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HSBC SETS NET ZERO ALIGNED TARGETS TO REDUCE FINANCED EMISSIONS FROM OIL AND GAS, POWER AND UTILITIES SECTORS

- **Targets for two emissions-intensive sectors follow the launch of thermal coal phase-out policy¹**
- **Oil and gas financed emissions targeted to reduce by 34% by 2030**
- **Targeting 75% reduction in power and utilities financed emissions intensity by 2030**

(London) HSBC Holdings plc (“HSBC”) is committed to working with clients to develop valid, science-based transition plans to understand, sector-by-sector and client-by-client, how it will move to net zero by 2050. These transition plans and the targets within them must be predicated on the science relevant to the individual sectors. HSBC will use them as a basis for further engagement and decision making, including how it drives change within its portfolios.

As part of this process, HSBC is today announcing how it intends to realign its portfolio within two emissions intensive sectors: Oil and Gas, and Power and Utilities. Reducing the greenhouse gas emissions of these sectors is critical to achieving an effective transition. The interim targets that HSBC is publishing today for reductions in financed emissions in these sectors therefore constitute an important step in relation to HSBC’s ambition to become a net zero bank by 2050 or sooner. The targets are aligned to the pathway set out by the International Energy Agency (IEA) ‘net zero emissions by 2050’ scenario, calculated to limit global warming to within 1.5°C.

HSBC is targeting a reduction of 34% in absolute on-balance sheet financed emissions by 2030 for the Oil and Gas sector. HSBC’s on-balance sheet financed emissions for Oil and Gas in 2019 were 35.8 million tonnes of carbon dioxide equivalent (‘Mt CO₂e’). This target is equal to the percent reduction that the IEA indicates in its scenario for global sector emissions to 2030 from a 2019 baseline.

HSBC’s target setting methodology is aligned with industry guidance on assessing portfolio alignment including from the Net Zero Banking Alliance (NZBA)² and the Financial Services Task Force (FSTF).³ For the Oil and Gas sector, HSBC has focused on upstream companies, and integrated or diversified energy companies. Its assessment of this portfolio included scope 1, 2 and 3 greenhouse gas emissions of financed counterparties. In doing so, HSBC believes its methodology accounts for the majority of emissions across the sector.

For the Power and Utilities sector, HSBC is targeting on-balance sheet financed emissions intensity of 0.14 million tonnes of carbon dioxide equivalent per terawatt hour (‘Mt CO₂e/TWh’) by 2030, which would constitute a 75% reduction from its 2019 baseline. This target covers upstream industries such as power generation, with scopes 1 and 2 emissions included, as HSBC believes that power generation is where the majority of sector emissions occur through the use of fossil fuels as a source of energy.

The choice to adopt an emissions intensity metric for Power and Utilities reflects the need to reduce global greenhouse gas emissions from power generation while also meeting growing electricity demand. HSBC is scaling up its investment and financing for renewable and other low emission sources

¹ <https://www.hsbc.com/insight/topics/how-we-are-enabling-the-transition-from-coal-to-clean>

² <https://www.unepfi.org/net-zero-banking/>

³ <https://www.sustainable-markets.org/taskforces/financial-services-taskforce/>

of electricity and recently pledged USD\$100m to Breakthrough Energy Catalyst to support decarbonisation of high-carbon sectors via investments in four climate critical technologies – direct air capture, clean hydrogen, long-duration energy storage, and sustainable aviation fuel. These technologies are expected to be crucial to the future of sectors such as power generation, transport and heavy industry – all of which will need to be addressed to progress towards net zero.⁴

HSBC Group Chief Executive Noel Quinn commented: “Partnering and engaging with customers in the transition to net zero is at the heart of our approach. We are supporting clients to evolve their business models and replace old technology with new, greener alternatives. We will request and review science-based client transition plans and use them as the basis for further engagement.”

Group Chief Sustainability Officer, Dr Celine Herweijer, added: “The science is clear that global emissions must significantly reduce this decade to limit global warming to 1.5 degrees. Our interim targets for these high emissions sectors will be embedded into business decision-making. The targets are science-based and highlight to our customers the level of decarbonisation we need to see across our portfolio by 2030. Active dialogue around a company’s transition plan will now be at the centre of our engagement with customers. We want to support those who take an active role in the energy transition; this is where we can have the greatest impact in making net zero a reality.”

This marks the first time HSBC is disclosing its financed emissions, fulfilling its Partnership for Carbon Accounting Financials (PCAF) requirements. The targets are set as part of the commitment in the climate change resolution passed at the bank’s AGM in May 2021. In its 2022 Annual Report and Accounts (to be published in 2023), HSBC plans to disclose targets for further sectors including: coal mining, aluminum, cement, iron and steel, and transport, including automotive, aviation and shipping. HSBC’s own climate transition plan, which it plans to publish in 2023, will bring together how it plans to embed net zero targets into its strategy, processes, policies and governance.

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Notes to editors:

For further details of our approach and methodology, see the ‘*Financed Emissions Methodology*’ at [ESG reporting](#).

Financed emissions targets to 2030

	Target metric	Our 2019 baseline	Our 2030 targets
Oil and gas	Absolute emissions (MtCO ₂ e)	35.8	34% Mt CO ₂ e reduction in oil and gas absolute on-balance sheet financed emissions
Power and utilities	Physical emissions intensity (MtCO ₂ e/TWh)	0.55	0.14 Mt CO ₂ e/TWh power and utilities on-balance sheet financed emissions intensity, representing 75% reduction from 2019

⁴ <https://www.hsbc.com/news-and-media/media-releases/2022/hsbc-becomes-partner-in-breakthrough-energy-catalyst>

- To calculate on-balance sheet emissions, HSBC used drawn balances at 31 December 2019 related to wholesale credit and lending, which included business loans, trade and receivables finance, and project finance as the value of finance provided to customers. We only included facilities with an original duration of 12 months or longer having considered industry guidance.
- For facilitated emissions, those resulting from capital markets activities, we are supporting efforts to establish an industry standard. When this becomes available, we intend to refresh our analysis and set targets.
- HSBC selected the baseline data for the year ended 31 December 2019 having taken into consideration potential distortions caused by the pandemic during 2020.
- HSBC intends to review its baseline and targets annually to help ensure that they are aligned with market practice and current climate science.
- Our assessment of clients' transition plans will be based on a variety of factors, including the client's level of ambition to reduce greenhouse gas emissions and the clarity and credibility of its transition strategy. In reviewing client transition plans, we expect to consider aspects such as metrics, governance and targets; adequacy of disclosure; the credibility of any proposed abatement assumptions (where relevant); and support for an inclusive and just transition.
- We plan to leverage outputs from the GFANZ 'real economy transition plans' workstream, and to use external guidance such as TCFD (disclosures), SBTi (metrics and targets) and IEA (decarbonisation pathways) as references.

HSBC Holdings plc

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. HSBC serves customers worldwide from offices in 64 countries and territories in our geographical regions: Europe, Asia, North America, Latin America, the Middle East and North Africa. With assets of US\$2,958 billion at 31 December 2021, HSBC is one of the world's largest banking and financial services organisations.

Cautionary statement:

This document contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements may be identified by the use of terms such as 'may,' 'intends,' 'aims,' 'ambition,' 'plan,' 'target,' 'will,' 'should,' 'potential,' 'reasonably possible' or 'anticipates' or the negative thereof or similar expressions, or by discussions of strategy. These forward-looking statements include statements relating to becoming a net zero bank and targets and methodologies for measuring financed emissions.

Achieving these aims is inherently uncertain and is subject to a number of risks and uncertainties, including the efficacy of government, customer, and HSBC's actions in managing and mitigating climate change; societal shifts in customer financing and investment needs; delays to the pace of change; development and use of new technology; ability to exploit growth or investment opportunities; changes in public expectations and other changes to business conditions; adverse changes in regulatory capital and tax regimes; data quality and the availability and development of methodologies for measuring financed emissions; and the other risks, uncertainties and assumptions about HSBC, as described under 'Cautionary statement regarding forward-looking statements' and 'Risk factors' contained in the HSBC Holdings plc Annual Report on Form 20-F for the year ended 31 December 2020, filed with the SEC on 24 February 2021 (the '2020 Form 20-F'), in other reports on Form 6-K furnished to or filed with the SEC subsequent to the 2020 Form 20-F ('Subsequent Form 6-Ks') and in our Annual Report and Accounts for the fiscal year ended 31 December 2021 available at www.hsbc.com and which we expect to file with the SEC on Form 20-F on 23 February 2022 (the "2021 Form 20-F"). HSBC Holdings plc undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed herein might not occur. Investors are cautioned not to place undue reliance on any forward-looking statements, which speak only as of their dates. Additional information, including information on factors which may affect the HSBC Group's business, is contained in the 2020 Form 20-F, Subsequent Form 6-Ks and the 2021 Form 20-F.

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