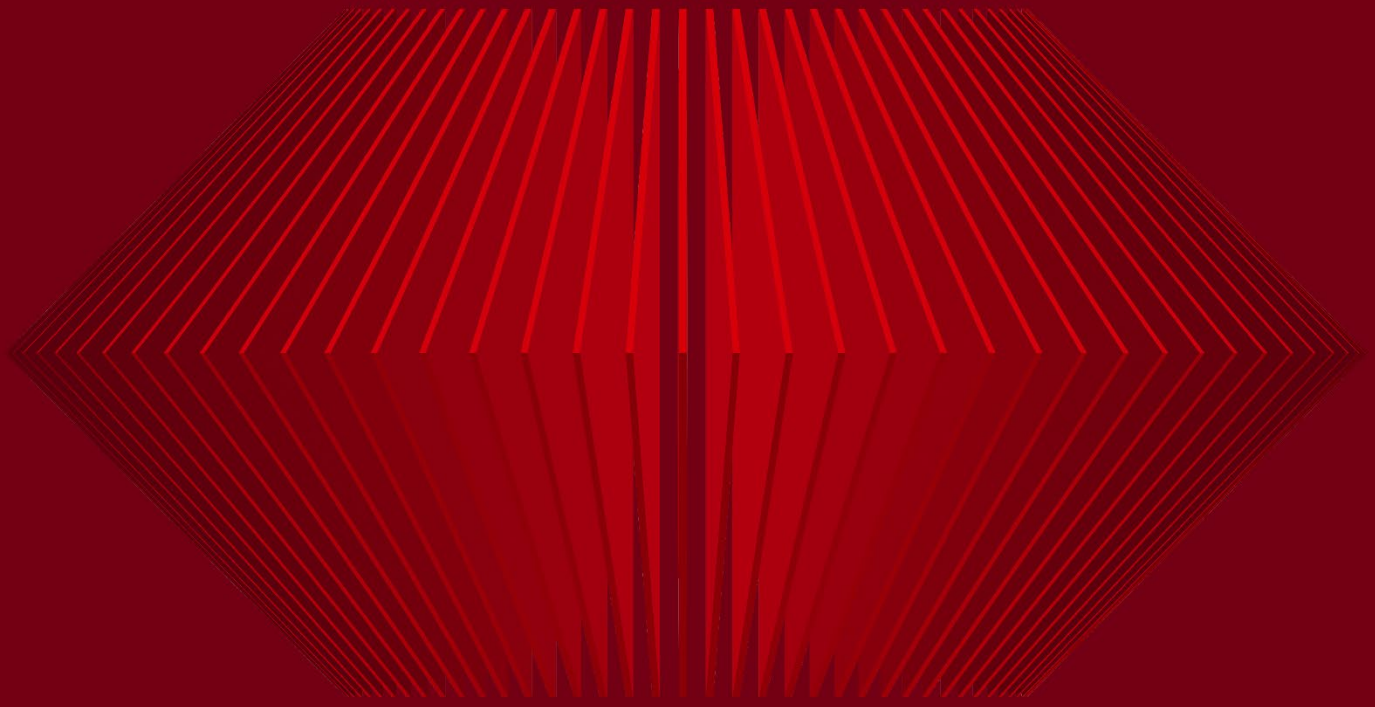
HSBC Financed Emissions Targets

2025 Update

November 2025



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Target setting overview

Financed emissions is one of the metrics we use to measure progress on the transition of our portfolio. This document outlines the changes to our interim 2030 financed emissions targets that have emerged through the 2025 review process. It also includes a summary of our overall approach to target setting, and a section outlining the updated 2030 sector targets. It should be read alongside our 2025 Net Zero Transition Plan, which contains further detail on our target setting approach.

Uncertainties and dependencies

Our ability to meet our interim 2030 financed emissions targets largely depends on the pace of our customers' transition in the real economy. There are fundamental external factors which will continue to impact and determine our ability to meet these targets. These include technological advancements, diversification of the energy mix, changes in the geopolitical and macroeconomic environment, market demand for climate solutions, evolving customer preferences, and government leadership and effective policy.

The effective measurement, governance and reporting of progress against our financed emissions targets relies on the availability and quality of both internal and external data and developing methodologies, scenario analysis, industry guidance and market practice. Data quality scores vary across the different sectors and years of our analysis, and many of our clients do not yet report the full scope of greenhouse gas emissions included in our analysis. This may impact our future progress and reporting.

We regularly assess the feasibility of each of our 2030 financed emissions targets, taking into account several factors, including our customers' transition plans, our portfolio trajectory, customer financing needs and expected draw down behaviour, as well as the broader external context. Developments in relation to these and other factors may require us to review our targets, strategy and reporting.

Going forward, we will continue to monitor the latest climate science, industry guidance and the evolving external context to inform our approach to target-setting.

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, own operational emissions and in our engagement with suppliers, and in deploying capital to support our customer's transition to net zero. We will continue to report progress on our interim 2030 financed emissions targets in our annual report and accounts ('ARA').

Our initial approach to target setting used a single reference scenario – the 2021 International Energy Agency ('IEA') Net Zero Emissions by 2050 Scenario (NZE 2021)[1]. This scenario underpinned our targets for both energy supply-related sectors (oil and gas, power and utilities, thermal coal mining) and demand-side sectors in transport (aviation and automotive) and heavy industry (cement; and iron, steel and aluminium).

As previously announced, we have undertaken a detailed review of each of our targets this year to seek to ensure our approach continues to reflect the evolving external context, including developments in policy, technology, climate science, available data and methodologies. The transition to net zero since the NZE 2021 was published and our initial targets were set has progressed at an inconsistent pace across sectors and regions, and is not currently on track to limit global warming to 1.5°C.

Following this review, we have updated our interim 2030 financed emissions targets for all our in-scope carbon intensive sectors, apart from thermal coal mining. The key change is to adopt a target range for our interim 2030 financed emissions targets for oil and gas, power and utilities, automotive, aviation, cement, and iron and steel, informed by IEA's 2024 Net Zero Emissions ('NZE') and Announced Pledges Scenario ('APS') scenarios.[2] Our thermal coal mining target remains unchanged, in alignment with our thermal coal phase-out policy and thermal coal exposure reporting.

Our approach is aligned with the goals of the Paris Agreement to hold the global temperature increase to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels. Adopting a target range helps us to better navigate the inherent uncertainty in the pace of transition in the real economy.

We have also moved the baseline year for our intensity targets from 2019 to 2023. We continue to use 2019 as the baseline year for oil and gas and 2020 for thermal coal mining sectors with absolute financed emissions targets. In addition, we have descoped aluminium from the iron, steel and aluminium sector and changed the reporting unit for aviation from revenue passenger kilometre ('rpk') to revenue tonne kilometre ('rtk').

[1] IEA (2021), World Energy Outlook 2021.

[2] IEA (2024), World Energy Outlook 2024.

Key changes in 2025

◆ IEA WEO 2024 Scenarios

Our new reference scenarios are informed by the IEA 2024 World Energy Outlook ('WEO') publication.[3] The IEA's scenarios are peer-reviewed and use a global energy model to generate sector-by-sector projections. The IEA's analysis and projections have been referenced and widely applied across the industry for target setting and portfolio alignment.

◆ Introduction of 2030 Target Range

The IEA's 2024 NZE and APS have been used to help construct a target range to reflect different scenario pathways and uncertainty about rates of change in the real economy.

The IEA NZE 2024 scenario describes a pathway for the global energy sector to achieve net zero carbon dioxide (CO_2) emissions by 2050, which is consistent with limiting long-term global warming to 1.5°C with little or limited overshoot[4] (with a 50% probability) by 2100. The IEA APS 2024 scenario illustrates what would happen if countries implement all their national energy and climate targets in full and on time. It includes longer term net zero national emission targets and pledges in Nationally Determined Contributions as of end of August 2024. This scenario is associated with a temperature rise of 1.7°C (with a 50% probability) by 2100.[3]

Both IEA NZE and APS scenarios have a low reliance on negative emissions technologies. We believe these scenarios have reasonable assumptions on carbon sequestration achieved through nature-based solutions and land use change.[3,5]

◆ Review of Baseline Year for Target Setting

For our 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 point-in-time targets and independent from the baseline. We continue to use 2019 as the baseline year for our oil and gas financed emissions target and 2020 for our thermal coal mining financed emissions target as our absolute emissions reduction targets are set based on a percentage reduction from the baseline year.

◆ Descoping Aluminium

As stated in our Annual Reports and Accounts 2024, our initial reporting combined iron and steel with aluminium as one sector. We have now descoped aluminium as our exposure to this sector is very limited and the combination of two metals with different emissions intensity ranges[6] and decarbonisation trajectories created volatility in reporting.

We have not set a separate aluminium target as we have very limited exposure to the sector, both in terms of client numbers and financed emissions. We will continue to disclose iron and steel financed emissions and monitor progress against our emissions reduction pathway for this sector. Emissions intensity for aluminium may be reported in the future as part of the more comprehensive International Sustainability Standards (ISSB) disclosures or if our exposure to aluminium clients becomes material.

[3] IEA (2024), World Energy Outlook 2024.

[4] IEA (2024), Global Energy and Climate Model - Documentation 2024.

[5] For key assumptions underpinning the IEA scenarios, please refer to the World Energy Outlook 2024.

[6] Average global emissions intensity per tonne of crude steel production was 1.92tCO2/t metal in 2023, according to Word Steel (see Sustainability Indicators 2024 report - worldsteel.org), while the global emissions intensity per tonne of primary aluminium production was 14.8tCO2e/t metal in 2023, according to International Aluminium (see Primary Aluminium Greenhouse Gas Emissions Intensity - International Aluminium Institute).

◆ Aviation Target Metric

We have changed our reporting unit for aviation from revenue passenger kilometre ('rpk') 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.

Summary of our overall approach to target setting

Apart from the changes for 2025 listed in the previous section, our approach to target-setting remains unchanged. It is summarised in this section, however a complete description of our financed emissions methodology can be found in our Financed Emissions Methodology Update, published in February 2025.

- We report absolute financed emissions and physical emissions intensities for our in-scope sectors and have set targets using the most appropriate metric for each sector.
- For oil and gas, and power and utilities, our interim 2030 financed emissions targets are combined on-balance sheet financed and facilitated emissions targets. For power and utilities, transport and heavy industry sectors, we have set emissions intensity targets, which reflect the need to grow renewables and other low-emissions technologies while transitioning away from existing high-emitting technologies. For oil and gas, and thermal coal mining, we have set absolute financed emissions targets.
- Absolute targets are set using the so-called contraction method. This method applies a percentage reduction that is equivalent to the percentage decrease that the IEA indicates in its scenarios for global sector emissions to 2030, from the baseline year. Intensity targets are set using the so-called point-in-time method. This method derives targets from IEA's emissions and production variables, and therefore directly aligns with IEA's global projections for emissions intensity in 2030.
- We use physical intensity-based targets where the clients' emissions intensity is exposure weighted at the sector level. Physical emissions intensity metrics describe the emissions released per unit of production and vary based on the sector and specific activity data. We use this target metric to help enable climate-positive investment in the real economy by directing capital towards green technologies and transition solutions. This is in line with peers and industry guidance.
- Our financed emissions progress metrics and targets are expressed in terms of CO2 equivalent (CO2e) whereas IEA only includes CO2, apart from oil and gas where methane emissions data in CO2e is available as well. For other sectors, non-CO2 emissions are deemed to be not significant. We do not include avoided emissions in our calculations. These are defined as the difference between the emissions of a new lower emissions technology and a business-as-usual baseline.
- Facilitated emissions included in our combined metrics (oil and gas, power and utilities) are weighted at 33%, in accordance with the PCAF Standard. To further reduce the inherent volatility in facilitated emissions, we apply a three-year moving average across transactions over time, building up from the sector's baseline for our progress figures (i.e. average of 2021, 2022 and 2023 for the 2023 progress numbers) to track progress towards our combined target. This means that transactions facilitated in 2028 and 2029 will still have an impact on the 2030 progress numbers and will need to be taken into consideration as we manage progress towards our targets.
- **Figure 1** shows the scope of emissions for each of these, including upstream, midstream, integrated, diversified and downstream activities within each sector. The allocation of companies to different parts of the value chain is highly dependent on expert judgement and data available on company revenue streams.

Figure 1 - Scope of our targets

In scope
Out of scope

Sector	Scope of emissions	Value chain in scope			
Oil and gas	1, 2 and 3	**Upstream** (e.g. extraction)	Midstream (e.g. transport)	Downstream (e.g. fuel use)	**Integrated/ diversified**
Thermal coal mining	1, 2 and 3	**Upstream** (e.g. extraction)	Midstream (e.g. processing)		Downstream (e.g. retail)
Power and utilities	1, 2	**Upstream** (e.g. generation)	Midstream (e.g. transmission and distribution)	Downstream (e.g. retail)	**Diversified utilities – Power generation**
Automotive	1, 2 and 3	Upstream (e.g. suppliers)	**Midstream** (e.g. motor vehicle manufacture)		Downstream (e.g. retail)
Aviation	1 for airlines, 3 for aircraft lessors	Upstream (e.g. parts manufacturers)	Midstream (e.g. aircraft manufacturing)		**Downstream** (e.g. airlines and aircraft lessors)
Iron and steel	1 and 2	Upstream (e.g. raw materials, extraction)	**Midstream** (e.g. ore to steel)		Downstream (e.g. construction)
Cement	1 and 2	Upstream (e.g. raw materials, extraction)	**Midstream** (e.g. clinker and cement manufacturing)		Downstream (e.g. construction)

Sector specific targets

This section outlines our updated interim 2030 financed emissions targets. As we continue to further embed net zero into how we operate, these interim targets are put in place to help steward our business towards our long-term net zero ambition. We have introduced the necessary policies and processes to monitor progress towards these targets as well as mitigating actions to help ensure progress towards a target range for each sector, while pursuing efforts to achieve the lower end of the range aligned to 1.5°C.

Oil and gas

- For the oil and gas sector 2030 target, we continue to combine absolute on-balance sheet financed and facilitated emissions, aligned with a sectoral decarbonisation approach, to derive a percentage reduction target of 14% to 30% from a 2019 baseline. The percentage reduction is equivalent to the percentage decrease that the IEA indicates in its NZE and APS 2024 scenarios for global sector emissions to 2030, from a 2019 baseline.

Thermal coal mining

- For the thermal coal mining sector 2030 target, we use an on-balance sheet absolute financed emissions target, aligned with a sectoral decarbonisation approach, to derive a percentage reduction of 70% by 2030, from a 2020 baseline. The percentage reduction is equivalent to the percentage decrease that the IEA indicates in its IEA NZE 2021 scenario for coal emissions and is in line with HSBC's phase-out commitment. We use a 2020 baseline to align with the thermal coal phase-out policy for thermal coal financing exposure reporting metrics.

Power and utilities

- For the power and utilities sector 2030 target, we continue to combine on-balance sheet financed and facilitated emissions to derive an intensity target of 195 – 270 tCO_2e/GWh. This reduction is equivalent to the global sector average emissions intensity for 2030, directly aligned with the IEA NZE and APS 2024 scenarios as it is a point-in-time target.

Automotive

- Our target for the automotive sector uses an on-balance sheet financed emissions intensity target of 65.5 – 95.3 tCO_2e/million vkm by 2030. This reduction is equivalent to the global sector average emissions intensity for 2030, directly aligned with the IEA NZE and APS 2024 scenarios as it is a point-in-time target.

Aviation

- For aviation, we use an on-balance sheet financed emissions intensity target by 2030 of 709 – 776 tCO_2e/million rtk. This reduction is equivalent to the global sector average emissions intensity for 2030, directly aligned with the IEA NZE and APS 2024 scenarios as is it a point-in-time target.

Iron and steel

- For iron and steel, we use an on-balance sheet financed emissions intensity target by 2030 of 1.29 – 1.52 tCO_2e per tonne of steel. This reduction is equivalent to the global sector average emissions intensity for 2030, directly aligned with the IEA NZE and APS 2024 scenarios as is it a point-in-time target.

Cement

- For cement, we use an on-balance sheet financed emissions intensity target by 2030 of 0.47 – 0.56 tCO_2e per tonne of cement. This reduction is equivalent to the global sector average emissions intensity for 2030, directly aligned with the IEA NZE and APS 2024 scenarios as is it a point-in-time target.

Figure 2 – 2030 Sector Targets[7]

Sector	Baseline Year	Unit[8]	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[9]
Power and utilities	2023	tCO_2e/GWh	195 – 270	IEA NZE – APS 24
Automotive	2023	tCO_2e/million vkm	65.5 – 95.3	IEA NZE – APS 24
Aviation	2023	tCO_2e/million rtk[10]	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

Note: This table summarises HSBC's updated 2030 interim targets. For all sectors, apart from thermal coal mining, we introduce a target range. The lower bound of each target range aligns with IEA's NZE 2024, consistent with limiting long-term global warming to 1.5°C, while the upper bound of the target range aligns with IEA's APS 2024, consistent with limiting long-term global warming to 1.7°C.

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 our absolute emissions reduction targets are set based on a percentage reduction from 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 point-in-time targets and independent from the baseline.

Looking Ahead

We continue to engage with regulators, standard setters, and industry bodies to help shape our approach to target setting and managing portfolio alignment to support the transition to net zero in the global economy. We will continue to review our approach to target-setting as regulatory standards evolve, such as the implications of the International Sustainability Standards Board (ISSB) framework. We also work with data providers and our clients to help us gather data from the real economy to improve our analysis.

Going forward, we will continue to monitor the latest developments in climate science and associated scenarios to inform our approach to target-setting. We will also continue to review our approach to ensure it remains customer focused, commercially driven and embedded, while remaining committed to supporting the transition to net zero.

We will report progress on our financed emissions targets in our upcoming annual report and accounts. A more detailed methodology document with further changes and refinements we are introducing to our financed emissions reporting will be published alongside the ARA.

[7] 2030 sector targets are based on IEA 2024 projections as of JUL 25.

[8] For the oil and gas sector, absolute emissions are measured in million tonnes of carbon dioxide equivalent ('Mt CO2e'); for the power and utilities sector, intensity is measured in tonnes of carbon dioxide equivalent per gigawatt hour ('tCO2e/GWh'); for the cement sector, intensity is measured in tonnes of carbon dioxide equivalent per tonne of cement ('tCO2e/t cement'); for the iron and steel sector, intensity is measured in tonnes of carbon dioxide equivalent per tonne of steel ('tCO2e/t steel'); for the aviation sector, intensity is measured in tonnes of carbon dioxide equivalent per million revenue tonne kilometres ('tCO2e/ million rtk'); for the automotive sector, intensity is measured in tonnes of carbon dioxide equivalent per million vehicle kilometres ('tCO2e/million vkm'); and for the thermal coal mining sector, absolute emissions are measured in million tonnes of carbon dioxide equivalent ('Mt CO2e').

[9] Our thermal coal mining target remains unchanged, to align with our thermal coal phase-out policy and thermal coal exposure reporting.

[10] 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.

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 'expects', 'targets', 'believes', 'seeks', 'estimates', 'may', 'intends', 'plan', 'will', 'should', 'potential', 'reasonably possible' or 'anticipates', variations of these words, the negative thereof or similar expressions. HSBC has based the forward-looking statements in this document on current plans, information, data, estimates, expectations and projections about future events, and therefore undue reliance should not be placed on them. These forward-looking statements are subject to risks, uncertainties and assumptions, as described under 'Cautionary statement regarding forward-looking statements' and 'Additional cautionary statement regarding ESG and climate-related data, metrics and forward-looking statements' contained in the HSBC Holdings plc Annual Report on Form 20-F for the year ended 31 December 2024, filed with the Securities and Exchange Commission ('SEC') on 22 February 2025 (the '2024 Form 20-F') and in other reports on Form 6-K furnished to or filed with the SEC subsequent to the 2024 Form 20-F ('Subsequent Form 6-Ks'). HSBC 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 Group's business, is contained in the 2024 Form 20-F and Subsequent Form 6-Ks.