

HSBC Energy Policy

February 2025

Energy Policy

This document (the “Policy”) 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 approach¹;
- ◆ [Thermal Coal Phase-Out Policy](#); and
- ◆ [World Heritage Sites & Ramsar Wetlands Policy](#).

HSBC takes a risk-based approach when identifying transactions and clients to which this Policy applies, and reporting on relevant exposures, adopting approaches proportionate to risk and materiality. This helps HSBC to focus its efforts on areas where it believes it can help drive meaningful change, whilst taking into account experience from policy implementation over time.

In limited cases, HSBC may approve exceptions to this Policy where the proposed transaction may not necessarily align to the criteria set out in the Policy, but HSBC is satisfied that it is within the intention of the Policy (including HSBC’s intention to support clients in their transition away from fossil fuels) and remains in alignment with HSBC’s NZ50 Target (as defined below). This will be subject to enhanced due diligence and pre-approval by a senior risk governance committee and will take into account the facts and circumstances of the particular transaction.

Background

In October 2020, HSBC set an ambition to align its financed emissions – the greenhouse gas emissions of its portfolio of clients – 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. 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 oil and gas (“O&G”) and power and utilities (“P&U”) portfolios. 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;
2. enable a resilient and orderly energy transition, helping to 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.

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 obligation or liability to third parties in relation to them.

Our aim is to help support and accelerate 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 Roadmap, issued by the International Energy Agency ("IEA") in September 2023, 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 indicates that forecasted global oil and gas demand out to 2050 in a net zero scenario is more than met by existing known fields. We will no longer provide direct 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 78% for gas by 2050, versus around 80% for oil by 2050. These evolving net zero demand pathways will help 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 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. 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 undertakings².

Client(s): This Policy applies to clients that are corporate entities (including state-owned enterprises) or trusts 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, are seeking to implement aligned policies³.

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

Any reference in this Policy to HSBC being satisfied with relevant matters is to HSBC being satisfied with such matters in its own opinion.

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

HSBC intends to report annually on progress against HSBC's 2030 O&G and P&U financed emissions targets.

This Policy will be implemented as part of HSBC's risk framework, which includes formal *risk governance* 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 major *clients* and will expect them to formulate and provide transition plans that are compatible with *HSBC's targets and commitments*:

- ◆ Major *clients* are those that make the most material contribution to our financed emissions. HSBC will conduct a deep-dive transition plan assessment for major *clients*. HSBC will conduct a high-level transition plan assessment for other relevant clients. These assessments are intended to be reviewed and updated annually as needed.
- ◆ 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*;

² We have no direct exposure to oil sands following the completion of the sale of HSBC Bank Canada.

³ Please refer to <https://www.assetmanagement.hsbc.com.hk/en/institutional-investor/about-us/responsible-investing/policies> for HSBC's asset management approach to energy.

- 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 reasons⁴; 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 target⁵;
 - 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:
- 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.
- ◆ For P&U *clients*, our approach to transition plan assessments will focus on clients who own, control or operate fossil fuel power plants, nuclear power, *biomass*-fired power plants or energy from waste power plants.
- ◆ 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 help enable HSBC to monitor that sufficient progress on transition planning is being made, including an assessment of being compatible 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 *risk governance* as needed, and, where appropriate, external independent review of assessments will be sought. If after repeated engagement a client transition plan is not compatible with *HSBC's targets and commitments*, HSBC will formally assess whether we continue to provide *financing or advisory services* for that *client* taking into consideration their transition plan and holistic risks, including strategic considerations. We know that countries and sectors are at differing points in their transition, actors are moving at different speeds, will have differing transition pathways and have differing net zero targets. We want to support our *clients* to transition and know that they will similarly be at differing stages of their transition facing differing policy and regulatory requirements and differing levels of technology and infrastructure readiness around the world. Not all *clients* will have NZ50 targets.
- ◆ 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 expectations 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 existing *clients* will be reviewed annually in conjunction with the *client* transition plan assessment process.

⁴ In line with the World Bank's Zero Routine Flaring Initiative.

⁵ 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/>.

Section C: Existing clients

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 *compatible with HSBC's targets and commitments*.

C.1 Oil & gas

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

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

In addition, HSBC will not provide *new finance* or new *advisory services* 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
- O&G 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* 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 through *risk governance* will be required for:

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

EDD and pre-approval through *risk governance* will also be required for:

- *new finance* or new *advisory services* 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:

- renewable hydrogen; or
- low carbon hydrogen.

EDD and pre-approval through *risk governance* will be required for new *finance* or new *advisory services* for the specific purposes of:

- *low carbon hydrogen* that has not received third party accreditation.

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

- hydrogen produced using any technology pathway resulting in a carbon intensity exceeding thresholds set by HSBC that take into consideration national or regional carbon intensity standards, as updated from time to time.

C.3 Power

C.3.1 Oil and gas-fired power plants

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

- a new oil-fired power plant;
- a new unabated gas-fired power plant unless HSBC is satisfied that the new power plant is:
- part of the client's overall transition plan to achieve abated power generation; or
- intended to operate as a low capacity factor peaker plant supporting the client's transition to net zero power and/or the transition to a net zero power system over time;
- conversion of existing coal-to-gas-fired power plants or conversion of existing oil-to-gas power plants, unless the client demonstrates to HSBC its intention to achieve abated power generation; or
- where the plant(s) operate in environmentally and socially critical areas.

EDD and pre-approval through *risk governance* will be required for *new finance* or *new advisory services* for:

- a new unabated gas-fired power plant,
- conversion of existing coal-to-gas-fired power plants; or
- conversion of existing oil-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 through *risk governance* will be required for *new finance* or *new advisory services* 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.
- 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* for the specific purposes of a nuclear project(s) inconsistent with IAEA standards or that operate(s) in *environmentally and socially critical areas*.

C.3.4 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 scenarios⁶ 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 through *risk governance* will be required for *new finance* or new *advisory services* for the specific purposes of projects pertaining to:

- new *large dams* or expansion of existing *large dams*, to help ensure these are consistent with the Hydropower Sustainability Standard⁷ 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* for the specific purposes of projects pertaining to:

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

C.3.5 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* 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*; or
- where the plant(s) operates in *environmentally and socially critical areas*.

EDD and pre-approval through *risk governance* will be required for *new finance* or new *advisory services* 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; and
- avoiding competition with other key uses of land such as food production

C.3.6 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* for the specific purposes of generating energy from waste in excess of 10MW per plant will be subject to EDD and pre-approval through *risk governance*, 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;

⁶ <https://about.bnef.com/blog/investment-requirements-of-a-low-carbon-world-energy-supply-investment-ratios/>. NGFS, Bloomberg NEF

⁷ Further information on the Hydropower Sustainability Standard can be found here:

<https://static1.squarespace.com/static/5c1978d3ee1759dc44fbd8ba/t/6137d61d6fd4455461bb666d/1631049249979/Hydropower+sustainability+standard.pdf>

- 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* 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*.

C.3.7 Energy projects

The Equator Principles⁸, 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.

⁸ <https://equator-principles.com/about-the-equator-principles/>

Section D: Prospective clients

EDD and pre-approval through *risk governance* 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;
- the prospective *client* operates *energy assets*⁹ 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* transition plan is not consistent with *HSBC's targets and commitments* or, for O&G, has no plans for:
 - elimination of flaring and venting by 2030, unless when absolutely necessary for safety reasons⁴; 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 target⁹.

Exceptions will be considered on a case-by-case basis where HSBC is satisfied that:

- a prospective *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*.

⁹ with the exception of *large dams* operating before 31 December 2021

Glossary

The following definitions apply to the Policy:

Term	Definition
<i>abated power generation</i>	<p>Where power plants are projected to continue or potentially continue operating beyond 2035 in EU/OECD markets or beyond 2040 in other markets, such power plants are expected to be abated, by these respective dates, through the use of credible abatement technologies and assessed in the operating context of the asset such as:</p> <ul style="list-style-type: none"> • converting fossil fuel fired power plants to operate on zero-carbon fuels (e.g. green hydrogen, green ammonia and other technologies as they may develop); and • carbon removal technologies including carbon capture and storage (CCS). <p>These power plants include gas-fired power plants, oil-fired power plants, or energy from waste.</p> <p>With regards to thermal coal-fired power plants, in line with HSBC's Thermal Coal Phase Out Policy, HSBC will fully phase-out the financing of thermal coal-fired power by 2030 in EU/OECD markets and by 2040 in other markets. Where thermal coal-fired power plants are projected to continue or potentially continue operating beyond 2030 in EU or OECD markets or beyond 2040 in other markets, such thermal coal-fired power plants are expected to additionally meet the following requirements:</p> <ul style="list-style-type: none"> • not generating revenues, beyond 2030 or 2040 (whichever is applicable), greater than 5% of the client's total revenues; and • not receiving any direct or indirect (e.g. via <i>financing</i> provided to a parent company) finance from HSBC.
<i>advisory services</i>	<p>The provision of financial or investment banking advisory services to <i>clients</i>.</p> <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 transition plan or activities to reduce emissions consistent 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>Amazon Biome</i>	<p>Amazon Biome is defined in accordance with guidance set out by the Amazon Network of Georeferenced Socio-Environmental Information (RAISG) as</p> <ol style="list-style-type: none"> the limits of the Amazon biome in Colombia and Venezuela; the limits of the Amazon basin in Ecuador, Perú and Bolivia; the sum of the limits of the basins (Amazonas and Araguaia/Tocantins) and the limits of the administrative Legal Amazon in Brazil; and the whole continental territories of Guyana, French Guyana and Suriname. <p>See further geospatial guidance on this definition at https://www3.socioambiental.org/geo/RAISGMapaOnline/.</p>
<i>Antarctic</i>	<p>All of the land and ice shelves south of 60°S latitude, which are administered under the Antarctic Treaty System.</p>
<i>Arctic</i>	<p>The Arctic is the geographic area north of the Arctic polar circle (currently 66°33'N).</p>

<i>biomass</i>	Biomass is organic matter, i.e. biogenic material, available on a renewable basis from living or recently living organisms. This includes feedstock derived from plants or animals such as land-based agriculture and forestry products or waste; and organic waste from municipal and industrial sources.
<i>waste biomass</i>	Waste biomass refers to <i>biomass</i> sourced from (but not limited to) the below: <ul style="list-style-type: none"> • post-consumer waste products and materials and food waste; and • waste by-products from commercial and industrial processes such as construction, paper manufacturing, food and drink sector, animal processing and other industrial processes.
<i>sustainable biomass</i>	Sustainable biomass refers to <i>biomass</i> that: <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>clean technology or infrastructure</i>	Clean technology or infrastructure are those aligned with <i>HSBC's targets and commitments</i> and which support abating greenhouse gas emissions to net zero, including: <ul style="list-style-type: none"> • converting fossil fuel fired power plants to operate on zero-carbon fuels (e.g. green hydrogen, green ammonia and other technologies as they may develop); • renewable energy; • carbon removal technologies such as carbon capture and storage (CCS); or • reduction or elimination of scope 1 and 2 emissions including methane.
<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> . This Policy does not apply to individuals.

<i>compatible with</i>	<p>A <i>client</i> transition plan is compatible with <i>HSBC's targets and commitments</i> where:</p> <ul style="list-style-type: none"> the <i>client's</i> strategy and progress demonstrate alignment with HSBC's NZ50 Target at a portfolio level and its portfolio-level financed emissions targets; and the <i>client</i> can be accommodated within HSBC's 2030 portfolio-level financed emissions targets. Whether a <i>client</i> can be accommodated within HSBC's 2030 portfolio-level financed emissions targets is an additional constraint to be managed in our portfolios alongside traditional parameters such as credit risk, liquidity, financial performance, and strategic rationale.
<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>conversion of existing oil-to-gas-fired power plants</i>	Modifications to an <i>oil-fired power plant</i> to introduce gas-firing capability, including: switching to operate only on natural gas, co-firing (able to fire both oil and natural gas at the same time) or dual fuel (able to fire either oil or natural gas), with the requirement to achieve <i>abated power generation</i> .
<i>energy assets</i>	<p>Energy assets includes:</p> <ul style="list-style-type: none"> <i>biomass</i>-fired power plants, energy from waste power plants, <i>gas-fired power plants</i>, <i>large dams</i>, nuclear power plants and <i>oil-fired power plants</i>; hydrogen projects; and <i>new O&G fields</i>, <i>existing O&G fields</i> and <i>O&G infrastructure</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>	<p>Exempted activities cover the below services and midstream and downstream activities:</p> <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 where this activity is not materially associated with hydrogen production; distributors of refined O&G products; petrol stations; transmission from power plants; captive power generation (including captive renewables); <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; and

	<ul style="list-style-type: none"> 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 transition plan or activities to reduce emissions consistent with <i>HSBC's targets and commitments</i> (including but not limited to enabling the early closure of an O&G field, unabated <i>oil-fired power plant</i> or unabated <i>gas-fired power plant</i>).</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>	<p>Extra heavy oil projects are below 10° on the American Petroleum Institute (API) gravity scale.</p>
<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> <i>new finance or financing</i>	<p>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>.</p> <p>Means the provision of new <i>finance</i> to a <i>client</i>, including the refinancing of existing <i>finance</i> facilities.</p>
<i>fugitive methane emissions</i>	<p>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).</p>

<i>gas-fired power plant</i> <i>new unabated gas-fired power plant</i>	<p>Thermal power plants which burn natural gas to generate electricity.</p> <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>
<i>oil-fired power plant</i> <i>new oil-fired power plant</i>	<p>Thermal power plants which burn oil or diesel to generate electricity.</p> <p>New oil-fired power plant means:</p> <ul style="list-style-type: none"> • the creation of a new oil-fired or diesel-fired power plant; or • expansions to an existing oil-fired or diesel-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>risk governance</i>	HSBC's risk governance includes review and approval by our sustainability risk specialists and, as appropriate, risk governance committees.
<i>HSBC's targets and commitments</i>	HSBC's targets and commitments means HSBC's NZ50 Target and 2030 thermal coal mining, O&G and P&U financed emissions targets.
<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>Low carbon hydrogen</i> <i>renewable hydrogen</i>	<p>Low carbon hydrogen is hydrogen produced using any technology pathway other than <i>renewable hydrogen</i> that has a carbon intensity below unabated fossil-based production pathways. This includes, but is not limited to, natural gas reforming with CCS, pyrolysis of natural gas, nuclear, geological, or electrolysis of water or aqueous solution using grid connected power without a renewable power purchase agreement.</p> <p>Renewable hydrogen is hydrogen produced through the electrolysis of water or aqueous solutions using 100% or near 100% renewable energy, including via power purchase agreement. Renewable hydrogen will therefore have zero or close to zero greenhouse gas emissions.</p>

<i>new O&G field</i>	<p>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.</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>O&G infrastructure</i>	O&G 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>peaker plants</i>	Peaker plants are dispatchable power plants that can ramp up quickly to meet demand when there is a shortage of electricity from other sources, helping to ensure security of supply on a daily or seasonal basis. They can be compatible with the transition to a net zero power system when operating to support high or growing penetration of <i>renewables</i> .
<i>Ramsar Wetlands</i>	Ramsar Wetlands are those registered as under threat on the Montreux Record ¹⁰ , 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"> • ultra-deepwater offshore O&G projects; • shale oil projects; • extra heavy oil projects; or • O&G resources located in environmentally and socially critical areas i.e. Amazon Biome, Antarctic, Arctic, Ramsar Wetlands or UNESCO World Heritage Sites.
<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 ¹¹ .

¹⁰ https://rsis Ramsar.org/ris-search/?f%5B0%5D=montreuxListed_b%3Atrue&pagetab=1

¹¹ <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 availability, quality and consistency. Methodologies and scenarios HSBC uses may develop over time in line with market practice, regulation and/or developments in science, where applicable. Any such developments in methodologies or scenarios, or 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.

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