

VOTE RECOMMENDATION:

Election of Brendan Nelson as chair..... **AGAINST**

Re-election of James Forese as director..... **AGAINST**

HSBC has significantly weakened its controls on oil & gas companies, changed the standards it uses to engage with non-EU and -OECD thermal coal clients in ways that make them less clear, and diluted the ambition of its decarbonisation targets. It has also expanded its discretion in relation to its risk management policies across oil, gas, and thermal coal. Taken together, these reversals undermine the bank's climate strategy and its management of environmental and transition risk. They signal a governance failure at board level, where directors have a responsibility to diligently exercise oversight of climate risks in order to safeguard long-term shareholder value. We consider the chair primarily accountable for the execution of the board's responsibilities, and therefore recommend a vote against their election at the bank's forthcoming AGM to restore confidence in the board's oversight of climate risk and HSBC's transition strategy. In addition, we recommend a vote against re-electing the chair of the Group Risk Committee, given this committee's specific oversight of ESG risk.

KEY TAKEAWAYS

HSBC has significantly weakened its oil & gas policy

The bank has altered its reference point for new oil & gas fields in a way that may allow direct financing of projects with a final investment decision later than the 31 December 2021 cut-off set in its previous policy. Further to this, it no longer rules out prospective clients investing significantly in exploration, has opened the door to more ultra-deepwater oil & gas, and taken regasification facilities out of its infrastructure-related restrictions. Taken together, these changes put HSBC a considerable way behind the oil & gas policies of major peers such as Barclays, BNP Paribas, and Crédit Agricole.

HSBC's commitment to a thermal coal phase-out remains in place, but expectations of clients are less clear

The bank removed an explicit expectation that non-EU/OECD clients without a phase-out commitment demonstrate plans to phase down their thermal coal assets, as well as a requirement that prospective clients have transition plans consistent with HSBC's targets and commitments. The bank retains a client transition plan assessment framework that balances various factors, but the exact standard for what is considered an acceptable phase-out plan from new and non-OECD clients is less clear than before.

HSBC has given itself broader discretion in relation to its policies on both oil & gas and thermal coal

Previously, HSBC had reserved the right to engage in transactions that otherwise contravened the wording of its policies provided they aligned with the goal of limiting global warming to 1.5C. The bank's new framing makes no mention of the 1.5C temperature goal. Instead, it refers vaguely to alignment with "HSBC's ambitions, targets and commitments." Furthermore, the bank can now decide when alignment with its ambitions is relevant. This change means clients and transactions that have little prospect of aligning with science-based decarbonisation pathways could still be passed.

Changes to HSBC’s targets run counter to the scientific consensus that has emerged since the Paris Agreement

Despite switching the 1.5C benchmark for its targets to a newer version of the IEA NZE that accounts for headwinds to the energy transition, the bank went a step further and changed its targets to a range of end values. For all but the coal sector, it will now aim for financed emissions in 2030 somewhere between 1.5C and 1.7C alignment. This makes it harder for investors to evaluate whether the bank is mobilising sufficient resources for an orderly transition and appears to diverge from the International Court of Justice’s understanding of the Paris temperature goal.

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» PART 1 – BACKGROUND

The drivers for banks to act on climate change and the energy transition remain strong. Despite political turbulence, 89% of people around the world still support climate action.ⁱ Similarly, the economics of a just and orderly transition remain compelling. Investment in renewables continues to break recordsⁱⁱ, with renewables capacity projected to grow faster between 2025 and 2030 than during the first half of this decade.ⁱⁱⁱ The transition to a cleaner economy is not going away. This creates a significant risk of stranded assets, exposing lenders to potential losses, particularly from the fossil fuel sector. The European Central Bank has warned of a “non-negligible increase in credit risk impairments” in a disorderly transition^{iv}, while the Bank of England warns impairment rates for fossil fuels could be twice as high as for other corporate portfolios.^v

At the same time, banks need to be increasingly aware of the physical risks from a changing climate, and how these may impact broader economic conditions. Acute risks can emerge from extreme weather conditions. Notably, climate-related extremes across Europe caused more than twice as much damage during the period 2022-23 as in the entire preceding decade.^{vi} Global losses from floods, cyclones, heatwaves, and droughts would double by 2050 compared to current levels were temperatures to rise by an average of 3C.^{vii} At the same time, climate change presents chronic risks to profitability and prosperity. Central banks predict a 3C increase in temperatures would reduce global labour productivity by 10% and chronic physical risks would impose a 15% hit to GDP around the world.^{viii}

This myriad of physical and transition risks not only raises the prospect of credit impairment, but will also result in economic conditions that are less predictable and less conducive to value creation. Banks need a plan to both manage and minimise these risks by adapting their business models and leveraging their position to advance the energy transition.

At the same time, the growing demand for sustainable financing presents considerable opportunities for banks. Already, the world’s largest banks are generating more from green syndication fees than fossil transactions.^{ix} To

compete for these opportunities in a crowded landscape, banks need plans now to invest in new products, develop expertise, initiate partnerships, and coordinate resources across the institution.

Policies restricting financing to fossil fuels and reducing financed emissions signal banks' strategic alignment with the energy transition and demonstrate a concrete commitment to halt support for the expansion of fossil-based activities. Backtracking on these public commitments severely undermines the credibility of a bank's climate strategy and increases its exposure to reputational, regulatory, and transition risks.

Effective oversight of climate- and transition-related risks is a well-established element of directors' duties. Section 172 of the UK's Companies Act 2006 requires directors act in good faith to promote the success of the company, which includes having regard to the long-term consequences of any decision and the impact of the company's operations on the community and environment.^x While directors have considerable discretion when it comes to balancing the many factors determining the company's success, there is widespread recognition in the UK that climate risk is financially material and something boards must actively manage.^{xi} This expectation reflects a growing recognition globally that climate risk management is an important part of directors' duties of care and loyalty.^{xii} Indeed, 89% of board directors surveyed by the Climate Governance Initiative in 2025 acknowledged that it is part of their role to influence their board on climate action.^{xiii}

Board responsibility is also reflected in established supervisory guidance for banks. The UK's Prudential Regulatory Authority expects boards act consistently "with the firm's own safety and soundness and the continuing stability of the financial system." This includes understanding climate-related risks so that the board can exercise its oversight function and ensure "such risks are effectively managed within the firm's overall business strategy".^{xiv} Similarly, the Hong Kong Monetary Authority has suggested authorised institutions engaged in transition planning should align their climate targets with the Paris Agreement and science-based pathways. It recommends board and executive oversight of this process, and advises "considerations about an orderly transition should be embedded into internal frameworks such as governance, accountability and risk management frameworks".^{xv}

By allowing their bank to dilute fossil fuel policies or decarbonisation targets, directors may compromise their duty to protect shareholder value and manage long-term climate-related risks. Ultimately, the chair is responsible for ensuring the board executes its duties in a way that commands the confidence of shareholders. Where shareholders no longer have confidence that effective oversight of the bank's climate strategy is being effectively delivered by the board, they should seek to hold the chair accountable. While engagement remains a critical tool, a bank's decision to materially backtrack on commitments developed over many years with the support of investors seriously impacts confidence in its climate strategy. In this case, shareholder action is justified in the immediate term to restore long-term confidence in the board's engagement on climate risks and opportunities.

» PART 2 – SUPPORTING ANALYSIS

2.1 Oil & gas

Why this pillar matters

Further oil & gas development breaches planetary boundaries, risks creating a glut of fossil fuels, and undermines long-term financial stability. The IEA has said "no new long lead time conventional oil & gas projects are approved for development" under its 1.5C-compatible Net Zero Emissions by 2050 scenario (NZE).^{xvi} In the latest World Energy Outlook 2025, the IEA again notes that "[a]s in previous editions of the NZE Scenario, upstream investment is directed towards maintaining the output of existing fields."^{xvii} Based on current expansion plans, the NZE would see significant numbers of oil & gas projects closing before the end of their technical lifetimes by the time we reach 2040, implying significant financial risks from stranded assets. Current trajectories for oil & gas supply greatly outstrip what is required in a 1.5C-compatible transition—a mismatch that would hit the profitability and valuation of oil & gas companies, as well as leading to large volumes of wasted investment. This financial risk could transfer to the banking sector either directly through impaired credit, or through more general macroeconomic and financial instability. Banks that are overly dependent on fees from oil & gas companies for capital markets services could also suffer from a disorderly loss of revenues, and should instead be planning a smooth transition to clients compatible with the emerging decarbonised economy.

Criteria

After updates to HSBC's policy in November 2025, the bank no longer meets our climate criteria for 'Corporate finance expansion (upstream)' (OG.c) and 'Corporate finance threshold (ultra-deepwater)' (UOG.U.b). It has also weakened its position against the following criteria: 'Dedicated finance (upstream)' (OG.a), 'Dedicated finance (midstream)' (OG.b), 'Dedicated finance (Arctic)' (UOG.A.a), 'Corporate finance threshold (Arctic)' (UOG.A.b), 'Dedicated finance (fracking)' (UOG.F.a), 'Corporate finance threshold (fracking)' (UOG.F.b), 'Dedicated finance (oil sands)' (UOG.O.a), and 'Dedicated finance (ultra-deepwater)' (UOG.U.a).

Criteria	HSBC (old)	HSBC (new)	Barclays	BNP Paribas
OG.a - Dedicated finance (upstream)	Y*	↓Y**	Y	Y*
OG.b - Dedicated finance (midstream)	Y*	↓Y**	Y**	Y**
OG.c - Corporate finance expansion (upstream)	Prospective clients where >10% of total planned O&G capital expenditure is in O&G exploration**	↓N	Only finances non-diversified groups where >10% oil & gas capex is in long-lead expansion by exception; New clients where >10% of oil & gas capex is in expansion**	No independent oil & gas producers / conventional oil & gas bonds**
OG.d - Products and services	Y	Y	Y	Y
UOG.A.a - Dedicated finance (Arctic)	Y*	↓Y**	Y	Y
UOG.A.b - Corporate finance threshold (Arctic)	Clients with operations "substantially" in Arctic oil & gas OR prospective clients operating Arctic oil & gas assets**	↓ Clients with operations "substantially" in Arctic oil & gas**	20% of total oil & gas production*	10% of reserves / 10% ratio of non-conventional reserves to upstream revenues
UOG.A.c - Products and services	Y	Y	Y	Y
UOG.F.a - Dedicated finance (fracking)	Y**	↓Y**	Y**	Y

UOG.F.b - Corporate finance threshold (fracking)	Clients with operations “substantially” in shale oil OR prospective clients deriving >10% of production from shale oil**	↓ Clients with operations “substantially” in shale oil**	20% of total oil & gas production (UK/EU only)**	10% of reserves / 10% ratio of non-conventional reserves to upstream revenues
UOG.F.c - Products and services	Y	Y	Y	Y
UOG.O.a - Dedicated finance (oil sands)	Y**	↓Y**	Y**	Y
UOG.O.b - Corporate finance threshold (oil sands)	N	N	10% of revenue (majority owners/operators of oil sands assets)*	10% of reserves / 10% ratio of non-conventional reserves to upstream revenues
UOG.O.c - Products and services	Y	Y	Y	Y
UOG.U.a- Dedicated finance (ultra-deepwater)	Y*	↓Y**	Y	Y
UOG.U.b - Corporate finance threshold (ultra-deepwater)	Clients with operations “substantially” in ultra-deepwater oil & gas OR prospective clients deriving >10% of production from ultra-deepwater oil & gas**	↓N	N	N
UOG.U.c - Products and services	Y	Y	Y	Y

Y = Meets criteria	Y* = Meets criteria, with technical exceptions	Y** = Meets criteria, with material exceptions	N = Does not meet criteria
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OG.a - Dedicated finance (upstream)	Does the bank exclude dedicated finance for new oil & gas projects?
OG.b - Dedicated finance (midstream)	Does the bank exclude dedicated finance for new infrastructure enabling the transport, liquefaction, or regasification of oil & gas?

OG.c - Corporate finance expansion (upstream)

Does the bank exclude general corporate purpose finance for companies engaged in new oil & gas projects?

OG.d - Products and services

Does the policy apply to all relevant products and services, and at a minimum to the bank's lending and capital markets facilitation activities?

UOG.A/F/O/U.a - Dedicated finance (unconventional)

Does the bank exclude dedicated finance for new Arctic oil & gas / fracking / oil sands / ultra-deepwater oil & gas projects or the expansion of existing projects?

UOG.A/F/O/U.b - Corporate finance threshold (unconventional)

Does the bank restrict general corporate purpose finance for companies that are exposed to Arctic oil & gas / fracking / oil sands / ultra-deepwater oil & gas based on a relative threshold, such as the percentage of oil & gas production or revenues derived from these segments?

UOG.A/F/O/U.c - Products and services

Does the policy apply to all relevant products and services, and at a minimum to the bank's lending and capital markets facilitation activities?

Changes to policy position

Comparing HSBC's policies in February 2025 and November 2025, a key overarching change was the decision by the bank to extend its discretion to accept clients and transactions that otherwise contravene the terms of its policy. Previously, the bank had permitted otherwise non-compliant transactions provided they aligned with the general goal of limiting global warming to 1.5C. This discretion was already concerning; however, the bank's new framing is even more permissive. Firstly, there is no mention of the 1.5C temperature goal. Instead, the bank vaguely references alignment with "HSBC's ambitions, targets and commitments." Furthermore, the bank now reserves the right to decide when alignment with its ambitions, targets and commitments is relevant. This change means clients and transactions that contravene the bank's policy and have little prospect of aligning with science-based decarbonisation pathways could still be passed. This not only undermines the oil & gas aspects of HSBC's risk management policy, but undercuts the entire framework.

Among the other changes to HSBC's oil & gas position, the most significant is the bank's decision to drop its previous restrictions on new oil & gas clients. Under HSBC's previous Energy Policy, the bank committed not to finance prospective clients where more than 10% of total planned oil & gas capex is directed to exploration. There is no mention of this in the new Sustainability Risk Policies Framework. The restriction on prospective clients always impacted a limited universe of companies, since the bank was still able to support existing clients investing large sums in oil & gas exploration. However, the abandonment of this commitment appears to give HSBC freedom to take on clients whose plans are inconsistent with the bank's own commitments to Paris-alignment.

HSBC also appears to have weakened its general approach to new oil & gas projects. Following an investor-backed resolution in 2022, the bank ruled out new finance and advisory services to projects linked with new oil & gas fields where the final investment decision was taken after 31 December 2021. This has been changed in the new Sustainability Risk Policies Framework so that new fields only needed to receive government permitting before the 2021 cutoff date. The bank's new wording could, therefore, allow the financing of projects that received a final investment decision after obtaining government permits in 2021.

HSBC has similarly weakened restrictions on the dedicated finance it provides to oil & gas infrastructure. The bank has a restriction in both its previous Energy Policy and the new Sustainability Risk Policies Framework that rules out new finance and advisory services for infrastructure whose primary use is in conjunction with new oil & gas fields. However, the definition of O&G infrastructure no longer covers regasification facilities used to import liquefied nature gas (LNG). The new definition similarly affects the bank's commitment not to provide dedicated finance to oil & gas infrastructure whose primary use is directly in conjunction with projects in environmentally and socially critical areas, such as the Arctic.

HSBC has broadly weakened its restrictions on companies exposed to unconventional and high-risk oil & gas segments. Previously, the bank ruled out new relationships with prospective clients with assets in the Arctic or deriving more than 10% of production from ultra-deepwater oil & gas, shale oil, or extra-heavy oil. These commitments on new clients have been removed from the bank's new Sustainability Risk Policies Framework. What remains is a commitment not to provide new finance or advisory services to clients whose overall operations are "substantially" in shale oil, extra-heavy oil, projects in environmentally and socially critical areas, or associated infrastructure. The bank does not define "substantially", but it is certainly higher than the bank's previous tolerance for new clients involved in unconventional and high-risk oil & gas segments.

The bank has weakened its position on ultra-deepwater oil & gas even further. Previously, it would not provide new finance or advisory services for ultra-deepwater exploration, appraisal, development, and production. This reference to ultra-deepwater projects has been removed from Sustainability Risk Policies Framework. While the bank's commitment not to directly finance new oil & gas fields still has some effect on ultra-deepwater projects, the bank will now be able to support a range of ultra-deepwater projects in existing fields.

For a side-by-side comparison of the bank's old and new policies, see the appendix.

Analysis

Increasing uncertainty about how policies will be implemented

HSBC's increased ability to approve exceptions to its restrictions for oil & gas reflects a growing trend towards ambiguity in the bank's policies. As recently as HSBC's July 2024 Energy Policy, the bank did not explicitly provide for circumstances in which a client contravening the policy might still obtain funding. This wording was introduced in the February 2025 iteration of the bank's policy and, as of November 2025, now gives the bank broader discretion to disregard the terms of its Sustainability Risk Policies Framework. The purpose of sustainability risk policies is to identify in advance any transactions and clients the bank deems too risky to support. This provides certainty to investors concerned about transition risk and the long-run physical effects of climate change. Introducing broader discretion in relation to the policy contradicts this purpose. Investors should have broad certainty around what a bank will and will not finance in light of its view of risk, and should have confidence that its risk appetite will not be expediently set aside.

Moving backward on oil & gas exploration and new projects

Turning to the specific elements of HSBC's backtracking, the bank's position on restricting general purpose financing for companies involved in the exploration and development of new oil & gas projects was already weaker than many European peers. Crédit Mutuel, Danske Bank, DZ Bank, and La Banque Postale all rule out financing to clients expanding oil & gas on a general basis. BNP Paribas and Crédit Agricole have said they will no longer participate in conventional oil & gas bonds. Even Barclays, the largest financer of oil & gas among European banks, restricts financing for non-diversified oil & gas groups directing 10% of their capex to long-lead expansion and new clients directing 10% of their capex to expansion. The latest changes to HSBC's policy put it even further behind peers. If ShareAction were to conduct its In Debt to the Planet 2025 benchmark today, HSBC's ranking among European banks for its oil & gas restrictions would fall from 9th to 20th, even accounting for backtracking by other banks in the second half of 2025. It would remain behind major peers like Barclays, BNP Paribas, Crédit Agricole, and Societe Generale, and would drop below banks like Lloyds Banking Group, NatWest Group, and Santander, who it was ahead of in the last iteration of the benchmark.

The decision to ease restrictions on new clients engaged in significant oil & gas exploration or with exposure to unconventional and high-risk oil & gas segments will enable a greater number of companies to access financing from the bank. Furthermore, the bank's adjustment of its cut-off date for new oil & gas projects expands the scope of direct financing HSBC may pursue, given some project developers may have made a financial investment decision significantly later than government permitting. While the FID on some projects may be unclear, the bank could have dealt with this issue by exception rather than making it the rule.

Taken together, these changes signal a retreat from decarbonisation and a renewed backing for fossil fuel development. They also come at a time when the bank's progress on reducing fossil fuel financing has stalled. The bank sharply reduced financing of GOGEL- and GCEL-listed companies—firms actively expanding fossil fuel

operations—from \$11.9bn in 2021 to \$7.0bn in 2022. However, financing of these companies was still \$7.0bn in 2024, making HSBC Europe’s fourth largest financier.^{xviii}

Along with increased reputational risk, engagement with new clients expanding operations in the oil & gas sector elevates the bank’s exposure to asset stranding. Various studies put the potential value of stranded oil & gas assets at \$3-16 trillion, with an impact on fossil fuel profits of well over \$1 trillion over the next 15 years.^{xix} In the nearer term, Carbon Tracker has warned oil & gas companies could waste almost half a trillion of capex if they fail to curb planned overinvestment between 2023 and 2029.^{xx} There are also broad implications for the financial sector. The ECB finds that transition risk would cause a "non-negligible increase in credit risk impairments" in a short-term disorderly scenario, driven by the most carbon-emitting sectors including fossil fuels.^{xxi} Similarly, the Bank of England notes that impairment rates for fossil fuels would be twice as high on average compared to other corporate portfolios in an early and late action scenario.^{xxii}

The bank’s decision to weaken its policy on oil & gas exploration appears particularly at odds with both the positioning of its transition plan and its commitment to the Paris Agreement. The bank’s updated transition plan was released with research showing 80% of its clients aim to accelerate their approach to the climate transition in the next three years. Companies investing in new oil & gas exploration are doing the opposite of this. They are committing capital to an activity that is not needed in either a 1.5C- or even 1.7C-aligned transition. As the IEA noted in its most recent World Energy Outlook, a world following the 1.7C-aligned APS scenario would have no need in aggregate for new exploration.^{xxiii} While some new exploration could take place, it would need to be matched by the closure of existing sources of oil & gas production.^{xxiv} Under its old policy, HSBC was already able to support existing clients whose exploration for oil & gas is clearly inconsistent with the Paris Agreement. Instead of tightening its restrictions on these companies in a way that would advance the bank’s transition to net zero, it is clearing the way for new clients with significant exploration plans.

Opening the door to high-risk regasification infrastructure and ultra-deepwater oil & gas

Two additional decisions by HSBC present further risks to the bank. The first concerns the removal of regasification infrastructure from the scope of its dedicated financing restrictions. HSBC is signalling increased appetite for financing regasification infrastructure at a time when capacity is already overprovided. The bank’s backtracking is also concerning given its recent support for controversial LNG infrastructure projects such as Rio Grande LNG^{xxv}, which has raised concerns related to the rights of local Indigenous Peoples. Rio Grande LNG had faced delays due to legal challenges and significant reputation risks, following which, some banks ruled out financing, including BNP Paribas, Societe Generale, and Crédit Agricole.^{xxvi}

The most optimistic IEA scenario for LNG demand, the Current Policies Scenario (CPS), assumes Europe, China, and Japan absorb more than half of the increased supply from new liquefaction projects.^{xxvii} However, this scenario makes large assumptions that the uptake of clean technologies will slow and that current policies will not change even where governments have announced an intention to act.^{xxviii} There is good reason to believe, given the European Union’s continued commitment to transition its energy sector, coupled with a structural decline in its manufacturing output, that the medium-to-long-term scope for further LNG imports into Europe is limited.^{xxix} Indeed, Europe’s 2030 regasification capacity is expected to be three times the continent’s LNG demand.^{xxx} Similarly, China’s deepening energy relationship with Russia, increased domestic production, and rapid deployment of renewable technologies suggest LNG demand here could be similarly constrained.^{xxxi} The IEA’s stated-policies (STEPS) scenario suggests that some LNG could be displaced to emerging markets and developing countries if European and Chinese demand fails to materialise.^{xxxii} However, many of these countries have already experienced the dangers of LNG dependency following gas price spikes in the early 2020s and are pivoting to renewables with the help of cheap Chinese manufactured solar panels. Pakistan, for example, was forced to cancel deliveries of LNG after Russia’s invasion of Ukraine pushed up prices.^{xxxiii} Since then, it has seen unprecedented growth in renewables deployment, with solar power now accounting for 20% of the country’s electricity.^{xxxiv} A further risk to the viability of regasification infrastructure comes from the narrowing gap between US and European gas prices. This can lead to situations, such as in December 2025, where US LNG exporters are unable to cover their full liquefaction and regasification costs. In this case, it begins to become unsustainable for plants to sell into European regasification infrastructure.^{xxxv}

Finally, the fact that the bank may again be able to take on new clients exposed to ultra-deepwater oil & gas and finance new projects in existing ultra-deepwater fields is a significant concern. HSBC has already shown appetite for financing companies with significant ultra-deepwater exposure. According to Banking on Climate Chaos, HSBC helped Exxon Mobil, Eni, and TotalEnergies raise nearly \$2.3 billion between 2021 and 2024.^{xxxvi} These three

companies are currently among the ten largest developers of ultra-deepwater oil & gas.^{xxxvii} Furthermore, in November and December 2025, HSBC served as a bookrunner on a bond for Shell Finance US and arranger on a revolving credit facility for Shell plc for the first time since 2020.^{xxxviii} Shell is also one of the ten largest developers of ultra-deepwater oil & gas and derives approximately 19% of its total production from this high-risk segment.^{xxxix}

Ultra-deepwater oil & gas has a particular impact on sensitive marine ecosystems, negatively affects coastal communities, and comes with additional costs in areas such as decommissioning.^{xl} As the United Nations Human Rights Council has noted, there are more than 32,000 abandoned wells releasing toxins and emissions in the Gulf of Mexico alone, while the lack of regulation and monitoring of companies operating on the ocean can lead to large-scale environmental harm and human rights abuses.^{xli} Managing the risk of uncontrolled influxes of gas, known as gas kicks, which can lead to blowouts, is a particularly complicated process during ultra-deepwater drilling. While improvements have been made over time, systems for flagging these kicks still face detection delays.^{xlii} As BP found, the costs of major incidents in a deepwater environment can be severe.^{xliii} Even without these major events, ultra-deepwater oil & gas has a record of poor transparency, obscuring a potential build-up of risk. Methane leakage has historically been underreported^{xliv}, while the release of oil pollution into the ocean via intentional discharges known as produced water have traditionally been underestimated.^{xlv} As Oceana notes from its study of UK operations, almost a third of reports for the release of produced water failed to detail the volume of oil discharged.^{xlvi}

Calling into question the bank's commitment to the Paris Agreement

The changes HSBC has made to its oil & gas restrictions mark a step backward. Instead of using its influence and resources to steward down its exposure to oil & gas producers, the bank is giving itself freedom to take on more clients in the sector. While the impact of HSBC's policy changes for the composition of its portfolio is yet to be seen, it is evident from the IEA's scenario analysis that companies engaged in significant oil & gas exploration are neither aligned with the temperature goal of the Paris Agreement articulated in 2016, nor with the best available science that has developed since. Similarly, the IEA has shown that no further LNG infrastructure is needed in a net zero scenario—in fact, 70% of export projects currently under development would struggle to return their investment.^{xlvii} By giving itself space to provide further finance to these companies, HSBC risks locking in activities that critically undermine the transition, even if the bank itself eventually reaches net zero. In light of this, it is incumbent on the bank to explain how changing its policies reflects the spirit of its commitment to the Paris Agreement.

2.2 Thermal coal

Why this pillar matters

Coal is the most carbon intensive fossil fuel and phasing out its use in the energy system is key to achieving the 1.5C warming limit of the Paris Agreement. In the IEA's Net Zero by 2050 (NZE) scenario, coal demand falls sharply, meaning no new mines are required and higher cost mines are forced to close. In less ambitious scenarios for coal phase-out, demand is particularly dependent on China and India, who account for nearly half of global use.^{xlviii} This dynamic exposes assumptions about coal demand to high levels of policy-related risk, particularly given China's short-term expansion of coal power capacity against a backdrop of falling utilisation rates for existing coal plants and a rapid shift to clean energy.^{xlix} Even in the IEA's stated policies scenario (STEPS), Chinese coal demand is set to fall by around 25% by 2035—equivalent to all the coal currently used in advanced economies.^l In the European Union, coal-powered generation falls to one-ninth of today's levels under STEPS by 2035^{li}, with the continent needing to be free of unabated coal power by 2030 to keep within the boundaries of the Paris Agreement.^{lii}

Restricting finance to coal should ensure companies that are not transitioning away from coal-related activities find it increasingly challenging to find capital for their business. Rising capital costs for coal will make coal projects less attractive for companies and for investors in the sector—a shift compounded by the rapidly falling cost of alternative energy sources.

Criteria

After updates to HSBC's policy in November 2025, the bank has weakened its position against the following criteria: 'Dedicated finance (mining)' (CM.a), 'Corporate finance threshold (mining)' (CM.b), 'Corporate finance

expansion (mining)' (CM.c), 'Dedicated finance (power)' (CP.a), 'Corporate finance threshold (power)' (CP.b), and 'Corporate finance expansion (power)' (CP.c).

Criteria	HSBC (old)	HSBC (new)	Barclays	BNP Paribas
CM.a - Dedicated finance (mining)	Y*	↓Y**	Y**	Y
CM.b - Corporate finance threshold (mining)	EU/OECD: 30% of revenues; New clients: 10% revenues or 15% total production**	↓EU/OECD: 30% of revenues; New clients: 10% revenues or 15% total production**	30% of revenues; New clients: No tolerance**	20% of revenues*
CM.c - Corporate finance expansion (mining)	Y**	↓Y**	Y**	Y
CM.d - Phase-out (mining)	2030 EU/OECD; 2040 RoW	2030 EU/OECD; 2040 RoW	2030 EU/OECD; 2035 RoW**	2030 EU/OECD; 2040 RoW
CM.e - Products and services	Y	Y	Y	Y
CP.a - Dedicated finance (power)	Y*	↓Y**	Y**	Y
CP.b - Corporate finance threshold (power)	EU/OECD: 30% of revenues; New clients: 10% generating capacity**	↓EU/OECD: 30% of revenues; New clients: 10% generating capacity**	30% of revenues**	New clients: 25% of revenues**
CP.c - Corporate finance expansion (power)	Y**	↓Y**	Y**	Y
CP.d - Phase-out (power)	2030 EU/OECD; 2040 RoW	2030 EU/OECD; 2040 RoW	2030 EU/OECD; 2035 RoW*	2030 EU/OECD; 2040 RoW
CP.e - Products and services	Y	Y	Y	Y

Y = Meets criteria	Y* = Meets criteria, with technical exceptions	Y** = Meets criteria, with material exceptions	N = Does not meet criteria
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CM/P.a - Dedicated finance

Does the bank exclude dedicated finance for new thermal coal mining / power projects or the expansion of existing projects?

CM/P.b - Corporate finance threshold

Does the bank restrict general corporate purpose finance for companies that are exposed to the thermal coal mining / power sector based on a relative threshold, such as the percentage of mining revenues / power generation derived from coal?

CM/P.c - Corporate finance expansion

Does the bank exclude general corporate purpose finance for clients developing new thermal coal mining / power projects or extending the lifespan and/or capacity of existing projects?

CM/P.d - Phase-out

Has the bank committed to a phase out of thermal coal mining / power by 2030 in OECD countries and 2040 globally?

CM/P.e - Products and services

Does the policy apply to all relevant products and services, and at a minimum to the bank's lending and capital markets facilitation activities?

Changes to policy position

While there have been no direct changes to core elements of HSBC's thermal coal position, it is impacted by broader adjustments to the bank's overall risk policies framework—namely, its decision to expand discretion for clients and transactions that otherwise contravene the bank's policy. This is the same change identified for oil & gas. As noted in the section above, the bank had previously permitted otherwise non-compliant transactions provided they aligned with the general goal of limiting global warming to 1.5C. The bank's new framing is even more permissive: there is no mention of the 1.5C temperature goal and the bank reserves the right to decide when alignment with its ambitions, targets, and commitments is relevant. This change appears to mean clients and transactions that contravene the bank's policy and have no prospect of aligning with science-based decarbonisation pathways could still be passed.

Aside from the discretion the bank is giving itself under its overarching risk framework, the rest of HSBC's coal policy remains broadly the same. However, it has made subtle adjustments that make it harder for investors to appraise its engagement with coal clients. The bank previously acknowledged in its Thermal Coal Phase-out Policy that non-EU/OECD clients may not yet have announced a phase-out date for thermal coal. However, it said that it "expects clients to demonstrate plans to phase down their thermal coal assets, while increasing investment into clean technology and infrastructure where applicable". This expectation is no longer present in the bank's new Sustainability Risk Policies Framework, which states simply that the bank "will evaluate the detail of the transition plans our clients produce."

Similarly, for prospective clients, the bank's Thermal Coal Phase-Out Policy used to state that the bank would not start a relationship if the client "declines to engage sufficiently on its transition plan, or if HSBC determines that the prospective client's transition plan is not consistent with HSBC's targets and commitments". It has retained the first part of this restriction in the new Sustainability Risk Policies Framework, but removed the direct requirement that transition plans are consistent with the bank's targets and commitments.

For a side-by-side comparison of the bank's old and new policies, see the appendix.

Analysis

The bank's changes to its risk policies framework impacting coal are more subtle, but still significant. While it maintains its commitment to phase-out thermal coal exposure by 2030 in EU/OECD countries and by 2040 for the rest of the world, enshrined in its 2021 Special Resolution, the pattern of changes implemented by HSBC suggest greater flexibility to support companies unaligned with this ambition. This flexibility is most clearly demonstrated through the extra discretion the bank has to support clients and transactions that otherwise contravene its policy. However, the thread also runs through the more subtle adjustments made to the bank's position.

Removing the expectation that non-OECD clients demonstrate a plan to phase down their thermal coal assets and that prospective clients align with HSBC's targets and commitments does not impact the bank's end goal of phasing out thermal coal exposure. However, it may in future give the bank more flexibility to provide financing and advisory services to existing and new clients whose plans to phase down and cease thermal coal activities do not match HSBC's own commitments. What remains in the new policy is a commitment by the bank to employ a "risk-based, proportionate and iterative approach" to transition plan review, taking account of "financed emissions contribution, financing exposures and transition risk, amongst other factors". The bank elaborates in its own transition plan, noting that it requires information from clients on their emissions trend, the ambition of their transition plan, details of their plans to achieve this ambition, evidence of actions they have taken already, and information on their physical and transition risk.^{liii} For coal specifically, the bank has pledged to conduct enhanced due diligence in specific cases, such as when a client group is engaged in activities not aligned with the bank's phase-out commitment.

The bank may still try to engage with clients and steer them towards a transition, but the exact standard they must hit is less clear under the new policy than it was previously. Before, investors knew clearly that new clients would have to align with the bank's targets and commitments, and that non-OECD clients would have to show they were reducing coal exposure. Now, these are just part of a web of considerations the bank is balancing when assessing clients. This provides flexibility for its clients, particularly in countries without coal phase-out mandates aligned to the bank's own policies. However, on an issue as important as clients' plans to phase down and phase out coal exposure, it is reasonable to expect more transparency from HSBC on what it does and does not consider acceptable. The bank may well retain the previous redlines it set out for new and non-OECD clients, but it should make this explicit. While HSBC is likely to be present in countries without coal phase-out commitments—or at least with later end dates than in the EU and OECD—this does not in itself provide clear grounds for the bank to retain discretion to finance companies straying significantly from its own phase-out timelines. Indeed, filtering out these companies was the original purpose of expectations for new and non-OECD clients. The bank could show it had no appetite for taking on more unaligned clients and demonstrate it had clear guardrails for its engagement with those already in its portfolio.

The reduced transparency from HSBC on where it wants to steer non-OECD and new clients' transition plans stands in contrast to peers. Standard Chartered has set out a timeline for how it will tighten restrictions on clients' thermal coal exposure over time, and both BNP Paribas and Crédit Agricole, which require clients present phase-out plans aligned with the banks' own policies. It also appears contrary to comments made by HSBC in its previous thermal coal phase-out policy. Here, the bank noted that engagement with clients on their transition plans will require "being clear on what we will and won't finance".^{liv} Shareholders should interrogate the bank further on whether it is truly using its leverage to drive the shift away from coal, or is content to finance clients right up to its phase-out dates that clearly intend to keep perpetuating coal-related emissions.

2.3 Decarbonisation targets

Why this pillar matters

Managing the risks and opportunities of the energy transition requires banks to make long term investments—not only in their analytical tools, expertise, products, and services, but also in their relationships with clients and policymakers. For these investments to successfully transform the bank's business model to compete in a changing economy, it needs clear and stable institutional incentives that guide decision-making. Decarbonisation targets help provide these incentives, easing coordination in an incredibly complex organisation and demonstrating the bank's direction of travel when the payoffs from current actions may be years ahead.

While the quality of target implementation varies considerably, research has shown that banks committed to the Science Based Target initiative (SBTi) charge polluting companies a higher interest rate than other banks, while offering a discount to borrowers that have made climate commitments.^{lv} Similarly, ShareAction analysis suggests that banks with more robust climate targets increase financing for sustainable energy relative to fossil fuels at a faster pace.^{lvi}

To ensure banks are transitioning their business model, rather than engaging in piecemeal action, it is important decarbonisation targets cover all emissions-intensive sectors material to the bank's activities. The Net Zero Banking Alliance (NZBA) identified the relevant emission-intensive sectors for target setting as: aluminium; cement, coal;

commercial real estate; residential real estate; iron & steel, oil & gas; power generation; and transportation.^{lvii} While the NZBA has ceased to be a membership organisation, this standard remains a primary reference point for the banking sector. It is also incumbent on banks that choose not to cover sectors in this list to explain why they have deemed the sector immaterial.

Flaws in their design is an important reason why banks' targets may end up being less impactful than they need to be. In this respect, it is critical banks align the trajectory of their decarbonisation targets with the Paris Agreement's 1.5C temperature goal. Moreover, with 40% of global banks' support for fossil fuels channelled through the underwriting of bonds and equity, it is important that decarbonisation targets not only cover lending but also the bank's role as a facilitator of finance.^{lviii}

Criteria

After updates to HSBC's policy in November 2025, the bank has weakened its targets in the following areas: 'Sectoral decarbonisation targets' (SD.a) and 'Sectoral decarbonisation targets methodology' (SD.b).

Criteria	HSBC (old)	HSBC (new)	Barclays	BNP Paribas
HD.a – Net zero commitment				
SD.a – Sectoral decarbonisation targets	7 sectors covered. No targets for agriculture, commercial or residential real estate, and shipping	↓6 sectors covered. No targets for agriculture, aluminium, commercial or residential real estate, and shipping	8 sectors covered. No targets for aluminium, shipping, and residential real estate	9 sectors covered. No targets for agriculture and residential real estate
SD.b – Sectoral decarbonisation targets methodology	7 sectoral targets 1.5C-aligned	↓No targets 1.5C-aligned. All sectors use ranges where only the upper end is 1.5C-aligned	4 sectoral targets 1.5C-aligned. Automotive, cement, iron & steel, and power generation targets use ranges where only upper end is 1.5C-aligned	8 sectoral targets 1.5C-aligned. Shipping target aligned to 1.6C
SD.c – Sectoral decarbonisation targets products and services	2 sectoral targets cover lending and capital markets. All others only cover lending	2 sectoral targets cover lending and capital markets. All others only cover lending	6 sectoral targets cover lending and capital markets. All others only cover lending	All sectoral targets cover lending, but not capital markets activity

Fully compliant	Partially compliant /only compliant for some targets	Not compliant
------------------------	---	----------------------

HD.a – Net zero commitment	Has the bank set a high-level target to align its financing with net-zero emissions by 2050 at the latest?
SD.a – Sectoral decarbonisation targets	Has the bank set interim decarbonisation targets to reduce emissions connected with agriculture, aluminium, cement, commercial real estate, residential real estate, iron & steel, oil & gas, power generation,

SD.b – Sectoral decarbonisation targets methodology

and transportation (automotive/road transport, aviation, shipping) by 2030 or earlier?

Does the bank rely on 1.5C-aligned climate scenarios to set sectoral decarbonisation targets?

SD.c – Sectoral decarbonisation targets products and services

Does the bank cover all relevant financing activities in sectoral decarbonation targets?

Changes to policy position

HSBC previously based all its decarbonisation targets on the 1.5C-aligned IEA NZE scenario from 2021. Its new transition plan brings in two major changes to this framework.

Firstly, the bank has shifted to the IEA's 1.5C-aligned NZE scenario from 2024, which, as the bank explains in its transition plan, was updated to in part reflect ongoing transition challenges. This allows for a slightly slower transition up to 2030, meaning the targeted reduction of financed emissions in some sectors is less than under the 2021 IEA NZE. For example, the bank is now targeting a 30% reduction in oil & gas financed emissions versus 34% previously. Its previous power and utilities target aimed for 138 tCO₂e/GWh in 2030, versus the new target's 195 tCO₂e/GWh.

Despite shifting the benchmark for its targets to a new version of the IEA NZE that reflects some of the headwinds faced by the energy transition, HSBC has also adjusted all its targets, except for those applying to coal, so that the end goal is a range of values. The most ambitious value is still 1.5C-aligned, but the least ambitious value is benchmarked to the IEA's 1.7C APS scenario. Despite this additional flexibility, the bank still says its ability to meet these targets is dependent on a wide range of external factors.

Aside from the changes to target ambitions, the bank has removed aluminium from the scope of its iron, steel, and aluminium target. It claims this is because aluminium exposure is very limited and has a different emissions intensity to other metals. However, the bank does not explain its threshold for what is and is not considered material exposure.

For a side-by-side comparison of the bank's old and new targets, see the appendix.

Analysis

Diluted ambition undermines targets and runs contrary to scientific consensus

HSBC has essentially accounted for political and economic uncertainty three times over while adjusting the ambition of its decarbonisation targets. Uncertainty is factored into the new NZE scenario, it is factored into the range of target values, and it is factored into the final disclaimer about external factors. A question for shareholders is whether all of this accounting for uncertainty defeats the original purpose of the bank's climate targets. Targets are meant to be stretching and should provide a solid foundation around which the bank coordinates its financing priorities, team resourcing, upskilling, and new product development. Of course, headwinds can emerge, but trying to account for this with a range of potential end goals just makes it harder for the bank and its stakeholders to assess whether it is mobilising the right level of resources.

Reversing the ambition of its decarbonisation targets also represents a disappointing loss of momentum for HSBC's ongoing alignment with scientific consensus since the Paris Agreement. This was a journey years in the making for both the bank and its investors. HSBC took a major step in 2021 with a management-backed Special Resolution supported by 99.71% of shareholders.^{lix} As part of this resolution, the bank committed to "a strategy with short and medium term targets to align its provision of finance across all sectors [...] with the goals and timelines of the Paris Agreement", with explicit reference to Article 2.1(a) and Article 4.1.^{lx} Article 2.1(a) outlines the Paris goal of keeping "the global average temperature to well below 2C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5C". Article 4.1 more broadly defines a commitment to "undertake rapid reductions [in greenhouse gas emissions] in accordance with best available science, so as to achieve a balance between anthropogenic emissions by sources and removals".^{lxi}

As it worked to fulfil this commitment, HSBC's direction of travel appeared consistent with growing agreement around the 1.5C goal. This had emerged as early as the IPCC's 2018 Special Report on Global Warming of 1.5C^{lxii}

and was reflected in the Glasgow Climate Pact of 2021, where states recognised “the impacts of climate change will be much lower at the temperature increase of 1.5C compared with 2C” and resolved “to pursue efforts to limit the temperature increase to 1.5C.”^{lxiii} By May 2022, HSBC followed up its resolution with a pledge “to phase down our financing of fossil fuels to what is required to limit the global temperature rise to 1.5C” and to publish a transition plan that would explain how the bank “will be aligned with the 1.5C goal of the Paris Agreement.”^{lxiv} The next year, it published this transition plan, saying the bank was “aiming to achieve a 1.5C-aligned phase-down of our financed emissions from our portfolio.”^{lxv}

Since HSBC’s first transition plan, the centrality of Paris’ 1.5C goal has only solidified, with the International Court of Justice concluding last year that “1.5C has become the scientifically based consensus target under the Paris Agreement” and “the parties’ agreed primary temperature goal.”^{lxvi} Unfortunately, HSBC is now moving contrary to this momentum. The bank is shifting to targets that are less stretching than first set after the Special Resolution. It is relaxing its ambition at a time when scientific and legal opinion is underlining the importance of every tenth of a degree. Recent research has shown that while the 1.5C goal may be temporarily overshoot, it remains possible to return warming to below this level by 2100.^{lxvii} The ethical imperative for banks like HSBC to align activities with 1.5C is, therefore, strengthened rather than undermined by the potential of overshoot.^{lxviii}

Decision to drop aluminium target missing transparent justification

While the implications of the bank’s decision to drop aluminium from its decarbonisation targets has narrower implications for HSBC’s strategy, the potential impacts remain significant. The bank has credible reasons to separate aluminium from iron & steel, but this does not justify abandonment of the target. If the bank wishes to argue aluminium is an insignificant part of its financing, it is incumbent on HSBC to disclose what threshold it uses to define material sectors. This principle of transparency when it comes to excluding sectors from target setting is well established in guidance released by the NZBA^{lxix} and Transition Plan Taskforce.^{lxx}

In the absence of a target, HSBC is lacking strategic direction for a sector key to the energy transition. Aluminium accounts for 3% of the world’s direct industrial CO2 emissions^{lxxi}, but could see this grow 90% by 2050.^{lxxii} Aluminium demand is projected to increase 80% by 2050^{lxxiii}, with almost 40% of demand in 2040 coming from transition-critical sectors, such as solar energy, electric vehicles, and power infrastructure. In fact, aluminium accounts for more than 85% of the mineral material demand for solar PV components.^{lxxiv} Decarbonising aluminium is, therefore, critical for the energy transition. Switching aluminium production from coal power to renewables can result in around one-tenth of the emissions, while inert anode technology promises to reduce the emissions from anode consumption to zero.^{lxxv} At the same time, a net zero trajectory needs aluminium recycling to increase from 70% today to 90% by 2050.^{lxxvi} HSBC could play a role in all these transitions, working with companies exposed to aluminium production while engaging clients in key end-use sectors.

>> PART 3 – CONCLUSION

HSBC is stepping back from its climate strategy at the time when clarity and ambition matter most

When HSBC released its updated transition plan and Sustainability Risk Policies Framework in November 2025, one of the headlines it chose was: “Driven by greater clarity”. It hailed a new approach “informed by and aligned with the goals of the Paris Agreement”.^{lxxvii} Both of these statements need caveating. By broadening its discretion in relation to risk policies and converting its firm targets to flexible ranges, the bank has injected uncertainty into the ambitions of its transition plan.

As the energy transition accelerates and competition to provide sustainable financing increases, the bank needs to make long-term investments that shift its business model from fossil-dependent clients to the growth opportunities of a new economy. Its backtracking undercuts the stable platform required for these long-term investments, obscuring its intermediate goals and blurring the lines between clients it will and will not finance. It is harder today for investors to understand the bank’s risk appetite and strategic direction than it was before November 2025. If HSBC’s goal is to be “the most trusted bank globally”, disturbing the clarity of its climate strategy will make it harder to maintain this trust.

At the same time, changes the bank has made to its policy on oil & gas signal a willingness to accept new clients that are unaligned with the Paris Agreement. The risk for the bank is that this locks in continued reliance on fossil fuel clients at a critical moment—both for HSBC’s net zero transition and the transformation of the global

economy. Whether risks manifest in reputational damage to the bank, increased impairment from stranded assets, or a more challenging lending environment beset by the physical effects of climate change, the costs will impact investors.

The board is ultimately responsible for ensuring the bank effectively manages long-term risks in a comprehensive and coherent manner. This responsibility took on even greater salience after the bank decided to remove its chief sustainability officer from the Group Operating Committee.^{lxviii} The board’s failure to prevent the leadership of HSBC diluting climate commitments that were the product of extended engagement with investors calls into the question the efficacy of its oversight function. Responsibility primarily lies with the chair. Although Brendan Nelson was only formally appointed as chair on 3 December 2025, he had been acting as Interim Chair since 1 October 2025, has chaired the Group Audit Committee since 2024, and has served on the HSBC board since 2023. In addition, we recommend investors vote against the re-election of James Forese, chair of the Group Risk Committee, given this committee’s specific mandate to advise the board on ESG risk. While there is always a place for engagement with the bank, shareholder action is required in the immediate term to restore confidence in the board’s capacity and commitment to oversee a stable, robust, and ambitious climate strategy.

>> PART 4 – APPENDIX

4.1 Oil & gas – February 2025 vs. November 2025

Previous policy	New policy
<p>OG.a</p> <ul style="list-style-type: none"> “In limited cases, HSBC may approve exceptions to this Policy where the proposed transaction may not necessarily align to the criteria set out in the Policy, but HSBC is satisfied that it is within the intention of the Policy (including HSBC’s intention to support clients in their transition away from fossil fuels) and remains in alignment with HSBC’s NZ50 Target [...] In October 2020, HSBC set an ambition to align its financed emissions – the greenhouse gas emissions of its portfolio of clients – to net zero by 2050 or sooner, to help limit global warming to 1.5°C. In order to achieve this, HSBC will use science-based pathways, aligned with the goals and timelines of the Paris Agreement (“HSBC’s NZ50 Target”).” [p1] “HSBC will not provide new finance or new advisory services for the specific purposes of projects pertaining to: new O&G fields where the final investment decision was taken after 31 December 2021; or O&G infrastructure whose primary use is in conjunction with new O&G fields. [...] Exceptions may be considered for new advisory services for new O&G fields acquired as a result of corporate mergers and acquisitions, and provided that these are acquired to enable the early closure of the field(s).” [p6] Material exceptions: N/A 	<p>OG.a</p> <ul style="list-style-type: none"> “In limited cases, HSBC may approve exceptions to our Policies where a client may not meet or the proposed transaction may not necessarily align to the criteria set out in a Policy, but HSBC is satisfied that it is within the intention of the Policy, and, where relevant, remains in alignment with HSBC’s ambitions, targets and commitments.” [p2] “HSBC will not provide new finance or new advisory services for the specific purposes of projects pertaining to: - new O&G fields where the government permitting (or equivalent) for development of the specific field was taken after 31 December 2021; [...] Exceptions may be considered for new advisory services for new O&G fields acquired as a result of corporate mergers and acquisitions, and provided that these are acquired to enable the early closure of the field(s).” [p3-4] Material exceptions: Financing can be approved where clients and transactions do not meet criteria.

OG.b

- “In limited cases, HSBC may approve exceptions to this Policy where the proposed transaction may not necessarily align to the criteria set out in the Policy, but HSBC is satisfied that it is within the intention of the Policy (including HSBC’s intention to support clients in their transition away from fossil fuels) and remains in alignment with HSBC’s NZ50 Target [...]

In October 2020, HSBC set an ambition to align its financed emissions – the greenhouse gas emissions of its portfolio of clients – to net zero by 2050 or sooner, to help limit global warming to 1.5°C. In order to achieve this, HSBC will use science-based pathways, aligned with the goals and timelines of the Paris Agreement (“HSBC’s NZ50 Target”).” [p1]

- “HSBC will not provide new finance or new advisory services for the specific purposes of projects pertaining to:
new O&G fields where the final investment decision was taken after 31 December 2021;
or O&G infrastructure whose primary use is in conjunction with new O&G fields.
[...]
Exceptions may be considered for new advisory services for new O&G fields acquired as a result of corporate mergers and acquisitions, and provided that these are acquired to enable the early closure of the field(s).” [p6]
- “O&G infrastructure refers to pipelines and LNG liquefaction and regasification facilities linked to new O&G fields and/or unconventional O&G fields.” [p16]
- **Material exceptions:** N/A

OG.c

- “In limited cases, HSBC may approve exceptions to this Policy where the proposed transaction may not necessarily align to the criteria set out in the Policy, but HSBC is satisfied that it is within the intention of the Policy (including HSBC’s intention to support clients in their transition away from fossil fuels) and remains in alignment with HSBC’s NZ50 Target [...]

In October 2020, HSBC set an ambition to align its financed emissions – the greenhouse gas emissions of its portfolio of clients – to net zero by 2050 or sooner, to help limit global warming to 1.5°C. In order to achieve this, HSBC will use science-based pathways, aligned with the goals and timelines of the Paris Agreement (“HSBC’s NZ50 Target”).” [p1]

- “HSBC will not start a new relationship with a prospective client with one or more of the following characteristics:

OG.b

- “In limited cases, HSBC may approve exceptions to our Policies where a client may not meet or the proposed transaction may not necessarily align to the criteria set out in a Policy, but HSBC is satisfied that it is within the intention of the Policy, and, where relevant, remains in alignment with HSBC’s ambitions, targets and commitments.” [p2]
- “HSBC will not provide new finance or new advisory services for the specific purposes of projects pertaining to:
[...]
- O&G infrastructure whose primary use is in conjunction with new O&G fields.
[...]
Exceptions may be considered for new advisory services for new O&G fields acquired as a result of corporate mergers and acquisitions, and provided that these are acquired to enable the early closure of the field(s).” [p3-4]
- “O&G infrastructure refers to pipelines, LNG liquefaction facilities and floating vessels (i.e. drilling rigs, Floating Production Storage and Offloading (FPSO) vessels) whose primary use is linked to new O&G fields.” [p15]
- **Material exceptions:** Financing can be approved where clients and transactions do not meet criteria

OG.c

- No commitment in place.

where >10% of total planned O&G capital expenditure is in O&G exploration.

[...]

Exceptions will be considered on a case-by-case basis where HSBC is satisfied that: a prospective client is taking over all, or a substantive part of, the activities of an existing client(s), or O&G fields are being taken over for the purpose of managed wind-down of activities in line with HSBC's targets and commitments." [p10]

- **Material exceptions:** Only applies to prospective clients, only applies to exploration, and only applies where exploration is more than 10% of planned capex.

UOG.A.a

- "In limited cases, HSBC may approve exceptions to this Policy where the proposed transaction may not necessarily align to the criteria set out in the Policy, but HSBC is satisfied that it is within the intention of the Policy (including HSBC's intention to support clients in their transition away from fossil fuels) and remains in alignment with HSBC's NZ50 Target [...]

In October 2020, HSBC set an ambition to align its financed emissions – the greenhouse gas emissions of its portfolio of clients – to net zero by 2050 or sooner, to help limit global warming to 1.5°C. In order to achieve this, HSBC will use science-based pathways, aligned with the goals and timelines of the Paris Agreement ("HSBC's NZ50 Target")." [p1]

- "HSBC will not provide new finance or new advisory services for the specific purposes of O&G exploration, appraisal, development, and production pertaining to:

[...]

projects in environmentally and socially critical areas

[...]

Exceptions may be considered for new advisory services for new O&G fields acquired as a result of corporate mergers and acquisitions, and provided that these are acquired to enable the early closure of the field(s)." [p6]

- "Environmentally and socially critical areas: Amazon Biome, Antarctic, Arctic, Ramsar Wetlands or UNESCO World Heritage Sites." [p13]
- **Material exceptions:** N/A

UOG.A.b

- "In limited cases, HSBC may approve exceptions to this Policy where the proposed transaction may not necessarily align to the criteria set out in the Policy, but HSBC is satisfied that it is within the intention of the Policy (including HSBC's intention to support

UOG.A.a

- "In limited cases, HSBC may approve exceptions to our Policies where a client may not meet or the proposed transaction may not necessarily align to the criteria set out in a Policy, but HSBC is satisfied that it is within the intention of the Policy, and, where relevant, remains in alignment with HSBC's ambitions, targets and commitments." [p2]

- "HSBC will not provide new finance or new advisory services for the specific purposes of O&G exploration, appraisal, development, and production pertaining to:

[...]

projects in environmentally and socially critical areas." [p4]

- "Environmentally and socially critical areas: Amazon Biome, Antarctic, Arctic, Ramsar Wetlands or UNESCO World Heritage Sites." [p13]
- **Material exceptions:** Financing can be approved where clients and transactions do not meet criteria.

UOG.A.b

- "In limited cases, HSBC may approve exceptions to our Policies where a client may not meet or the proposed transaction may not necessarily align to the criteria set out in a Policy, but HSBC is satisfied that it is within the intention of the Policy, and,

clients in their transition away from fossil fuels) and remains in alignment with HSBC's NZ50 Target [...]

In October 2020, HSBC set an ambition to align its financed emissions – the greenhouse gas emissions of its portfolio of clients – to net zero by 2050 or sooner, to help limit global warming to 1.5°C. In order to achieve this, HSBC will use science-based pathways, aligned with the goals and timelines of the Paris Agreement (“HSBC's NZ50 Target”).” [p1]

- “HSBC will not provide new finance or new advisory services for the specific purposes of O&G exploration, appraisal, development, and production pertaining to:

[...]

projects in environmentally and socially critical areas.

[...]

HSBC will not provide new finance or new advisory services at the corporate level to companies where HSBC determines that the client's overall operations are substantially in the above areas.

[...]

Exceptions may be considered for new advisory services for new O&G fields acquired as a result of corporate mergers and acquisitions, and provided that these are acquired to enable the early closure of the field(s).” [p6]

- “HSBC will not start a new relationship with a prospective client with one or more of the following characteristics:

[...]

the prospective client operates energy assets in environmentally and socially critical areas.” [p10]

- “Environmentally and socially critical areas: Amazon Biome, Antarctic, Arctic, Ramsar Wetlands or UNESCO World Heritage Sites.” [p13]
- **Material exceptions:** “Substantially” not defined for existing clients, otherwise only applies to prospective clients.

UOG.F.a

- “In limited cases, HSBC may approve exceptions to this Policy where the proposed transaction may not necessarily align to the criteria set out in the Policy, but HSBC is satisfied that it is within the intention of the Policy (including HSBC's intention to support clients in their transition away from fossil fuels) and remains in alignment with HSBC's NZ50 Target [...]

In October 2020, HSBC set an ambition to align its financed emissions – the greenhouse gas emissions of its portfolio of clients – to net zero by 2050 or sooner, to help limit global warming to 1.5°C. In order to achieve this, HSBC will use science-based

where relevant, remains in alignment with HSBC's ambitions, targets and commitments.” [p2]

- “HSBC will not provide new finance or new advisory services for the specific purposes of O&G exploration, appraisal, development, and production pertaining to:

[...]

projects in environmentally and socially critical areas.

HSBC will not provide new finance or new advisory services at the corporate level to companies where HSBC determines that the client's overall operations are substantially in the above four areas.” [p4]

- “Environmentally and socially critical areas: Amazon Biome, Antarctic, Arctic, Ramsar Wetlands or UNESCO World Heritage Sites.” [p13]
- **Material exceptions:** “Substantially” not defined for existing clients; financing can be approved where clients and transactions do not meet criteria.

UOG.F.a

- “In limited cases, HSBC may approve exceptions to our Policies where a client may not meet or the proposed transaction may not necessarily align to the criteria set out in a Policy, but HSBC is satisfied that it is within the intention of the Policy, and, where relevant, remains in alignment with HSBC's ambitions, targets and commitments.” [p2]
- “HSBC will not provide new finance or new advisory services for the specific purposes of O&G exploration, appraisal, development, and production pertaining to: Shale oil projects.” [p4]

pathways, aligned with the goals and timelines of the Paris Agreement (“HSBC’s NZ50 Target”).” [p1]

- “HSBC will not provide new finance or new advisory services for the specific purposes of O&G exploration, appraisal, development, and production pertaining to:
[...]
shale oil projects
[...]
Exceptions may be considered for new advisory services for new O&G fields acquired as a result of corporate mergers and acquisitions, and provided that these are acquired to enable the early closure of the field(s).” [p6]
- **Material exceptions:** Only covers oil unless the project is related to new oil & gas fields, which are covered by the bank’s policy on oil & gas expansion.

UOG.F.b

- “In limited cases, HSBC may approve exceptions to this Policy where the proposed transaction may not necessarily align to the criteria set out in the Policy, but HSBC is satisfied that it is within the intention of the Policy (including HSBC’s intention to support clients in their transition away from fossil fuels) and remains in alignment with HSBC’s NZ50 Target
[...]
In October 2020, HSBC set an ambition to align its financed emissions – the greenhouse gas emissions of its portfolio of clients – to net zero by 2050 or sooner, to help limit global warming to 1.5°C. In order to achieve this, HSBC will use science-based pathways, aligned with the goals and timelines of the Paris Agreement (“HSBC’s NZ50 Target”).” [p1]
- “HSBC will not provide new finance or new advisory services for the specific purposes of O&G exploration, appraisal, development, and production pertaining to:
[...]
shale oil projects
[...]
HSBC will not provide new finance or new advisory services at the corporate level to companies where HSBC determines that the client’s overall operations are substantially in the above areas.
[...]
Exceptions may be considered for new advisory services for new O&G fields acquired as a result of corporate mergers and acquisitions, and provided that these are acquired to enable the early closure of the field(s).” [p6]
- “HSBC will not start a new relationship with a prospective client with one or more of the following characteristics:

- **Material exceptions:** Only covers oil unless the project is related to new oil & gas fields, which are covered by the bank’s policy on oil & gas expansion; financing can be approved where clients and transactions do not meet criteria.

UOG.F.b

- “In limited cases, HSBC may approve exceptions to our Policies where a client may not meet or the proposed transaction may not necessarily align to the criteria set out in a Policy, but HSBC is satisfied that it is within the intention of the Policy, and, where relevant, remains in alignment with HSBC’s ambitions, targets and commitments.” [p2]
- “HSBC will not provide new finance or new advisory services for the specific purposes of O&G exploration, appraisal, development, and production pertaining to:
Shale oil projects.
[...]
HSBC will not provide new finance or new advisory services at the corporate level to companies where HSBC determines that the client’s overall operations are substantially in the above four areas.” [p4]
- **Material exceptions:** Only covers oil; “substantially” not defined for existing clients; financing can be approved where clients and transactions do not meet criteria.

[...]

has >10% production volume from any of:

[...]

shale oil projects” [p10]

- **Material exceptions:** Only covers oil; “substantially” not defined for existing clients, otherwise only applies to prospective clients.

UOG.O.a

- “In limited cases, HSBC may approve exceptions to this Policy where the proposed transaction may not necessarily align to the criteria set out in the Policy, but HSBC is satisfied that it is within the intention of the Policy (including HSBC’s intention to support clients in their transition away from fossil fuels) and remains in alignment with HSBC’s NZ50 Target

[...]

In October 2020, HSBC set an ambition to align its financed emissions – the greenhouse gas emissions of its portfolio of clients – to net zero by 2050 or sooner, to help limit global warming to 1.5°C. In order to achieve this, HSBC will use science-based pathways, aligned with the goals and timelines of the Paris Agreement (“HSBC’s NZ50 Target”).” [p1]

- “HSBC will not provide new finance or new advisory services for the specific purposes of projects pertaining to:

new O&G fields where the final investment decision was taken after 31 December 2021;

or O&G infrastructure whose primary use is in conjunction with new O&G fields.

[...]

Exceptions may be considered for new advisory services for new O&G fields acquired as a result of corporate mergers and acquisitions, and provided that these are acquired to enable the early closure of the field(s).” [p6]

- **Material exceptions:** Only applies when connected to expansion, which is covered by the bank’s policy on oil & gas expansion.

UOG.U.a

- “In limited cases, HSBC may approve exceptions to this Policy where the proposed transaction may not necessarily align to the criteria set out in the Policy, but HSBC is satisfied that it is within the intention of the Policy (including HSBC’s intention to support clients in their transition away from fossil fuels) and remains in alignment with HSBC’s NZ50 Target

[...]

In October 2020, HSBC set an ambition to align its financed emissions – the greenhouse gas emissions of its portfolio of clients – to net zero by 2050 or sooner, to help limit global warming to 1.5°C. In

UOG.O.a

- “In limited cases, HSBC may approve exceptions to our Policies where a client may not meet or the proposed transaction may not necessarily align to the criteria set out in a Policy, but HSBC is satisfied that it is within the intention of the Policy, and, where relevant, remains in alignment with HSBC’s ambitions, targets and commitments.” [p2]

- “HSBC will not provide new finance or new advisory services for the specific purposes of projects pertaining to:

- new O&G fields where the government permitting (or equivalent) for development of the specific field was taken after 31 December 2021;

[...]

Exceptions may be considered for new advisory services for new O&G fields acquired as a result of corporate mergers and acquisitions, and provided that these are acquired to enable the early closure of the field(s).” [p3-4]

- **Material exceptions:** Only applies when connected to expansion, which is covered by the bank’s policy on oil & gas expansion; financing can be approved where clients and transactions do not meet criteria.

UOG.U.a

- “In limited cases, HSBC may approve exceptions to our Policies where a client may not meet or the proposed transaction may not necessarily align to the criteria set out in a Policy, but HSBC is satisfied that it is within the intention of the Policy, and, where relevant, remains in alignment with HSBC’s ambitions, targets and commitments.” [p2]

- “HSBC will not provide new finance or new advisory services for the specific purposes of projects pertaining to:

order to achieve this, HSBC will use science-based pathways, aligned with the goals and timelines of the Paris Agreement (“HSBC’s NZ50 Target”).” [p1]

- “HSBC will not provide new finance or new advisory services for the specific purposes of O&G exploration, appraisal, development, and production pertaining to:
Ultra-deepwater offshore O&G projects
[...]
Exceptions may be considered for new advisory services for new O&G fields acquired as a result of corporate mergers and acquisitions, and provided that these are acquired to enable the early closure of the field(s).” [p6]
- **Material exceptions:** N/A

UOG.U.b

- “In limited cases, HSBC may approve exceptions to this Policy where the proposed transaction may not necessarily align to the criteria set out in the Policy, but HSBC is satisfied that it is within the intention of the Policy (including HSBC’s intention to support clients in their transition away from fossil fuels) and remains in alignment with HSBC’s NZ50 Target
[...]
In October 2020, HSBC set an ambition to align its financed emissions – the greenhouse gas emissions of its portfolio of clients – to net zero by 2050 or sooner, to help limit global warming to 1.5°C. In order to achieve this, HSBC will use science-based pathways, aligned with the goals and timelines of the Paris Agreement (“HSBC’s NZ50 Target”).” [p1]
- “HSBC will not provide new finance or new advisory services for the specific purposes of O&G exploration, appraisal, development, and production pertaining to:
Ultra-deepwater offshore O&G projects
[...]
HSBC will not provide new finance or new advisory services at the corporate level to companies where HSBC determines that the client’s overall operations are substantially in the above areas.
[...]
Exceptions may be considered for new advisory services for new O&G fields acquired as a result of corporate mergers and acquisitions, and provided that these are acquired to enable the early closure of the field(s).” [p6]
- “HSBC will not start a new relationship with a prospective client with one or more of the following characteristics:
[...]
has >10% production volume from any of:
Ultra-deepwater offshore O&G projects” [p10]

- new O&G fields where the government permitting (or equivalent) for development of the specific field was taken after 31 December 2021;

[...]

Exceptions may be considered for new advisory services for new O&G fields acquired as a result of corporate mergers and acquisitions, and provided that these are acquired to enable the early closure of the field(s).” [p3-4]

- **Material exceptions:** Only applies when connected to expansion, which is covered by the bank’s policy on oil & gas expansion; financing can be approved where clients and transactions do not meet criteria.

UOG.U.b

- No commitment in place.

- **Material exceptions:** “Substantially” not defined for existing clients, otherwise only applies to prospective clients.

4.2 Thermal coal – February 2025 vs. November 2025

Previous policy

CM.a

- “In limited cases, HSBC may approve exceptions to this Policy where the proposed transaction may not necessarily align to the criteria set out in the Policy, but HSBC is satisfied that it is within the intention of the Policy (including HSBC’s intention to support clients in their transition away from fossil fuels) and remains in alignment with HSBC’s NZ50 Target [...]

In October 2020, HSBC set an ambition to align its financed emissions – the greenhouse gas emissions of its portfolio of clients – to net zero by 2050 or sooner, to help limit global warming to 1.5°C. In order to achieve this, HSBC will use science-based pathways, aligned with the goals and timelines of the Paris Agreement (“HSBC’s NZ50 Target”).” [p1]

- “HSBC will not provide new finance, or new advisory services, for the specific purposes of activities that do not align with HSBC’s Phase Out Commitment timelines as outlined below: creation of new thermal coal assets; thermal coal expansion; extensions to the unabated operating lifetime of existing thermal coal assets; new captive thermal coal-fired power plants or new captive thermal coal mines; thermal coal assets or metallurgical coal mines operating in environmentally and socially critical areas or using Mountaintop Removal” [p4]
- **Material exceptions:** N/A

CM.b

- “In limited cases, HSBC may approve exceptions to this Policy where the proposed transaction may not necessarily align to the criteria set out in the Policy, but HSBC is satisfied that it is within the intention of the Policy (including HSBC’s intention to support clients in their transition away from fossil fuels) and remains in alignment with HSBC’s NZ50 Target [...]

In October 2020, HSBC set an ambition to align its financed emissions – the greenhouse gas emissions of its portfolio of clients – to net zero by 2050 or sooner, to help limit global warming to 1.5°C. In order to achieve this, HSBC will use science-based

New policy

CM.a

- “In limited cases, HSBC may approve exceptions to our Policies where a client may not meet or the proposed transaction may not necessarily align to the criteria set out in a Policy, but HSBC is satisfied that it is within the intention of the Policy, and, where relevant, remains in alignment with HSBC’s ambitions, targets and commitments.” [p2]
- “HSBC will not provide new finance, or new advisory services, for the specific purposes of activities that do not align with HSBC’s Phase Out Commitment timelines as set out below: creation of new thermal coal assets; thermal coal expansion; extensions to the unabated operating lifetime of existing thermal coal assets; new captive thermal coal-fired power plants or new captive thermal coal mines; conversion of existing coal-to-gas-fired power plants, unless a) the client demonstrates to HSBC its intention to achieve abated power generation and b) the plants do not operate in environmentally and socially critical areas; new thermal coal infrastructure; or thermal coal assets operating in environmentally and socially critical areas or using Mountaintop Removal (including clients who derive more than 30% of their annual revenues from Mountaintop Removal coal mining).” [p8-9]
- **Material exceptions:** Financing can be approved where clients and transactions do not meet criteria.

CM.b

- “In limited cases, HSBC may approve exceptions to our Policies where a client may not meet or the proposed transaction may not necessarily align to the criteria set out in a Policy, but HSBC is satisfied that it is within the intention of the Policy, and, where relevant, remains in alignment with HSBC’s ambitions, targets and commitments.” [p2]
- “For EU and OECD markets only, HSBC will not provide new finance or new advisory services where the client’s thermal coal related activities in EU/OECD markets are greater than 40% of its total activities in those markets (or 30% of total activities by 2025), unless the new finance or new advisory services are to be used for the specific and

pathways, aligned with the goals and timelines of the Paris Agreement (“HSBC’s NZ50 Target”).” [p1]

- “For EU and OECD markets only, HSBC will not provide new finance or new advisory services where the client’s thermal coal related revenues are greater than 40% of total revenues (or 30% of total revenues by 2025), unless the new finance or new advisory services are to be used for the specific and demonstrable purpose of financing clean technology or infrastructure aligned with HSBC’s Phase-Out Commitment timelines and HSBC’s targets and commitments as part of the client’s transition. This is particularly so, given our intent to have exited thermal coal assets in EU/OECD markets by 2030.

For non-EU/OECD markets, HSBC is not setting materiality thresholds, as we will evaluate the detail of the transition plans our clients produce and their consistency with HSBC’s targets and commitments. HSBC’s run down trajectory in non-EU/OECD markets will be guided by these plans and will be consistent with an end date of 2040. HSBC recognises that given the length of time to 2040, some non-EU/OECD clients may not yet have announced a phase out date, however HSBC expects clients to demonstrate plans to phase down their thermal coal assets, whilst increasing investment into clean technology and infrastructure where applicable. This will not impact or alter HSBC’s Phase-Out Commitment timelines.

[...]

HSBC will not start a new relationship with a prospective client with one or more of the following characteristics:

- mining, where i) thermal coal related revenues are $\geq 10\%$ of total revenues; or ii) annual thermal coal production is $> 5\text{Mt}$; or iii) thermal coal, as a by-product from the extraction of metallurgical coal, is $> 15\%$ of total production volumes

[...]

- the prospective *client* declines to engage sufficiently on its transition plan, or if HSBC determines that the prospective *client’s* transition plan is not consistent with *HSBC’s targets and commitments*, except for the purposes of materially reducing greenhouse gas emissions in line with HSBC’s Phase-Out Commitment timelines and HSBC’s targets and commitments, including by enabling the early retirement of existing thermal coal assets. [p5-6]

- **Material exceptions:** Only applies to EU/OECD countries for existing clients and has an exception for ringfenced sustainable activities. Alternatively,

demonstrable purpose of financing clean technology or infrastructure aligned with HSBC’s Phase-Out Commitment timelines and HSBC’s targets and commitments as part of the client’s transition.

For non-EU/OECD markets, we will evaluate the detail of the transition plans our clients produce, recognising that given the length of time to 2040, some non-EU/OECD clients may not yet have announced a phase out date.” [p8]

- “HSBC will not start a new relationship with a prospective client with one or more of the following characteristics:

- mining, where i) thermal coal related revenues are $\geq 10\%$ of total revenues; or ii) annual thermal coal production is $> 5\text{Mt}$; or iii) thermal coal, as a by-product from the extraction of metallurgical coal, is $> 15\%$ of total production volumes

[...]

- the prospective client declines to engage sufficiently on its transition plan except for the purposes of materially reducing greenhouse gas emissions in line with HSBC’s Phase-Out Commitment timelines and HSBC’s targets and commitments, including by enabling the early retirement of existing thermal coal assets.” [p9]

- **Material exceptions:** Financing can be approved where clients and transactions do not meet criteria. Only applies to EU/OECD countries for existing clients and has an exception for ringfenced sustainable activities. Alternatively, only applies to new clients and has an exception for ringfenced sustainable activities.

only applies to new clients and has an exception for ringfenced sustainable activities.

CM.c

- “In limited cases, HSBC may approve exceptions to this Policy where the proposed transaction may not necessarily align to the criteria set out in the Policy, but HSBC is satisfied that it is within the intention of the Policy (including HSBC’s intention to support clients in their transition away from fossil fuels) and remains in alignment with HSBC’s NZ50 Target [...]”

In October 2020, HSBC set an ambition to align its financed emissions – the greenhouse gas emissions of its portfolio of clients – to net zero by 2050 or sooner, to help limit global warming to 1.5°C. In order to achieve this, HSBC will use science-based pathways, aligned with the goals and timelines of the Paris Agreement (“HSBC’s NZ50 Target”).” [p1]

- “HSBC will seek to withdraw, as soon as possible, any financing and advisory services with a client that has made or makes a new commitment to thermal coal expansion; or has proceeded or proceeds with thermal coal expansion. In such cases, if the client is part of a client group, HSBC may continue to provide new finance or new advisory services to other members of the client group if HSBC is satisfied that the proceeds of such new finance or new advisory services will not be used for thermal coal expansion and this will require pre-approval through risk governance. In such cases, if the client is part of a client group, HSBC may continue to provide new finance or new advisory services to other members of the client group if HSBC is satisfied that the proceeds of such new finance or new advisory services will not be used for thermal coal expansion and this will require pre-approval through risk governance. [p5]
- **Material exceptions:** Does not apply to all parts of client groups, provided the financing is not used for thermal coal expansion and passes pre-approval risk governance processes.

CP.a

- “In limited cases, HSBC may approve exceptions to this Policy where the proposed transaction may not necessarily align to the criteria set out in the Policy, but HSBC is satisfied that it is within the intention of the Policy (including HSBC’s intention to support clients in their transition away from fossil fuels) and remains in alignment with HSBC’s NZ50 Target [...]”

In October 2020, HSBC set an ambition to align its financed emissions – the greenhouse gas emissions of its portfolio of clients – to net zero by 2050 or

CM.c

- “In limited cases, HSBC may approve exceptions to our Policies where a client may not meet or the proposed transaction may not necessarily align to the criteria set out in a Policy, but HSBC is satisfied that it is within the intention of the Policy, and, where relevant, remains in alignment with HSBC’s ambitions, targets and commitments.” [p2]
- “HSBC will seek to withdraw, as soon as possible, any financing and advisory services with a client that has made or makes a new commitment to thermal coal expansion; or has proceeded or proceeds with thermal coal expansion. In such cases, if the client is part of a client group, HSBC may continue to provide new finance or new advisory services to other members of the client group if HSBC is satisfied that the proceeds of such new finance or new advisory services will not be used for thermal coal expansion and this will require pre-approval through risk governance.” [p8]
- **Material exceptions:** Financing can be approved where clients and transactions do not meet criteria. Does not apply to all parts of client groups, provided the financing is not used for thermal coal expansion and passes pre-approval risk governance processes.

CP.a

- “In limited cases, HSBC may approve exceptions to our Policies where a client may not meet or the proposed transaction may not necessarily align to the criteria set out in a Policy, but HSBC is satisfied that it is within the intention of the Policy, and, where relevant, remains in alignment with HSBC’s ambitions, targets and commitments.” [p2]
- “HSBC will not provide new finance, or new advisory services, for the specific purposes of activities that do not align with HSBC’s Phase Out Commitment timelines as set out below: creation of

sooner, to help limit global warming to 1.5°C. In order to achieve this, HSBC will use science-based pathways, aligned with the goals and timelines of the Paris Agreement (“HSBC’s NZ50 Target”).” [p1]

- “HSBC will not provide new finance, or new advisory services, for the specific purposes of activities that do not align with HSBC’s Phase Out Commitment timelines as outlined below: creation of new thermal coal assets; thermal coal expansion; extensions to the unabated operating lifetime of existing thermal coal assets; new captive thermal coal-fired power plants or new captive thermal coal mines; thermal coal assets or metallurgical coal mines operating in environmentally and socially critical areas or using Mountaintop Removal” [p4]
- **Material exceptions:** N/A

CP.b

- “In limited cases, HSBC may approve exceptions to this Policy where the proposed transaction may not necessarily align to the criteria set out in the Policy, but HSBC is satisfied that it is within the intention of the Policy (including HSBC’s intention to support clients in their transition away from fossil fuels) and remains in alignment with HSBC’s NZ50 Target [...]

In October 2020, HSBC set an ambition to align its financed emissions – the greenhouse gas emissions of its portfolio of clients – to net zero by 2050 or sooner, to help limit global warming to 1.5°C. In order to achieve this, HSBC will use science-based pathways, aligned with the goals and timelines of the Paris Agreement (“HSBC’s NZ50 Target”).” [p1]

- “For EU and OECD markets only, HSBC will not provide new finance or new advisory services where the client’s thermal coal related revenues are greater than 40% of total revenues (or 30% of total revenues by 2025), unless the new finance or new advisory services are to be used for the specific and demonstrable purpose of financing clean technology or infrastructure aligned with HSBC’s Phase-Out Commitment timelines and HSBC’s targets and commitments as part of the client’s transition. This is particularly so, given our intent to have exited thermal coal assets in EU/OECD markets by 2030.

For non-EU/OECD markets, HSBC is not setting materiality thresholds, as we will evaluate the detail of the transition plans our clients produce and their consistency with HSBC’s targets and commitments. HSBC’s run down trajectory in non-EU/OECD markets will be guided by these plans and will be consistent with an end date of 2040. HSBC recognises that given the length of time to 2040,

new thermal coal assets; thermal coal expansion; extensions to the unabated operating lifetime of existing thermal coal assets; new captive thermal coal-fired power plants or new captive thermal coal mines; conversion of existing coal-to-gas-fired power plants, unless a) the client demonstrates to HSBC its intention to achieve abated power generation and b) the plants do not operate in environmentally and socially critical areas; new thermal coal infrastructure; or thermal coal assets operating in environmentally and socially critical areas or using Mountaintop Removal (including clients who derive more than 30% of their annual revenues from Mountaintop Removal coal mining).” [p8-9]

- **Material exceptions:** Financing can be approved where clients and transactions do not meet criteria.

CP.b

- “In limited cases, HSBC may approve exceptions to our Policies where a client may not meet or the proposed transaction may not necessarily align to the criteria set out in a Policy, but HSBC is satisfied that it is within the intention of the Policy, and, where relevant, remains in alignment with HSBC’s ambitions, targets and commitments.” [p2]

- “For EU and OECD markets only, HSBC will not provide new finance or new advisory services where the client’s thermal coal related activities in EU/OECD markets are greater than 40% of its total activities in those markets (or 30% of total activities by 2025), unless the new finance or new advisory services are to be used for the specific and demonstrable purpose of financing clean technology or infrastructure aligned with HSBC’s Phase-Out Commitment timelines and HSBC’s targets and commitments as part of the client’s transition.

For non-EU/OECD markets, we will evaluate the detail of the transition plans our clients produce, recognising that given the length of time to 2040, some non-EU/OECD clients may not yet have announced a phase out date.” [p8]

- “HSBC will not start a new relationship with a prospective client with one or more of the following characteristics:
 - power, where operational thermal coal power generating capacity is either i) $\geq 10\%$ of total generating capacity; or ii) $\geq 1\text{GW}$
 - [...]
 - the prospective client declines to engage sufficiently on its transition plan except for the purposes of materially reducing greenhouse gas emissions in line with HSBC’s Phase-Out Commitment timelines and HSBC’s

some non-EU/OECD clients may not yet have announced a phase out date, however HSBC expects clients to demonstrate plans to phase down their thermal coal assets, whilst increasing investment into clean technology and infrastructure where applicable. This will not impact or alter HSBC's Phase-Out Commitment timelines.

[...]

HSBC will not start a new relationship with a prospective client with one or more of the following characteristics:

- power, where operational thermal coal power generating capacity is either i) $\geq 10\%$ of total generating capacity; or ii) $\geq 1\text{GW}$

[...]

- the prospective *client* declines to engage sufficiently on its transition plan, or if HSBC determines that the prospective *client's* transition plan is not consistent with *HSBC's targets and commitments*,

except for the purposes of materially reducing greenhouse gas emissions in line with HSBC's Phase-Out Commitment timelines and HSBC's targets and commitments, including by enabling the early retirement of existing thermal coal assets. [p5-6]

- **Material exceptions:** Only applies to EU/OECD countries for existing clients and has an exception for ringfenced sustainable activities. Alternatively, only applies to new clients and has an exception for ringfenced sustainable activities.

CP.c

- "In limited cases, HSBC may approve exceptions to this Policy where the proposed transaction may not necessarily align to the criteria set out in the Policy, but HSBC is satisfied that it is within the intention of the Policy (including HSBC's intention to support clients in their transition away from fossil fuels) and remains in alignment with HSBC's NZ50 Target [...]"

In October 2020, HSBC set an ambition to align its financed emissions – the greenhouse gas emissions of its portfolio of clients – to net zero by 2050 or sooner, to help limit global warming to 1.5°C. In order to achieve this, HSBC will use science-based pathways, aligned with the goals and timelines of the Paris Agreement ("HSBC's NZ50 Target"). [p1]

- "HSBC will seek to withdraw, as soon as possible, any financing and advisory services with a client that has made or makes a new commitment to thermal coal expansion; or has proceeded or proceeds with thermal coal expansion. In such cases, if the client is part of a client group, HSBC may continue to provide new finance or new

targets and commitments, including by enabling the early retirement of existing thermal coal assets." [p9]

- **Material exceptions:** Financing can be approved where clients and transactions do not meet criteria. Only applies to EU/OECD countries for existing clients and has an exception for ringfenced sustainable activities. Alternatively, only applies to new clients and has an exception for ringfenced sustainable activities.

CP.c

- "In limited cases, HSBC may approve exceptions to our Policies where a client may not meet or the proposed transaction may not necessarily align to the criteria set out in a Policy, but HSBC is satisfied that it is within the intention of the Policy, and, where relevant, remains in alignment with HSBC's ambitions, targets and commitments." [p2]
- "HSBC will seek to withdraw, as soon as possible, any financing and advisory services with a client that has made or makes a new commitment to thermal coal expansion; or has proceeded or proceeds with thermal coal expansion. In such cases, if the client is part of a client group, HSBC may continue to provide new finance or new advisory services to other members of the client group if HSBC is satisfied that the proceeds of such new finance or new advisory services will not be used for thermal coal expansion and this will require pre-approval through risk governance." [p8]
- **Material exceptions:** Financing can be approved where clients and transactions do not meet criteria. Does not apply to all parts of client groups,

advisory services to other members of the client group if HSBC is satisfied that the proceeds of such new finance or new advisory services will not be used for thermal coal expansion and this will require pre-approval through risk governance. In such cases, if the client is part of a client group, HSBC may continue to provide new finance or new advisory services to other members of the client group if HSBC is satisfied that the proceeds of such new finance or new advisory services will not be used for thermal coal expansion and this will require pre-approval through risk governance. [p5]

- **Material exceptions:** Does not apply to all parts of client groups, provided the financing is not used for thermal coal expansion and passes pre-approval risk governance processes.

provided the financing is not used for thermal coal expansion and passes pre-approval risk governance processes.

4.3 Decarbonisation targets – February 2025 vs. November 2025

Previous targets

SD.a

- The bank has set a 2030 target for the oil & gas sector using absolute emissions. It has also set 2030 targets for cement, iron & steel + aluminium, aviation, automotive and power generation. The bank hasn't set targets for commercial real estate, residential real estate, agriculture and shipping and has not published a methodology showing these sectors were not material

SD.b

- The bank has set all its sectoral targets using the IEA NZE (2021) climate scenario aligned with 1.5C.

New targets

SD.a

- The bank has set a 2030 target for the oil & gas sector using absolute emissions. It has also set 2030 targets for cement, iron & steel, aviation, automotive and power generation. The bank hasn't set targets for commercial real estate, residential real estate, agriculture and shipping and has not published a methodology showing these sectors were not material

SD.b

- All sectoral targets in scope are set using a range of end values, which are benchmarked to the IEA NZE (2024) at the most ambitious end and the IEA APS (2024) at the least ambitious end. Only the IEA NZE is 1.5C-aligned. The IEA APS is aligned to a 1.7C climate scenario.

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