

Preface: The following is an update of a statement originally released in October 2015. Since that time, a judge has ordered the release of a report by an independent monitor overseeing the cleanup of HSBC's massive money laundering. The 1000-page report is so critical of HSBC's efforts that the U.S. Department of Justice has opposed its release, saying that it would provide a "road map" for criminals seeking to launder money and finance terrorism.¹ Filings were due on February 26, and the order may be stayed pending appeal.²

While we firmly believe that the Green Climate Fund (GCF) Board should not accredit HSBC³ for the reasons articulated in the statement below, the Board's consideration of HSBC's application should at least be deferred until the Accreditation Panel has had an opportunity to fully review the findings of the independent monitor. At a minimum, it would be premature for the Board to make a judgment on the fiduciary and reputational risks that accrediting HSBC would entail for the GCF before the report is publicly released.

No to HSBC and Crédit Agricole at GCF

March 2016

The Board of the Green Climate Fund must reject the applications for accreditation of both HSBC and Crédit Agricole. Their accreditation would pose serious reputational and moral risk to the GCF via the banks':

- Well-documented involvement in recent money laundering or other fiduciary mismanagement scandals;
- Large exposure to the coal industry and other climate polluting sectors; and
- Poor-quality policies and weak compliance arrangements meant to manage the social, gender, and environmental impacts of their lending, and consequent harm on-the-ground.

The accreditation of HSBC and Crédit Agricole would run counter to the GCF's intent to be a game-changing institution with country ownership at its core. In turn, the GCF Board's rejection of their applications would be a strong mark in favor of maintaining the integrity of the Fund.

Money Laundering & Financial Mismanagement

HSBC has been at the heart of one financial scandal after another, with serious global ramifications. In 2012, a U.S. Senate investigation found that HSBC allowed Latin American drug cartels to launder hundreds of millions of dollars. HSBC admitted responsibility, and agreed to pay more than \$1.9 billion in fines, and to a five-year deferred-prosecution agreement under which HSBC must reform its practices or face criminal prosecution.⁴ HSBC also agreed to have its cleanup efforts overseen by an independent monitor.

Meanwhile, the International Consortium of Investigative Journalists has exposed billions of dollars of HSBC involvement with serious criminal activity such as arms and diamond trafficking and misappropriation of state assets. U.S., U.K., and E.U. authorities are also investigating HSBC for manipulating Libor and Euribor benchmark interest rates.⁵ Crédit Agricole has also been accused of manipulating these benchmark interest rates.⁶

Major Financiers of Climate Pollution & Consequent Harm

HSBC and Crédit Agricole rank among the top 20 private sector banks financing coal.⁷ Between 2005 and April 2014, HSBC extended over €7.9 billion to coal, despite its own public advice warning of the risks of investing in this dirtiest of fossil fuels.⁸ In this same period, Crédit Agricole channeled more than €7 billion to the coal sector.⁹

¹ http://globalinvestigationsreview.com/digital_assets/758e3555-c69a-4bd4-a05c-dd82f3ca5111/1732-2-HSBC-Seymour-response-to-motion-to-unseal.pdf

² <http://www.channelnewsasia.com/news/business/hsbc-money-laundering-rep/2502196.html>

³ Accredited entities are institutions approved by the GCF Board to receive and manage GCF funds.

⁴ <http://www.icij.org/project/swiss-leaks/banking-giant-hsbc-sheltered-murky-cash-linked-dictators-and-arms-dealers>

⁵ <http://graphics.wsj.com/libor-network/#item=HSBC>

⁶ <http://www.telegraph.co.uk/finance/newsbysector/banksandfinance/10843666/Three-banks-accused-of-rigging-Euribor.html>

⁷ http://www.banktrack.org/manage/ems_files/download/banking_on_coal_2014_pdf/banking_on_coal_2014.pdf

⁸ http://www.banktrack.org/manage/ems_files/download/150907_hsbc_briefing_pdf/150907_hsbc_briefing.pdf

⁹ http://www.banktrack.org/download/ca_briefing_en_digital_pdf/ca_briefing_en_digital.pdf

The negative impacts of such coal investments extend beyond climate. By May 2013, HSBC had, for example, invested \$3.133 billion in the companies behind the Cerrejon project in Colombia, South America's largest open-pit coal mine. In addition to its climate impact, Cerrejon is widely regarded as a human rights disaster, with widespread allegations of forcible displacement of farming communities and destruction of sacred sites, among others.¹⁰ Crédit Agricole is the lead arranger on a \$6.8 billion corporate loan to Glencore, which co-owns the Cerrejon project.

Given the financial and economic destabilization stemming from stranded assets of unburnable carbon and recent developments by expert bodies to prevent and address such destabilization -- such as the Task Force on Climate-related Financial Disclosures chaired by Michael Bloomberg and recent warnings by the European Systemic Risk Board¹¹ -- it would be irresponsible for the GCF to partner with chief fossil fuel investors HSBC and Crédit Agricole.

Both banks also back non-fossil-fuel-based sectors with a large negative impact on climate. HSBC is a major financier of Indonesia's palm oil sector, a sector characterized by driving deforestation on a vast scale, industrial agricultural excess, degradation of carbon-rich peatlands, human rights abuse, and labor exploitation.¹²

Poor Protection of Human & Environmental Rights

Accredited entities should have exemplary policies and practices in place to adequately deal with potential social, gender equality, environmental, and human rights risks of the projects they finance. This is not the case with HSBC and Crédit Agricole. For example, both fall far short in their implementation of the UN Guiding Principles on Business and Human Rights. In a recent BankTrack assessment of implementation of the Guiding Principles, Crédit Agricole scored 2.5 points and HSBC only one point, out of a maximum of 12 points, leaving them at the bottom end of a list of 32 banks.¹³

This has played out to devastating effect on the ground. In Malaysia, a Global Witness exposé revealed, "HSBC has bankrolled logging companies causing widespread environmental destruction and human rights abuses in Sarawak, Malaysia, violating its sustainability policies and earning around US\$130 million in the process....The bank is also providing financial services to companies widely suspected of systematic bribery and corruption."¹⁴

Undercutting Integrity & Mandate of GCF

The banks' accreditation would undermine the GCF's commitment to robust fiduciary standards and strong environmental and social safeguards as well as gender equality, and would be contrary to what the GCF Secretariat has described as having "GCF standards [that] build on best practices of global institutions."¹⁵

In addition, Crédit Agricole and HSBC would move the Fund even further from the diversity and balance that it is seeking to achieve.¹⁶ Thus far, the vast majority of GCF resources are expected to flow through developed country/international entities. None of the entities accredited for medium-sized activities and only 20% of entities accredited for large-sized activities are direct access entities.¹⁷ The imbalance in accreditation of national/regional entities versus international entities threatens the GCF's claim to be a transformational institution, as the Secretariat has acknowledged "without a

¹⁰ <http://www.theguardian.com/sustainable-business/cerrejon-mine-colombia-human-rights>

¹¹ <http://www.theguardian.com/global-development/2016/feb/12/climate-risks-could-wreak-havoc-on-financial-markets-eu-watchdog-warns>

¹² For more on HSBC's role in the palm oil sector, see Forest Peoples Programme with Profundo, "HSBC and the Palm Oil Sector in South East Asia: towards accountability." <http://www.forestpeoples.org/guiding-principles/free-prior-and-informed-consent-fpic/publication/2010/hsbc-and-palm-oil-sector-so>.

¹³ http://www.banktrack.org/manage/ems_files/download/bankingwithprinciples_humanrights_dec2014_pdf/hr_banking_with_principles_digital_0.pdf

¹⁴ <https://www.globalwitness.org/archive/hsbc-rakes-us130-million-bankrolling-rainforest-destruction-and-human-rights-abuses-malaysia/>. Full report available at <https://www.globalwitness.org/sites/default/files/hsbc-logging-briefing-gw.pdf>.

¹⁵ GCF/B.11/Inf.08, Strategy on accreditation (progress report). http://www.gcfund.org/fileadmin/00_customer/documents/MOB201511-11th/Inf.08 - Strategy on Accreditation 20151013_2115.pdf

¹⁶ GCF/B.11/Inf.08, Strategy on accreditation (progress report) "Direct access. The Board, in decision B.09/07, paragraph (g), requested the Secretariat to aim to achieve a balance of diversity, including equitable representation of different geographical/regional areas, in the list of entities considered for accreditation between direct access entities, including some operating at scale, private entities and international entities."

¹⁷ Direct access allows entities within a developing country to access GCF resources directly, without having to go through multilateral/international institutions.

strong role of national and regional institutions the GCF will not be able to fulfil its mandate to create a paradigm shift.”¹⁸

Endorsed by:

350.org (International)
ActionAid International
Adivasi Mulvasi Astitva Raksha Manch (India)
AFREMO Ladies Club (Ghana)
Africa Emancipation Movement (Ghana)
Aksi! (Indonesia)
Alliance Sud (Switzerland)
Alternatives Durables pour le Développement (Cameroon)
Alyansa Tigil Mina (Alliance Against Mining-Philippines)
Aniban Ng Mga Manggagawa Sa Agrikultura, Philippines
Aotearoa New Zealand Human Rights Lawyers Association
Asia Indigenous Peoples Pact (Thailand)
Asia Pacific Farmers Forum (Regional)
Asia Pacific Forum on Women, Law and Development
Asian Peoples Movement on Debt and Development (Regional)
BankTrack (Netherlands)
Both ENDS (Netherlands)
CAFOD (UK)
Campaign for Climate Justice Nepal
CEE Bankwatch Network (Central and Eastern Europe)
Censat Agua Viva- Amigos de la Tierra Colombia
Center for Biological Diversity (USA)
Center for Earth Jurisprudence, Barry University Law School (USA)
Center for Environment/Friends of the Earth Bosnia and Herzegovina
Center for International Environmental Law (USA)
Centre for 21st Century Issues (C21st),(Nigeria)
Centre for Social Impact Studies (Ghana)
CESTA – Friends of the Earth El Salvador
CHANGE (Vietnam)
Chennai Solidarity Group (India)
CIDSE (Belgium)
CLEAN (Coastal Livelihood and Environmental Action Network) (Bangladesh)
Climate & Sustainable Development Network of Nigeria
Climate Action Network Europe
Climate Action Network-South Asia
Climate Action Sweden
Climate Change Network Nigeria
Climate Justice Programme (Australia)
Coal Action Network (UK)
Coalition on the Environment and Jewish Life (USA)
Coast Rights Forum (Kenya)
Coastal Livelihood and Environmental Action Network (Bangladesh)
Community Resource and Development Center (Kenya)
Comorian Youth Initiative On Climate Change (Comoros)
Consumers Protection Association (Lesotho)
Corporate Accountability International (USA)
Corporate Europe Observatory (Belgium)
Earth Day Network (International)
Earth in Brackets (USA)
ECASARD (Ghana)
EcoEquity (USA)
Ecological Society of the Philippines
Ecologistas en Acción-Spain
Energy action coalition (USA)
Environment Ethiopia and Consortium for Climate Change
Environmental Justice Initiative for Haiti (USA)
Environmental Monitoring Group (South Africa)
Equator Network (USA)
European Association of Geographers (Belgium)
Fairwatch - Italy
FIAN Nepal All Nepal Peasants Federation
Food & Water Watch (USA)
Forest Peoples Programme (UK)
Foundation HELP (Tanzania)
Freedom from Debt Coalition (Philippines)
Friends Committee on National Legislation (USA)
Friends of the Earth Australia
Friends of the Earth England, Wales and Northern Ireland
Friends of the Earth International
Friends of the Earth Japan
Friends of the Earth Sierra Leone
Friends of the Earth U.S.
Fundación Ambiente y Recursos Naturales (Argentina)
Fundación M'Biguá (Argentina)
GegenStroemung – CounterCurrent (Germany)
Gender Action (USA)
GERES - Groupe Énergies Renouvelables, Environnement et Solidarités (France)
Germanwatch
Global Alliance for Incinerator Alternatives (International)
Global Justice Now (UK)
Global Witness (UK)
Green Development Advocates (Cameroon)
Green Horizon Cameroon
groundWork/Friends of the Earth South Africa
HATOF Foundation Ghana
Heinrich Boell Stiftung North America
Hope and Health of African Children's Association (Cameroon)
Human Rights Foundation Aotearoa (New Zealand)
Indian Social Action Forum
Indian Youth Climate Network
Institute for Agriculture and Trade Policy (USA)
Institute for Climate and Sustainable Cities (Philippines)
Institute for Policy Studies - Climate Policy Program (USA)

¹⁸ GCF/B.11/Inf.08, Strategy on accreditation (progress report). http://www.gcfund.org/fileadmin/00_customer/documents/MOB201511-11th/Inf.08 - Strategy on Accreditation 20151013_2115.pdf

Interamerican Association for Environmental Defense, AIDA (Latin America)
 International Forum on Globalization (USA)
 International Rivers (USA)
 International-Lawyers.org (Switzerland)
 JA!Justica Ambiental/Friends of the Earth Mozambique
 Jagaran Nepal
 Jordens Vänner/Friends of the Earth Sweden
 JVE International (Togo)
 JVE Zambia
 Kenya County Government Workers Union
 Khazer Ecological and Cultural NGO (Armenia)
 Klima ohne Grenzen (Germany)
 Koalisyon.Pabahay ng Pilipinas (Philippines)
 Korea Federation for Environmental Movements (South Korea)
 KRuHA Indonesia
 KyotoUSA
 Labour,Health and Human Rights Development Centre (Nigeria)
 LDC Watch (Regional)
 LEADS Nigeria
 Leave it in the Ground Initiative (International)
 Les Amis de la Terre France
 Les Amis de la Terre-Togo
 London Mining Network (UK)
 Makabayan Pilipinas (Philippines)
 Maryknoll Office for Global Concerns (USA)
 Migrant Forum in Asia (Regional)
 Move Your Money (UK)
 MPIDO (Kenya)
 National Network on Right to Food Nepal
 National Women Peasants Association (Nepal)
 Nature Code – Centre of Development & Environment (Belgium)
 Nepal Youth Peasants Association
 New Rules for Global Finance (USA)
 NOAH - Friends of the Earth Denmark
 Nostromo Research (UK)
 Office of Social Justice, Christian Reformed Church in North America
 Oryang Pilipinas (Philippines)
 Oxfam (International)
 P3 Foundation (New Zealand)
 Pacific Partnerships on Gender, Climate Change & Sustainable Development (Fiji)
 Pakistan Fisherfolk Forum
 Pan African Climate Justice Alliance (Africa)
 Policy Analysis and Research Institute of Lesotho
 Réseau Action Climat-France
 Réseau Climat & Développement (France)
 Réseau Foi et Justice Afrique Europe (France)
 Rural Reconstruction Nepal
 SAGRC (South Africa)
 Sahabat Alam Malaysia/Friends of the Earth Malaysia
 SANLAKAS (Philippines)
 Sierra Club (USA)
 Sisters of Mercy of the Americas' Institute Justice Team (USA)
 Solidaritas Perempuan Indonesia
 SONIA for a Just New World (Italy)
 South Asia Alliance for Poverty Eradication (Nepal)
 South Asia Food Sovereignty Network (Regional)
 South Asia Peasants Coalition (Regional)
 Southern Oregon Climate Action Now (USA)
 SustainUS (USA)
 Taiwan Environmental Protection Union
 Tebtebba (Indigenous Peoples' International Centre for Policy Research and Education) (International)
 The Development Institute (Ghana)
 The Institute for Policy Interaction (Malawi)
 Third World Network (Malaysia)
 Tipping Point Collective (International)
 Trade Union Policy Institute Nepal
 TuK Indonesia
 Ulu Foundation (USA)
 Universidad Nacional Autonoma de Mexico
 University of KwaZulu-Natal Centre for Civil Society, Durban (South Africa)
 Urgewald (Germany)
 WALHI-Friends of the Earth Indonesia
 WAVE Foundation (Bangladesh)
 WomanHealth (Philippines)
 WoMIn African Gender and Extractives Alliance (South Africa)
 Worldview-The Gambia
 Youth For Climate Justice Mindanao (Philippines)
 Zambia Climate Change Network
 ZIMCODD (Zimbabwe)

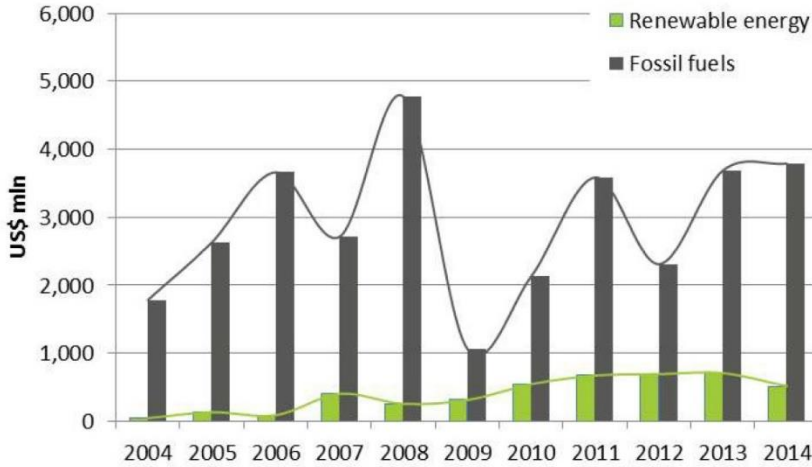
APPENDIX I

HSBC: No Downward Trend in Fossil Fuel Financing
Financing for Fossil Fuels vs. Renewables

While HSBC’s renewables financing increased between 2004-2009 and 2009-2014, fossil fuel financing also increased -- by 18%.¹⁹

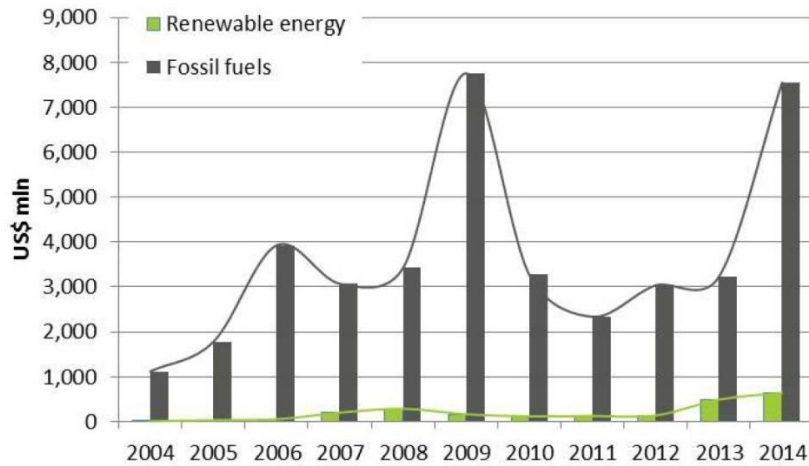
Loans: As shown in the chart below, HSBC’s loans for fossil fuels increased in the lead up to the global economic crisis, then dropped to their lowest level in 2009 (over the 10 year period), before increasing rapidly until 2014.

Figure 45 HSBC loans to the selected companies (2004-2014)



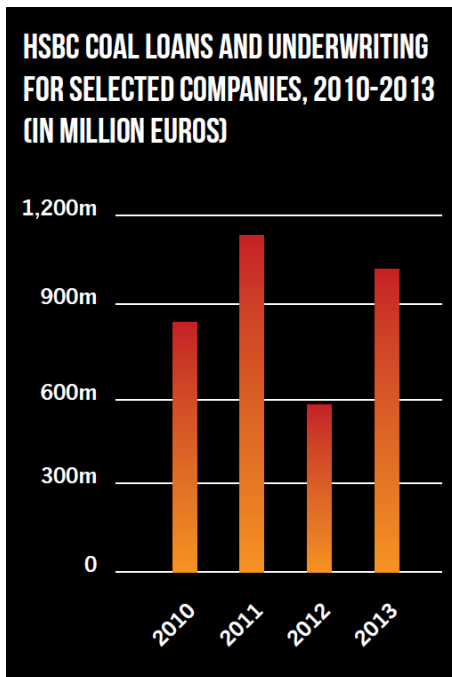
Underwriting: The following chart demonstrates a similar trend, with HSBC’s fossil fuel underwriting increasing by 35% over time. A rapid increase preceded a 2009 decline; fossil fuel underwriting then bounced back and again exceeded US\$7 billion by 2014. Furthermore, even though renewables financing increased over time, HSBC’s actual investment in fossil fuels was continually magnitudes greater.

Figure 46 HSBC underwriting services to the selected companies (2004-2014)



¹⁹Undermining Our Future, A Study of Banks’ Investments in Selected Companies Attributable to Fossil Fuels and Renewable Energy, A Fair Finance Guide International Case Study, by Profundo, BankTrack, and Fair Finance Guide International, November 2015. <http://fairfinanceguide.org/media/60908/ffg-report-151102-undermining-our-future-final.pdf>.

Coal: HSBC's lending and underwriting of coal, the dirtiest of the fossil fuels, from 2010 to 2013 does not show a clear downward trend, despite HSBC coal sector policies.²⁰



²⁰Banking on Coal 2014, by BankTrack in cooperation with urgewald, Rainforest Action Network, Les Amis de la Terre France, Market Forces, and the World Development Movement. http://www.banktrack.org/download/banking_on_coal_2014_pdf/banking_on_coal_2014.pdf; HSBC: Quit Coal! BankTrack, September 2015. http://www.banktrack.org/manage/ems_files/download/150907_hsbc_briefing_pdf/150907_hsbc_briefing.pdf. HSBC profile on "Coal Banks" website: <http://coalbanks.org/bank#hsbc>.

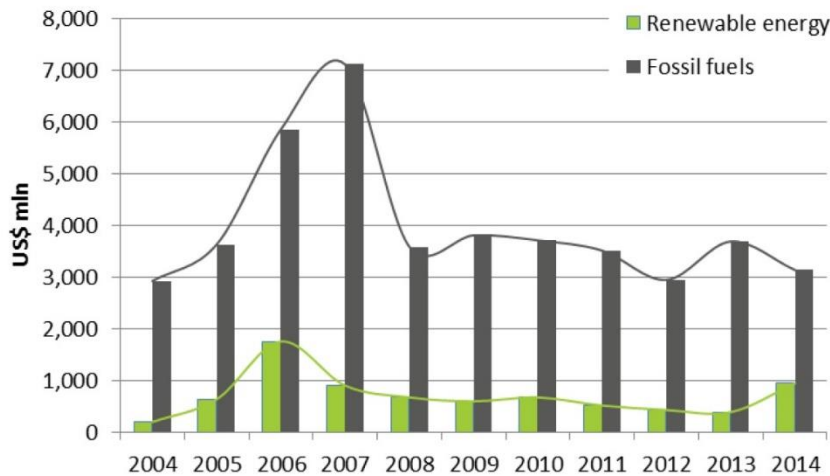
APPENDIX II

Crédit Agricole: No Downward Trend in Fossil Fuel Financing Financing for Fossil Fuels vs. Renewables

The financing of fossil fuels by Crédit Agricole increased by 8% between 2004-2009 and 2009-2014, while renewable energy financing decreased by 7%.²¹

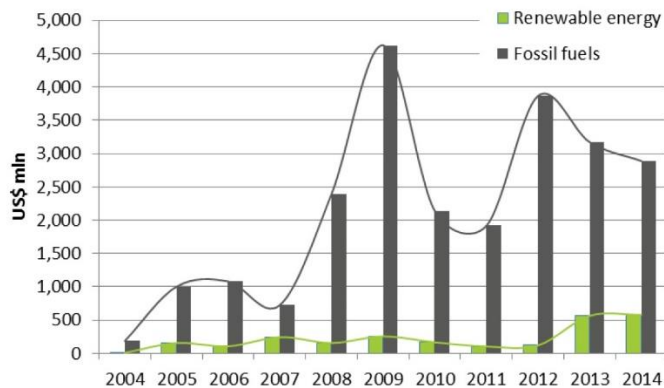
Loans: As shown in the chart below, Crédit Agricole’s loans for both fossil fuels and renewables decreased after 2007. However, total loans for fossil fuels were still three to four times as large as loans for renewables.

Figure 36 Crédit Agricole loans to the selected companies (2004-2014)



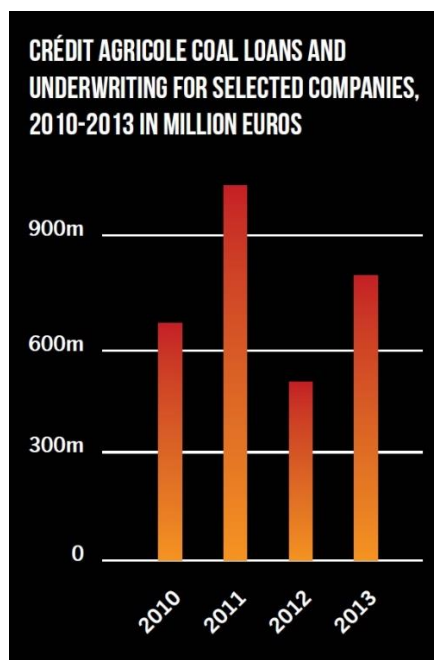
Underwriting: The following chart demonstrates increasing fossil fuel underwriting until 2009, and a subsequent increase in 2012. Throughout the 10-year period, fossil fuel financing outpaced renewables financing many times over.

Figure 37 Crédit Agricole underwriting services to the selected companies (2004-2014)



²¹Undermining Our Future, A Study of Banks’ Investments in Selected Companies Attributable to Fossil Fuels and Renewable Energy, A Fair Finance Guide International Case Study by Profundo, BankTrack, and Fair Finance Guide International, November 2015. <http://fairfinanceguide.org/media/60908/ffg-report-151102-undermining-our-future-final.pdf>.

Coal: Crédit Agricole has not demonstrated a clear downward trend for the financing of coal, the dirtiest of fossil fuels. The trend for lending and underwriting from 2010 to 2013 peaked in 2011 and rebounded again in 2013.²²



Recent reforms and their impact: In 2015, Crédit Agricole adopted new criteria for coal financing. It announced an end to project finance for new coal mines globally and for new power plants in high-income countries (according to the World Bank classification), and also committed to reducing corporate finance for coal mining companies. But, in practice, Crédit Agricole remains dangerously out of line with keeping global temperature rise below 2°C, let alone 1.5°C.²³

Crédit Agricole's coal policy actually leaves the bulk of its support for coal intact.²⁴ First, project finance only accounts for a very small percentage of the bank's support for coal. Second, high-income countries account for only 6.1% of the world coal market, thus ending coal project financing in those locations has a very limited impact.²⁵ Third, the new coal mining policy does not apply to companies that make less than 50% of their income from coal. Thus, Crédit Agricole can continue to finance coal extraction via support for major multinational fossil fuel financiers such as BHP Billiton, Glencore, or Anglo American. Finally, Crédit Agricole has not made any commitments regarding coal utilities.



²² Crédit Agricole: Quit Coal! by BankTrack and Les Amis de la Terre France, May 2015.

http://www.banktrack.org/download/ca_briefing_en_digital_pdf/ca_briefing_en_digital.pdf.

Crédit Agricole profile on BankTrack "Coal Banks" website: http://coalbanks.org/bank#credit_agricole.

²³ As a demonstration of the inadequacy of Crédit Agricole's climate commitment, it is understood to have recently joined the lending group for the expansion of the Tanjong Jati B (TJB2) coal-fired power plant in Indonesia.

²⁴ Banking on Coal 2014, by BankTrack in cooperation with urgewald, Rainforest Action Network, Les Amis de la Terre France, Market Forces, and World Development Movement. http://www.banktrack.org/download/banking_on_coal_2014_pdf/banking_on_coal_2014.pdf

²⁵ Global Coal Plant Tracker database, which gathers information on every known coal-fired electrical generating unit proposed since January 1, 2010. 6.1% are in high income countries, using the World Bank's definition.