.S.C.'s FAQ, Sustainable Finance Framework and Annual Report 2022 were viewed. Regarding its investment policy only the following information was found, which was considered inadequate:

In its FAQ, the company stated that "Masraf Al Rayan is fully Islamic and all the offered services are in conformity with the principles of Islamic Shari’ah and supervised by the Shari’ah Supervisory Board". No information was found on how this was implemented for its investment subsidiary Al Rayan Investment LLC.

The company had published its first Sustainable Finance Framework in April 2022, which stated that it offered "green, social and sustainability" bonds and direct ownership ("sukuk") investment products. No exclusions of problematic sectors or an explanation of which criteria an investment needed to meet to be green, social or sustainable were found. The framework stated that it would report annually on the allocation and impact of the programme. No reporting was found at the time of writing.

Regarding its investment disclosure only the following information was found, which was considered inadequate:

The company published a monthly global market snapshot, which showed the commodities the company invested in and the names of the companies performing best and worst. In May 2023, it had invested in commodities such as oil, gas, gold, ethylene and urea and companies such as Mesaieed Petrochemical Holding Co and Saudi Arabian Mining Co.

Regarding its engagement or voting (stewardship), no information was found.

As Masraf Al Rayan (MAR) Q.S.C. had no or very limited ethical investment, engagement or shareholder voting policies it received a worst Ethical Consumer rating for investment transparency, and lost half a mark under the following categories:

Climate Change, Pollution and Toxics, Habitats and Resources, Animal Testing, Factory Farming, Animal Rights, Human Rights, Workers Rights, Arms and Military Supply, Controversial Technologies, Political Activities, and Anti-Social Finance. (ref: 2)

Pollution & Toxics (score: -0.5)
(See also 'Worst Ethical Consumer rating for investment policy and transparency' in Climate Change above.)

(See also 'Worst Ethical Consumer rating for investment policy and transparency' in Climate Change above.)

Habitats & Resources (score: -0.5)
(See also 'Worst Ethical Consumer rating for investment policy and transparency' in Climate Change above.)

(See also 'Worst Ethical Consumer rating for investment policy and transparency' in Climate Change above.)

People
Human Rights (score: -0.5)
(See also 'Worst Ethical Consumer rating for investment policy and transparency' in Climate Change above.)

Ethical Ranking of 10 UK banks
Information only: Operations in oppressive regimes (16 June 2023)

In September Ethical Consumer searched Masraf Al Rayan's 2022 Annual Report for information on the company's international operations. The report listed Masraf's holdings in Kirnaf Installment Co., a company headquartered in Saudi Arabia. At the time of writing Saudi Arabia was on Ethical Consumer's list of oppressive regimes.

As the company did not have operations in more than one oppressive regime, it did not lose marks under Human Rights. (ref: 3)

Workers' Rights (score: -0.5)

Politics

Anti-Social Finance (score: -1)

Excessive remuneration for directors or other staff (22 June 2023)

On 16 June 2023, Ethical Consumer viewed the latest Masraf Al Rayan (MAR) Q.S.C. 2022 annual report.

It indicated that the company's highest paid director received over £250k in total compensation in 2021. Whilst exact figures were not disclosed, a total of 18,532,000 Qatari Riyal (£3.97 million) was divided amongst 11 directors, which averaged out to £360k each.

Ethical Consumer deemed any annual amount over £250k to be excessive, while compensation of £1million or more would lose a full mark. The company therefore lost half a mark under Anti-Social Finance. (ref: 6)

Excessive remuneration for directors or other staff (15 June 2023)

On 14 June 2023, Ethical Consumer viewed the 2022 Al Rayan Bank plc (formerly IBB) annual report.

It indicated that the company's highest paid director received £819,000 in total compensation in 2021. Ethical Consumer deemed any annual amount over £250k to be excessive, while compensation of £1million or more would lose a full mark. The company therefore lost half a mark under Anti-Social Finance. (ref: 7)
Info only: Lending to problematic sectors (16 June 2023)

On 16 June 2022 Ethical Consumer viewed the Al Rayan website, its 2021 Pillar 3 report and its completed 2022 Ethical Consumer Questionnaire.

It stated that the bank was forbidden from "financing or dealing with entities involved in weapons and defence manufacturing, selling or distribution; Financing businesses involved in distilling, producing, selling and marketing of alcoholic beverages; Financing businesses involved in processing and selling pork as well as other meats not processed according to Sharia guidelines; Financing businesses involved in gambling, even if it comes under other names such as lottery, betting etc.; Financing businesses involved in adult entertainment, night clubs and other related activities."

It also stated in the returned questionnaire that "the bank must ensure that its products, services or any of its activities do not have, directly or indirectly within its control, a negative social impact, environmental impact, financial negative impact on the financial system or negatively affecting climate change", but this statement was considered too vague to be considered a concrete policy on climate related lending.

No lending disclosure could be located that suggested that the bank lent to problematic sectors at the time of writing, but the bank lacked a comprehensive policy precluding lending to fossil fuels, agriculture, mining and animal testing. This reference is for information only. (ref: 2)

Fined for failing to have adequate money laundering controls (11 January 2023)

On 27 June 2023, Ethical Consumer viewed an article on the Reuters website titled 'UK watchdog fines Al Rayan bank over money laundering control failures' and dated 11 January 2023.

It reported that the UK's Financial Conduct Authority (FCA) had "fined Al Rayan Bank plc 4 million pounds ($4.85 million) for failing to put in place adequate controls to prevent money laundering. Between April 1, 2015, and Nov. 30, 2017, Al Rayan allowed money to pass through the bank and be used within the United Kingdom without carrying out appropriate checks, the Financial Conduct Authority (FCA) said. 'Al Rayan was aware of these weaknesses and failed to implement effective changes to fix them, despite the FCA raising concerns about the inadequacies of their systems,' the FCA said in a statement."

According to the article, the bank did not dispute the findings and agreed to settle.

Al Rayan Bank lost half a mark under Anti-Social Finance.

Tax Conduct (score: -1)

Worst Ethical Consumer rating for likely tax avoidance (16 June 2023)

On 16 June 2023, Ethical Consumer viewed a list of Masraf Al Rayan (MAR) Q.S.C.'s subsidiaries in its 2022 annual report.

This showed that the company had multiple subsidiaries in the Cayman Islands, considered by Ethical Consumer to be a tax haven at the time of writing.

Multiple of these were investment companies, which was considered a high-risk company type for likely use of tax avoidance, including:

Lusail Waterfront Investment Co. in Cayman Islands

Lusail Limited in Cayman Islands

No significant secondary criticisms were found of the company's tax practices.

The company published the following statement regarding its tax principles: "We comply with the spirit as well as the letter of tax laws and fully meet our tax obligations. We ensure that the tax risk appetite remains low and that any inherent tax risks are appropriately mitigated. Where necessary, we will enter discussions with tax authorities and/or tax advisors regarding uncertain tax positions to resolve any potential risks or issues."
However, this was not considered to be adequate, as it did not appear that the company had provided a clear public tax statement confirming that it was this company’s policy not to engage in tax avoidance activity nor to use tax havens for tax avoidance purposes, nor did the company provide a narrative explanation for what each group entity located in a tax haven was for, and how it was not being used for purposes of tax minimisation. The company did disclose country-by-country reporting (CBCR) for its UK subsidiary, but this did not include reporting for the subsidiaries located in tax havens. CBCR could not be located for the parent company.

Overall, Masraf Al Rayan (MAR) Q.S.C. received a worst Ethical Consumer rating for likely use of tax avoidance strategies and lost a full mark in the Tax Conduct category. (ref: 3)

**Worst Ethical Consumer rating for likely use of tax avoidance strategies (22 June 2023)**

On 22 June 2023, Ethical Consumer viewed a list of Qatar Holding LLC's subsidiaries on the D&B Hoovers corporate database.

This showed that the company had multiple subsidiaries in jurisdictions considered by Ethical Consumer to be tax havens at the time of writing.

Multiple of these were holding companies, which was considered a high-risk company type for likely use of tax avoidance, including:

- Katara Hospitality Holding B.V. in the Netherlands
- QH Property Holdings Limited in Bermuda

No significant secondary criticisms were found of the company's tax practices.

An internet search using the search terms “Qatar Holding LLC tax policy country” found no country-by-country financial information or reporting (CBCR), nor clear public tax statement confirming that it was this company's policy not to engage in tax avoidance activity or to use tax havens for tax avoidance purposes, nor did the company provide a narrative explanation for what each group entity located in a tax haven was for, and how it was not being used for purposes of tax minimisation.

Overall, Qatar Holding LLC received a worst Ethical Consumer rating for likely use of tax avoidance strategies and lost a whole mark in the Tax Conduct category. (ref: 8)

**References**

1 - Al Rayan Bank plc (formerly IBB) Corporate Communications:www.alrayan.co.uk (15 June 2023)
2 - Masraf Al Rayan (MAR) Q.S.C. Corporate Communications:www.alrayan.com (15 June 2023)
3 - Masraf Al Rayan (MAR) Q.S.C. Corporate Communications:2022 Annual Report (2023)
4 - Lobby Group members list:Ethical Consumer Lobby Group member list (February 2021)
5 - British Bankers' Association (BBA):Members List (2016)
6 - Masraf Al Rayan (MAR) Q.S.C. Corporate Communications:2021 Annual Report (21 September 2022)
7 - Al Rayan Bank plc (formerly IBB) Corporate Communications:2022 Annual Report (2023)
8 - Hoovers 2023 www.dnb.com:Generic Hoovers ref 2023
Ethical Screening of: Lloyds Banking Group plc
For: University of Cambridge
Date: June 2023

Company Details

Ownership:
Lloyds Banking Group was not owned by another corporate entity. It owned 89% of Hill Biscuits Ltd.

Size:

Turnover: £45.52 b

Contact details:

Website: www.lloydsbankinggroup.com
Telephone: 020 7626 1500
Email: mediarelationsteam@lloydsbanking.com
Address: The Mound, Edinburgh, EH1 1YZ

Environment

Environmental Reporting (score: -0.5)

Middle Ethical Consumer rating for Environmental Reporting (2 June 2023)

On 2 June 2023, Ethical Consumer viewed the website of Lloyds Banking Group plc, looking for discussion and action on the company’s environmental impacts, other than carbon emissions. Its 2022 ESG Report was found.

A finance company with some evidence of action on the environmental impacts (other than carbon emissions) of its financed activities would get a middle rating, and if it did not fund fossil fuels, and had evidence of action on the environmental impacts of its own operations as well as financed activities, it would get a best rating.

The company was a financial institution and had some evidence of action on the environmental impacts (other than carbon emissions) of its own activities. Evidence included discussion of operational waste (reducing it by 80% by 2025, from a 2014/15 baseline), and water consumption (reducing by 40% by 2030 from a 2009 baseline).

Regarding financed activities, the company mentioned biodiversity and natural capital. It discussed deforestation and engagement with companies it invested in around this issue. It stated that it engaged companies around “Broader environmental impacts, including biodiversity loss, waste and water management, pollution, and land use and management”.

The company received a middle rating and lost half a mark for Environmental Reporting. (ref: 1)

Climate Change (score: -1)

Worst Ethical Consumer rating for carbon management and reporting (6 June 2023)

On 06 June 2023, Ethical Consumer viewed the website of Lloyds Banking Group plc, looking for information on what the company was doing to tackle climate change. Its Annual Report 2022 and
Environmental Sustainability Report 2022 were viewed.

Ethical Consumer was looking for the company to satisfy the following criteria:

1. A credible, detailed discussion of how it has made emissions cuts in the past and how it will make them in the future.

2. Does full annual public reporting of its emissions – all three scopes.

3. Has a future target that is either approved by the SBTi or at least the equivalent to 3.6% cuts/year in scope one and two emissions, and 2.5% cuts/year in scope 3.

4. Does not work in developing new extraction fossil fuel projects, building new fossil fired power stations or in doing anything with coal.

5. Is not engaging in highly misleading public messaging on climate change.

6. Has not been subject to credible secondary criticism on what it is doing on the climate.

If a company met all of these criteria it would receive a best rating. If it failed one it would receive a middle rating. If it failed more than one it would receive a worst rating.

1. The company discussed: emissions from its own operations and financed activities. It reported on emission reductions made in the past and discussed its strategies to achieve net zero by 2050, which included reducing energy consumption by 50% by 2030, maintain travel emissions below 50% of pre-Covid-19 levels, reduce financed emissions, support customers with transition to a low carbon economy, phase-out of investments in coal, and no financing of new clients in the oil and gas sector “unless it is for viable projects into renewable energy and transition technologies and clients have credible transition plans at the point of onboarding.”

This was considered to constitute a credible and detailed discussion of how it had cut emissions in the past and would continue to do so.

2. The company did not appear to publicly report annually on its full scope 1, 2 & 3 emissions in CO2e. It reported its full combined scope 1 and 2 emissions to be 86,944.94 tCO2e in FY2022. Scope 2 emissions were location based. It reported scope 3 emissions from its supply chain to be 747,409 tCO2e in FY2022. This represented "circa 65 per cent" of scope 3 emissions related to the company's own operations.

The company did not report its 2021/2022 financed emissions. It did include financed emissions of the group minus Scottish Widows for 2018, 2019 and 2020 and of Scottish Widows for 2019 and 2020 in its Environmental Sustainability Report 2022. The group reported these financed emissions in 2020 to have been 23.2 MtCO2e and 10.3 MtCO2e, respectively. Scope 3 financed emissions were calculated from the scope 1 and 2 emissions generated by the company's investments and lending.

3. The company's target was: by 2030, reduce scope 1 and 2 emissions by at least 75% compared to 2018/19 levels and in 2030, purchase carbon credits to offset the remainder of direct emissions using certified offsets from high-quality carbon removal projects. Its overall target was to be net zero for own operations by 2030 and for finance activities by 2050, with interim targets for 2030 to reduce financed emissions not from Scottish Widows by more than 50% and half the carbon footprint of Scottish Widows investments. This was not considered to be in line with international agreements, because it did not include an absolute reductions target for the company's scope 3 and financed emissions.

4. The following was found which showed that the company worked in new fossil fuel development, or in coal: in its Climate report it stated that it would “not provide financing to new clients in the oil and gas sector unless it is for viable projects into renewable energy and transition technologies and clients have credible transition plans at the point of onboarding” and that it was planning "a full exit from thermal coal power in the UK by the end of 2023 and a full exit from all entities that operate thermal coal facilities by 2030 as part of our Powering Past Coal Alliance commitments.” It may also “provide finance to entities towards reducing their thermal coal portfolio [...] in line with [its] phase-out timelines and plan for a full exit from all diversified mining companies that operate thermal coal facilities by 2030.”

5. The company did not appear to be engaged in misleading messaging.

Overall, Lloyds Banking Group plc received a worst Ethical Consumer rating for carbon management and reporting and lost a full mark in the Climate Change category. (ref: 2)

**Worst Ethical Consumer rating for carbon management and reporting (19 June 2023)**

On 19 June 2023, Ethical Consumer viewed the website of Hill Biscuits Ltd, looking for information on what the company was doing to tackle climate change. No such information was found.

Ethical Consumer was looking for the company to satisfy the following criteria:

1. A credible, detailed discussion of how it has made emissions cuts in the past and how it will make them in the future.
2. Does full annual public reporting of its emissions – all three scopes.
3. Has a future target that is either approved by the SBTi or at least the equivalent to 3.6% cuts/year in scope one and two emissions, and 2.5% cuts/year in scope 3.
4. Does not work in developing new extraction fossil fuel projects, building new fossil fired power stations or in doing anything with coal.
5. Is not engaging in highly misleading public messaging on climate change.
6. Has not been subject to credible secondary criticism on what it is doing on the climate.

If a company met all of these criteria it would receive a best rating. If it failed one it would receive a middle rating. If it failed more than one it would receive a worst rating.

Hill Biscuits Ltd did not meet any of the first three criteria therefore it received Ethical Consumer's worst rating for carbon management and reporting and lost a whole mark under Climate Change. (ref: 3)

**Links with BankTrack’s 'dodgy deals' (22 June 2023)**

On 22 June 2023, Ethical Consumer viewed the profile of Lloyds Banking Group on the BankTrack website.

The website criticised Lloyds Banking Group for the following "Dodgy Deals":

- Bunge (United States, Agriculture for Palm Oil)
- Cargill (United States, Agriculture for Palm Oil)
- ENGIE (France, Coal Electric Power Generation)
- RWE (Germany, Coal Electric Power Generation)
- Shell (United Kingdom, Oil and Gas Extraction)
- Trafigura (Singapore, Commodities Trading, Oil and Gas Extraction)

The BankTrack profiles of these companies showed that these companies' activities had been associated with significant deforestation, pollution and greenhouse gas emissions.

As a result the company lost half a mark under Climate Change, Habitats & Resources and Pollution & Toxics. (ref: 4)
Fossil Fuel Finance Report Card 2023 (May 2023)


Like the 2022 report, the 2023 update looked at 60 of the largest banks globally. The report analysed patterns of private-sector bank financing for tar sands oil, arctic and offshore oil and gas, fracked oil and gas, liquefied natural gas (LNG), coal mining and coal power between 2016 and 2022. The report found that, overall, the 60 banks had invested US$5.5 trillion in lending and underwriting to the fossil fuels industry since the Paris Agreement had been adopted (2016-2022). Lloyds ranked as the 48th highest financier of all fossil fuels with a total of $15.058 billion between 2016 and 2022. The company lost a whole mark under Climate Change. (ref: 5)

Financing fossil fuel expansion (January 2023)

In a January 2023 report published by Reclaim Finance called ‘Throwing fuel on the fire’, the group detailed how many of the biggest players in global private finance had accepted their role in addressing the climate crisis and had joined the Glasgow Financial Alliance for Net-Zero (GFANZ). In doing so, they have committed not just to reaching net zero by 2050, but also to the 1.5°C target, and to taking immediate action to halve emissions by 2030.

But they were continuing to pour hundreds of billions of dollars into the biggest corporations that are developing new fossil fuel projects.

Lloyds Banking Group was listed as a Net Zero banking Alliance (NZBA) member with investments in the largest fossil fuel expanders, as of August 2022, with a total of $236 million in loans and underwriting in oil and gas developer holdings. It had very limited policies restricting support for oil and/or gas supply expanders.

Lloyds Banking Group therefore lost half a mark in the Climate Change category. (ref: 6)

Named in Five Years Lost report (December 2020)

In February 2021, Ethical Consumer viewed ‘Five Years Lost: How Finance is Blowing the Paris Carbon Budget’, a report published in December 2020 by Urgewald.org. The report highlighted 12 of ‘the most devastating’ fossil fuel projects currently in development and revealed the banks and investors financing them.

The 12 projects were chosen based on the detrimental impact their emissions would have, but also as they were being pushed forward despite local resistance and calls by scientists and politicians to phase out fossil fuels. Expected CO2 emissions were given for each project, and it was predicted that between them they will create at least 175 gigatons of additional CO2 emissions, an amount described as ‘almost half of the 395 Gt of remaining carbon budget to limit global warming to 1.5°C with a 50% probability’. The wider detriments of each project were also discussed, for example local environmental issues and the impact on communities living there.

1. Gas extraction in Mozambique
2. Oil and gas development in Suriname
3. Oil and gas drilling in the Permian Basin and Gulf Coast, USA
4. Oil and gas extraction in Argentina’s Vaca Muerta region
5. Coal and gas power plants in Bangladesh’s Payra Hub
6. Expansion of Coal power in China
7. India’s coal mines

Ethical Ranking of 10 UK banks 36
8. Coal expansion in the Philippines
9. Gas extraction as part of Australia’s Burrup Hub
10. Drilling for oil & gas in the Norway Barents Sea
11. Oil and gas extraction and pipeline construction in the East Mediterranean
12. Offshore oil and gas drilling in the UK

The report concluded that no global financial institution had adopted sufficient policies to stop development of fossil fuels. Instead, investments were keeping the industries afloat. In order to comply with the Paris Agreement, monetary support for any expansion of the fossil fuel industry must be stopped.

Lloyds Banking Group was named in the report as providing financial backing to companies involved in fossil fuel extraction in Australia’s Burrup Hub, the East Mediterranean and UK. As a result, it lost half a mark under climate change. (ref: 7)

**Pollution & Toxics (score: -0.5)**

**Middle Ethical Consumer rating for investment policy and transparency (22 June 2023)**

On 22 June 2023, Ethical Consumer searched the Scottish Widows Group Limited website for the company’s ethical investment, engagement, or shareholder voting policies.

Most investment companies will hold a large amount of assets, some of which will be held as shares in companies and diversified across all sectors to avoid risk.

To get a best Ethical Consumer rating for investment transparency and not be marked down, a company must meet the following three criteria:

1. A clear ethical investment or lending policy restricting investments in at least three key problem areas for the sector including: coal/carbon, deforestation, indiscriminate weapons, human rights abuses, and animal abuse.

2. Clear lending and investment disclosure (naming companies invested in not just sectors).

3. Full and clear disclosure on engagement or voting (stewardship) at company AGMs (it should be at least annually).

To get a middle rating, it would need some details of investments including named companies, engagement and voting policies, with some disclosure of voting history or other engagement. Companies with a middle rating would lose a half mark in six categories representative of the criticisms its investments would be likely to receive under our ratings system.

If no or very limited information on investment, engagement or shareholder voting policies could be found, it would receive a worst rating, and would lose a half mark in twelve categories representative of the criticisms its investments would be likely to receive under our ratings system.

Its Responsible Investment and Stewardship Framework, Exclusions Policy, Lloyd’s Group RI Policy and Scottish Widows Climate Action Report were viewed. Regarding its investment policy, the following was found:

Scottish Widows excluded companies “where 5% or more of their revenue comes from thermal coal extraction or tar sand operations”. Regarding human rights, it excluded violators of the United Nations Global Compact - 10 principles guiding corporate behaviour in the areas of Human Rights, Labour, Environment and Corruption. It also excluded companies producing indiscriminate weapons.

No comprehensive exclusions were found for deforestation or animal rights abuse.

Its Responsible Investment policies emphasised ESG rather than ethical considerations. Lloyds Banking Group's Responsible Investment Policy stated:

“Responsible investment aims to take environmental, social and corporate governance factors into account when selecting and monitoring investments, without compromising on members’ best financial
interests. It is different to ethical investing that invests according to moral preferences."

Lloyds and Scottish Widows' exclusions and ESG commitment were considered a step in the right direction, but were not deemed to comprise a clear ethical policy.

Regarding its investment disclosure, the following was found:

Scottish Widows provided fund factsheets with top 10 holdings, and also published an Investor Guide that disclosed which of its funds were managed by its external asset manager partners: Aberdeen Standard, Schroder Investment Management Limited and BlackRock. It also stated that it had used other fund managers but these were not named.

This was not considered to be full investment disclosure.

Regarding its engagement or voting (stewardship), the following was found:

Scottish Widows did not provide a centralised record of its voting and engagement, which Ethical Consumer assumed was because it delegated engagement to multiple asset management companies, of which BlackRock, Schroder and Aberdeen Standard were named.

Scottish Widows did state that it would use its voting rights to encourage companies to improve their ESG performance and had developed detailed Voting Guidelines for this. It mentioned climate change as a topic of engagement.

However, Lloyds group-wide policy, which applied to Scottish Widows, stated that, “The Trustee will not override its investment managers’ voting intentions to support a particular social or moral cause”.

Overall, although it did not have a broad enough ethical investment policy covering all assets, some details of investments including some named companies were found, as well as some limited disclosure of voting history or engagement policies.

Therefore Scottish Widows Group Limited received a middle Ethical Consumer rating for investment transparency, and lost a half mark under the following categories: Pollution & Toxics, Habitats & Resources, Factory Farming, Animal Rights, Human Rights, Workers' Rights. (ref: 8)

(See also 'Links with BankTrack's 'dodgy deals'' in Climate Change above.)

Lending to particularly problematic sectors (6 June 2023)

On 6 June 2023, Ethical Consumer searched the Lloyds website for information on how the company reported on ethical lending. The following documents were found: Annual Report and Accounts 2022, Environmental Sustainability Report 2022, 2022 Pillar 3 report, LBG External Sector Statements (May 2023) and Scottish Widow's Responsible Investment and Stewardship Report 2021.

In its 2022 Pillar 3 reporting, Lloyds disclosed it provided loans in the following industries: Agriculture, forestry and fishing; Mining and quarrying; Manufacturing; Energy, gas, steam and air conditioning supply; Water supply; Construction; Wholesale and retail trade; Transport and storage; Accommodation and food service activities; Information and communication; Financial and insurance activities; Real estate activities; Professional, scientific and technical activities; Administrative and support service activities; Public administration and defence, compulsory social security; Education; Human health services and social work activities; Arts, entertainment and recreation; "Other services".

In its Environmental Sustainability Report 2022, Lloyds disclosed the amounts of loans across a range of business areas with increased climate risk (% of total Lloyds loans): Coal mining (0.0%); Oil and Gas (0.2%); Automotive (0.6%); Transport (industrial and passenger) (0.6%); Power/Utilities (0.5%); Agriculture, forestry and fishing (1.8%); Real estate (5.3%); Food manufacturing and wholesalers (0.3%); General Manufacturing (0.4%); Construction (0.9%).

In a document called LBG External Sector Statements it provided a range of detailed policies around projects it would not finance (applied to customers that have a direct lending relationship with LBG, including Scottish Widows). There were statements for the following sectors: Power, Coal, Oil and gas,
Mining, Forestry, Defence, Manufacturing, Automotive, Agriculture, Soya, Palm Oil, Animal welfare, Fisheries and UNESCO World Heritage Sites.

These policies clearly prohibited financing the worst activities, especially concerning animal welfare, and did not finance activities such as:

- new nuclear projects in countries that are not members of named international anti nuclear proliferation initiatives;
- diversified mining entities that have a revenue greater than 5% derived from thermal coal mining by the end of 2022; new or expanded thermal coal mining development; any entities that have a revenue greater than 25% derived from thermal coal generation by the end of 2022, and 20% by the end of 2023; businesses involved in mining that uses the mountain-top-removal, gold mining that use cyanide or mercury in processing operations without named safeguards; disposal of tailings in rivers or shallow sea environments; deep-sea mining
- new or existing customers involved in mining/marketing of uncertified rough diamonds; mining of conflict minerals
- projects involving upstream oil or gas exploration, development and production in the Arctic and from oil sands; projects involving onshore oil and gas shale fracking
- businesses directly involved in deforestation or the burning of natural ecosystems for the purpose of land clearance relating to the establishment of large scale agricultural plantations; illegal logging, the purchase of illegally harvested timber; removing or harming peat lands
- businesses engaged in any defence sector activities such as cluster munitions, anti-personnel landmines, biological and toxin weapons, chemical weapons, ammunition containing uranium, and permanent blinding laser weapons; businesses involved in the manufacture, sale, trade, servicing or stockpiling of nuclear weapons other than when these activities are undertaken in connection with the national nuclear weapons programmes of the UK, US or France;
- businesses involved in soy production that are not a member of - or in the process of becoming a member of - the Roundtable on Responsible Soy (RTRS)
- businesses that are not a member of - or in the process of becoming a member of - the Round Table for Sustainable Palm Oil (RSPO)
- trade in wildlife or wildlife products regulated under CITES1 (focus on endangered categories); and trade involving endangered species for commercial purposes
- commercial, non-healthcare related animal testing (including but not limited to cosmetics testing); use of endangered species or great apes (gorillas, orang-utans, bonobos, chimpanzees) for testing or experimental purposes; healthcare related animal testing that is non-compliant with UK, EU, US or equivalent legislation; genetic modification and cloning of animals (or humans) for commercial purposes
- new customers involved in fur activities and new or increased facilities with existing customers involved in fur activities
- use of cetaceans (whales and dolphins) for entertainment; and entertainment events with animals where the Five Animal Freedoms are not respected.
- damaging fishing methods and direct involvement in shark-finning or trading in shark fin, commercial whaling, illegal, unreported or unregulated fishing activities or trade in such products
- a World Heritage Site on the “In Danger” list, unless the World Heritage Committee specifically agrees in advance to that project; and the special characteristics of a Ramsar Wetland being threatened

However the criteria still permitted problematic activities in fossil fuels, agriculture, mining, pharmaceuticals and defence. Therefore, the company overall lost half marks in the following categories: pollution & toxics, habitats & resources, factory farming, animal rights, human rights, workers rights. (ref: 9)
**Habits & Resources (score: -0.5)**
(See also 'Middle Ethical Consumer rating for investment policy and transparency' in Pollution & Toxics above.)

(See also 'Links with BankTrack's 'dodgy deals'' in Climate Change above.)

(See also 'Lending to particularly problematic sectors' in Pollution & Toxics above.)

**Named in Amazon Watch report on beef and soy (2019)**
In April 2019 Amazon Watch published 'Complicity In Destruction II: How Northern Consumers and Financiers Enable Bolsonaro's Assault On The Brazilian Amazon'. Amazon Watch was a USA based non-profit organisation founded in 1996 to protect the rainforest and advance the rights of Indigenous peoples in the Amazon Basin. The report identified the worst offending companies operating in the Brazilian Amazon in the commodities of; soy, beef, leather, timber and sugar, and the financial institutions which enable them.

According to Amazon Watch, cattle ranching and soy industries accounted for 80% of Amazon deforestation. The report identified three beef companies (JBS, Marfrig and Minerva) and four global soy traders (ADM, Bunge, Cargill and Louis Dreyfus Company) with links to illegal deforestation. For the period of 2013 to 2018 Lloyds Banking Group were providers of unmatured credit at parent level to Louis Dreyfus Company totalling $46 million USD, Bunge totalling $35 million USD and Cargill totalling $658 million USD, according to the report.

As one of the financiers criticised in the report, Lloyds Banking Group lost half a mark under Habitats and Resources. (ref: 10)

**People**
**Human Rights (score: -1)**
(See also 'Middle Ethical Consumer rating for investment policy and transparency' in Pollution & Toxics above.)

**Named in Don't Buy Into Occupation report (22 June 2023)**
In June 2023, Ethical Consumer viewed the report Don't Buy Into Occupation: Exposing the financial flows into illegal Israeli settlements, published in December 2022. Produced by the “Don’t Buy Into Occupation” (DBIO) coalition, the report monitored the financial relationships between European financial institutions and companies actively involved with the illegal Israeli settlements.

The report stated: “Israeli, European, and international business enterprises, operating with or providing services to Israeli settlements, play a critical role in the functioning, sustainability and expansion of illegal settlements. Considering the illegality of settlements, the associated wide range of international humanitarian and human rights law violations, and the deliberate obstruction of the development of the Palestinian economy, private actors have a responsibility to ensure that they are not involved in violations of international law and are not contributing to, or complicit in, international crimes. Private actors, such as European financial institutions and business enterprises, should address adverse human rights impacts arising from their activities and business relationships with the Israeli settlement enterprise.” It named the financial institutions that had provided financing for companies involved in the Israeli settlements between January 2019 and August 2022.

The report “builds upon the existing UN database of business enterprises involved in activities linked to Israeli settlements in the OPT (UN Database), together with the UNGPs [UN Guiding Principles on
Business and Human Rights). It looked at loans, underwriting services, and investments in shares and bonds to companies involved in the settlement enterprise. It found that “During the analysed period, USD 171.4 billion was provided in the form of loans and underwritings. As of August 2022, European investors also held USD 115.5 billion in shares and bonds of these companies.”

Financial institutions named as creditors (loans and underwriting) and investors (shares and bondholdings) in the report lost half a mark under Human Rights, for having a financial relationship with a company or companies criticised in this category.

Lloyds was said to be the 22nd largest creditor looked at in the report. (ref: 11)

(See also 'Lending to particularly problematic sectors’ in Pollution & Toxics above.)

Middle Ethical Consumer rating for operations in oppressive regimes (2 June 2023)
On 02 June 2023, Ethical Consumer viewed Lloyds Banking Group plc's list of subsidiaries on corporate database D&B Hoovers, which stated that the company had operations in the countries listed below.

China, Egypt, India

At the time of writing Ethical Consumer considered the countries listed to be governed by some of the most oppressive regimes in the world.

The company therefore lost a half mark in the Human Rights category. (ref: 12)

BankTrack Human Rights Benchmark (November 2022)
Lloyds Banking Group was the worst-performing British institution in the latest international survey of the human rights record of 50 major private-sector banks, published by BankTrack on 17 November 2022. The 2022 BankTrack Human Rights Benchmark is the fourth such comprehensive survey compiled by BankTrack. Formally established in 2004, BankTrack’s mission is to campaign against banks’ financing activities that have a negative impact on people and the planet.

The report found that 38 out of 50 of the world’s largest commercial banks are implementing less than half of human rights responsibilities, as set out in the UN Guiding Principles on Business and Human Rights (UNGPs), which were endorsed in 2011. In addition, a new assessment of banks on their response to specific human rights violations as part of the benchmark shows they failed to provide a constructive response to the allegations raised three quarters of the time.

BankTrack examined banks’ performance against four criteria contained in the UN Guiding Principles on Business and Human Rights (2011): policy commitment; due diligence process in relation to human rights; reporting on human rights; and access to remedy human rights abuses.

With a score of 4 out of a possible maximum of 14, Lloyds Banking Group was ranked in 38th place. This put Lloyds among a group of poorly performing banks, in the category of “followers”, behind the categories of “leaders” and “front runners”. However there were no leaders.

Lloyds scored 2.5 (out of 3) for policy, 0.5 (out of 3) for reporting, 1 for due diligence (out of 5) and 0 for remedy (out of 3). The banking group’s total score increased by 2.5 since BankTrack’s previous benchmark was published in 2019.

The score had increased for Policy Commitment for a strengthened and clearer commitment to respect human rights.

All except ‘front runners’ lost half a mark under Human Rights. (ref: 13)

Workers’ Rights (score: -1)
Sued £50,000 for disability discrimination (August 2019)

In July 2020, Ethical Consumer viewed an article on the People Management website, titled 'Bank discriminated against diabetic manager sacked after locking customer in branch' and dated to August 2019. The article stated:

"A bank manager was discriminated against when his employer unfairly dismissed him for failing to undertake proper checks, something he attributed to the side effects of his ‘uncontrolled’ diabetes.

"A London employment tribunal (ET) ruled that HBOS, which previously ran the Halifax building society business and is now part of Lloyds Banking Group, unfairly and wrongfully dismissed Mr B Kuppala after his diabetes inhibited his ability to follow the proper security and closing procedures at his branch. Kuppala was found to have left keys in the door on multiple occasions, and once locked a customer in after closing time.

"The tribunal concluded that if HBOS had obtained occupational health advice, it would have been told Kuppala was disabled and that ‘the disability was uncontrolled and likely to have had an effect on his concentration and his tiredness’.

"Kuppala worked for HBOS from January 2004 until his dismissal in July 2018...

"The ET ordered HBOS to pay Kuppala £49,457 for unfair dismissal, discriminatory dismissal and notice pay for wrongful dismissal.

"Kate Palmer, associate director of advice for Peninsula UK, said the case highlights why it is essential for employers to take disclosures of a disability into account during a disciplinary procedure.

"‘Despite the fact that the employee had committed serious forms of misconduct and would likely have faced a sanction for this, the failure of the organisation to further investigate his claims that a disability was impacting upon his performance ultimately meant they were found to have discriminated against him,” Palmer said.”

The company lost half a mark under Workers’ Rights. (ref: 14)

Pension discrimination ruling (October 2018)

In July 2020, Ethical Consumer viewed an article on The Guardian website titled 'Lloyds faces bill of up to £150m in pensions discrimination ruling' and dated to October 2018.

The article stated:

"Lloyds is to pay up to £150m to female members of its pension scheme after a landmark court ruling on sex discrimination that could lead to £20bn in payouts for millions of women who work in the private sector.

"The high court ruled Lloyds should equalise pension payments for men and women, after three women brought a case against the bank, complaining that their pension incomes were increasing at a lower rate than those of male counterparts.

"Almost 3,000 members of BTU, the trade union representing Lloyds staff, later joined the case, in a class action lawsuit, leading to estimates that Lloyds might have to find as much as £500m to make up the shortfall.

The company lost half a mark under Workers Rights for discrimination. (ref: 15)
Worst Ethical Consumer rating for cocoa supply chain management (6 October 2022)

In June 2023 Ethical Consumer searched the Hill Biscuits website, for information on the company's cocoa sourcing policies. The website showed a number of products with cocoa as a key ingredient and it was considered a significant part of the company’s offering. The cocoa used did not appear to be certified by either Fairtrade or Rainforest Alliance and the company did not demonstrate knowledge of supply chain to source.

As the issue of child and slave labour in cocoa supply chains had been known since before 2000, it was marked down in the Workers’ Rights category. (ref: 3)

Arms & Military Supply (score: -1)

Investment in nuclear weapons manufacturers (December 2022)

In June 2023 Ethical Consumer viewed the Don't Bank on the Bomb website and its December 2022 report titled "Risky Returns - Nuclear weapon producers and their financiers". The website and report were published by the International Campaign to Abolish Nuclear Weapons (ICAN).

The report listed 306 institutions which had financing or investment relationships with 24 nuclear weapon producing companies.

It stated that Lloyds Bank had invested a total of $2276.3 million in 5 companies which manufactured nuclear weapons between January 2020 and July 2022. It also stated that "The types of financing could include loans (including revolving credit facilities), investment banking (including underwriting share and bond issuances), and ownership of at least 0.5% of the outstanding shares or bonds of at least one of the companies."

ICAN argued that "by lending money to nuclear weapons companies, and purchasing their shares and bonds, banks and other financial institutions, [companies and consumers] were indirectly facilitating the build-up and modernisation of nuclear forces, thereby heightening the risk that one day these ultimate weapons of terror will be used again – with catastrophic humanitarian and environmental consequences." ICAN was calling for a coordinated global campaign for nuclear weapons divestment.

Lloyds Bank lost a half mark under Arms and Military Supply. (ref: 16)

Financing the arms trade in the Middle East and North Africa (May 2019)

The Dirty Profits 7 report, published in May 2019 by non-profit organisation Facing Finance, highlighted the ten European banks with some of the highest investments in 11 global arms companies exporting to countries in conflict (e.g. Saudi Arabia, the UAE), particularly those involved in the Yemen war, as well as exports to repressive regimes (e.g. Bahrain, Somalia) and fragile states (e.g. Iraq, Syria).

Lloyds bank provided finance eg loans € 4,129.99 million from 2015-2019 and as of January 2019, investments (eg shareholdings) of €4.29 million.

The companies with the highest volume of exports to controversial countries were Raytheon, Lockheed Martin, Raytheon and BAE:

Lockheed Martin received financing from Barclays, BNP, Lloyds.

Lockheed had exported to 7 of the 16 controversial countries in the MENA region and to almost all the countries involved in the Saudi-led Alliance. Lockheed continued to sign new export deals with countries in the Saudi Alliance.

Lloyds Bank was one of the two largest overall providers of loans to the arms companies, totalling €4.1 billion. Lloyds provided finance to General Dynamics (which had exported to Egypt and Saudi Arabia and was involved in the production of nuclear weapons) totalling €2.4 billion.

Lloyds therefore lost half a mark in the Arms and Military supply category. (ref: 17)
Politics

Anti-Social Finance (score: -1)

Excessive remuneration for directors or other staff (2 June 2023)

On 02 June 2023, Ethical Consumer viewed the latest Lloyds Banking Group plc annual report dated 2023.

It indicated that the company’s highest paid director received over £1 million in total compensation in 2022. The group’s CEO, Charlie Nunn, had received a total of £3.767 million.

Ethical Consumer deemed any annual amount over £250k to be excessive, while compensation of £1 million or more would lose a full mark. The company therefore lost a full mark under Anti-Social Finance. (ref: 21)

Excessive remuneration for directors or other staff (27 June 2023)

On 27 June 2023, Ethical Consumer viewed the latest 2022 Scottish Widows Limited annual report.

It indicated that the company’s highest paid director received £1 million in total compensation in 2021.

Ethical Consumer deemed any annual amount over £250k to be excessive, while compensation of £1 million or more would lose a full mark. The company therefore lost a full mark under Anti-Social Finance. (ref: 22)

Lloyds boss called before MPs over pension payments (May 2019)

In August 2019 Ethical Consumer viewed an article on the Guardian website titled “Lloyds boss called before MPs over pension payments” and dated May 2019.

It stated that “Lloyds chief executive António Horta-Osório has been summoned before MPs over executive pension payments that have allowed him to pocket an extra £419,000 a year on top of his £1.3m basic salary.”

The chairman, Lord Blackwell was quoted as saying “There are not many people who would do arduous hours and tasks that our execs take on for free,” The Guardian reported that “His comments angered staff union Affinity, which represents about a third of the bank’s 75,000 workers. "To say they deserved their multimillion pound packages because of their arduous working hours is a kick in the teeth for ordinary members of staff who work just as hard for a fraction of the pay,"”

Lloyds Banking Group lost half a mark under Anti-Social Finance. (ref: 23)

Accused of “stuffing bankers’ pockets” (February 2023)

In February 2023 Ethical Consumer viewed an article dated 22 February 2023 titled ‘Lloyds accused of ‘stuffing bankers’ pockets’ as it proposes £9.1m CEO deal’ on The Guardian website.

This stated “Lloyds Banking Group has been accused of “stuffing the pockets of already overpaid bankers” after proposing increases for top bosses that could result in a £9.1m payout for its chief executive, Charlie Nunn. The bank revealed on Wednesday that staff would share a £446m bonus pot – the highest in four years”.

The article quoted Luke Hildyard, director of the High Pay Centre thinktank, saying the increases in remuneration were a “fitting reflection” of the economic inequalities plaguing the UK. Hilyard said “The UK will not be able to solve problems of stagnating pay and living standards for those in the middle and at the bottom while major employers continue to lavish so much of their wealth on a tiny number of people at the top”.

Lloyd’s lost half a mark for secondary criticism under Anti-Social Finance. (ref: 24)
Fined for lack of transparency around fraudulent activity (13 June 2022)

In August 2019 Ethical Consumer viewed a story on the Guardian website titled "Bank of Scotland fined £45.5m by regulator over Reading fraud" and dated 21 June 2019.

It stated that "Lloyds-owned HBOS withheld information on £245m scandal, says FCA" and went on to report that the fine was linked to the activities of a number of rogue employees operating at the Reading branch who were said to have "drained the bank and small businesses of about £245m and left hundreds of people in severe financial difficulty".

It also said that "The FCA said there had been "insufficient challenge, scrutiny or inquiry across the organisation and from top to bottom", but said it had found no evidence that anyone had considered the consequences of not telling authorities about the suspicions."

An update to the story titled 'Victims of one of UK’s biggest banking frauds ‘to be offered £3m compensation' and published on the Guardian website on 13 June 2022, reported that HBOS would be offering £3 million compensation packages to victims of the fraud.

HBOS lost half a mark under Anti-Social Finance. (ref: 25)

Fined for misselling (8 July 2021)

On 7th October 2022, Ethical Consumer viewed an article on the Guardian website titled 'Lloyds fined £90m for letters’ unsupported pledge on insurance' and dated 8 July 2021.

It reported that Lloyds Bank’s insurance arm had been fined "$90m for sending insurance renewal letters to customers suggesting they were getting a 'competitive price' without backing up the claim."

The Financial Conduct Authority (FCA) said there was a "'risk of harm' to customers because it was likely that the renewal premium was higher than had been the case in previous years, and higher than in offers quoted to new customers, or to those who were opting to switch provider. This was particularly likely to be the case for customers who had renewed repeatedly with the insurer."

The company lost half a mark under Anti-Social Finance. (ref: 26)

Fined £64million for mistreating mortgage customers (June 2020)

In July 2020, Ethical Consumer viewed an article on the Reuters website titled 'Lloyds Bank fined $81 million for overcharging mortgage customers' and dated to June 2020.

The article stated:

"Britain’s biggest domestic bank Lloyds has been fined 64 million pounds ($81.2 million) by the Financial Conduct Authority for mistreating hundreds of thousands of mortgage customers in financial difficulties.

"Lloyds and its Bank of Scotland and The Mortgage Business units were also in the process of paying around 300 million pounds in redress to 526,000 customers, the FCA said in a statement on Thursday.

"The fine is the largest imposed by the watchdog for mortgage-related failures, and would have been 91.5 million pounds had Lloyds not agreed to accept the watchdog’s findings early on.

"Between April 2011 and December 2015, the banks failed to help customers who were vulnerable, the FCA found, due to marital splits, the death of a spouse, loss of a job, and in one case, when a family member had gone missing.

"Some of the failings were identified in 2011 but were not rectified. A sample of 100 customer files from 2014-15 found unfair treatment in over a third of them."

Lloyds lost half a mark under Anti-Social Finance. (ref: 27)
Named on list of FTSE firms overpaying bosses (2018)

Lloyds Banking Group was one of the FTSE-listed firms included on a register of companies that the Prime Minister, Theresa May, said risked damaging “the social fabric of our country” by paying bosses too much money, according to a report in the Guardian on 19th December 2017.

The Guardian article stated that in August 2017, May ordered the creation of the world’s first public register of companies that ignored shareholder concerns and awarded “pay rises to bosses that far outstrip the company’s performance”. She said calling out the firms would help tackle the “abuses and excess in the boardroom” and restore public confidence in big business.


The public register was published by the Investment Association, a trade body of investment firms managing the pensions of millions of Britons, and listed every company in the FTSE All-Share Index which had suffered at least a 20% shareholder rebellion against proposals for executives pay, re-election of directors or other resolution at their shareholder meetings. More than a fifth of Britain’s FTSE companies appeared on the list.

In the vote by Lloyds Banking Group plc shareholders at the company’s AGM in 2018, 20.78% voted against the company’s remuneration report. (ref: 28)

Information only: Compensation scheme ‘neither fair nor reasonable’ (December 2019)

In July 2020, Ethical Consumer viewed an article on The Guardian website titled 'Lloyds to reopen compensation claims for Reading fraud' and dated to December 2019.

The article stated:

"Lloyds will reopen compensation claims for victims of the HBOS branch fraud in Reading after an independent review found the original scheme was “neither fair nor reasonable".

"The decision is an embarrassing U-turn for Lloyds, which closed its £100m-plus compensation scheme in the spring and has been trying to draw a line under one of Britain’s biggest banking scandals.

"Sir Ross Cranston, a former high court judge who ran the independent inquiry, said the bank’s review of the fraud had “serious shortcomings”.

"The most serious concerned Lloyds' “approach to assessing direct and consequential loss caused by the criminal misconduct”, he said. “This part of the customer review, both in structure and in implementation, was neither fair nor reasonable.”

"Six people, including two former HBOS employees, were jailed in 2017 over a £245m loan scam perpetrated from the Reading branch. They were found guilty of pushing business customers into distress or failure between 2003 and 2007 by referring clients to a turnaround consultancy and loading them with unmanageable debts and fees. The fraudsters spent the proceeds on sex workers, superyachts and luxury holidays.”

According to an earlier article on The Guardian website, the independent review was commissioned by Lloyds itself. As this was therefore a self-disclosure of an anti-social finance issue, the company was not marked down. This reference is for information only. (ref: 29)

Tax Conduct (score: -1)

Worst Ethical Consumer rating for likely use of tax avoidance strategies (2 June 2023)

On 2 June 2023, Ethical Consumer viewed a list of Lloyds Banking Group plc's subsidiaries on the D&B Hoovers corporate database.

This showed that the company had multiple subsidiaries in jurisdictions considered by Ethical
Consumer to be tax havens at the time of writing.

Multiple of these were holding and securities companies, which were considered high-risk company types for likely use of tax avoidance, including:

- Lloyds TSB Bahamas (Americas) Ltd in Bahamas
- Bank of Scotland plc in the Netherlands
- Lloyds Far East S.à r.l. in Luxembourg

No significant secondary criticisms were found of the company’s tax practices from the past five years.

The company published the following statements regarding its tax policy: Tax Strategy and Approach to Tax 2022. This document referred to the company’s Tax Policy, but this was not found on its website.

Tax Strategy and Approach to Tax 2022 reported on the company's revenues, profit/loss before tax and tax paid for 2021, for some of its subsidiaries in the UK, the USA, the Netherlands, the Channel Islands and the Isle of Man, Germany, Ireland, Singapore and 'others'. It did not mention any of the above companies, or specifically refer to operations in the Bahamas, nor did it have a clear commitment not to engage in tax avoidance activity or to use tax havens for tax avoidance purposes, although it did state of its Channel Islands operations, "We do not seek to achieve tax avoidance outcomes for either ourselves or our customers." The document also stated, "We do not interpret tax laws in a way that we believe is contrary to the intention of Parliament, and we do not promote tax avoidance products to our customers", and "To reflect our stakeholders’ interests and the Group’s overall risk appetite, while maintaining the Group’s tax position we will balance the management of the Group’s tax costs and reporting of customer information, with the maintenance of the Group’s reputation."

However, this was not considered to be adequate as the company did not have a narrative explanation for what each group entity located in a tax haven was for, and how it was not being used for purposes of tax minimisation.

Overall, Lloyds Banking Group plc received a worst Ethical Consumer rating for likely use of tax avoidance strategies and lost a whole mark in the Tax Conduct category. (ref: 12)

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26 - Guardian, The:Lloyds fined £90m for letters’ unsupported pledge on insurance (8 July 2021)
27 - Reuters www.reuters.com:Lloyds Bank fined $81 million for overcharging mortgage customers (11 June 2020)
28 - The Investment Association:Public Register (7 June 2018)
29 - Guardian, The:Lloyds to reopen compensation claims for Reading fraud (10 December 2019)
**Ethical Screening of: NatWest Group**  
**For: University of Cambridge**  
**Date: June 2023**

### Company Details

**Ownership:**  
NatWest Group was not owned by another corporate entity. It wholly owned Royal Bank of Scotland.

**Size:**

**Turnover:** £12.79 b

### Contact details:

- **Website:** [www.natwestgroup.com](http://www.natwestgroup.com)  
- **Telephone:** 0131 556 8555  
- **Email:** lisa.williams@natwest.com  
- **Address:** Gogarburn 175 Glasgow Road, Edinburgh, EH12 1HQ, United Kingdom

### Environment

**Environmental Reporting (score: -1)**

**Worst Ethical Consumer rating for Environmental Reporting (22 June 2023)**

On 22 June 2023, Ethical Consumer viewed the website of NatWest Group [formerly Royal Bank of Scotland Group plc], looking for discussion and action on the company's environmental impacts, other than carbon emissions. Its 'Operational environmental footprint', 'Climate and Sustainable Funding and Financing' and 2022 Annual Report were viewed. It had also returned a completed questionnaire in October 2022, which included links to further information on ESG matters, Task Force on Climate-related Financial Disclosures (TCFD), and its first Nature and Biodiversity Statement.

A finance company with some evidence of action on the environmental impacts (other than carbon emissions) of its financed activities would get a middle rating, and if it did not fund fossil fuels, and had evidence of action on the environmental impacts of its own operations as well as financed activities, it would get a best rating.

The company was a financial institution but was also found to fund fossil fuels so could not get a best rating. It stated that it intended to achieve a full phase out of coal by 1 January 2030, which was taken as evidence that it still funded fossil fuels.

It had committed to ending new business lending for oil & gas companies, which was deemed to be a positive step. However, it had insufficient evidence of action on the environmental impacts (other than carbon emissions) of its financed activities. ESE (Environmental, Social and Ethical) position statements on its Downloads page were viewed. These included Forestry, Fisheries and Agribusiness, Mining and Metals and Oil and Gas. These included some prohibitions on lending to specific projects but these were mostly on matters that were illegal. The policy allowed lending to soft commodities producers operating in the tropics if they had obtained certain certifications such as FSC or RSPO by December 2024. It was therefore assumed that it was currently lending to uncertified producers.
Overall, NatWest Group [formerly Royal Bank of Scotland Group plc] received a worst Ethical Consumer rating for Environmental Reporting and lost a whole mark in the category. (ref: 1)

Climate Change (score: -1)

Worst Ethical Consumer rating for carbon management and reporting (22 June 2023)

On 22 June 2023, Ethical Consumer viewed the website of NatWest Group [formerly Royal Bank of Scotland Group plc], looking for information on what the company was doing to tackle climate change. Its 2022 Climate Disclosures Report, 2022 Annual Report and documents titled "Our Approach to Climate Change" and "NatWest Group publishes SBTi validated science-based targets" were viewed.

Ethical Consumer was looking for the company to satisfy the following criteria:

1. A credible, detailed discussion of how it has made emissions cuts in the past and how it will make them in the future.
2. Does full annual public reporting of its emissions – all three scopes.
3. Has a future target that is either approved by the SBTi or at least the equivalent to 3.6% cuts/year in scope one and two emissions, and 2.5% cuts/year in scope 3.
4. Does not work in developing new extraction fossil fuel projects, building new fossil fired power stations or in doing anything with coal.
5. Is not engaging in highly misleading public messaging on climate change.
6. Has not been subject to credible secondary criticism on what it is doing on the climate.

If a company met all of these criteria it would receive a best rating. If it failed one it would receive a middle rating. If it failed more than one it would receive a worst rating.

1. The company discussed:
   "Our climate ambition is underpinned by the following key areas of activity:
   - Accelerating the speed of transition
   - Helping to end the most harmful activity
   - Championing climate solutions
   - Embedding climate into our culture and decision-making
   - Net Zero emissions for our own operational value chain"

   It gave detail on areas including green mortgages, commitments to Climate and Sustainable Funding and Financing, founding membership of the Net-Zero Banking Alliance and plans to half the climate impact of its financing activity by 2030.

   It also discussed how it was ending new business loans for oil and gas extraction and was phasing out similar lending for existing customers.

   This was considered to constitute a credible and detailed discussion of how it had cut emissions in the past and would continue to do so.

2. The company reported its annual scope 1 and 2 emissions in CO2e for the year 2022 to be:

   16,240 and 62,976 tonnes CO2e respectively. It reported its scope 3 emissions as 120,787 tonnes CO2e, but this did not include emissions from its loans and investments. The bank stated: "Due to a lack of granular availability of customer level climate data, Fin [financial institutions] are still developing measurement methodologies and capabilities to assess their scope 3 emissions. Therefore, lending exposures will cause an increase in estimated financed emission figures once scope 3 is incorporated.

   However, it provided a transparent and detailed estimation of its financed emissions in its 2022 Climate Related Disclosures Report, which were divided by sector. For example, it estimated that the emissions of its residential mortgages totalled 3.1 MtCO2e in 2021, whilst its exposure to agriculture totalled 3.9...
MtCO2e. This reporting was deemed sufficient.

3. The company's target was:

"Scope 1 and 2: NatWest Group is targeting to reduce absolute scope 1 and 2 GHG emissions by 50% by 2030 from a 2019 base year.

Scope 3 category 1-14 : NatWest Group is targeting to reduce absolute scope 3 GHG emissions from categories 1-14 by 50% by 2030 from a 2019 base year."

Financing activity:

Scope 3 Portfolio Targets (2)

Headline target: NatWest Group’s portfolio targets cover 79% of its lending activities by outstanding exposure as at 31 December 2019".

The bank then listed a range of separate targets for different sectors included in its financed emissions. For example, it stated: "NatWest Group is targeting to reduce GHG emissions from the Cement sector within its corporate loan portfolio by 67% per tonne by 2030 from a 2019 base year" and "NatWest Group is targeting to reduce GHG emissions from its Residential mortgage portfolio by 49% per square metre by 2030 from a 2019 base year".

Its 2025 and 2030 operational and financed emissions targets were approved by the SBTi whilst its long term net zero target was pending approval. This was deemed acceptable.

4. The bank had ended new business loans for oil and gas extraction and had committed to phasing out such lending for existing customers. This was deemed a positive step, but the company remained exposed to fossil fuels at the time of writing. It remained exposed to coal, which was deemed particularly damaging: "We plan to phase-out of coal for UK and non-UK customers who have UK coal production, coal fired generation and coal related infrastructure by 1 October 2024, with a full global phase-out by 1 January 2030".

5. The company did not appear to be engaged in misleading messaging.

6. The company had received significant secondary criticism on what it was doing on the climate from BankTrack, Rainforest Action Network and others. Overall, NatWest Group [formerly Royal Bank of Scotland Group plc] received a worst Ethical Consumer rating for carbon management and reporting and lost a half mark in the Climate Change category. (ref: 3)

Dodgy deals on BankTrack (22 June 2023)

In June 2023, Ethical Consumer searched for NatWest on BankTrack, and found that the company was financing the following 'Dodgy Deals' and companies, listed for their poor environmental or human rights record:

Projects -
Cerrejón coal mine Colombia (coal mining)
Trans Mountain Pipeline Expansion Project, Canada (pipeline transportation of crude oil)
Gulhifalhu Reclamation Project (dredging and reclamation)

Companies -
Bunge, US (agriculture for food and palm oil)
Cargill (agriculture for Palm Oil)
Drax Group, UK (biomass electric power generation)
ENGIE, France (biomass, coal and hydroelectric power generation)
ENI, Italy (oil and gas extraction)
Fortum, Finland (coal and hydroelectric power generation, oil and gas extraction)

RWE, Germany (biomass, coal, nuclear, solar and wind electric power generation, coal mining and commodities trading)

TotalEnergies, France (gas power generation, oil and gas extraction, pipeline transportation of crude oil and natural gas)

UPM-Kymmene, Finland (pulp, paper and paperboard mills)

Vattenfall, Sweden (biomass electric power generation, coal electric power generation, coal mining, hydroelectric power generation, mining, nuclear electric power generation, solar electric power generation, wind electric power generation)

NatWest therefore lost half a mark under Climate Change, Palm Oil, Habitats & Resources, and Controversial Technologies. (ref: 2)

Fossil Fuel Finance Report Card 2023 (May 2023)

In June 2023, Ethical Consumer viewed the report 'Banking on Climate Chaos: Fossil fuel finance report 2023', published in May 2023 by the Rainforest Action Network, in collaboration with BankTrack, Indigenous Environmental Network (IEN), Oil Change International, Reclaim Finance, the Sierra Club and Urgewald.

Like the 2022 report, the 2023 update looked at 60 of the largest banks globally. The report analysed patterns of private-sector bank financing for tar sands oil, arctic and offshore oil and gas, fracked oil and gas, liquefied natural gas (LNG), coal mining and coal power between 2016 and 2022. The report found that, overall, the 60 banks had invested US$5.5 trillion in lending and underwriting to the fossil fuels industry since the Paris Agreement had been adopted (2016-2022). Natwest ranked as the 47th highest financier of all fossil fuels with a total of $3.363 billion between 2016 and 2022.

The company lost a whole mark under Climate Change. (ref: 4)

Financing fossil fuel expanders (January 2023)

In a January 2023 report published by Reclaim Finance called 'Throwing fuel on the fire', the group detailed how many of the biggest players in global private finance had accepted their role in addressing the climate crisis and had joined the Glasgow Financial Alliance for Net-Zero (GFANZ). In doing so, they have committed not just to reaching net zero by 2050, but also to the 1.5°C target, and to taking immediate action to halve emissions by 2030.

But they were continuing to pour hundreds of billions of dollars into the biggest corporations that are developing new fossil fuel projects.

NatWest was listed as a Net Zero banking Alliance (NZBA) member with investments in the largest fossil fuel expanders, as of August 2022, with a total of $475 million in loans and underwriting in oil and gas developer holdings. It had very limited policies restricting support for oil and/or gas supply expanders.

NatWest therefore lost half a mark in the Climate Change category. (ref: 5)

Named in Five Years Lost report (December 2020)

In February 2021, Ethical Consumer viewed ‘Five Years Lost: How Finance is Blowing the Paris Carbon Budget’, a report published in December 2020 by Urgewald.org. The report highlighted 12 of ‘the most devastating’ fossil fuel projects currently in development and revealed the banks and investors financing them.

The 12 projects were chosen based on the detrimental impact their emissions would have, but also as they were being pushed forward despite local resistance and calls by scientists and politicians to phase
out fossil fuels. Expected CO2 emissions were given for each project, and it was predicted that between them they will create at least 175 gigatons of additional CO2 emissions, an amount described as ‘almost half of the 395 Gt of remaining carbon budget to limit global warming to 1.5° with a 50% probability’. The wider detriments of each project were also discussed, for example local environmental issues and the impact on communities living there.

1. Gas extraction in Mozambique
2. Oil and gas development in Suriname
3. Oil and gas drilling in the Permian Basin and Gulf Coast, USA
4. Oil and gas extraction in Argentina’s Vaca Muerta region
5. Coal and gas power plants in Bangladesh’s Payra Hub
6. Expansion of Coal power in China
7. India’s coal mines
8. Coal expansion in the Philippines
9. Gas extraction as part of Australia’s Burrup Hub
10. Drilling for oil & gas in the Norway Barents Sea
11. Oil and gas extraction and pipeline construction in the East Mediterranean
12. Offshore oil and gas drilling in the UK

The report concluded that no global financial institution had adopted sufficient policies to stop development of fossil fuels. Instead, investments were keeping the industries afloat. In order to comply with the Paris Agreement, monetary support for any expansion of the fossil fuel industry must be stopped.

Natwest was named in the report as providing financial backing to companies involved in fossil fuel extraction in Bangladesh’s Payra Hub, Australia’s Burrup Hub, the East Mediterranean and UK. As a result, it lost half a mark under climate change. (ref: 6)

Pollution & Toxics (score: -0.5)

**Middle Ethical Consumer rating for investment policy and transparency (22 June 2023)**

On 22 June 2023, Ethical Consumer searched the NatWest Group [formerly Royal Bank of Scotland Group plc] website for the company’s ethical investment, engagement, or shareholder voting policies.

Most investment companies will hold a large amount of assets, some of which will be held as shares in companies and diversified across all sectors to avoid risk.

To get a best Ethical Consumer rating for investment transparency and not be marked down, a company must meet the following three criteria:

1. A clear ethical investment policy restricting investments in key problem areas for the sector including: coal/carbon, deforestation, indiscriminate weapons, human rights abuses, and animal abuse.
2. Clear lending and investment disclosure (naming companies invested in not just sectors).
3. Full and clear disclosure on engagement or voting (stewardship) at company AGMs (it should be at least annually).

To get a middle rating, it would need some details of investments including named companies, engagement and voting policies, with some disclosure of voting history or other engagement. Companies with a middle rating would lose a half mark in six categories representative of the criticisms its investments would be likely to receive under our ratings system.
If no or very limited information on investment, engagement or shareholder voting policies could be found, it would receive a worst rating, and would lose a half mark in twelve categories representative of the criticisms its investments would be likely to receive under our ratings system.

Natwest's Environmental, Social and Ethical (ESE) risk policies were viewed. Natwest stated on its website that its subsidiary Coutts was in charge of asset and investment management on behalf of the group. Coutts' fund documents and stewardship and voting information were viewed.

Regarding NatWest Group [formerly Royal Bank of Scotland Group plc]'s investment policy, it did not appear to include restrictions for all assets for: deforestation, indiscriminate weapons, human rights abuses, and animal abuse. The following was found: NatWest was found to have a number of Environmental, Social and Ethical (ESE) risk policies available in its Downloads section, and Coutts published an 'ESG-related Exclusions Policy'. The following appeared to be fully excluded from assets under management by Coutts:

- thermal coal energy generation
- thermal coal extraction
- Arctic oil/gas production
- tar sands
- nuclear weapons

The nuclear weapons exclusion was deemed to be insufficient, however. NatWest stated in its ESE policy that it "does not support customers and/or transactions involved in prohibited activities". Prohibited activities included the "financing of companies involved in the manufacture, sale, trade, servicing or stockpiling of Nuclear Weapons in jurisdictions outside NATO countries and that are not officially involved in and accredited to the national nuclear weapons programmes of UK, US or France". However, other activities involved with nuclear weapons were listed as 'restricted', rather than 'prohibited'. Companies involved in restricted activities underwent "enhanced due diligence including review by a reputational risk committee or approver and re-evaluation every one or two years". Restricted activities included the "financing of companies involved in the manufacture, sale, trade, servicing or stockpiling of Nuclear Weapons and the manufacture or sale of Bespoke Components in NATO countries and are officially involved in and accredited to the national nuclear weapons programmes of only UK, US or France".

NatWest also had a range of policies which prohibited or restricted services provided to companies involved in other problematic practices:

- gambling
- animal testing
- adult entertainment
- forestry, fisheries and agribusiness
- mining and metals
- oil and gas
- defence sector
- power generation
- private security companies

The oil and gas policy prohibited, for example, services to companies undertaking oil sands exploration or extraction, new reserve based lending for operations in Arctic or Antarctic Waters. The power generation policy prohibited lending and underwriting to operators, construction, design or uranium suppliers in nuclear power in countries that have failed to sign the nuclear non-proliferation treaty. The Forestry, Fisheries and Agribusiness policy prohibited use of child labour, forced labour, modern slavery or human trafficking.
Although the policies were a positive step, they were far from comprehensive. For example, they still allowed extensive services to fossil fuel companies.

Regarding its investment disclosure, the following was found: On the Coutts website, fund factsheets showed the external funds invested in. Coutts also published an annual voting summary which listed all the company proposals the bank had voted on. This showed a long list of companies invested in but it was not clear if these were all the companies in which NatWest had investments. It was therefore considered to have partial transparency on investments.

Regarding its engagement or voting (stewardship), the following was found: Coutts published an annual summary of all proposals voted on and how it had voted.

Overall, although it did not have a broad enough ethical investment policy covering all assets, some details of investments including named companies were found, as well as some disclosure of voting history or engagement policies.

Therefore NatWest Group [formerly Royal Bank of Scotland Group plc] received a middle Ethical Consumer rating for investment policy and transparency, and lost a half mark under the following categories: Pollution & Toxics, Habitats & Resources, Factory Farming, Animal Rights, Human Rights, Workers' Rights. (ref: 7)

**Lending to particularly problematic sectors (22 June 2023)**

On 22nd June 2023 Ethical Consumer viewed NatWest Group's ESG Disclosures Report 2022 and ESE and reputational risk management policies on its website. Multiple policies were found that disclosed the bank's approaches to different sectors including: animal testing; forestry, fisheries and agribusiness; mining and metals; defence.

It stated:

> “Within our policy we set out Prohibited, Restricted and Normal activities. We do not support customers involved in prohibited activities. Customers engaged in restricted activities undergo enhanced due diligence including review by a reputational risk forum or approver and evaluation every two years. Customers undertaking ‘normal’ activities are assessed on a five-yearly basis”.

It stated in its ESG report: "Some of the activities which we prohibit include; sexual entertainment venues, the manufacture, sale, trade, servicing or stockpiling of Highly Controversial Weapons, new coal relationships and customers using harmful child labour, forced labour, modern slavery or human trafficking”. It had also ended new business lending for oil and gas companies, which was deemed a positive step.

However, certain activities that NatWest deemed 'restricted' seemed particularly damaging and deserving of full prohibition. These included:

> “Clear evidence of the direct displacement of indigenous peoples without free prior and informed consentor resettlement of large numbers of people relating to a single project.” (Forestry, Fisheries and Agribusiness Sectors)

> “Companies involved in the manufacture, trade or sale of Semi or Fully-autonomous Armed Unmanned Aerial Vehicles and Depleted Uranium Weapons” (Defence Sector)

> “Companies using non-harmful child labour.” (Mining & Metals Sector)

> "Companies with mines in areas of war or armed conflict, or with significant operations in countries defined as high risk under the NatWest Group internal country reputational risk framework" (Mining & Metals Sector)

> "Companies involved in the international transport of research animals with inadequate documented policies and procedures to demonstrate appropriate welfare standards" (Animal Testing).

The fact that NatWest's policy permitted lending even when in possession of evidence of a borrower's engagement in the above activities was deemed highly inadequate.
In regards to defence lending, NatWest only prohibited “Highly Controversial Weapons, and bespoke components of such weapons, banned under international agreements ratified by the UK. This includes cluster munitions, anti-personnel landmines, biological and toxin weapons, chemical weapons and Blinding Laser Weapons”.

Although NatWest was transparent about its framework, these policies were deemed inadequate and the company therefore lost half marks in the following categories for lending to companies likely to lose full marks in some of Ethical Consumer’s key Environmental, Animals and People categories: pollution & toxics, habitats & resources, factory farming and animal rights, human rights and workers' rights. (ref: 8)

**Habitats & Resources (score: -0.5)**
(See also 'Middle Ethical Consumer rating for investment policy and transparency' in Pollution & Toxics above.)

(See also 'Dodgy deals on BankTrack' in Climate Change above.)

(See also 'Lending to particularly problematic sectors' in Pollution & Toxics above.)

**Named in Amazon Watch report on beef and soy (2019)**
In April 2019 Amazon Watch published 'Complicity In Destruction II: How Northern Consumers and Financiers Enable Bolsonaro's Assault On The Brazilian Amazon'. Amazon Watch was a USA based non-profit organisation founded in 1996 to protect the rainforest and advance the rights of Indigenous peoples in the Amazon Basin. The report identified the worst offending companies operating in the Brazilian Amazon in the commodities of; soy, beef, leather, timber and sugar, and the financial institutions which enable them.

According to Amazon Watch, cattle ranching and soy industries accounted for 80% of Amazon deforestation. The report identified three beef companies (JBS, Marfrig and Minerva) and four global soy traders (ADM, Bunge, Cargill and Louis Dreyfus Company) with links to illegal deforestation. For the period of 2013 to 2018 Royal Bank of Scotland were providers of unmatured credit at parent level to Bunge totalling $60 million USD and Cargill totalling $214 million USD.

As one of the financiers criticised in the report, Royal Bank of Scotland loses half a mark under Habitats and Resources. (ref: 9)

**Palm Oil (score: -0.5)**
(See also 'Dodgy deals on BankTrack' in Climate Change above.)

**People**
**Human Rights (score: -1)**
(See also 'Middle Ethical Consumer rating for investment policy and transparency' in Pollution & Toxics above.)

(See also 'Lending to particularly problematic sectors' in Pollution & Toxics above.)
Middle Ethical Consumer rating for operations in oppressive regimes (22 June 2023)

On 22 June 2023, Ethical Consumer viewed NatWest Group [formerly Royal Bank of Scotland Group plc]'s list of subsidiaries in its 2022 Annual Report, which stated that the company had operations in the countries listed below.

India, Turkey

At the time of writing Ethical Consumer considered the countries listed to be governed by some of the most oppressive regimes in the world.

The company therefore lost a half mark in the Human Rights category. (ref: 11)

Named in Don’t Buy Into Occupation report (December 2022)

In June 2023, Ethical Consumer viewed the report Don’t Buy Into Occupation: Exposing the financial flows into illegal Israeli settlements, published in December 2022.

Produced by the “Don’t Buy Into Occupation” (DBIO) coalition, the report monitored the financial relationships between European financial institutions and companies actively involved with the illegal Israeli settlements. The report stated: “Israeli, European, and international business enterprises, operating with or providing services to Israeli settlements, play a critical role in the functioning, sustainability and expansion of illegal settlements. Considering the illegality of settlements, the associated wide range of international humanitarian and human rights law violations, and the deliberate obstruction of the development of the Palestinian economy, private actors have a responsibility to ensure that they are not involved in violations of international law and are not contributing to, or complicit in, international crimes. Private actors, such as European financial institutions and business enterprises, should address adverse human rights impacts arising from their activities and business relationships with the Israeli settlement enterprise.

However, despite its illegal nature, European financial institutions continue to invest billions into businesses linked to the Israeli settlement enterprise.” It named the financial institutions that had provided financing for companies involved in the Israeli settlements between January 2019 and August 2022. The report “builds upon the existing UN database of business enterprises involved in activities linked to Israeli settlements in the OPT (UN Database), together with the UNGPs [UN Guiding Principles on Business and Human Rights]”. It looked at loans, underwriting services, and investments in shares and bonds to companies involved in the settlement enterprise. It found that “During the analysed period, USD 171.4 billion was provided in the form of loans and underwritings. As of August 2022, European investors also held USD 115.5 billion in shares and bonds of these companies.”

Financial institutions named as creditors (loans and underwriting) and investors (shares and bondholdings) in the report lost half a mark under Human Rights, for having a financial relationship with a company or companies criticised in this category. NatWest was said to be the 16th largest creditor looked at in the report. (ref: 12)

BankTrack Human Rights Benchmark (November 2022)

NatWest was included in the latest international survey of the human rights record of 50 major private-sector banks, published by BankTrack on 17 November 2022. The 2022 BankTrack Human Rights Benchmark is the fourth such comprehensive survey compiled by BankTrack. Formally established in 2004, BankTrack’s mission is to campaign against banks’ financing activities that have a negative impact on people and the planet.

The report found that 38 out of 50 of the world’s largest commercial banks are implementing less than half of human rights responsibilities, as set out in the UN Guiding Principles on Business and Human Rights (UNGPs), which were endorsed in 2011. In addition, a new assessment of banks on their response to specific human rights violations as part of the benchmark shows they failed to provide a constructive response to the allegations raised three quarters of the time.
BankTrack examined banks’ performance against four criteria contained in the UN Guiding Principles on Business and Human Rights (2011): policy commitment; due diligence process in relation to human rights; reporting on human rights; and access to remedy human rights abuses.

With a score of 4.5 out of a possible maximum of 14, NatWest was ranked in 33rd place. This put Natwest among a group of poorly performing banks, in the category of “followers”, behind the categories of “leaders” and “front runners” (7-10 points). However there were no leaders.

NatWest scored 3 (out of 3) for policy, 0.5 (out of 3) for reporting, 1 for due diligence (out of 5) and 0 for remedy (out of 3). The banking group’s total score increased by 1 since BankTrack’s previous benchmark was published in 2019.

All except ‘front runners’ lost half a mark under Human Rights. (ref: 13)

**Workers’ Rights (score: -1)**

(See also ‘Middle Ethical Consumer rating for investment policy and transparency’ in Pollution & Toxics above.)

(See also 'Lending to particularly problematic sectors' in Pollution & Toxics above.)

**Named in profiting from Qatar report (November 2022)**

A "No questions asked: Profiting from the construction and hotel boom in Qatar" report published in November 2022, commissioned by Fair Finance International on the role of financial institutions in the human and workers right abuses that took place in the construction and hotel industries ahead of the 2022 Qatar Football World Cup.

The United Nations Guiding Principles on Business and Human Rights (UNGPs) called on the responsibility of all businesses, including financial institutions, to respect human rights. In the context of financial institutions, this meant that banks and investors’ responsibility to respect human rights encompasses not only the human rights of their employees, suppliers, and clients, but also the actual or potential human rights impacts they are connected to through their credits and investments.

Natwest was named as a company financing with loans and underwritings the hospitality sector $295 million and $494 million to the construction sector. (ref: 14)

**£4.7million payout for discrimination (April 2020)**

In July 2020, Ethical Consumer viewed an article on The Mirror website titled 'NatWest worker hit by car on first day of work wins £4.7m from RBS over discrimination' and dated to April 2020. The article stated:

"A NatWest employee who was run over on her first day of work has won a record £4.7 million payout after the way she was treated left her needing psychiatric care.

"The disabled 31-year-old, known only as AB, suffered severe depression and psychosis after staff at several London branches made her feel 'worthless', a tribunal heard.

"AB made more than 60 allegations of harassment and disability discrimination dating to her time at the bank from 2008 to 2014, including being shouted at and called 'stupid' in front of colleagues...

"The tribunal also agreed she was coerced into agreeing to a demotion from Customer Advisor back to Customer Services Officer in September 2013."

The company therefore lost half a mark under Workers’ Rights. (ref: 15)
£150,000 payout for gender discrimination (May 2019)

In July 2020, Ethical Consumer viewed an article on the Unite website, titled '£150,000 equal pay victory lifts lid on pay inequality at Royal Bank of Scotland' and dated to May 2019, which stated:

"State backed Royal Bank of Scotland (RBS) could be facing a raft of equal pay claims Unite the union warned today (Thursday 9 May) after helping secure a £150,000 pay out in an equal pay case involving a female support analyst in NatWest Markets' technology division.

The case supported by Unite legal services was brought by former RBS employee Miss Williams who after a seven year period at the bank was receiving pay and benefits worth £31,610 less per year for doing the same job as her male counterpart.

Employed between 1 September 2010 and 15 November 2017, Miss Williams started on a salary of £45,000 while her male counterpart started around the same time on a salary of £65,000. Both received benefits packages with Miss Williams receiving 15 per cent of her base salary and her male colleague 25 per cent of base salary.

Miss Williams raised the pay disparity with management who consistently failed to address the issue, allowing the pay disparity with her male colleague to increase further with him receiving a £3,000 pay rise in 2016 and a further pay rise of £2,000 and bonus of £2,000 in 2017. For both 2016 and 2017 Miss Williams received a pay rise of just £300.

After raising a grievance in June 2017 Miss Williams was made redundant by the bank in November 2017. Miss Williams was offered £150,000 to settle the case in October 2018 if she agreed to a gagging clause, which she refused to do.

The case was finally settled three days ahead of an employment tribunal which was due to sit on from 25 March after RBS dropped the confidentiality clause."

The bank lost half a mark under Workers’ Rights. (ref: 16)

Arms & Military Supply (score: -1)

Financing nuclear weapons producers (December 2022)

In June 2023 Ethical Consumer viewed the Don't Bank on the Bomb website and its December 2022 report titled "Risky Returns - Nuclear weapon producers and their financiers". The website and report were published by the International Campaign to Abolish Nuclear Weapons (ICAN).

The report listed 306 institutions which had financing or investment relationships with 24 nuclear weapon producing companies.

"The types of financing could include loans (including revolving credit facilities), investment banking (including underwriting share and bond issuances), and ownership of at least 0.5% of the outstanding shares or bonds of at least one of the companies."

It stated that NatWest had invested a total of $2,032.6 million in 6 companies which manufactured nuclear weapons between January 2020 and July 2022.

ICAN argued that "by lending money to nuclear weapons companies, and purchasing their shares and bonds, banks and other financial institutions, [companies and consumers] were indirectly facilitating the build-up and modernisation of nuclear forces, thereby heightening the risk that one day these ultimate weapons of terror will be used again – with catastrophic humanitarian and environmental consequences." ICAN was calling for a coordinated global campaign for nuclear weapons divestment.

NatWest lost a full mark under Arms and Military Supply. (ref: 17)

Politics

Anti-Social Finance (score: -1)
**Excessive remuneration for directors or other staff (22 June 2023)**

On 22 June 2023 Ethical Consumer viewed the latest NatWest Group [formerly Royal Bank of Scotland Group plc]'s 2022 Annual Report.

It indicated that the company's highest paid director was paid £5.25 million in total compensation in 2022.

Ethical Consumer deemed any annual amount over £250k to be excessive, while compensation of £1 million or more would lose a full mark. The company therefore lost a full mark under Anti-Social Finance. (ref: 11)

**Fined for mortgage missales (May 2018)**

In February 2018, Ethical Consumer viewed a news report on The Guardian's website, dated to 13 July 2017 and titled, 'RBS to pay $5.5bn penalty over US loan misselling scandal'. It stated:

'Royal Bank of Scotland has been ordered to pay $5.5bn (£4.2bn) to US regulators for misselling toxic mortgage bonds in a “stark reminder” of its behaviour in the run-up to the financial crisis.

The penalty from the Federal Housing Finance Agency is one element of a multibillion-pound bill that the 71% taxpayer-owned bank faces to resolve long-running disputes with authorities in the US over the sale of mortgages packaged into bonds more than a decade ago...

The FHFA penalty relates to the way that $32bn of mortgages were packaged up and sold as residential mortgage-backed securities (RMBS) between 2005 and 2007, when RBS was the largest non-US bank engaged in this practice. The bonds were sold to US housing agencies Fannie Mae and Freddie Mac – the linchpin of the housing market as they buy mortgages from lenders to allow them to grant more home loans – before the market collapsed during the financial crisis, leaving the buyers nursing heavy losses.'

In May 2018, The Guardian published an update on this story. In an article entitled, 'This article is more than 1 year old RBS settles US Department of Justice investigation with $4.9bn fine'.

The company therefore lost half a mark in Anti-Social Finance category. (ref: 21)

**Fined for rigging the foreign exchange market (May 2019)**

In October 2019, Ethical Consumer found an article on The Guardian's website entitled, 'UK banks fined €1bn by EU for rigging foreign exchange market', the article was dated 16th May 2019.

The article stated that the European Commission had fined five banks, including Barclays and the Royal Bank of Scotland for "rigging the multitrillion-dollar foreign exchange market". Non-UK banks, Citigroup, JP Morgan and MUFG (Mitsubishi UFJ Financial Group), where also fined as part of the same case.

The banks were found to have been running two 'cartels'. "One cartel ran between December 2007 to January 2013, while the other operated from December 2009 to July 2012."

"A group dubbed the “Three-Way Banana Split”, made up of traders at UBS, Barclays, RBS, Citigroup and JP Morgan, was handed a fine totalling €811.2m, with Citigroup taking the biggest hit at €310.8m.

The Essex Express cartel, involving UBS, Barclays, RBS and MUFG, was handed a €257.7m fine, with the penalty against Barclays the largest for this cartel at €94.2m."

The Royal Bank of Scotland lost half a mark under Anti-Social Finance in light of this story. (ref: 22)

**Accused of bankrupting small businesses (July 2018)**

In February 2018, Ethical Consumer viewed a report on The Guardian website, dated to 20 October 2017, and titled, 'Police Scotland looking into RBS treatment of small business clients'.
It stated:

"Police Scotland is looking into reports it has received about Royal Bank of Scotland’s treatment of small business customers.

“The Scottish police force did not reveal how many reports it had received or the nature of the complaints but it is reported to be related to the bank’s now defunct global restructuring group (GRG).

“GRG has repeatedly faced claims that it deliberately forced small businesses to the brink of collapse so it could profit from their demise by selling off their properties. RBS denies the claims...

“The latest complaints have surfaced amid continuing controversy about the publication of a regulatory report into the GRG division. MPs on the Treasury select committee have been calling for the so-called section 116 report – paid for by RBS but handed to the Financial Conduct Authority – to be published in full.

“But the FCA has said it does not plan to publish the reports in their entirety but will issue a summary of the findings. This week, however, the FCA agreed to a request from Nicky Morgan, the chair of the Treasury select committee, to allow its legal adviser, Andrew Green QC, to compare the FCA’s summary with the actual report...

“Last November, RBS said it would pay £400m in compensation to small businesses badly treated by the division to refund fees they were charged and said that fresh complaints could be made for alleged mistreatment of small firms between 2008 and 2013 in a process that will be overseen by a retired high court judge.’

A second news article on The Guardian's website, titled 'Report into misconduct by RBS will be made public, says watchdog', and dated 30th Jan 2018, stated:

“The Financial Conduct Authority has agreed to publish the full confidential report into the mistreatment of small businesses by the Royal Bank of Scotland...

“The report, which will probably still take years to be made public, includes embarrassing details for RBS, including a memo called “Just Hit Budget!” that was sent to GRG staff in 2009, and which appeared to show the bank prioritising fees ahead of assisting clients with financial problems.

“The memo referred to the struggling companies – many of which had been damaged by a banking crisis partly of RBS's making – as “basket cases”. In a section of the memo headed “Rope” staff were told: “Sometimes you need to let customers hang themselves.”

“McEwan and Davies conceded during Tuesday’s hearing that RBS was ‘aggressive’ towards some struggling business customers. Further details were given in a Guardian article from 17 January 2018, which stated that RBS staff were told:

“If they sign, they can’t complain.”

“Missed opportunities will mean missed bonuses.”

“Basket cases: time consuming but remunerative.”

“Rope: sometimes you need to let customers hang themselves.”

On 31st July 2018 The Guardian published another article on this story after the Financial Conduct Authority did not fine RBS over its treatment of small businesses. The article stated, "The City watchdog is to take no disciplinary action against over the mistreatment of small business customers struggling after the banking crisis.

“The Financial Conduct Authority lacked the powers to discipline RBS for misconduct, despite the “widespread inappropriate treatment” of up to 12,000 small businesses by the bank’s global restructuring group (GRG) between 2008 and 2013.”

The company lost half a mark under the Anti Social Finance category. (ref: 23)
Worst Ethical Consumer rating for likely use of tax avoidance strategies (22 June 2023)

On 22 June 2023, Ethical Consumer viewed a list of NatWest Group [formerly Royal Bank of Scotland Group plc]'s subsidiaries in its 2022 annual report and on the Hoovers corporate database.

This showed that the company had multiple subsidiaries in jurisdictions considered by Ethical Consumer to be tax havens at the time of writing.

These included the Cayman Islands, Bermuda, Bahamas, Netherlands, Hong Kong, Luxembourg, Switzerland, Jersey, British Virgin Islands, and Gibraltar. The group's subsidiary Ulster Bank was based in Ireland and served the Irish population, so Ireland was exempted from this reference.

Multiple of these were holding companies and investment companies, which were considered high-risk company types for the likely use of tax avoidance, including:

- Mapeley Columbus Limited in Bermuda
- RBS AA Holdings (Netherlands) B.V. in the Netherlands
- NatWest (Deansgate) Investments Limited in the Cayman Islands
- Alpino Investments Limited in the Cayman Islands
- RBS Holdings N.V. in the Netherlands
- THE ROYAL BANK OF SCOTLAND INTERNATIONAL (HOLDINGS) LTD in Jersey

No significant secondary criticisms were found of the company's tax practices.

The company published the following statement regarding its tax policy:

"We are committed to paying the right amount of tax in the jurisdictions in which we operate. We do not establish businesses in any jurisdiction with the sole or main purpose of gaining a tax advantage or to divert profits from higher tax rate jurisdictions. We operate policies to ensure there is no artificial diversion of profits between high and low tax countries...We do not use low tax jurisdictions to undertake transactions with the main aim of reducing tax liabilities."

However, this was not considered to be adequate, as it did not appear that the company had provided a narrative explanation for what each group entity located in a tax haven was for, and how it was not being used for purposes of tax minimisation. The company disclosed a country-by-country tax breakdown, but it was deemed insufficient because it did not include any detail about the activity of subsidiaries within each country.

Overall, NatWest Group received a worst Ethical Consumer rating for likely use of tax avoidance strategies and lost a full mark in the Tax Conduct category. (ref: 24)

References

1 - NatWest Group [formerly Royal Bank of Scotland Group plc] Corporate Communications: Natwest: Our Operational Footprint (22 June 2023)
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3 - NatWest Group [formerly Royal Bank of Scotland Group plc] Corporate Communications: Climate Related Disclosures 2022 (22 June 2023)
4 - Rainforest Action Network (RAN) Reports: Banking on Climate Chaos: Fossil fuel finance report 2023 (15 June 2023)
5 - Reclaim Finance: Throwing fuel on the fire - GFANZ financing of fossil fuel expansion (January 2023)
6 - Urgewald: Five Years Lost - How Finance is Blowing the Paris Carbon Budget (24 March 2021)

7 - NatWest Group [formerly Royal Bank of Scotland Group plc] Corporate Communications: Coutts (NatWest) ESG related exclusions policy (22 June 2023)


9 - Amazon Watch: Complicity in Destruction - northern financiers enable Bolsanaro's assault (April 2019)

10 - Banks for Animals - Sinergia Animal: December 2021


12 - Don't Buy into Occupation - dontbuyintooccupation.org: Don’t Buy Into Occupation 2022 report (December 2022)


14 - Fair Finance International: No Questions asked: profiting from the construction and hotel boom in Qatar (November 2022)

15 - Mirror & Sunday Mirror (The): NatWest worker hit by car on first day of work wins £4.7m from RBS over discrimination (26 April 2022)

16 - unitetheunion.org: £150,000 equal pay victory lifts lid on pay inequality at Royal Bank of Scotland (9 May 2019)


18 - Open secrets website: Open Secrets generic ref 2022 (4 January 2022)

19 - Institute of International Finance (IIF): Members List 2019 (February 2019)

20 - World Economic Forum website www.weforum.org: February 2020 Members list (February 2020)


23 - Guardian website www.guardian.co.uk: FCA take no action against RBS after mistreatment of small businesses (31 July 2018)

Ethical Screening of: Banco Santander, S.A.
For: University of Cambridge
Date: June 2023

Company Details

Ownership:
Santander was not owned by another corporate entity.

Size:

Turnover: £44.6 b

Contact details:
Website: www.gruposantander.com
Telephone: +34 91 289 5188
Email: jpeco@gruposantander.com
Address: Ciudad Grupo Santander, Edif. Arrecife 3S, 2a plta, 28660 Bodilla del Monte, Madrid, Spain

Environment

Environmental Reporting (score: -0.5)

Middle Ethical Consumer rating for Environmental Reporting (16 June 2023)

On 16 June 2023, Ethical Consumer viewed the website of Banco Santander, S.A., looking for discussion and action on the company’s environmental impacts, other than carbon emissions. Its 2022 annual report and Environmental, Social & Climate Change Risk Management Policy were viewed.

A finance company with some evidence of action on the environmental impacts (other than carbon emissions) of its financed activities would get a middle rating, and if it did not fund fossil fuels, and had evidence of action on the environmental impacts of its own operations as well as financed activities, it would get a best rating.

The company was a financial institution but it appeared the company was involved in, or willing to be involved in, funding fossil fuels so could not get a best rating. It stated in its Environmental, Social & Climate Change Risk Management Policy that from 2030, it would not fund any entities with more than 10% of revenues, on a consolidated basis, directly derived from coal fired power generation. This suggested that until 2030 it would fund such entities.

Santander did have some evidence of action on the environmental impacts (other than carbon emissions) of its financed activities. Evidence included: its Environmental, Social & Climate Change Risk Management Policy stated that it did not fund:

- Extraction of native tropical wood species not certified to FSC.
- Palm oil processors that are not certified to RSPO.
- Developments in forested peatlands in High-Risk Geographies

Overall, Banco Santander, S.A. received a middle Ethical Consumer rating for Environmental Reporting and lost a half mark in the category. (ref: 1)
Climate Change (score: -1)

Worst Ethical Consumer rating for carbon management and reporting (19 June 2023)

On 19 June 2023, Ethical Consumer viewed the website of Banco Santander, S.A., looking for information on what the company was doing to tackle climate change. Its 2022 annual report and climate finance report 2021-22 were viewed, as well as its 2022 entry to the Carbon Disclosure Project (for the year January 2021-December 2021).

Ethical Consumer was looking for the company to satisfy the following criteria:

1. A credible, detailed discussion of how it has made emissions cuts in the past and how it will make them in the future.
2. Does full annual public reporting of its emissions – all three scopes.
3. Has a future target that is either approved by the SBTi or at least the equivalent to 3.6% cuts/year in scope one and two emissions, and 2.5% cuts/year in scope 3.
4. Does not work in developing new extraction fossil fuel projects, building new fossil fired power stations or in doing anything with coal.
5. Is not engaging in highly misleading public messaging on climate change.
6. Has not been subject to credible secondary criticism on what it is doing on the climate.

If a company met all of these criteria it would receive a best rating. If it failed one it would receive a middle rating. If it failed more than one it would receive a worst rating.

1. The company discussed:

In its annual report in a section titled, “Supporting the green transition”, it discussed reducing the impact of its financed activities it had a target to “align [its] portfolio with the Paris Agreement goals and set sector- portfolio alignment targets in line with the NZBA and with NZAMI to help limit warming to a 1.5ºC rise above preindustrial levels” and reducing the carbon impacts of its portfolio. It discussed investing in greenfield renewable energy projects, its green bond to finance renewables, it stated it was a founding member of the Net Zero Banking Alliance (under the United Nations Environment Programme Finance Initiative, NZBA), its sustainable finance classification system (SFCS), to identify lending towards economic activities that “contribute to climate change mitigation”.

In its climate finance report, it had a target for its assets currently under management, to “halve net emissions for 50% of its AuM in scope 3 by 2030”. It has also set three targets for reducing the impact of its energy, aviation, and steel portfolios.

Overall this was considered to constitute a credible and detailed discussion of how it had cut emissions in the past and would continue to do so, for its financed activities.

2. The company reported its scope 1 emissions to be 21,967 tCO2e and its scope 2 emissions to be 30,917 tCO2e market based and 217,906 tCO2e location based for the year 2022. The company reported its scope 3 emissions for the year 2022 to be 81,535 tCO2e. Whist the company said it had started reporting on its financed emissions in 2019, this total scope 3 figure did not appear to cover the carbon emissions of the company's investments and so what not considered sufficient

3. The company did appear to have a target in line with international agreements. Its target was to be “net-zero in carbon emissions by 2050”. It stated, “This applies to the Group’s operations (which have been carbon neutral since 2020) and emissions from our lending, advisory and investment services”. It did not provide further detail or a breakdown of its specific targets for each scope, or have its targets approved by the Science Based Targets initiative.

4. The following was found which showed that the company worked in new fossil fuel development, or in coal: In its annual report, it had a target for “Ending financial services to power generation customers by 2030 if over 10% of their revenues depend on coal”. It also stated the following: “At 31 December 2022, Santander UK’s exposure to fossil fuel sectors was only 0.4% of our total non-financial corporate
5. The company did not appear to be engaged in misleading messaging.

6. The following was found which showed that the company had credible secondary criticism: Ethical Consumer viewed the report 'Banking on Climate Chaos: Fossil fuel finance report card', published in May 2023 by the Rainforest Action Network, in collaboration with BankTrack, Indigenous Environmental Network (IEN), Oil Change International, Reclaim Finance, the Sierra Club and Urgewald. Lloyds ranked as the 48th highest financier of all fossil fuels with a total of $15.058 billion between 2016 and 2022.

Overall, Banco Santander, S.A. received a worst Ethical Consumer rating for carbon management and reporting and lost a full mark in the Climate Change category (ref: 2)

**Worst Ethical Consumer rating for investment policy and transparency (19 June 2023)**

On 19 June 2023, Ethical Consumer searched the Banco Santander, S.A. website for the company’s ethical investment, engagement, or shareholder voting policies. Other documents viewed included: its Environmental, Social & Climate Change Risk Management Policy which was described as covering its criteria for investing in entities, and its Sustainable and responsible investment policy which was dated March 2022, and its 2021 Stewardship report.

Most investment companies will hold a large amount of assets, some of which will be held as shares in companies and diversified across all sectors to avoid risk.

To get a best Ethical Consumer rating for investment transparency and not be marked down, a company must meet the following three criteria:

1. A clear ethical investment or lending policy restricting investments in key problem areas for the sector including: coal/carbon, deforestation, indiscriminate weapons, human rights abuses, and animal abuse.
2. Clear lending and investment disclosure (naming companies invested in not just sectors).
3. Full and clear disclosure on engagement or voting (stewardship) at company AGMs (it should be at least annually).

To get a middle rating, it would need some details of investments including named companies, engagement and voting policies, with some disclosure of voting history or other engagement. Companies with a middle rating would lose a half mark in six categories representative of the criticisms its investments would be likely to receive under our ratings system.

If no or very limited information on investment, engagement or shareholder voting policies could be found, it would receive a worst rating, and would lose a half mark in twelve categories representative of the criticisms its investments would be likely to receive under our ratings system.

Regarding Banco Santander, S.A.’s investment policy, it did not appear to include restrictions for all assets for: coal/carbon, deforestation, indiscriminate weapons, human rights abuses, and animal abuse. The following was found:

Regarding the scope of its investment policy, it stated, “Group entities are responsible for their own internal regulations, and for developing and approving in their respective governing bodies their own internal regulation that allows the application within its scope of the provisions contained in the Group regulation”. From this, it appeared that subsidiaries were allowed to determine their own policies. This was also stated in Santander’s asset management sustainable and responsible investment policy, “Each local unit is responsible for drawing up and approving their own internal regulations to enable the local application of the provisions contained in this policy”.

On its involvement with coal it stated, “Specific to power generation from coal, Santander Group has committed that, from 2030, it will stop investing in, and/or providing financial services to clients for whom coal fired generation represents directly more than 10% of revenues on a consolidated basis.”

It listed prohibited activities, which included:
“Any projects or activities for oil & gas extraction, power generation or transmission, mining, manufacturing, plantations or other major infrastructure projects located in areas classified as Ramsar Sites, World Heritage Sites or by the International Union for Conservation of Nature (IUCN) as categories I, II, III or IV.”

It detailed its criteria for oil and gas, which included no “New oil upstream clients, except for transactions for the specific financing for renewable energy”. It included details for power generation including no “Project-related financing for the construction or development of infrastructure projects whose expected revenues from coal power generation-related activities will be more than 30% of the project’s revenues in the first five years”. It also had similar criteria for metals, wood, palm oil, and forested peatlands.

Regarding its investment disclosure, only some information was found, with Fund Factsheets listing top 10 holdings.

Regarding its engagement or voting (stewardship), the following was found:

In its stewardship report, it had summaries of its engagements and voting activity from 2021. Its engagements summary consisted of graphs divided by sector and geographical region. It stated that “76% of our individual engagement activities in 2021 were focused on improving transparency and ESG performance of companies.” It provided case studied, but these were very broad, by sector. Its voting activities summary was divided by country, and a number was provided for the number of AGMs it had voted in.

As Banco Santander, S.A. had no or very limited ethical investment, engagement or shareholder voting disclosure it received a worst Ethical Consumer rating for investment transparency, and lost half a mark under the following categories:


**Named in Five Years Lost report (December 2020)**

In February 2021, Ethical Consumer viewed ‘Five Years Lost: How Finance is Blowing the Paris Carbon Budget’, a report published in December 2020 by Urgewald.org. The report highlighted 12 of ‘the most devastating’ fossil fuel projects currently in development and revealed the banks and investors financing them.

The 12 projects were chosen based on the detrimental impact their emissions would have, but also as they were being pushed forward despite local resistance and calls by scientists and politicians to phase out fossil fuels. Expected CO2 emissions were given for each project, and it was predicted that between them they will create at least 175 gigatons of additional CO2 emissions, an amount described as ‘almost half of the 395 Gt of remaining carbon budget to limit global warming to 1.5° with a 50% probability’. The wider detriments of each project were also discussed, for example local environmental issues and the impact on communities living there.

1. Gas extraction in Mozambique
2. Oil and gas development in Suriname
3. Oil and gas drilling in the Permian Basin and Gulf Coast, USA
4. Oil and gas extraction in Argentina’s Vaca Muerta region
5. Coal and gas power plants in Bangladesh’s Payra Hub
6. Expansion of Coal power in China
7. India’s coal mines
8. Coal expansion in the Philippines
9. Gas extraction as part of Australia’s Burrup Hub
10. Drilling for oil & gas in the Norway Barents Sea
11. Oil and gas extraction and pipeline construction in the East Mediterranean
12. Offshore oil and gas drilling in the UK

The report concluded that no global financial institution had adopted sufficient policies to stop development of fossil fuels. Instead, investments were keeping the industries afloat. In order to comply with the Paris Agreement, monetary support for any expansion of the fossil fuel industry must be stopped.

Santander was named in the report and was said to have contributed USD $21.1 billion. It was named as one of the top ten institutions supporting companies extracting fossil fuels in Argentina's Vaca Muerta region. Santander was said to be backing seven of the projects discussed: supporting companies involved in fossil fuel development in Suriname, the Permian Basin and Gulf Coast, Argentina, Bangladesh's Payra Hub, Australia's Burrup Hub, the East Mediterranean and UK.

As this financial institution's actions undermined an international agreement to address the climate emergency, and it was one of the highest contributors, it lost a whole mark under climate change. (ref: 3)

Links with BankTrack's 'dodgy deals' (21 June 2023)

On 21 June 2023, Ethical Consumer viewed BankTrack's website for information about Santander. BankTrack tracked financial institutions links to projects deemed to be detrimental to people, environment or animals.

The following projects were listed as being funded by Santander:
1) Cerrejón coal mine ($516.3m)
2) Ferrogrão EF-170 Railway (amount unknown)
3) Hazira Blast Furnace Expansion ($57.69m)
4) Jadar lithium mine ($178 [issue underwriter]; $835m [corporate loan])
5) Nigeria LNG ($87.23m)
6) Vaca Muerta Shale Basin ($735.8m)

Santander lost half a mark under Climate Change, Habitats & Resources, Pollution & Toxics and Human Rights. (ref: 4)

Criticised by Feedback for funding meat and dairy (2020)

A report released in July 2020 by a campaign group called Feedback, highlighted some of the main companies which were responsible for funding Big Livestock, thereby playing a large role in the environmental issues arising as a result of the industrialisation of animal farming. This report was titled "Butchering The Planet", and subtitled "The big-name financiers bankrolling livestock corporations and climate change."

Santander was named as the eight largest creditor to the world’s 35 largest meat and dairy corporations between 2015 and 2019. The figures showed that it provided approximately $4 billion in underwriting and $4 billion in loans during this time.

According to the report, Santander was responsible for providing loans and/or underwriting for the following companies: JBS, Minerva and Marfrig – Brazilian meat companies which have links to deforestation and forest fires. The report also provided data on the greenhouse gas emissions
associated with each of the 35 largest meat and dairy corporations (using FAO GLEAM 2.0 which covered scopes 1–3). This showed that the Santander funded company, JBS, was considered the largest contributor, with a huge 280 metric tonnes of CO2 equivalent gases released per year.

Overall, the report made criticisms of all the creditors and investors within the scope of its research as it clearly stated “It is time to defund, and to divest from, Big Livestock.” As such the company lost half a mark under Climate Change. (ref: 6)

**Fossil Fuel Finance Report Card 2023 (May 2023)**


Like the 2022 report, the 2023 update looked at 60 of the largest banks globally. The report analysed patterns of private-sector bank financing for tar sands oil, arctic and offshore oil and gas, fracked oil and gas, liquefied natural gas (LNG), coal mining and coal power between 2016 and 2022. The report found that, overall, the 60 banks had invested US$5.5 trillion in lending and underwriting to the fossil fuels industry since the Paris Agreement had been adopted (2016-2022). Santander ranked as the 26th highest financier of all fossil fuels with a total of $23.924 billion between 2016 and 2022.

The company lost a whole mark under Climate Change. (ref: 7)

**Pollution & Toxics (score: -0.5)**

(See also 'Links with BankTrack's 'dodgy deals'' in Climate Change above.)

(See also 'Worst Ethical Consumer rating for investment policy and transparency' in Climate Change above.)

**Habitats & Resources (score: -1)**

(See also 'Links with BankTrack's 'dodgy deals'' in Climate Change above.)

(See also 'Worst Ethical Consumer rating for investment policy and transparency' in Climate Change above.)

**Named in Amazon Watch report on beef and soy (2019)**

In April 2019 Amazon Watch published 'Complicity In Destruction II: How Northern Consumers and Financiers Enable Bolsonaro's Assault On The Brazilian Amazon'. Amazon Watch is a USA based non-profit organisation founded in 1996 to protect the rainforest and advance the rights of Indigenous peoples in the Amazon Basin. The report identifies the worst offending companies operating in the Brazilian Amazon in the commodities of; soy, beef, leather, timber and sugar, and the financial institutions which enable them.

According to Amazon Watch, cattle ranching and soy industries accounted for 80% of Amazon deforestation. The report identified three beef companies (JBS, Marfrig and Minerva) and four global soy traders (ADM, Bunge, Cargill and Louis Dreyfus Company) with links to illegal deforestation. For the period of 2013 to 2018 Santander were underwriters of bond issuances by JBS totalling $589 million USD, by Minerva totalling $40 million USD and by Marfrig totalling $960 million USD and were providers of unmatured credit at parent level to Cargill totalling $293 million USD. Additionally on 31st March 2019 Santander were institutional shareholders of Minerva totalling $0.2 million USD and Marfrig totalling $1.9 million USD.
The Business and Human Rights Resource Centre reached out for comment to the companies named in the report as complicit in the destruction of the Brazilian Amazon. Santander did not respond.

As one of the financiers criticised in the report, Santander loses half a mark under Habitats and Resources. (ref: 8)

**People**

**Human Rights (score: -1)**

**Financing mining in the Amazon (February 2022)**

In February 2022 Amazon Watch published 'Complicity In Destruction IV: How Mining Companies and International Investors Drive Indigenous Rights Violations and Threaten the Future of the Amazon'.

Amazon Watch was a USA based non-profit organisation founded in 1996 to protect the rainforest and advance the rights of Indigenous peoples in the Amazon Basin.

The report mapped 8 large mining companies and their applications to mine on land overlapping indigenous lands in 2020. At the time that the report was published, mining on indigenous lands was illegal in Brazil.

Santander was listed as a leading financiers enabling operations of the mining companies that encroach upon Indigenous lands in Brazil, particularly in the Amazon rainforest.

It had given $392 million dollars in underwriting from Jan 2016 to October 2021 to Anglo American, Glenore, Minsur and Rio Tinto. It also had $191 million of shareholdings in Anglo American, Rio Tinto and Vale.

Santander lost a whole mark under Human Rights. (ref: 10)

(See also 'Links with BankTrack's 'dodgy deals“ in Climate Change above.)

(See also 'Worst Ethical Consumer rating for investment policy and transparency' in Climate Change above.)

**Middle Ethical Consumer rating for operations in oppressive regimes (16 June 2023)**

On 16 June 2023, Ethical Consumer viewed Banco Santander, S.A.'s list of subsidiaries in its 2022 Annual Report, which stated that the company had operations in the countries listed below.

At the time of writing Ethical Consumer considered the countries listed to be governed by some of the most oppressive regimes in the world.

China, India, Mexico

The company therefore lost a half mark in the Human Rights category. (ref: 11)

**Named in Don't Buy Into Occupation report (December 2022)**

In June 2023, Ethical Consumer viewed the report Don't Buy Into Occupation: Exposing the financial flows into illegal Israeli settlements, published in December 2022.

Produced by the “Don’t Buy Into Occupation” (DBIO) coalition, the report monitored the financial relationships between European financial institutions and companies actively involved with the illegal Israeli settlements. The report stated: “Israeli, European, and international business enterprises, operating with or providing services to Israeli settlements, play a critical role in the functioning, sustainability and expansion of illegal settlements. Considering the illegality of settlements, the associated wide range of international humanitarian and human rights law violations, and the deliberate
obstruction of the development of the Palestinian economy, private actors have a responsibility to ensure that they are not involved in violations of international law and are not contributing to, or complicit in, international crimes. Private actors, such as European financial institutions and business enterprises, should address adverse human rights impacts arising from their activities and business relationships with the Israeli settlement enterprise. However, despite its illegal nature, European financial institutions continue to invest billions into businesses linked to the Israeli settlement enterprise.

It named the financial institutions that had provided financing for companies involved in the Israeli settlements between January 2019 and August 2022. The report “builds upon the existing UN database of business enterprises involved in activities linked to Israeli settlements in the OPT (UN Database), together with the UNGPs [UN Guiding Principles on Business and Human Rights]”. It looked at loans, underwriting services, and investments in shares and bonds to companies involved in the settlement enterprise. It found that “During the analysed period, USD 171.4 billion was provided in the form of loans and underwritings. As of August 2022, European investors also held USD 115.5 billion in shares and bonds of these companies.” Financial institutions named as creditors (loans and underwriting) and investors (shares and bondholdings) in the report lost half a mark under Human Rights, for having a financial relationship with a company or companies criticised in this category.

Santander was said to be the 7th largest creditor looked at in the report. The bank had credited 50 businesses, which that the report stated are actively involved with Israeli settlements, with USD 9.46 billion worth of loans and underwritings. (ref: 12)

**BankTrack Human Rights Benchmark (November 2022)**

Santander was included in the latest international survey of the human rights record of 50 major private-sector banks, published by BankTrack on 17 November 2022. The 2022 BankTrack Human Rights Benchmark is the fourth such comprehensive survey compiled by BankTrack. Formally established in 2004, BankTrack’s mission is to campaign against banks’ financing activities that have a negative impact on people and the planet.

The report found that 38 out of 50 of the world’s largest commercial banks are implementing less than half of human rights responsibilities, as set out in the UN Guiding Principles on Business and Human Rights (UNGPs), which were endorsed in 2011. In addition, a new assessment of banks on their response to specific human rights violations as part of the benchmark shows they failed to provide a constructive response to the allegations raised three quarters of the time.

BankTrack examined banks’ performance against four criteria contained in the UN Guiding Principles on Business and Human Rights (2011): policy commitment; due diligence process in relation to human rights; reporting on human rights; and access to remedy human rights abuses.

With a score of 6 out of a possible maximum of 14, Santander was ranked in 20th place. This put Santander among a group of poorly performing banks, in the category of “followers”, behind the categories of “leaders” and “front runners” (7-10 points). However there were no leaders.

Santander scored 2.5 (out of 3) for policy, 1.5 (out of 3) for reporting, 1.5 for due diligence (out of 5) and 0 for remedy (out of 3). The banking group’s total score increased by 2.5 since BankTrack’s previous benchmark was published in 2019.

All except ‘front runners’ lost half a mark under Human Rights. (ref: 13)

**Workers' Rights (score: -1)**
(See also ‘Worst Ethical Consumer rating for investment policy and transparency’ in Climate Change above.)
Sued for discrimination of pregnant employee (27 October 2022)

On 21 June 2023 Ethical Consumer viewed an article on the Financial Times website titled ‘Santander to pay $900,000 to settle pregnancy discrimination lawsuit’ and dated 27 October 2022. The article detailed how Santander would pay “$900,000 to a former vice-president who alleged the bank cut her bonuses, removed her client accounts and terminated her employment because she was pregnant”. Santander " agreed to pay $900,000 to resolve the case without accepting liability to cover McKenna’s [the employees] economic damages, attorneys’ fees and costs". As a result of this story the company lost half a mark under Workers Rights. (ref: 14)

Breaking union commitment and fires workers during coronavirus pandemic (June 2020)

In July 2020, Ethical Consumer viewed an article on the UNI, Global Union website titled 'Banco Santander Brazil breaks commitment and sacks workers' and dated to June 2020.

The article stated:
"In March 2020, Spanish bank, Santander, together with Banco Itaú and Bradesco, made a commitment with UNI Global Union affiliate, Contraf-CUT, to maintain jobs and avoid layoffs in Brazil during the coronavirus health crisis. It was one of the most important demands and achievements of the trade union movement during the pandemic.

"However, on 10 June, Santander not only became the first bank to make redundancies, but also called for the resumption of branch activities in a country where the contagion curve continues to rise.

"Marcio Monzane, regional secretary of UNI Americas, declared: "To fire workers in the midst of a global pandemic, of which Brazil is the new epicenter, is to practice inhumane management. If under normal conditions it is already difficult to find a new job, imagine what it will be like for workers in the current situation. If Santander isn’t firing workers in the other countries where it operates, we want the same treatment in Brazil. We demand that the negotiations and agreements signed with workers' representatives are respected.”""

The company lost half a mark under Workers' Rights. (ref: 15)

£20,000 settlement to employee discharged for miscarriage (March 2020)

In July 2020, Ethical Consumer viewed article dated to March 2020 and titled 'Santander clerk awarded almost £20k in compensation after she was sacked when she had a miscarriage'. The article stated:

"A Santander clerk has been awarded almost £20k in compensation after she was sacked when she had a miscarriage.

"Chi Agbaje was dismissed from her job at one of Santander’ High Street branches after she became distressed while miscarrying.

"The bank accused her of acting in a ‘wholly unacceptable’ and unprofessional manner during the incident and fired her for gross misconduct.

"Now an employment tribunal has found she was unfairly dismissed and ordered the Spanish financial giant to pay her £19,702 in compensation."

Santander lost half a mark under Workers' Rights. (ref: 16)

Information only: Increase in median pay gap for black staff (22 February 2023)

Ethical Consumer viewed an article on the Bloomberg website titled "Pay Gap for Black Workers Widens at Some of UK’s Biggest Banks" and dated 22 February 2023. The article detailed how Santander UK, amongst other UK banks, saw the median pay gaps for Black staff increase slightly from the year before, according to 2022 reports. As this did not appear to be a direct criticism of Santander but of the industry as a whole, the company did not lose marks under Workers’ Rights. This story was
Arms & Military Supply (score: -1)
Investor in nuclear weapon companies (December 2022)
In June 2023 Ethical Consumer viewed the Don't Bank on the Bomb website and its December 2022 report titled "Risky Returns - Nuclear weapon producers and their financiers". The website and report were published by the International Campaign to Abolish Nuclear Weapons (ICAN).

The report listed 306 institutions which had financing or investment relationships with 24 nuclear weapon producing companies.

"The types of financing could include loans (including revolving credit facilities), investment banking (including underwriting share and bond issuances), and ownership of at least 0.5% of the outstanding shares or bonds of at least one of the companies."

It stated that Santander had invested a total of $4,842.6 million in 6 companies which manufactured nuclear weapons between January 2020 and July 2022.

ICAN argued that "by lending money to nuclear weapons companies, and purchasing their shares and bonds, banks and other financial institutions, [companies and consumers] were indirectly facilitating the build-up and modernisation of nuclear forces, thereby heightening the risk that one day these ultimate weapons of terror will be used again – with catastrophic humanitarian and environmental consequences." ICAN was calling for a coordinated global campaign for nuclear weapons divestment. Santander lost a full mark under Arms and Military Supply. (ref: 18)

(See also 'Worst Ethical Consumer rating for investment policy and transparency' in Climate Change above.)

Financing the arms trade in the Middle East and North Africa (May 2019)
The Dirty Profits 7 report, published in May 2019 by non-profit organisation Facing Finance, highlighted the ten European banks with some of the highest investments in 11 global arms companies exporting to countries in conflict (e.g. Saudi Arabia, the UAE), particularly those involved in the Yemen war, as well as exports to repressive regimes (e.g. Bahrain, Somalia) and fragile states (e.g. Iraq, Syria).

Santander provided finance eg loans € 1,635.43 million from 2015-2019 and as of January 2019, investments (eg shareholdings) of €97.65 million.

Santander therefore lost half a mark in the Arms and Military supply category. (ref: 19)

Politics
Anti-Social Finance (score: -1)
Excessive remuneration (21 June 2023)
On 21 June 2023, Ethical Consumer viewed the latest 2021 Santander UK plc annual report. It indicated that the company's highest paid director received over £1 million in total compensation, at £3,511,000.

Ethical Consumer deemed any annual amount over £250k to be excessive, while compensation of £1million or more would lose a full mark. The company therefore lost a full mark under Anti-Social Finance (ref: 25)
Excessive remuneration for directors or other staff (19 June 2023)

On 19 June 2023, Ethical Consumer viewed the latest Banco Santander, S.A. annual report. It indicated that the company's highest paid director received over £1 million in total compensation in 2022. Ana Botín received 3,875,000 euros.

Ethical Consumer deemed any annual amount over £250k to be excessive, while compensation of £1 million or more would lose a full mark. The company therefore lost a full mark under Anti-Social Finance. (ref: 11)

Santander fails to pay out deceased customers' funds (December 2018)

In March 2020, Ethical Consumer viewed an article on the Guardian website titled 'Santander fined for keeping dead customers' money ' and dated to 19 December 2018.

The article reported that the Financial Conduct Authority had given Santander a £32.8 million fine for stalling or completely failing the probate process despite being informed of customers' death. The FCA found that kin of 40,428 deceased customers were directly affected by the failings, and that more than £183 million had not been transferred by Santander. The longest period an account had remained open after a customer’s death was 21 years.

Santander lost half a mark under Anti-Social Finance. (ref: 26)

(See also 'Worst Ethical Consumer rating for investment policy and transparency' in Climate Change above.)

Fines for anti-money laundering failings (9 December 2022)

In Jun 2023, Ethical Consumer viewed an article on The Guardian website titled "Santander UK fined £108m over anti-money laundering failings" and dated 9 December 2022. The article stated that Santander UK was fined almost £108 million "after an investigation by the British financial watchdog found "serious and persistent gaps" in its money laundering controls, resulting in hundreds of millions of pounds of suspicious transactions through customer accounts". It went on to state that an investigation "found that between December 2012 and October 2017 the bank failed to "properly oversee and manage" the controls that affected the oversight of more than 560,000 business customers". As a result of this story, the company lost half a mark under Anti-Social Finance. (ref: 27)

$550million settlement over alleged deceptive loan practices (20 May 2020)

In July 2020, Ethical Consumer viewed an article on the Law.com website, titled ‘Santander Reaches $550 Million Settlement With 34 States Over Alleged Deceptive Auto Loan Practices’ and dated to May 2020. The article stated:

"Thirty-four states, including Connecticut, California, Florida, New Jersey, New York and Pennsylvania, have reached a $550 million settlement with automotive financing company Santander Consumer USA Inc. to reimburse consumers for alleged deceptive loan practices nationwide.

"The multistate agreement with the nation's largest subprime auto financing company calls on the Dallas, Texas-based business to follow certain provisions, including knowing a customer’s ability to repay their loans. It also prohibits the company from purchasing loans, if it knows consumers would have little or no money left after paying for housing and other expenses...

"“For years, Santander put Connecticut borrowers at financial risk,” Connecticut Attorney General William Tong said in a statement. “This settlement includes significant loan relief for customers as well as injunctive measures to assure that this kind of behavior won’t happen again.”

"New York Attorney General Letitia James wrote in a statement: “As New Yorkers continue to struggle...
from the financial impact of the coronavirus, we have stopped this company from continuing its fraudulent practices and have helped keep more than $27 million in the pockets of New Yorkers. Santander defrauded desperate consumers by placing them into auto loans the company knew these customers could never afford to pay, resulting in defaults and negative ratings on consumers’ credit reports.”

The company lost half a mark under Anti-Social Finance. (ref: 28)

**HSBC and Santander to refund customers over unauthorised overdrafts (November 2019)**


The two banks failed to tell thousands of customers that they had gone into unauthorised overdrafts. At the time of writing Santander did not disclose how many customers were affected, or how much was needed to be refunded.

The article stated that this was the second time such a breach had occurred, "in May, the bank said it would refund about £1.4m in overdraft fees relating to 20,000 current account customers." (ref: 29)

**Tax Conduct (score: -1)**

**Worst Ethical Consumer rating for likely use of tax avoidance strategies (19 June 2023)**

On 19 June 2023, Ethical Consumer viewed a list of Banco Santander S.A.’s subsidiaries in its 2022 annual report.

This showed that the company had multiple subsidiaries in jurisdictions considered by Ethical Consumer to be tax havens at the time of writing.

Multiple of these were holding companies, finance, and insurance companies which were considered high-risk company types for likely use of tax avoidance, including:

- Capital Street S.A. in Luxembourg (finance company)
- Darep Designated Activity Company in Ireland (reinsurance)
- Interfinance Holanda B.V. in the Netherlands (holding company)

The company was criticised for tax avoidance practices by The Independent in a publication titled "Santander and Barclays face legal action over alleged multibillion pound tax dodge", dated April 2019, for the use of tax havens.

The company was further criticised for tax avoidance practices and the use of tax havens in a report from the EU Tax Observatory, "Have European banks left tax havens? Evidence from country-by-country data" dated September 2021.

The company published the following statement regarding its tax policy, in its annual report: “[We] satisfy our tax obligations based on a reasonable interpretation of tax laws, grounded on their spirit and intention” and “Respect the rules on transfer pricing and pay taxes in each jurisdiction in accordance with our functions, assumed risks and profits.”

However, this was not considered to be adequate, as it did not appear that the company had provided a clear public tax statement confirming that it was this company’s policy not to engage in tax avoidance activity nor to use tax havens for tax avoidance purposes, nor did the company provide a narrative explanation for what each group entity located in a tax haven was for, and how it was not being used for purposes of tax minimisation.

Overall, Banco Santander, S.A. received a Worst Ethical Consumer rating for likely use of tax avoidance strategies and lost a whole mark in the Tax Conduct category. (ref: 11)
References

1 - Banco Santander, S.A. Corporate Communications: Environmental, Social & Climate Change Risk Management Policy (19 October 2022)
2 - Banco Santander, S.A. Corporate Communications: Banco Santander annual report 2021 (22 September 2022)
3 - Urgewald: Five Years Lost - How Finance is Blowing the Paris Carbon Budget (24 March 2021)
4 - Banco Santander, S.A. Corporate Communications: www.banktrack.org/search#type=dodgydeals&search=santander (26 October 2022)
5 - Banco Santander, S.A. Corporate Communications: Santander Stewardship report 2021 (9 February 2023)
6 - Feedback Corporate Communications: Butchering the Planet (July 2020)
7 - Rainforest Action Network (RAN) Reports: Banking on Climate Chaos: Fossil fuel finance report 2023 (15 June 2023)
8 - Amazon Watch: Complicity in Destruction - northern financiers enable Bolsonaro’s assault (April 2019)
9 - Banks for Animals - Sinergia Animal: December 2021
10 - Amazon Watch: Complicity in Destruction IV (22 February 2022)
12 - Don’t Buy into Occupation - dontbuyintooccupation.org: Don’t Buy Into Occupation 2022 report (December 2022)
14 - Financial Times (FT): https://www.ft.com/content/7e35a848-e6b7-448b-839d-72a961fe636b (21 June 2023)
16 - Telegraph (The): www.telegraph.co.uk: Santander clerk awarded almost £20k in compensation after she was sacked when she had a miscarriage
20 - Open secrets website: Generic Ref 2023 (26 January 2023)
22 - Lobby Group members list: Ethical Consumer Lobby Group member list (February 2021)
23 - World Economic Forum website: www.weforum.org: Member list 2022 (1 February 2022)
24 - Lobby Group members list: Ethical Consumer Lobby Group member list (19 February 2020)
25 - Santander UK Group Holdings Plc Corporate Communications: Santander UK plc accounts 2021 (15 September 2022)
26 - Guardian, The: Santander fined for keeping dead customers’ money (19 December 2018)


28 - Law.com: Santander Reaches $550 Million Settlement With 34 States Over Alleged Deceptive Auto Loan Practices

29 - Guardian, The: HSBC and Santander to refund customers over unauthorised overdrafts (29 November 2019)
Ethical Screening of: Barclays Plc
For: University of Cambridge
Date: June 2023

Company Details

Ownership:
Barclays Plc was not owned by another corporate entity.

Size:

Turnover: £25 b

Contact details:

Website: home.barclays
Telephone: 0207 116 4755.
Email: ukcommunity@barclays.com / ukpressoffice@barclays.
Address: 1 Churchill Place, London, E14 5HP, UK

Environment

Environmental Reporting (score: -1)
Worst Ethical Consumer rating for Environmental Reporting (5 June 2023)

On 05 June 2023, Ethical Consumer viewed the website of Barclays Plc, looking for discussion and action on the company’s environmental impacts, other than carbon emissions. Its 2022 Annual Report, Sustainable Portfolio Management 2022 Annual Report, addressing climate change web page, and Environmental Statements were viewed.

A finance company with some evidence of action on the environmental impacts (other than carbon emissions) of its financed activities would get a middle rating, and if it did not fund or invest in fossil fuel companies, and had evidence of action on the environmental impacts of its own operations as well as financed activities, it would get a best rating.

Barclays was still funding fossil fuels according to its webpage on addressing climate change. The company had no or very limited evidence of action on the environmental impacts of its product supply chain or financed activities. In its annual report, it briefly discussed its approach to nature and biodiversity but it did not appear to have taken any steps to reduce its impacts in this area beyond engaging with industry groups and reviewing "the ways in which our financing activities can help to facilitate a nature-positive future." Its Forestry and Agricultural Commodities Statement dated April 2023 recognised the association of timber, pulp & paper, palm oil, beef and soy with habitat and biodiversity loss and stated that the bank placed requirements on companies producing these commodities. These commitments were not effective immediately but gave companies several years to achieve them; for example, in the case of soy, companies had to:

Obtain membership of the Roundtable on Responsible Soy (RTRS) or equivalent certification schemes and adhere to relevant standards.

Ethical Ranking of 10 UK banks
Commit to achieving full traceability of their South American soy supply chain (direct and indirect) by December 2025 in Areas at High-Risk of Deforestation and Conversion, which include the Amazon, Cerrado and Chaco Biomes.

It stated that it may reduce its support for companies that did not comply, but it was not clear what this meant in practice.

These requirements were not considered adequate evidence that Barclays was addressing the environmental impacts of its financed activities.

Overall, Barclays Plc received a worst Ethical Consumer rating for Environmental Reporting and lost a whole mark in the category. (ref: 1)

**Climate Change (score: -1)**

**Worst Ethical Consumer rating for carbon management and reporting (5 June 2023)**

On 05 June 2023, Ethical Consumer viewed the website of Barclays Plc, looking for information on what the company was doing to tackle climate change. Its 2022 annual report was viewed.

Ethical Consumer was looking for the company to satisfy the following criteria:

1. A credible, detailed discussion of how it has made emissions cuts in the past and how it will make them in the future.
2. Does full annual public reporting of its emissions – all three scopes.
3. Has a future target that is either approved by the SBTi or at least the equivalent to 3.6% cuts/year in scope one and two emissions, and 2.5% cuts/year in scope 3.
4. Does not work in developing new extraction fossil fuel projects, building new fossil fired power stations or in doing anything with coal.
5. Is not engaging in highly misleading public messaging on climate change.
6. Has not been subject to credible secondary criticism on what it is doing on the climate.

If a company met all of these criteria it would receive a best rating. If it failed one it would receive a middle rating. If it failed more than one it would receive a worst rating.

1. No or inadequate information was found discussing reduction of its emissions in the past and future. In its annual report it stated: "We are committed to aligning all of our financing to the goals and timelines of the Paris Agreement, consistent with limiting the increase in global temperatures to 1.5°C. To meet our ambition, we need to reduce the client emissions that we finance, not just for lending but for capital markets activities as well." It went on to discuss targets it had set to reduce financed emissions in six sectors: energy, power, cement, steel, automotive, and real estate. It had already achieved some reductions in absolute emissions in these areas. Its plans to meet these targets depended mainly on external changes and public policy interventions such as decarbonisation of the grid and improving the energy efficiency of homes rather than on changes to who it funded or what it required of those it funded. It did have some restrictive policies. It stated that with effect from 1 July 2023 it would not provide financing to oil sands exploration and production companies or for the construction of new oil sands exploration assets, production and processing infrastructure or oil sands pipelines. However, it continued to finance thermal coal power generation with a phase-out date of 2035.

2. The company reported its annual full scope 1 and 2 emissions in tCO2e for the year 2022 to be: 20,000, and 104,400. The scope 2 reporting was location-based. It reported its scope 3 emissions for 2022 to be 599,200 tCO2e. This included business travel and waste generated in operations but did not include a figure for its financed emissions.

3. The company's target was to be net zero by 2050 which is in line with international (Paris) agreements. It had an intermediate target for scopes 1 and 2: a 50% reduction of its scope 1 and 2 GHG emissions (location-based, against a 2018 baseline) by 2030. It had some targets relating to its
scope 3 emissions such as: 90% of its suppliers, by addressable spend, to have science-based GHG emissions reduction targets in place by 2030 but it did not specify what its actual reduction in scope 3 emissions would be at any point.

4. The following was found which suggested the company was involved in new fossil fuel development, or willing to be involved in coal: Barclays stated that it would not fully divest from thermal coal until 2035.

5. The company did not appear to be engaged in misleading messaging.

6. The following was found which showed that the company had credible secondary criticism: A report titled Oil & gas expansion A lose-lose bet for banks and their investors and published by Share Action in February 2022 stated that European banks continued to provide funding to oil and gas expansion projects: “HSBC, Barclays and BNP Paribas are the worst offenders, providing US$59 million billion, US$48 billion and US$46 billion respectively since 2016. The Net Zero Banking Alliance has thus far failed to make an impact on this critical issue. Its members provided at least US$38 billion in financing to the top 50 upstream oil & gas expanders since its launch last April. Half of this was provided by four founding signatories: Barclays, BNP Paribas. Deutsche Bank, and HSBC.”

Overall, Barclays Plc received a worst Ethical Consumer rating for carbon management and reporting and lost a full mark in the Climate Change category. (ref: 1)

**Fossil Fuel Finance Report Card 2023 (May 2023)**


Like the 2022 report, the 2023 update looked at 60 of the largest banks globally. The report analysed patterns of private-sector bank financing for tar sands oil, arctic and offshore oil and gas, fracked oil and gas, liquefied natural gas (LNG), coal mining and coal power between 2016 and 2022.

The report found that, overall, the 60 banks had invested US$5.5 trillion in lending and underwriting to the fossil fuels industry since the Paris Agreement had been adopted (2016-2022).

Barclays ranked as the 7th highest financier of all fossil fuels with a total of $190.580 billion between 2016 and 2022.

The company lost a whole mark under Climate Change. (ref: 2)

**Named in Five Years Lost report (December 2020)**

In February 2021, Ethical Consumer viewed ‘Five Years Lost: How Finance is Blowing the Paris Carbon Budget’, a report published in December 2020 by Urgewald.org. The report highlighted 12 of ‘the most devastating’ fossil fuel projects currently in development and revealed the banks and investors financing them.

The 12 projects were chosen based on the detrimental impact their emissions will have, but also as they were being pushed forward despite local resistance and calls by scientists and politicians to phase out fossil fuels. Expected CO2 emissions were given for each project, and it was predicted that between them they will create at least 175 gigatons of additional CO2 emissions, an amount described as ‘almost half of the 395 Gt of remaining carbon budget to limit global warming to 1.5° with a 50% probability’. The wider detriments of each project were also discussed, for example local environmental issues and the impact on communities living there.

1. Gas extraction in Mozambique
2. Oil and gas development in Suriname
3. Oil and gas drilling in the Permian Basin and Gulf Coast, USA
4. Oil and gas extraction in Argentina’s Vaca Muerta region
5. Coal and gas power plants in Bangladesh’s Payra Hub
6. Expansion of Coal power in China
7. India’s coal mines
8. Coal expansion in the Philippines
9. Gas extraction as part of Australia’s Burrup Hub
10. Drilling for oil & gas in the Norway Barents Sea
11. Oil and gas extraction and pipeline construction in the East Mediterranean
12. Offshore oil and gas drilling in the UK

The report concluded that no global financial institution had adopted sufficient policies to stop development of fossil fuels. Instead, investments were keeping the industries afloat. In order to comply with the Paris Agreement, monetary support for any expansion of the fossil fuel industry must be stopped.

Barclays was named as one of eight European banks featuring in the top 20 of banks financing the companies behind the projects covered by this report. Barclays is said to have contributed USD $66.4 billion in loans and underwriting. It was highlighted as among the top ten institutions supporting companies extracting fossil fuels in Argentina’s Vaca Muerta region. Barclays was said to be backing companies involved in 10 out of the 12 projects discussed: supporting fossil fuel development in Mozambique, Suriname, the Permian Basin and Gulf Coast, Argentina, Bangladesh’s Payra Hub, India, Australia’s Burrup Hub, the Norwegian Barents Sea, the East Mediterranean and UK. As this financial institution’s actions undermined an international agreement to address the climate emergency, and it was one of the highest contributors, it lost a whole mark under climate change. (ref: 3)

Dodgy deals on BankTrack (14 June 2023)

On 14 June 2023, Ethical Consumer viewed the Barclays profile on BankTrack’s website. It stated that Barclays was financing the following ‘Dodgy Deals’:

Cambo oil field (UK, Oil and Gas Extraction)
Cerrejón coal mine (Colombia, Coal Mining)
EastMed Pipeline (international, Pipeline Transportation of Natural Gas)
Line 3 Replacement Pipeline (United States, Pipeline Transportation of Crude Oil)
Trans Mountain Pipeline Expansion project (TMEP) (Canada, Pipeline Transportation of Crude Oil)
Vaca Muerta Shale Basin (Argentina, Oil and Gas Extraction)
Drax Group (Biomass Electric Power Generation)
Atlantic Coast Pipeline (US, oil and gas extraction, pipeline transportation of natural gas)
Line 3 Pipeline Replacement Project (US, Oil and gas extraction, pipeline transportation of crude oil)
Asia Pulp and Paper (APP) (Indonesia, Pulp, Paper and Paperboard Mills)
Bunge (United States, Agriculture for Palm Oil)
Cargill (United States, Agriculture for Palm Oil)
Drax Group (United Kingdom, Biomass Electric Power Generation)
ENGIE (France, Coal Electric Power Generation)
ENI (Italy, Oil and Gas Extraction)
Enviva (United States, Biomass Electric Power Generation)
Equinor (Norway, Oil and Gas Extraction)
ExxonMobil (United States, Oil and Gas Extraction)
Fortum (Finland, Coal Electric Power Generation)
GEO Group (United States, Prisons and Immigration Detention)
Glencore (Switzerland, Coal Mining, Oil and Gas Extraction)
Graanul Invest (Estonia, Biomass Electric Power Generation)
JBS (Brazil, Beef Industry)
Korea Electric Power Corporation (KEPCO) (South Korea, Coal Electric Power Generation, Coal Mining, Nuclear Electric Power Generation)
OLAM (Singapore, Commodities Trading)
RWE (Germany, Coal Electric Power Generation)
Rosneft (Russian Federation, Oil and Gas Extraction)
Shell (United Kingdom, Oil and Gas Extraction)
Sinar Mas (Indonesia, Agriculture for Palm Oil)
TotalEnergies (France, Oil and Gas Extraction)
UPM-Kymmene (Finland, Pulp, Paper and Paperboard Mills)

The BankTrack profiles of these companies showed that their activities had been associated with significant deforestation, human rights abuses, harassment of local communities, greenhouse gas emissions, fraud and corruption allegations, and adverse impacts on the environment including biodiversity and destruction of ecosystems. One of the companies was involved in nuclear power generation.

Barclays therefore lost half marks under Climate Change, Palm Oil, Animal Rights, Pollution & Toxics, Habitats & Resources, Human Rights and Controversial Technologies (Nuclear Power). (ref: 4)

**Barclays fossil fuel financing increases despite ‘net zero’ pledge (November 2020)**

In November 2020, Ethical Consumer viewed an article on the City A.M. website titled 'Barclays fossil fuel financing increases despite “net zero” pledge’ and dated to 11 November 2020.

The article stated:

"Barclays has increased its financing of fossil fuel firms despite setting a ‘net zero’ goal for itself earlier this year following investor pressure, according to a new report.

"The bank, which is Europe’s largest fossil fuel financer, provided $24.58bn (£18.55bn) in underwriting and lending to major fossil fuel companies between January and September this year... a report published today by Rainforest Action Network (RAN) showed...

"In the first three quarters of 2020, Barclays’ financing of fossil fuel firms increased $200m compared to the same period last year, the report found."

The company lost half a mark under Climate Change. (ref: 5)

**Named in Fracking Fiasco report (September 2020)**

In September 2020 Rainforest Action Network and Oil Change International published 'Fracking Fiasco: The banks that fueled the U.S. shale bust'. The report detailed the major banks that provided financing to fracking companies despite warnings of financial instability of the sector and the environmental, health and climate impacts. Oil Change International was a research, communications, and advocacy organization focused on exposing the true costs of fossil fuels and facilitating the ongoing transition to
clean energy. Rainforest Action Network (RAN) preserved forests, protected the climate and upheld human rights by challenging corporate power and systemic injustice through frontline partnerships and strategic campaigns.

Barclays provided $5.43 billion in financing (lending and underwriting) to U.S. fracking-focused exploration and production companies from January 2016 to August 2020.

As one of the financiers criticised in the report, Barclays lost half a mark under Climate Change. (ref: 6)

**Investments in company linked to Congo oil project (28 February 2020)**

In July 2020, Ethical Consumer viewed an article on the Business & Human Rights Resource Centre website, titled 'Congo oil project obtained by "corruption risk" magnate threatens climate-critical peatland forest' and dated to 28 February 2020.

The article stated:

"One of the world’s biggest carbon sinks is at risk from oil exploration, a new report by Global Witness reveals. Drilling in climate-critical peatland forests in the Republic of Congo could pave the way to the release of billions of tonnes of carbon. Potential financiers of the project also risk being exposed to corruption and could be left empty handed...

"In August 2019, a company controlled by one of Africa’s richest men, Claude Wilfrid Etoka, announced the discovery of a reportedly vast oil reserve in Republic of Congo. It is located in a region where in 2014 scientists discovered the existence of the world’s largest tropical peatlands, storing an estimated 30 billion tonnes of carbon – equivalent to three years’ worth of global fossil fuel emissions...Global Witness reveals that...this oil project poses a direct threat to these climate-critical peatlands. Its environmental impact study almost entirely predates the peatlands’ discovery and contains no analysis of the risk to peatlands from drilling...

""The Ngoki project is characterised by corruption risks and the potential to inflict irreversible environmental harm," said Colin Robertson of Global Witness. “Its links to Congo’s ruling clan and a seemingly reckless handling of environmental issues mean any investor would run significant risks by backing this project.”...

""The Congo peatlands are the last place on Earth that extracting more fossil fuels should be considered. Oil majors, in particular Total and ENI, should publicly state that they will not invest in oil exploration anywhere in or around the Congo Basin peatlands. Banks should also refuse to finance any drilling there, and aid donors should insist no exploration occurs," said Colin Robertson...

The original report on the Global Witness website was also viewed, which stated: "Total and ENI are the only oil majors linked with oil exploration in this region. Total does not appear to have undertaken exploratory work, but its CEO recently said the company was ready to begin... The Italian state oil company ENI, meanwhile, agreed a production sharing agreement for an oil block called Ngolo in 2015, although this remains unratified. The block contains an estimated 12,000km2 of peatland forest. ENI told Global Witness that it had performed no exploration activities in the block to date... Total and ENI are backed by investors such as Credit Agricole, Barclays, JP Morgan and BNP Paribas."

A search of Barclays most recent SEC Filing 13F (for the quarter ended March 2020) found that the company had investments in Total S.A.

The company lost half a mark under Climate Change and Habitats & Resources. (ref: 7)

**Financer of fossil fuel expansion (January 2023)**

In a January 2023 report published by Reclaim Finance called 'Throwing fuel on the fire', the group detailed how many of the biggest players in global private finance had accepted their role in addressing the climate crisis and had joined the Glasgow Financial Alliance for Net-Zero (GFANZ). In doing so, they had committed not just to reaching net zero by 2050, but also to the 1.5°C target, and to taking immediate action to halve emissions by 2030.
But they were continuing to pour hundreds of billions of dollars into the biggest corporations that were developing new fossil fuel projects.

Barclays was listed as one of the top 20 Net Zero Banking (NZBA) members with investments in the largest fossil fuel expanders, as of August 2022, with a total of $8,455 million in loans and underwriting in oil and gas developer holdings. It had a very limited policy restricting support for coal expanders and no policy for oil and/or gas supply expanders.

Barclays therefore lost half a mark under Climate Change. (ref: 8)

**Criticised for continuing to finance billions to oil & gas despite net zero pledge (14 February 2022)**

On 3rd October 2022, Ethical Consumer viewed an article on the Business & Human Rights website titled ‘Europe: Big banks incl. Barclays, HSBC and BNP Paribas continue to finance billions to oil & gas despite net zero pledges’ and dated 14th February 2022.

The article reported that ShareAction had found that “25 of Europe's biggest banks, including Barclays, BNP Paribas, Deutsche Bank, and HSBC among others, provided over USD $38 billion in loans and other financing to 50 companies with large oil and gas expansion plans, despite having pledged to net zero emissions by 2050.”

The company lost half a mark under Climate Change. (ref: 9)

**Criticised by Feedback for funding meat and dairy (July 2020)**

A report released in July 2020 by a campaign group called Feedback, highlighted some of the main companies which were responsible for funding Big Livestock, thereby playing a large role in the environmental issues arising as a result of the industrialisation of animal farming. This report was titled “Butchering The Planet”, and subtitled “The big-name financiers bankrolling livestock corporations and climate change.”

Barclays was named as one of the “largest creditors” to the world’s 35 largest meat and dairy corporations in the last five years. The figures showed that it was the second biggest creditor overall; it provided just short of $5 billion in underwriting and approximately $10 billion in loans between 2015 and 2019.

According to the report, Barclays was responsible for providing loans and/or underwriting for the following companies: JBS, Tyson, Nestlé, Cargill, Hormel and Danone.

The report also provided data on the greenhouse gas emissions associated with each of the 35 largest meat and dairy corporations (using FAO GLEAM 2.0 which covered scopes 1–3). The Barclay’s funded company, JBS, was considered the largest contributor, with a huge 280 metric tonnes of CO2 equivalent gases released per year.

Furthermore, the report highlighted Barclays association with chlorine washed chicken, which is a practice prevalent in the US meat industry but banned by the EU. This came in the form of $5 billion in loans to American companies that carry out this practice, for example Cargill and Tyson foods. The report also drew on the fact that Barclays “boasts it is ‘Supporting UK Farming’” – a statement which was contradicted by this distribution of funding to the US.

Overall, the report made criticisms of all the creditors and investors within the scope of its research as it clearly stated: “It is time to defund, and to divest from, Big Livestock.” As such the company lost half a mark under Climate Change. (ref: 10)

**Pollution & Toxics (score: -0.5)**

(See also ‘Dodgy deals on BankTrack’ in Climate Change above.)
Middle Ethical Consumer rating for investment policy and transparency (6 June 2023)

On 06 June 2023, Ethical Consumer searched the Barclays Plc website for the company’s ethical investment, engagement, or shareholder voting policies.

Most investment companies will hold a large amount of assets, some of which will be held as shares in companies and diversified across all sectors to avoid risk.

To get a best Ethical Consumer rating for investment transparency and not be marked down, a company must meet the following three criteria:

1. A clear ethical investment policy restricting investments in at least key problem areas for the sector including: coal/carbon, deforestation, indiscriminate weapons, human rights abuses, and animal abuse.
2. Clear investment disclosure (naming companies invested in not just sectors).
3. Full and clear disclosure on engagement or voting (stewardship) at company AGMs (it should be at least annually).

To get a middle rating, it would need some details of investments including named companies, engagement and voting policies, with some disclosure of voting history or other engagement. Companies with a middle rating would lose a half mark in six categories representative of the criticisms its investments would be likely to receive under our ratings system.

If no or very limited information on investment, engagement or shareholder voting policies could be found, it would receive a worst rating, and would lose a half mark in twelve categories representative of the criticisms its investments would be likely to receive under our ratings system.

Its Responsible Investment Statement on its website, Responsible Investing Policy (Discretionary Portfolio Management) March 2023, and SEC Filing 13F were viewed.

Regarding Barclays Plc's investment policy, it did not appear to include restrictions for all assets for: coal/carbon, deforestation, indiscriminate weapons, human rights abuses, and animal abuse. In its Responsible Investing Policy it stated that for certain funds only it excluded:

"Issuers which generate greater than 10% of revenue from:
Fossil fuels: thermal coal generation, extraction or sale; Artic oil and gas production; fracking or oil sands production
Production of nuclear weapons or components exclusively manufactured for use in nuclear weapons
Tobacco production, distribution, and/or retailing
Gambling operations, gambling products or providing key products to gambling operations
Adult entertainment production, distribution, and/or retailing."

It also stated: "In addition to the items excluded above, we provide individual clients within segregated client accounts the option to exclude sectors or companies based on ethical or personal preferences, which are incorporated into investment guidelines. In addition to the exclusionary items listed above, the screening rules we are currently able to apply also include – abortion, alcohol, animal testing, armaments, environmental impact, fossil fuels, gambling, human rights, pork, pornography and tobacco."

This was considered to be a limited ethical policy as it only applied to some investments.

Regarding its investment disclosure, the following was found: in its SEC Filing 13F dated 4th May 2023, it listed all its investments.

Regarding its engagement or voting (stewardship), Barclays stated: "Through our partnership with EOS, we seek to highlight key ESG issues of concern, that we believe are material to the portfolio companies related to our direct fixed income and equity holdings...EOS’s engagement with corporates takes place at board and senior executive level, covering a range of topics, such as climate change, including modern slavery. Voting forms an integral part of our overall stewardship strategy and is used as a tactical tool to achieve the desired change on ESG issues. For our direct equity holdings, we use..."
our rights as shareholders to seek and to drive our desired changes."

It went on to state: "We believe that transparency is an integral part of good governance, and we report on our engagement and voting activities. Our engagement and voting reports are publicly available on the Barclays Private Bank website.

These reports were viewed on the Barclays website (https://privatebank.barclays.com/what-we-offer/investments/responsible-investing-engagement-and-voting-activities/) but they only provided summaries of engagement and voting activity rather than comprehensive information.

Overall, although it did not have a broad enough ethical investment policy covering all assets, some details of investments including named companies were found, as well as some disclosure of voting history or engagement policies.

Therefore Barclays Plc received a middle Ethical Consumer rating for investment transparency, and lost a half mark under the following categories: Pollution & Toxics, Habitats & Resources, Factory Farming, Animal Rights, Human Rights, Workers' Rights. (ref: 11)

Providing loans in particularly problematic sectors (June 2023)

In June 2023, Ethical Consumer viewed the Barclays Bank 2021 Pillar 3 report in which it stated that it provided lending in the agriculture, forestry and fishing, and mining and quarrying sectors, among others.

No ethical lending policy could be found to exclude provision of banking services in problematic sectors. However, in its annual report it stated that it carried out enhanced due diligence for clients in certain sectors including coal-fired power generation, mountain-top coal removal, oil sands, Arctic oil and gas projects and hydraulic fracturing, Forestry and Agricultural Commodities, World Heritage and Ramsar Wetlands and Defence and Security. This involved rating companies according to their environmental and social impact. It went on to state that some transactions or relationships could be modified or rejected as a result of the rating process. However, it did not constitute a comprehensive exclusion policy.

As the bank did not have an ethical lending policy and did not provide detailed information on its commercial borrowers but did provide lending to the agriculture, forestry and fishing, and mining and quarrying sectors, Ethical Consumer assumed that it was providing loans to companies that would lose marks in the following categories: human rights, workers' rights, pollution and toxics, habitats and resources, factory farming, and animal rights. It therefore lost half a mark in all of these categories. (ref: 12)

Financing mining companies (2018)

In May 2018 the group Facing Finance published a report entitled Dirty Profits 6, subtitled “Mining and Extractive Companies Promises and Progress”.

The report showed how 10 named extractives companies had dealt with human rights and environmental violations which had been highlighted in the Dirty Profits 5 report in 2012. It also considered how 10 selected European banks had reacted to these violations and their provision of finance to the extractives industries through loans, bonds, share underwriting and share holding.

The report asserted that banks should take responsibility not only for the direct impact of their operations but also the indirect ones. Most banks investigated in the report had committed to voluntary principles such as the UN Principles for Responsible Investment and the UN Global Compact on Equator Principles.

Barclays was one of the banks who provided capital through loans or bonds and equity underwritings. The report noted that Barclays had committed to voluntary human rights and environmental standards including being a signatory to the UN PRI and the Equator principles. Barclays however had not...
committed to the UN Global Compact. Barclays was a founding member of the THUN group of banks, a banking sector initiative which sought to define the applicability of the UN Guiding Principles on Business and Human Rights to the financial sector.

Between 2010 and 2017 Barclays had provided over €15 billion to companies deemed harmful by the report and ranked second among all the European banks for Capital provided.

Barclays held shares in eight of the 10 extractive companies covered by the report.

The report noted that Barclays had no publicly available policy documents detailing in which circumstances they might restrict or prevent the provision of finance. They had guidance documents which illustrated the human rights and environmental risks in sensitive sectors such as mining as well as an overarching Human Rights statement which noted that in situations where the bank discovered that they were associated with violations of human rights they would take appropriate mitigating action. All Barclays policy documents in relation to this area were considered both broad and noncommittal and did not offer clear guidance or practice regarding what the bank would do to exclude a financial relationship with a company or project which did not meet the required standards. It was noted that there was also a distinct lack of engagement with NGOs by Barclays.

Barclays had shareholdings in and provided capital to Barrick Gold despite the fact that they had been notified by Facing Finance in 2014 of the ongoing violations by the company. Barclays own Human Rights statement claimed that where the bank was associated with human rights violations the bank might decide to terminate the relationship. However although the bank was aware of the violations by Barrick Gold it had taken no action and on the contrary had supported Barrick Gold by providing the company between 2010 and 2016 with €2 billion in capital.

Barclays was marked down for its financial relationship with a company criticised under Pollution and Toxics and Human Rights. (ref: 13)

**Habitats & Resources (score: -1)**
(See also 'Dodgy deals on BankTrack' in Climate Change above.)

(See also 'Middle Ethical Consumer rating for investment policy and transparency' in Pollution & Toxics above.)

(See also 'Providing loans in particularly problematic sectors' in Pollution & Toxics above.)

(See also 'Investments in company linked to Congo oil project' in Climate Change above.)

**Named in Amazon Watch report on beef and soy (2019)**
In April 2019 Amazon Watch published 'Complicity In Destruction II: How Northern Consumers and Financiers Enable Bolsonaro’s Assault On The Brazilian Amazon'. Amazon Watch is a USA based non-profit organisation founded in 1996 to protect the rainforest and advance the rights of Indigenous peoples in the Amazon Basin. The report identifies the worst offending companies operating in the Brazilian Amazon in the commodities of; soy, beef, leather, timber and sugar, and the financial institutions which enable them.

According to Amazon Watch, cattle ranching and soy industries account for 80% of Amazon deforestation. The report identified three beef companies (JBS, Marfrig and Minerva) and four global soy traders (ADM, Bunge, Cargill and Louis Dreyfus Company) with links to illegal deforestation. For the period of 2013 to 2018 Barclays were underwriters of bond issuances by JBS totalling $202 million USD and were providers of unmatured credit at parent level to ADM totalling $1517 million USD, Cargill totalling $1341 million USD and Louis Dreyfus Company totalling $44 million USD. Additionally on 31st December 2018 Barclays were institutional shareholders of Bunge totalling $73 million USD.
The Business and Human Rights Resource Centre reached out for comment to the companies named in the report as complicit in the destruction of the Brazilian Amazon. Barclays responded and their full response can be found online at www.business-humanrights.org.

As one of the financiers criticised in the report, Barclays loses half a mark under Habitats and Resources. (ref: 14)

Global Witness investigation finds European rubber imports are driving deforestation in West & Centr (16 June 2022)

On 3rd October 2022, Ethical Consumer viewed an article on the Business & Human Rights website titled 'Global Witness investigation finds European rubber imports are driving deforestation in West & Central Africa, yet rubber is excluded from new laws to protect forests' and dated 20th June 2022.

It reported that an investigation by Global Witness, titled Rubbed Out, suggested that "rubber, even more than palm oil, [was] the agricultural export that poses the biggest threat to the tropical forests of central and west Africa", adding that "African forests are critical to the fight against the climate emergency, absorbing three times more carbon each year than the UK emitted in 2019 according to one study."

The report found that "industrial rubber cultivation across west and central Africa appear[ed] to be responsible for almost 520km2 of deforestation since 2000, an area 16 times the size of Brussels. The ecosystems impacted by rubber range from forest reserves in Nigeria and Ghana to the old growth equatorial forests of Cameroon and Gabon. Meanwhile the value of rubber exports from this region to the EU is over 12 times that of palm oil, a commodity widely associated with deforestation in west and central Africa."

The article also reported that "landmark EU and UK laws aiming to curb agricultural imports that fuel deforestation may yet fail to protect Africa’s forests by excluding rubber from the legislation. Plans to omit rubber from the laws would mean the trade flow with arguably the most devastating impact on the rainforest regions of west and central Africa will remain unregulated."

The Global Witness report contacted banks which had been found to finance Olam, one of the three companies that owned almost all plantations where deforestation was found, between 2016 and 2020: HSBC, Barclays, Rabobank and BNP Paribas.

Global Witness contacted these banks for comment.

Barclays said that, "while unable to comment on individual clients, its approach to deforestation and the agriculture sector [was] outlined in its Forestry and Agricultural Commodities Statement. The bank said that in developing this policy they "focused initially on forestry, pulp & paper, palm oil and soy activities due to the relative significance of our exposure to clients in these sectors." It stated it had "less exposure to other deforestation-linked commodities" and was "committed to enhancing our due diligence approach over time as our understanding of client-related deforestation risks and best practice guidance evolves."

The company lost half a mark under Habitats & Resources. (ref: 15)

People
Human Rights (score: -1)

Worst Ethical Consumer rating for operations in oppressive regimes (6 June 2023)

On 06 June 2023, Ethical Consumer viewed Barclays Plc's list of subsidiaries in its 2022 annual report and on the D&B Hoovers Corporate database. These stated that the company had operations in the countries listed below.

At the time of writing Ethical Consumer considered the countries listed to be governed by some of the most oppressive regimes in the world.

Bangladesh, Egypt, India, Mexico, Saudi Arabia, China
The company therefore lost a whole mark in the Human Rights category. (ref: 17)

(See also 'Dodgy deals on BankTrack' in Climate Change above.)

(See also 'Middle Ethical Consumer rating for investment policy and transparency' in Pollution & Toxics above.)

(See also 'Providing loans in particularly problematic sectors' in Pollution & Toxics above.)

**Named in Don't Buy Into Occupation report (December 2022)**

In June 2023, Ethical Consumer viewed the report Don't Buy Into Occupation: Exposing the financial flows into illegal Israeli settlements, published in December 2022.

Produced by the “Don’t Buy Into Occupation” (DBIO) coalition, the report monitored the financial relationships between European financial institutions and companies actively involved with the illegal Israeli settlements.

The report stated: “Israeli, European, and international business enterprises, operating with or providing services to Israeli settlements, play a critical role in the functioning, sustainability and expansion of illegal settlements. Considering the illegality of settlements, the associated wide range of international humanitarian and human rights law violations, and the deliberate obstruction of the development of the Palestinian economy, private actors have a responsibility to ensure that they are not involved in violations of international law and are not contributing to, or complicit in, international crimes. Private actors, such as European financial institutions and business enterprises, should address adverse human rights impacts arising from their activities and business relationships with the Israeli settlement enterprise. However, despite its illegal nature, European financial institutions continue to invest billions into businesses linked to the Israeli settlement enterprise.”

It named the financial institutions that had provided financing for companies involved in the Israeli settlements between January 2019 and August 2022. The report “builds upon the existing UN database of business enterprises involved in activities linked to Israeli settlements in the OPT (UN Database), together with the UNGPs [UN Guiding Principles on Business and Human Rights]. It looked at loans, underwriting services, and investments in shares and bonds to companies involved in the settlement enterprise.

It found that “During the analysed period, USD 171.4 billion was provided in the form of loans and underwritings. As of August 2022, European investors also held USD 115.5 billion in shares and bonds of these companies.”

Financial institutions named as creditors (loans and underwriting) and investors (shares and bondholdings) in the report lost half a mark under Human Rights, for having a financial relationship with a company or companies criticised in this category.

Barclays was said to be the fifth largest creditor looked at in the report: (ref: 18)

**Financing mining companies in the Amazon (February 2022)**

In February 2022 Amazon Watch published 'Complicity In Destruction IV: How Mining Companies and International Investors Drive Indigenous Rights Violations and Threaten the Future of the Amazon'.

Amazon Watch is a USA based non-profit organisation founded in 1996 to protect the rainforest and advance the rights of Indigenous peoples in the Amazon Basin.

The report mapped 8 large mining companies and their applications to mine on land overlapping indigenous lands in 2020. At the time that the report was published, mining on indigenous lands was
illegal in Brazil.

Barclays was listed as a leading financier enabling operations of the mining companies that encroach upon Indigenous lands in Brazil, particularly in the Amazon rainforest.

It had given $378 million dollars in loans and underwriting from Jan 2016 to October 2021 to Anglo American, AngloGold Ashanti, Glencore and Vale.

Barclays lost half a mark under Human Rights. (ref: 19)

**Links to Companies Funding Myanmar Military (28 July 2021)**

In October 2022, Ethical Consumer viewed the BankTrack report Investing in the Military Cartel: 19 international banks invest over US$65 billion in companies linked to Myanmar junta and atrocities. This showed that Barclays had investments of more than US$1,105 million in companies directly linked to the Myanmar military or with relationships to Myanmar state-owned enterprises.

It therefore lost half a mark under Human Rights. (ref: 20)

(See also 'Financing mining companies' in Pollution & Toxics above.)

**BankTrack Human Rights Benchmark (17 November 2022)**

Barclays was included in the latest international survey of the human rights record of 50 major private-sector banks, published by BankTrack on 17 November 2022.

The 2022 BankTrack Human Rights Benchmark is the fourth such comprehensive survey compiled by BankTrack. Formally established in 2004, BankTrack’s mission is to campaign against banks’ financing activities that have a negative impact on people and the planet.

The report found that 38 out of 50 of the world’s largest commercial banks are implementing less than half of human rights responsibilities, as set out in the UN Guiding Principles on Business and Human Rights (UNGPs), which were endorsed in 2011. In addition, a new assessment of banks on their response to specific human rights violations as part of the benchmark shows they failed to provide a constructive response to the allegations raised three quarters of the time.

BankTrack examined banks’ performance against four criteria contained in the UN Guiding Principles on Business and Human Rights (2011): policy commitment; due diligence process in relation to human rights; reporting on human rights; and access to remedy human rights abuses.

With a score of 8 out of a possible maximum of 14, Barclays was ranked in 6th place. This put Barclays among a group of well performing banks, in the category of “frontrunners”, behind the category of “leaders” and in front of “followers” (7-10 points). However there were no leaders.

Barclays scored 3 (out of 3) for policy, 1.5 (out of 3) for reporting, 2.5 for due diligence (out of 5) and 1 for remedy (out of 3). The banking group’s total score increased by 1 since BankTrack’s previous benchmark was published in 2019.

All except ‘front runners’ lost half a mark under Human Rights. This story was included for information only. (ref: 21)

**Workers’ Rights (score: -1)**

(See also ‘Middle Ethical Consumer rating for investment policy and transparency’ in Pollution & Toxics above.)

(See also ‘Providing loans in particularly problematic sectors’ in Pollution & Toxics above.)
Named in profiting from Qatar report (November 2022)
A "No questions asked: Profiting from the construction and hotel boom in Qatar" report published in November 2022, commissioned by Fair Finance International on the role of financial institutions in the human and workers right abuses that took place in the construction and hotel industries ahead of the 2022 Qatar Football World Cup.

The United Nations Guiding Principles on Business and Human Rights (UNGPs) called on the responsibility of all businesses, including financial institutions, to respect human rights. In the context of financial institutions, this means that banks and investors’ responsibility to respect human rights encompasses not only the human rights of their employees, suppliers, and clients, but also the actual or potential human rights impacts they are connected to through their credits and investments.

Barclays was named as a company financing with loans and underwritings of $807 million to the hospitality sector, $889 million to the construction sector and $1,714 million to the Qatar government. (ref: 22)

Investigation over monitoring of employees (August 2020)
In July 2020, Ethical Consumer viewed an article on The Guardian website titled 'Barclays using 'Big Brother' tactics to spy on staff, says TUC' and dated to February 2020.

The article stated:
"Barclays has been accused of “dystopian Big Brother” employment practices after it admitted running a staff monitoring scheme that uses tracking software to log how long employees spent at their desks and send warnings if they took extended breaks.

"The lender has been running a pilot programme at its London headquarters that measures staff productivity within its investment bank, by allowing managers to track when staff are at their desks or in certain computer applications. Time away from their desks for meetings and bathroom breaks could in some cases be counted against staff on their daily report cards.

"The software, created by US firm Sapience Analytics, offers tips to individuals who have started to fall behind on targets, suggesting they mute their phone, disable email and chat pop-ups and avoid taking breaks that last more than 20 minutes.

"CityAM, which first reported the trial, quoted one anonymous staff member as saying: ‘Employees are worried to step away from their desks, have full lunch breaks, take bathroom breaks or even get up for water, as we are not aware of the repercussions this might have on our statistics....’

"The trade union umbrella body the TUC described the use of the system as ‘dystopian Big Brother tactics that show a total disregard for hardworking staff’.

In November 2020, Ethical Consumer viewed a further article on the Banking Diver website titled 'Barclays faces $1.1B fine over alleged monitoring of employees’ and dated to 10th August 2020. The article stated: "The Information Commissioner's Office (ICO), Britain's privacy watchdog, is investigating Barclays over the bank's use of software that allowed managers to measure the length of time employees were away from their desks and how long they took to finish tasks, The Telegraph reported Sunday." (https://www.bankingdive.com/news/barclays-fine-ICO-monitoring-employees/583231/

Barclays lost half a mark under Workers' Rights. (ref: 23)

Arms & Military Supply (score: -1)
Financing nuclear weapons producers (December 2022)
In June 2023 Ethical Consumer viewed the Don't Bank on the Bomb website and its December 2022 report titled "Risky Returns - Nuclear weapon producers and their financiers". The website and report were published by the International Campaign to Abolish Nuclear Weapons (ICAN).
The report listed 306 institutions which had financing or investment relationships with 24 nuclear weapon producing companies.

"The types of financing could include loans (including revolving credit facilities), investment banking (including underwriting share and bond issuances), and ownership of at least 0.5% of the outstanding shares or bonds of at least one of the companies."

It stated that Barclays had invested a total of $5,255 million in 10 companies which manufactured nuclear weapons between January 2020 and July 2022.

ICAN argued that "by lending money to nuclear weapons companies, and purchasing their shares and bonds, banks and other financial institutions, [companies and consumers] were indirectly facilitating the build-up and modernisation of nuclear forces, thereby heightening the risk that one day these ultimate weapons of terror will be used again – with catastrophic humanitarian and environmental consequences." ICAN was calling for a coordinated global campaign for nuclear weapons divestment.

Barclays lost a full mark under Arms and Military Supply. (ref: 24)

Financing the arms trade in the Middle East and North Africa (May 2019)

The Dirty Profits 7 report, published in May 2019 by non-profit organisation Facing Finance, highlighted the ten European banks with some of the highest investments in 11 global arms companies exporting to countries in conflict (e.g. Saudi Arabia, the UAE), particularly those involved in the Yemen war, as well as exports to repressive regimes (e.g. Bahrain, Somalia) and fragile states (e.g. Iraq, Syria).

Barclays provided finance eg loans €1,216.09 million from 2015-2019 and as of January 2019, investments (eg shareholdings) of €1,634.85 million.

The companies with the highest volume of exports to controversial countries are Raytheon, Lockheed Martin, Raytheon and BAE:

Lockheed Martin received financing from Barclays, BNP, Lloyds.

Lockheed had exported to 7 of the 16 controversial countries in the MENA region and to almost all the countries involved in the Saudi-led Alliance. Lockheed continued to sign new export deals with countries in the Saudi Alliance.

BAE Systems had been loaned €100 million each from Barclays, BNP and Deutsche Bank.

BAE had exported large amounts of weapons to Saudi Arabia and to the UAE and other Saudi-led coalition members. In addition, BAE had exported to Iraq and Lebanon.

Barclays therefore lost half a mark in the Arms and Military supply category. (ref: 25)

Politics

Anti-Social Finance (score: -1)

Excessive remuneration for directors or other staff (6 June 2023)

On 06 June 2023, Ethical Consumer viewed the latest Barclays Plc annual report dated 2022

It indicated that the company’s highest paid director received over £1 million in total compensation in 2022 (£5.2m).

Ethical Consumer deemed any annual amount over £250k to be excessive, while compensation of £1 million or more would lose a full mark. The company therefore lost a full mark under Anti-Social Finance. (ref: 1)
Class action lawsuit for misleading financial reporting (24 September 2022)

On 14 June 2023, Ethical Consumer viewed an article on the Reuters website titled 'Barclays shareholders sue in U.S. over $17.6 billion debt sale blunder' and dated 24 September 2022.

It reported that two US pension plans had sued Barclays Plc "in a proposed U.S. class action in which shareholders claimed they were defrauded in connection with the British bank's sale of $17.6 billion more debt than regulators had allowed." The complaint said Barclays made "'materially false and misleading' assurances in its annual reports that its internal controls over financial reporting were effective. It said the bank overstated profit, and understated operating and 'litigation and conduct' expenses".

The article also referred to a disclosure from the bank from March 2022, in which it stated that "it had sold $15.2 billion more structured and exchange-traded notes than the $20.8 billion U.S. regulators had authorized."

Barclays lost half a mark under Anti-Social Finance. (ref: 34)

Fined for rigging foreign exchange market (May 2019)

In October 2019, Ethical Consumer found an article on The Guardian's website entitled, 'UK banks fined €1bn by EU for rigging foreign exchange market', the article was dated 16th May 2019.

The article stated that the European Commission had fined five banks, including Barclays and the Royal Bank of Scotland for "rigging the multitrillion-dollar foreign exchange market". Non-UK banks Citigroup, JP Morgan and MUFG (Mitsubishi UFJ Financial Group), where also fined as part of the same case.

The banks were found to have been running two 'cartels'. "One cartel ran between December 2007 to January 2013, while the other operated from December 2009 to July 2012."

"A group dubbed the “Three-Way Banana Split”, made up of traders at UBS, Barclays, RBS, Citigroup and JP Morgan, was handed a fine totalling €811.2m, with Citigroup taking the biggest hit at €310.8m. The Essex Express cartel, involving UBS, Barclays, RBS and MUFG, was handed a €257.7m fine, with the penalty against Barclays the largest for this cartel at €94.2m."

Barclays lost half a mark under Anti-Social Finance in light of this story. (ref: 35)

Information only: Charged with fraud (October 2022)

Update: In October 2022, Ethical Consumer viewed information on the Serious Fraud Office website which stated that the case against John Varley had been dismissed in 2019 and that his three colleagues had been acquitted in 2020.

In March 2018, Ethical Consumer viewed an article on The Guardian website, titled 'Senior Barclays bankers charged with fraud over credit crunch fundraising' and dated to June 2017. The article stated that the Serious Fraud Office had charged former Barclays chief executive John Varley and three former colleagues – Roger Jenkins, Tom Kalaris and Richard Boath – with offences after a five-year investigation into the events surrounding the £11.8bn emergency fundraising conducted by the bank in 2008. Barclays raised billions of pounds from Qatar in a move that allowed the bank to avoid taking a taxpayer bailout.

The report stated that the four previous Barclays employees were charged with conspiracy to commit serious fraud, and that, if convicted, would face ten year prison sentences. Barclays itself would be fined.

A press release on the Serious Fraud Office website, dated to February 2018, stated that there had been further charges against the company: 'The charges relate to financial assistance Barclays Bank Plc gave to Qatar Holding LLC between 1 October and 30 November 2008, which was in the form of a US$3 billion loan for the purpose of directly or indirectly acquiring shares in Barclays Plc.'
As the bankers had not been convicted, Barclays was not marked down for this. This reference is for information only. (ref: 36)

Information only: Possible money laundering (September 2020)
In November 2020, Ethical Consumer viewed an article on the BBC website, titled 'FinCEN Files: Sanctioned Putin associate 'laundered millions' through Barclays' and dated to 20th September 2020. The article stated:

"One of Vladimir Putin's closest friends may have used Barclays Bank in London to launder money and dodge sanctions, leaked documents suggest.

"Billionaire Arkady Rotenberg has known the Russian president since childhood.

"Financial restrictions, or sanctions, were imposed on Mr Rotenberg by the US and the EU in 2014, which means Western banks could face serious consequences for doing business with him.

"Barclays says it met all its legal and regulatory duties.

"A leak of confidential files - banks' "suspicious activity reports" - reveal how companies believed to be controlled by Mr Rotenberg kept the secret accounts...

"In March 2014 the US hit Russia with economic sanctions following the annexation of Crimea in Ukraine. The Treasury Department designated Mr Rotenberg, 68, and his brother Boris, 63, "members of the Russian leadership's inner circle".

"In 2008, Barclays opened an account for a company called Advantage Alliance. The leaked documents show the company moved £60m between 2012 and 2016. Many of the transactions occurred after the Rotenberg brothers had been sanctioned. In July this year, an investigation by the US Senate accused the Rotenbergs of using secretive purchases of expensive art to evade sanctions - one of the companies involved in the scheme was Advantage Alliance. US investigators concluded there was strong evidence that Advantage Alliance was owned by Arkady Rotenberg, and that the company had used its Barclays account in London to buy millions of dollars of art for him.

"In April 2016, Barclays began an internal investigation of multiple accounts it suspected of being linked to the Rotenbergs. Six months later, the bank closed Advantage's account after becoming concerned that it was being used to move suspect funds. But the leaked suspicious activity reports (SARs) show that other Barclays accounts with suspected links to the Rotenbergs remained open until 2017.

"A spokesperson for Barclays said: "We believe that we have complied with all our legal and regulatory obligations including in relation to US sanctions. Given the filing of a SAR is not itself evidence of any actual wrongdoing, we would only terminate a client relationship after careful and objective investigation and analysis of the evidence, balancing potential financial crime suspicions with the risk of 'de-banking' an innocent customer.""

As it was unclear whether there was evidence of wrongdoing on the part of Barclays, this reference is for information only. (ref: 37)

Tax Conduct (score: -1)
Worst Ethical Consumer rating for likely use of tax avoidance strategies (6 June 2023)
On 6 June 2023, Ethical Consumer viewed a list of Barclays Plc's subsidiaries in its 2022 annual report. This showed that the company had multiple subsidiaries in jurisdictions considered by Ethical Consumer to be tax havens at the time of writing. These included the Cayman Islands, Guernsey, Hong Kong, Ireland, Isle of Man, Jersey, Luxembourg, Mauritius, Monaco, Singapore, and Switzerland. Multiple of these were holding companies, which was considered a high-risk company type for likely use of tax avoidance, including:

Barclays US Holdings Limited in Cayman Islands
The company was criticised for tax avoidance practices by The Guardian in a publication titled "Revealed: Barclays avoids almost £2bn in tax via Luxembourg scheme" and dated 9 May 2022. The Guardian stated that the company "booked profits from the $15.2bn sale of a fund management business in Luxembourg rather than in the UK where it is headquartered."

The company published the following statement regarding its tax principles:

"We believe that tax planning, for clients and on our own account, must...

- support genuine commercial activity
- comply with generally accepted custom and practice, in addition to the law and the UK Code of Practice on Taxation for Banks
- be of a type that the tax authorities would expect
- only take place with customers and clients sophisticated enough to assess its risks
- be consistent with, and be seen to be consistent with, our purpose and values."

However, this was not considered to be adequate, as it did not appear that the company had provided a clear public tax statement confirming that it was this company’s policy not to engage in tax avoidance activity nor to use tax havens for tax avoidance purposes.

The company did make some attempt to justify both the presence and incorporation of subsidiaries in tax havens. It stated that it did so "because the local company law makes it simple and cost effective to set up and manage companies". It also stated that "Where a client chooses to invest via these locations, Barclays will only provide the client with services that are compliant with our tax principles."

However, this was not considered acceptable because the tax principles outlined above did not preclude tax avoidance.

The company did provide country-by-country reporting (CBCR) in its Country Snapshot 2022. This provided a narrative explanation for what each group entity located in a tax haven was for. It did not however demonstrate how each was not being used for purposes of tax minimisation. In relation to its activities in the countries deemed by Ethical Consumer to be tax havens at the time of writing, it stated: "These activities are taxed locally at a rate below the UK corporation tax rate."

Overall, Barclays Plc received a worst Ethical Consumer rating for likely use of tax avoidance strategies and lost a mark in the Tax Conduct category. (ref: 38)

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37 - BBC News website: FinCEN Files: Sanctioned Putin associate ‘laundered millions’ through Barclays (20 September 2020)

38 - Barclays Plc Corporate Communications: Barclays PLC Country Snapshot 2022 (6 June 2023)
Ethical Screening of: HSBC Holdings plc  
For: University of Cambridge  
Date: June 2023

**Company Details**

**Ownership:**

HSBC Holdings plc was not owned by another corporate entity.

**Size:**

**Turnover:** £48 b

**Contact details:**

**Website:** www.hsbc.com  
**Telephone:** 0207 991 8888  
**Email:** communityaffairs@hsbc.com / pressoffice@hsbc.com  
**Address:** 8 Canada Square, London, EC14 5HQ, UK

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**Environment**

**Environmental Reporting (score: -1)**

**Worst Ethical Consumer rating for environmental reporting (26 June 2023)**

On 26 June 2023, Ethical Consumer viewed the website of HSBC Holdings plc, looking for discussion and action on the company's environmental impacts, other than carbon emissions. Its ESG disclosures in its 2022 Annual Report and the accompanying ESG Datapack 2022 were viewed.

A finance company with some evidence of action on the environmental impacts (other than carbon emissions) of its financed activities would get a middle rating, and if it did not fund or invest in fossil fuel companies, and had evidence of action on the environmental impacts of its own operations as well as financed activities, it would get a best rating.

The company had very limited evidence of action on the environmental impacts of its product supply chain or financed activities. It had launched a "biodiversity screened equity index created in partnership with biodiversity data specialist Iceberg data lab and Euronext"; a biodiversity strategy for private bank clients in Hong Kong and Singapore, "which focuses on investing in companies that are well positioned to harness, regenerate and protect biodiversity through the circular and bio-based economy"; and a Global Equity Circular Economy fund by the HSBC Global Investment Fund.

Together with the UN Principles for Sustainable Insurance initiative, it had also co-sponsored and co-led the publication of an ESG underwriting guide for the life and health insurance industry that included biodiversity, nature loss and pollution concerns.

However, no actions were found that addressed the environmental impact of its existing financed activities and no evidence was found that HSBC implemented the ESG underwriting guide in its own insurance activities.

Overall, HSBC Holdings plc received a worst Ethical Consumer rating for Environmental Reporting and lost a whole mark in the category. (ref: 1)

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**Climate Change (score: -1)**
Worst Ethical Consumer rating for carbon management and reporting (23 June 2023)

On 23 June 2023, Ethical Consumer viewed the website of HSBC Holdings plc, looking for information on what the company was doing to tackle climate change. Its 2022 Annual Report, which contained its Environmental, Social and Governance Review, and the accompanying ESG Data Pack; Energy Policy and Thermal Coal Phase-Out Policy were viewed.

Ethical Consumer was looking for the company to satisfy the following criteria:

1. A credible, detailed discussion of how it has made emissions cuts in the past and how it will make them in the future.

2. Does full annual public reporting of its emissions – all three scopes.

3. Has a future target that is either approved by the SBTi or at least the equivalent to 3.6% cuts/year in scope one and two emissions, and 2.5% cuts/year in scope 3.

4. Does not work in developing new extraction fossil fuel projects, building new fossil fired power stations or in doing anything with coal.

5. Is not engaging in highly misleading public messaging on climate change.

6. Has not been subject to credible secondary criticism on what it is doing on the climate.

If a company met all of these criteria it would receive a best rating. If it failed one it would receive a middle rating. If it failed more than one it would receive a worst rating.

1. The company discussed: The company had policies and targets to reduce by 2030 its absolute financed emissions in oil, gas, and thermal coal, and the financed emissions intensity of its power and utilities portfolio. The ESG Datapack accompanying the annual report provided information on the company’s carbon emissions since 2019.

According to its annual report and energy policy it had "provided and facilitated" $210.7bn of sustainable finance and investment towards its ambition of $750bn to $1tn by 2030 "to support critical areas like clean energy, electrification, energy storage, the decarbonisation of heavy industry and nascent technologies like clean hydrogen, carbon removal and sustainable aviation fuels."

According to its energy policy, HSBC would no longer provide loans or investment for "the specific purposes of new oil and gas fields and related infrastructure whose primary use is in conjunction with new fields" and, according to its Thermal Coal Phase-Out Policy, would phase out financing of coal-fired power and thermal coal mining by 2030 in markets in the European Union/OECD, and by 2040 in other markets.

It was noted that HSBC thought that “fossil fuels, especially natural gas, ha[d] a role to play in transition [to a clean energy future], even though that role [would] continue to diminish” and would "continue to provide finance to clients keeping oil and gas flowing to meet current and future (declining) global demand, with engagement on the transition vital to ensure companies decarbonise and diversify their energy supply, production and business models."

This was considered to constitute an adequate discussion of how it had cut its climate impacts in the past and would continue to do so.

2. The company did not appear to publicly report annually on its full Scope 1, 2 & 3 emissions in CO2e. It reported on 92.4% of its operation's scope 1, 2 and 3 emissions. It had also published the 2019 and 2020 financed emissions from six climate change impact sectors (oil and gas; power and utilities; cement; iron, steel and aluminium; aviation and automotive), but no full and up to date reporting of its financed emissions was found.

3. The company did not appear to have a target in line with international agreements. It had net zero targets for its operations and supply chain (by 2030) and its “portfolio of clients” for 2050, but no targets for absolute emissions reductions of its operational and supply chain emissions. HSBC called these targets "science-based" but the company was no longer found as "committed" on the website of the Science-Based Targets initiative. These targets were not considered to be in line with international agreements.
It had absolute reduction targets of its financed emissions in the oil and gas sector (34% by 2030 from a 2019 baseline; an absolute reduction of 11.22 MtCO2e) and on-balance sheet financed emissions of thermal coal-fired power and for thermal coal mining (70% by 2030 from a 2020 baseline; no baseline figures found). Since the company did not report its full financed emissions, it was not clear whether these targets were in line with international agreements.

4. The following was found which suggested the company was involved in new fossil fuel development, or willing to be involved in coal: Although the company stated it would no longer provide finance for "the specific purposes of new oil and gas fields and related infrastructure whose primary use is in conjunction with new fields", it planned to phase out thermal coal by 2030, which indicated the company still had investments in coal.

5. In October 2022 HSBC had adverts banned in the UK by the ASA which failed to acknowledge its own contribution to emissions.

6. The following was found which showed that the company had credible secondary criticism: Ethical Consumer viewed the report 'Banking on Climate Chaos: Fossil fuel finance report card', published in May 2023 by the Rainforest Action Network, in collaboration with BankTrack, Indigenous Environmental Network (IEN), Oil Change International, Reclaim Finance, the Sierra Club and Urgewald. HSBC ranked as the 8th highest financier of all fossil fuels with a total of $55.030 billion between 2016 and 2022.

Overall, HSBC Holdings plc received a worst Ethical Consumer rating for carbon management and reporting and lost a full mark in the Climate Change category. (ref: 2)

**Named in Five Years Lost report (December 2020)**

In February 2021, Ethical Consumer viewed ‘Five Years Lost: How Finance is Blowing the Paris Carbon Budget’, a report published in December 2020 by Urgewald.org. The report highlighted 12 of ‘the most devastating’ fossil fuel projects currently in development and revealed the banks and investors financing them.

The 12 projects were chosen based on the detrimental impact their emissions will have, but also as they were being pushed forward despite local resistance and calls by scientists and politicians to phase out fossil fuels. Expected CO2 emissions were given for each project, and it was predicted that between them they will create at least 175 gigatons of additional CO2 emissions, an amount described as ‘almost half of the 395 Gt of remaining carbon budget to limit global warming to 1.5° with a 50% probability’. The wider detriments of each project were also discussed, for example local environmental issues and the impact on communities living there.

1. Gas extraction in Mozambique
2. Oil and gas development in Suriname
3. Oil and gas drilling in the Permian Basin and Gulf Coast, USA
4. Oil and gas extraction in Argentina’s Vaca Muerta region
5. Coal and gas power plants in Bangladesh’s Payra Hub
6. Expansion of Coal power in China
7. India’s coal mines
8. Coal expansion in the Philippines
9. Gas extraction as part of Australia’s Burrup Hub
10. Drilling for oil & gas in the Norway Barents Sea
11. Oil and gas extraction and pipeline construction in the East Mediterranean
12. Offshore oil and gas drilling in the UK
The report concluded that no global financial institution had adopted sufficient policies to stop development of fossil fuels. Instead, investments were keeping the industries afloat. In order to comply with the Paris Agreement, monetary support for any expansion of the fossil fuel industry must be stopped.

HSBC was said to have contributed USD $55.2 billion and named as one of the top 20 banks financing companies behind the projects covered by this report. It was said to be one of the top ten institutions supporting companies extracting fossil fuels in Argentina’s Vaca Muerta region. HSBC was also highlighted as providing finance to companies behind the development of the Leviathan gas field in the East Mediterranean. HSBC was said to be backing all but one of the projects discussed: supporting companies involved in fossil fuel development in Mozambique, Suriname, the Permian Basin and Gulf Coast, Argentina, Bangladesh’s Payra Hub, China, India, Australia’s Burrup Hub, the Norwegian Barents Sea, the East Mediterranean and UK.

As this financial institution's actions undermined an international agreement to address the climate emergency, and it was one of the highest contributors, it lost a whole mark under climate change. (ref: 3)

Dodgy deals on BankTrack (18 June 2023)

On 18 June 2023, Ethical Consumer conducted a search of HSBC on BankTrack's website, www.banktrack.org. BankTrack stated that HSBC had been linked to many "Dodgy Deals" as a financer or financial advisor. These were projects and activities that BankTrack considered problematic in the light of the sustainability commitments of this bank:

10 IFC-linked coal plants (Philippines, Coal Electric Power Generation)
Cerrejón coal mine (Colombia, Coal Mining)
Formosa Plastics' "Sunshine Project" (United States, Chemical Manufacturing)
Gulhifalhu Reclamation Project (Maldives, Dredging and Reclamation)
Jadar lithium mine (Serbia, Mining)
Kallak iron ore mine (Sweden, Mining)
Line 3 Replacement Pipeline (United States, Pipeline Transportation of Crude Oil)
Offshore Cape Three Points (OCTP) (Ghana, Oil and Gas Extraction)
Payra Port Coal Terminal (Bangladesh, Coal Electric Power Generation))
Trans Mountain Pipeline Expansion project (TMEP) (Canada, Pipeline Transportation of Crude Oil)
Vaca Muerta Shale Basin (Argentina, Oil and Gas Extraction)
West Cumbria Coal Mine (United Kingdom, Coal Mining)
Adaro Energy (Indonesia, Coal Mining)
Arauco (Chile, Biomass Electric Power Generation; Pulp, Paper and Paperboard Mills)
ArcelorMittal (Luxembourg, Iron and Steel Manufacturing)
Bunge (United States, Agriculture for Palm Oil)
Cargill (United States, Agriculture for Palm Oil)
China, National Petroleum Corporation (CNPC) (China, Oil and Gas Extraction)
Compañía Manufacturera de Papeles y Cartones (CPMC) (Chile, Pulp, Paper and Paperboard Mills)
ENGIE (France, Coal Electric Power Generation)
ENI (Italy, Oil and Gas Extraction)
EPH (Czech Republic, Biomass Electric Power Generation; Coal Electric Power Generation)
Enviva (United States, Biomass Electric Power Generation)
ExxonMobil (United States, Oil and Gas Extraction)
GEO Group (United States, Prisons and Immigration Detention)
Glencore (Switzerland, Coal Mining; Oil and Gas Extraction)
Korea Electric Power Corporation (KEPCO) (South Korea, Coal Electric Power Generation; Coal Mining; Nuclear Electric Power Generation)
Marfrig (Brazil, Beef Industry)
Minerva Foods (Brazil, Beef Industry)
OLAM (Singapore, Commodities Trading)
Perusahaan Listrik Negara (PT PLN) (Indonesia, Electric Power Distribution)
Petroperú (Peru, Oil and Gas Extraction)
RWE (Germany, Coal Electric Power Generation)
Shell (United Kingdom, Oil and Gas Extraction)
Sinar Mas (Indonesia, Agriculture for Palm Oil)
Suzano (Brazil, Pulp, Paper and Paperboard Mills)
TotalEnergies (France, Oil and Gas Extraction)
UPM-Kymmene (Finland, Pulp, Paper and Paperboard Mills)

As these projects involved the extraction of fossil fuels, links to human rights abuses, environmental pollution and woodland destruction, palm oil production, factory farming and nuclear power generation and lost a half mark under Climate Change, Pollution & Toxics, Habitats & Resources, Palm Oil, Factory Farming, Human Rights and Controversial Technologies (Nuclear Power). (ref: 4)

Named in Amazon Watch report on financing oil (March 2020)
In March 2020, Amazon Watch published 'Investing in Amazon Crude: The Network of Global Financiers and Oil Companies Driving the Amazon Toward Collapse'. Amazon Watch is a USA based non-profit organisation founded in 1996 to protect the rainforest and advance the rights of Indigenous peoples in the Amazon Basin. The report identified five financial institutions (Citigroup, JPMorgan Chase, Goldman Sachs, HSBC and BlackRock) that provided debt and equity financing to oil companies (GeoPark, Amerisur, Frontera Energy and Andes Petroleum) to enable regional expansion of Amazon crude oil operations which will affect climate stability, biodiversity and indigenous rights.

HSBC provided funds totalling $648 million USD in debt financing to Geopark and Andes Petroleum between Q3 2017 and Q4 2019. Additionally as of Q4 2019 HSBC held $595 million USD of stocks and bonds in Geopark and Andes Petroleum bringing the total contribution to Amazon crude oil extraction to over $1.2 billion USD.

As one of the financiers criticised in the report, HSBC loses half a mark under Climate Change. (ref: 5)

Criticised by Feedback for funding meat and dairy (2020)
A report released in July 2020 by a campaign group called Feedback, highlighted some of the main companies which were responsible for funding Big Livestock, thereby playing a large role in the environmental issues arising as a result of the industrialisation of animal farming. This report was titled “Butchering The Planet”, and subtitled "The big-name financiers bankrolling livestock corporations and climate change."

HSBC was named as the fifth largest creditor to the world’s 35 largest meat and dairy corporations between 2015 and 2019. The figures showed that it provided just short of $5 billion in underwriting and
over $5 billion in loans during this time.

According to the report, HSBC was responsible for providing loans and shares with Brazilian meat companies – “Over the last few years HSBC has loaned Marfrig and Minerva over $1.8 billion and as of April 2020 held shares to the tune of $9 million in JBS”. The report also drew on how this involvement with Brazilian meat companies was contradictory to the company’s policies as it states “banks such as HSBC appear to be funding Brazilian beef linked to deforestation and forest fires, despite their own ethical investment policies forbidding them to do so”.

The report also provided data on the greenhouse gas emissions associated with each of the 35 largest meat and dairy corporations (using FAO GLEAM 2.0 which covered scopes 1–3). The company JBS, which is funded by HSBC, was considered the largest contributor, with a huge 280 metric tonnes of CO2 equivalent gases released per year.

Furthermore, the report highlighted HSBC’s association with chlorine washed chicken, which is a practice prevalent in the US meat industry but banned by the EU. It stated that “HSBC provide billions to the firms behind chlorinated chicken”.

Overall, the report made criticisms of all the creditors and investors within the scope of its research as it clearly stated “It is time to defund, and to divest from, Big Livestock.” As such the company lost half a mark under Climate Change. (ref: 6)

Fossil Fuel Finance Report Card 2023 (May 2023)


Like the 2022 report, the 2023 update looked at 60 of the largest banks globally. The report analysed patterns of private-sector bank financing for tar sands oil, arctic and offshore oil and gas, fracked oil and gas, liquefied natural gas (LNG), coal mining and coal power between 2016 and 2022. The report found that, overall, the 60 banks had invested US$5.5 trillion in lending and underwriting to the fossil fuels industry since the Paris Agreement had been adopted (2016-2022). HSBC ranked as the 8th highest financier of all fossil fuels with a total of $55.030 billion between 2016 and 2022.

The company lost a whole mark under Climate Change. (ref: 8)

Financer of fossil fuel expansion (January 2023)

In a January 2023 report published by Reclaim Finance called ‘Throwing fuel on the fire’, the group detailed how many of the biggest players in global private finance had accepted their role in addressing the climate crisis and had joined the Glasgow Financial Alliance for Net-Zero (GFANZ). In doing so, they had committed not just to reaching net zero by 2050, but also to the 1.5°C target, and to taking immediate action to halve emissions by 2030.

But they were continuing to pour hundreds of billions of dollars into the biggest corporations that are developing new fossil fuel projects.

HSBC was listed as one of the top 20 Net Zero Banking (NZBA) members with investments in the largest fossil fuel expanders, as of August 2022, with a total of $12,067 million in loans and underwriting in oil and gas developer holdings. It had a very limited policy restricting support for coal expanders and no policy for oil and/or gas supply expanders.

HSBC therefore lost half a mark under Climate Change. (ref: 9)
Financing fossil fuel expansion (January 2023)

In a January 2023 report published by Reclaim Finance called 'Throwing fuel on the fire', the group detailed how many of the biggest players in global private finance had accepted their role in addressing the climate crisis and had joined the Glasgow Financial Alliance for Net-Zero (GFANZ). In doing so, they have committed not just to reaching net zero by 2050, but also to the 1.5°C target, and to taking immediate action to halve emissions by 2030.

But they were continuing to pour hundreds of billions of dollars into the biggest corporations that are developing new fossil fuel projects.

HSBC Asset Management was listed in the top 20 Net Zero Asset Managers Initiative (NZAM) investors in the largest fossil fuel expanders, as of September 2022, with a total of $5,772 million in bonds and shares in coal developers oil and gas developer holdings. It had very limited policies restricting support for coal and no policies limiting oil and/or gas supply expanders. It had $1,164 million worth of holdings in 71 coal developers and $4,761 million in 77 oil and gas developers.

NZAM has a target of 100% of assets under management (AUM) to be aligned to net zero by 2050, rather than actual reductions to their financed emissions. But NZAM sets no interim requirements for the percentage of AUM that should be net-zero aligned in 2030 or any other year.

HSBC Asset Management therefore lost a half mark in the Climate Change category. (ref: 9)

Investors urge HSBC to stop bankrolling coal-burning projects (September 2022)

In March 2021, Ethical Consumer viewed an article on the Guardian website titled 'Investors urge HSBC to stop bankrolling coal-burning projects' and dated to 6th March 2019.

The article reported that a group of "powerful HSBC shareholders", coordinated by campaign group ShareAction, had urged the bank's CEO to close a loophole in its energy policy that allowed it to finance coal projects in certain emerging markets. In 2018, HSBC had released an energy policy that aimed to "phase out lending for new coal-fired power plants in high income countries and cut its commitment to oil sands 'over time'", because the policy had left a loophole that allowed the bank to finance new coal-powered plants in Bangladesh, Vietnam and Indonesia until 2023. While Greenpeace had commended HSBC for its new policy, ShareAction pointed out that the company was actually lagging behind peers such as Barclays, which had blanket exclusion policies for coal power financing.

In May 2021, HSBC updated its coal policy again to include a pledge to phase out financing for coal by 2040. However, an article on the Guardian website titled 'HSBC has stakes in firms that plan more than 70 new coal plants' and dated 12 May 2021 reported that another loophole "still allowed the bank to support companies with plans to build more than 70 new coal plants" since "the bank's asset management arm, which is not included in the coal phase-out pledge, holds ownership stakes in companies that plan to build 73 coal power plants across 11 countries in Africa and Asia, almost enough to supply fossil fuel electricity to all the UK's homes three times over".

In September 2022, HSBC Asset Management published its own policy on thermal coal, which included a commitment to by 2040 "not hold listed securities of issuers with more than de minimis revenue exposure to thermal coal in all markets in our actively managed portfolios." Since the commitment did not cover investments in non-listed companies, it remained possible that HSBC's asset management arm would continue to hold investments in thermal coal past 2040.

HSBC lost half a mark under Climate Change. (ref: 10)

HSBC suspends head of responsible investing who called climate warnings ‘shrill’ (22 May 2022)

On 3rd October 2022, Ethical Consumer viewed an article on the Guardian website titled ‘HSBC suspends head of responsible investing who called climate warnings “shrill”’ and dated 22nd May 2022.

It reported that HSBC had suspended its head of responsible investing, Stuart Kirk, after he referred to climate crisis warnings as "unsubstantiated" and "shrill" during the Financial Times’ Moral Money
conference. His presentation included slides that said “'Unsubstantiated, shrill, partisan, self-serving, apocalyptic warnings are ALWAYS wrong', while referring to comments made by officials at the UN and Bank of England, who have tried to raise the alarm over global heating.”

HSBC’s chief executive Noel Quinn denounced Kirk’s comments, insisting that they did not reflect the bank’s views on the climate crisis.

According to the article, "climate activists welcomed Kirk’s suspension but said HSBC had questions to answer about the extent to which Kirk’s views were known or supported within the bank."

HSBC lost half a mark under Climate Change (ref: 11)

**Criticised for continuing to finance billions to oil & gas despite net zero pledge (14 February 2022)**

On 3rd October 2022, Ethical Consumer viewed an article on the Business & Human Rights website titled 'Europe: Big banks incl. Barclays, HSBC and BNP Paribas continue to finance billions to oil & gas despite net zero pledges' and dated 14th February 2022.

The article reported that ShareAction had found that "25 of Europe's biggest banks, including Barclays, BNP Paribas, Deutsche Bank, and HSBC among others, provided over USD $38 billion in loans and other financing to 50 companies with large oil and gas expansion plans, despite having pledged to net zero emissions by 2050."

The company lost half a mark under Climate Change. (ref: 12)

**Criticised for financing agribusinesses linked to forest destruction (21 October 2021)**

On 2nd November 2021, Ethical Consumer viewed an article on the Business and Human Rights website titled 'Global: New report reveals financial institutions' revenue of $1.74 billion from deals with irresponsible agribusinesses linked to deforestation & attacks on HRDs; incl. banks and companies' comments' and dated 21st October 2021.

It covered a report by Global Witness that revealed "how banks have been raking in vast revenues from their deals with some of the world’s most harmful agribusinesses, which are driving the destruction of our climate-critical forests".

Global Witness estimated that banks and investors based in the UK, EU, US and China had made a total of "$1.74 billion from $157 billion worth of deals with irresponsible agribusinesses. These include SLC Agrícola, JBS, Marfrig and Minerva, whose links to forest destruction" had been documented in earlier investigations by the organisation.

According to Global Witness, the report data suggested that "deal-making with deforesters has continued apace since the start of 2016, despite most of these banks claiming to align investments with the goals of the Paris Climate Agreement and screen clients to curb impacts on forests and biodiversity. This shows the failure of voluntary policies and the urgent need for action by governments to curb the financing of forest destruction before it’s too late".

The report focussed on HSBC, BNP Paribas, Deutsche Bank, Rabobank, JPMorgan and Bank of China, "six leading banks responsible for striking more than 5,000 of the 71,000 deals scrutinised".

The company lost half a mark under Climate Change, and Habitats and Resources. (ref: 13)

**Criticised for limiting shareholder participation (April 2020)**

In March 2021, Ethical Consumer viewed a statement on the Amazon Watch website titled 'Amazon Watch Statement: HSBC Must Step Up Its Climate Action and Stakeholder Participation' and dated to 23rd April 2020.
Amazon Watch criticised HSBC for closing its annual general meeting (AGM) to shareholders. In response to the COVID-19 pandemic, HSBC would "neither webcast the meeting nor allow shareholders to participate". Shareholders were only allowed to ask questions via email, which HSBC would answer "by publishing responses on HSBC.com as soon as practical after the AGM." Amazon Watch stated this meant the company was "shutting out the voices of those impacted by its investment decisions, like Indigenous peoples in the Amazon rainforest".

In March 2020, Amazon Watch had published a report, Investing in Amazon Crude, which "uncovered HSBC's role as a top financier of Amazon crude oil". Another report by the organisation, Complicity In Destruction II, published in 2019 "showed how major commodity traders and international financial firms [were] directly linked to illegal deforestation in the Brazilian Amazon.

Amazon Watch stated: "HSBC has taken advantage of the COVID-19 pandemic to shut shareholders and community advocates out of its most important decision-making meeting of the year, and did not even use the occasion of its annual meeting to announce any new steps on climate, as competitors like Citigroup did. A key question for HSBC executives and board members is how the bank squares its investments in the industries that cause climate change and contribute to Indigenous rights violations with its commitments to people, communities, and a low-carbon economy... If HSBC truly wants to live up to its responsibility to communities and its pledge to a low-carbon economy, it must end corporate financing for fossil fuel expansion in the Amazon and around the world – particularly when that expansion happens on Indigenous territories."

HSBC lost half a mark under Climate Change and Habitats and Resources. (ref: 14)

**Criticised for underwriting Saudi Aramco IPO (October 2019)**

In March 2021, Ethical Consumer viewed an article on the Business & Human Rights Resource Centre website, titled 'NGOs highlight environmental and human rights concerns to banks over Saudi Aramco IPO' and dated to October 2019.

The article stated:

"A coalition of environmental NGOs has written to seven international banks to express their alarm over the banks' decision to underwrite the planned Initial Public Offering (IPO) of Saudi Aramco. The state-owned oil giant is the world's largest emitter of carbon dioxide; a recent Guardian investigation revealed that Saudi Aramco has produced about 4.4% of the world's total carbon dioxide and methane emissions since 1965.

"The letter also outlines the NGOs concerns that the banks will be facilitating the profiteering of a regime with a history of egregious human rights abuses. It cites the examples of Saudi Arabia's role in airstrikes on civilians in Yemen and in the murder of Jamal Khashoggi."

HSBC was said to be one of the companies involved in the underwriting.

The company therefore lost half a mark under Human Rights and Climate Change for the criticism. (ref: 15)

**Pollution & Toxics (score: -1)**

**Lending in particularly problematic industries (23 June 2023)**

In its 2022 Pillar 3 reporting, HSBC disclosed it provided loans for the following activities: agriculture, forestry and fishing; mining and quarrying; manufacturing, utilities; electricity, gas, steam and air conditioning supply; water supply; construction; wholesale and retail trade; transportation and storage; accommodation and food services; information and communication; real estate; financial and insurance; professional, scientific and technical; administrative and support service; public administration and defence, compulsory social security; education; human health and social work; and arts, entertainment and recreation.
In its 2022 Annual Report, HSBC disclosed the amounts of wholesale loans across a range of business areas with exposed to climate change transition risk (% of total HSBC loans): automotive (not more than 3.0%), chemicals (not more than 3.4%), construction and building materials (not more than 3.2%), metals and mining (not more than 2.1%), oil and gas (not more than 2.6%), power and utilities (not more than 3.5%), which together was an exposure not more than 17.7% of HSBC's total wholesale loans.

HSBC had several sector-specific Sustainability Risk Policies: agricultural commodities; chemicals industry; defence equipment; energy; forestry; mining and metals; thermal coal phase out; World Heritage Sites and Ramsar Wetlands. These policies prohibited financing the worst activities but still permitted problematic activities in fossil fuels, agriculture, mining, pharmaceuticals and defence.

The company overall therefore lost half marks in the following categories for shareholdings or lending to companies likely to lose full marks in some of Ethical Consumer’s key Environmental, Animals and People categories: pollution & toxics, habitats & resources, factory farming and animal rights, human rights and workers' rights. (ref: 2)

**Middle Ethical Consumer rating for investment policy and transparency (23 June 2023)**

On 23 June 2023, Ethical Consumer searched the HSBC Holdings plc website for the company’s ethical investment, engagement, or shareholder voting policies.

Most investment companies will hold a large amount of assets, some of which will be held as shares in companies and diversified across all sectors to avoid risk.

To get a best Ethical Consumer rating for investment transparency and not be marked down, a company must meet the following three criteria:

1. A clear ethical investment policy restricting investments in at least key problem areas for the sector including: coal/carbon, deforestation, indiscriminate weapons, human rights abuses, and animal abuse.
2. Clear investment disclosure (naming companies invested in not just sectors).
3. Full and clear disclosure on engagement or voting (stewardship) at company AGMs (it should be at least annually).

To get a middle rating, it would need some details of investments including named companies, engagement and voting policies, with some disclosure of voting history or other engagement. Companies with a middle rating would lose a half mark in six categories representative of the criticisms its investments would be likely to receive under our ratings system.

If no or very limited information on investment, engagement or shareholder voting policies could be found, it would receive a worst rating, and would lose a half mark in twelve categories representative of the criticisms its investments would be likely to receive under our ratings system.

Its Introduction to HSBC's Sustainability Risk Policies and associated risk policies were viewed, as were sources that appeared to apply to its investment subsidiary, HSBC Asset Management, only: a website section titled Stewardship and Engagement, its Responsible Investment Review (March 2023) and its Proxy Voting Dashboard.

Regarding HSBC Holdings plc's investment policy, it did not appear to include restrictions for all assets for: coal/carbon, deforestation, indiscriminate weapons, human rights abuses, and animal abuse. The following was found: Agricultural Commodities Policy, Chemicals Industry Policy, Defence Equipment Policy, Energy Policy, Forestry Policy, Mining and Metals Policy, Thermal Coal Phase Out Policy, and World Heritage Sites and Ramsar Wetlands Policy. All of these policies placed some restrictions on HSBC's financing activities, such as a "No Deforestation, No Peat and No Exploitation" policy in the palm oil sector; and no financial services provision to companies that manufacture, sell, purchase or use indiscriminate weapons or that solely or primarily manufacture or sell other weapons; new oil and gas fields projects or infrastructure primarily meant for new oil and gas fields.

However, the policies still permitted problematic activities in all sectors they covered.
Regarding its investment disclosure, the following was found: HSBC did not appear to publish a comprehensive investment disclosure, but its main investment subsidiary, HSBC Asset Management, had a proxy voting dashboard that included voting records from 2017 onwards for what appeared to be most if not all of its investments by company name.

Regarding its engagement or voting (stewardship), the following was found: HSBC did not appear to publish a comprehensive voting disclosure, but its main investment subsidiary, HSBC Asset Management, published voting records for what appeared to be most if not all of its investments and an annual Responsible Investment Review that reported in detail on the issues it had engaged on with its clients and investments. In 2022, HSBC Asset Management had voted at more than 7,000 meetings, with over 75,000 resolutions. Only a small proportion of these related to environmental and social topics.

Overall, although it did not have a broad enough ethical investment policy covering all assets, some details of investments including named companies were found, as well as some disclosure of voting history or engagement policies.

Therefore HSBC Holdings plc received a middle Ethical Consumer rating for investment transparency, and lost a half mark under the following categories: Pollution & Toxics, Habitats & Resources, Factory Farming, Animal Rights, Human Rights, Workers' Rights. (ref: 2)

(See also 'Dodgy deals on BankTrack' in Climate Change above.)

**Named in Dirty Profits 6 report (May 2018)**

In May 2018, the group Facing Finance published a report titled Dirty Profits 6, subtitled "Mining and Extractive Companies Promises and Progress".

The report looked at the global extractives industry which it noted was heavily involved in the worst labour, environmental and human rights violations. The report showed how 10 named extractives companies had dealt with human rights and environmental violations which had been highlighted in the Dirty Profits 5 report in 2012. It also considered how 10 selected European banks had reacted to these violations and their provision of finance to the extractives industries.

The report asserted that Banks should take responsibility not only for the direct impact of their operations but also the indirect ones. Most banks investigated in the report had committed to voluntary principles such as the UN Principles for Responsible Investment and the UN Global Compact on Equator Principles.

HSBC was one of the banks which provided capital through loans or bonds and equity underwritings. The report noted that HSBC had committed to voluntary human rights and environmental standards including being a signatory to the UN PRI and the Equator principles. HSBC had also committed to the UN Global Compact.

Capital Provision. Between 2010 and 2017 HSBC had provided over €12 billion to companies deemed harmful by the report and ranked fourth among all the European banks for Capital provided.

Shareholdings. HSBC held shares totalling €551 million in all of the 10 extractive companies covered by the report. €395 million of this were held with BHP Glencore and Rio Tinto. HSBC stated that for shareholdings it was acting on behalf of clients and that they, as the bank, did not make investment decisions. However many of the funds covered in the report were curated by HSBC and in such situations the bank was both the portfolio Manager and fund manager, which gave an element of control over how the funds were put together and which companies made up the funds.

Policy Approach. The report noted that HSBC did have publicly available policies, including specific policies related to sustainability risk in the mining metals and energy sectors as well as further internal policy documents. The report noted that HSBC had engaged well with Facing Finance in the production of the report including responding to the survey.
Examples of financial links to extractive companies. HSBC had shareholdings in and provided capital to Barrick Gold despite the fact that they had been notified by Facing Finance in 2014 of the ongoing violations by the company. HSBC’s mining and metals policy prohibited the bank offering any financial services for customers who had started the disposal of tailings in rivers or shallow seawater since 2007. Customers who used this practice before 2007 were asked to provide evidence that alternative options were not feasible.

Barrick Gold has been a co-owner of the Porgera joint venture since 2005, which used riverine tailings disposal, which studies had shown had significant negative effects on local populations. Barrick Gold had always assessed that alternatives were not possible but the assessment document had not been made available. Despite their policy HSBC Canada had provided loans to Barrick Gold in 2015 and 2016 totalling €370 million.

Although Grupo Mexico’s subsidiary Southern Copper had had numerous labour violations and an extremely devastating waste spill in Mexico in 2015, HSBC had shareholdings in the company to the value of €22 million.

HSBC also provided capital to Vale SA in 2015 and 2016, this company had been criticised for its iron ore and coal mining operations and was part owner of the Samarco Mineracao Mine which was responsible for the worst environmental damage in the history of Brazil.

As a result the company lost half a mark under Pollution & Toxics and Workers’ Rights, for investing in companies criticised in these areas. (ref: 17)

Criticised for investments in Kazakh oil and gas (June 2021)

In September 2022, Ethical Consumer viewed the 2021 Business and Human Rights Resource Centre report Digging in the Shadows which explored the connections between investment bodies (including banks) and extractive projects in Eastern Europe and Central Asia, many of which were associated with hazardous working conditions, labour rights abuses, effects on the health of local communities, and severe environmental impact.

HSBC was an investor in Tengizchevroil. The Tengiz oil field was alleged to be associated with illnesses and deaths of workers and community members from hydrogen sulphide poisoning and pollution through the release of harmful substances into the atmosphere.

The Business and Human Rights Resource Centre wrote to HSBC and invited them to respond to the report’s findings particularly in the light of its commitments to human rights, including through creation of its own environmental and social policy framework, commitment to the Equator Principles, and adoption of the United Nations Principles for Responsible Investing.

HSBC did not respond to this invitation.

HSBC lost half a mark in the human rights category and half a mark in the pollution and toxics category. (ref: 18)

(See also ‘Dodgy deals on BankTrack’ in Climate Change above.)

Habitats & Resources (score: -1)

(See also 'Lending in particularly problematic industries' in Pollution & Toxics above.)

(See also 'Middle Ethical Consumer rating for investment policy and transparency' in Pollution & Toxics above.)

(See also 'Dodgy deals on BankTrack' in Climate Change above.)
Named in Amazon Watch report on beef and soy (2019)

In April 2019, Amazon Watch published 'Complicity In Destruction II: How Northern Consumers and Financiers Enable Bolsonaro's Assault On The Brazilian Amazon'. Amazon Watch is a USA based non-profit organisation founded in 1996 to protect the rainforest and advance the rights of Indigenous peoples in the Amazon Basin. The report identifies the worst offending companies operating in the Brazilian Amazon in the commodities of; soy, beef, leather, timber and sugar, and the financial institutions which enable them.

According to Amazon Watch, cattle ranching and soy industries account for 80% of Amazon deforestation. The report identified three beef companies (JBS, Marfrig and Minerva) and four global soy traders (ADM, Bunge, Cargill and Louis Dreyfus Company) with links to illegal deforestation. For the period of 2013 to 2018 HSBC were underwriters of bond issuances by Minerva totalling $782 million USD and by Marfrig totalling $960 million USD and were providers of unmatured credit at parent level to Louis Dreyfus Company totalling $420 million USD, Bunge totalling $30 million USD, Cargill totalling $425 million USD and ADM totalling $781 million USD.

The Business and Human Rights Resource Centre reached out for comment to the companies named in the report as complicit in the destruction of the Brazilian Amazon. HSBC responded and their full response can be found online at www.business-humanrights.org.

As one of the financiers criticised in the report, HSBC loses half a mark under Habitats and Resources. (ref: 19)

Funding rubber imports and deforestation in Africa (3 October 2022)

On 3rd October 2022, Ethical Consumer viewed an article on the Business & Human Rights website titled 'Global Witness investigation finds European rubber imports are driving deforestation in West & Central Africa, yet rubber is excluded from new laws to protect forests' and dated 20th June 2022.

It reported that an investigation by Global Witness, titled Rubbe Out, suggested that "rubber, even more than palm oil, [was] the agricultural export that poses the biggest threat to the tropical forests of central and west Africa", adding that "African forests are critical to the fight against the climate emergency, absorbing three times more carbon each year than the UK emitted in 2019 according to one study."

The report found that "industrial rubber cultivation across west and central Africa appear[ed] to be responsible for almost 520km2 of deforestation since 2000, an area 16 times the size of Brussels. The ecosystems impacted by rubber range from forest reserves in Nigeria and Ghana to the old growth equatorial forests of Cameroon and Gabon. Meanwhile the value of rubber exports from this region to the EU is over 12 times that of palm oil, a commodity widely associated with deforestation in west and central Africa."

The article also reported that "landmark EU and UK laws aiming to curb agricultural imports that fuel deforestation may yet fail to protect Africa's forests by excluding rubber from the legislation. Plans to omit rubber from the laws would mean the trade flow with arguably the most devastating impact on the rainforest regions of west and central Africa will remain unregulated."

The Global Witness report contacted banks which had been found to finance Olam, one of the three companies that owned almost all plantations where deforestation was found, between 2016 and 2020: HSBC, Barclays, Rabobank and BNP Paribas.

Global Witness contacted these banks for comment. HSBC did not respond.

The company lost half a mark under Habitats & Resources. (ref: 20)

(See also ‘Criticised for financing agribusinesses linked to forest destruction’ in Climate Change above.)
People

Human Rights (score: -1)

Worst Ethical Consumer rating for operations in oppressive regimes (12 June 2023)

On 12 June 2023, Ethical Consumer viewed HSBC Holdings plc’s lists of subsidiaries and offices in its Annual Report and Accounts 2022, which stated that the company had operations in the countries listed below:

China, Egypt, Mexico, Philippines, Saudi Arabia and Turkey

At the time of writing Ethical Consumer considered each country listed to be governed by an oppressive regime.

The company therefore lost a whole mark in the Human Rights category. (ref: 23)

Supported China anti-democratic law in Hong Kong (July 2020)

In March 2021, Ethical Consumer viewed an article on the CNBC website titled ‘HSBC is taking heat from all sides after backing China on Hong Kong’ and dated 10th June 2020.

The article stated that HSBC was facing widespread criticism after its top executive in Asia publicly declared the firm’s support for the national security law that China has enforced in Hong Kong. Under the new law, any person ‘undermining national unification’ of Hong Kong with China faced up to a lifetime in prison.

More than 180 people had been arrested on the first day of the new law, including the first person arrested under the legislation for holding a Hong Kong flag of independence. The Hong Kong Police Force had met demonstrations against the national security law with water cannons, pepper spray and pepper balls.

HSBC had signalled its support for the national security bill while it was being drafted in June. The company posted a photo on Chinese social media of its Asia Pacific CEO, Peter Wong, signing a petition in support of its implementation. Its London press office since confirmed the authenticity of the post.

Western government officials, including US Secretary of State Mike Pompeo and chairman of the UK Parliamentary Foreign Affairs Committee Tom Tugendhat, condemned its decision to support the law. Aviva Investors, a shareholder in HSBC, said that it was "uneasy" with the declaration of support.

According to an article in the Guardian titled ‘HSBC denies taking political stance over China’s crackdown in Hong Kong and dated 26th January 2021, the bank’s CEO denied that it had taken a political stance on China’s crackdown on protests demanding more democracy for Hong Kong, stating that, “It’s not my position to make a moral or political judgment on these matters, I have to comply with the law.”

The company lost half a mark under Human Rights. (ref: 24)

(See also 'Lending in particularly problematic industries' in Pollution & Toxics above.)

(See also 'Middle Ethical Consumer rating for investment policy and transparency' in Pollution & Toxics above.)
Links to company funding Myanmar military (18 June 2023)

On 18 June 2023, Ethical Consumer viewed the Justice for Myanmar website, which included a map of funding for the Myanmar military. The map and website stated that HSBC was a:

- Creditor for POSCO, a global steelmaking corporation and major financial backer for the Myanmar military.
- Financer for Viettel Global Investment, which bankrolled military controlled mobile operator Mytel.

HSBC lost half a mark under Human Rights for its links to companies funding the military. (ref: 25)

(See also ‘Dodgy deals on BankTrack’ in Climate Change above.)

Named in Don’t Buy Into Occupation report (December 2022)

In June 2023, Ethical Consumer viewed the report Don’t Buy Into Occupation: Exposing the financial flows into illegal Israeli settlements, published in December 2022.

Produced by the “Don’t Buy Into Occupation” (DBIO) coalition, the report monitored the financial relationships between European financial institutions and companies actively involved with the illegal Israeli settlements. The report stated: “Israeli, European, and international business enterprises, operating with or providing services to Israeli settlements, play a critical role in the functioning, sustainability and expansion of illegal settlements. Considering the illegality of settlements, the associated wide range of international humanitarian and human rights law violations, and the deliberate obstruction of the development of the Palestinian economy, private actors have a responsibility to ensure that they are not involved in violations of international law and are not contributing to, or complicit in, international crimes. Private actors, such as European financial institutions and business enterprises, should address adverse human rights impacts arising from their activities and business relationships with the Israeli settlement enterprise. However, despite its illegal nature, European financial institutions continue to invest billions into businesses linked to the Israeli settlement enterprise.” It named the financial institutions that had provided financing for companies involved in the Israeli settlements between January 2019 and August 2022. The report “builds upon the existing UN database of business enterprises involved in activities linked to Israeli settlements in the OPT (UN Database), together with the UNGPs [UN Guiding Principles on Business and Human Rights].” It looked at loans, underwriting services, and investments in shares and bonds to companies involved in the settlement enterprise. It found that “During the analysed period, USD 171.4 billion was provided in the form of loans and underwritings. As of August 2022, European investors also held USD 115.5 billion in shares and bonds of these companies.” Financial institutions named as creditors (loans and underwriting) and investors (shares and bondholdings) in the report lost half a mark under Human Rights, for having a financial relationship with a company or companies criticised in this category.

HSBC was said to be the 2nd largest creditor looked at in the report. The bank had credited 50 businesses, which that the report stated are actively involved with Israeli settlements, with USD 15.04 billion worth of loans and underwritings. (ref: 26)

Financing mining companies in the Amazon (February 2022)

In February 2022 Amazon Watch published ‘Complicity In Destruction IV: How Mining Companies and International Investors Drive Indigenous Rights Violations and Threaten the Future of the Amazon’.

Amazon Watch was a USA based non-profit organisation founded in 1996 to protect the rainforest and advance the rights of Indigenous peoples in the Amazon Basin.

The report mapped 8 large mining companies and their applications to mine on land overlapping indigenous lands in 2020. At the time that the report was published, mining on indigenous lands was illegal in Brazil.
HSBC was listed as a leading financiers enabling operations of the mining companies that encroach upon Indigenous lands in Brazil, particularly in the Amazon rainforest.

It had given $446 million dollars in loans and underwriting from Jan 2016 to October 2021 to Anglo American, Rio Tinto, Glencore and Vale.

HSBC lost half a mark under Human Rights. (ref: 27)

**BankTrack Human Rights Benchmark (2022)**

HSBC was included in the latest international survey of the human rights record of 50 major private-sector banks, published by BankTrack on 17 November 2022. The 2022 BankTrack Human Rights Benchmark was the fourth such comprehensive survey compiled by BankTrack. Formally established in 2004, BankTrack's mission was to campaign against banks' financing activities that have a negative impact on people and the planet.

The report found that 38 out of 50 of the world’s largest commercial banks are implementing less than half of human rights responsibilities, as set out in the UN Guiding Principles on Business and Human Rights (UNGPs), which were endorsed in 2011. In addition, a new assessment of banks on their response to specific human rights violations as part of the benchmark shows they failed to provide a constructive response to the allegations raised three quarters of the time.

BankTrack examined banks' performance against four criteria contained in the UN Guiding Principles on Business and Human Rights (2011): policy commitment; due diligence process in relation to human rights; reporting on human rights; and access to remedy human rights abuses.

With a score of 5 out of a possible maximum of 14, HSBC was ranked in 26th place. This put HSBC among a group of poorly performing banks, in the category of “followers”, behind the categories of “leaders” and “front runners” (7-10 points). However there were no leaders.

HSBC 3 (out of 3) for policy, 0.5 (out of 3) for reporting, 1.5 for due diligence (out of 5) and 0 for remedy (out of 3). The banking group’s total score increased by 1 since BankTrack’s previous benchmark was published in 2019. All except ‘front runners’ lost half a mark under Human Rights. (ref: 28)

(See also 'Criticised for investments in Kazakh oil and gas' in Pollution & Toxics above.)

**HSBC closes account of protest fundraiser in Hong Kong (December 2019)**

In March 2020, Ethical Consumer viewed an article on the South China Morning Post website titled 'HSBC distances itself from police crackdown on protest fundraiser accused of money laundering' and dated to 20 December 2019.

The article reported that in December 2019, Hong Kong protesters held a rally near HSBC's local headquarters after the bank closed the account of the second-largest pro-democracy fundraising platform, Spark Alliance HK. The article condemned the police freeze of more than $9 million collected to support anti-government protests and the arrest of four people on charges of money-laundering, after HSBC had closed the account.

HSBC denied that the closure of the account was related to the arrest of the four individuals and that the account had been closed on instruction of the owner, because the funds were not used for their stated purpose.

HSBC lost half a mark under Human Rights. (ref: 29)

(See also 'Criticised for underwriting Saudi Aramco IPO' in Climate Change above.)
Workers' Rights (score: -1)
(See also 'Lending in particularly problematic industries' in Pollution & Toxics above.)

(See also 'Middle Ethical Consumer rating for investment policy and transparency' in Pollution & Toxics above.)

(See also 'Named in Dirty Profits 6 report' in Pollution & Toxics above.)

Named in profiting from Qatar report (November 2022)
A "No questions asked: Profiting from the construction and hotel boom in Qatar" report published in November 2022, commissioned by Fair Finance International on the role of financial institutions in the human and workers right abuses that took place in the construction and hotel industries ahead of the 2022 Qatar Football World Cup.

The United Nations Guiding Principles on Business and Human Rights (UNGPs) called on the responsibility of all businesses, including financial institutions, to respect human rights. In the context of financial institutions, this meant that banks and investors’ responsibility to respect human rights encompasses not only the human rights of their employees, suppliers, and clients, but also the actual or potential human rights impacts they are connected to through their credits and investments.

HSBC was named as a company financing with loans and underwritings $911 million to the hospitality sector and $1,766 million to the construction sector. (ref: 33)

Ex-HSBC staff voice anger over bank’s pension clawback (12 June 2023)
In March 2021, Ethical Consumer viewed an article in The Guardian titled 'Ex-HSBC staff voice anger over bank’s pension clawback' and dated to 30th March 2019.

The article reported that an action group had secured an HSBC shareholder vote on a practice called "clawback". A demonstration was planned outside the company's AGM venue to protest the cutting of employees' company pensions because they also received the state pension. Campaigners called the practice “grossly unfair and morally indefensible,” and said that staff “were misled”.

The article estimated that around 52,000 former employees of HSBC were affected.

HSBC had introduced the deduction policy in 1975, which affected around 52,000 members of its pension scheme who joined the bank between January 1975 and June 1996. The campaigners claimed the practice disproportionately penalised the less well-off.

HSBC stated the practice was "not unfair, disproportionate or discriminatory". It said it had been clearly and consistently communicated to scheme members and that a number of UK banks had a similar arrangement.

A follow-up article titled 'HSBC shareholders reject end of pensions "clawback"' on the FT Adviser website and dated 17 April 2019 reported that the campaigners had lost the shareholder vote.

An All-Party Parliamentary Group, Pension Clawback APPG, was found to still be campaigning "for HSBC UK to remove state deduction, more commonly known as pension integration or 'clawback', from the post-1974 Midland Bank Defined Benefit Pension Scheme" in June 2023.

HSBC lost half a mark under Workers' Rights. (ref: 34)
Worst UK bank for gender pay gap (8 October 2021)

In March 2021, Ethical Consumer viewed an article on the BBC website titled 'HSBC's gender pay gap hits 47% as City split widens' and dated to March 2020. The article stated:

"Many financial firms are paying the average man almost 25% more than the average woman, with HSBC posting an overall pay gap of 47.8%....

"HSBC says its pay gap - averaged out across its eight divisions and 40,000 strong workforce - was 47.8% in 2019, almost identical to a year earlier.

"The main driver was fewer women in high paid senior leadership roles and more women working in junior positions, it said."

HSBC's gender pay gap was worse than any other bank in the article, and had been reported to be the worst gender pay gap of all UK banks in the previous year.

An article on the Quartz at Work website titled 'Most big UK banks still have a gender pay gap of over 30%' and dated 8th October 2021, reported that in financial year 2020-2021, HSBC Bank Plc was still the bank with the biggest gender pay gap, at 54% in 2020-21

The company lost half a mark under Workers' Rights. (ref: 35)

Settlement with alleged whistleblower over unfair dismissal claim (January 2020)

In March 2021, Ethical Consumer viewed an article on the Financial Times website titled 'HSBC makes last-minute settlement with ex-currencies head' and dated to January 2020.

The article stated: "

The former global head of currencies and commodities at HSBC has reached an 11th-hour settlement with the UK bank and executives including the previous CEO John Flint in an employment claim over unfair dismissal.

"Frederic Boillereau named Stuart Levey, HSBC’s chief legal officer; Samir Assaf, the chief executive of the bank’s global banking and markets group; and Thibaut de Roux, the former markets head, alongside Mr Flint and the bank in his claim...

"Mr Boillereau was claiming whistleblower status which, had it been granted, would have enabled him to seek compensation beyond the £86,000 that is the maximum in the UK for unfair dismissal cases.

"“Following an amicable settlement, Mr Boillereau has withdrawn his employment tribunal claims on confidential agreed terms,” a spokesperson for HSBC said after the agreement...

"The case is the latest of a string of employment tribunal cases related to banks’ foreign exchange businesses, in the wake of the benchmark rigging scandal that cost global banks more than $10bn in regulatory fines and resulted in dozens of senior employees losing their jobs."

The company lost half a mark under Workers' Rights. (ref: 36)

Arms & Military Supply (score: -1)

Investment in nuclear weapons companies (December 2022)

In June 2023 Ethical Consumer viewed the Don't Bank on the Bomb website and its December 2022 report titled "Risky Returns - Nuclear weapon producers and their financiers". The website and report were published by the International Campaign to Abolish Nuclear Weapons (ICAN).

The report listed 306 institutions which had financing or investment relationships with 24 nuclear weapon producing companies.

"The types of financing could include loans (including revolving credit facilities), investment banking (including underwriting share and bond issuances), and ownership of at least 0.5% of the outstanding shares or bonds of at least one of the companies."
It stated that HSBC had invested a total of $3,945.4 million in 9 companies which manufactured nuclear weapons between January 2020 and July 2022.

ICAN argued that "by lending money to nuclear weapons companies, and purchasing their shares and bonds, banks and other financial institutions, [companies and consumers] were indirectly facilitating the build-up and modernisation of nuclear forces, thereby heightening the risk that one day these ultimate weapons of terror will be used again – with catastrophic humanitarian and environmental consequences." ICAN was calling for a coordinated global campaign for nuclear weapons divestment.

HSBC lost a full mark under Arms and Military Supply. (ref: 37)

Incomplete policy on investments in cluster munitions (December 2018)


The report was a state-of-the-art report on financial institutions’ investment in companies that developed or produced cluster munitions, on financial institutions disinvesting from producers of cluster munitions and on states banning investments in cluster munitions.

The Convention on Cluster Munitions (CCM) categorically bans the use, production, stockpiling and transfer of cluster munitions. 94 countries signed the convention at the Oslo Signing Conference held 3-4 December 2008. The convention entered into force on 1 August 2010.

The report revealed that many financial institutions were still financing cluster munitions producers, despite the international consensus being that such weapons were considered unacceptable, given that civilians make up 98% of all cluster munitions victims.

HSBC was mentioned as a 'runner-up' in the report for having a policy regarding cluster munitions that had room for improvement. According to the report, HSBC’s Defence Equipment Sector Policy stated that “HSBC does not provide financial services to customers – including holding companies – which manufacture or sell anti-personnel mines or cluster bombs. We do not provide financial services for transactions involving such weapons.” According to the report, the exclusion policy applied to all of HSBC’s commercial banking and investment banking activities but not to “third party assets managed on behalf of HSBC customers and externally managed assets managed in the United States.”

However, the report also stated included in its 'Hall of Shame' the China-based Bank of Communications, which had a total of $152,8 million in China Aerospace Science & Industry and Norinco, two of seven companies on the 'Red Flag List of cluster munitions producers'. According to the 2021 Annual Report of Bank of Communications, HSBC was in a strategic partnership with the Bank of Communications (BoCom) and owned 18.7% of its shares.

To gain a place in the Hall of Fame, HSBC should apply its policy to all externally managed assets and to all investments on behalf of customers in the United States.

HSBC therefore lost half a mark in Arms and Military Supply. (ref: 38)

Investment in companies supplying Israeli military and government (December 2018)

HSBC was found by War on Want to be profiting from the sale of arms and equipment used in the oppression of Palestinians.

In its report, Deadly Investments: UK Banks complicity in Israeli Crimes against the Palestinian People, published in July 2017, War on Want investigated the relationship between UK banks and financial institutions and a sample of 19 companies profiting from Israeli militarism. The 19 companies had supplied the Israeli military and the Israeli Government with weapons and/or technology that had been used in the oppression of Palestinians. Companies that had sold 'civilian' equipment such as bulldozers which had been used to carry out demolitions of Palestinian houses in the West Bank, were also included in the report.
The report looked at two ways in which banks and financial institutions had supported these companies: by holding shares; and by providing loans to them.

It found that HSBC had provided 15 syndicated loans worth £19.3b in addition to shareholdings worth £831.5m in 15 companies that were profiting from Israel’s militarism.

Al Jazeera reported on 27 December 2018 that HSBC had pulled out its investments from one of these firms, Elbit Systems, following the campaign by War on Want and Palestine Solidarity Campaign.

The company lost a half mark under Arms & Military Supply. (ref: 39)

**Politics**

**Anti-Social Finance (score: -1)**

**Excessive remuneration for directors or other staff (12 June 2023)**

On 12 June 2022, Ethical Consumer viewed the latest HSBC Holdings plc annual report (2022).

It indicated that the company’s two executive directors both over £1 million in total compensation in 2022. The highest paid director was the group’s Chief Executive, Noel Quinn, who had received £5.6 million.

The report also contained a table that showed that the five highest paid employees were in senior management. They had each received between $8.8 million and $17.3 million.

Ethical Consumer deemed any annual amount over £250k to be excessive, while compensation of £1 million or more would lose a full mark. The company therefore lost a full mark under Anti-Social Finance. (ref: 23)

**Fined £64m for failures in anti-laundering processes (17 December 2021)**

On 21st September 2022, Ethical Consumer viewed an article on the Guardian website titled ‘HSBC fined £64m for failures in anti-laundering processes’ and dated 17 December 2021.

It reported that the Financial Conduct Authority (FCA) had fined HSBC for £63.9 million because it "had allowed customers to make transactions worth millions or even billions of pounds without being checked for money laundering – including on one occasion leaving out the whole of Wales from monitoring." The FCA gave several examples where HSBC had failed to detect criminal activity such as cigarette smuggling and VAT fraud. No response from HSBC was found.

According to the article, this was "the latest in a series of problems for the bank related to money laundering", referring to a fine of £1.2 billion imposed in the United States in 2012, for failing to track drug-related money.

Another article in the Guardian, dated 28th July 2021 and titled 'HSBC faces questions over disclosure of alleged money laundering to monitors', reported that the bank had failed to disclose a suspected multibillion-pound money laundering network to a monitor appointed by the US Department of Justice (DoJ) in 2012, after HSBC "allowed drug cartels in Latin America to launder hundreds of millions of dollars through its accounts." A former member of the "near 300-strong DoJ-ordered monitoring team said that they felt in their opinion, some HSBC staff, particularly senior employees, 'were quite evasive'. 'We had a sense that there [were] a whole set of other stones that we hadn’t been able to lift,' they added. 'But I don’t think anybody [at HSBC] really wanted us to look that hard.'" HSBC responded that it had fully cooperated with the monitoring team and was "determined to prevent criminals from accessing the financial system and, over several years, has overhauled its capabilities aimed at doing just that."

HSBC lost half a mark under Anti-Social Finance. (ref: 44)
HSBC and Santander to refund customers over unauthorised overdrafts (November 2019)

In March 2021, Ethical Consumer viewed an article on The Guardian website titled 'HSBC and Santander to refund customers over unauthorised overdrafts' and dated to 29 November 2019.

The article reported that HSBC had to pay back £8 million to 115,000 customers for failing to alert them that their bank account had gone into unauthorised overdraft, as they were legally required to do. The Competition and Market Authority stated that "HSBC had broken the legal order twice regarding the requirement to send text alerts."

HSBC lost half a mark under Anti-Social Finance. (ref: 45)

HSBC and Santander to refund customers over unauthorised overdrafts (November 2019)

On 28 September 2022, Ethical Consumer saw that The Guardian criticised HSBC and Santander in an article titled, "HSBC and Santander to refund customers over unauthorised overdrafts" dated November 2019.

The two banks failed to tell thousands of customers that they had gone into unauthorised overdrafts. At the time of writing Santander did not disclose how many customers were affected, or how much was needed to be refunded.

The article stated that this was the second time such a breach had occurred, "in May, the bank said it would refund about £1.4m in overdraft fees relating to 20,000 current account customers."

The company lost half a mark under Anti-Social Finance. (ref: 46)

HSBC to pay $765m over toxic bond sales in run-up to financial crisis (August 2018)

In March 2021, Ethical Consumer viewed an article on The Guardian website titled 'HSBC to pay $765m over toxic bond sales in run-up to financial crisis' and dated to 6th August 2020.

The article reported that HSBC had reached a settlement o $765m (£591m) with the US Department of Justice "to end an investigation into the sale of mortgage-backed securities in the run-up to the 2008 financial crisis".

HSBC lost half a mark under Anti-Social Finance. (ref: 48)

Libor manipulation case reinstated (March 2018)

On 23rd May 2016 it was reported on the Guardian website that a lawsuit accusing 16 big banks of Libor manipulation had been reinstated by a US court. A judge was said to have warned that the case could bankrupt the banks. The plaintiffs, which alleged they had been harmed by manipulation of the interbank benchmark interest rate, included the cities Baltimore, San Diego and Houston. The article quoted a statement from the US Court of Appeal: “Requiring the banks to pay treble damages to every plaintiff who ended up on the wrong side of an independent Libor-denominated derivative swap would, if appellants’ allegations were proved at trial, not only bankrupt 16 of the world’s most important financial institutions, but also vastly extend the potential scope of antitrust liability in myriad markets where derivative instruments have proliferated.”

A follow-up article on the Reuters website titled 'HSBC to pay $100 million to end Libor rigging lawsuit in U.S.' and dated 30 March 2018 reported that "HSBC Holdings Plc HSBA.L ha[d] agreed to pay $100 million to end private U.S. litigation accusing it of conspiring to manipulate the Libor benchmark interest rate".

HSBC lost half a mark under Anti-Social Finance. (ref: 49)

Tax Conduct (score: -1)
Worst Ethical Consumer rating for likely use of tax avoidance strategies (17 June 2023)

On 17 June 2023, Ethical Consumer viewed a list of HSBC Holdings plc's subsidiaries on the Hoovers corporate database.

This showed that the company had multiple subsidiaries in jurisdictions considered by Ethical Consumer to be tax havens at the time of writing.

Multiple of these were holding companies, which was considered a high-risk company type for likely use of tax avoidance, including:

HSBC Private Equity Management (Bermuda) Limited
HSBC Securities Services Holding Limited in British Virgin Islands

The company was repeatedly criticised for tax avoidance practices. One example was an article on the Reuters website titled 'HSBC Swiss unit to pay $192 million in latest U.S. tax evasion deal' (dated 10th December 2019), which reported that the Swiss private banking unit of HSBC Holdings Plc had agreed to pay $192.4 to the US government to settle a case in which HSBC had helped customers in multiple countries avoid paying taxes.

The company published the following statement regarding its tax policy: HSBC Holdings Plc The Capital Requirements (Country-by-Country Reporting Regulations 2013) (CBCR), dated to 31 December 2021. The report gave a per-country list of turnover, average number of FTEs, profit/loss before tax and corporation tax paid/refunded per country. However, this was not considered to be adequate, as it did not give a narrative explanation for what each group entity located in a tax haven was for, and why it was not being used for purposes of tax minimisation.

Overall, HSBC Holdings plc received a worst Ethical Consumer rating for likely use of tax avoidance strategies and lost a whole mark in the Tax Conduct category. (ref: 23)

Helped clients dodge millions in tax (December 2019)

In February 2015, it was reported by the BBC that HSBC helped wealthy clients across the world evade hundreds of millions of pounds worth of tax.

BBC's Panorama show had seen accounts from 106,000 clients in 203 countries, leaked by whistleblower Herve Falciani in 2007. The documents included details of almost 7,000 clients based in the UK.

The French authorities had already concluded in 2013 that 99.8% of their citizens on the list were probably evading tax. The thousands of pages of data were obtained by the French newspaper Le Monde. In a joint investigation, the documents have now been passed to the International Consortium of Investigative Journalists, the Guardian newspaper, Panorama and more than 50 media outlets around the world.

HM Revenue and Customs (HMRC) was given the leaked data in 2010 and identified 1,100 people from the list of 7,000 British clients who had not paid their taxes. But almost five years later, only one tax evader has been prosecuted. HMRC said £135m in tax, interest and penalties have now been paid by those who hid their assets in Switzerland.

The chairwoman of the Public Accounts Committee, Margaret Hodge MP, said: "I just don't think the tax authorities have been strong enough, assertive enough, brave enough, tough enough in securing for the British taxpayer the monies that are due."

HSBC did not just turn a blind eye to tax evaders - in some cases it broke the law by actively helping its clients. HSBC said it is "co-operating with relevant authorities".

The bank gave one wealthy family a foreign credit card so they could withdraw their undeclared cash at cashpoints overseas.

HSBC also helped its tax-dodging clients stay ahead of the law. When the European Savings Directive was introduced in 2005, the idea was that Swiss banks would take any tax owed from undeclared
accounts and pass it to the taxman. It was a tax designed to catch tax evaders. But instead of simply collecting the money, HSBC wrote to customers and offered them ways to get round the new tax. HSBC denies that all these account holders were evading tax.

HSBC admitted that it was "accountable for past control failures." But it said it had now "fundamentally changed. We acknowledge that the compliance culture and standards of due diligence in HSBC’s Swiss private bank, as well as the industry in general, were significantly lower than they are today," it added.

The bank is facing criminal investigations in the US, France, Belgium and Argentina, but not in the UK. The bank faced criminal investigations in the US, France, Belgium and Argentina, but not in the UK, where HSBC was based.

A follow-up article on the Financial Times website titled ‘HSBC agrees to pay €300m to settle probe into tax evasion’, dated to 14th November 2017, reported that HSBC “was fined SFr40m by Swiss authorities in June 2015 for ‘organisational failings’ that allowed money laundering to take place” and settled with the French authorities for €300 million.

A follow-up article on the Al-Jazeera website titled ‘HSBC fined $336m to repay Belgium after huge tax fraud’, dated to 6th August 2019, reported that HSBC settled the case in Belgium for $336 million.

A follow-up article on the Reuters website titled ‘HSBC Swiss unit to pay $192 million in latest U.S. tax evasion deal’ and dated 10th December 2019, reported that the Swiss private banking unit of HSBC Holdings Plc had settled the case for $192.4 million with the US government.

HSBC lost a whole mark under Anti-Social Finance. (ref: 51)

**HSBC found guilty of aiding major tax fraud (August 2019)**

In March 2021, Ethical Consumer viewed an article on the Guardian website titled 'French prosecutor calls for HSBC to stand trial for alleged tax fraud' and dated to 3rd November 2016.

According to the article, “HSBC could face trial for alleged tax fraud in France over the activities of its Swiss subsidiary.” It was accused of having aided tax fraud in France in a case that related to files being stolen by Hervé Falciani, a former HSBC employee – documents now known as the Falciani documents.

The article stated: “If the case goes to trial, HSBC would face charges that its Swiss private banking arm helped customs to hide assets from the French tax authorities. Magistrates in France must decide whether to proceed with the charges.”

On 7th August 2019, Bloomberg News published an update on the case titled 'Ex-HSBC Banker Pleads Guilty in $1.8 Billion French Tax Case'. It stated that a former chief executive of HSBC Holdings Plc’s Swiss private bank had been fined 500,000 euro and received a one-year suspended jail sentence for helping clients hide assets worth at least 1.6 billion euros. In November 2017, HSBC had already paid 300 million euros to settle allegations in the same case.

The company lost half a mark under Tax Conduct. (ref: 53)

(See also 'Implicated in “one of the world’s biggest tax scandals”' in Anti-Social Finance above.)

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