

HSBC Sustainability Risk Policies Framework

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1. Purpose and scope of the Framework

This document provides an overview of how HSBC identifies, evaluates and manages risks related to the delivery of our sustainability approach. It explains the strategic rationale, objectives and approach we have established.

HSBC's approach to these risks is part of our broader risk management framework. The primary role of risk management is to protect our customers, businesses, colleagues, shareholders, and the communities we serve, while executing our business strategy and delivering sustainable growth. Our sustainability risk management policies focus on mitigating reputational, credit, legal and other risks related to our customers' environmental and social impacts.

HSBC has sector specific sustainability risk policies covering the energy sector, thermal coal, agricultural commodities, forestry, mining and metals, and chemicals as summarised in this Framework. This document contains HSBC's Thermal Coal Phase-Out Policy in section 4. We also implement a cross-sector policy for project related financing, informed by international standards (together with our sector specific policies, the "Policies").

Unless otherwise specified, HSBC's Policies apply to *financing* and *advisory services* for our corporate *clients*.

They do not apply directly to our asset management business, which has separate policies covering sustainability issues. These policies are published in the Responsible Investing section of the HSBC Asset Management website, on a market-by-market basis.

The Policies do not apply to HSBC's private banking and wealth management services, or to investments where HSBC acts on behalf of customers and where, consequently, the underlying investment decision is not made by us.

The Policies should be read alongside HSBC's [Net Zero Transition Plan](#) which provides an overview of our broader strategy and approach to net zero and the actions we are taking to help meet our ambition, including a summary of our financed emissions targets, our sustainable finance and investment ambition, and our approach to nature. Our approach to human rights is set out in our [HSBC Human Rights Statement](#).

Any reference in this document and in the Policies to HSBC being satisfied with relevant matters is to HSBC being satisfied with such matters in its own opinion. Italicised terms used in this Framework are defined in the Glossary.

2. Governance and implementation of our Policies

Oversight of the development and implementation of Policies is the responsibility of relevant governance committees of the bank.

HSBC reviews its Policies periodically to ensure that they remain aligned to its strategic and risk management objectives.

Risk management and control procedures, including our client, 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 HSBC's *financing* activity remains in alignment with its ambitions, targets and commitments.

In limited cases, HSBC may approve exceptions to our Policies where a *client* may not meet or the proposed transaction may not necessarily align to the criteria set out in a Policy, but HSBC is satisfied that it is within the intention of the Policy, and, where relevant, remains in alignment with HSBC's ambitions, targets and commitments. Any exceptions will be subject to enhanced due diligence ("EDD") and pre-approval by a senior *risk governance* committee.

Where a *client* is not able to demonstrate compliance with our Policy expectations, HSBC will need to formally assess whether we continue to provide *financing* for that *client*. We will seek to take actions as outlined in our Policies, which may include conducting EDD or applying *financing* restrictions.

3. Our Policies

Our Policies help define our risk appetite in sectors, or to *clients* or activities which may pose heightened risks in relation to critical themes such as climate change, nature and human rights. Our Thermal Coal Phase-Out Policy is set out in the following section 4.

In October 2020, HSBC set out an ambition to align its financed emissions – the greenhouse gas emissions of its portfolio of clients – to net zero by 2050. Our approach continues to be informed by the latest science-based pathways and scenarios.

3.1. Energy

Objectives and scope

Our Energy Policy seeks to achieve the following objectives:

- ◆ to help drive global greenhouse gas emissions reductions, both to achieve a net zero HSBC portfolio and to support our *clients* 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 *clients* with *energy assets*.

The Policy applies to *financing* and *advisory services* to corporate *clients* that own, control or operate *energy assets*, but does not apply to *exempted activities* which *clients* may be engaged in. Sustainability risks in thermal coal mining and use of thermal coal in power generation and industry are addressed in our Thermal Coal Phase-Out Policy set out in section 4.

Approach to risk management

HSBC is committed to supporting energy transition across the markets we serve. We recognise that energy companies will play a critical role in efforts to reduce global greenhouse gas emissions and accelerate investment into clean fuels, renewables and electrification. We will work with our energy *clients* to support them in their transitions towards a clean energy future.

Client Transition Plans

Client transition plan information, assessment and engagement form an important role in meeting *HSBC's targets and commitments*, as we work to embed net zero into our organisation over time.

HSBC has developed a transition plan framework which uses a risk-based, proportionate and iterative approach to how we prioritise client transition plans and engagement. This is done by considering financed emissions contribution, *financing* exposures and transition risk, amongst other factors, and using these to assist us in portfolio-level management in line with *HSBC's targets and commitments*, including in considering *financing* decisions and financed emissions.

This approach aims to help us identify opportunities, manage risks and define areas to drive strategic engagement with each corporate client and is also used as a data point for other commercial, risk and regulatory considerations.

Our approach to client transition plans is set out in more detail in the [HSBC Net Zero Transition Plan](#).

◆ Oil and gas

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

- new O&G fields where the government permitting (or equivalent) for development of the specific field was taken after 31 December 2021; or

- *O&G infrastructure* whose primary use is in conjunction with new O&G fields.

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

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

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

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

In jurisdictions where shale gas activities are permissible under local regulations, EDD will be required for *new finance* or new *advisory services* for the specific purposes of shale gas activities linked to existing O&G fields, to help ensure responsible practices.

Client level EDD and pre-approval through *risk governance* will also be required for *clients* with overall activities substantially in *ultra-deepwater offshore O&G projects* where the depth exceeds 2000m, to help ensure responsible practices.

◆ *Power and utilities*

Oil and gas-fired power plants

HSBC will not provide new finance or new *advisory services* for the specific purposes of a new oil-fired power plant or for plants which operate in *environmentally and socially critical areas*.

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

- new (or converted) gas-fired power plants;
- *conversion of existing coal-to-gas-fired power plants*; or
- *conversion of existing oil-to-gas-fired power plants*.

Nuclear and renewables

Nuclear - EDD and pre-approval through *risk governance* will be required for *new finance* or new *advisory services* to help ensure nuclear projects are consistent with International Atomic Energy Agency ("IAEA") standards and other nuclear safety programs. HSBC will not provide *new finance* or new *advisory services* for the specific purposes of nuclear projects inconsistent with IAEA standards or that operate in *environmentally and socially critical areas*.

Renewables - Renewables play a critical role in the energy transition. Our [Net Zero Transition Plan](#) provides more details about HSBC's financing solutions in the renewable energy sector. HSBC has appetite to *finance* and provide *advisory services* in connection with renewables and low carbon energy, including renewable and low carbon hydrogen. We also provide financial services for biomass energy and energy from waste activities. For these activities, we apply our usual limits and controls based on sustainability, credit and other criteria. EDD will be required for *new finance* or new *advisory services* for the specific purposes of projects pertaining to new *large dams* or expansion of existing *large dams*. HSBC will not provide *new finance* or new *advisory services* for the specific purposes of projects pertaining to new *large dams* or expansion of existing *large dams* inconsistent with the Hydropower Sustainability Standard or that operate in *environmentally and socially critical areas*.

HSBC uses due diligence to assess whether *clients* have a poor track record on human rights, labour standards, health and safety standards, or environmental management.

3.2. Mining and metals

Objectives and scope

Our Mining and Metals Policy seeks to identify, assess and manage reputational and sustainability risks from *clients'* environmental and social impacts in this sector.

Our Policy applies to *clients* engaged in underground and open-pit mines and primary processing of ore. It excludes quarrying of building materials like stone or sand. Additional requirements for *financing* and *advisory services* for coal mining are addressed in the Thermal Coal Phase-Out Policy as set out in section 4 of this Framework.

Approach to risk management

EDD and pre-approval through *risk governance* are required for *clients* that dispose of tailings waste in rivers and shallow sea water that commenced prior to 2007. HSBC has no appetite to *finance* use of such tailings waste disposal methods commencing in or after 2007. We also do not have appetite to finance mines using *Mountaintop Removal*.

Where *clients* use cyanide for gold extraction, they are encouraged to have International Cyanide Management Code ("ICMC") certification. Where those operations are not certified, EDD is required to help ensure *clients* manage cyanide use consistent with the requirements of the ICMC.

HSBC uses due diligence to assess whether *clients* have a poor track record on human rights, labour standards, health and safety standards, or environmental management.

3.3. Agricultural Commodities

Objectives and scope

Our Agricultural Commodities Policy relates to corporate *clients* that carry out activities relating to the following commodities in the locations identified below:

Commodity	Client Activity	Location of Client Activity
Palm Oil	1. Production: oil palm estates / plantations 2. Processing: palm oil mill(s), palm kernel crushing plant(s), refining of crude palm oil and/or palm kernel oil 3. Trading of palm oil	All (global)
Soy	1. Production: growers / plantations 2. Processing: mills and crushing plants	Argentina, Bolivia, Brazil, Paraguay, Uruguay
Cattle	1. Production: ranches 2. Processing: slaughterhouses / abattoirs	Argentina, Brazil, Colombia, Mexico, Paraguay, Uruguay

Approach to risk management

HSBC does not have appetite to *finance*: new plantations on peat; deforestation, including the conversion of primary tropical forests, or land clearance by burning; harmful or exploitative child labour, forced labour, and/or the violation of the rights of local communities or the principle of free, prior and informed consent.

Where sectors have credible certification schemes, we use certification to assess the legal, environmental and social risks related to a *client's* operations. For agricultural commodities, we expect *clients* to obtain, maintain and evidence certifications from the Roundtable for Sustainable Palm Oil ("RSPO") or Roundtable on Responsible Soy ("RTRS"), as applicable.

3.4. Forestry

Objectives and scope

Our Forestry Policy applies to corporate *clients* involved in timber, pulp and paper in the locations identified below as follows:

Client Activity	Location of Client Activity
Production: logging, including the ownership or management of forest plantations	All production (logging) sites in <i>High-Risk Countries</i> (list of countries provided in the Glossary)
Processing: sawmilling, processing of wood chips and lumber and/or pulp for paper production	All facilities sourcing wood or pulp from or originating from <i>High-Risk Countries</i>
Trading: Trading of timber or lumber, and/or the wholesale trading of pulp or paper	
Manufacturing: timber or lumber manufacturing, and manufacturing of pulp and paper	

Approach to risk management

HSBC does not have appetite to *finance*: wood logged in violation of traditional and human rights; or forests being converted to plantation or to non-forest use (deforestation).

As the forestry sector has credible certification schemes, we use certification to assess the legal, environmental and social risks related to a *client's* operations. We expect *clients* to obtain, maintain and evidence certification from either the Forest Stewardship Council ("FSC") or a national scheme endorsed by the Programme for Endorsement of Forest Certification ("PEFC").

3.5. Project Related Financing

Objectives and scope

Our Project Related Financing Policy seeks to identify, assess and manage sustainability risks from *clients'* environmental and social impacts in relevant large projects, aligned with HSBC's membership of the [Equator Principles](#).

The Policy applies to *financing* and *advisory services* to corporate *clients* in relation to project financing and project finance advisory mandates with total project capital costs over \$10m, project-related corporate loans over \$50m, bridge loans and refinancing over \$10m.

Approach to risk management

Projects proposed for *financing* are categorised in accordance with the International Finance Corporation's ("IFC") environmental and social categorisation process. The categorisation of a project is based on the magnitude of potential environmental and social risks and impacts, including those related to human rights, climate change, and biodiversity. Financed projects classified as higher risk require independent monitoring to assess environmental and social performance throughout the lifetime of the loan.

4. Thermal Coal Phase-Out Policy

Who This Applies To

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

HSBC: This Policy applies to HSBC Holdings plc and its subsidiary undertakings.

Client(s): This Policy applies to *clients* that are corporate entities (including state-owned enterprises) or trusts that own, control or operate (or intend to own, control or operate) *thermal coal mines*, *thermal coal-fired power plants* or *coal gasification / liquefaction plants* (together, *thermal coal assets*).

This Policy does not apply to individuals.

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

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

This Policy applies to *finance* (or *financing*) and *advisory services*. Unless in conflict with fiduciary or other regulatory obligations, all relevant HSBC entities, products and businesses, including asset management, are seeking to implement policies that support the transition from thermal coal-fired power and thermal coal mining within HSBC's 2030/40 timelines¹.

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

Key Policy Outcomes

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 *clients* with *thermal coal assets*.

Minimum Control Requirements

Section A: Annual Review and Governance

HSBC will review the Policy at least annually.

HSBC intends to report annually on its progress in reducing thermal coal *financing* drawn balance exposures.

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

Section B: Client Transition Plans

Client transition plan information, assessment and engagement form an important role in meeting *HSBC's targets and commitments*, as we work to embed net zero into our organisation over time.

HSBC has developed a transition plan framework which uses a risk-based, proportionate and iterative approach to how we prioritise review of client transition plans and engagement. This is done by considering financed emissions

¹ Please refer to [HSBC Asset Management Policy on Thermal Coal](#) for HSBC's asset management approach to thermal coal.

contribution, *financing* exposures and transition risk, amongst other factors, and using these to assist us in portfolio-level management in line with *HSBC's targets and commitments*, including in considering *financing* decisions and financed emissions.

This approach aims to help us identify opportunities, manage risks and define areas to drive strategic engagement with corporate *clients* and is also used as a data point for other commercial, risk and regulatory considerations.

Our approach to client transition plans is set out in more detail in the [HSBC Net Zero Transition Plan](#).

Section C: Controls on Financing and Advisory Services

Existing Clients

Client level requirements

EDD and pre-approval through *risk governance* will be required for *new finance* or new *advisory services* for any *client* with one or more of the following characteristics (except where the *finance* or *advisory service* is specifically provided for activities unrelated to thermal coal):

- ◆ mining, where either i) thermal coal related revenues are $\geq 20\%$ of total revenues; or ii) annual thermal coal production is $>10\text{Mt}$;
- ◆ power, where operational thermal coal power generating capacity is either i) $\geq 20\%$ of total generating capacity; or ii) $\geq 1\text{GW}$;
- ◆ coal gasification / liquefaction, where coal-related revenues are $\geq 20\%$ of total revenues; or
- ◆ the *client* is involved in the construction of a new *thermal coal asset*, where such construction started or was contractually committed (via power purchase agreement for *thermal coal-fired power plants*) before 01 January 2021 (as detailed below, HSBC will not *finance* the creation of a *new thermal coal asset*).

HSBC will seek to withdraw, as soon as possible, any *financing* and *advisory services* with a *client* that has made or makes a new commitment to *thermal coal expansion*; or has proceeded or proceeds with *thermal coal expansion*. In such cases, if the *client* is part of a *client* group, HSBC may continue to provide *new finance* or new *advisory services* to other members of the *client* group if HSBC is satisfied that the proceeds of such *new finance* or new *advisory services* will not be used for *thermal coal expansion* and this will require pre-approval through *risk governance*.

In addition, for EU and OECD markets only, HSBC will not provide *new finance* or new *advisory services* where the *client's* thermal coal related activities in EU/OECD markets are greater than 40% of its total activities in those markets (or 30% of total activities by 2025), unless the *new finance* or new *advisory services* are to be used for the specific and demonstrable purpose of *financing clean technology or infrastructure* aligned with HSBC's Phase-Out Commitment timelines and *HSBC's targets and commitments* as part of the *client's* transition.

For non-EU/OECD markets, we will evaluate the detail of the transition plans our *clients* produce, recognising that given the length of time to 2040, some non-EU/OECD *clients* may not yet have announced a phase out date.

Transaction level requirements

HSBC will not provide *new finance*, or new *advisory services*, for the specific purposes of activities that do not align with HSBC's Phase Out Commitment timelines as set out below:

- ◆ creation of *new thermal coal assets*;
- ◆ *thermal coal expansion*;
- ◆ extensions to the unabated operating lifetime of existing *thermal coal assets*;

- ◆ new *captive thermal coal-fired power plants* or new *captive thermal coal mines*;
- ◆ *conversion of existing coal-to-gas-fired power plants*, unless a) the *client* demonstrates to HSBC its intention to achieve *abated power generation* and b) the plants do not operate in *environmentally and socially critical areas*;
- ◆ *new thermal coal infrastructure*; or
- ◆ *thermal coal assets* operating in *environmentally and socially critical areas* or using *Mountaintop Removal* (including *clients* who derive more than 30% of their annual revenues from *Mountaintop Removal* coal mining).

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

- ◆ conversion of *existing coal-to-gas-fired power plants*;
- ◆ early retirement, sale, purchase or refinancing of *thermal coal assets* to materially reduce greenhouse gas emissions (EDD will include consideration of any proposed *abatement assumptions*);
- ◆ expansion of existing *captive thermal coal-fired power plants* or expansion of existing *captive thermal coal mines*; or
- ◆ *new finance* or *new advisory services* for a *client* group where it is known that any part of the *client* group is engaged in activities that do not align with HSBC's Phase-Out Commitment timelines. In such circumstances (and subject to pre-approval through *risk governance*), HSBC may continue to provide *new finance* and new *advisory services* to other members of the *client* group if HSBC is satisfied that the proceeds of such *new finance* or new *advisory services* will not be used for such activities.

Prospective Clients

HSBC will not start a new relationship with a prospective *client* that has made a new commitment to *thermal coal expansion*; or has proceeded or intends to proceed with *thermal coal expansion*.

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

- ◆ mining, where i) thermal coal related revenues are $\geq 10\%$ of total revenues; or ii) annual thermal coal production is $> 5\text{Mt}$; or iii) thermal coal, as a by-product from the extraction of metallurgical coal, is $> 15\%$ of total production volumes;
- ◆ power, where operational thermal coal power generating capacity is either i) $\geq 10\%$ of total generating capacity; or ii) $\geq 1\text{GW}$;
- ◆ coal gasification / liquefaction, where coal-related revenues are $\geq 10\%$ of total revenues;
- ◆ the prospective *client* operates *thermal coal assets* in *environmentally and socially critical areas*; or
- ◆ the prospective *client* declines to engage sufficiently on its transition plan

except for the purposes of materially reducing greenhouse gas emissions in line with HSBC's Phase-Out Commitment timelines and *HSBC's targets and commitments*, including by enabling the early retirement of existing *thermal coal assets*.

Enhanced Due Diligence (EDD) for prospective clients

EDD and pre-approval through *risk governance* will be required for any new relationship with a prospective *client*.

Metallurgical Coal

This Policy is also applied to identify and manage risks arising from the provision of *financing* or *advisory services* to *clients* (or *client* groups) with metallurgical coal assets.

Transaction level requirements for existing clients

HSBC will not provide *new finance*, or new *advisory services*, for the specific purposes of activities as set out below:

- ◆ *new metallurgical coal mines*;
- ◆ *new metallurgical coal infrastructure*; or
- ◆ *metallurgical coal mines* operating in *environmentally and socially critical areas* or using *Mountaintop Removal* (including *clients* who derive more than 30% of their annual revenues from *Mountaintop Removal* coal mining).

For existing *clients*, EDD and pre-approval through *risk governance* will be required for *new finance* or new *advisory services* for the specific purposes of expansion of existing *metallurgical coal mines*.

Prospective clients

EDD and pre-approval through *risk governance* will be required for any new relationship with a prospective *client* with metallurgical coal assets.

Thermal coal projects

The Equator Principles², to which HSBC is a signatory, will be applied to any *financing* that meets Equator Principles criteria. This is designed to enable HSBC to identify, assess and manage potential environmental and social risks and impacts associated with such projects, including those risks and impacts related to human rights, climate change, and biodiversity.

² <https://equator-principles.com/about-the-equator-principles/>

5. Supporting information and glossary

Further details about HSBC's approach to sustainability and sustainable finance can be found in:

[Our Net Zero Transition Plan](#)

[ESG reporting centre | HSBC Holdings plc](#)

Glossary

The following definitions apply to our Policies:

Term	Definition
Abated power generation	Where power plants are projected to continue or potentially continue operating beyond 2035 in EU/OECD markets or beyond 2040 in other markets, such power plants are expected to be abated, by these respective dates, through the use of credible abatement technologies and assessed in the operating context of the asset such as: ◆ converting fossil fuel fired power plants to operate on zero-carbon fuels (e.g. green hydrogen, green ammonia and other technologies as they may develop); and ◆ carbon removal technologies including carbon capture and storage (CCS). These power plants include gas-fired power plants, oil-fired power plants, or energy from waste. With regards to <i>thermal coal-fired power plants</i>, in line with HSBC's Thermal Coal Phase Out Policy, HSBC will fully phase-out the <i>financing</i> of thermal coal-fired power by 2030 in EU/OECD markets and by 2040 in other markets. Where <i>thermal coal-fired power plants</i> are projected to continue or potentially continue operating beyond 2030 in EU or OECD markets or beyond 2040 in other markets, such <i>thermal coal-fired power plants</i> are expected to additionally meet the following requirements: ◆ not generating revenues, beyond 2030 or 2040 (whichever is applicable), greater than 5% of the client's total revenues; and ◆ not receiving any direct or indirect (e.g. via <i>financing</i> provided to a parent company) finance from HSBC.
Abatement assumptions	Assumptions covering aspects such as: i) technologies identified (e.g. carbon capture and storage); ii) if available, track record for deploying the technologies; iii) availability and scale of deployment of the technologies proposed; and iv) any socio-economic risks associated with the technologies identified.
Advisory services	The provision of (or when considering the provision of) financial or investment banking advisory services to <i>clients</i>.
Amazon Biome	<i>Amazon Biome</i> is defined in accordance with guidance set out by the Amazon Network of Georeferenced Socio-Environmental Information (RAISG) as i) the limits of the <i>Amazon biome</i> in Colombia and Venezuela;

	ii) the limits of the Amazon basin in Ecuador, Perú and Bolivia; iii) the sum of the limits of the basins (Amazonas and Araguaia/Tocantins) and the limits of the administrative Legal Amazon in Brazil; and iv) the whole continental territories of Guyana, French Guyana and Suriname. See further geospatial guidance on this definition at https://www3.socioambiental.org/geo/RAISGMapaOnline/
Antarctic	All of the land and ice shelves south of 60°S latitude, which are administered under the Antarctic Treaty System.
Arctic	The <i>Arctic</i> is the geographic area north of the Arctic polar circle (currently 66°33N).
Captive thermal coal-fired power plants	<i>Thermal coal-fired power plants</i> dedicated to a specific project or industrial facility, such as an aluminium smelter, a steel mill or cement plant, and the majority of power generation is for the client's own use.
Captive thermal coal mines	<i>Thermal coal mines</i> dedicated to providing thermal coal for <i>captive thermal coal-fired power plants</i> . Coal mines owned, controlled or operated by a power generating company that feeds into a power grid are not considered captive coal mines under the Thermal Coal Phase-Out Policy.
Clean technology or infrastructure	Clean technology or infrastructure are those aligned with <i>HSBC's targets and commitments</i> and which support abating greenhouse gas emissions to net zero, including: ◆ converting fossil fuel fired power plants to operate on zero-carbon fuels (e.g. renewable hydrogen, ammonia and other technologies as they may develop); ◆ renewable energy; ◆ carbon removal technologies such as carbon capture and storage (CCS); or ◆ reduction or elimination of scope 1 and 2 emissions including methane.
Client	Clients in scope of the Policies are corporate clients in HSBC's global Corporate and Institutional Banking and HSBC's commercial banking businesses in Hong Kong and UK, unless otherwise defined in this Framework.
Coal gasification/ liquification plant	An industrial plant or facility that converts coal into coal gas, liquid hydrocarbons, liquid fuels or petrochemicals. This includes (but is not limited to) the gasification of coal for the production of hydrogen.
New coal gasification/ liquification plant	<i>new coal gasification / liquefaction plant</i> means: i) the creation of <i>new coal gasification / liquefaction plants</i>; or ii) expansions to existing <i>coal gasification / liquefaction plants</i> (except for the purpose of retrofitting an asset to materially reduce greenhouse gas emissions) that was not already either: a) contractually committed or b) under construction, in each case before 1 January 2021. The terms <i>coal gasification / liquefaction plant</i> and <i>new coal gasification / liquefaction plant</i> do not include <i>exempted activities</i>.

Coal services	Coal trading, coal logistics, coal processing, transmission from <i>thermal coal-fired power plants</i> , coal-related operation & maintenance (O&M) services, coal mining services, coal-related engineering, procurement and construction services, coal exploration, coal equipment manufacturing and coal advisory services.
Conversion of existing coal-to-gas-fired power plants	Modifications to a <i>thermal coal-fired power plant</i> to introduce gas-firing capability, including switching to operate only on natural gas, co-firing (able to fire both coal and natural gas at the same time) or dual fuel (able to fire either coal or natural gas).
Conversion of existing oil-to-gas-fired power plants	Modifications to an oil-fired power plant to introduce gas-firing capability, including switching to operate only on natural gas, co-firing (able to fire both oil and natural gas at the same time) or dual fuel (able to fire either oil or natural gas).
Energy assets	includes: ◆ biomass-fired power plants, energy from waste power plants, gas-fired power plants, large dams, nuclear power plants and oil-fired power plants; ◆ hydrogen projects; and ◆ new O&G fields, existing O&G fields and <i>O&G infrastructure</i>.
Environmentally and socially critical areas	<i>Amazon Biome, Antarctic, Arctic, Ramsar Wetlands or UNESCO World Heritage Sites.</i>

Exempted activities	Means, in respect of the Thermal Coal Phase-Out Policy, the following: ◆ existing <i>captive thermal coal-fired power plants</i> ; ◆ existing <i>captive thermal coal mines</i>; ◆ coal <i>services</i>; ◆ underground coal gasification (coal bed methane); and ◆ all other activities of clients. For the avoidance of doubt, new <i>captive thermal coal-fired power plants</i> and new <i>captive thermal coal mines</i> remain within scope of the Policy. Means, in respect of the Energy Policy, the below services and midstream and downstream activities: ◆ O&G consultancy services; ◆ O&G operation and maintenance (O&M) services; ◆ O&G-related engineering, procurement and construction services; ◆ O&G equipment manufacturing; ◆ O&G traders; ◆ O&G refining where this activity is not materially associated with hydrogen production; ◆ distributors of refined O&G products; ◆ petrol stations; ◆ transmission from power plants; ◆ captive power generation (including captive renewables); ◆ biomass research and development activities; ◆ bioenergy generation activities such as: methane capture from landfill, onsite anaerobic digestors (e.g. within the agriculture, forestry or food & drink sectors) and use of biowaste residues within the paper & pulp sector; and ◆ domestic use of biomass in homes.
Finance or financing	The provision of (or when considering the provision of) project finance, direct lending, or arranging or underwriting of capital markets transactions to <i>clients</i> .
New finance or financing	The provision of new <i>finance</i> to a <i>client</i> , including the refinancing of existing <i>finance</i> facilities.
Large dams	Large hydropower dams exceed 15 metres in height or exceed both 5 metres in height and 3 million cubic metres in reservoir volume.

O&G infrastructure	<i>O&G infrastructure</i> refers to pipelines, LNG liquefaction facilities and floating vessels (i.e. drilling rigs, Floating Production Storage and Offloading (FPSO) vessels) whose primary use is linked to new O&G fields.
Ultra-deepwater offshore O&G projects	Exploration, development and production operations on offshore fields that are greater than 2000 metres below surface level at the location of the deepest production well.
Thermal coal assets	<i>Thermal coal mines, thermal coal-fired power plants, and coal gasification / liquefaction plants.</i>
New thermal coal assets	<i>New thermal coal assets</i> means <i>new thermal coal mines, new thermal coal-fired power plants, and new coal gasification / liquefaction plants.</i> The terms <i>thermal coal assets</i> and <i>new thermal coal assets</i> do not include <i>exempted activities</i>.
Thermal coal expansion	Expansion via <i>new thermal coal assets</i> and/or expanding existing <i>thermal coal assets</i>: i) for thermal coal mining, increases in total tonnage of thermal coal extracted; ii) for coal gasification / liquefaction production, increases in total tonnage of thermal coal utilised; or iii) for power, increases in net operational thermal coal power capacity. in each case where such expansion: ◆ was not already either: (a) contractually committed (via power purchase agreement for thermal coal-fired power generation); or (b) under construction, in each case before 01 January 2021; and ◆ does not include <i>exempted activities</i>. This includes expansion via corporate mergers and acquisition unless the client has confirmed phase-out of these assets will be line with HSBC's 2030/40 timelines, and the transaction does not involve a global increase in tonnage or power capacity as in i) to iii) above.
Thermal coal-fired power plants	Thermal coal power plants which burn thermal coal to generate electricity.
New thermal coal-fired power plants	<i>New thermal coal-fired power plants</i> means: i) the creation of <i>new thermal coal-fired power plants</i>; or ii) expansions to existing <i>thermal coal-fired power plants</i> (except for the purpose of retrofitting an asset to materially reduce greenhouse gas emissions) that was not already either: a) contractually committed or b) under construction, in each case before 1 January 2021.

Thermal coal or metallurgical coal infrastructure	Infrastructure assets dedicated to support <i>thermal coal assets</i> or <i>metallurgical coal mines</i> , such as coal terminals or coal railways.
New thermal coal or metallurgical coal infrastructure	<i>New thermal coal or metallurgical coal infrastructure</i> means: i) the creation of <i>thermal coal or metallurgical coal infrastructure</i>; or ii) expansions to existing <i>thermal coal or metallurgical coal infrastructure</i> (except for the purposes of retrofitting an asset to materially reduce greenhouse gas emissions) that was not already either: a) contractually committed or b) under construction, in each case before 1 January 2021. The terms <i>thermal coal or metallurgical coal infrastructure</i> and <i>new thermal or metallurgical coal infrastructure</i> do not include <i>exempted activities</i>.
Thermal coal mines	All mines where more than 30% of either production or the coal reserve is thermal coal.
New thermal coal mines	<i>New thermal coal mines</i> means: i) the creation and commercialisation of <i>new thermal coal mines</i> or major capital equipment for <i>new thermal coal mines</i>; or ii) expansions to existing <i>thermal coal mines</i> that involve geographically separate locations that was not already either: a) contractually committed or b) under construction, in each case before 1 January 2021. The terms <i>thermal coal mines</i> and <i>new thermal coal mines</i> do not include <i>exempted activities</i>.
High-Risk Countries	Bolivia; Brazil; Cambodia; Cameroon; Central African Republic; China; Colombia; Cote d'Ivoire; Democratic Republic of Congo; Ecuador; Equatorial Guinea; Estonia; Gabon; Ghana; Guatemala; Guyana; Honduras; India; Indonesia; Laos; Latvia; Liberia; Lithuania; Madagascar; Malaysia; Mexico; Mozambique; Myanmar; Nicaragua; Panama; Papua New Guinea; Peru; Republic of Congo; Russia; Solomon Islands; Thailand; Uganda; Vietnam; and any situation where location stated as "unknown."
HSBC's targets and commitments	HSBC's targets and commitments means HSBC's net zero 2050 ambition and 2030 thermal coal mining, O&G and P&U financed emissions targets.
Metallurgical coal mines	Coal mines where 30% or less of either production or the coal reserve is thermal coal.
New metallurgical coal mines	<i>New metallurgical coal mines</i> means: i) the creation and commercialisation of <i>new metallurgical coal mines</i> or major capital equipment for <i>new metallurgical coal mines</i>; or ii) expansions to existing <i>metallurgical coal mines</i> that involve geographically separate locations. that was not already either: a) contractually committed or b) under construction, in each case before 1 January 2021.

	The terms <i>metallurgical coal mines</i> and <i>new metallurgical coal mines</i> do not include <i>exempted activities</i> .
Mountaintop removal	A form of surface mining at the summit or summit ridge of a mountain in the Central Appalachian Mountains of the United States of America.
Ramsar Wetlands	These are wetland sites designated to be of international importance under the Ramsar Convention (also known as "The Convention on Wetlands") and are listed under the Ramsar List.
Risk governance	HSBC's <i>risk governance</i> includes review and approval by our sustainability risk specialists and, as appropriate, risk governance committees.
UNESCO World Heritage Sites	Designated cultural and natural heritage areas, including buffer zones, around the world which are considered of outstanding value to humanity and are listed under the World Heritage Convention. https://whc.unesco.org/en/list/

6. Cautionary Statement

This Framework explains how HSBC approaches sustainability risk management. It is intended to help our external stakeholders understand HSBC's broader risk management framework. It also includes HSBC's Thermal Coal Phase-Out Policy. The Framework is made public for information only. It, and HSBC's Policies, are for HSBC's use only and HSBC shall owe no obligation or liability to third parties in relation to them.

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

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

Neither HSBC nor any of its officers, employees, agents or advisers ("HSBC Group") accepts any duty of care, responsibility or liability in relation to the Framework or its application or interpretation, including as to the accuracy, completeness or sufficiency of it or any outcomes arising from the same. No representations or warranties, express or implied, are made by the HSBC Group as to the fairness, accuracy, completeness or correctness of the Framework, the information herein, the underlying Policies, HSBC's application or interpretation of them or as to the achievement or reasonableness of any forward-looking statements.

HSBC Group does not accept any liability to any party for any loss, damage or costs howsoever arising, whether directly or indirectly, whether in contract, tort or otherwise from any action or decision taken (or not taken) as a result of any person relying on or otherwise using this Framework or arising from any omission from it. Save as expressly set out in this Framework, HSBC is not under any obligation and does not give any undertaking to provide any additional information in relation to the Framework, the related Policies or their application, to update the Framework or to correct any inaccuracies or errors. HSBC reserves the right, without giving reason, to amend the Framework at any time. The application of HSBC's Policies and this Framework remains subject to compliance with local laws and regulations.

