

# United States Senate

June 9, 2022

Mr. Noel Quinn  
CEO, HSBC  
8 Canada Square  
London, E14 5HQ  
United Kingdom

Dear Mr. Quinn,

I write today in response to your handling of a speech given by HSBC Asset Management's Global Head of Responsible Investment, Stuart Kirk, and its aftermath. I am concerned that this episode may involve breaches of United States law, or indicate that you and the financial industry are falling prey to the same groupthink that led to the 2008 financial crisis.

As you know, Mr. Kirk spoke recently at the FT Live Moral Money Summit Europe, where he argued that the financial risks of climate change are being overstated.<sup>1</sup> Mr. Kirk limited his remarks to the "financial and investment view of the topic."<sup>2</sup> He proposed that the emphasis placed on climate-related financial risk is disproportionate to even the worst-case scenario projections and that time might be better spent dealing with challenges related to crypto, China, the housing crisis, rising interest rates, and inflation. For having the temerity to express this opinion, you have suspended Mr. Kirk "pending an internal investigation."<sup>3</sup> It is unclear what exactly there is to investigate given media reports that Mr. Kirk's "theme and content had been agreed internally" at HSBC before the presentation was given.<sup>4</sup>

Based on the company's prior approval of Mr. Kirk's remarks, it appears to many that Mr. Kirk's suspension was in response to pressure on HSBC from outside parties that may be legally prohibited from influencing the management of your company. For example, BlackRock owns 7.7% of the voting class of HSBC's equity securities, according to a Schedule 13G filed earlier this year.<sup>5</sup> An entity such as Blackrock that holds securities consistent with Schedule 13G affirms that its ownership is "not with the purpose nor with the effect of changing or influencing the control of"<sup>6</sup> a company such as HSBC. To the extent Blackrock, or any similar firm, directly

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<sup>1</sup> Owen Walker, *HSBC Suspends Banker Over Climate Change Comments*, FINANCIAL TIMES (May 22, 2022), <https://www.ft.com/content/8e1a16ea-bf63-45f8-81af-dc41c0df4e06?curator=upstract.com>.

<sup>2</sup> FT Live, *HSBC's Stuart Kirk Tells FT Investors Need Not Worry About Climate Risk*, YOUTUBE (May 20, 2022), <https://www.youtube.com/watch?v=bfNamRmje-s>.

<sup>3</sup> Walker, *HSBC Suspends Banker Over Climate Change Comments*.

<sup>4</sup> *Id.*

<sup>5</sup> See Schedule 13G filed by BlackRock on Feb. 3, 2022, <https://www.sec.gov/Archives/edgar/data/0001364742/000083423722005442/0000834237-22-005442-index.html>. Also available at <https://ir.blackrock.com/financials/sec-filings/default.aspx>.

<sup>6</sup> See 17 C.F.R. § 240.13d-1(b)(1)(i).

or indirectly through any group with which it is affiliated, influenced your decision with regard to Mr. Kirk, these laws may have been violated.

Blackrock and others have made the same commitments as HSBC to promote extreme environmental ideology through their business. For example, Blackrock and HSBC are both members of the Glasgow Financial Alliance for Net Zero (“GFANZ”). In fact, you are listed as “Principal” of the group.<sup>7</sup> Given this position, you are no doubt aware that the purpose of GFANZ is to “accelerate the transition to a net-zero global economy.”<sup>8</sup> One of the goals of GFANZ is to promote “net-zero public policy,” which includes “driv[ing] ambition, credible, and predictable public policies and regulations that enable the net-zero transition.”<sup>9</sup> You and your members repeatedly “[c]all [on] governments of the G20 [and others] to take action on climate change.”<sup>10</sup> This includes encouraging public policy makers to provide billions in funding for various projects GFANZ posits are necessary to bring about the “clean energy transition.”<sup>11</sup>

You also are a founding member of the Net Zero Banking Alliance and have “committed to aligning the financed emissions from our portfolio of customers to net zero by 2050 or sooner, in line with the Paris Agreement goals.”<sup>12</sup> Blackrock and some of your other large shareholders belong to Climate Action 100+, a group which pressures companies to “reduce greenhouse gas emissions across the value chain.”<sup>13</sup> Demonstrating that these commitments result in tangible decisions with financial impacts, HSBC has agreed “to phase out the financing of coal-fired power and thermal coal mining by 2030 in markets in the European Union and Organisation for Economic Cooperation and Development, and by 2040 in other markets.”<sup>14</sup>

The financial services industry’s lockstep commitment to out-of-mainstream environmental ideology raises serious concerns about whether your industry’s susceptibility to groupthink is repeating itself.<sup>15</sup> In the early 2000s, your industry assumed that the housing market could never slump nationwide, or that rigorous mortgage underwriting standards were an unnecessary impediment to mortgage volume. Now, your industry appears destined to ignore the dangers of the current path until the economy once again suffers the consequences.

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<sup>7</sup> <https://www.gfanzero.com/about/>

<sup>8</sup> Id.

<sup>9</sup> Id.

<sup>10</sup> <https://assets.bbhub.io/company/sites/63/2021/10/GFANZ-call-to-action.pdf>

<sup>11</sup> <https://www.gfanzero.com/netzerofinancing/>

<sup>12</sup> HSBC, *Who We Are, Our Climate Strategy*, <https://www.hsbc.com/who-we-are/our-climate-strategy>.

<sup>13</sup> Climate Action 100+, *Approach, The Three Asks*, <https://www.climateaction100.org/approach/the-three-asks/> (emphasis omitted).

<sup>14</sup> HSBC, *Who We Are, Our Climate Strategy*.

<sup>15</sup> United States Department of Justice, “HSBC Agrees To Pay \$765 Million In Connection With Its Sale Of Residential Mortgage-Backed Securities,” (Oct. 9, 2018), available at: <https://www.justice.gov/usao-co/pr/hsbc-agrees-pay-765-million-connection-its-sale-residential-mortgage-backed-securities>.

Today, despite lack of scientific or public consensus, your industry has bought into the “coming energy transition,” accelerated by future government mandates. It’s worth remembering that the Paris Agreement’s aspirations are not law within the United States and ratification of the Paris Agreement would not pass the Senate. Even if net-zero mandates weren’t exceedingly unpopular, such policy is technologically unrealistic and unattainable at this time without large-scale economic disruption. Public polling data and the real-world failures of past attempts to cripple the American economy in the name of the environment have shown over,<sup>16</sup> and over,<sup>17</sup> and over,<sup>18</sup> and over again<sup>19</sup> that the American people do not want to pay for “the coming energy transition.” Your models need to account for this reality rather than predicting global conformity to make-believe regulatory mandates.

Consider the current Administration. President Biden has been thoroughly hostile to energy exploration, and zealous to implement net-zero mandates that have harmed our economy, driven inflation, and weakened our energy independence and ability to serve the free world that seeks energy sources that are not controlled by authoritarian governments. Given crippling inflation and record energy costs, President Biden has taken minor steps to restart oil and gas leasing on federal lands,<sup>20</sup> albeit at a scaled-back size, and released millions of barrels of oil from the strategic petroleum reserve.<sup>21</sup> While these steps are not enough, they do represent an admission from this Administration that the United States needs to increase domestic energy production.

Your treatment of Mr. Kirk’s heterodox remarks raises serious questions about HSBC’s risk management practices and culture. As you know, a key principle of risk management is establishing a culture where dissenting views may be candidly expressed.<sup>22</sup> It is well established that groupthink can lead to suboptimal, even disastrous outcomes for businesses.<sup>23</sup> When the

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<sup>16</sup> The United States Senate, including then-Senators Biden and Kerry, *unanimously* rejected the 1997 Kyoto Protocols even before they were finalized. 105<sup>th</sup> Congress, 1<sup>st</sup> Sess., S. Res. 98.

<sup>17</sup> Emily Swanson and Ryan Grim, “Climate Change Poll Finds Most Americans Unwilling To Pay Higher Energy Costs,” THE HUFFINGTON POST (Nov. 2, 2012), available at: [https://www.huffpost.com/entry/climate-change-poll-energy-costs\\_n\\_2067125](https://www.huffpost.com/entry/climate-change-poll-energy-costs_n_2067125).

<sup>18</sup> Kent Lassman and Myron Ebell, “More than One-third of Registered Voters Are Unwilling to Spend \$1 Per Month on Climate Change Policies” Competitive Enterprise Institute (May 25, 2021), available at: [https://cei.org/news\\_releases/more-than-one-third-of-registered-voters-are-unwilling-to-spend-1-per-month-on-climate-change-policies/](https://cei.org/news_releases/more-than-one-third-of-registered-voters-are-unwilling-to-spend-1-per-month-on-climate-change-policies/).

<sup>19</sup> Dino Grandoni and Scott Clement, “Americans like Green New Deal’s goals, but they reject paying trillions to reach them,” THE WASHINGTON POST (Nov. 27, 2019), available at: <https://www.washingtonpost.com/climate-environment/2019/11/27/americans-like-green-new-deals-goals-they-reject-paying-trillions-reach-them/>.

<sup>20</sup> “U.S. to resume oil, gas drilling on public land despite Biden campaign pledge,” REUTERS, Apr. 15, 2022, available at: <https://news.yahoo.com/u-resume-oil-gas-drilling-225302772.html>.

<sup>21</sup> Kevin Liptak and Kate Sullivan, “Biden announces historic oil reserve release and presses oil companies to do their part to reduce gas prices,” CNN (Mar. 31, 2022), available at: <https://www.cnn.com/2022/03/30/politics/strategic-petroleum-reserve-release-oil-joe-biden/index.html>.

<sup>22</sup> See, e.g., Office of the Comptroller of Currency, Comptroller’s Handbook, “Corporate and Risk Governance” (Jul. 2019), at 9.

<sup>23</sup> Erin Sandage, “What Is GroupThink & Why It’s Bad For Business,” Oct. 29, 2020, available at: <https://arcoro.com/groupthink-bad-business/>.

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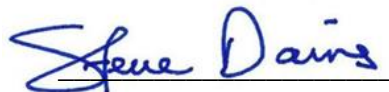
excesses of green ideology within financial institutions inevitably lead to financial losses and resulting lawsuits, your action will be evidence of your industry's failure to maintain internal controls providing for an appropriate risk management culture.

As Mr. Kirk noted in his speech, many risks to the finance industry are more concerning than climate change. However, these risks do not have international movements behind them agitating for attention. To the extent that Mr. Kirk's speech implicitly rebuked HSBC's environmental commitments as ill-advised or contrary to the financial interests of your investors, this should prompt re-examination of your commitments, not silencing for pointing out that the emperor has no clothes. Imagine how much better things would have been for your shareholders, employees, and the global economy, if you had listened to the lonely voices within your institutions and others warning of problems within the mortgage market.

Given my legislative and oversight responsibilities as a United States Senator, I ask that you provide responses to the following questions:

1. Did BlackRock or any other U.S.-based investor in HSBC contact HSBC about Mr. Kirk's speech? If so, please describe and provide the content of that communication, and any notes or recounting of that communication, as well as any action HSBC took in response.
2. Did HSBC have any contact with GFANZ, the Net Zero Banking Alliance, Climate Action 100+, Ceres, or any other U.S.-based group, or group with U.S.-based members, about Mr. Kirk's speech or your decision to suspend him? If so, please describe and provide the content of that communication, and any notes or recounting of that communication, as well as any action HSBC took in response.

Sincerely,



Steve Daines  
United States Senator