



# **Introduction to HSBC's Sustainability Risk Policies**

**February 2024**

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### Purpose

This Introduction explains the rationale, objectives and processes that underpin HSBC's sustainability risk policies and is intended to help external stakeholders to understand our policies and how we seek to implement them.

### Our Policies

Our sustainability risk policies help to set out our appetite for financing activities in certain sectors. Our policies are important mechanisms for delivering our net zero ambition, as well as for managing environmental and social risks. We seek to balance economic, social and environmental factors and encourage our clients to meet good international standards of practice.

Our sustainability risk policies form part of our broader reputational risk framework and are comprised of our core net zero-aligned policies:

- ◆ Energy Policy
- ◆ Thermal Coal Phase-Out Policy

as well as our broader sustainability risk policies:

- ◆ Agricultural Commodities Policy
- ◆ Chemicals Industry Policy
- ◆ Forestry Policy
- ◆ Mining and Metals Policy
- ◆ World Heritage Sites and Ramsar Wetlands Policy

Our net zero-aligned policies aim to identify the major sectoral shifts that are required to achieve net zero, align with a science-based approach, and focus on client engagement in support of this transition. Our other sustainability risk policies focus more broadly on mitigating the negative impact of specific sectors on people and the environment, targeting geographies where we have a high concentration of clients in these sectors.

In developing our policies, we consult with a number of our clients, investors, wider industry bodies, shareholders, non-government organisations (NGOs), as well as certain governments, to both inform our approach and better understand potential impacts. We engage with clients, as appropriate, and support them in moving towards good practice.

HSBC takes a risk-based approach when identifying transactions and clients to which our energy and thermal coal phase-out policies apply, and when reporting on relevant exposures, adopting approaches proportionate to risk and materiality. This helps us to focus our efforts on areas where we believe we can help drive meaningful change, whilst taking into account experience from policy implementation over time.

HSBC's policies apply to corporate clients, the majority of which are managed in two global businesses: Commercial Banking and Global Banking and Markets. They apply to the main financing products we provide, such as loans, trade finance and debt and equity capital market services. They do not apply directly to our asset management business (see Transparency section for further details).

In 2003, HSBC adopted the Equator Principles, which provide a framework to assess and manage environmental and social risks when financing large projects. We apply the Equator Principles when financing applicable projects. The Principles apply to project finance transactions over a certain threshold, as well as project-related corporate loans, advisory work on projects, refinancing and bridge loans. As an Equator Principles financial institution, HSBC reports annually on our implementation of - and the financing completed under - the Principles.

## Implementation

Our relationship managers are primarily responsible for assessing whether our clients meet applicable sustainability risk policies, with input from technical experts in our Sustainability Centre of Excellence and second line review and challenge from Risk colleagues. We use and support credible independent certification schemes where available in our policy approach. We also commission independent consultants, where required, under the Equator Principles.

Risk assessment is undertaken within the policy framework as follows:

- For net zero-aligned policies, engagement on client transition plans is key to our approach. These aim to help us to identify opportunities, manage climate risks and define areas to drive strategic engagement with each client.
- Our broader sustainability risk policies focus on two types of client activity: prohibited business refers to activities that we do not wish to finance; restricted business refers to activities which we may finance if impacts are responsibly managed.

Where, for clients in scope of our sustainability risk policies, we identify activities that could cause material negative impacts we expect clients to demonstrate that they are identifying and mitigating risks responsibly and will look to take required actions as outlined in our policies, which may include conducting enhanced due diligence or applying financing restrictions. Such instances may require additional review and approval by our sustainability risk specialists and risk committees.

Oversight of the development and implementation of policies is the responsibility of relevant governance committees comprised of senior members of the Group Risk and Compliance function and global businesses.

## Transparency

Our policies are published on the [Sustainability Risk page](#) and the [ESG Reporting Centre](#) on HSBC.com.

In addition, we disclose relevant information about our sustainability risk policies in our Task Force on Climate-related Financial Disclosures (TCFD). Further details are provided in the [Environmental, Social and Governance section of our Annual Report and Accounts](#) and in our [2024 Net Zero Transition Plan](#).

The policies do not apply to investments where HSBC acts on behalf of customers and where, consequently, the underlying investment decision is not made by us. For example, personal customers who buy shares via our electronic dealing account may have their shares registered in HSBC's name to minimise administration, while some corporate clients request that we hold shares on their behalf in nominee accounts. We do not believe that our customers want us to restrict their choice of investments other than where we offer an investment product which excludes certain sectors or activities. Our asset management business 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.

Our duty of confidentiality prevents us from commenting on specific customers or transactions.

## Additional Notes

This Introduction explains how HSBC approaches sustainability risk management. It is intended to help our external stakeholders understand HSBC's approach.

This Introduction 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 Introduction, 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 Introduction, 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.

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