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HSBC ANNOUNCES THERMAL COAL PHASE-OUT POLICY

- **Phase-out of thermal coal financing in EU/OECD by 2030; worldwide by 2040**
- **HSBC expects all existing thermal coal related clients to publish transition plans and will not provide new finance where plans are not compatible with HSBC's net zero by 2050 target**
- **HSBC to decline new financing, refinancing or advisory services to any thermal coal related client that fails to show a credible transition plan within an acceptable time-frame**

(London) HSBC Holdings plc ("HSBC") is today setting out a detailed policy to phase out the financing¹ of coal-fired power and thermal coal mining by 2030 in EU and OECD markets, and worldwide by 2040. In recognition of the rapid decline in coal emissions required for any viable pathway to 1.5°C², the policy will mean HSBC phasing out finance to clients whose transition plans are not compatible with HSBC's net zero by 2050 target. It builds on current HSBC policy that prohibits finance for new coal-fired power plants and new thermal coal mines; broadening the approach to drive the phase-out of existing thermal coal.

The thermal coal phase-out policy, which will be reviewed annually based on evolving science and internationally recognised guidance, is a key part of executing on the bank's October 2020 ambition to align its financed emissions – the greenhouse gas emissions of its portfolio of clients – to net zero by 2050 or sooner.

The policy includes short term targets to help drive measureable results in advance of the phase-out dates. A science-based financed emissions target will be published in 2022 to reduce emissions from coal-fired power in line with a 1.5°C pathway. HSBC also intends to reduce its exposure to thermal coal financing by at least 25% by 2025 and aims to reduce such exposure by 50% by 2030, using its 2020 Task Force on Climate-Related Financial Disclosures (TCFD) reporting as its baseline. Thermal coal financing remaining after 2030 will only relate to clients with thermal coal assets in non EU/OECD markets, and will be completely phased out by 2040. HSBC will report annually on progress in reducing thermal coal financing in its Annual Report and Accounts.

The bank will work with impacted clients³ and will expect them to formulate and publish transition plans by the end of 2023⁴ that are compatible with HSBC's net zero by 2050 target. Client transition plans will be assessed annually, based on a range of factors including: level of ambition to reduce greenhouse

¹ 'Finance' and 'financing' mean providing project finance, direct lending, or arranging or underwriting of capital markets transactions to in-scope clients. New finance or financing includes the refinancing of existing finance facilities.

² See [IEA NZ50 Report](#)

³ The policy applies to clients that are corporate entities (including state-owned enterprises), trusts or individuals that own, control or operate thermal coal mines, thermal coal-fired power plants or coal to gas/liquids plants, as well as clients engaged in activities that HSBC considers to be incompatible with HSBC's net zero by 2050 target, including the creation of new thermal coal assets and new thermal coal infrastructure (subject to certain exempted activities, such as services to the thermal coal sector, in each case).

⁴ State-owned enterprises in markets outside the EU and OECD may be subject to different national development planning cycles. HSBC will take those planning cycles into account where necessary. Such cases will be subject to annual review to ensure that sufficient progress on transition planning is being made. This does not impact the commitment to phase out financing of thermal coal by 2040.

gas emissions; clarity and credibility of transition strategy including any proposed abatement technologies; adequacy of disclosure and consideration of the principles of 'just transition'.

If no transition plans are produced, HSBC will need to assess whether to continue to provide financing for that client, as there will be no basis on which to assess alignment with HSBC's commitment to phase out coal financing.

HSBC will decline to provide new financing (including refinancing) and advisory services to any client that, in the view of the bank, fails to engage sufficiently on its transition plan, or where plans are not compatible with HSBC's net zero by 2050 target. In addition, HSBC will seek to withdraw any financing or advisory services with any client that makes a commitment to, or proceeds with, thermal coal expansion after 1 January 2021.

Given the nine-year timetable to phase out coal in EU/OECD markets, new finance to clients in these markets will be declined where thermal coal makes up more than 40% of a client's total revenues (or more than 30% of total revenues by 2025), unless the finance is explicitly for the purpose of clean technology and infrastructure. HSBC is not applying these criteria in non-EU/OECD markets today, as we will evaluate client transition plans according to their alignment to HSBC's net zero by 2050 target and worldwide coal phase-out date of 2040.

Given the bank's substantial footprint across Asia, with the region's heavy reliance on coal today and its rapidly growing energy demand, HSBC recognises it has a critical role to play in helping to finance the region's energy transition from coal to clean. HSBC will expect its clients to lay out credible transition plans for the next two decades to diversify away from coal-fired power production to clean energy, and from coal mining to other raw materials, including those vital to clean energy technologies.

Group Chief Executive, Noel Quinn, said: "We want to be at the heart of financing the energy transition, particularly in Asia. This is where we can have the biggest impact to help the world achieve its target of limiting global warming to 1.5°C. We have a long history and strong presence in many emerging markets that are heavily reliant on coal for power generation. We are committed to using our deep relationships to partner with clients in those markets to help them transition to cleaner, safer and cheaper energy alternatives in the coming decades. Tackling climate change is a strategic priority for HSBC, our investors and our stakeholders."

Group Chief Sustainability Officer, Dr Celine Herweijer, added: "We need to tackle the tough issues head on to deliver on our net zero commitment, and for a global bank like HSBC with a significant presence across fast growing coal-reliant emerging economies, unabated coal phase out is right up there. Asia's ability to transition to clean energy in time will make or break the world's ability to avoid dangerous climate change. Whilst our coal phase out dates and interim targets are driven by the science, we need an approach that recognises the realities on the ground in Asia today. The transition will only be successful if development needs are addressed hand-in hand with decarbonisation goals. Our clients in Asia are at different starting points to their EU/OECD counterparts, with more infrastructure, resource, and policy obstacles, but many have declared a strong interest and ambition to invest in the transition and diversify their businesses. The good news is that zero-marginal-cost renewables, rising carbon prices and a terminal contraction in coal demand are factors helping them diversify."

Publication of the thermal coal phase-out policy fulfils the commitment in the special resolution on climate change passed at the bank's AGM in May 2021. It follows a period of extensive engagement with stakeholders. All relevant HSBC entities, products and businesses, including asset management, will seek to implement policies that support the transition from coal-fired power and thermal coal mining within HSBC's 2030/40 timelines.⁵

As announced in October 2020, HSBC aims to provide between \$750 billion and \$1 trillion of sustainable finance and investment to support the transition to net zero including through investment in innovative solutions and sustainable infrastructure. HSBC has also given its backing to the Energy Transition Mechanism (ETM), an initiative led by the Asian Development Bank, which aims to retire coal plants early and invest in renewables.

⁵ Unless in conflict with fiduciary or other regulatory obligations.

HSBC joined the Powering Past Coal Alliance at COP26, a global coalition of more than 150 governments, utilities, financial institutions, NGOs and others working to advance the transition from unabated coal power generation to clean energy.

HSBC is also publishing further details today on its approach to assessing financed emissions and setting short term targets. In its 2021 Annual Report and Accounts, HSBC intends to provide baseline financed emissions and initial short-term targets aligned to 1.5°C for the Oil & Gas and Power & Utilities sectors, based on the IEA Net-Zero Emissions by 2050 scenario. Five additional sectors will follow in the bank's 2022 Annual Report and Accounts.

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Notes to editors:

- See Policy for full details: <https://www.hsbc.com/-/files/hsbc/our-approach/risk-and-responsibility/pdfs/211214-hsbc-thermal-coal-phase-out-policy.pdf>
- HSBC is also today publishing further detail on its approach to assessing financed emissions and setting targets: <https://www.hsbc.com/-/files/hsbc/who-we-are/pdf/211214-financed-emissions-approach-and-methodology-update.pdf>

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\$2,969 billion at 30 September 2021, HSBC is one of the world's largest banking and financial services organisations.

Cautionary statement:

This communication 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 and facilitated 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'), and 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'). 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 and Subsequent Form 6-Ks.

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