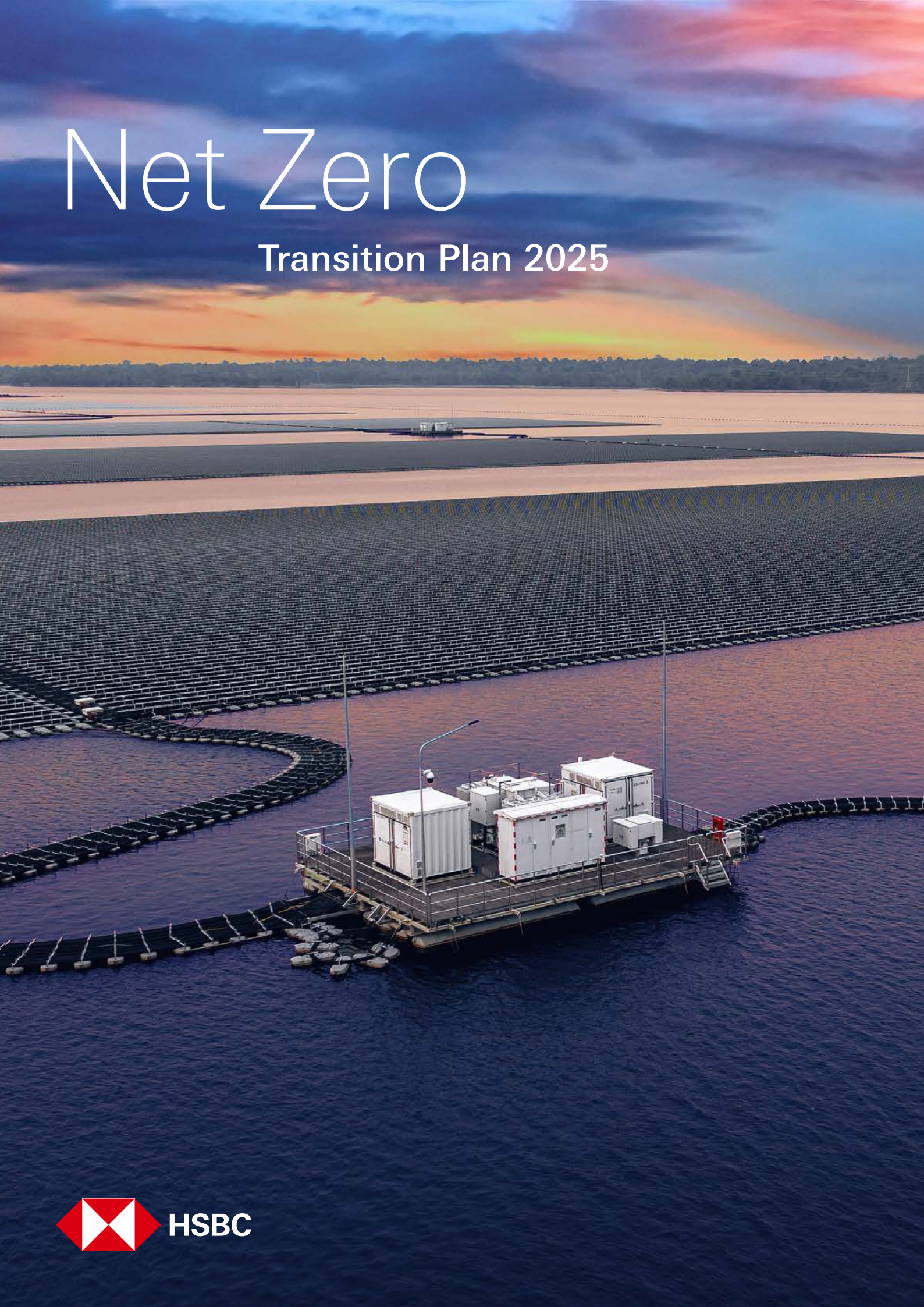
Net Zero

Transition Plan 2025



HSBC

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Certain defined terms

Unless the context requires otherwise, 'HSBC Holdings' means HSBC Holdings plc and 'HSBC', the 'Group', 'we', 'us' and 'our' refer to HSBC Holdings together with its subsidiaries. Within this document the Hong Kong Special Administrative Region of the People's Republic of China is referred to as 'Hong Kong'. The abbreviations '$m', '$bn' and '$tn' represent millions, billions (thousands of millions) and trillions of US dollars, respectively.

Cover image Hybrid floating solar panel station, Sirindhorn Dam, Thailand

Georges Elhedery
Group CEO

1. Group CEO foreword

Our ambition is to become a net zero bank by 2050. Supporting our customers is core to our strategy and financing our customers' transition is both critical to them and aligned to our net zero ambition. We believe delivering the transition will make the global economy stronger and more resilient.

> We want to be our customers' most trusted international financial partner through the transition, creating long-term value for them and our shareholders

We want to be our customers' most trusted international financial partner through the transition, creating long-term value for them and our shareholders. Our reach across global value chains and trade corridors, deep roots in Asia and the Middle East, and expertise in infrastructure and project finance mean we can play a prominent role in financing the transition where it matters most.

We published our first Net Zero Transition Plan in January 2024, setting out in one place the actions we would take. We are proud of our progress since.

We mobilised $54.1bn in sustainable finance and investment in the first half of 2025 – a 19% year-on-year increase – helping our customers to adapt and grow. Since 2020, we have provided and facilitated $447.7bn in sustainable finance and investment at mid-2025, advancing towards our ambition to provide or facilitate $750bn-$1tn by 2030.

We have reviewed around 4,000 corporate customers' transition plans, strengthening the bank's understanding of their priorities, constraints, and capital needs. We have reduced our absolute on-balance sheet financed emissions by ~30% (from baseline reported emissions across target sectors). We have reduced our scope 1 and 2 emissions by 76% (from a 2019 baseline) – and we are on track for at least a 90% reduction in scopes 1 and 2 by 2030, though progress on our supply chain has been slower than we hoped.

But the world has not stood still – and neither have we.

We committed to evolving our approach to keep pace with the dynamic world in which we and our customers operate. Since early 2024, the global landscape has shifted markedly, making the pace of transition more uneven.

Some sectors and parts of the world — notably emerging economies in Asia — are accelerating the transition as ever-cheaper and more effective clean technologies scale rapidly. Other sectors, such as heavy industries, are finding the transition even tougher than anticipated. Governments, too, are taking divergent approaches, creating a complex policy environment. Global decarbonisation is falling behind the pace required to limit warming to 1.5°C and climate-related risks – compounded by nature loss – have risen, making the role of providing finance to help support customers' transitions more important than ever.

To help our customers navigate this complexity, we have prioritised developing deeper insight into their specific needs and transition outlook. HSBC-commissioned market research shows that sustainability has become a key strategic consideration for many of our customers: more than half of the corporate customers surveyed view the transition as a key business opportunity and expect to accelerate their approach to the climate transition in the next three years, whilst an increasing number are planning to allocate capital towards the transition in the next three years. Yet they also face implementation challenges – raising concerns of increased cost and operational disruption.

Against this wider landscape, we have refined our approach. Developed in the spirit of putting our customers at the heart of everything we do, our updated Net Zero Transition Plan reflects the realities of an evolving transition playing out very differently across the global economy – and the scale of opportunity it presents our customers.

It also builds on the benefits of becoming a simpler HSBC, better equipped to provide banking and investment solutions spanning diverse customers, sectors and value chains.

Building on our progress towards our own net zero ambition and targets, our updated plan intensifies our efforts to be:

- **Customer focused:** Further aligning our strengths, capabilities and capital to our customers' evolving transition needs
- **Commercial:** Pursuing with greater clarity the growing opportunities the transition affords our customers, shareholders, and the economies we serve
- **Agile:** Leveraging our simpler structure and responding pragmatically to a dynamic external environment

To deliver on these priorities, we have refreshed our strategy to support our Corporate and Institutional Banking and Commercial Banking customers' transition. Driving the energy transition globally will demand vast capital investment — around $5tn annually through 2030 — a scale where HSBC's global reach and expertise can play a valuable role. We are directing our financing and capabilities towards the biggest areas of opportunity, mobilising capital where customer demand and our real-economy impact can be greatest.

Through our Wealth and Asset Management businesses, we can offer our customers a growing range of products and tools they can use to incorporate climate and transition considerations into their investment strategies. And our strength in our home markets of the UK and Hong Kong means we are well placed to take steps to help our retail customers reduce their emissions footprints, for instance through green mortgages and electric vehicle financing.

We have also strengthened our governance and risk management processes and have reviewed and updated our interim financed emissions targets, metrics and associated policies, informed by the latest scientific evidence, credible industry pathways, our insight from our customers' experience of the transition to date and today's external realities.

Recognising the role external factors can play in shaping the pace of transition, we will more actively convene our customers to develop our shared understanding of opportunities to support their transition and unlock investment in solutions.

For 160 years, HSBC has helped customers thrive through complexity and change. We are determined to help them navigate this transition and seize the opportunity – mobilising capital at scale to help today's economy to decarbonise while enabling innovation and growth in the new economy.

Georges Elhedery
November 2025

2. About our updated Net Zero Transition Plan

In January 2024, we introduced our initial Net Zero Transition Plan, providing an overview of our net zero strategy and implementation plan for the first time.

We remain steadfast in our ambition to become a net zero bank by 2050. We have made progress towards achieving net zero across our financed emissions footprint, in our own operational emissions and through our engagement with suppliers, and in deploying capital to support our customers' transition to net zero.

We committed to evolving our approach over time to respond to changing contexts, and since the beginning of 2024, there have been significant external and internal developments. In response, we have reviewed and refined our approach and this chapter summarises the key updates.

Our ambitions and targets

Net Zero
in our financed emissions, own operations and supply chain by 2050

$750bn - $1tn
of sustainable finance and investment by 2030

7 financed emissions sector targets[1]
including five on-balance sheet financed emissions and two combined financed and facilitated emissions sector targets

Phase out
the financing of thermal coal-fired power and thermal coal mining by 2030 in EU/OECD markets and by 2040 in other markets

Our highlights to date...

76%
reduction in our scope 1 and scope 2 emissions in 2024 from our 2019 baseline

~$448bn
cumulative total sustainable finance and investment provided and facilitated since 1 January 2020 to 30 June 2025

~$180bn
assets managed in ESG and sustainable investing portfolios as of 31 December 2024

~124,000
colleagues completed in-house sustainability-related training, and over 300 senior leaders completed a Sustainability Leadership course in 2024

300
highest-emitting suppliers engaged to help drive decarbonisation in 2024

~30%
reduction of absolute on-balance sheet financed emissions for the sectors in scope of our financed emissions 2030 targets based on the baseline and progress numbers reported in our Annual Report and Accounts 2024

~ $13bn
of financing provided in 2024 where the primary use of proceeds is renewable energy, which accounted for more than 50% of green lending within our reported sustainable finance and investment in 2024

~4,000
corporate customers' transition-related information reviewed since 2023

[1]Our reported on-balance sheet financed emissions include combined on-balance sheet financed emissions and facilitated emission targets for two emissions intensive sectors: oil and gas, and power and utilities. The remaining five sectors for which we have set on-balance sheet financed emissions targets are: cement; iron and steel; aviation; automotive; and thermal coal mining.

The evolving context

Our customers are navigating a complex transition to net zero, made even more complex by significant shifts in the macroeconomic and geopolitical landscape.

In some sectors and regions there has been significant progress; in others, the transition is proving harder and slower than anticipated.

Investment in clean energy is surging, outpacing fossil fuel investment since 2023. Costs of solar, wind, electric vehicles and batteries have fallen sharply. The economic and strategic advantages of clean energy solutions, their efficiency, speed of deployment and potential to deliver energy self-sufficiency have become the dominant forces accelerating the transition. And the more the world builds, the better and cheaper these technologies become, driving adoption higher still.

Much of this momentum is now being shaped by emerging economies—particularly in Asia — where rapid investment and large-scale deployment of clean energy technologies are transforming industrial competitiveness and global supply chains.

Yet such momentum is not uniform. High decarbonisation costs and lack of clear long-term demand signals have delayed the transition in heavy industries. This is while energy demand continues to grow.

An uneven transition is emerging across the sectors and regions we operate in, while globally, the policy environment becomes increasingly uncertain and fragmented. Despite promising progress, the pace of change remains insufficient and the world is not yet on a trajectory to limit warming to 1.5°C.

At the same time, we have also recently restructured our business so we can better serve our customers. (See box on page 22). This has created new opportunities to leverage what we have learned about our customers' transition needs, the drivers of future growth, and the role we can play as a financial institution.

> We are updating our Transition Plan so it remains responsive to the global context our customers operate in

Against this broader landscape, we are updating our Net Zero Transition Plan so it remains responsive to the global context our customers operate in, what we have learned from our own progress and customers' transitions, and can leverage the benefits of the new commercial strategy of our business.

As part of this process, we have reviewed the latest science, scenarios and industry guidance, considered external environmental changes, policy developments, transition challenges and dependencies and decarbonisation rates across sectors.

We have also consulted widely across our business functions; engaged our shareholders; listened to our customers and gained valuable insights from our experience of working with them on their transition journeys.

Our updated plan

This document sets out our updated Net Zero Transition Plan.

It focuses on the intersection of our customers' needs and our particular strengths and capabilities as a financial institution. It sets out the actions we are continuing to take, and plan to take, to achieve our net zero ambition and to align our financing with the Paris Agreement goals of holding the increase in global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C. It combines our conviction about the opportunity and necessity of the net zero transition, with pragmatism about what delivering on our ambition in a dynamic world will take.

> "The greatest contribution we can make as a financial institution to real world emission reductions is to deploy HSBC's strengths in support of our customers' transition

We continue to believe that the greatest contribution we can make as a financial institution to real world emission reductions is to deploy HSBC's strengths in support of our customers' transition. Our Net Zero Transition Plan therefore remains structured around our three core implementation pillars: supporting our customers, embedding net zero into how we operate, and partnering for an enabling environment.

To apply our strengths towards our customers' transition needs and to continue to make progress towards our net zero ambition in a challenging external environment, we have refined our approach to intensify our efforts to be customer focused, commercial and agile, leveraging our simpler business structure.

Customer focused:

Further aligning our strengths, capabilities and capital to our customers' evolving transition needs.

We have deepened our engagement across corporate customer segments by undertaking transition plan assessments and gathering new data on customer transition priorities. We seek to support an environment that enables customers in hard-to-abate sectors and growth markets to address roadblocks and scale proven innovation. The opportunity for HSBC is to match capital allocation with customers' transition goals, and our solutions are now more tailored and responsive to the diverse realities faced by our customers, whether multinational corporates, governments, personal customers, or SMEs.

Commercial:

Pursuing with greater clarity the growing opportunities the transition affords our customers, shareholders, and the economies we serve.

We are most effective when we are providing solutions and opportunities for our customers, so our updated Net Zero Transition Plan is centered on mobilising capital and enabling innovation to help deliver on our net zero ambition and create long-term, sustainable value for our customers and shareholders.

Agile:

Leveraging our simpler structure and responding pragmatically to a dynamic external environment.

As part of this response, we are integrating and embedding climate further into our core banking activities. Our business lines, regions and key functions are integrating climate and sustainability into how they do business, strengthening capacity to meet customer needs across different organisational sizes, geographic footprints, and stages of transition.

To help deliver against these priorities, we have refreshed our sustainability strategy for our Corporate and Institutional Banking and Commercial Banking customers. This new approach leverages the advantages of a simplified structure through the formation of our new Corporate and Institutional Banking (CIB) business. This provides a joined-up commercial strategy that is solutions led rather than sector led, helping to unlock banking solutions that span sectors and markets.

> We have reviewed our interim financed emissions targets, metrics and associated policies, seeking to remain science-aligned and compatible with our own net zero ambition

Our International Wealth and Premier Banking (IWPB) business, building on our influence as a global asset and wealth manager, places us in a strong position to help our customers navigate sustainability opportunities and risks, and the net zero transition through the solutions we offer so they can develop investment strategies that can endure. We seek to leverage our international presence and experience across developed and emerging economies to help our customers – from individuals to institutions – choose investment solutions that serve their sustainability preferences and objectives.

Our Hong Kong and UK businesses give us strong platforms in our home markets, where customers with global banking needs can also access the power of our international network through our CIB and IWPB businesses.

In parallel, as we reach the midpoint of our 2030 targets, we have reviewed our interim financed emissions targets, metrics and associated policies, seeking to remain science-aligned and compatible with our own net zero ambition, while remaining realistic and credible given global developments. This includes updating our interim sector-specific financed emissions targets from fixed targets to target ranges, in light of the latest credible industry-specific net zero pathways and decarbonisation rates. For further information, see the *Monitoring Targets and Metrics* chapter. We will continue to report progress against our targets in our Annual Report and Accounts.

Following a review of our sustainability risk policies, we have now published our Sustainability Risk Policies Framework which includes our thermal coal phase-out policy.

The Framework provides an overview of how HSBC identifies, evaluates and manages risks related to the delivery of our sustainability approach across sectors. It aims to ensure our decisions are aligned with HSBC's ambitions, targets and commitments while providing a clearer, simpler reference point for customers and employees by bringing our individual updated sector policies together into a single framework.

Consistent with our 2021 climate resolution, our approach is informed by and aligned with the goals of the Paris Agreement.

Scope and guidance

Our Net Zero Transition Plan covers the HSBC Group.

We have highlighted where a tailored approach is being taken by individual business lines, for example, HSBC Asset Management's approach in response to their own obligations and regulatory requirements, and we have focused primarily on the customers we would anticipate making the most impact on HSBC's ambitions, targets and commitments.

The HSBC Holdings Board has overseen the development of the Net Zero Transition Plan, along with the Group Operating Committee and wider senior management. The Board's oversight has been supported by a review process involving our risk, finance and internal audit functions.

In preparing this document, we have also taken into consideration the recommendations of the UK Transition Plan Taskforce's framework[2] and other guidance, recognising that the landscape of frameworks, standards, regulation and data in this area continues to rapidly evolve. We plan to continue reporting progress against our Net Zero Transition Plan including on our financed emissions, own operational emissions and supply chain, and our sustainable finance and investment ambition, and related methodologies, in our Annual Report and Accounts and related disclosures.

Uncertainties and dependencies

This plan sets out our approach, status and what we plan to do in the future. We also want to be transparent about where there are still uncertainties, challenges, and dependencies.

> Our ability to finance our customers' transition relies on the pace of technology evolution

Challenges to transition planning include relative uncertainty in a changing geopolitical and macroeconomic environment, methodologies, scenario analysis and industry standards, challenges on data quality, comparability and availability, among other areas.

While these continue to develop, we have chosen to lay out and pursue the plans we have today based on currently available data, infrastructure, resources, technologies and standards.

Our ability to finance our customers' transition relies on the pace of technology evolution. This varies between sectors and is largely dependent on the regulatory and fiscal policy environment, with certain sectors having received less support, resulting in fewer solutions and dedicated pathways. We have set out more information on the challenges faced by different sectors, and the role HSBC can play, in the chapters that follow.

These factors put our customers', and our own, net zero ambitions at risk. We are limited by, and cannot on our own overcome, the present lag in policy measures, technology availability and the overall uneven pace of the transition. Many of our customers and potential customers operate in jurisdictions that are proceeding along inconsistent, slower or differentiated national transition pathways, with some national net zero commitments extending beyond 2050. Engaging with these customers on their transition opportunities and challenges may depend on their ability to transition faster than may be domestically required, while accounting for inconsistent benchmarks and regulatory frameworks. We have set out further detail on how we will take a holistic approach to supporting our customers' transition pathways in the *Supporting our customers* and the *Steering our financial decisions* chapters.

The only certainty is that these and other developing areas will unfold in ways that we cannot accurately forecast today. As a result, our Net Zero Transition Plan will need to continue to evolve over time.

3. Our strategic approach

In this chapter, we set out our vision for HSBC's role in the transition and summarise our implementation plan and priority actions, which are explained in further detail in the following chapters.

> We also recognise the importance of safeguarding the natural environment and its role in a net zero transition

Our approach is to leverage our global reach, balance sheet and role in international trade corridors to support our customers' transition, while embedding net zero into the way we operate and working with partners to support the enabling environments that can accelerate capital flows. We also recognise the importance of safeguarding the natural environment and its role in a net zero transition.

Our emerging approach to nature focuses on continuing to consider how we develop our understanding of our exposure, our approach to risk management and identifying opportunities to support our customers, as well as how to build the skills and data capacities we need.

We conclude with an assessment of the evolving transition pathways across sectors that highlight both the risks and the opportunities of the global transition and continue to inform our Net Zero Transition Plan.

Our role in the transition

As a global financial institution, we exist to serve our customers.

We believe supporting our customers' transition is one of the most significant roles we can play in the global transition to net zero. This will help to deliver long term value for customers and shareholders.

We take a holistic approach to understanding and supporting the transition journeys of our customers and potential customers. By coupling our portfolio management and transaction decision making process with engagement tailored to our customers' individual circumstances, we work to support their transition pathways while also advancing progress against our key metrics and targets. For further information, see the *Supporting our customers* and *Steering our financial decisions* chapters.

Focusing our efforts

Based on our latest reported emissions in our Annual Report and Accounts 2024, 97% of HSBC's total reported emissions (excluding our Asset Management business) are associated with our financing of customers in the sectors in scope of our financed emissions 2030 targets, with the remainder coming from our own operations and supply chain. Our wholesale lending activity makes up most of the financed emissions on our balance sheet.

So, while our Net Zero Transition Plan covers how we can support the many different types of customers we serve, we place particular emphasis on where we believe we can have the greatest potential impact: our corporate and institutional customers.

For 160 years, HSBC has supported the economic development of energy, industry, and entrepreneurs, from East to West. Our history means our balance sheet is weighted towards the sectors and regions where the need for transition finance is the greatest.

This gives us an opportunity to mobilise capital at scale to help grow the new economy, while enabling today's economy to decarbonise.

HSBC's strengths

We are well equipped to be a leading provider of financing to support our customers' transition to net zero, due to our extensive geographical presence, strong corporate and institutional customer base, and our comprehensive product offerings and services:

As the **world's best trade finance bank**, as recognised by Euromoney, we can be a leader in supporting the decarbonisation of trade and ecosystems.

Our **customer depth** means we can help customers decarbonise across their supply chains.

Our **global reach**, with strength in Asia and the Middle East, allows us to serve customers in these regions and connect them to opportunities around the world.

Our **influence** as a global asset and wealth manager allows us to offer innovative investment solutions to support our customers' investment objectives and preferences.

Our **connections** with corporates, institutions and governments enable us to link investors with issuers.

These strengths are supported by our financing and investing capabilities across the old and new economies, and across regions.

Our implementation plan

Reflecting our vision for our role in the transition, our Net Zero Transition Plan is structured around three implementation pillars:

1

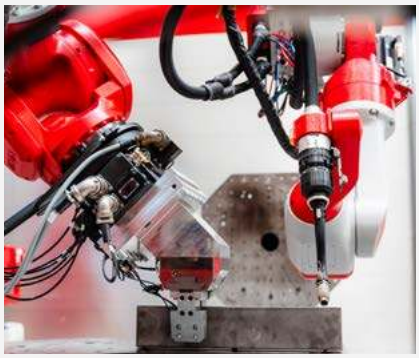
Supporting our customers

We have refined our approach to continue to be responsive to the diverse realities faced by our different customers across the world, from individuals through to multinational corporates and institutions. We set out our specific approach to supporting three key customer groups through the transition: (i) Corporate and Institutional Banking and Commercial Banking customers; (ii) Institutional and Individual investors; and (iii) Personal, Premier and Private Bank customers. We place particular emphasis on our Corporate and Institutional Banking customers given their outsized role in our balance sheet and financed emissions. Following the creation of our new CIB division, we have developed a new strategy with an aim to become a leading international sustainable finance and transition bank and to grow our sustainable finance and transition revenues by 2030.

2

Embedding net zero into the way we operate

We are continuing to align our sustainability risk policies, evaluation tools and governance processes with our net zero ambition, and equipping colleagues across the Group with the capabilities and incentives to deliver. We are also seeking to manage the physical risks from climate change, as well as the risks arising from the transition to a net zero economy, and further developing our approach to understanding and managing nature-related risk. We also continue to reduce our own operational emissions footprint, by putting the necessary targets, metrics and policies in place to help steward our business towards our net zero ambition, while being a responsible consumer of natural resources.



3

Partnering for an enabling environment

Recognising that our customers' transition, and our ability to finance it, relies in part on external market and policy conditions, we also seek to support enabling environments that can help accelerate the flow of capital towards business innovation and transformation. That is why we engage with governments, regulators, peers, investors and industry groups on the necessary frameworks that can help support our customers' transition, with a focus on mechanisms to mobilise capital for emerging markets' transition and adaptation faster and at greater scale. By sharing our experience, expertise and insights with governments and regulators who are shaping these enabling environments, we can support our customers' transition, encourage solutions for nature, and help ensure capital reaches the economies where it is needed most.

Our Purpose

Opening up a world of opportunity

Our Priorities

- Focus on the Customer
- Drive Long Term Growth
- Be Simple and Agile

Our Values

We value difference | We succeed together | We take responsibility | We get it done

Our Net Zero Ambition

Ambition to become a net zero bank by 2050 supported by our Sustainability Strategy

Our 3 Net Zero Pillars

Supporting our customers	Embedding net zero into the way we operate	Partnering for an enabling environment
We are seeking to align our capital and capabilities with our customers' transition goals, by tailoring our products and services to the specific needs of different customers around the world.	We are working to incorporate net zero considerations into our broader decision-making activities, our climate risk management framework, our metrics, and in our own operations and supply chains.	Our ability to finance our customers' transition is influenced by external market and policy conditions, therefore we seek to partner with stakeholders and advocate for progress across the financial system.

Priorities for action

We continue to evolve and refine our approach to delivering our net zero ambition.

We set out key priorities for action across each implementation pillar below, including initiatives already in progress while also identifying new areas for action.

Continuing our net zero journey in 2025 and beyond

Supporting our customers

- Be a strategic, trusted transition partner supporting our customers to meet their sustainability goals
- Support critical transition industries and scale-up of emerging climate tech through developing innovative products and services which help our customers' transition
- Provide insights to our front-line bankers to enrich engagement and identify opportunities to support customers
- Continue to utilise transition plan assessments to uncover deeper insights and needs of our customers, enabling us to offer more bespoke products and solutions

Embedding net zero into the way we operate

- Manage our portfolio towards our net zero ambition, incorporating customer transition plans, climate risk, sustainability risk policies and financed emissions targets
- Increase renewable electricity procurement across our portfolio, and embed strategic supplier engagement and decarbonisation support
- Continue to equip colleagues with relevant training and the latest insights to help ensure net zero remains embedded into our culture
- Continue to manage climate related credit risk exposures and enhance credit processes and tools

Partnering for an enabling environment

- Engage with industry initiatives to support the development and standardisation of the necessary principles and guidelines for sustainable finance and investment
- Partner and collaborate across the value chain to provide innovative climate financing solutions that meet our customers' transition needs
- Actively contribute and engage across public and private organisations to help promote effective regulation, standards and policy for climate action
- Continue to develop our approach to nature, deepening our understanding of our exposure to nature and the tools that can help us manage nature risks and impacts

Evolving pathways

Our updated Net Zero Transition Plan is informed by our latest understanding of technology pathways and the economics of the net zero transition across the global economy.

> In some areas, change is accelerating faster than expected – particularly around the development, manufacturing and deployment of renewable energy, batteries and electric vehicles, both in China and increasingly in other emerging economies too

Our customers are navigating complex and dynamic market conditions with the transition playing out at different speeds and from different starting points across sectors and geographies.

In some areas, change is accelerating faster than expected — particularly around the development, manufacturing and deployment of renewable energy, batteries and electric vehicles, both in China and increasingly in other emerging economies too. In contrast, transition in heavy industry, and the development of cost competitive clean fuels and carbon sequestration technology is progressing more slowly than anticipated.

Ambitious, credible, and stable government policy remains essential for real-economy decarbonisation. Growing policy uncertainty and volatility impacts our customers' ability to execute long-term transition strategies. Many customers are now adapting their approach to meet new realities. We are focused on connecting our core banking capabilities and deep sustainability expertise across the globe to provide our customers with the financing solutions they need to succeed.

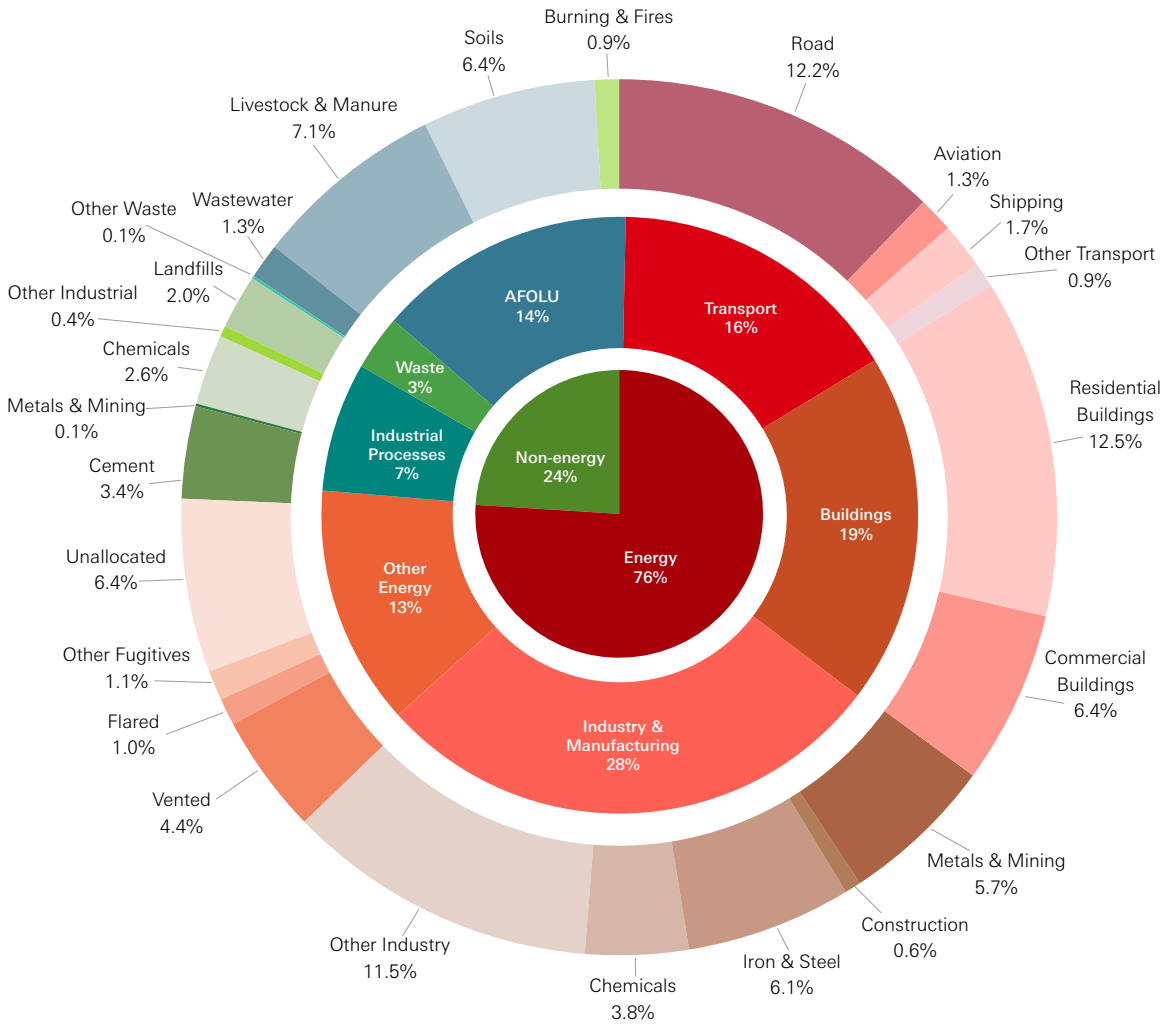
Our Global Sustainability team brings together transition economists, technologists, as well as policy and finance experts to work alongside and support our front-line bankers and risk managers. It helps translate climate science, sector pathways and emerging technologies into targeted customer insights and practical tools, providing the foundation for high-quality conversations. This capability is deepening our customer relationships and helping to ensure our financing can support our customers' evolving needs in a highly dynamic environment.

Through this work, we can see that a series of cross-cutting forces are reshaping transition pathways across the economy. Advances in clean electrification, alternative fuels, carbon capture and removals, efficiency and circularity, supply-chain resilience, and shifts in nature and land use systems are influencing every sector — though in distinct ways. Underpinning each of these is a wave of technological innovation that shapes the pace and scale of progress. These forces do not operate in isolation; they interact to define how industries transform and where capital is required.

The following section sets out a high-level overview of how these dynamics are playing out across the sectors most relevant to HSBC.

Global greenhouse gas emissions by sector (CO_2e)

As at 2021, around 76% of the world's greenhouse gas (GHG) emissions come from burning fossil fuels as an energy source for power generation, transport, industry, buildings, and petrochemicals (see graph below). A further 14% of global GHG emissions come from agriculture, forestry and other land use. The rest is directly from industrial processes (7%) and waste (3%)[3].



Source: Climate Watch GHG Emissions, 2021 dataset

Clean power and grids

Investment into clean power generation, grid infrastructure, electrification of demand and manufacturing supply chains can drive more than 68% of the overall emissions reductions needed to achieve net zero[4].

Record deployment of mature clean technologies has been driven by positive feedback loops between falling manufacturing costs, increasing efficiency, and ever-growing economies of scale.

> Across the globe, electricity demand is expected to at least double by mid-century

Onshore wind and solar PV are now the cheapest forms of new electricity generation in two-thirds of the world's markets. The cost of solar modules and battery energy storage has halved in just two years, so each dollar of investment now delivers twice as much clean electricity capacity. Combined with other renewables such as hydro-electric power and conventional nuclear, emissions-free power has grown to over 40% of total global electricity generation in 2024[5,6].

Much of this rise is being driven from Asia. In China alone, solar generation was up 43% in 2024 compared to 2023, and this accounted for 54% of total global solar growth. China also saw 57% of all wind power deployed globally in 2024. Solar in India grew 18% in 2024 – the fourth highest globally – making the country the third largest producer of wind and solar power worldwide. Meanwhile, solar continues to grow in North America and Europe at 27% and 22% respectively, from the end of 2023 to the end of 2024[7].

Across the globe, electricity demand is expected to at least double by mid-century, driven by electrification of road transport, heating and cooling needs, and rapid expansion of data centres and AI. Meeting the energy needs of a future net zero economy will need an addition of approximately 34 terawatts of clean electricity generation capacity by 2050, an approximately 6 times increase from today[8].

Building a resilient electricity system will be critical to meet rising energy demand amid more complex, renewables-dominated power. Batteries, pumped hydro and synchronous condensers will be needed to balance renewables, provide grid services and manage seasonal variation.

Flexible gas-fired peaker plants, which are dispatched to meet demand when renewables and storage is unavailable, will be critical to ensure security of supply and system reliability in some markets. Other fossil fuels remaining in the power mix will require investments in methane abatement and carbon capture to enable the net zero transition.

To connect an increasingly complex ecosystem of power generators and users, the electricity grid will need to grow and get smarter. The net zero transition may require a doubling of the global power network and $55tn in infrastructure finance in clean power generation and grids by 2050, of which more than half is expected in Asia-Pacific[9,10].

Electrified transport

> EVs will make up over 50% of new vehicle sales in Europe by 2030, more than 18% in South East Asia, and one in four sales in the US

Electric vehicles (EVs) are rapidly becoming cost competitive. In 2024, EVs made up 20% of new passenger vehicle sales and 36% of new bus sales. Much of this rise has been driven by China, where new energy vehicles which include battery electric and plug-in hybrids, exceeded 50% of new auto sales in the first half of 2025, a decade earlier than the government's original target[11,12]. Looking ahead, market forecasts now suggest EVs will make up over 50% of new vehicle sales in Europe by 2030, more than 18% in South East Asia, and one in four sales in the US[13,14,15].

The electrification of transport is redrawing industrial geography. Equipment and component manufacturing, critical minerals processing, and innovation is highly concentrated today in China. Rising geopolitical tensions, tariff volatility, and tougher local-content rules are making supply chain diversification a strategic priority. The growth of EVs is forging new links between autos, batteries, and critical minerals, while new border measures and disclosure rules are reshaping trade corridors and defining how low-carbon goods move across markets.

This is spurring new opportunities to form joint ventures, foster new entrants, and build supply chains in new jurisdictions. With opportunity also comes greater need for risk management, transparency, and strengthening of environmental and social standards.

Built environment

Energy use in the built environment, including both residential and commercial buildings as well as data centres, produces 19% of total global emissions[16]. Switching space heating and water heating to electricity is key to decarbonising buildings.

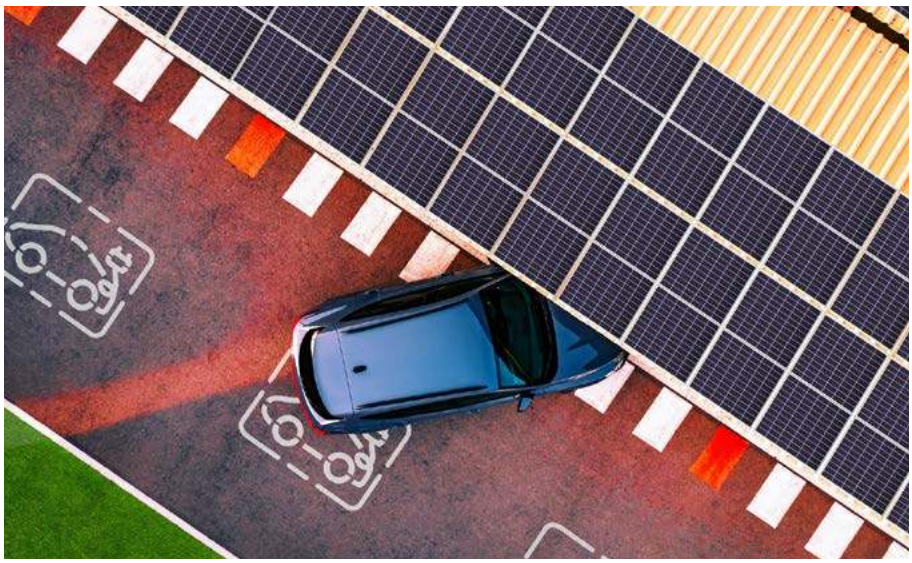
Replacing boilers and furnaces with heat pumps reduces energy demand by three to four times. Heat pumps are a mature technology that currently meets around 10% of building heat demand worldwide, and the number of installed heat pumps is projected to triple by 2030 and reach 1.8bn units by 2050. Demand for air conditioning – driven particularly by fast-growing emerging economies – is set to more than double by 2050. Although already electric, adoption of more efficient, modern units can help manage growth and optimise the grid[17,18].

For real estate developers, smart thermostats and real-time energy management software can help improve energy efficiency and monetise demand-side flexibility. In addition to digitisation, building design can also be optimised and existing stock retrofitted for better efficiency with better insulation, LED lighting, and low-energy appliances. The construction of new buildings is

> Switching space heating and water heating to electricity is key to decarbonising buildings

a good time to embed better energy efficiency into design upfront, with techniques like passive cooling available to reduce energy use by around 25%[19].

As demand for AI grows rapidly, innovations in chip design, cooling technology and system optimisation are helping to improve energy efficiency. However, most scenarios show at least a doubling of data centre electricity demand by 2030. This demand is likely to be concentrated by region, creating local demand for new grid connections and power capacity including fast-to-build renewable energy and battery storage. AI and machine learning also promise potential new solutions to accelerating transition, helping to analyse large data sets and derive technical solutions to optimise dynamic, low carbon power systems and unblock materials and manufacturing bottlenecks[20,21,22].



Industry and manufacturing

Industry, including energy-intensive sectors such as steel and cement, accounts for around one-third of global emissions[16].

However, progress in this area has been slower and more difficult to scale. It has been estimated that 700 clean industrial plants need to reach final investment decision (FID) by 2026 to get on a 1.5°C pathway, while the number of announced projects has grown, the rate of those reaching FID remains too slow[23].

> By 2050, about 50% of emissions from manufacturing and industry will need to be reduced through electrification, efficiency, and circularity

Electrification is not always the best solution for industrial processes where high-temperature heat is required. Scaling less mature solutions such as clean fuels like hydrogen, bioenergy, or innovations in electrochemical processes, is required to unlock deep decarbonisation. However, adoption of these solutions will be capital-intensive, requiring mass conversion of legacy industrial capacity. Where fossil fuels continue to be used in industry, carbon capture technology will be needed.

By 2050, about 50% of emissions from manufacturing and industry will need to be reduced through electrification, efficiency, and circularity, and the other half of reductions will come from a combination of clean fuels and carbon capture[18].

Shipping and aviation

Transition for harder-to-abate transport depends on scaling bio-derived sustainable aviation fuel (SAF) or synthetic (hydrogen-derived) eSAF, methanol and ammonia. Limited bio-feedstock availability and stubbornly high costs for engineered clean fuels has limited progress to date, though government mandates have begun to drive uptake.

The EU has set a target to meet 35% of jet fuel demand by eSAF in 2050. By 2050, a global net zero transition will require around 70% of clean jet fuel to be bio-derived SAF, and 30% from hydrogen. In shipping, 73% of clean fuels are expected to be derived from hydrogen[24].

Fossil fuels

Around 76% of the world's GHG emissions come from burning fossil fuels as an energy source for power generation, transport, industry, and buildings. The transition to net zero will ultimately reduce demand for unabated coal, oil and gas[25].

To navigate this, energy companies will need to balance responsible management of existing production while gradually diversifying into low emissions markets for clean electrons, clean molecules, or critical materials.

Since 2017, the oil and gas industry has invested $95.8bn in low-carbon technologies including renewables, clean fuels, and carbon capture[26]. The core engineering competencies of the oil and gas industry are also highly competitive in scaling adjacent green industries such as geothermal energy, offshore wind and brine-based lithium extraction.

Additionally, the sector is making advances in decarbonising its own operations, through improved efficiency, circularity and clean electrification of refining processes, and is a leader in driving innovation for carbon capture and fugitive emissions management.

In most modelling, fossil fuel use does not go to zero in 2050. Instead, hard-to-abate sectors may have legacy capacity that will continue to run on oil, gas, and coal. Carbon capture and carbon removal technology will be required to remove those residual emissions, and various net zero scenarios indicate carbon removal may reach 7-10MtCO_2 by 2050. This represents an investment need of over $3tn[27].

Agriculture

Agriculture, forestry and other land-use contribute directly to around 15% of global emissions. However, if one considers emissions from the agriculture-food value chain as a whole (e.g. retail packaging, transport), analysis suggests that more than one third of global emissions come from the food system. Near-term actions to reduce emissions are focused on methane reduction in livestock and rice systems and on food loss and waste.

Digitalisation is enabling innovations in precision farming, agri-genomics, digital traceability systems, and large-scale platforms for alternative protein and algae production. Changes in farming practices, including regenerative and precision agriculture, are progressing from pilot to programme, but are often constrained by high upfront costs and multi-year paybacks[28,29].

At the same time, carbon markets are evolving toward models that reward verifiable, durable outcomes, as buyers and financiers require higher integrity from nature-based solutions.

Emerging technology

Many of the solutions needed to achieve net zero are not yet commercially viable at scale – from long-duration electricity storage and solid-state batteries to high-temperature electrolysis and round-the-clock, clean power like small modular nuclear reactors. There are also a range of software and computing solutions including AI analytics that could help optimise how zero emissions economies can work. The International Energy Agency (IEA) estimates that around one third of the abatement needed to enable net zero by 2050 will come from emerging technologies[30]. Investment is accelerating but remains far below what is required.

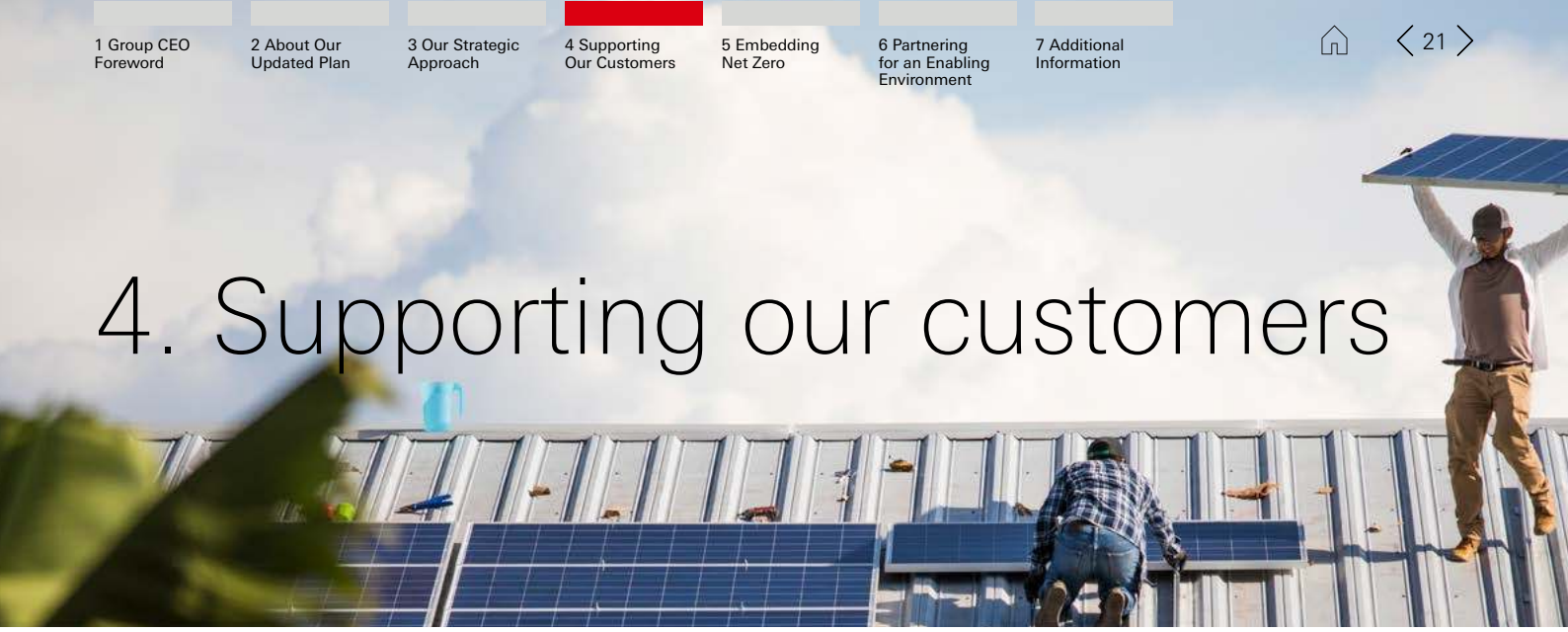
Most solutions need demonstration at scale, robust offtake and financing models that bridge venture-stage risk to infrastructure-grade deployment.

Looking ahead

These evolving pathways highlight the cross-cutting themes that are reshaping transition dynamics across every sector we serve.

They help inform how we assess risks and opportunities, and the strategic priorities of this Net Zero Transition Plan.

In the chapters that follow, we set out how this outlook underpins our approach: supporting our customers with targeted financing and advice, embedding net zero into the way we operate, and working with partners to support the enabling environments that accelerate capital flows.



4. Supporting our customers

At HSBC, we seek to align our capital and capabilities with our customers' transition goals.

We are increasingly tailoring our products and services to the specific needs of the different customers we serve around the world, from multinational companies to small businesses, entrepreneurs and individuals.

This chapter outlines the customers we support, the opportunities we see to help them progress on their transition journeys, and where we are focusing our efforts.

Who we serve

HSBC serves over 41 million customers across 57 countries and territories, ranging from individuals, entrepreneurs and small businesses to the world's largest corporates, institutional investors and governments.

Our customer base is geographically broad – with the UK and Hong Kong as our two largest markets – and deep across sectors and value chains. This breadth gives us a compelling role to play in connecting capital, ideas and solutions across economies, and in supporting customers as they adapt to the challenges of climate change and the opportunities of the transition.

This chapter outlines our approach for three key customer groups:

- Corporate and Institutional Banking and Commercial Banking customers
- Institutional and Individual investors
- Personal, Premier and Private Bank customers

Corporate and Institutional Banking and Commercial Banking customers

Our customers include businesses of all sizes – from some of the largest companies across sectors such as real estate, power and utilities, energy transport and manufacturing, to medium-sized and small business customers with widely differing transition needs.

We help them manage cash, finance growth, and invest for the future by providing a comprehensive suite of products and services including lending and financing solutions, transaction banking, and advisory services. This integrated approach enables our customers to access both local expertise and global capabilities to support their growth and operational needs.

> "The role we play with corporate and institutional customers is critical to achieving our net zero ambition

Our lending to corporate and institutional customers makes up the majority of our balance sheet and financed emissions, so the role we play with these customers is critical to achieving our net zero ambition.

Institutional and Individual investors

We leverage our international presence and experience across developed and emerging economies to help investors navigate global markets and create investment strategies that can endure.

At year-end 2024, HSBC Asset Management managed approximately $700bn in assets under management (AUM), serving customers ranging from individuals to sovereign wealth funds and central banks to pension schemes, insurers and corporates.

In many instances, HSBC provides both banking and investment services to the same institutional customers.

Personal, Premier and Private Bank customers

HSBC serves individual customers across the world, with the majority of our retail franchise concentrated in the UK and Hong Kong. We provide everyday banking, lending, savings and investment solutions, helping households manage financial needs and build long-term wealth and resilience.

Alongside this, our International Wealth business seeks to protect and grow our customers' wealth in our home markets of Hong Kong and the UK, alongside growing hubs in South East Asia, the Middle East and Europe.

Our simplified structure

For 160 years, HSBC has been defined by its financial strength and international network. Both remain enablers of everything we do. What is changing is the clarity, speed and intensity with which we are repositioning HSBC to focus on our key customers and markets. Our strategy supports our ambition to be the most trusted bank globally, putting customers at the heart of everything we do.

We have refocused our structure around our two core businesses and two home markets. Creating a simpler model that seeks to ensure we can:

- Be a leader in Corporate and Institutional Banking
- Be the bank of choice for International Wealth and Premier Banking
- Increase the leadership position of our UK and Hong Kong franchises

Corporate and Institutional Banking (CIB)

is an international wholesale bank with significant competitive advantages. It has a powerful deposit franchise with financing capabilities supported by the strength of our balance sheet and our network. It has the products and skills required to serve the global banking needs of international corporate customers, particularly in transaction banking where we continue to invest. This positions us to better capture global and intraregional flows as supply chains reconfigure, new trade routes emerge, economies grow, and customers' expectations of financial services evolve.

International Wealth and Premier Banking (IWPB)

is a global business that offers a broad range of investment and financial solutions. We both create and deliver financial products, services and strategies to a range of diverse customers, across public and private markets. We serve institutional and individual investors through our Asset Management business, as well as personal and private retail and wealth customers through our Wealth Management, Private and Retail Banking, and Insurance businesses.

Hong Kong

is where we serve personal banking customers and support small and medium enterprises. In Hong Kong, where HSBC was founded, Hang Seng Bank, a customer-centric community bank, is a strategically important investment of the HSBC Group, which enhances the strength of our franchise and market-leading position. We also have a fast-growing insurance manufacturing business in Hong Kong, leveraging the inflows that are propelling Hong Kong to become a leading international wealth hub.

UK

is where we have a leading retail, commercial and innovation-focused bank, which continues to build market share and where we focus on delivering best-in-class customer experience. Our services include wealth and personal banking, where we offer products and services to help our customers manage, protect and grow their wealth; commercial banking, where we serve c. 685,000 customers with a comprehensive product suite covering domestic and international needs, including helping SMEs develop and build from start-ups to thriving organisations; and innovation, where we deliver globally connected, specialised banking services and expertise to innovation businesses and investors.

Customers in our home markets with global banking needs will be able to access the power of our international network through our CIB and IWPB businesses, which are anchored in these two leading international financial centres.

Supporting our Corporate and Institutional Banking and Commercial Banking customers

Many of our customers are working to decarbonise their operations, transition to low-carbon business models, strengthen resilience to physical climate impacts, and address nature-related impacts and risks.

HSBC aims to support our customers in these efforts by drawing on our strengths – our global reach, cross value chain financing and customer depth.

> We have also deepened our understanding of customer transition priorities and the evolving market

Since setting our net zero ambition and laying out our first Net Zero Transition Plan, we have restructured our business so we can better serve our customers.

We have also deepened our understanding of customer transition priorities and the evolving market.

This section explains how we can draw on our organisational strengths and understanding of the evolving market to help meet their transition needs, outlining our new sustainable finance and transition strategy to support corporate and institutional banking customers.

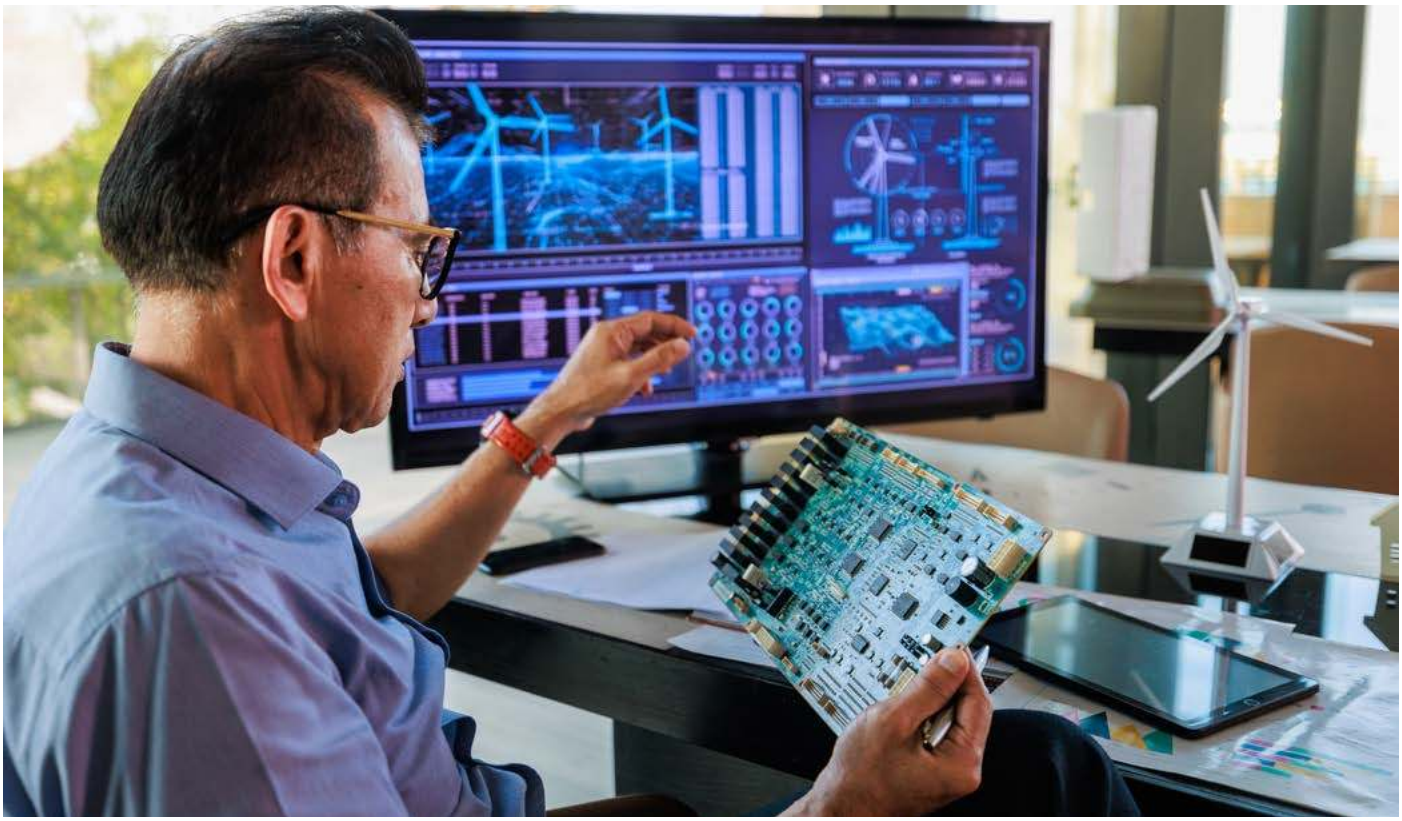
Leveraging our organisational structure

In early 2025, we brought together our Commercial Banking business outside the UK and Hong Kong with Global Banking and Markets to create HSBC Corporate and Institutional Banking (CIB). This simpler structure — which incorporates HSBC Infrastructure Finance — gives customers seamless access to global capital, markets expertise and financing through a single platform.

For corporates, that means faster execution, consistent coverage across regions, and stronger support to scale investment in key areas such as renewables, grids, storage and sustainable transport.

For our business banking customers, our increased focus on our two home markets means that we can develop solutions specifically to help smaller businesses take advantage of the opportunities, and mitigate the risks, of the transition to net zero.

The launch of HSBC Innovation Banking, following our acquisition of Silicon Valley Bank UK, further expands our ability to connect established corporates with the next wave of climate and clean-tech companies. This enables customers not only to access finance for proven technologies, but also to identify and adopt emerging solutions across their value chains.



Understanding customer transition priorities

Over the last three years, we have strengthened our capabilities and processes to collect information on the climate impacts, risks and opportunities our corporate customers face, as well as their progress on the transition to net zero to date. We have focused on those corporate customers most material in terms of transition risk, financing exposures and financed emissions contribution.

Over that time, we have reviewed information from around 4,000 corporate customers on the identified impacts, risks and opportunities in their transition to net zero. This process enables us to identify financing opportunities to support their transition, and to manage the financial risks associated with climate change and the transition to net zero.

Our assessment process also allows us to identify areas where further development of a customer's transition plans may be needed, as well as opportunities where we can provide support, either through advice, financing or other solutions.

We then build these insights into our ongoing engagement with the customer. We are also developing targeted customer insights for this purpose for our frontline bankers, forming the basis for productive customer conversations alongside specifically trained sustainable finance teams. For further information on our approach to customers' transition plans see the *Steering our financial decisions* chapter.

Of the ~4,000 customers' transition-related information reviewed, ~ 70% of customers are already disclosing emissions (any scope) and ~40% of customers have defined emissions reduction targets. While customers are making commitments to reduce emissions, the level of ambition and access to decarbonisation options currently differs across regions.

> We believe that supporting our customers to scale-up investment in sustainable technologies is crucial

Notwithstanding a lower proportion of customers with defined emissions targets, ~80% of customers assessed are intending to scale up net-zero compliant technologies, with clean electrification and energy efficiency emerging as clear priorities. At the same time, ~40% are planning to scale down fossil fuel or emissions-intensive technologies and activities.

We believe that supporting our customers to scale-up investment in sustainable technologies is crucial to build the foundations to enable an accelerating pace of transition, particularly in developing regions.

We are engaged with customers world-wide to understand how HSBC can support their transition

~4,000 corporate customers transition plans reviewed since 2023

33 Industry sectors

51 Countries and territories

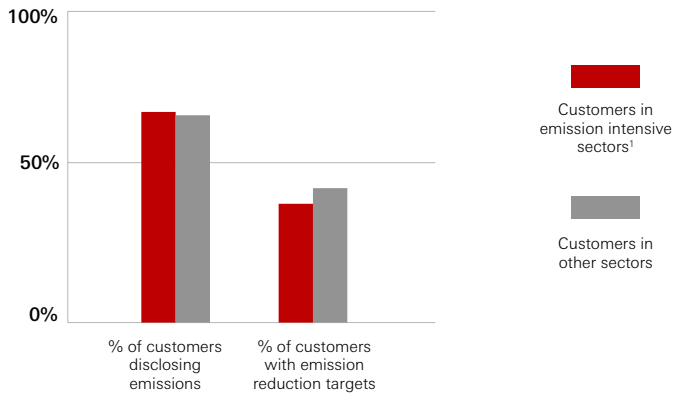
Of the ~4,000 customers reviewed, many are disclosing emissions, and some are setting targets

~70% Customers are disclosing emissions (any scope)

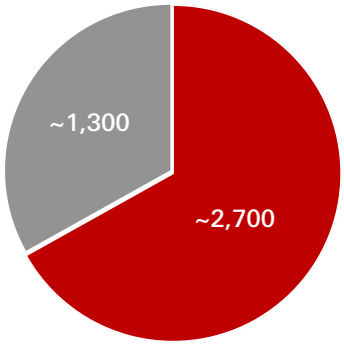
~40% Customers with emission reduction targets defined

The proportion of customers with disclosures and targets is similar across emission intensive and other sectors

% customers disclosing emissions/reduction targets



Customer split



1. Emission intensive sectors include Agriculture, Automotive, Aviation, Chemicals, Construction & Building Materials, Food, Beverage & Tobacco, Industrials, Land Transport & Logistics, Marine, Metals & Mining, Oil & Gas, Power & Utilities, Real Estate

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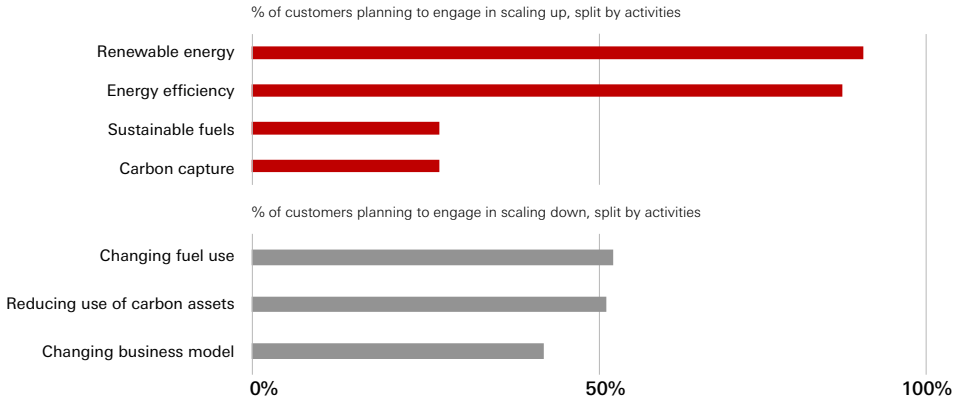
Of the ~4,000 customers reviewed, many are engaging – or plan to engage – in scaling up net zero technologies and scaling down emission intensive activities

~80% Plan to engage in scaling up net zero technologies and activities

~40% Plan to engage in scaling down fossil fuel / emissions intensive technologies and activities

Of those scaling up, clean electrification and energy efficiency are key scale up technologies



Our customer focused strategy

As well as engaging with customers to understand their transition plans, we have conducted detailed analyses of the addressable market for banks and see significant opportunity for HSBC across key transition themes including clean power, data centre efficiency, specific industry and supply chain needs, and verticals like climate tech.

Our ambition is to seize this opportunity by building a leading international sustainable finance and transition bank, significantly growing our sustainable finance and transition revenues by 2030.

By sizing these revenue opportunities by themes, while also deepening our understanding of the real-world factors influencing global transition pathways, we have been able to sharpen our priorities and focus our financing and capabilities on the biggest areas of opportunity for our customers and our bank.

We have therefore established three strategic priorities to support our Corporate and Institutional Banking and Commercial Banking customers' transition and deliver on our growth ambitions.

We intend to become:

1 **The leading bank for fast-growing transition ecosystems,** with a focus on clean power, electrification of transport, and data centres and AI.

The Opportunity

HSBC's customer base spans these ecosystems, which require significant transition capital expenditure (capex) by 2030 as they are the key decarbonisation and transformation vectors for the economy. For further information see the *Our strategic approach* chapter.

For instance, in the clean power ecosystem, our customer base spans the whole value chain, from technology and equipment suppliers, project developers, grid and transmission operators to energy off-takers, as well as project sponsors and investors, enabling us to support the ecosystem to grow across all regions. Rapid growth in data centres and AI creates significant opportunities to invest in low-carbon power sources, storage and innovative technologies such as small modular reactors. AI has significant potential to help drive innovation and accelerate decarbonisation in sectors beyond energy. Expanding clean electrification will be an important step to minimise AI's operational footprint while maximising the technology's potential.

Examples of progress so far

- We have supported Masdar with the construction of the $1bn 2GW "Al Dhafra Solar project", the world's largest single-site solar plant capable of displacing up to 2.4MtCO_2 annually.
- We have supported Doral Renewables LLC to construct a number of solar projects in the United States with greater than 1GW total capacity.
- We have supported AESC with the construction of a new gigafactory in Sunderland, England. Once complete, the factory will provide batteries for up to 100,000 EVs each year – a six-fold increase on UK's current capacity.

2 **A strategic transition partner for all our customers,** enabling investment in innovation and opportunity, across sectors and their value chains.

The Opportunity

Of the HSBC corporate customers who responded to our survey (see page 28), 60% indicated that the climate transition is a key commercial strategic area of focus for them. HSBC aims to support customers of all sizes to meet their sustainability goals and reconfigure their supply chains, leveraging sustainability as a key vector for strategic engagement.

To support our corporate and institutional customers, we leverage our debt financing and trade finance capabilities and presence in over 50 markets to support our customers across all sizes and sectors, particularly those in emerging and developing markets.

One of our largest corporate exposures is to real estate and construction – including cement, water and waste – emphasising the importance of finding decarbonisation solutions in these hard-to-abate sectors. As published in our Annual Report and Accounts 2024, our exposure to oil and gas represents 3% of our total wholesale lending balance sheet. However, across the sectors for which we report our financed emissions in, the financed emissions related to oil and gas upstream and integrated counterparties represents the biggest share – c.40% of our total reported financed emissions. Power and utilities counterparties represent 4% of our total wholesale lending balance sheet and we expect this to grow this over time as we invest further in renewable infrastructure.

We know that the priorities of our business banking SME customers, who sit mainly in the UK and Hong Kong businesses, can differ from our

larger corporate customers. Their transition agenda is often shaped by demands from their supply chain, and the opportunities the transition presents to reduce their operational costs while reducing emissions. Our aim is to provide tools that can help them to understand and quantify their emissions, both from a reporting and benchmarking perspective, and to identify and finance the investments that can help reduce and decarbonise their energy use where and when it makes sense for them.

Progress so far

- We supported PDS Limited across Asia and Middle East with a Sustainability-Linked Loan covering its trade facilities setting a precedent for how our trade financing can be leveraged to support global sustainability efforts.
- In hard-to-abate sectors, we supported SSAB to secure EUR 2.3bn of green financing for their clean steel project to transform, decarbonise and modernise their steel mill in Luleå, Sweden with two electric-arc furnaces, which are expected to reduce CO_2 emissions for the plant by an estimated 90%, equivalent to an estimated 7% reduction of Sweden's total CO_2 emissions.
- We have implemented multiple sustainable supply chain finance programmes across regions (for example with Pierre Fabre, ASDA) to help our customers enhance supply chain resilience and reduce scope 3 emissions.
- We are developing innovative solutions and propositions to support our customers, through market first transactions in debt capital markets – such as the World Bank's Amazon Reforestation-linked bond, Qatar's inaugural dual-tranche sovereign green bond, and Saudi Arabia's inaugural euro-denominated green bond offering.
- We have also developed innovative propositions to support corporates in their transition – such as the Sustainability Tracker (enabling small and mid-sized businesses to benchmark their sustainability performance, view recommended decarbonisation actions and access sustainable finance products), and the Building Sustainability Assessment Tool (enabling businesses of all sizes to assess the operating and carbon efficiency of their buildings and assess retrofit recommendations).
- We now offer a Sustainability Improvement Loan, which is a market-first proposition for small and mid-sized businesses to link the financing cost to their sustainability performance score, benchmarked to an external ESG ratings provider.
- We have also launched innovative Markets products, such as a MSCI Islamic ESG Index investment product for Private Banking customers looking for investment products that align with both Shariah and sustainability principles.
- We facilitated Chinachem Group's debut HKD 8bn triple-themed sustainable syndicated term and revolving loan facilities, structured with green, social, and sustainability-linked tranches, a first of its kind in the Asian syndicated loan market.

3 **Bank of choice to catalyse emerging climate tech,** from international expansion to first-of-a-kind infrastructure projects.

The Opportunity

With our HSBC Innovation Banking platform and substantial balance sheet, we can bridge the gap between early-stage development and large-scale deployment.

By supporting climate-critical technologies through their growth journey, we can help accelerate commercialisation and seek to position HSBC at the forefront of a fast-growing market.

We are also well positioned to connect these start-ups with our corporate and institutional customers that are looking to invest in climate tech ventures and adopt their solutions to accelerate their transition journey.

Progress so far

- HSBC Innovation Banking acted as lead arranger on a $100m credit facility for US-based Electric Hydrogen, a deep decarbonisation company delivering advanced technology for low-cost green hydrogen, to support the manufacturing and deployment of the company's industrial-scale electrolyzer plants.
- HSBC supported Infinium in the $70m financing of the first-of-its-kind Roadrunner eSAF Project in Pecos County, Texas. Expected to be the largest eSAF facility globally once operational, the project is deploying electrolysis from Electric Hydrogen, demonstrating the value of the ecosystem HSBC is building within Climate Tech.
- HSBC Innovation Banking provided Belfast-based Nuada with a £2m venture debt facility alongside its Series A equity raise, to support the development and scale up of its next-generation carbon capture technology. Nuada is a vertically integrated carbon capture company developing technology to help decarbonise hard-to-abate sectors.

Customer survey on climate transition

In addition to our review of customer transition plans, we commissioned an independent market survey of senior business decision-makers from corporations in 12 markets.

Of the HSBC corporate customers who responded to the survey, 60% indicated that the climate transition is a key commercial strategic area of focus for them, and an additional 37% said it is a growing area of focus. 80% said they expect their company to accelerate their approach to the climate transition in the next three years.

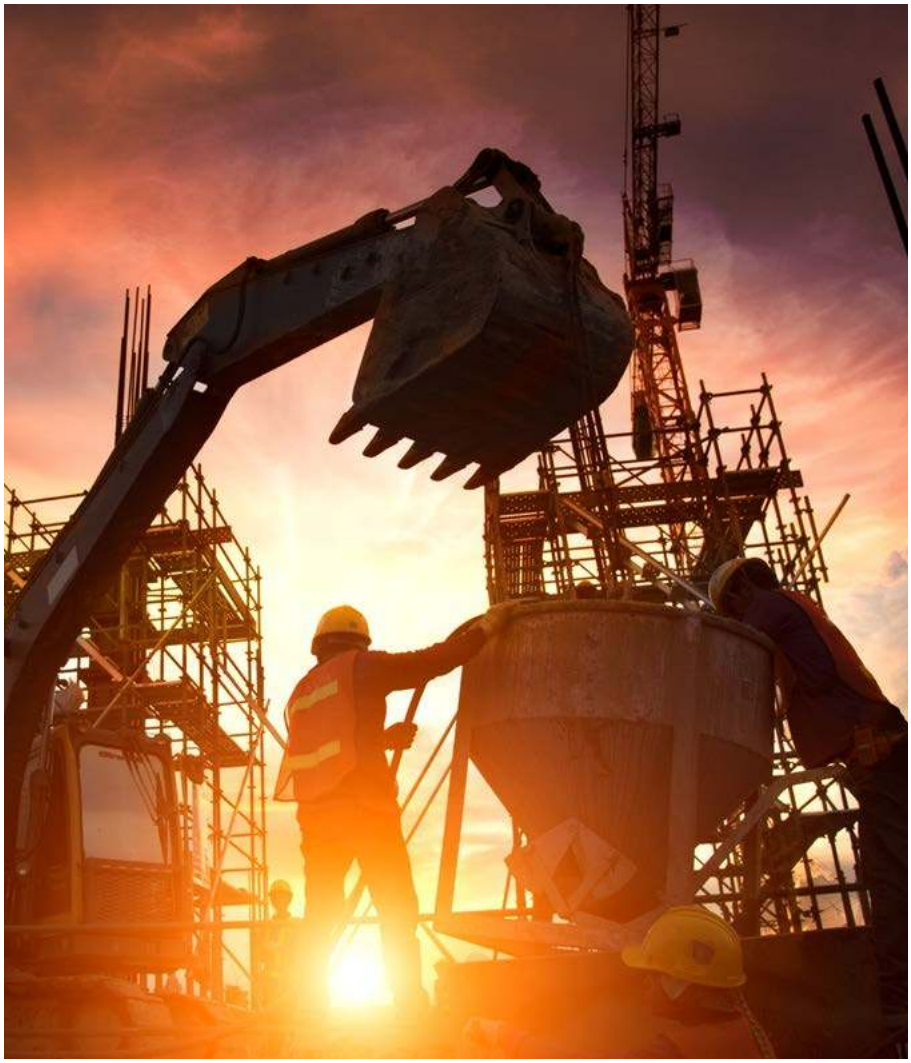
15% of the HSBC corporate customers who responded currently allocate more than 10% of their company's capex to climate transition or sustainability-related investments, whilst 30% expect to do so within the next three years. More than four in five corporates (89%) said they are facing obstacles in implementing their transition plans, with 36% of corporates citing higher costs as a key challenge to initiating or accelerating their climate transition[31].

Our products and solutions

To deliver on our strategic priorities and meet the transition needs of our Corporate and Institutional Banking and Commercial Banking customers, we provide a broad suite of sustainable finance and advisory products.

Our CIB sustainable finance and transition strategy includes products and services counting towards our $750bn to $1tn sustainable finance and investment ambition in addition to other core areas of our business such as advisory services, blended finance and partnerships to help support customers in their journey to net zero, as well as nature and adaptation-related activities.

Where there are relevant industry standards, we will look to align to them. This includes the International Capital Markets Association's (ICMA) Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines and Sustainability-Linked Bond Principles, and the Loan Market Association's (LMA), Asia Pacific Loan Market Association's (APLMA) and the Loan Syndications and Trading Association's (LTSA) Green Loan Principles and Sustainability-Linked Loan Principles. This helps to ensure credibility and investor confidence in labelled sustainable finance instruments.



Below, we summarise some of the main products and solutions we offer, from loans and bonds to trade finance, project finance and structuring services, some of which are more explicitly 'sustainable' and others of which demonstrate how our relevant product offerings can also help contribute to our customers' transition activities. Given the diversity of our business, not all products and services mentioned in this chapter are available in all markets in which we operate.

Green loans are like corporate loans, but the proceeds can only be utilised for eligible projects with environmental or sustainability benefits, such as green buildings that meet recognised standards.

Sustainability-linked loans are made available to facilitate and encourage environmentally and socially sustainable economic activities and growth. They can be used for general purposes, with the borrower's cost of capital linked to related sustainability key performance indicators such as science-based emissions reduction targets.

Green bonds finance specific green and sustainable activities such as renewables or electric transport. **Sustainability-linked bonds** typically do not earmark proceeds for specific green activities. Instead, companies publish specific climate and wider sustainability targets, such as greenhouse gas emissions targets. The interest cost on their borrowing changes based on whether they meet these targets.

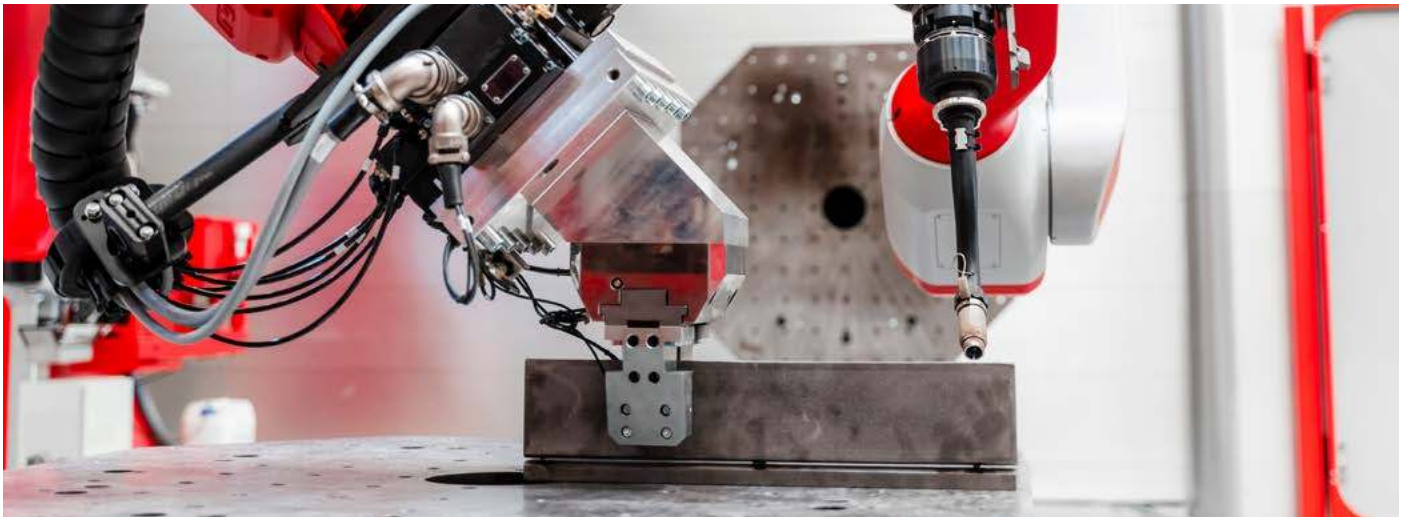
Trade and working capital: As one of the world's largest trade banks, we integrate sustainability considerations into a number of our propositions – from green trade loans and sustainable supply chain finance, to sustainability-linked lending and trade instruments that embed ESG principles into everyday commerce.

Infrastructure and project finance: We structure and arrange financing for complex, long-term infrastructure projects – including renewables, grids and storage – often through blended finance and public-private partnerships that crowd in additional capital.

Capital markets financing, M&A, acquisition finance, and issuer services are an important part of our support for corporate and institutional customers' transition. This includes helping customers articulate how their transition approach and sustainability credentials support their equity story, and using M&A to help scale climate technology and accelerate low-carbon business models.

Markets and Securities services: We offer a full range of products and services for institutional and corporate customers, including investment, financing, and hedging solutions. Our Debt and Equities offerings, including but not limited to labelled bonds and ETFs, support capital allocation aligned with sustainability criteria. We provide sustainability-linked risk management solutions for corporates and assist borrowers in raising funds for sustainability-focused purposes. Additionally, our Securities Services deliver ESG performance insights, while HSBC Global Investment Research offers sustainability market analysis and insights into sustainable bonds and equity strategies.

SME solutions: We also provide a dedicated suite of sustainable finance products to support smaller corporates in decarbonising and building resilience. These include the **Sustainability Improvement Loan**, which links financing costs to an SME's ESG performance, as well as **Green Loans,** Green Asset Finance and **Revolving Credit Facilities** that fund investment in energy efficiency, renewable power and sustainable equipment. Through initiatives such as the **HSBC Green SME Fund**, the **Go Greener SME Reward**, and our **Sustainability Hub**, SMEs can access funding incentives, educational resources and guidance from our network of sustainability ambassadors. We also offer digital tools – including the **Sustainability Tracker** and **Building Sustainability Assessment Tool** – alongside participation in sustainable supply chain finance programmes led by larger buyers, helping SMEs benchmark their performance and accelerate their transition.



Supporting Institutional and Individual investors

HSBC Asset Management, which sits within IWPB, is committed to serving our investor customers by offering international expertise and innovative investment strategies to achieve their investment objectives.

> Our ambition is to be one of the leading global asset and wealth managers and sustainability is an important enabler to achieving this ambition.

Our ambition is to be one of the leading global asset and wealth managers and sustainability is an important enabler to achieving this ambition.

Growing customer demand

Our customers are increasingly asking us to integrate climate and sustainability into their investment strategies, recognising that climate-related risks and opportunities may have a material effect on the risk profile and financial performance of investment. We are well placed to offer such investment solutions to our customers and see the transition as an opportunity to better serve them.

As at 31 December 2024, HSBC Asset Management managed $179.8bn in ESG and sustainable investing portfolios for internal and external investors. This includes those that are distributed by HSBC Wealth and Private Banking and those HSBC Asset Management manages on behalf of HSBC Life. We outline below our approach to develop these opportunities further, through a customer-led approach.

Our approach

We are developing four levers to support climate implementation across our investment platform and customer portfolios for corporate fixed income and equities in global network markets:

- **Assessment of issuer net zero alignment:** Use of forward-looking indicators to assess issuers' and portfolio progress towards net zero.
- **Targeted engagement strategy:** Engagement strategy for certain high-emitting issuers and progress tracking to support issuers along their transition journey.
- **Direct capital towards climate solutions:** Investing in strategies that meet a range of customer specific climate objectives and preferences.
- **Screening:** Direct away from issuers that take no action or are slow to adopt action in line with our stated policies and product guidelines.

Our stewardship plan

As a responsible investor, we seek to take an active stewardship role in our asset management business in the companies that we invest in on behalf of our customers. As an important tool to mitigate risk and enhance the value of companies we invest in, our stewardship activities play a key role in our investment process.

We consider our investee companies' approaches to climate change topics including their climate transition plans when using our voting rights on management and shareholder proposals, board member re-elections and executive remuneration, depending on the objectives of the fund. For further information see our Stewardship Plan and Global Voting Guidelines.

HSBC Life's investment portfolios

HSBC Life is the insurance arm of International Wealth and Premier Banking. As an asset owner, we seek to adopt a responsible investment approach. During 2024, we continued to increase our share of sustainable investments across our insurance manufacturing entities.

The majority of these newly deployed assets were green and sustainable bonds, followed by placements into sustainable private credit funds.

Our products and solutions

We offer a range of investment solutions including investment funds, exchange-traded funds, single line equities and bonds, structured products, discretionary portfolios and alternative investments.

We have developed our internal climate product framework to help further define our sustainability offering. Our approach is designed to support different customer needs, and our framework includes key characteristics that should be applied to our ESG and sustainable investing solutions[32], should customers want to mitigate risk or seek value creation through considering climate and nature factors in their investment horizon. These include:

ESG-aligned funds:

Investment funds that aim to achieve better sustainability performance compared to non-ESG benchmarks or industry peers alongside financial objectives.

ESG-enhanced funds:

Investment funds as above that are intended to demonstrate stronger sustainability performance compared to ESG-aligned strategies, non-ESG benchmarks or industry peers based on specific ESG criteria, and/or apply more significant screening.

Thematic and impact portfolio strategies

To help customers maximise the potential upside of the transition to a lower carbon world, we provide a range of innovative investment solutions spanning regions, sectors, and markets that focus on climate related growth areas by identifying companies that align to specific sustainability themes.

This includes dedicated strategies for themes such as:

- Transition infrastructure equity strategies, which aim to generate long-term total returns from listed and unlisted infrastructure, with a focus on utilities, energy infrastructure, transportation, and communications.
- Transition infrastructure debt strategies aim for predictable returns and an illiquidity premium while seeking to reduce credit risk.
- Climate technology strategies focus on early-stage companies working on the transition to a net zero economy across power transformation, transport electrification, and supply chain sustainability.
- Paris Aligned Passive Strategy: Our MSCI Climate Paris Aligned exchange traded funds (ETFs) provide investors with a means of encouraging companies to align their environmental strategies with the goals of the Paris Agreement.

Supporting Personal, Premier and Private Bank customers

Retail and Premier customers

We offer financing and investing options to our individual banking customers in the key areas where they may be able to influence their carbon footprint: where they live, how they travel and how they invest.

- **Home:** At present, we offer customers preferential mortgages for purchasing certified green or energy efficient homes through our green and energy efficient mortgages in selected markets, including the UK, Hong Kong and Singapore.

  Within the UK, our Energy Efficient Home Cashback mortgage product has already seen success in the market and has recently been expanded to include buy to let. Likewise in Hong Kong, we provide a Green Mortgage product for properties with BEAM Plus Platinum or Gold ratings.

- **Mobility:** As electric vehicles (EVs) become more affordable and increasingly popular, we want to help our customers with relevant financing options. We offer EV loans in selected markets such as Mexico at preferential commercial terms compared to other standard loan products.

- **Education and support:** We recognise that these topics are new for many of our customers and they want to be guided on how they can best navigate the transition. To help meet that need, we have sustainability hubs in selected markets including the UK and Hong Kong, where we develop information on how to reduce their carbon footprint. For example, in the UK, we offer a tool to help our customers get a tailored energy efficiency plan for their homes.

We are early in our journey and will continue to look to develop the appropriate financing solutions to match our individual customers' needs as the pace of the transition accelerates.

International Wealth

As an International Wealth Manager, we support our Personal, Premier and Private Banking customers to accumulate and grow their wealth and offer both HSBC manufactured and third-party wealth solutions. Market data shows there is a strong and growing interest among individual investors in sustainable investing, and this includes energy transition themes.

Our ESG and sustainable investing solutions provide customers with such options through advisory, discretionary and customer-directed approaches across a range of asset classes, including mutual funds, ETFs, equities, fixed income, structured products and alternative investments. Many of these solutions are designed to enable customers to allocate assets towards companies with strong ESG profiles, with some targeting opportunities relating to themes of the net zero transition. These include clean energy and the circular economy.

We also play a role in the transition by providing our customers with access to information on climate-related topics and, based on their preferences, enabling them to integrate relevant solutions in their investment portfolios. We provide a few examples of how we do this below:

- Our Wealth Insights offer regular publications that can raise customer awareness of sustainability issues and help them stay informed of transition-related opportunities.
- In selected markets, we capture customer sustainability preferences via a questionnaire and relationship managers take this into account during the wealth advisory process.
- For Private Banking customers who invest in our ESG and sustainable discretionary portfolios, we may provide periodic ESG reports, which include metrics such as ESG scores, carbon intensity and alignment to the UN Sustainability Development Goals.

Insurance

HSBC Life offers a range of insurance products and solutions to help customers with their needs. Similar to Wealth Management, we give customers access to sustainability options through investment-linked insurance products where we offer a range of investment choices, including those relating to ESG and sustainable investing. Some of these funds may target specific net zero and climate themes.

5. Embedding net zero into the way we operate

Achieving our net zero ambition by 2050 requires a number of enablers that help embed climate action into HSBC's business.

This section covers the elements driving our capability to deliver on that ambition, translating strategy into execution:

- **Steering our financial decisions:** We integrate net zero considerations into how we steer our business strategy and financial planning. From embedding these goals into business line plans to assessing our customers' transition maturity, this enables climate considerations to be considered in our portfolio participation choices and business performance.
- **Managing risk in our transition to net zero:** Managing climate-related risks is part of safeguarding HSBC's business and supporting a sustainable economy. Climate risks are embedded into our Group Risk Management Framework, covering governance, risk appetite, customer and transaction level assessments, and scenario analysis. This supports identification, assessment, mitigation, and monitoring of risks associated with the transition, climate change, physical impacts, and the execution of our sustainability ambitions, targets and commitments.
- **Monitoring targets and metrics:** Tracking progress supports accountability and we aim for our targets and metrics to be transparent in methodology, driven by the latest credible data that is available to us, and aligned with industry practices. We measure financed emissions and other key metrics linked to sustainable finance and our customers' transition. We are also exploring emerging metrics – for example, nature-related metrics as industry standards and methodologies evolve.
- **Achieving net zero in our own operations and supply chain:** We are working to decarbonise our own footprint, including our own operational emissions and within the supply chain. We undertake, and plan to undertake, a range of internal actions, such as reducing consumption, purchasing renewable electricity, reducing business travel emissions, and engaging with our suppliers, and exploring the use of carbon removals.
- **Aligning people and capabilities:** The success of our net zero ambition depends on the people who deliver it. This enabler embeds climate responsibilities into governance and incentivises performance. It helps to foster a culture of sustainability by building skills, enhancing climate expertise, and engaging colleagues globally to drive innovation and action on the transition.

Together, these interconnected enablers help create a dynamic ecosystem that enables HSBC to progress responsibly on climate action. This section outlines how our net zero ambition is embedded not just in strategy, but in the decisions we make throughout the organisation.

Steering our financial decisions

We incorporate net zero considerations into our core processes to help steer our business, including decisions on financing transactions for our corporate customers and how we manage our financing portfolios.

> We proactively monitor and manage the impacts of climate change and the transition to net zero on our corporate customer portfolio

Embedding in strategy

HSBC's net zero ambition is an important part of our corporate strategy. Our global businesses are developing strategic plans that integrate climate and sustainability considerations into their operations. This approach reflects the diverse transition maturities and local regulatory expectations across our global footprint.

Our focus on the transition to net zero is well established within our top-line governance, culture, and key performance indicators. Our net zero ambition directly informs executive performance scorecards and management reporting, aligning accountability across the organisation.

Managing our portfolio

We proactively monitor and manage the impacts of climate change and the transition to net zero on our corporate customer portfolio. We have established an integrated capability to assess financed emissions, customer transition plans, strategic alignment, financial metrics, and climate risk management. It provides a forward-looking perspective and enables the business to take action dynamically at portfolio, customer, and transaction level, to seek to ensure we stay within our risk appetite for progressing towards our net zero ambition and financed emissions targets.

Net zero considerations and their impact on the bank's business risks and opportunities are also woven into our annual and medium-term financial planning processes. This is further informed by the outputs of our climate scenario analysis, for further information see the *Managing risk in our transition to net zero* chapter. We are also in the process of assessing the potential forward-looking impact on revenue and profitability due to climate-related risks and alignment to HSBC's net zero ambition.

Understanding our customers' transition

We regularly engage with our corporate customers to help make our solutions more tailored and responsive to the diverse realities faced by our customers around the globe, and the different stages of their transition journey. This enables us to better understand the impacts, risks, and opportunities they face, their transition priorities, and the implications for HSBC.

As a result, we can more effectively integrate key net zero considerations into how we make financing decisions and manage our portfolio in alignment with HSBC's net zero ambitions and targets.

Customer transition information is collected alongside wider ESG performance data by relationship managers based on public documents and direct customer engagement. Since 2023, we have collected data for around 4,000 corporate customers, for more information on insights from this data, see the *Supporting our customers* chapter.

We evaluate customers' transition plans against each of the categories detailed on this page and bring together the results to produce a composite assessment. The information collected is used to assess our customers' sustainability and net-zero performance, and we undertake an enhanced assessment of the transition plans of customers in scope of our financed emissions targets and associated policies.

This helps inform our financial decision making, and highlights areas where further development of the plan may be needed, which we build into our ongoing engagement with the customer. It also allows us to better engage our customers on their transition plans and identify opportunities where we can support through advice, solutions, and financing to help our customers to develop the new capabilities, technology and infrastructure they need.

It also helps inform our ongoing portfolio management and risk assessment activities, as we embed financed emissions and climate risk considerations into our decision making and evaluation of individual customers and transactions, leveraging the customer transition information collected.

For further information see the *Managing risk in our transition to net zero* chapter. We have also begun collecting information on other environmental factors such as pollution, water and resource use and biodiversity.

The level of detail collected varies by customers' size and level of materiality, and we consulted external partners in developing our approach, which we expect to continue to refine.

We request information across five key areas:

Emissions trend

Customers' current and historic scope 1, 2 and 3 greenhouse gas emissions, including completeness of reporting and third-party validation

Ambition of plan

Customers' commitment to net zero and interim targets to reduce emissions across relevant scopes

Credibility of plan

Details of customers' plans to achieve their ambition, including level of investment

Credibility of action

Details of actions customers have taken to implement their plans and reduce emissions, including engaging stakeholders

Climate risks

Physical and transition risks to which the customer may be exposed. (For further information, see the *Managing risk in our transition to net zero* chapter.)

Deciding the transactions we pursue

We continue to embed net zero considerations alongside standard risk-return parameters and other factors when evaluating specific individual transactions, on a proportionate basis. Our relationship managers, risk colleagues, sustainability specialists and wider functional experts all play a role. These stakeholders leverage the output of both the customer transition plan assessment (see above) and the climate risk assessment to support this.

Our approach will continue to evolve as data and approaches mature, and as science and industry practice evolves.

Labelling sustainability products and solutions

Our sustainability-labelled products and services are guided by a clear set of standards and principles, aligned to external industry guidance, and regulatory requirements and taxonomies where relevant. Our data dictionary sets out our approach for classifying financing and investment as sustainable for the purpose of tracking and disclosing our performance against our sustainable finance and investment ambition. We also indicate in our data dictionary the types of eligible environmental and social activities we use to qualify certain use of proceeds financing, drawing from global references and standards. Our internal business governance forums may also refer to regional taxonomies to qualify sustainable finance activities as meeting the relevant eligible conditions of the jurisdiction in which a transaction occurs.

We also have dedicated oversight and governance processes for our sustainability-labelled products and services, with escalation pathways for deals deemed high risk. In addition, we have specialist teams within our business and risk functions, alongside subject matter experts, who provide insights on climate technologies and their viability to help support transactions related to climate solutions.

Managing risk in our transition to net zero

We have incorporated climate-related risks into our group-wide Risk Management Framework (RMF) to seek to ensure that the risks posed to our business by climate change and the transition to net zero are appropriately identified, managed, mitigated and monitored.

Our approach to managing climate risk

Both physical and transition risks related to climate change have the potential to impact HSBC and our customers. Understanding these risks helps us to take appropriate actions to manage and mitigate direct impacts on HSBC and to better support our customers to manage and mitigate those impacts. The primary role of risk management is to protect our customers, business, colleagues, shareholders, and the communities we serve, while supporting successful execution of our sustainability strategy and enabling deliberate and responsible risk taking.

Integrating climate risk into our RMF helps to ensure robust capabilities for identifying, managing, mitigating, and monitoring these risks are put in place. This integration has necessitated the development of new capabilities, enhancement of existing processes and controls, and refinement of internal operating models and we are continuing to develop and evolve our approach.

Key components of our climate risk management approach include:

Governance: Establishing clear accountability and responsibility for climate risk oversight at all levels.

Climate risk appetite: Defining a top-down risk appetite for climate exposures, translated into detailed metrics and limits that are cascaded into and managed by business lines.

Customer and transaction risk assessment: Enabling identification and measurement of climate risk on a customer or transaction basis.

Scenario analysis: Facilitating forward-looking assessment of the financial impacts of climate risk and the implications of our net zero ambition on our business.

Sustainability Risk Policies: Helping to define our risk appetite in sectors, or to customers and activities, which may pose heightened risks in relation to critical themes such as climate change, nature and human rights.

Since our initial Net Zero Transition Plan, Sustainability Execution Risk (SER) has been formally defined as a new risk type to help identify and manage the risks around the delivery and execution of our sustainability strategy. SER is embedded in our Risk Taxonomy to help enable effective end-to-end risk management of our sustainability ambitions, commitments and targets through risk stewardship to support monitoring and assessing controls and emerging risks.

Areas of development

- **Nature-related risks:** We recognise the importance of nature-related risks, which may stem from the impacts and dependencies the global economy and the financial system have on nature, as well as the complex interactions and compounding effects of climate and nature-related risk drivers.

  We have continued to advance our approach to nature-related risk, making progress in our European businesses to understand our exposure to nature-related impacts, dependencies, risks and opportunities, and starting to address nature-related risk through our risk management frameworks and approaches.

- **Adaptation and resilience:** We are exploring how we can further integrate adaptation considerations into our overall climate risk management approach, including to act as an enabler for the management of stranded assets and improve supply chain resilience, to help mitigate higher insurance costs and loss of asset and business value from our lending book.

For further information on our climate risk governance see the *Aligning people and capabilities* chapter.

For further information on our overarching climate risk management approach see our Annual Report and Accounts 2024.

Climate risk appetite

Our Group-wide Risk Appetite Statement (RAS) defines the types and level of risks we are willing to take and supports the oversight and management of our financial and non-financial risks.

Our climate risk appetite supplements this and supports the business in delivering our sustainability ambitions, targets and commitments effectively and sustainably.

This includes:

- The transition and physical risks that could impact our financial position under current and future climate scenarios.
- The risks associated with not delivering our net zero ambitions, including our 2030 financed emissions targets (i.e. Sustainability Execution Risk).

Our RAS is approved and overseen by the HSBC Holdings Board. It is supported by risk appetite metrics and tolerance thresholds. We have also defined Key Management Information (KMI) metrics which provide additional information to help support effective climate risk management.

Both RAS and KMI are used to support the assessment of our alignment with our net zero ambition. RAS is reported on a quarterly basis for oversight by the Group Risk Committee.

RAS Metrics reported to Group Risk Committee

	What we monitor	Example metrics
	Exposure to high transition risk sectors Sectors requiring significant transformation efforts to align their business model to the net zero transition may become unable to meet financial obligations and expose us to possible credit losses on our loan portfolio.	Exposure to high transition risk sectors as a percentage of total wholesale corporate exposure.
	Financed emissions for our wholesale lending activities Failure to meet our financed emissions targets could result in Sustainability Execution Risk and may have a reputational impact.	On balance sheet financed emissions for key carbon-intensive sectors (vs emission pathway).
	Exposure to physical risk in our retail portfolio Properties located in areas at high risk of extreme weather events may expose our portfolio to physical risks in the medium term.	Number of Home markets mortgage portfolios which have breached their relevant physical risk appetite.
	Energy and travel emissions from our own operations Failure to meet our own operations and supply chain ambitions could result in Sustainability Execution Risk and consequently may have a reputational impact.	Reduction in emissions from energy consumption and travel vs 2019 baseline.

Customer and transaction risk assessment

> Our wholesale policies mandate that relationship managers assess climate risk factors

We engage key wholesale customers, particularly those in sectors with elevated transition risks, through a comprehensive Transition Engagement Questionnaire (TEQ). The TEQ, which spans all geographies, collects information to assess these customers' alignment with the transition to net zero and their exposure to both physical and transition risks. Responses inform how we understand the climate risks of our key wholesale relationships and helps inform how we engage our customers to support them to mitigate these risks.

Our wholesale policies mandate that relationship managers assess climate risk factors in credit applications for new lending requests and during annual credit reviews. Our credit policies also require manual credit risk rating overrides if climate is deemed to have a material impact on credit risk under 12 months if not already captured under the original risk rating. In HSBC Continental Europe, we have also started to incorporate nature into wholesale credit risk management processes and developed tools to further understand and assess our corporate book, including completing a pilot nature scenario analysis stress test. We continue to refine and enhance our capabilities, methodologies and tools, in line with evolving regulatory and reporting expectations.

Our retail credit risk mortgage policy requires that every mortgage market conducts an annual review of their climate risk management framework, to ensure it remains fit for purpose. Within our mortgage portfolios, properties or areas with potentially heightened physical risk are identified and assessed locally with exposure monitored using risk indicators.

Climate scenario analysis

Climate scenario analysis is an important tool supporting our risk management by evaluating potential exposures to climate-related risks and vulnerabilities across multiple plausible futures.

This analysis, which is informed by credible external scenarios, help us to assess our financial performance and capital resilience under a wide spectrum of climate outcomes, enabling an understanding of key physical and transition risk vulnerabilities.

The scenarios examine diverse transition pathways and global warming trajectories, providing insight into their likelihood and informing management of associated credit risk and revenue impacts. This analysis feeds directly into the Group's Internal Capital Adequacy Assessment Process (ICAAP), helping determine the appropriate capital buffer to address identified climate risks. Climate impacts are also integrated into the Group's internal stress testing exercise.

Beyond capital planning, scenario analysis informs strategic decision-making by providing forecasts on the magnitude and timing of financial impacts. It guides loss provisioning, ensuring expected credit losses adequately reflect climate-related risks within the balance sheet as per IFRS 9 – the International Financial Reporting Standards.

Moreover, climate scenario analysis strengthens insight into business model risk and fosters greater organisational awareness of climate change, ultimately shaping our climate risk appetite framework.

2024 climate scenario analysis exercise

Our 2024 climate scenario analysis exercise assessed potential balance sheet impacts across three time horizons: short term (up to 2026), medium term (2027 to 2035), and long term (2036 to 2050).

The exercise covered the key regions where we operate, enabling a comprehensive evaluation of climate-related risks and opportunities.

We assessed five distinct scenarios to capture a range of physical and transition risk exposures:

- **Downside Physical Risk:**

  Characterised by significant global warming and adverse physical climate events, assuming only current government policies are in place with no new decarbonisation measures.

- **Severe Climate Stress:**

  Models a near-term disorderly transition triggered by extreme weather events causing a sharp recession. This stress test evaluates our capital resilience to severe climate and macroeconomic shocks, concluding by 2030.

- **Current Commitments:**

  Reflects a gradual, slower-than-required transition aligned with existing government commitments. This scenario informs our strategic response to reach our net zero ambition while operating in a world that is not on a net zero by 2050 pathway.

- **Below 2°C:**

  Aligns with the Paris Agreement, assuming an orderly transition with gradually increasing policy stringency beyond 2050.

- **Delayed Transition Risk:**

  Envisions delayed climate action until 2030 followed by rapid and stringent measures to meet net zero by 2050, highlighting disorderly transition risks.

We report our projections, alongside details on the methodology and the impact to our portfolio, in our Annual Report and Accounts 2024.

Sustainability risk policies

Our approach

Our sustainability risk management approach helps define our risk appetite in sectors, or to customers and activities, which may pose heightened risks in relation to critical themes such as climate change, nature and human rights, and forms part of our broader risk management framework.

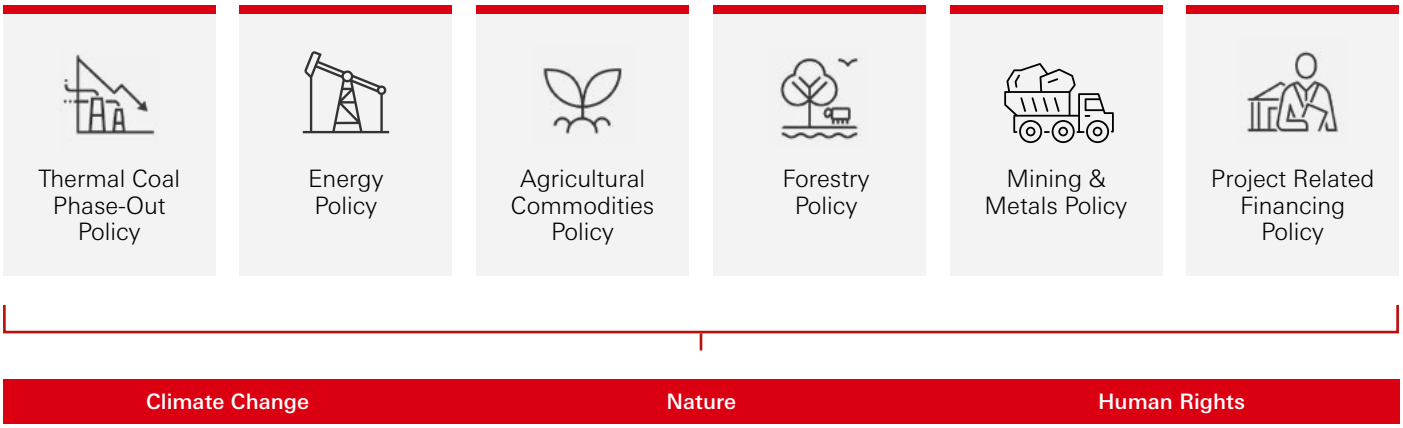
We conduct periodic policy reviews. The latest review sought to ensure our policies approach remains aligned to our strategic and risk management objectives, and, where relevant, considered the latest scientific evidence, sector-specific pathways, and real-world lessons from our customers' transition experiences.

We have now published our Sustainability Risk Policies Framework. The Framework provides an overview of how HSBC identifies, evaluates and manages risks related to the delivery of our sustainability approach and sets out in one place our sector specific sustainability risk approach covering: Energy, Agricultural Commodities, Forestry, Metals and Mining and Project Related Financing. It also includes our Thermal Coal Phase-Out Policy. These policies cover our wholesale lending and financing activities.

For our corporate customers, customer transition plan information, assessment and engagement continue to form an important role in meeting HSBC's ambitions, targets and commitments. Our approach to customer transition plans, managing our financed emissions, and our portfolio management approach, are set out in the *Steering our financial decisions* chapter of this Net Zero Transition Plan.

To read the Sustainability Risk Policies Framework, click here.

Sector specific sustainability risk policies



Thermal coal phase-out policy

The policy applies to thermal coal mines, thermal coal-fired power plants, and coal gasification / liquefaction plants. The policy seeks to achieve two objectives:

- To phase out the financing of thermal coal-fired power and thermal coal mining by 2030 in markets in the European Union (EU) / Organisation for Economic Cooperation and Development (OECD), and by 2040 in other markets (Phase-Out Commitment); and
- To identify and manage risks arising from the provision of financing or advisory services to customers with thermal coal assets.

Customer transition plans form an important role in meeting our targets and commitments. Our approach to customer transition plans and portfolio management is set out in the *Steering our financial decisions* chapter.

Energy policy

The policy applies to the broader energy system including upstream oil and gas, fossil fuel power generation, hydrogen, renewables and hydropower, nuclear, biomass and energy from waste sectors. The policy seeks to achieve two objectives:

- To help drive global greenhouse gas emissions reductions, both to achieve a net zero HSBC portfolio and to support our customers in the transition to a net zero global energy future; and
- To identify and manage risks arising from the provision of financing or advisory services to customers with energy assets.

We are committed to supporting energy transition across the markets we serve and will work with our energy customers to support their transition. Our approach to customer transition plans and portfolio management is set out in the *Steering our financial decisions* chapter.

Policy implementation

Risk management and control procedures, including our customer, transaction and portfolio-level controls, complement our policies to help identify, assess and manage risks across different sectors and are an important component in helping to ensure that our financing activity remains in alignment with our ambitions, targets and commitments.

Implementation of the sector specific policies is achieved through internal policies and procedures, supported by technical experts and specialists and our relationship managers.

We take a risk-based approach to identifying transactions and customers in scope of our sustainability risk policies, and to reporting on relevant exposures, adopting approaches proportionate to risk and materiality. This helps us to focus our efforts on areas which we consider to be most critical, taking into account experience from policy implementation over time.

For customers in scope of sector specific policies, we will look to take actions as outlined in our policies, such as enhanced due diligence. Such instances may require additional review and approval by our sustainability risk specialists and risk committees.

We continue to review policy implementation as we apply our policies in practice, engage customers on their transition plans and consider how we can support them.

Across the Group

Our other business lines, beyond our wholesale lending and financing business, have developed approaches that are appropriate and consistent with their business activities.

In 2022, HSBC Asset Management published its own policy on thermal coal and, in 2023, its own energy policy. As an asset manager, it is subject to separate regulatory and legal obligations, including to meet customers' investment objectives.

HSBC Asset Management has reviewed its thermal coal and energy policies to ensure they continue to support their net zero ambition. See our Policies and Disclosures - Institutional Investor policy page for more information.

Our Global Private Banking (GPB) and Insurance businesses, as well as our Wealth and Premier Solutions (WPS) group, have also developed approaches that are appropriate and consistent for their businesses and have incorporated these in their respective procedures.

Deforestation in our sustainability risk approach

Our forestry policy and our agricultural commodities policy were updated in 2025 and focus specifically on deforestation impacts. These policies cover the four key agricultural commodities – palm oil, timber, soy and cattle products – which drive the majority of tropical deforestation-related greenhouse gas emissions globally. Where sectors have credible certification schemes, we use certification to assess the legal, environmental and social risks related to a customer's operations.

Our forestry and agricultural commodities policies also specifically consider human rights. They include issues such as: land rights; harmful or exploitative child labour or forced labour; the rights of indigenous and local communities, including the principle of free, prior and informed consent where their interests are affected by business activities; community relations and workers' rights; and the health and safety of communities.

To read the Sustainability Risk Policies Framework, click here

Monitoring targets and metrics

We understand the importance of tracking our progress towards our net zero ambition.

We aim to be transparent on the metrics and targets we use, our progress against them, and any data and methodological challenges that exist. In this chapter, we highlight metrics we disclose publicly today, the potential evolution of our metrics and methodologies going forward and the assurance of our data and disclosures.

We recognise that progress towards our net zero ambition and targets is heavily dependent on our customers' decarbonisation journeys. This chapter therefore focuses on targets and metrics we use to monitor developments within our portfolio of customers. Other metrics regarding our implementation plan such as own operations and capability building, as highlighted in the table, are outlined in their respective chapters.

Overview of our metrics

Metrics we report in our Annual Report and Accounts

- Financed emissions
- Thermal coal financed emissions and financing exposures
- Sustainable finance and investment
- Net zero operations and supply chain (see *Achieving net zero in our own operations and supply chain*)

Other metrics referenced in this document

- Renewable energy financing
- Portfolio transition insights
- Managing climate risk (see *Managing risk in our transition to net zero*)
- Capability building (see *Aligning people and responsibilities*)

Metrics under development / consideration

- Energy Supply Ratio
- Nature

Financed emissions

Financed emissions is the key metric that we use to measure progress on the transition of our portfolio.

Our methodology is aligned to the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting and Reporting Standard. More details on our methodology are available online.

We seek to monitor the latest developments in climate science and associated scenarios to help inform our approach to target-setting and our portfolio alignment to support the transition of the real economy to net zero.

Review of financed emissions targets

Our initial approach to target setting for financed emissions used a single reference scenario – the 2021 International Energy Agency (IEA) Net Zero Emissions by 2050 Scenario (NZE 2021), based on a 1.5°C trajectory. Since setting these targets, the evolving context has meant that our targets continue to be subject to external factors, including policy developments, technological progress, customer actions, data availability and methodological refinement.

The transition to net zero has progressed at an inconsistent pace in the real economy and has not followed the trajectories for limiting global warming to 1.5°C. The IEA has since updated its NZE scenario, in part to reflect these ongoing transition challenges.

Updated financed emissions targets for 2030

Considering these developments, we have updated our interim 2030 sector targets for our in-scope high emitting sectors. This includes our 2030 interim targets for our combined on-balance sheet financed and facilitated emissions for the oil and gas, and power and utilities sectors and for our financed emissions for cement, iron and steel, aviation, and automotive.

The below table summarises HSBC's updated 2030 interim targets. We have introduced a target range for all sectors, apart from thermal coal mining. The lower bound of each target range aligns with IEA's NZE 2024, consistent with a long-term global warming pathway of 1.5°C, while the upper bound of the target range aligns with IEA's APS 2024, which is aligned to a 1.7°C warming pathway. Our thermal coal mining target remains unchanged, aligned with our thermal coal phase-out policy and thermal coal exposures reporting.

Our ability to meet these targets is dependent on a wide range of external factors, including the progress our customers make towards decarbonisation.
We continue to use 2019 as the baseline year for our oil and gas target and 2020 for our thermal coal mining financed emissions target as absolute reduction targets are dependent on the baseline year. For emissions intensity-based sectors, we have moved the baseline year from 2019 to 2023 to reflect improvements in available data and methodology. Targets for these sectors are assessed at a point-in-time and are therefore independent from the baseline.
In addition, we have descoped aluminium from the iron, steel and aluminium sector based on our limited exposure and its different emissions intensity.

This updated approach is aligned with the goals of the Paris Agreement and recognises the inherent uncertainties that will continue to influence the pace of decarbonisation across different sectors. Given the scientific consensus that global warming above 1.5°C will have a significant impact on physical climate risk, we also continue to support efforts to achieve the overarching goal to limit global temperature increase. This includes our intention to continue to support customers at different stages of decarbonisation and help direct capital toward credible, transparent transition plans.

For further information on target setting, please see the *Our strategic approach* chapter and the HSBC Financed Emissions Targets 2025 Update document in our ESG reporting centre.

Sector	Baseline Year	Unit	2030 Target	Scenario
Oil and gas	2019	$MtCO_2e$	14% to 30% reduction from baseline	IEA NZE – APS 24
Thermal coal mining	2020	$MtCO_2e$	70% reduction from baseline	IEA NZE 21
Power and utilities	2023	tCO_2e/GWh	195 – 270	IEA NZE – APS 24
Automotive	2023	tCO_2e/m vkm	65.5 – 95.3	IEA NZE – APS 24
Aviation	2023	tCO_2e/m rtk[33]	709 – 776	IEA NZE – APS 24
Iron and steel	2023	tCO_2e/t steel	1.29 – 1.52	IEA NZE – APS 24
Cement	2023	tCO_2e/t cement	0.47 – 0.56	IEA NZE – APS 24

[33]For our previous aviation unit, we used revenue passenger kilometre ("rpk") to align with our previous target pathway. We have changed our reporting unit to revenue tonne kilometre ("rtk") to better align to counterparties in scope which often include all airline activities (passengers, belly cargo, dedicated cargo). Additionally, this metric enables direct comparison to climate scenarios that are based on traffic demand forecasts and aligns to industry practice.

Progress towards our financed emissions targets for 2030

Our latest reported absolute financed emissions calculations across the oil and gas, power and utilities, aviation, automotive, cement, steel and aluminium and thermal coal mining sectors have decreased by ~30% based on the baseline and progress numbers reported in our Annual Report and Accounts 2024.

The key sectors driving this reduction are customers from our oil and gas, power and utilities, aviation and thermal coal mining sectors. We aim to report our financed emissions progress against our new baselines and targets in our Annual Report and Accounts 2025.

In November 2022, HSBC Asset Management set an interim target to reduce scope 1 and 2 financed emissions intensity by 58% by 2030 for in-scope Assets Under Management (AuM), consisting of listed equities and corporate fixed income. 2019 was used as the baseline year for calculations, and at that time, the planned reduction amounted to 38% of our total AuM.

Our financed emissions targets remain subject to developments in transition pathways and consultation with stakeholders including investors, fund boards, industry bodies and regulators.

Thermal coal financed emissions and financing exposures

As set out in the thermal coal phase-out policy, we are committed to phasing out the financing of thermal coal-fired power and thermal coal mining in EU and OECD markets by 2030, and globally by 2040. Our policy aims to support thermal coal phase-out aligned to science-based timeframes, recognising the different pace and starting points in the transition between advanced and emerging economies. In turn, our policy seeks to support progress towards our financed emissions targets for the power and utilities sector and thermal coal mining. We are on track to reduce thermal coal financing drawn balance exposure from a 2020 baseline by at least 25% by 2025 and aim to reduce by 50% by 2030.

Portfolio transition insights

Understanding our customers' transition goals helps us to manage our portfolios effectively and identify how we can support our customers through financing solutions. We collect transition-related information on our material customers in high transition risk sectors. For further information on how we manage our portfolios and how we collect and assess information related to our customers' transition plans, see the S*teering our financial decisions* chapter.

Based on our collection of customer transition-related information to date, we found a majority of the ~4,000 customers we reviewed are already engaging in or plan to engage in scaling up net zero technologies. Of these, more than three quarters plan to invest in clean electrification such as wind power, solar PV and electric vehicles and three quarters in energy efficiency. Again, of those scaling up, over one quarter plan to invest in sustainable fuels such as biofuels, hydrogen or sustainable aviation fuels. More than one quarter also plan to invest in carbon capture and storage technologies which includes carbon capture and storage, direct air capture as well as natural climate solutions such as reforestation, mangroves and seaweeds.

Sustainable finance and investment

We continue to support our customers' transition goals. In 2020, we announced an ambition to provide and facilitate between $750bn to $1tn of sustainable finance and investment by 2030.

In 1H25, we provided and facilitated $54.1bn of sustainable finance and investments, bringing our cumulative amount since 1 January 2020 to $447.7bn.

In our 2024 Sustainable Finance and Investments Data Dictionary (the 'data dictionary'), we indicated for the first time the types of eligible environmental and social activities we expect to consider going forward when qualifying certain use of proceeds financing for inclusion towards our sustainable finance and investment ambition. These fall under the themes of climate solutions, nature, adaptation and social. We have drawn from global references and standards in developing our approach. Our data dictionary is published at our ESG Reporting Centre.

Renewable energy financing

We remain committed to supporting our customers in advancing their sustainable finance activities. In 2024, we provided ~$13bn of financing where the primary use of proceeds is renewable energy, which accounted for over 50% of green lending reported within our sustainable finance and investment ambition in 2024. This includes financing for the following:

- Energy generation using wind, solar, geothermal, hydro, wave and tidal power;
- Energy storage for electricity generated by renewable sources;
- Electricity transmission and distribution including improving grid efficiency.

Evolution of our metrics and methodology

Financed emissions

The methodology and data used to assess financed emissions continues to evolve and we expect industry guidance, market practice, data availability, scenarios and regulatory disclosure requirements to continue to change. As we track financed and facilitated emissions each year, estimates may vary due to changes to data, movement in our customer sector portfolio and financing, changes to company valuations and other market factors.

Energy supply ratio

We have begun to investigate a method that calculates the ratio of financing for low-carbon energy supply relative to fossil fuels. This would produce an Energy Supply Banking Ratio to measure total debt, equity and project finance we have facilitated, similar to Bloomberg New Energy Finance's calculation methodology[34]. This metric could be used to understand how our financing towards low-carbon solutions changes over time and inform decision making and priorities.

Nature

Nature is an area where the regulatory landscape continues to evolve and industry approaches for nature-related metrics and targets for financial institutions are at a nascent stage. As we continue to develop our approach to nature, we are exploring which nature-related metrics will best help us to measure and monitor the nature-related dependencies, impacts, risks and opportunities that are material to our portfolios.

There remain significant data and implementation challenges surrounding the development of nature-related metrics and we continue to engage with regulators, standard setters and industry bodies to help shape our approach.

Assurance of our data and disclosures

Integrity of our numbers

HSBC's approach towards setting and tracking targets for financed emissions operates under a governance framework that includes review and input from senior stakeholders across our businesses and functions and is subject to HSBC's three lines of defence model.

We seek to capture the best available data to calculate financed emissions and reconcile our financial data with Group Finance to help ensure completeness and accuracy for our progress metrics.

Each time we update our financed emissions reporting, inputs for the financed emissions modelling undergo review, and data is provided from relevant areas of the bank where subject matter expertise is required, feeding into design choices and modelling assumptions. Processes are subject to controls that seek to align to our internal risk management and controls framework, and this is reviewed each year.

Our model is regularly reviewed against the model risk policy for climate-related models by an Independent Model Review team.

All data outputs to the modelled financed emissions and target setting are subject to internal second and third line assurance reviews, in addition to external limited assurance of metrics disclosed within the Annual Report and Accounts. In parallel, our target setting approach is aligned to reference pathways which are monitored internally for changes, and processes are subject to controls and process governance framework. In addition to our annual disclosures, progress towards targets is tracked on a quarterly basis against our Risk Appetite Statement.

Assurance of our disclosures

We obtain formal independent assurance on key data points included within our annual disclosures, where considered appropriate.

In addition to internal controls and assurance reviews, PwC provided limited assurance reports on the following recent environment-related disclosures and metrics:

- Use of proceeds from Green Bond issuances 2024.
- Cumulative sustainable finance and investment provided and facilitated from 1 January 2020 to 31 December 2024.
- On-balance sheet financed emissions for 2023 for six sectors, on-balance sheet financed emissions for 2021 and 2022 for thermal coal mining, and facilitated emissions for two sectors for 2023.
- Thermal coal financing drawn balance exposures for 2021 and 2022.
- Our own operations and supply chain scope 1, 2 and 3 (purchased goods and services, capital goods, and business travel) greenhouse gas emissions data.
- Re-baselined 2019 intensity metric and the scope 1 and 2 financed emission intensity achieved by 31 December 2023 for our HSBC Asset Management business.

Achieving net zero in our own operations and supply chain

Our own operations

As updated in our Annual Report and Accounts 2024, we aim to achieve net zero in our emissions across our operations and supply chain by 2050, in line with our ambition to become a net zero bank. Emissions from our operations and supply chain contribute around 3% of the Group's total reported emissions (excluding our Asset Management business), based on our latest reported emissions in our Annual Report and Accounts 2024. Although this proportion is small relative to our financed emissions, we consider this effort a critical part of our approach.

Like our customers, the transition of our suppliers has been influenced by the inconsistent pace of the global transition. This means that although we are making strong progress towards reducing our direct emissions, decarbonising our supply chain has proven more challenging than anticipated.

> We expect to achieve a reduction of around 40% in emissions from our operations, business travel and supply chain by 2030

By seeking to deepen collaboration with key suppliers and continuing to reduce emissions from our energy consumption, we expect to achieve a reduction of around 40% in emissions from our operations, business travel and supply chain by 2030, compared to our 2019 baseline year.

Our approach continues to focus on reducing our consumption and replacing consumption with low-carbon alternatives.

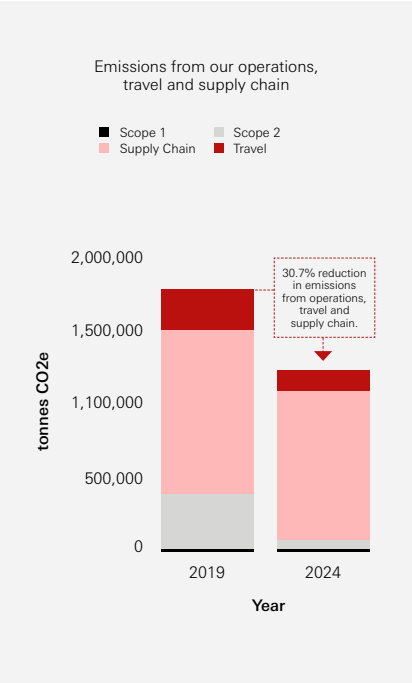
We plan to use only high-integrity carbon removal credits to remove any residual emissions from our own operations that cannot otherwise be reasonably reduced.

We expect to continue to monitor external guidance, including from the Science Based Targets Initiative (SBTi), to help ensure our approach remains credible.

Emissions in our operations and supply chain are subject to third-party limited assurance. For further information see our ESG reporting centre.

Scope 1 and 2 emissions

We have already reduced our scope 1 and 2 emissions considerably and are on track to achieve a reduction of at least 90% by 2030, from our 2019 baseline.



Our approach focuses on reducing energy use and a significant investment in renewable electricity. Initially, we focused on optimising the use of our buildings and undertaking a strategic reduction in our office space and data centres. Now we are increasingly using innovative technology and collaborating with partners to seek to target the more challenging elements of our energy consumption, such as our remaining data centres.

Our green leasing programme encourages close collaboration with our landlords to help drive better energy efficiency and we look to achieve LEED or equivalent certification for our construction projects in key premises.
Energy audits across our largest buildings have helped us to identify and prioritise new opportunities to reduce emissions further through capital investment and asset replacement. One emerging priority is decarbonising our heating through electrification and heat networks, which remains challenging as the decentralised nature of our buildings and branch networks prevents a single solution.

We continue to look actively for opportunities to procure green energy in each of our reported markets, as we progress towards our ambition of procuring 100% renewable electricity by 2030. We follow RE100 principles to focus on creating additional renewable capacity through power purchase agreements (PPAs), where possible. Where regulation or our energy profile does not allow for PPAs, we pursue the procurement of green electricity through our utility partners, as is the case in France and regions of India. We are also investigating bespoke solutions such as on-site generation, direct investment into renewable assets and private wire agreements. If none of these options are available to us, we expect to source remaining renewable electricity through energy attribute certificates.

In addition to our focus on energy consumption, we continue to transition our vehicle fleet to electric vehicles, ordering fully electric or hybrid vehicles, wherever possible.

Upstream scope 3 emissions

Business travel emissions

Connecting with customers and colleagues remains an important part of how we do business. Having analysed our travel patterns, we are managing travel activity through performance reporting and reviewing emissions. We have introduced internal carbon budgets and included emissions information at the point of booking and guidance on more sustainable ways to travel, to encourage ownership and conscious decision making.

Recognising the importance of sustainable aviation fuel (SAF) to the decarbonisation of the aviation sector, in 2024 we made a strategic investment in SAF through a one-time purchase of approximately 1.12m US gallons of SAF produced by EcoCeres, and in conjunction with Cathay Pacific. We continue to explore opportunities to invest in SAF. We do not currently account for the emissions reduction of SAF purchases in our emissions reporting.

Supply chain emissions

Our supply chain is our largest source of operational emissions and is where we face the most significant decarbonisation challenge, reflecting the pace of the transition across the real economy. Our suppliers are at various stages in their sustainability journeys and we aim to support their transition while navigating external factors and challenges.

Given that many of our suppliers are also our customers, our customer engagement model is also helping to reduce our supply chain emissions. For further information see the *Supporting our customers* chapter.

We use procurement tools and decisions across the sourcing and supplier management process to support the reduction of our supply chain emissions, being mindful of the business importance of certain goods and services and the varying regional approaches to the transition.

Our initial focus has been on engaging suppliers on the importance of decarbonisation and setting clear expectations through our Supplier Code of Conduct.

In 2024, we incorporated an additional emissions data source to complement our existing data model and continue to improve the measurement, quality and reporting of our supply chain emissions data to generate insights to drive targeted reduction activities. We have enhanced the questions we ask suppliers at onboarding, to get a better view of their transition journey, and are now including suppliers' carbon footprint in our selection process.

We continue to work to deepen our collaboration with suppliers and have increased our focus on those without public disclosures or emissions reduction plans and supporting them by providing additional guidance. Through targeted collaboration events, we are partnering with our larger suppliers to jointly develop ideas and industry initiatives that support decarbonisation. We aim to support smaller suppliers in their transition, including with educational materials and renewable electricity sourcing.

Alongside our net zero operations ambition, we aim to be a responsible consumer of natural resources across our operations and supply chain.

Nature in our operations and supply chain

In our supply chain, we have begun developing sustainable sourcing roadmaps across key categories, following a materiality assessment of biodiversity and nature risks. Wherever possible, we aim to protect the environment and mitigate our impact on the depletion of natural resources, through our procurement choices, design and construction, or operations.

Our global portfolio of buildings supports customers and communities in areas that may be of high or very high water stress, and/or protected areas of biodiversity. About 50% of our global offices, branches and data centres are in urban or city centre locations with large, concentrated populations. These areas have been identified as being subject to high and very high water stress, accounting for almost half of our annual water consumption, with about 0.8% in protected areas of biodiversity.

Although our industry is a low user of potable water, we have implemented measures to help reduce water consumption across our portfolio, including installation of water efficient taps, flow restrictors, auto taps and low or zero flush sanitary fittings.

Our approach to carbon credits

Use of carbon credits for residual emissions from our own operations

Our primary focus in our own operations and supply chain is reducing our emissions. In line with current guidance, we plan to remove any remaining emissions in our own operations that cannot be reduced or replaced by procuring high-integrity carbon credits, that have undergone third-party verification, at a later stage.

However, recognising the importance of high-quality carbon removals in limiting global temperature rises, we have started to explore some high-integrity carbon removal projects and are working on our carbon credits strategy by engaging with a range of market participants. This includes exploring what high integrity means and potential opportunities for partnerships to support the development of carbon removal projects.

Supporting a credible carbon markets system

We are supporting initiatives to help accelerate and build a thriving and credible carbon markets system. We are actively engaged with the UK Carbon Markets Forum and are members of the Global Carbon Capture and Storage Institute, who promote the adoption of carbon dioxide removal technologies. Climate Asset Management, a joint venture between HSBC Asset Management and Pollination, is also building a pipeline of carbon credits from high-quality carbon removals.

Our purchase of carbon credits relates only to our own operations and supply chain. Our proposed approach does not include the use of carbon offsets to meet our 2050 portfolio financed emissions ambition or related interim 2030 sectoral financed emissions targets.

We expect to review emerging guidance regularly, including from standard setters such as the Greenhouse Gas Protocol and SBTi, to help determine how best to factor in customers' use of carbon credits into our customer transition framework.

Aligning people and capabilities

Aligning responsibilities and incentives

Our climate governance is designed to provide greater clarity on the roles and responsibilities in delivering our net zero ambition, enable strong oversight and drive consistency across global businesses. It also helps us to consider a range of perspectives – including from our regional businesses, global businesses and functions – in the development of our approach to the net zero transition.

We have also developed incentives to help drive accountability of performance towards our net zero ambition both at the executive level and throughout the business.

Our governance structure and approach to incentives are designed to meet the expectations of internal and external stakeholders, including regulators. We expect to continue to review and adapt our approach as appropriate to respond to changing requirements.

Our sustainability governance

The Board of HSBC Holdings takes overall responsibility for Environmental, Social and Governance (ESG) strategy, overseeing our approach, execution and reporting. The Board regularly receives progress updates against our sustainability related ambitions and targets and updates on specific key topics across ESG including climate strategy, human rights and workforce engagement.

To support decision making, Board members receive ESG-related training as part of their induction and ongoing development. Our ESG experts help ensure that they are kept informed of the latest developments and opportunities to build their skills and experience in this area.

Further Board oversight is provided at the Group Audit Committee, which monitors and assesses the scope, content and integrity of ESG disclosures, and the Group Risk Committee, which considers climate risk, as well as detailed reviews of material matters, such as climate-related stress testing exercises.

How HSBC's climate strategy is cascaded

Opportunities | Risks

Board level governance

Group Board
Takes overall responsibility for climate strategy, overseeing executive management in developing the approach and execution.

Group Audit Committee
Monitors and assesses the integrity of the Group's financial disclosures, including those relating to ESG.

Group Risk Committee
Oversees and advises the Board on risk related matters, including those related to ESG risk (incorporating climate risk).

Specialist Board governance

Sustainability Working Group
Meets on an ad hoc basis to provide guidance on the Group-wide medium- and longer-term sustainability strategy, including our progress towards our net zero ambitions, taking into account key factors such as risk appetite, commerciality, capability and data.

Management level governance

Group Operating Committee
Receives regular ESG updates and helps shape and influences our strategy.
Chair: Group Chief Executive

Group Risk Management Meeting
Oversees the enterprise-wide management of all risks, including updates relating to the Group's climate risk profile and risk appetite, top and emerging climate risks.
Chair: Group Chief Risk and Compliance Officer

Regional, global business and group infrastructure

Examples of climate-related management governance
The following governance bodies support management in its delivery of climate activities

Group Reputational Risk Committee
Provides recommendations and advice on significant reputational risk matters with impact across the Group.
Chair: Group Chief Risk and Compliance Officer

Sustainability Leadership Meeting
Monitors execution of the Group's sustainability strategy and requirements.
Chair: Group Chief Sustainability Officer

The Sustainability Working Group (SWG) of the HSBC Holdings Board comprises non-executive directors, members of the Group Operating Committee and their direct reports. The SWG provides detailed guidance on an ongoing basis, covering the Group-wide medium- and longer-term sustainability strategy, including our progress towards our net zero ambitions, taking into account key factors such as risk appetite, commerciality, capability and data.

At the executive level, the formal governance forums also cover sustainability. These include the Group Operating Committee, which receives regular ESG updates and helps shape and influence our strategy, and the Group Risk Management Meeting, which receives updates on our climate risk profile.

The Group Chief Risk and Compliance Officer and the Chief Risk Officers of our PRA regulated businesses are the senior managers responsible for climate-related financial risks under the UK Senior Managers Regime.

We expect that our approach to ESG governance is likely to continue to develop, in line with our evolving approach to ESG matters and stakeholder expectations.

Our climate-linked performance management and remuneration

To help us achieve our sustainability ambitions, a variety of objectives linked to our priorities have been included in the long-term incentive scorecards of the Group CEO, Group Chief Financial Officer, and members of the Group Operating Committee.

For example, our long-term incentive award set out in 2025 includes a 20% weighting for objectives related to our net zero ambition. This is assessed over a three-year performance period and considers carbon reduction in our own emissions and the cumulative amount of sustainable finance and investing relative to our $750bn to $1tn by 2030 ambition.

Our approach also considers the use of sustainability measures in performance assessment. Annual objectives held by members of executive management are cascaded to their direct reports in senior leadership and further down in the organisation depending on relevance to their roles.

The measures incorporated to help drive accountability for both senior leadership and our colleagues across the organisation are kept under review each year, and are expected to continue to evolve over time, to keep pace with our priorities and requirements.

Embedding net zero within culture and capabilities

We aim to enable our colleagues to understand and be motivated by their role in our transition journey. This requires commitment across the organisation, developing role specific learning, and collaboration throughout the business to share and grow expertise. In turn, we aim to enable colleagues' confidence to work with new technologies and business models, the ability to respond flexibly to evolving market realities and to be able to support the customers we serve.

Boosting expertise

Across the organisation, we continue to embed expertise on sustainability topics. To further build on this capability, we also have a central sustainability team which serves the rest of the Group:

- Overseeing and coordinating sustainability strategy development and implementation;
- Leading external engagement with governments, regulators, investors, NGOs and other stakeholders;
- Providing science-based, commercial insights and climate analytics;
- Delivering our philanthropic programme and partnerships with not-for-profits in line with our social and environmental sustainability objectives.

Most of our sustainability experts are embedded within the global businesses and functions. We have strengthened climate leadership expertise in our regional leadership teams and appointed sustainability leads.

These teams provide focus and capability to develop our transition solutions in support of customer needs and to respond to regulatory requirements. For example, within CIB our dedicated CEO of Infrastructure Finance and Sustainability is supported by global and regional teams that develop propositions for our customers and guidance for our relationship managers.

Enhancing collaboration

Supporting effective collaboration by bringing together expertise from across the business helps to deliver better outcomes for our customers' transition and helps to embed net zero transition into how we work. Examples of collaboration underway to embed net zero considerations include:

- Deal Teams: Net zero transactions in CIB can be supported by relevant experts in specific technologies and by experts in structuring sustainable finance transactions alongside the frontline banking team.
- Employee Networks: Our Climate Action Networks have regional and office-specific chapters that share best and emerging practice on sustainability. We also have Sustainable Finance networks that focus on building expertise to support customers and transactions.
- Policy review and development: Experts from risk, global sustainability, global businesses, regional teams and other key internal stakeholders input to shaping our sustainability risk policies.
- Credit risk: Our risk teams work with frontline bankers and global sustainability to assess climate-related customer risk exposures and credit terms for relevant new deals in high transition risk sectors. They also look at conditions for nascent net zero technologies and new climate tech businesses.
- Financed emissions: Colleagues from across the organisation come together to help steer our financed emissions target setting, analysis, embedding and reduction delivery.
- Nature: Our approach to nature is being developed by colleagues from across the organisation, with the global business lines and functions closely collaborating to develop the tools, approaches and capabilities needed to understand and address nature-related impacts, risks and opportunities.
- ESG Data: Working closely with stakeholders across different regions and departments, the ESG Data Utility supports HSBC's sustainability-led data requirements to meet internal and external obligations.

Supporting upskilling

As the sustainability landscape evolves, we need to continue to ensure the capability of our people is developed, maintained and relevant. We plan to do this through several routes, such as leveraging our internal subject matter experts to consult and advise colleagues about the transition to net zero including sectoral deep dives and the role of nature. This expertise is complemented by online training, practical workshops, leadership development and sharing on-the-ground experience from deals and customer interactions.

To help drive bank-wide upskilling, we launched the HSBC Sustainability Academy in 2022. Within 2024, over 124,000 colleagues leveraged the Academy, which currently offers over 200 comprehensive modules on net zero policies, nature restoration and preservation, climate science, new technologies and sustainable finance. We assess evolving learning needs to help ensure that our training materials are up to date.

We also continue to support additional ways of learning, such as bespoke interactive workshops, to help colleagues perform in their specific roles, for example:

- We partnered with Imperial College Business School in 2024 to develop a bespoke 2-day Sustainability Leadership Immersion course. It emphasised systems thinking, innovation, co-creation and mobilising the organisation. Additionally, over 300 senior leaders and sustainability colleagues have completed the more intensive 15-week, Imperial Sustainability Leadership programme.
- We delivered advanced sustainable finance workshops for 3,300 frontline bankers in 2023 and 2024, which has resulted in a significant increase in the number of employees feeling more equipped to support the bank's sustainability ambitions as well as increased participation of bankers in sustainability discussions with customers.
- Sustainable Supply Chain Finance: Our Global Trade Services team has access to a three-day, bespoke workshop to support them in critically diagnosing corporate customer needs on supply chain management and trends, with the aim of having impactful customer conversations around their ESG and sustainable supply chain strategy.
- Climate risk: Risk colleagues across select regions are offered the opportunity to earn climate and sustainability risk certifications, including the Global Association of Risk Professionals' Sustainability and Climate Risk Certificate.
- Climate Coaching: We are exploring ways to bring more knowledge from our net zero experts into the business through group coaching. This would enable colleagues to build topic-specific knowledge, work through live case studies, and collaborate with peers in an informal and inclusive environment.

Alongside learning programmes, we also use practical experience in customer engagement and proposition development to support upskilling. Frontline teams present customer solutions through internal webinars to discuss their experiences and best practices, joined by sustainability specialists.

We also share regular insights for colleagues. These include newsletters on latest policy announcements, deal flashes, insights from external reports and sector deep dives to enable our frontline teams to have deeper and more impactful conversations with their customers.

Enhancing Technical Capabilities: Transforming our ESG Data Landscape

High quality, consistent, comparable, and accessible ESG data is critical for informed decision making and for tracking and reporting our progress towards net zero. To support this, we continue to develop and implement a robust data strategy, which includes re-architecting our technology and operational processes. Some of the challenges we aim to overcome include:

- Lack of standardised definitions: Inconsistent industry definitions hinder our ability to source comparable data on customer performance in net zero and broader ESG metrics.
- Fragmented data sources: ESG data comes from a wide variety of sources and formats, complicating data collection, consolidation, and vendor selection.
- Data gaps and proxy usage: Data gaps, both internally and across the industry often require reliance on models and proxies, which introduces uncertainty and reduces transparency.
- Regulatory complexity: Operating on a global scale across multiple jurisdictions exposes us to a diverse and evolving set of regulatory requirements that must be carefully managed.

Building a centralised ESG data capability

We continue to strengthen our ESG data and analytics capability, delivering trusted data assets, dashboards, AI, and advanced analytics solutions that help support initiatives like financed emissions, climate scenario analysis, stress testing, sustainable finance and portfolio optimisation. Feedback received from regulators and stakeholders continues to help inform improvements in the robustness of our processes and our wider data strategy.

We seek to embrace new technology that enhances data quality monitoring and harness AI capabilities to help improve data gaps to achieve business outcomes.

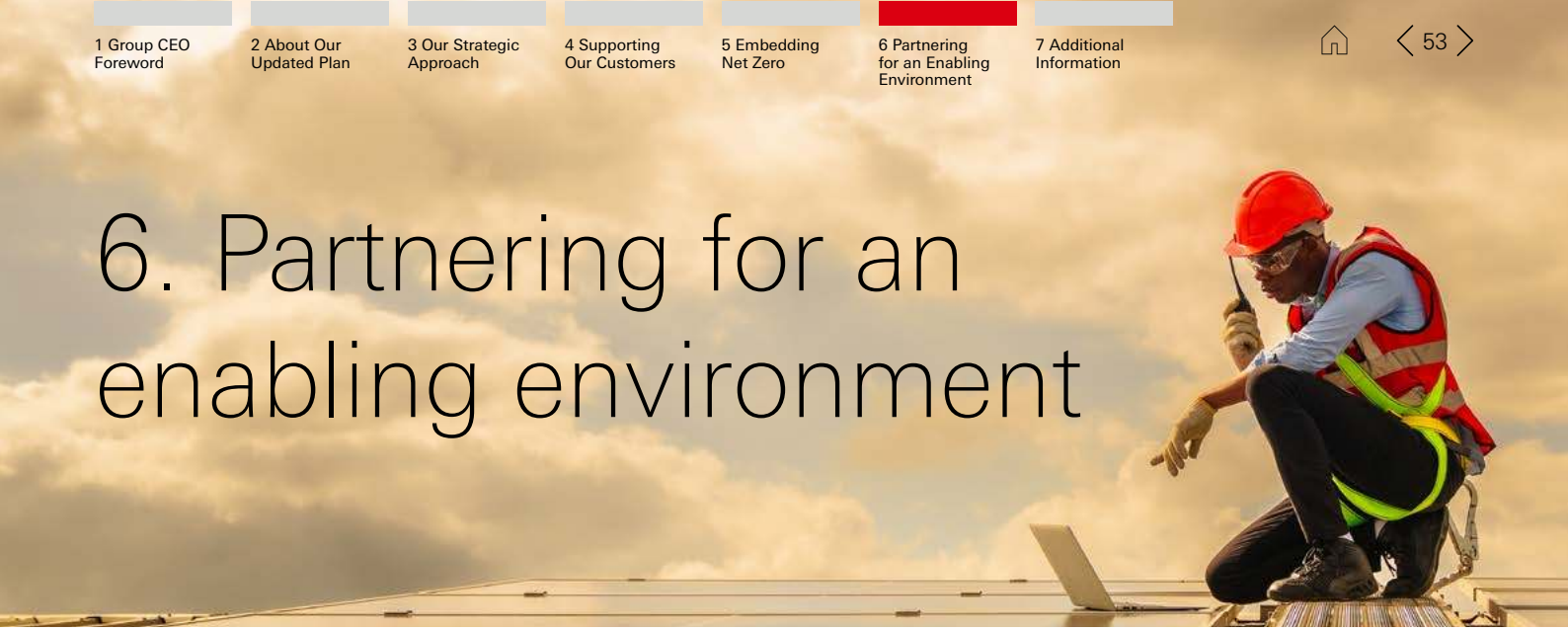
Next Steps

Short Term
Our short term focus is on resolution of priority data gaps and enhancing our controls environment, as we continue to deliver on required data use cases and develop Group-wide data assets.

Medium Term
We expect to invest in the capability to address forward-looking regulatory requirements while developing the capabilities to reduce costs and increase consistency. In addition, selecting appropriate data vendors to contribute to scalable, bank-wide datasets will be a key focus.

Long Term
Our goal is to build a future-ready ecosystem that is automated, scalable, and agile to meet evolving regulatory and market expectations.

6. Partnering for an enabling environment



Our ability to support our customers' transition is heavily influenced by external market and policy conditions. In response, we seek to partner for an enabling environment that can help to accelerate the flow of capital towards scaling solutions and innovation.

Stakeholder-led approach

We aim to use our global reach and convening ability to engage and collaborate with a range of partners – including industry peers, customers, governments, academia, civil society, and entrepreneurs – on solutions that can help support the transition.

Working to support a successful transition

Our approach seeks to build support across a range of stakeholder groups and reflect the varying pace and shape of the transition across sectors and geographies, as well as the size and scope of our presence in local markets. We act independently and voluntarily in our decision making, based on our own business interests, priorities and objectives, and are guided by our aim to create long-term, sustainable value for our customers and shareholders.

Working to support the transition

Through our business

Our Customers

We seek to finance our customers' transition journeys and support them in making sustainable choices.

See Supporting our customers.

Our investee companies

We engage on net zero with companies we invest in through our asset management business.

See Supporting our customers.

Our Investors

We transparently engage with investors to build understanding of our approach.

With our colleagues and suppliers

Our employees

We equip employees across our organisation to help execute our net zero strategy.

See Aligning people and capabilities.

Our suppliers

We work with our suppliers and set clear expectations to help us transform our own operations.

See Achieving net zero in our own operations and supply chain.

Focus of this chapter

Partnering with others

Public sector

We work with governments and regulators to support the development of effective climate policy, and partner with public financial institutions to help to accelerate the development of finance solutions.

Industry

We collaborate with financial sector and industry partners to share good practice, help drive consistent necessary standards, and create new opportunities to finance the transition.

Delivery Partners

We partner with expert players that bring new capabilities to help support and scale transition solutions.

Civil Society

We partner with civil society to understand the impact of actions and generate thought leadership in support of a science-based, just and inclusive transition.

Public sector

Governments and regulators

Effective governmental policies and regulation remain fundamental prerequisites for decarbonising the real economy at sufficient pace and scale. As a global financial institution, we rely on progress across various sectors and markets to create opportunities to support our customers' transition strategies.

We support this enabling context by sharing our experience and expertise, as well as highlighting the challenges and barriers facing financial services firms in supporting the transition, and through advocating for appropriate policies and regulation.

Our Statement on Public Policy Engagement outlines our approach to such engagement, including the systems and processes we have established to help manage the risks associated with engaging these actors.

Financial regulators and central banks globally establish regulations and guidance, as appropriate, for financial institutions to assess and manage climate risks. This includes evolving work on climate scenario analysis, stress testing, climate and sustainable finance disclosures, and prudential risk management and capital treatment.

We work closely with regulators on these and related topics across our jurisdictions to support globally consistent approaches to climate-related financial regulation. For example, we are co-chairing the Singapore Sustainable Finance Association of which the Monetary Authority of Singapore is a standing member, and we are collaborating with the Hong Kong Monetary Authority to support the development of Hong Kong as a leading sustainable finance market.
We also work directly with governments on national net zero strategies and transition financing priorities, for example through our position on the UK's Net Zero Council.

Public financial institutions

Public financial institutions (PFIs) – such as multilateral and national development banks, and development finance institutions such as infrastructure banks and export credit agencies – are central to helping to de-risk sustainable infrastructure financing and investments in markets and sectors with varying risk/return profiles.

We engage and partner with PFIs to identify, develop and fund solutions to facilitate capital needed for the transition such as blended finance products and services, often in emerging and developing economies which are strategically important for HSBC's ambitions.

Industry

We participate in cross-industry initiatives to help raise awareness, and inform the development of the necessary and appropriate standards, regulations, policies and partnerships required to support the transition to net zero. We prioritise those initiatives which we believe can most effectively support decarbonisation efforts and help create opportunities for our customers.

For example, through the Glasgow Financial Alliance for Net Zero we are collaborating on financing opportunities and solutions, to support the development and scaling of mechanisms to mobilise private investment and equip actors with the necessary tools and expertise through capacity building and global engagement.

Standard setters

We engage as necessary with standard setters to support the development of appropriate climate and nature-related industry standards in areas such as product labelling, sustainability disclosures, sustainable finance taxonomies and emissions accounting.

Voluntary industry initiatives can also help shape action and often form the basis of future climate policy and regulation.

Cross-sector

We engage with actors across the real economy to understand the opportunities and challenges they are facing and how we can support them in the transition to net zero. We do this through sector-specific and cross-sector platforms including the Energy Transitions Commission and the Sustainable Markets Initiative.

Our participation in these sector-focused initiatives equips us with the latest industry insights, solutions, and good practice to help support our customers' transition, identify potential partnerships and can help inform our policies and practices.

Civil society

We engage and partner with a range of civil society organisations including non-profits, charities, NGOs, think tanks, academia, research institutions, and philanthropic foundations. Our engagements take a variety of forms, including leveraging their expertise in an advisory capacity to help support the development of solutions on climate and nature.

Philanthropy

Philanthropy plays an important role in addressing the barriers to action, helping to build capacity, and testing and scaling the innovation required to achieve a resilient and sustainable net zero future. Since 2020, we have directed our philanthropic funding to partners—charities, non-profits, and NGOs—focused on issues, sectors, and geographies with the greatest potential to deliver progress on the transition and support nature positive outcomes.

NGOs

We engage with NGOs to hear directly from them on specific issues and challenges, from the environment and human rights, to financing for net zero. This is an opportunity to share perspectives and experiences, and to deepen collective understanding of the issues from the global to the local level.

These engagements help enhance our awareness of emerging risks and priorities, helping to provide diverse, real-world insights.

Academia and Research Institutions

Through our work with academic and research institutions, we fund analysis and insights on science-based transition pathways and scenarios, nascent technologies, and emerging and developing themes to test with our customers and strategic partners. We disseminate the findings and learnings across our internal and external networks.

For example, HSBC is a founding partner of the Singapore Green Finance Centre, which aims to generate research and build capacity to help enable financial institutions, industry, and policymakers to address the challenges in financing the net zero transition in Asia.

HSBC investors

Transparent, proactive, and regular engagement with investors is a key part of our approach to net zero and our wider ESG activities. We engage with investors, ESG rating agencies and buy-side analysts to better understand their net zero transition and ESG views and expectations, and to update them on our progress. We engage with our investors through ongoing dialogue, bilateral meetings, roundtables, conferences, investor events and presentations, and our Annual General Meeting.

Just Transition

The speed and scale of the transition to net zero will be influenced by how it impacts communities, and how communities view and support the transition in response. That's why our approach to net zero considers how we can support a just transition. We are working to understand how best to engage with and inform our customers on the topic, as well as helping to ensure the transition to net zero can positively impact local communities. This includes:

Partnerships:

- Supporting the Just Transition Finance Lab at London School of Economics, which has produced insightful thought leadership on topics including promoting a transition with inclusion in India and mobilising bonds for the just transition.
- Repowering provides an alternative to shutting down coal-fired power plants by repurposing existing infrastructure for low-carbon power generation. HSBC is providing philanthropic funding to Repower to undertake technical analysis to develop feasible low-carbon repowering options for viable sites in emerging markets. In addition to repurposing the existing infrastructure, repowering helps to maintain livelihoods as well as deliver wider environmental and health benefits.

Through CIB and Commercial Banking:

Continuing to develop and deliver sustainable finance propositions that give small and medium size businesses access to incentivised green and sustainable financing. Financing and facilitating customer projects which benefit local communities, such as:

- UK: We have supported the Northern Endurance Partnership and Net Zero Teesside Power projects. These projects form part of the East Coast Cluster which is expected to unlock £4bn worth of supply chain contracts, as well as create up to 2,000 jobs in the region–with tens of thousands of more jobs expected to be supported across the UK in the coming years as the industry expands.
- Brazil: We acted as sole bookrunner for the World Bank Amazon Reforestation-Linked outcome bond. Through the transaction $225m was raised to support the development projects and programmes of the World Bank and an additional $36m of capital was mobilised to support the reforestation activities of Mombak, who will use these funds to acquire land or enter into partnerships with landowners in the Amazon rainforest to reforest the land with native tree species. In addition to removing carbon, the reforestation seeks to enhance biodiversity and foster socioeconomic development in local communities.

Unlocking transition barrier

We will continue to focus our efforts around the key areas that will help unlock progress in the delivery of our Net Zero Transition Plan. We have a strong track-record of long-term partnerships in areas which support our strategy, and this will form the basis of future activity to partner for an enabling environment. These include efforts to:

Support emerging and growing transition ecosystems

- In 2024 we made a strategic investment in sustainable aviation fuel (SAF) through a one-time purchase agreement for approximately 1.12m US gallons of SAF produced by EcoCeres, which was used to refuel Cathay Pacific aircraft departing from Hong Kong International Airport. The adoption of sustainable aviation fuel is in its infancy, currently accounting for an estimated 0.3% of global jet fuel production. In the International Energy Agency's (IEA) Net Zero Scenario, SAF consumption grows to 10% by 2030, meaning that purchase agreements like this can help to scale an emerging industry and provide support in addition to country level policies and targets.

Support the development of climate tech

- Since 2021, we have partnered with Imperial College London and its Undaunted climate innovation hub in support of The Greenhouse, a 12-month accelerator backing 30 science- and technology-driven ClimateTech startups each year with equity-free grants, access to academic expertise, world-class facilities, and tailored support for pilot deployment and fundraising. This type of support is key given the IEA estimates that around one third of the abatement needed to enable net zero by 2050 will come from emerging technologies. Investment is accelerating but remains far below what is required.
- We launched the Future Industries Partnership with Third Derivative and Founders Factory to support climate innovation focused on hard-to-abate sectors, particularly in Asia where there is a significant need and growing market for such technologies. The partnership provides capacity building support and facilitates connections with the investor community to support the deployment and scaling of key climate technologies.

Protect and restore nature

- We are providing philanthropic funding to Proforest, The Nature Conservancy and Conservation International to support efforts to accelerate financial flows into landscape and jurisdictional initiatives to promote resilient commodity production. Working in collaboration with corporates, financial institutions, governments, and other key stakeholders, they will develop financing plans for pilot landscapes across Brazil and Indonesia.
- Climate Asset Management, HSBC Asset Management's joint venture with climate investment and advisory firm Pollination, has now raised commitments of more than $1bn for natural capital projects around the world, and announced the final close of its Natural Capital and Nature Based Carbon Funds in 2024.

Develop new investment structures and scale investment

- We have created a Strategic Financing Partnerships team within CIB which will be responsible for deepening relationships with providers of de-risking capital to create blended finance opportunities for sustainable infrastructure development opportunities in HSBC's key markets. We believe these partnerships are also key in helping to overcome some of the barriers to scaling the capital required to accelerate investment into sustainable infrastructure, particularly in emerging markets.
- The apparel sector was responsible for 944m tonnes of GHG emissions in 2023. We are providing philanthropic funding to Apparel Impact Institute's (Aii) Fashion Climate Fund, which aims to mobilise $2bn in blended finance to help halve carbon emissions from the sector by 2030. HSBC funding is supporting Aii to convene actors across the supply chain to develop tools for mobilising finance for decarbonisation investment, and in developing guidance and thought leadership for brands and suppliers.

7. Additional information

Cautionary statement regarding ESG data, metrics, and forward-looking statements

The information contained in this plan does not constitute a profit forecast and does not contain any investment, accounting, legal, regulatory or tax advice. HSBC, its affiliates, directors, officers, employees and agents expressly disclaim any liability or responsibility for any decisions or actions which you may take and for any damage or losses you may suffer from your use of or reliance on this plan. All the information in this transition plan is provided for information purposes only.

For the avoidance of doubt, products or assets invested pursuant to our ESG and sustainable investing approach do not necessarily qualify as 'sustainable investments' as defined by the EU Sustainable Finance Disclosure Regulation and/or other relevant regulations, and may not qualify as 'sustainable' products for the purposes of the UK Sustainability Disclosure Requirements and European Securities and Markets Authority fund naming guidance and/or any other regulatory standards. The HSBC ESG and sustainable investing approach is an internal classification used to establish our own ESG and sustainable investing standards and to promote consistency across asset classes and HSBC business lines where relevant. Our ESG and sustainable investing approach should not be relied on externally to assess the sustainability characteristics of any given product.

Our transition plan contains a number of images, graphics, infographics, text boxes and illustrative case studies and credentials which aim to give a high-level overview of certain elements of this transition plan and to improve accessibility for readers. These are designed to be read within the context of the transition plan as a whole.

To help inform our approach to our net zero transition, we look to engage with a broad range of stakeholders, including governments, regulators, non-governmental organisations, industry partners and external organisations and alliances. We act independently and voluntarily in our decision making, based on our own business interests, priorities and objectives.

In developing our transition plan, we have utilised a number of external sources, scenarios, models, methodologies and contextual sector information, including figures, charts, graphics and case studies, some of which have been prepared by third parties or which draw on third party data. Any opinions or views of third parties expressed in this plan are those of the third parties identified, and not of HSBC, its affiliates, directors, officers, employees or agents. By incorporating or referring to opinions and views of third parties, HSBC is not, in any way, endorsing or supporting such opinions or views and neither HSBC nor any of its affiliates, directors, officers, employees or agents make any representation or warranty as to its quality, accuracy, or completeness, and accepts no responsibility or liability for the contents of this material, including any errors of fact, omission or opinion expressed.

Our transition plan contains a number of forward-looking statements (as defined below) with respect to HSBC's ESG ambitions, targets, commitments, climate-related pathways, processes and plans, and the methodologies and scenarios we use, or intend to use, to assess our progress in relation to these ('ESG-related forward-looking statements').

Statements that are not historical facts, including statements about HSBC's beliefs and expectations, are forward-looking statements. Words such as 'may', 'will', 'should', 'expects', 'targets', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', or the negative thereof, other variations thereon or similar expressions are intended to identify forward-looking statements. These statements are based on current plans, information, data, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made.

In preparing the ESG-related information, including any models, data sources, figures, charts, graphs and other information, contained in our transition plan, which may have been produced, processed or otherwise used at various points prior to the date of publication, HSBC has made a number of key judgements, estimations and assumptions, and the processes and issues involved are novel and complex. The ESG (including climate, nature and other sustainability-related matters) data, models and methodologies used are often relatively new, are rapidly evolving, are not fully mature, may become inaccurate, unreliable or outdated and are not of the same standard as those available in the context of other financial information, nor are they subject to the same or equivalent disclosure standards, historical reference points, benchmarks or globally accepted accounting or reporting principles.

In particular, it is not possible to rely on historical data as a strong indicator of future trajectories in the case of climate change, nature and other sustainability-related matters and their evolution (see below re data availability, accuracy, verifiability and data gaps). Outputs of models, processed data and methodologies are also likely to be affected by underlying data quality, which can be hard to assess and we expect industry guidance, market practice and regulations in this field to continue to change. This means the ESG-related forward-looking statements and ESG information and metrics discussed in this plan carry an additional degree of inherent risk and uncertainty. In light of uncertainty as to the nature of future policy, technological developments and market response to ESG related issues, including between regions, and the effectiveness of any such response, HSBC may have to and reserves the right to re-evaluate its progress towards its ESG ambitions, targets and commitments in the future, update the methodologies it uses or alter its approach to ESG (including climate, nature and other sustainability-related matters) analysis and may be required to amend, update and recalculate its ESG disclosures and assessments in the future, in response to unforeseen circumstances or changes in external factors and transition dependencies as market practice and data quality and availability develops.

No assurance can be given by or on behalf of HSBC as to the likelihood of the achievement or reasonableness of any projections, estimates, forecasts, ambitions, targets, commitments, prospects or returns contained herein. Readers are cautioned that a number of factors, both external or outside of HSBC's control and those specific to HSBC, could cause actual achievements, results, performance or other future events or conditions to differ, in some cases materially, from those stated, implied and/or reflected in any ESG-related forward-looking statements or metrics or result in revisions to the reported data, including on financed emissions or the classification of sustainable finance and investments, meaning that data outputs may not be reconcilable or comparable year on year due to a variety of risks, uncertainties, dependencies and other factors (including without limitation those referred to below):

- **Projection risk for climate change, nature and other sustainability-related matters and ESG metrics and scenarios:** this includes, for example, their complexity, the evolution and development of these matters and their impacts, changes in their scientific assessment, transition pathways and future risk exposure and limitations of models and scenario forecasts, which are sensitive to key assumptions and parameters that are themselves subject to some uncertainty, and cannot fully capture all of the potential effects of climate, nature, sustainability, policy and technology-driven outcomes;
- **Changes in the ESG regulatory landscape:** this involves changes in government approach, positioning and regulatory treatment, enforcement or support in relation to ESG disclosures, reporting and other requirements and the current lack of a single standardised regulatory approach to ESG data, methodologies and models across all sectors and markets;
- **Variation in standards:** ESG reporting standards and standards in relation to transition plans and ESG metrics are still developing, they are not standardised or comparable across all sectors and markets, international coordination on data is still progressing;
- **Data availability, accuracy, accessibility, verifiability and data gaps:** our transition plan and disclosures in relation to it are limited by the availability of high-quality, accessible, comparable and reliable data in some areas, sectors, activities or geographies and our own ability to collect and process such relevant data as required in a timely manner, which may impact our data and data quality scores. While we expect our data quality scores to improve over time as companies continue to expand their disclosures to meet growing regulatory and stakeholder expectations there may be unexpected fluctuations within sectors or geographies year on year, and/or differences between the data quality scores between sectors and geographies;
- **Developing methodologies and scenarios:** the methodologies and scenarios HSBC uses to assess financed emissions and set ESG-related ambitions and targets are still nascent and are likely to develop over time in line with market practice, regulation, technology, data availability, the use of artificial intelligence and/or developments in science, where applicable;

- **Risk management capabilities:** global actions, including HSBC's own actions, may not be effective in transitioning to net zero and in managing relevant ESG risks, including in particular climate, nature-related, human rights and other sustainability-related risks, each of which can impact HSBC both directly and indirectly through our customers, and which may result in potential financial and non-financial impacts to HSBC. In particular:
  - We may not achieve our ESG ambitions, targets and commitments (including with respect to the positions set forth in our Sustainability Risk Policies Framework, which contains our thermal coal phase-out policy, our targets to reduce our on-balance sheet financed emissions and, where applicable, facilitated emissions in our portfolio of selected high-emitting sectors and our net zero ambition), including owing to divergence between client transition plans and external policy pathways; and the feasibility of achieving stated targets given external dependencies, which may result in our failure to achieve some or all of the expected benefits of our strategic priorities; and
  - We may not be able to develop sustainable finance and ESG-related products consistent with the evolving expectations of our regulators, stakeholders or customers and our capacity to measure the environmental and social impact from our financing activity may diminish (including as a result of data and model limitations and changes in methodologies), which may affect our ability to achieve our ESG ambitions, targets and commitments, including our net zero ambition, our targets to reduce our on-balance sheet financed emissions in our portfolio of selected high-emitting sectors and the positions set forth in our Sustainability Risk Policies Framework, which contains our thermal coal phase-out policy, and increase the risk of greenwashing.

For further detail, please refer to 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.

Our metrics pertaining to our on-balance sheet financed emissions continue to evolve and are reviewed annually to take into account the evolving standards, taxonomies and practices we deem appropriate. Data on these metrics contained in this transition plan is taken from our Annual Report and Accounts 2024 and was subject to independent limited assurance as at February 2025 by PwC in accordance with ISAE 3000/ ISAE 3410. Unless expressly stated otherwise, no other information in this transition plan has been independently verified, audited or assured.

We anticipate that some of our financed emissions calculations may be restated in future disclosures due to evolving methodologies. For further details, see our Financed Emissions Methodology and PwC's limited assurance report, which are available at www.hsbc.com/who-we-are/esg-and-responsible-business/ESG-reporting-centre.

Any forward-looking statements made by or on behalf of HSBC speak only as of the date they are made. HSBC expressly disclaims any obligation to revise or update any models, data sources, figures, charts, graphs, contextual information or ESG-related-forward-looking statements used in this transition plan, other than as expressly required by applicable law.

Written and/or oral ESG-related forward-looking statements may also be made in our periodic reports to the US Securities and Exchange Commission, summary financial statements to shareholders, proxy statements, offering circulars and prospectuses, press releases and other written materials, and in oral statements made by HSBC's directors, officers or employees to third parties, including financial analysts.

Our sustainable finance and investment data dictionary and our methodologies for preparing our ESG-related metrics and third-party limited assurance reports in relation to certain disclosures can be found on: www.hsbc.com/who-we-are/esg-and-responsible-business/ESG-reporting-centre.

Endnotes

Endnotes

1 Our reported on-balance sheet financed emissions includes combined on-balance sheet financed emissions and facilitated emissions targets for two emissions intensive sectors: oil and gas, and power and utilities. The remaining five sectors for which we have set on-balance sheet financed emissions targets are: cement; iron and steel; aviation; automotive; and thermal coal mining.

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32 For the avoidance of doubt, products or assets invested pursuant to our ESG and sustainable investing approach do not necessarily qualify as 'sustainable investments' as defined by the EU Sustainable Finance Disclosure Regulation and/or other relevant regulations, and may not qualify as 'sustainable' products for the purposes of the UK Sustainability Disclosure Requirements and European Securities and Markets Authority fund naming guidance and/or any other regulatory standards. The HSBC ESG and sustainable investing approach is an internal classification used to establish our own ESG and sustainable investing standards and to promote consistency across asset classes and HSBC business lines where relevant. Our ESG and sustainable investing approach should not be relied on externally to assess the sustainability characteristics of any given product.

33 For our previous aviation unit, we used revenue passenger kilometre ("rpk") to align with our previous target pathway. We have changed our reporting unit to revenue tonne kilometre ("rtk") to better align to counterparties in scope which often include all airline activities (passengers, belly cargo, dedicated cargo). Additionally, this metric enables direct comparison to climate scenarios that are based on traffic demand forecasts and aligns to industry practice.

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HSBC Holdings plc

Incorporated in England and Wales on 1 January 1959
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Further details on our climate strategy can be found at
https://www.hsbc.com/climate

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