Financed emissions continued

Cement
For the cement sector, our analysis included scope 1 and 2 emissions for midstream companies with clinker and cement manufacturing facilities.

We target an on-balance sheet financed emissions intensity of 0.46 tonnes of carbon dioxide equivalent per tonne of cement ('tCO_2e/t cement') by 2030, using 2019 as our baseline. Our target is consistent with a global 1.5°C-aligned pathway, as defined by the IEA NZE 2021 scenario.

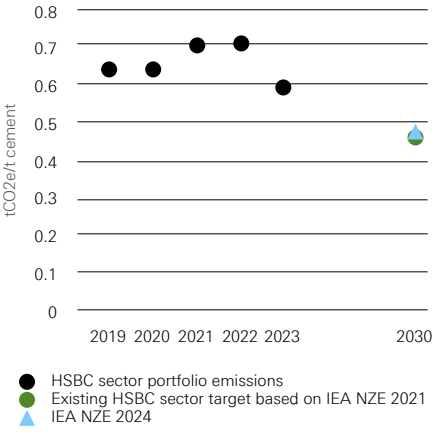
We show in the chart our progress to date against our 2030 target. We also indicate the 2030 figure of 0.47 tCO_2e/t cement derived from the updated IEA NZE 2024 scenario.

While some emissions reductions can be achieved through energy efficiency, we believe that to significantly reduce fuel and process emissions from cement manufacturing, and to meet our targets, large-scale investments are required in new production processes and technologies, including clinker substitution, alternative fuel use such as bioenergy, and carbon capture use and storage. Carbon capture use and storage is a nascent technology and is currently applied at around 45 facilities worldwide with a capture capacity of roughly 50 $MtCO_2$ per year. This is short of IEA NZE scenarios, which lay out a pathway of around 1 Gt CO_2 per year captured and stored by 2030. Several cement sector customers are making progress in carbon capture use and storage and are launching their first carbon capture use and storage pilot projects.

The 2023 emissions intensity of our portfolio, at 0.59 tCO_2e/t cement, was 8% lower than the 2019 baseline. It was also down by 17% in 2023 from 2022. The decline in 2023 was mainly attributable to improvements in the availability of emissions and production data across a number of emissions-intensive clients. Emissions intensity trends are highly sensitive to material client exposures and changes to drawn balances year-on-year.

Cement
tCO_2e/t cement

2023 progress from baseline
(8)%



Iron, steel and aluminium
For the iron, steel and aluminium sector, we covered scope 1 and 2 for midstream iron, steel and aluminium production in our analysis. We intend to address our coverage of aluminium in future disclosures due to the low materiality in our portfolio, as well as volatility caused by the greater emissions intensity of aluminium production, compared to iron and steel.

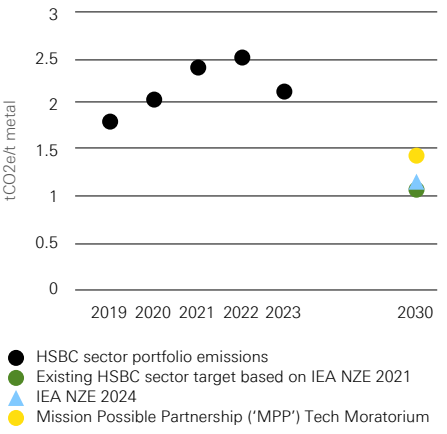
We target an on-balance sheet financed emissions intensity of 1.05 tonnes of carbon dioxide equivalent per tonne of metal ('tCO_2e/t metal') by 2030, using 2019 as our baseline. Our target is consistent with a global 1.5°C-aligned pathway for iron and steel, as defined by the IEA NZE 2021 scenario. Meeting the 2030 target will be technologically challenging as this is a particularly hard-to-abate sector.

We show in the chart our progress to date against our 2030 target. We also indicate the 2030 figure of 1.29 tCO2e/t metal derived from the updated IEA NZE 2024 scenario, and of 1.43 tCO2e/t metal from the MPP Tech Moratorium scenario. The MPP Tech Moratorium scenario confines investments to near zero emissions technologies from 2030 onwards, and assumes no assets are prematurely retired. It projects a slower transition than IEA NZE scenarios in the near term due to the use of different assumptions for steel production, steelmaking technology mix, steel emissions intensity, and use of hydrogen in steelmaking.

The emissions intensity of our portfolio in 2023 rose by 17% to 2.1 tCO_2e/t metal against our 2019 baseline, due to aluminium sector exposures impacting the overall sector's emissions intensity in 2023, and a low baseline figure resulting from a higher mix of low emissions-intensive steel clients. Emissions intensity dropped by 16% in 2023 versus 2022 due to the reduced exposure to aluminium clients, and a larger mix of low emissions-intensive clients.

Iron, steel and aluminium
tCO_2e/t metal

2023 progress from baseline
17 %



Financed emissions continued

Aviation

For the aviation sector, we included passenger airlines' scope 1 and aircraft lessors' scope 3 downstream emissions. We excluded military and dedicated cargo flights as the emissions intensity of such cargo flights is different to that of passenger airlines. This approach is in line with industry practice to ensure consistency of financed emissions measurement and target setting.

We target an on-balance sheet financed emissions intensity of 63 tonnes of carbon dioxide equivalent per million revenue passenger kilometres ('tCO_2e/million rpk') by 2030, using 2019 as our baseline. Our target is consistent with a global 1.5°C-aligned pathway, as defined by the IEA NZE 2021 scenario.

We show in the chart our progress to date against our 2030 target. We also indicate the 2030 figure of 70.3 tCO_2e/million rpk derived from the updated IEA NZE 2024 scenario.

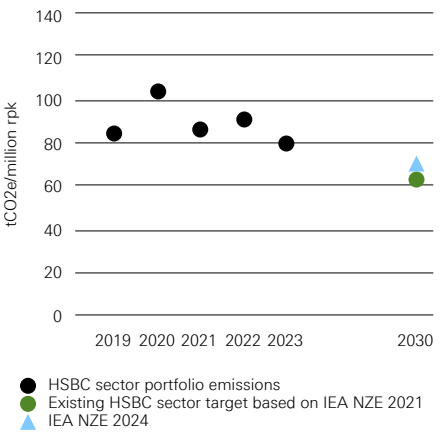
To meet our target, we believe the sector needs significant policy support, investments in alternative fuels, such as sustainable aviation fuel, and new efficient aircraft to reduce emissions. The adoption of sustainable aviation fuel is in its infancy, currently accounting for an estimated 0.3% of global jet fuel production. Sustainable aviation fuel use needs to increase to 15% by 2030 to be in line with the IEA NZE 2021. This requires a significant ramp-up of investment in production capacity and supportive policies, such as fuel taxes and low carbon fuel standards.

The industry is also adopting the unit of revenue tonne kilometre ('rtk') to take into account the transport of cargo for airlines in-scope of the target. We plan to consider this unit change to rtk in future disclosures to better reflect the industry standard. We already include passenger and cargo tonnes in our production figures.

In 2023, the emissions intensity of our portfolio fell by 5% to 79.6 tCO_2e/million rpk relative to the 2019 baseline and was down by 12% from the 2022 restated emissions intensity. This decline was largely driven by improved data quality, higher exposure to lower emissions-intensive airlines compared with the sector average, and improved operational efficiency with the return to pre-Covid air traffic activity levels.

Aviation
tCO_2e/million rpk

2023 progress from baseline
(5)%



Automotive

For the automotive sector, we looked at scopes 1 and 2 for midstream manufacturing of vehicles, and scope 3 for tank-to-wheel exhaust pipe emissions for light-duty vehicles. We excluded heavy-duty vehicles from our analysis as the target pathway derived from the IEA excludes them, as they have a different decarbonisation pathway relative to light-duty vehicles. This approach reflects a change from previous disclosures to only include tailpipe emissions instead of all scope 3 categories, in order to be consistent with the target scenario reference pathway and industry practice. We will consider including heavy-duty vehicle manufacturers as well as heavy-duty vehicle production at a later stage of our analysis, as data and methodologies develop.

We target an on-balance sheet financed emissions intensity of 66 tonnes of carbon dioxide equivalent per million vehicle kilometres ('tCO_2e/million vkm') by 2030 using 2019 as our baseline. This is in line with a global 1.5°C-aligned pathway, as defined by the IEA NZE 2021 scenario, modified to match the share of new in-year vehicle sales for light-duty vehicles.

We show in the chart our progress to date against our 2030 target. We also indicate the 2030 figure of 66.2 tCO_2e/million vkm derived from the updated IEA NZE 2024 scenario, which remains close to the 2030 target figure of 66.0 under the 2021 scenario.

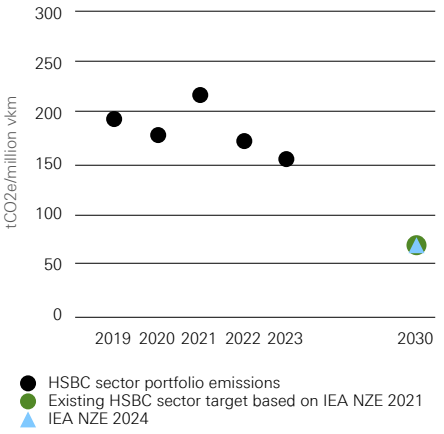
Meeting our target is heavily dependent on the share of new electric vehicle sales our clients will achieve in 2030, including battery and plug-in electric vehicles. BloombergNEF estimates that the electric vehicle share of sales in 2024 exceeded 20%, however this is below the 27% implied by the IEA NZE 2021 scenario based on HSBC analysis.

Achieving our 2030 financed emissions target will be challenging unless there is a strong acceleration in the share of electric vehicle sales. This will require large-scale investments in new electric vehicle and battery manufacturing plants, alongside widespread charging infrastructure, and government policies to support electric vehicles.

The 2023 emissions intensity of our portfolio dropped by 20% to 152.4 tCO_2e/million vkm against our 2019 baseline, and by 10% versus the restated emissions intensity of our portfolio for 2022, which excludes non-tailpipe scope 3 emissions. The decline against baseline was driven by changes in our loan book resulting primarily from credit-led business decisions. From 2022 to 2023, the reduction was driven by a portfolio mix with lower emissions intensity clients, and lower exposures to carbon-intensive clients.

Automotive
tCO_2e/million vkm

2023 progress from baseline
(20)%



Financed emissions continued

Thermal coal mining

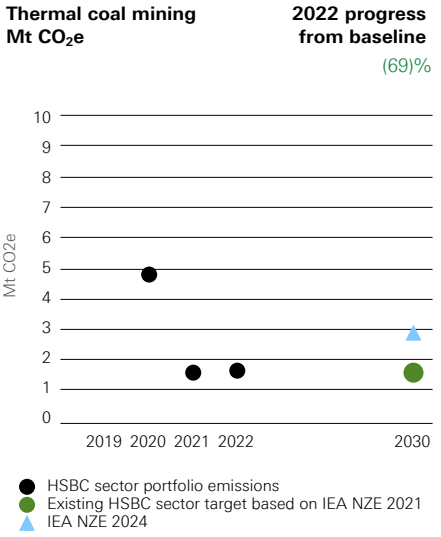
For the thermal coal mining sector, our analysis focused on scope 1, 2 and 3 emissions in upstream companies, including those involved in extraction. When calculating our financed emissions from thermal coal mining, we focused on thermal coal extraction and processing companies, and diversified mining companies. The majority of our reported financed emissions relate to scope 3 emissions associated with coal mining, representing financing provided to large conglomerates that own diversified business interests including coal.

We have set a target to reduce our absolute on-balance sheet financed emissions by 70% by 2030, relative to the re-baselined 2020 figure of 4.7 million tonnes of carbon dioxide equivalent ('Mt CO_2e'). We used 2020 as a baseline to align with the baseline used for our drawn balance exposure targets in our thermal coal phase-out policy. Our target is consistent with a global 1.5°C-aligned pathway, as defined by the IEA NZE 2021 scenario.

We show in the chart our progress to date against our 2030 target. We also indicate the 2030 figure of 2.7 Mt CO_2e derived from the updated IEA NZE 2024 scenario, which suggests a 42% reduction relative to the re-baselined 2020 figure.

In 2021, absolute on-balance sheet financed emissions decreased by 71% to 1.38 Mt CO_2e relative to the re-baselined 2020 figure. In 2022, the absolute on-balance sheet financed emissions of our portfolio decreased by 69% to 1.44 Mt CO_2e relative to the re-baselined 2020 figure, and they rose by 4% from 2021 to 2022. The reduction from the 2020 re-baselined figure was due to strategic decisions and temporary factors, such as low loan drawdown levels.

A return to normal market conditions with clients drawing down existing loans will lead to increased financed emissions in our portfolio.



On-balance sheet financed emissions

The table below summarises the results of our assessment of on-balance sheet financed emissions using 2022 and 2023 data. For thermal coal mining, we disclosed in 2023 our 2020 baseline, which has been re-baselined as described on page 51, and we now present figures for 2021 and 2022. The PCAF data quality scores across most sectors improved in 2023 due to better data availability.

		On-balance sheet financed emissions – wholesale credit lending and project finance[1,2]				
					PCAF data quality score[3]	
Sector	**Year**	**Scope 1–2 (Mt CO_2e)**	**Scope 3 (Mt CO_2e)**	**Emissions intensity**	**Scope 1 and 2**	**Scope 3**
Oil and gas	2022	1.3	16.2	N/A	3.2	3.2
	2023†	1.6	15.2	N/A	2.4	2.7
Power and utilities	2022	7.6	N/A	401.7	3.3	N/A
	2023†	7.3	N/A	349.6	3.1	N/A
Cement	2022	4.5	N/A	0.71	2.9	N/A
	2023†	6.3	N/A	0.59	2.3	N/A
Iron, steel and aluminium	2022	2.7	N/A	2.5	3.0	N/A
	2023†	1.8	N/A	2.1	2.9	N/A
Aviation	2022	3.3	0.15	90.2	3.2	2.4
	2023†	2.6	0.21	79.6	3.1	2.6
Automotive	2022	0.11	4.0	170.1	2.7	3.4
	2023†	0.12	6.0	152.4	2.2	3.2
Thermal coal mining	2021†	0.05	1.33	N/A	3.1	3.1
	2022†	0.07	1.37	N/A	3.1	3.1

Facilitated emissions

The table below summarises the results of our assessment of facilitated emissions using 2022 and 2023 data for the oil and gas, and the power and utilities sectors.

Applying a 100% weighting, the oil and gas values for scope 1 to 3 emissions decreased from 15.2 Mt CO_2e in 2022 to 9.0 Mt CO_2e in 2023. For the power and utilities sector, the values for scope 1 and 2 emissions rose from 3.8 Mt CO_2e in 2022 to 4.6 Mt CO_2e in 2023. For all 100%-weighted facilitated values, please refer to the ESG Data Pack[4].

		Facilitated emissions – ECM, DCM and syndicated loans (33% weighting)				
					PCAF Data quality score[3]	
Sector	**Year[4]**	Scope 1-2 (Mt CO_2e)	Scope 3 (Mt CO_2e)	Emissions intensity	Scope 1 and 2	Scope 3
Oil and gas	2022	0.36	4.7	N/A	3.3	3.3
	2023†	0.27	2.7	N/A	2.1	2.5
Power and utilities	2022	1.2	N/A	358.7	2.9	N/A
	2023†	1.5	N/A	322.2	2.6	N/A

1 The total amount of short-term finance excluded for the thermal coal mining sector was 0.04% and 0.1% of total loans and advances to customers at 31 December 2021 and 31 December 2022 respectively; in 2023, for all other sectors, it was 0.7% of total loans and advances to customers at 31 December 2023.

2 The total loans and advances analysed for the thermal coal mining sector were 0.1% of total loans and advances to customers at 31 December 2021 and 31 December 2022, respectively. For all other sectors in 2023, the total loans and advances analysed were 2.7% of total loans and advances to customers at 31 December 2023. The total loans and advances analysed for the purpose of the financed emissions calculation and reporting have not been adjusted for assets held for sale.

3 PCAF scores where 1 is high and 5 is low. This is a weighted average score based on financing for on-balance sheet financed emissions.

4 The total capital markets activity analysed applying a 100% weighting in 2023 was $10.4.bn, representing 3.3% of capital markets activity at 31 December 2023.

† Data is subject to independent third-party limited assurance in accordance with ISAE 3000 / ISAE 3410. For further details, see our Financed Emissions and Thermal Coal Exposures Methodology and the independent third-party limited assurance report, which are available at www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

Financed emissions continued

Reducing emissions in our assets under management

HSBC Asset Management continues to work towards its interim target[1] of reducing scope 1 and 2 financed emissions intensity by 58% between 2019 and 2030 for its in scope assets under management (AUM), consisting of listed equities and corporate fixed income managed within its major investment hubs. As of 31 December 2019, in scope assets amounted to $193.9bn, equating to 38% of global AUM.

2019 re-baselined metrics

In 2024, we improved our methodology for calculating financed emissions intensity, including a revised mapping logic for issuers' carbon intensity and EVIC (enterprise value including cash) data. We have re-baselined our 2019 intensity figure due to an error in the data mapping and it is now 124 tCO_2e/M$ invested versus 131 tCO_2e/M$ invested reported in the Annual Report and Accounts 2022, representing a decrease of 5.6%.

The Partnership for Carbon Accounting Financials (PCAF)[2] recommends that financial institutions should, in line with the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard requirement, establish a restatement policy to ensure consistency, comparability and relevance of the reported greenhouse gas emissions data over time. HSBC Asset Management has defined an internal financed emissions re-baseline and restatement framework which adapts HSBC Group's approach and defines relevant circumstances for HSBC Asset Management.

Our financed emissions metrics

As at 31 December 2023, the scope 1 and 2 financed emissions intensity of HSBC Asset Management's in scope assets stood at 69.8 tCO_2e/M$ invested. The PCAF data quality score for our 31 December 2023 financed emissions intensity was 2.63.

Reported metrics[3]	2019	2023	Unit
Scope 1 and 2 financed emissions intensity	124.0*	**69.8**	tCO_2e/M$ invested
AUM in scope	193.9	**223.0**	Billions $
PCAF Data Quality Score	2.63	**2.63**	

*indicates that this metric has been re-baselined

1 Our targets remain subject to consultation with stakeholders including investors and fund boards on whose behalf we manage the assets. The 58% target is based on assumptions for financial markets and other data, including the IEA Net Zero emissions by 2050 scenario and its underlying activity growth assumptions. Carbon emissions intensity is measured as tonnes of carbon dioxide equivalent per million USD invested (tCO_2e/M$ invested), where emissions are scaled by enterprise values including cash.

2 PCAF defines and develops greenhouse gas accounting standards for financial institutions. Its Global GHG Accounting and Reporting Standard for Financed Emissions provides detailed methodological guidance to measure and disclose financed emissions. PCAF Standards are available at: https://carbonaccountingfinancials.com/standard.

3 The re-baselined 2019 financed emissions intensity metric, and 2023 metrics were subject to independent third-party limited assurance in accordance with the International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information', and with respect to the greenhouse emissions, in accordance with the International Standard on Assurance Engagements 3410 'Assurance Engagements on Greenhouse Gas Statements', issued by the International Auditing and Assurance Standards Board. For the independent third-party's limited assurance report, see http://www.assetmanagement.hsbc.com/net-zero. The methodology used is available at: http://www.assetmanagement.hsbc.co.uk/-/media/files/attachments/common/creating-a-new-climate-for-change/financed-emissions-disclosures-reporting-criteria.pdf.

Boosting the offshore wind industry in the UK

SeAH Wind Ltd is developing a new offshore wind technology manufacturing facility in Teesside, North-East England. The factory is seeking to make a significant contribution to the offshore wind industry and play an important role in addressing the growing global demand for renewable energy.

Building on previous financing in 2023, we acted as mandated lead arranger and lender for a $282m loan to SeAH Wind Ltd, with guarantees provided by UK Export Finance and the Korea Trade Insurance Corporation, bringing total financing arranged by HSBC for the project to $740m.

The proceeds will be used to support the ongoing construction and expansion of the new UK manufacturing facility, helping the company grow through its extended product range for offshore wind.

Net zero in our own operations TCFD

As described on page 15, we have revisited our ambition to achieve net zero in our own operations and supply chain by 2030 and are now focused on actions to cut emissions across these areas as part of our overall ambition to become net zero by 2050.

Reduce, replace and remove
Our guiding approach is, and will continue to be to reduce, replace and remove emissions from our own operations and supply chain. We plan to first focus on reducing carbon emissions from consumption, and then replace remaining emissions with low-carbon alternatives in line with the Paris Agreement. We will reduce emissions through the purchase of 100% renewables and plan to add investments in sustainable aviation fuel to replace traditional fuel and reduce emissions from our travel over time. Altogether, across our operations, business travel and supply chain, we expect to achieve a reduction of around 40% in emissions by 2030. In line with current guidance, we expect to only use carbon credits to remove emissions when it is not possible to directly reduce or replace. However, recognising the importance of high quality carbon removals in limiting global temperature rises, we have started to explore some high integrity carbon removal projects.

Our energy consumption
In 2024 we achieved a 30.5% reduction in our energy consumption compared with 2019 (2023: 26.3%).This has been achieved through optimising the use of our real estate portfolio and carrying out a reduction in our office space and data centres. We continue to optimise our assets to ensure greater efficiency and capitalise on new energy technologies. In 2024 we increased our purchase of electricity from renewable sources to 75.4% from 58.4% in 2023. This included increasing our coverage of green tariffs in India and mainland China. Renewable electricity can help unlock our emissions reduction potential, and we aim to achieve 100% renewable electricity across our own operations by 2030.

Our biggest challenge continues to be the limited availability of power purchase agreements and green tariffs in some of our markets due to regulations. We continue to expand our network of experts in the renewables space to help us identify opportunities globally.

Business travel
We have analysed our travel patterns to identify areas where we can continue to reduce emissions. For example, we have introduced internal regional reduction targets and emission information at the point of booking to encourage ownership and flexibility in decision making.

Engaging with our supply chain
Our supply chain contributes c.81% of our operational emissions and is the area in which we face the most significant decarbonisation challenge. When we set our ambition in 2020, we did so without detailed supply chain data.

It has become clear that progress in reducing emissions in our supply chain is proving slower than we anticipated, mainly driven by the slower pace of the transition across the real economy. Many suppliers are still in the early phase of their decarbonisation journey, do not have sufficient insight into their own emissions footprint, and have not set decarbonisation targets. We have stepped up targeted efforts to support decarbonisation across our supply chain.

We aim to deepen collaboration with suppliers and increase our focus on those without public disclosures or emissions reduction plans, supporting them through education and incentivisation. We will build partnerships with larger suppliers to drive change in shared supply chains through scaled solutions, including through industry initiatives.

In 2024 we incorporated an additional supply chain data source to complement data from CDP (formerly the Carbon Disclosure Project). We continue to improve the measurement, quality and reporting of our supply chain emissions data to generate insights to drive targeted reduction activities. We have engaged with our 300 highest-emitting suppliers to collaborate and identify emissions reduction opportunities based on supplier maturity levels.

In October 2024 we convened our first Supply Chain Decarbonisation Day to facilitate in-depth discussion and the development of joint action plans with some of our largest suppliers in the technology, professional services and real estate sectors, to help drive emissions reduction. In 2025, we will hold a similar event with different suppliers.

Focus on natural resources
We aim to be a responsible consumer of natural resources across our operations and supply chain. Wherever possible, through our procurement choices, design and construction, or operations, we aim to protect the environment and mitigate our impact on the depletion of natural resources. Our main focus areas are waste, paper and sustainable diets.

Our presence in environmentally sensitive areas
Our global portfolio of buildings supports customers and communities in areas that may be of high or very high water stress, and/or protected areas of biodiversity.

About 50% of our global offices, branches and data centres are located mainly in urban or city centre locations with large, concentrated populations. These areas have been identified as being subject to high and very high water stress, accounting for 49% of our annual water consumption and about 0.8% are in protected areas of biodiversity. We have implemented consumption reduction measures, including installation of water efficient taps, flow restrictors, auto-taps and low or zero flush sanitary fittings.

Our environmental and sustainability management policies

Our buildings policy recognises that regulatory and environmental requirements vary across geographies and may include environmental certification. The policy is supported by Corporate Services procedures on environmental and sustainability management, seeking to ensure that HSBC's properties continually reduce their overall direct impact on the environment.

Detailed design considerations documented in our global engineering standards aim to reduce or avoid depletion of critical resources, such as energy, water, land and raw materials. Suppliers are required to comply with our Supplier Code of Conduct and have in place environmental policies appropriate to the size and nature of their operations to reduce environmental impacts.