



HSBC Energy Policy

December 2022

Energy Policy

This document is one of HSBC's sustainability risk policies. It should be read in conjunction with [Introduction to HSBC's Sustainability Risk Policies](#), which explains common features and technical terms¹. In the event of a conflict between this Energy Policy (the "Policy") and the Introduction, this Policy shall prevail.

This Policy should also be read in conjunction with:

- [Thermal Coal Phase-Out Policy](#); and
- [World Heritage Sites & Ramsar Wetlands Policy](#).

Background

In October 2020, HSBC set an ambition to align its financed emissions – the greenhouse gas emissions of its portfolio of customers – to net zero by 2050 or sooner, to help limit global warming to 1.5°C. In order to achieve this, HSBC will use science-based pathways, aligned with the goals and timelines of the Paris Agreement ("HSBC's NZ50 Target").

As part of its net zero ambition, HSBC is strongly committed to supporting and financing the energy transition. We recognise we have a key role to play: annual global investment into energy supply and infrastructure of US\$2tn per annum rising to US\$5tn per annum by 2030² will be required for the energy transition, around half of which will be in HSBC's key markets of Asia and the Middle East. In addition to introducing a Thermal Coal Phase-Out Policy in 2021, we have announced 2030 science-based targets to reduce financed emissions from our thermal coal, oil and gas ("O&G") and power and utilities ("P&U") portfolios. By 2030, from a 2019 baseline, we are targeting a 34% reduction in absolute financed emissions for the O&G sector, 0.14 million tonnes of carbon dioxide equivalent per terawatt hour ("Mt CO₂e/TWh") financed emissions intensity for the P&U sector, and are now introducing a 70% reduction in absolute financed emissions for thermal coal-fired power and for thermal coal mining (on-balance sheet targets) from a 2020 baseline³. This document sets out policies and commitments aligned with these targets.

HSBC also recognises that to help enable a just and orderly transition, we need to break the pattern of underinvestment in the clean technologies and infrastructure that can transform future energy supply and demand. Our previously announced ambition to provide \$750bn-\$1tn in sustainable financing and investment by 2030 enables us 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.

Building on our commitment to net zero, this Policy follows consultation with leading scientific and international bodies and industry participants. The Policy covers oil and gas (including conventional and unconventional oil and gas, methane emissions, and activities in environmentally and socially critical areas), hydrogen, power generation, nuclear, renewables and hydropower, biomass energy and energy from waste. The Policy seeks to achieve three inter-related objectives to:

1. drive global greenhouse gas emissions reductions, both to achieve a net zero HSBC portfolio and to support the transition to a net zero global energy future;

¹ The policy is made public for information only. HSBC's sustainability risk policies are for HSBC's use only and HSBC shall owe no liability to third parties in relation to them.

² IEA Net Zero by 2050 report <https://www.iea.org/reports/net-zero-by-2050>

³ The methodology and data used to assess financed emissions and set targets is new and evolving, and we expect industry guidance, market practice, and regulations to continue to change. Our initial set of baselines and targets may require updating as data availability changes over time and climate science evolves. For further details of our approach and methodology, see our Financed Emissions Methodology at <https://www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre>.

2. enable a resilient and orderly energy transition, helping to navigate today's energy crisis and build energy security in the long term; and
3. support a just and affordable transition, recognising the local realities in all the communities we serve.

Our aim is to be at the heart of supporting and accelerating the energy transition across the markets we serve, including Asia and the Middle East which will have an outsized influence on future energy demand and supply and therefore the transition itself. Engagement with clients on their transition plans is therefore a priority method for HSBC to influence the transformation of the energy sector towards a clean and secure future.

HSBC recognises that energy companies will be at the heart of efforts to drive down the carbon intensity of hydrocarbon supplies and accelerate investment into clean fuels, renewables and electrification. We will work with our energy clients to support them in their transition towards a clean energy future. This will require regular engagement on transition plans, being clear on what we will and won't finance, and helping clients to finance and invest in the technologies and infrastructure needed to succeed in the transition.

HSBC recognises that fossil fuels, especially natural gas, have a role to play in the transition, even though that role will continue to diminish. The Net Zero by 2050 report, issued by the International Energy Agency ("IEA") in May 2021, highlights that an orderly transition requires continued financing and investment in existing oil and gas fields to maintain the necessary output, with 2020 financing levels maintained through to 2030 and declining thereafter. Consistent with that, we will 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.

Guidance from international energy and scientific bodies^{2,4} indicates that forecasted global oil and gas demand out to 2050 in a net zero scenario is more than met by existing known fields. Whilst the war in Ukraine will impact on supply choices in the short term, it does not change the overall demand trajectory required to reach net zero by 2050. We will therefore no longer provide upstream finance (through lending or capital markets) for the specific purposes of new oil and gas fields and related infrastructure whose primary use is in conjunction with new fields.

HSBC recognises that the transition will require declining fossil fuel production over the coming decades, starting with those resources with the highest carbon intensity and which cause most local environmental harm. Broader considerations such as the cost and global and regional security of supply are also important.

Natural gas supplies – which are less emissions intensive than oil if methane emissions are minimised – are important given today's global energy crisis and will have a longer-term role to play in the transition to a clean and secure energy future. 1.5°C scenarios from a range of organisations – such as the Intergovernmental Panel on Climate Change, IEA, International Renewable Energy Authority and others – highlight that the reduction of natural gas over the next 30 years is less steep than for oil, with demand-driven production falling by 50-80% for gas by 2050, versus 70-90% for oil by 2050. These evolving net zero demand pathways will inform HSBC's client transition plan assessment process.

Natural gas will play an important role in the energy mix beyond 2050 due to the critical role it plays in a hydrogen economy which is a central component of a net zero energy system. This Policy recognises the significant decarbonisation opportunity across all gas asset types to reduce emissions by investing in abatement technologies – with a particular focus on engaging

⁴ Intergovernmental Panel on Climate Change (IPCC)

clients to minimise upstream methane venting, flaring and leakage. We recognise natural gas as an important transition fuel in the power sector, as an intermediate step to net zero power generation.

Given local environmental concerns around extraction via hydraulic fracturing of shale gas, in jurisdictions where shale gas extraction is permissible under local regulations, we will apply enhanced due diligence requirements to help ensure clients apply relevant robust industry standards.

HSBC will also phase down financing for particular types of unconventional oil assets – for example, extra heavy oil – that have the highest emissions intensity and also high local environmental risks by enhancing its restrictions for these activities. A phase down of these assets should not materially impact global or regional security of supply.

This Policy also addresses the local environmental risks related to oil and gas extraction in sensitive environments such as the Arctic region and ultra-deepwater drilling, as well as the harm caused by energy related activities in environmentally and socially critical areas (i.e. Amazon Biome, Arctic and Antarctic, Ramsar Wetlands and UNESCO World Heritage Sites).

HSBC recognises the importance of balancing all energy interests – energy transition, energy security, energy affordability and economic development – which are increasingly converging around a clean energy future. Our approach is to prioritise real world emission reductions as we support our clients in delivering the energy transition alongside security of supply. Fundamentally, we will continue to support energy clients that take an active role in the energy transition and who apply relevant robust industry standards.

Scope and Definitions

Italicised terms used in this Policy are defined in the Glossary.

HSBC: This Policy applies to HSBC Holdings plc and its subsidiary undertakings except for HSBC Bank Canada and its subsidiary undertakings⁵.

Client(s): This Policy applies to clients that are corporate entities (including state-owned enterprises), trusts or individuals that own, control or operate *energy assets*.

If an existing or prospective *client* is part of a wider group, HSBC will take into consideration the activities of the *client* group and apply this Policy to the extent appropriate in light of the organisational structure and governance of the *client* group.

The Policy does not apply to *clients* or prospective *clients* engaged in *exempted activities*.

This Policy applies to *finance* (or *financing*) and *advisory services*. Unless in conflict with fiduciary or other regulatory obligations, all relevant HSBC entities, products and businesses, including asset management, will seek to implement aligned policies.

Any reference to a year means 31 December of that year.

Section A: Annual Review, Disclosures, Targets and Governance

HSBC will review the Policy at least annually to ensure that it remains aligned with HSBC's NZ50 Target and strategic objectives. The annual review will include consideration of changes

⁵ As at the date of this Policy, HSBC has agreed a sale of its 100% equity stake in HSBC Bank Canada, subject to regulatory and governmental approvals. During the sale process, HSBC is precluded from applying policy changes that would alter the way we manage HSBC Bank Canada's business – this includes this Policy. We have limited oil sands exposure in Canada. We have no direct exposure outside of Canada and will update this Policy following completion of the sale of HSBC Bank Canada. During the period until the sale completes, HSBC Bank Canada and its subsidiaries will continue to apply the previous version of this Policy, details of which are available [upon request](#).

in relevant external factors (e.g. changes in the scientific assessment of climate change impacts, transition pathways and future risk or changes in governmental or regulatory treatment).

HSBC will report annually on progress against HSBC's 2030 thermal coal, O&G and P&U financed emissions targets.

This Policy will be implemented as part of HSBC's risk framework, which includes formal *governance committees* at global, regional and country levels.

Section B: Client Transition Plans

Engagement with *clients* around their transition plans is a priority method for HSBC to influence the decarbonisation of the energy sector. HSBC recognises that many energy companies will be at the heart of efforts to drive down the carbon intensity of hydrocarbon supplies and accelerate investment into clean fuels, *renewables* and electrification.

HSBC has an important role to play to support and finance a just and affordable energy transition in the emerging and developing markets it serves, noting that *clients* in these markets may be at earlier stages in formulating transition plans, and as such engagement will be critical to determine their appetite, ability and plans to decarbonise in line with HSBC's efforts to meet its NZ50 Target.

HSBC will engage with *clients* and will expect them to formulate and provide transition plans that are consistent with *HSBC's targets and commitments*:

- ◆ HSBC expects to complete assessments relating to its major O&G and P&U *clients* and those operating in EU and OECD markets in 2023, and in all other markets by the end of 2024.
- ◆ For O&G *clients*, HSBC's assessment of *clients'* transition plans will be based on their plans to decarbonise and consistency with *HSBC's targets and commitments*, including but not limited to the below factors:
 - plans related to the exploration and development of *new O&G fields*;
 - production plans from O&G fields in the period to 2050, including peak production dates taking into account relative projected differentiated demand curves for oil and gas out to 2050;
 - proposed carbon intensity of sales mix over time;
 - plans to reduce emissions, including via:
 - elimination of flaring and venting by 2030, unless when absolutely necessary for safety reasons⁶; and
 - reduction of *fugitive methane emissions* by 2025 for operations in EU/OECD markets (2030 for rest of world) to meet the Oil and Gas Climate Initiative's target^{7,8}
 - plans to deploy capital into clean energy and broader decarbonisation activities; and
 - consideration of principles of just transition.
- ◆ For P&U *clients*, HSBC's assessment of *clients'* transition plans will be based on their plans to decarbonise and consistency with *HSBC's targets and commitments*, including but not limited to the below factors:

⁶ In line with the World Bank's Zero Routine Flaring Initiative.

⁷ Elimination or reduction of fugitive emissions refers to OGCI's target of achieving < 0.2% of average upstream oil and gas methane emissions by 2025 in EU /OECD and 2030 in all other markets. For more details, see <https://www.ogci.com/>.

⁸ It is also noted that IEA's NZE recommends an overall 75% reduction in global methane emissions from fossil fuels by 2030 compared to 2020.

- proposed energy mix of power production through to 2050;
 - alignment with our Thermal Coal Phase-Out Policy (where thermal coal is part of their energy mix);
 - plans related to *abated power generation* in the period to 2040, including proposed abatement plans, timelines, and technologies;
 - sustainability and supply-chain traceability of any proposed *biomass* solutions;
 - plans to deploy capital into clean energy and broader decarbonisation activities, including but not limited to: batteries, grid flexibility and resilience solutions and energy efficiency solutions; and
 - consideration of principles of just transition.
- ◆ HSBC recognises that state-owned enterprises in markets outside the EU and OECD may be subject to different national development planning cycles and, in such cases, HSBC will take those planning cycles into account where appropriate. Such cases will be subject to annual review to ensure that sufficient progress on transition planning is being made, including an assessment of consistency with *HSBC's targets and commitments*
 - ◆ HSBC will conduct appropriate due diligence in carrying out the assessments of *client* transition plans. Assessments will be reviewed by relevant *governance committees* as needed, and, where appropriate, external independent review of assessments will be sought. Our requests will have deadlines and, if no transition plans are produced, or, if after repeated engagement a *client* transition plan is not consistent with *HSBC's targets and commitments*, HSBC will not provide *new financing* or new *advisory services* to that *client* and will need to formally assess whether we continue to provide *financing* for that *client*.
 - ◆ Given the importance of the energy transition to the achievement of global climate ambitions, HSBC expects *clients* to provide regular (usually annual) detailed disclosures to HSBC regarding the implementation and evolution of their transition plans. Exceptions in relation to disclosure requirements will be considered by HSBC on a case-by-case basis (for example, taking into consideration the national climate plans of the markets in which the *client* operates).
 - ◆ Financing of *clients* will be reviewed annually in conjunction with the *client* transition plan assessment process.

Section C: Existing clients

C.1 Oil & gas

We will continue to provide *finance* or *advisory services* to *clients* at the corporate level, where, following an assessment of the transition plans of the *client* (see Section B), HSBC determines that the *client's* plans are consistent with HSBC's *targets and commitments*.

However, HSBC will not provide *new finance*, or new *advisory services*, to any *client* for the specific purposes of projects pertaining to:

- *new O&G fields* where the *final investment decision* was taken after 31 December 2021; or
- *infrastructure* whose primary use is in conjunction with *new O&G fields*.

In addition, HSBC will not provide *new finance*, or new *advisory services*, to any *client* for the specific purposes of O&G exploration, appraisal, development, and production pertaining to:

- *ultra-deepwater offshore O&G projects*;
- *shale oil* projects;

- *extra heavy oil projects;*
- *projects in environmentally and socially critical areas; or*
- *infrastructure whose primary use is in conjunction with the above activities.*

HSBC will not provide *new finance* or *new advisory services* at the corporate level to companies where HSBC determines that the *client's* overall operations are substantially in the above areas.

Exceptions may be considered for *new advisory services* to *clients* for *new O&G fields* acquired as a result of corporate mergers and acquisitions, and provided that these are acquired to enable the early closure of the field(s).

Natural gas is less emissions intensive than oil if methane emissions are minimised, and it can play an important role in the energy transition. However, there can be environmental harm concerns around extraction via hydraulic fracturing of shale. Hence, in jurisdictions where *shale gas activities* are permissible under local regulations, enhanced due diligence (EDD) and pre-approval, where appropriate by a relevant *governance committee*, will be required for:

- *new finance* or *new advisory services* to any *client* for the specific purposes of *shale gas activities*, to help ensure responsible practices.

EDD and pre-approval, where appropriate by a relevant *governance committee*, will also be required for:

- *new finance* or *new advisory services* to any *client* for the specific purposes of offshore O&G projects where the depth exceeds 1500m, to help ensure responsible practices; or
- *new finance* or *new advisory services* to any *client* with a poor track record on fatalities, accidents, social or environmental impacts or regulatory standards.

C.2 Hydrogen

Clean hydrogen will be critical to meeting future energy demands, reducing reliance on fossil fuels, and supporting decarbonisation across key sectors including heavy industry and long-distance transport.

Given the critical role of clean hydrogen in the energy transition, and subject to our usual credit evaluation and other processes, HSBC has appetite to *finance* and/or provide *advisory services* in connection with:

- *green hydrogen;*
- *blue hydrogen.*

EDD and pre-approval, where appropriate by a relevant *governance committee*, will be required for *new finance* or *new advisory services* to any *client* for the specific purposes of:

- *blue hydrogen.*

HSBC will not provide *new finance* to any *client* for the specific purposes of, or *new advisory services* in connection with:

- *brown hydrogen;*
- *grey hydrogen.*

C.3 Power

C.3.1 Oil and gas-fired power plants

HSBC will not provide *new finance*, or new *advisory services*, to any *client* for the specific purposes of:

- a *new oil-fired power plant*;
- a *new unabated gas-fired power plant* unless the *client* demonstrates to HSBC that the new power plant is part of the *client's* overall transition plan to achieve *abated power generation*, consistent with *HSBC's targets and commitments*⁹; or
- *conversion of existing coal-to-gas-fired power plants*, unless the *client* demonstrates to HSBC its intention to transition to *abated power generation*, consistent with *HSBC's targets and commitments*.

HSBC will not provide *new finance*, or new *advisory services*, to any *client* for the specific purposes of a *new unabated gas-fired power plant* or *conversion of existing coal-to-gas fired power plants* that operate in *environmentally and socially critical areas*.

EDD and pre-approval by a relevant *governance committee* will be required for *new finance* or new *advisory services* to any *client* for:

- a *new unabated gas-fired power plant*; or
- *conversion of existing coal-to-gas-fired power plants*.

C.3.2 Thermal coal-fired power plants

Please refer to HSBC's [Thermal Coal Phase-Out Policy](#).

C.3.3 Nuclear

Nuclear energy can play a key role in the energy transition, working alongside renewables and other low-carbon energy sources to provide a net zero power network. The development of advanced nuclear technologies, including small modular reactors (SMRs) could improve the competitiveness and deployment of nuclear energy over the mid-to-long term. HSBC will continue to monitor the development of SMRs and other advanced reactor technologies on an ongoing basis, providing finance to the most promising sectors and projects where applicable, and will update this Policy as appropriate.

EDD and pre-approval, where appropriate by a relevant *governance committee*, will be required for *new finance* or new *advisory services* to any *client* for the specific purposes of a nuclear project(s) to:

- help ensure nuclear projects are consistent with International Atomic Energy Agency (IAEA) standards, in particular to help ensure:
 - the relevant host country (where the plants operate) participates in the Integrated Regulatory Review Service programme;
 - the relevant host country has a Safeguards Agreement and Additional Protocol to deter the spread of nuclear weapons;
 - the *client* participates in the Operational Safety Review Team (OSART) programme; and
 - the *client* has not had safety incidents within the last three years at Level 3 or above on the International Nuclear and Radiological Event Scale.

⁹ Any new peaker gas-fired power plants would be expected to achieve *abated power generation*, consistent with *HSBC's targets and commitments*. See the glossary definitions for *abated power generation* and *new unabated gas-fired power plant* for more information.

- assess the client's track record on fatalities, accidents, social and environmental impacts and regulatory standards

HSBC will not provide *new finance*, or *new advisory services*, to any *client* for the specific purposes of a nuclear project(s) inconsistent with IAEA standards or that operate(s) in *environmentally and socially critical areas*.

C3.4 Renewables

A significant increase in financing and investment for clean electricity generation from renewables, electrification and storage infrastructure will be critical to an orderly transition to a net zero energy system. For example, net zero scenarios¹⁰ show that the share of wind and solar in total power generation globally needs to rise to between 35-60% in 2030, and to between 55-95% in 2050. With respect to hydropower, global capacity is also projected to increase, and all projects need to meet high standards to ensure the energy and climate benefits they bring are not undermined by negative environmental or social impacts.

Given the critical role of renewables in the energy transition, and subject to our usual credit evaluation and other processes, HSBC has appetite to finance and/or provide *advisory services* in connection with *renewables*.

EDD and pre-approval by a relevant *governance committee* will be required for *new finance* or *new advisory services* to any *client* for the specific purposes of projects pertaining to:

- *large dams*, to help ensure these are consistent with the Hydropower Sustainability Standard¹¹ and to assess the client's track record on fatalities, accidents, social and environmental impacts and regulatory standards

HSBC will not provide *new finance*, or *new advisory services*, to any *client* for the specific purposes of projects pertaining to:

- *large dams* inconsistent with the Hydropower Sustainability Standard or that operate in *environmentally and socially critical areas*.

C3.5 Biomass energy

There is a role for biomass energy in a net zero economy, however this is likely to be constrained by the limits of *sustainable biomass* sources.

HSBC will not provide *new finance*, or *new advisory services*, to any *client* for the specific purposes of generating electricity from *biomass* activities in excess of 10MW per plant:

- unless the *client* demonstrates to HSBC the use of *sustainable biomass* including appropriate types of *waste biomass*;
- where the plant(s) operates in *environmentally and socially critical areas*.

EDD and pre-approval by a relevant *governance committee* will be required for *new finance* or *new advisory services* to any *client* in respect of generating electricity from *biomass* in excess of 10MW per plant, applying criteria including but not limited to:

- low lifecycle greenhouse gas emissions;
- minimising deforestation;
- the principles of the waste management hierarchy are considered and *waste biomass* can be classified as suitable for energy recovery in the hierarchy;

¹⁰ <https://about.bnef.com/blog/investment-requirements-of-a-low-carbon-world-energy-supply-investment-ratios/>; NGFS, Bloomberg NEF

¹¹ Further information on the Hydropower Sustainability Standard can be found here: <https://static1.squarespace.com/static/5c1978d3ee1759dc44fbd8ba/t/6137d61d6fd4455461bb666d/1631049249979/Hydropower+sustainability+standard.pdf>

- avoiding competition with other key uses of land such as food production; and
- plans related to *abated power generation*.

C3.6 Energy from waste

There is a role for recovering energy from waste in a net zero economy, especially if there are no other uses for the waste material according to the waste management hierarchy (such as further recycling) and to prevent the waste from going to landfill. Waste materials include a range of materials with no further economic use (including *waste biomass*), sourced from households, offices and industry.

New *finance*, or new *advisory services*, to any *client* for the specific purposes of generating energy from waste in excess of 10MW per plant will be subject to EDD and pre-approval by a relevant *governance committee*, applying criteria including but not limited to:

- the principles of the waste management hierarchy are considered and the waste can be classified as suitable for energy recovery in the hierarchy;
- use of appropriate technologies to manage emissions and impacts on the environment;
- plans related to *abated power generation*; and
- for the use of *waste biomass*: the EDD and pre-approval criteria set out in section C3.5.

HSBC will not provide *new finance*, or new *advisory services*, to any *client* for the specific purposes of a waste to energy in excess of 10MW per plant where the plant(s) operate in *environmentally and socially critical areas*.

C3.7 Energy projects

The Equator Principles¹², to which HSBC is a signatory, will be applied to any financing that meets Equator Principles criteria. This is designed to enable HSBC to identify, assess and manage potential environmental and social risks and impacts associated with such projects, including those risks and impacts related to human rights, climate change, and biodiversity.

Section D: Prospective clients

EDD and pre-approval by a relevant *governance committee* will be required for any new relationship with a prospective O&G or P&U *client*.

HSBC will not start a new relationship with a prospective *client* with one or more of the following characteristics:

- where >10% of total planned O&G capital expenditure is in O&G exploration;
- has >10% production volume from any of:
 - *ultra-deepwater offshore O&G projects*;
 - *shale oil projects*; or
 - *extra heavy oil projects*;
- where operational oil power generating capacity is either i) $\geq 10\%$ of total generating capacity or ii) $\geq 1\text{GW}$;
- with unabated gas-fired power generating capacity, unless the *client* demonstrates a clear plan to transition to *abated power generation*, consistent with *HSBC's targets and commitments* and minimising methane emissions;

¹² <https://equator-principles.com/about-the-equator-principles/>

- the prospective *client* operates *energy assets* in *environmentally and socially critical areas*; or
- the prospective *client* declines to engage sufficiently on its transition plan, or if HSBC determines that the prospective *client's* ambition or plan is not consistent with *HSBC's targets and commitments* and, for O&G, has no plans for:
 - elimination of flaring and venting by 2030, unless when absolutely necessary for safety reasons⁶;
 - reduction of *fugitive methane emissions* by 2025 for operations in EU/OECD markets (2030 for rest of world) to meet the Oil and Gas Climate Initiative's target^{7,8}.

Exceptions will be considered on a case-by-case basis where a new *client* is taking over all, or a substantive part of, the activities of an existing *client(s)*, or O&G fields are being taken over for the purpose of managed wind-down of activities in line with *HSBC's targets and commitments*.

Section E: Client groups

Where a *client* is part of a wider group and it is known that any part of the *client* group is engaged in activities for which HSBC does not have appetite under this Policy, HSBC will take into account the overall transition plan of the *client* group to assess the scale, and projected future scale, of such activities, including the materiality relevant to the *client* group, and consistency with *HSBC's targets and commitments*.

Where appropriate, HSBC may seek representations from the *client/client* group that new *finance* or new *advisory services* provided by HSBC to a *client* will not be used by other members of the *client* group for activities detailed in this Policy that are contrary to *HSBC's targets and commitments*.

<i>sustainable biomass</i>	<ul style="list-style-type: none"> waste by-products from commercial and industrial processes such as construction, paper manufacturing, food and drink sector, animal processing and other industrial processes. <p>Sustainable biomass refers to <i>biomass</i> that:</p> <ul style="list-style-type: none"> has a low lifecycle carbon footprint that considers the opportunity cost of the land as well as the timing of carbon sequestration and carbon release specific to each form of biomass and its use; the principles of the waste management hierarchy are considered and any <i>waste biomass</i> can be classified as suitable for energy recovery in the waste management hierarchy; and is produced without triggering any destructive land use change (in particular minimising deforestation) and avoids competition with other key land uses (such as food production).
<i>blue hydrogen</i>	Blue hydrogen is hydrogen produced using natural gas reforming with abatement (e.g. CCS with near-total CO ₂ capture and very low methane leakage).
<i>brown hydrogen</i>	Brown hydrogen is hydrogen produced using coal/lignite without abatement.
<i>green hydrogen</i>	Green hydrogen is hydrogen produced through the electrolysis of water with 100% or near 100% renewable energy with close to zero greenhouse gas emissions (equal to or less than 1kg CO ₂ eq/kg H ₂ , taken as an average over a 12-month period), as defined by the Green Hydrogen Standard ¹³ .
<i>grey hydrogen</i>	Grey hydrogen is hydrogen produced using natural gas without abatement.
<i>client(s)</i>	As defined in “Scope and Definitions”.
	The Policy also applies to in-scope <i>clients</i> that are seeking, so far as HSBC is aware, to own, control or operate <i>energy assets</i> .
<i>conversion of existing coal-to-gas-fired power plants</i>	Modifications to a thermal coal-fired power plant to introduce gas-firing capability, including: switching to operate only on natural gas, co-firing (able to fire both coal and natural gas at the same time) or dual fuel (able to fire either coal or natural gas), with the requirement to fully phase-out the financing of thermal coal-fired power by 2030 in EU/OECD markets and by 2040 in other markets, in line with HSBC’s Thermal Coal Phase Out Policy.
<i>energy assets</i>	Energy assets includes <i>new O&G fields, existing O&G fields, O&G infrastructure, oil-fired power plants, gas-fired power plants, renewables projects, nuclear power plants, hydrogen projects and biomass activities</i> .
<i>environmentally and socially critical areas</i>	<i>Amazon Biome, Antarctic, Arctic, Ramsar Wetlands or UNESCO World Heritage Sites</i> . Please also see HSBC’s World Heritage Sites & Ramsar Wetlands Policy .
<i>exempted activities</i>	Exempted activities cover the below services and midstream and downstream activities: <ul style="list-style-type: none"> O&G consultancy services; O&G operation and maintenance (O&M) services; O&G-related engineering, procurement and construction services; O&G equipment manufacturing; O&G traders; O&G refining; distributors of refined O&G products; petrol stations; transmission from O&G-fired power plants;

¹³ <https://gh2.org/our-initiatives/gh2-green-hydrogen-standard>

	<ul style="list-style-type: none"> • captive power generation; • <i>biomass</i> research and development activities; • bioenergy generation activities such as: methane capture from landfill, onsite anaerobic digestors (e.g. within the agriculture, forestry or food & drink sectors) and use of biowaste residues within the paper & pulp sector • domestic use of <i>biomass</i> in homes. <p>The provision of <i>advisory services</i> to <i>clients</i> in scope of the Policy is permitted where the intention of such advisory services is linked to the development of a credible transition plan or activities to reduce emissions aligned with <i>HSBC's targets and commitments</i> (including but not limited to enabling the early closure of an O&G field, unabated oil-fired power plant or unabated gas-fired power plant).</p>
<i>existing O&G field</i>	<p>An O&G licence or lease* where the <i>final investment decision</i> (FID) was taken on or before 31 December 2021. An O&G licence or lease can comprise a number of fields.</p> <p>This includes infill or near-field drilling, field extensions, new reservoirs on existing fields or improved/enhanced recovery on existing fields.</p> <p>*A licence or lease, the primary purpose of which is to set the contractual framework for which oil, gas and/or condensate is to be produced from a defined geographic area.</p>
<i>extra heavy oil projects</i>	Extra heavy oil projects are below 10° on the American Petroleum Institute (API) gravity scale.
<i>final investment decision</i>	<p>Final investment decision (FID) is where the owners and/or operators of an oil and/or gas project approve or sanction the project's future development.</p> <p>Where a single geological structure within an O&G licence or lease has multiple FIDs over time, HSBC will look to the date of the first FID on that geological structure (within the licence or lease) as the relevant FID for purposes of this Policy.</p>
<i>finance</i>	The provision of (or when considering the provision of) project finance, direct lending, or arranging or underwriting of capital markets transactions to <i>clients</i> .
<i>new finance or financing</i>	Means the provision of new <i>finance</i> to a <i>client</i> , including the refinancing of existing <i>finance</i> facilities.
<i>fugitive methane emissions</i>	Fugitive methane emissions refers to accidental leaks of (primarily) methane from wells and pipelines (as opposed to deliberate releases, e.g. from venting and flaring).
<i>governance committee</i>	A formal, internal, risk governance committee that exists at either global, regional or country level across HSBC's global businesses to provide recommendations and advice on customers, transactions and wider reputational risks. These committees form part of HSBC's risk framework.
<i>HSBC's targets and commitments</i>	HSBC's targets and commitments means HSBC's NZ50 Target and 2030 thermal coal-fired power, thermal coal mining, O&G and P&U financed emissions targets.
<i>infrastructure</i>	Infrastructure refers to pipelines and LNG liquefaction and regasification facilities linked to <i>new O&G fields</i> and/or <i>unconventional O&G fields</i> .
<i>large dams</i>	Large hydropower dams exceed 15 metres in height or exceed both 5 metres in height and 3 million cubic metres in reservoir volume.
<i>new O&G field</i>	An O&G licence or lease* where the <i>final investment decision</i> (FID) was taken after 31 December 2021. An O&G licence or lease can comprise a number of fields.

	*A licence or lease, the primary purpose of which is to set the contractual framework for which oil, gas and/or condensate is to be produced from a defined geographic area.
<i>new unabated gas-fired power plant</i>	<p>New unabated gas-fired power plant means:</p> <ul style="list-style-type: none"> the creation of a new unabated gas-fired power plant; or expansions to an existing unabated gas-fired power plant (except for the purpose of retrofitting an asset to materially reduce greenhouse gas emissions), <p>that was not already either: a) contractually committed (via power purchase agreement) or b) under construction, in each case before 1 January 2021.</p> <p><u>Note:</u> It is anticipated that new peaker gas-fired power plants may be required to complement variable wind and solar power across seasonal peaks and to help ensure overall security of supply in the medium term. These plants run for relatively few hours of the year and contribute only a small amount to overall emissions. Any new peaker gas-fired power plants would be expected to achieve <i>abated power generation</i>, consistent with <i>HSBC's targets and commitments</i>.</p>
<i>new oil-fired power plant</i>	<p>New oil-fired power plant means:</p> <ul style="list-style-type: none"> the creation of a new oil-fired power plant; or expansions to an existing oil-fired power plant (except for the purpose of retrofitting an asset to materially reduce greenhouse gas emissions), <p>that was not already either: a) contractually committed (via power purchase agreement) or b) under construction, in each case before 1 January 2021.</p>
<i>Ramsar Wetlands</i>	Ramsar Wetlands are those registered as under threat on the Montreux Record ¹⁴ , as per the Ramsar Convention.
<i>renewables</i>	Renewables includes power generation from technologies such as geothermal, hydropower, wave, tidal, solar and wind energy.
<i>shale gas activities</i>	Activities where the primary purpose, or value proposition, is the exploration, development and production of shale gas.
<i>shale oil</i>	<p>Activities where the primary purpose, or value proposition, is the exploration, development and production of shale oil (as opposed to natural gas liquids (NGLs) and gas). For the purposes of this Policy, this is defined as > 50% of annual production in barrels of oil equivalent (boe).</p> <p>Note: When drilling for shale oil, shale gas is often produced as a by-product and vice versa. Shale gas productions often have some oil and condensate content which may also get monetised but are not the primary focus of the operations, as gas is the business' primary focus/revenue generator.</p>
<i>ultra-deepwater offshore O&G projects</i>	<p>Exploration, development and production operations on offshore fields that are greater than 2000 metres below surface level.</p> <p>Enhanced due diligence will be required where the depth exceeds 1500 metres.</p>
<i>unconventional O&G</i>	<p>Unconventional O&G is defined as:</p> <ul style="list-style-type: none"> <i>ultra-deepwater offshore O&G projects</i>; <i>shale oil projects</i>; <i>extra heavy oil projects</i>; or

¹⁴ https://rsis Ramsar.org/ris-search/?f%5B0%5D=montreuxListed_b%3Atrue&pagetab=1

	<ul style="list-style-type: none"> • O&G resources located in <i>environmentally and socially critical areas</i> i.e. <i>Amazon Biome, Antarctic, Arctic, Ramsar Wetlands or UNESCO World Heritage Sites</i>.
<i>UNESCO World Heritage Sites</i>	Designated cultural and natural heritage areas around the world which are considered of outstanding value to humanity and are listed under the World Heritage Convention ¹⁵ .

¹⁵ <https://whc.unesco.org/en/list/>

Important notice

The Policy should not form the basis of any third party's decision to undertake, or otherwise engage in, any activity and third parties do not have any right to rely on it. The Policy, by its nature, is not comprehensive and has not been independently verified. It contains various statements that are or could be "forward-looking" statements including as to HSBC's intentions and objectives. However, a number of risks, uncertainties and other important factors could cause actual developments and / or results to differ materially from HSBC's expectations. These include, among others, the risks and uncertainties we identify in our *Annual Report and Accounts* filed with the Securities and Exchange Commission ("SEC") on Form 20-F and interim reports and earnings releases furnished to the SEC on Form 6-K from time to time.

In making the assessments and determinations further described in the Policy, HSBC will use such information, as it determines necessary and relevant, in its sole discretion. However, there can be no guarantee of the accuracy, currency or completeness of such information, which may not have been independently verified.

In making the assessments and determinations described in the Policy, and in order to track and report on our progress against the ambitions, commitments and targets in the Policy, HSBC relies on internal and, where appropriate and available, external data sources, guided by certain industry standards. While reporting on these matters has improved over time, data remains of limited quality and consistency. Methodologies HSBC uses may develop over time in line with market practice, regulation and/or developments in science, where applicable. Any such developments in methodologies, and changes in the availability and quality of data over time could result in revisions to reported data going forward, including on financed emissions, meaning that such data may not be reconcilable or comparable year-on-year. This could also result in HSBC having to re-evaluate its progress towards its ambitions, commitments and targets in the future. HSBC will review the Policy at least annually to ensure that it remains aligned with HSBC's targets and commitments. The annual review will include consideration of changes in relevant external factors (e.g. changes in the scientific assessment of climate change impacts, transition pathways and future risk or changes in governmental or regulatory treatment).

Neither HSBC nor any of its officers, employees, agents or advisers ("HSBC Group") accepts any duty of care, responsibility or liability in relation to the Policy or its application or interpretation, including as to the accuracy, completeness or sufficiency of it or any outcomes arising from the same. No representations or warranties, express or implied, are made by the HSBC Group as to the fairness, accuracy, completeness or correctness of the Policy, the information in the Policy, HSBC's application or interpretation of it or as to the achievement or reasonableness of any forward-looking statements. HSBC Group does not accept any liability to any party for any loss, damage or costs howsoever arising, whether directly or indirectly, whether in contract, tort or otherwise from any action or decision taken (or not taken) as a result of any person relying on or otherwise using this Policy or arising from any omission from it.

Save as expressly set out in the Policy, HSBC is not under any obligation and does not give any undertaking to provide any additional information in relation to the Policy or its application, to update the Policy or to correct any inaccuracies or errors. HSBC reserves the right, without giving reason, to amend the Policy at any time.