Introduction to HSBC's Sustainability Risk Policies

February 2025

HSBC

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Purpose

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

The primary role of risk management is to protect our customers, business, colleagues, shareholders, and the communities we serve, while executing our business strategy and delivering sustainable growth. Our appetite to do business in some sectors and jurisdictions will vary based on business strategy, credit risk and other risk-based considerations.

Our Policies

Our sustainability risk policies form part of our broader risk management framework and are important mechanisms for managing risks, including delivering our net zero ambition. Our sustainability risk policies focus on mitigating reputational, credit, legal and other risks related to our customers’ environmental and social impacts.

The sustainability risk policies that form part of our broader risk management framework 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
- 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 risk-driven and science-based approach, and focus on client engagement in support of this transition. Our other sustainability risk policies focus, consistent with our risk-based approach, more broadly on mitigating the risks inherent in specific sectors, targeting geographies where we have a high concentration of clients in these sectors facing credit and reputational risk and applying materiality considerations as appropriate.

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.

HSBC takes a risk-based approach when identifying transactions and clients to which our sustainability risk policies apply, and, where relevant, when reporting on relevant exposures, adopting approaches proportionate to risk and materiality. This helps us to focus our efforts on areas which we consider are most critical to focus on, whilst taking into account experience from policy implementation over time.

HSBC’s policies apply to corporate clients, the majority of which are managed in Corporate and Institutional Banking. 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 relevant considerations under our risk management framework, including whether our clients may be in scope of 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, as appropriate, including where required under the Equator Principles.

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.

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 actions as outlined in our policies, which, as appropriate, 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

Relevant information is published on the Sustainability Risk page and the ESG Reporting Centre on HSBC.com.

In addition, we disclose additional 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 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 broader risk management framework.

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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