

Taskforce on Climate-Related Financial Disclosure (TCFD) for Discretionary Portfolio Services

Annual Report 2023

HSBC UK Bank plc



HSBC UK

Opening up a world of opportunity

Contents

1.	<u>Message from Senior Management</u>	03
	<u>Compliance statement</u>	04
2.	<u>Introduction</u>	05
	<u>Report objective and scope</u>	05
	<u>Sustainability strategy and products</u>	06
	<u>During 2023</u>	08
3.	<u>Governance</u>	09
	<u>How Environmental, Social and Governance (ESG) is governed</u>	09
	<u>Product governance</u>	10
4.	<u>Strategy</u>	12
	<u>Climate-related risks and HSBC Asset Management's (UK) strategic response</u>	12
	<u>Identifying transition risk</u>	14
	<u>Identifying physical risk</u>	15
	<u>Climate-related risk time horizons</u>	15
	<u>Climate-related opportunities</u>	16
	<u>Climate-related impact on our operations</u>	17
5.	<u>Risk management</u>	18
	<u>Risk management framework</u>	18
	<u>Stewardship</u>	21
6.	<u>Metrics and targets</u>	24
	<u>Current climate metrics</u>	24
	<u>Transition plan and net zero</u>	31
	<u>HSBC AM net zero targets</u>	32
7.	<u>Abbreviations & Glossary</u>	33
8.	<u>Metrics description</u>	37
9.	<u>Important information</u>	38
	<u>Appendix 1 – HSBC UK governance forums</u>	40
	<u>Appendix 2 – TCFD recommended disclosure</u>	42

01 | Message from Senior Management

Welcome to the HSBC UK Bank plc (HSBC UK) Task Force on Climate-Related Financial Disclosures (TCFD) annual report, outlining our ongoing commitment to sustainable portfolio management.

As a responsible steward of our clients' investments, we recognise the role that climate-related risks and opportunities play in shaping the future of the financial landscape and are working to align our investment practices with global efforts to mitigate climate change.

In January 2024, the HSBC Group published its first Net Zero Transition Plan (NZTP) to provide an overview of the actions being taken and planned to achieve its net zero ambitions. The HSBC Group aims to achieve net zero in its operations and supply chain by 2030, and in its financing portfolio by 2050.

In line with the HSBC Group's climate ambition, HSBC UK implements HSBC Group's sustainability risk policies as part of its broader reputational risk framework. We focus our policies on sensitive sectors which may have a high adverse impact on people or on the environment and in which we have a significant number of customers.

HSBC UK seeks to proactively manage and disclose climate-related risks and opportunities within our portfolios. We understand that integrating climate considerations into our investment decisions is important for both long-term financial performance and for supporting the transition to net zero.

In this report, we provide insights into our strategies, initiatives, and progress. We are committed to fostering transparency, accountability, and meaningful dialogue with our stakeholders as we continue to navigate the evolving landscape of climate-related finance.

This report has been prepared in accordance with the TCFD recommendations, aimed at enhancing transparency and providing stakeholders with a comprehensive understanding of our approach to climate-related considerations within our portfolio management strategies.

Compliance statement

I can confirm under the FCA rule, ESG 2.2.7 that the disclosures in this report, including any HSBC Group disclosures cross-referenced in it, comply with the requirements stated in the FCA's ESG sourcebook.

Signed on behalf of HSBC UK:

Jose Carvalho

Head of Wealth and Personal Banking HSBC UK

30th June 2024

This document comprises the Task Force on Climate-Related Financial Disclosures for HSBC UK Bank plc Discretionary Portfolio Services 2023 Annual Report ('the bank' or 'the Company') and its subsidiaries (together 'HSBC UK' or 'the group'). 'We', 'us' and 'our' refer to HSBC UK Bank plc together with its subsidiaries. References to 'HSBC Group' or 'the Group' within this document mean HSBC Holdings plc together with its subsidiaries, and references to 'HSBC AM' mean HSBC Global Asset Management (UK) Limited.

This report contains certain forward-looking statements with respect to the financial condition, ESG related matters, results of operations and business of the group, including the strategic priorities; financial, investment and capital targets; and HSBC UK's ability to contribute to the HSBC Group's environmental, social and governance ('ESG') targets, commitments and ambitions described herein. Statements that are not historical facts, including statements about the Group's beliefs and expectations, are forward-looking statements. Words such as 'expects', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', variations of these words and similar expressions are intended to identify forward looking statements. These statements are based on current plans, estimates and projections, and therefore no undue reliance should be placed on them. Forward-looking statements apply only as of the date they are made. HSBC UK makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statement. Forward-looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors, including ESG related factors, could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement.

We recognise that there is a significant amount of uncertainty and complexity related to the transition to Net Zero, and that progress in the real economy will depend heavily on external factors including the policy and regulatory landscape across markets, the speed of technological innovation and growth, and economic and geopolitical events.

We also recognise the importance of ESG disclosures and the quality of data underpinning them. We acknowledge that our internal processes to support ESG disclosures are in the process of being developed and currently rely on manual sourcing and categorisation of data. Certain aspects of our ESG disclosures are subject to enhanced verification and assurance procedures including the first, second and third line of defence. Assurance assists in reducing the risk of restatement, although it cannot be fully eliminated given the challenges in data, evolving methodologies and emerging standards. We aim to continue to enhance our approach in line with external expectations.

02 | Introduction

Report objective and scope

This report is intended to provide information about the climate impact and risks of the assets held in TCFD in-scope business by HSBC UK, for the reporting period of 1 January 2023 to 31 December 2023. Its content is based on the recommendations of the TCFD and the Financial Conduct Authority's (FCA) ESG sourcebook.

HSBC UK provides discretionary portfolio management (DPM) services through its Global Private Banking and Wealth (GPB&W) teams which are part of the Wealth and Personal Banking (WPB) business line.

This report relates only to HSBC UK as an asset manager acting on behalf of its discretionary clients. DPM services include a range of investment solutions such as: Core Multi-Asset Solutions (CMS), Active Multi-Asset Solutions (AMS), Premier Investment Management Service (PIMS) and Single-Asset Strategies (SAS). All other activities are excluded from this report.

HSBC UK delegates the investment management of its DPM services to HSBC Asset Management (HSBC AM). Therefore, all investing activities for these services, including the management of climate-related risks and opportunities, are undertaken by HSBC AM on its behalf. Both HSBC AM and HSBC UK are part of the wider HSBC Group, together with its subsidiary undertakings, and therefore share common sustainability ambitions, targets and frameworks.

HSBC UK firm-level climate risk initiatives, which are addressed through the HSBC UK climate risk programme, focus on four pillars: Governance, Risk Management, Scenario Analysis, and Disclosures. For the DPM services, the governance, strategy, and risk activities, including investment-related climate risk matters, are carried out by HSBC AM and overseen by HSBC UK.

Within this report, HSBC UK cross-references the [2023 HSBC Holdings plc Annual Report and Accounts](#), which has TCFD disclosures embedded within the document tagged with the TCFD symbol, [HSBC UK Bank plc Annual Report and Accounts 2023](#), which provides more information on HSBC UK's approach to managing climate risk at a firm-level, and [HSBC Global Asset Management \(UK\) Limited Taskforce on Climate-Related Financial Disclosures \(TCFD\) Annual Report 2023](#), which explains how the climate-related risks and opportunities are taken into account when managing investments on behalf of clients.

The climate-related strategy for the DPM services is guided by the HSBC AM [Net Zero Asset Managers](#) (NZAM) initiative commitments and responsible investment policies, which are aligned with HSBC Group's net zero ambition. However, the actual implementation approach, which in the case of HSBC AM and HSBC UK portfolio management is determined by the obligations to clients and the role of investor, may differ from the approach taken by HSBC Group in its financing and advisory activities, which involve different client obligations and information availability.



Sustainability strategy and products

Today, HSBC UK and many of its clients, along with the wider HSBC Group, contribute to greenhouse gas emissions. We recognise that we have an important role to play in supporting the transition to a net zero economy, and we are developing strategies to reduce our own emissions and to help our clients to reduce theirs.

HSBC AM's sustainability strategy, as our investment manager, is to drive growth through investment innovation and a focus on climate, biodiversity and diversity, equity, and inclusion. Its aim is to facilitate the flow of capital from the world's leading investors to the businesses and projects around the world that are driving the transition to a net zero global economy. In line with the NZAM initiative commitments, HSBC AM globally has set a 2030 interim target to reduce the Scope 1 and 2 financed emissions intensity (full definition of scope 1, 2 is outlined in the [Metrics and Targets](#) section of this report) of 38% of its global listed equity and corporate fixed income assets by 58% percent compared with 2019.

This interim target is a starting point on the road towards net zero emissions across all assets under management (AuM) by 2050.

HSBC UK offers a range of investment solutions, such as multi-asset strategies: CMS, AMS or PIMS, SAS for clients who wish to focus on particular asset class and tailored services via bespoke mandates. They are managed by HSBC AM to various core strategies aligned with risk objectives. While these investment solutions do not have specific climate-focused objectives and are not considered sustainable investments they are, where possible, managed in line with HSBC AM's [Responsible Investment Policy](#). For example, the traditional active equity and fixed income solutions it manages integrate ESG in their investment processes. This incorporates stewardship and engagement activities.

HSBC UK offer three sustainable strategies: CMS Sustainable, Charities Sustainable and PIMS Sustainable (please refer to the [Climate-related opportunities](#) section of the report for more details).

HSBC UK discretionary portfolio by strategy

HSBC UK discretionary portfolio by asset type

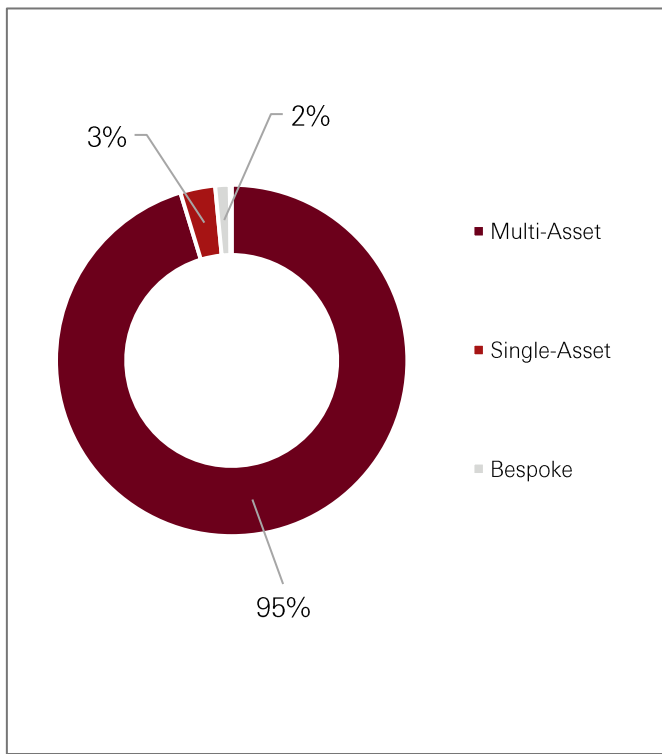
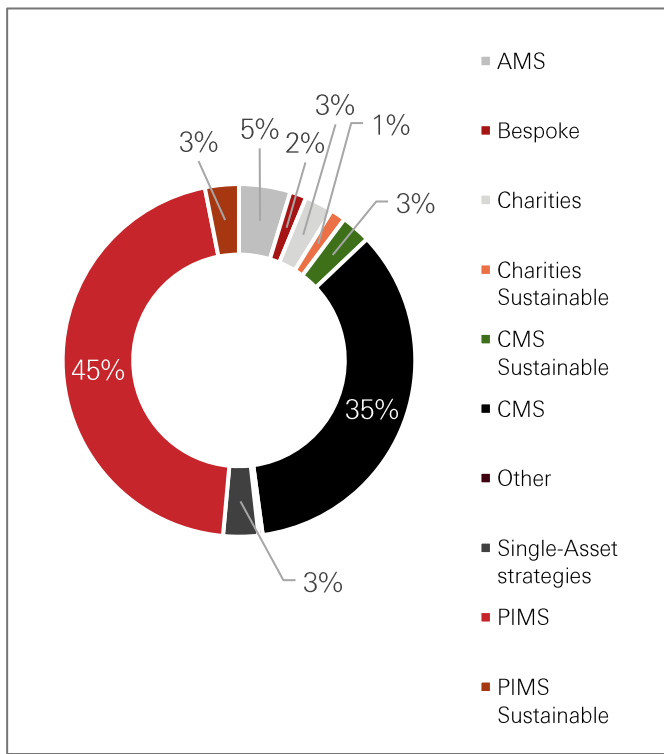


Table 1: HSBC UK discretionary portfolio AuM in 2023

HSBC UK discretionary AuM	HSBC UK Wealth	HSBC UK Private Banking
<ul style="list-style-type: none"> • USD 12.6bn 	<ul style="list-style-type: none"> • USD 6.1bn 	<ul style="list-style-type: none"> • USD 6.5 bn
7.2% of AuM invested in Sustainable Investment	6.4% in Sustainable Investment <ul style="list-style-type: none"> • PIMS Sustainable 	7.9 % in Sustainable Investment <ul style="list-style-type: none"> • CMS Sustainable • Charities Sustainable

Source: HSBC Global Private Banking & Wealth, Dec-23.

During 2023



HSBC UK continued to take steps to incorporate ESG principles throughout the organisation, helping to support the success of its customers, people, and other stakeholders.

In 2023, HSBC UK implemented HSBC Group's revised energy policy, which covers the broader energy system. HSBC UK continue to review policy implementation as we apply the HSBC Group sustainability risk policies in practice, and the operationalisation of such policies continues to be enhanced. The policy takes a risk-based approach when identifying transactions and clients to which the HSBC Group energy and thermal coal phase-out policies apply, and when reporting on relevant exposures, adopting approaches proportionate to risk and materiality.

HSBC UK discretionary portfolio management mandates fall in scope of the HSBC Asset Management [Energy policy](#), alongside the HSBC Asset Management [Coal policy](#).

In January 2024, HSBC Group published its first net zero transition plan to provide an overview of the actions being taken and planned to embed the Group's net zero ambition across HSBC, including in HSBC UK. It sets out how the Group intends to harness its strengths and capabilities in the areas where it believes it can support large-scale emissions reduction: transitioning industry, catalysing the new economy, and decarbonising trade and supply chains. The plan will help our people, customers, investors, and other stakeholders to understand our long-term vision, the challenges, uncertainties, and dependencies that exist, the progress we are making towards our own transition and what we plan to do in the future.

We acknowledge there is still much more work to do and plan to continue our efforts in 2024.

03 | Governance

How ESG is governed

HSBC UK supports HSBC Group's climate ambition to align its financed emissions to net zero by 2050 and to become net zero in its own operations and supply chain by 2030.

Management of climate risk in HSBC UK is aligned to the HSBC Group's risk management framework, which sets out how we identify, assess, and manage climate risks and oversee progress against goals.

The HSBC UK Board is responsible for our firm-level climate strategy, overseeing executive management in developing the approach, execution, and associated reporting. HSBC UK firm-level climate risks are reported and governed through our HSBC UK Climate Risk governance structure:

- The HSBC UK Chief Risk Officer (CRO) is responsible for climate financial risks under the UK Senior Managers Regime. The CRO attends HSBC UK Board meetings which are held at least six times a year, is a member of the Executive Committee and where appropriate, provides verbal or written updates on climate risk.
- The HSBC UK Risk Management Meeting (RMM) and the HSBC UK Risk Committee (RC) are held at least six times a year and receive updates on our climate risk profile and progress of our climate risk programme.
- The UK Climate Management Meeting (CMM) meets every six weeks and oversees risk activities relating to climate risk management and the escalation of climate risks.



HSBC UK's firm-level risk appetite statements are approved by the HSBC UK Board and include the measures we intend to take to meet HSBC Group's ambitions, targets, and commitments. In HSBC UK, our measures are focused on the oversight and management of climate risks in our portfolios and are reported to the HSBC UK RMM.

HSBC UK delegates the investment management of its DPM services to HSBC AM. All sustainable investing activities for these services, including management of climate-related risks and opportunities, are therefore undertaken by them on its behalf. The AM (UK) Board takes overall responsibility for setting its own values and standards, including in relation to environmental, social and governance matters, to help ensure that obligations to clients, shareholders and other stakeholders are understood and met. The Chief Executive Officer (CEO) of HSBC AM (UK) is responsible for the management of its climate-related risk. Any climate-related issues are included in sustainability and ESG risks and can be escalated to the Board and the Board Risk Committee. Board members receive ESG-related training as part of their induction and ongoing development to build skills and experience in this area. A sustainability risk dashboard is reported to the Board quarterly as part of the HSBC AM CEO report. The AM (UK) Board oversee the implementation of the ESG strategy through regular reports and detailed updates including reviews of net zero policies and climate-aligned initiatives.

HSBC AM Senior Manager accountability includes the oversight of climate risk and working with the business to help ensure that the appropriate climate risk frameworks are embedded whilst providing review and challenge on climate-related activity.

For further details, please refer to the [HSBC Global Asset Management \(UK\) Limited Task Force on Climate-Related Financial Disclosure \(TCFD\) Annual Report 2023](#) Governance section.

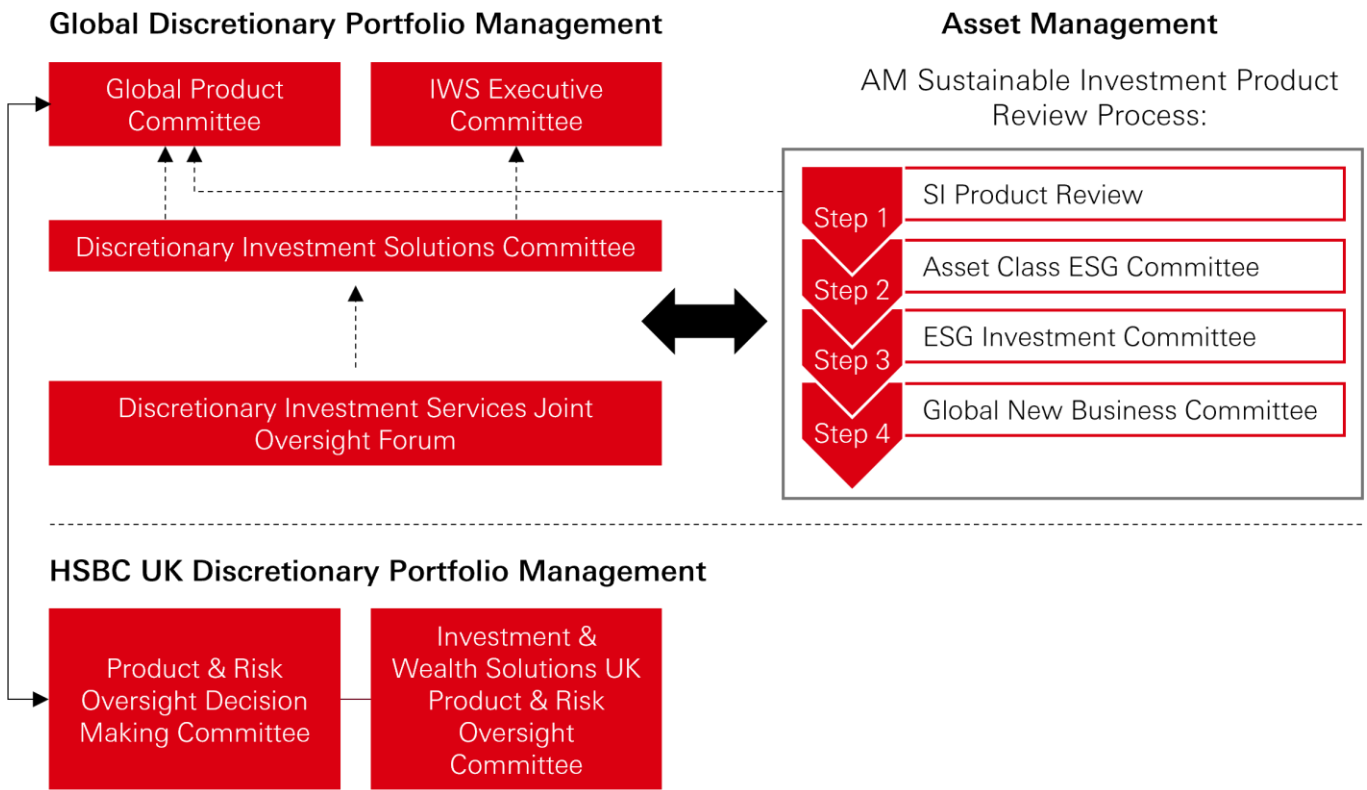
The table in [Appendix 1](#) provides examples of HSBC UK forums that manage both climate-related opportunities and risks, progress against goals and targets for addressing climate-related issues, along with their responsibilities and the responsible chair.

Product governance

HSBC UK works closely with HSBC AM to provide requirements for portfolio construction to benefit from its securities analysis and risk management tools.

For each strategy, an overarching mandate is agreed between HSBC UK and HSBC AM. The mandate sets out the investment objectives, eligible asset types, investments, asset allocation process, and any sustainability requirements. HSBC AM is responsible for building and managing the model portfolios in accordance with the agreed mandate.

Wealth & Personal Banking



Each new HSBC UK Sustainable Investment (SI) DPM mandate must undergo the HSBC AM SI Product Review Process before it is presented for approval at HSBC UK Product & Risk Oversight Committee.

For further details, please refer to the [HSBC Global Asset Management \(UK\) Limited Task Force on Climate-Related Financial Disclosure \(TCFD\) Annual Report 2023](#).

The HSBC UK Product & Risk Oversight Decision Making Committee, and the Investment and Wealth Solutions and Insurance UK Product and Risk Oversight Committee, are responsible for the management, oversight, and approval of new and existing investments. This is undertaken in accordance with the Product Governance Framework, which considers ESG-related risks and is reported to the HSBC UK RMM for review and challenge.

The Discretionary Investment Services Joint Oversight Forum is responsible for the ongoing oversight of HSBC AM in relation to the DPM services provided to HSBC UK.

We expect that our approach to ESG governance is likely to continue to develop, in line with our evolving approach to ESG matters, regulatory changes and stakeholders' expectations.

At a firm-level, HSBC UK product design, management, marketing, and governance processes have been adapted to help ensure that climate risk factors are effectively and consistently considered, including the risk of greenwashing.

04 | Strategy

The TCFD in-scope business for HSBC UK is limited to the provision of portfolio management through its DPM services only and all other activities are excluded. The disclosures provided in this report relate to HSBC UK as an asset manager. As HSBC UK delegates the investment management of its DPM services to HSBC AM, all sustainable investing activities, including strategy, management of climate-related risks and opportunities, are undertaken by them on its behalf.

[For further details, please refer to the HSBC Global Asset Management \(UK\) Limited Task Force on Climate-Related Financial Disclosure \(TCFD\) Annual Report 2023 Strategy section.](#)

Climate-related risks and HSBC AM's (UK) strategic response

Sustainability risks can lead to outcomes that may have a negative impact on investment returns and we ensure that there is a proper integration of sustainability risk considerations in the investment decision-making process for all products.

HSBC AM, as our investment manager, uses third-party screening providers to identify companies with a poor track record in key areas of sustainability risk (e.g., environmental, social and employee matters, human rights, and anti-bribery/anti-corruption). However, ESG data provided by third parties may not always be reliable or consistent. To mitigate the operational and data quality risks associated with reliance on third party service providers and data sources, due diligence is carried out where potential sustainability risks are identified, so that appropriate investment decisions can be taken.

HSBC AM's [Responsible Investment Policy](#) and [Climate Change Policy](#) provide more detail on how sustainability risks are incorporated into the investment process.



HSBC AM recognises the importance of effective identification, monitoring, and management of climate-related risks and opportunities across its global business. HSBC UK's exposure to climate related risk for the DPM service is primarily indirect, with such risk having the potential to affect future revenues and expenses, as opposed to assets and liabilities (the assets that HSBC UK manages belong to its clients, not HSBC UK). HSBC UK typically earns investment management fees as a percentage of the AuM.

At a firm-level HSBC UK may also be exposed to climate-related risk, however as highlighted earlier, the focus of this report is the climate risks for invested assets that form part of discretionary investment mandates.

HSBC AM considers two primary types of climate-related risks across its strategy and investment platform:

- 1) **Physical risk** which arises from the increased frequency and severity of extreme weather events, such as hurricanes and floods, or chronic gradual shifts in weather patterns or rises in the sea level.
- 2) **Transition risk** which arises from the process of moving to a net zero economy, including changes in government policy and legislation, technology, market demand, and reputational implications triggered by a change in stakeholder expectations, action or inaction.

Additional drivers of climate risk, across the HSBC Group, include:

- **Net zero alignment risk**, which arises from the risk of HSBC Group failing to meet its net zero commitments or failing to meet external expectations related to net zero, because of inadequate ambition and/or plans, poor execution, or inability to adapt to changes in the external environment; and
- **The risk of greenwashing**, which arises from the act of knowingly or unknowingly making inaccurate, unclear, misleading, or unsubstantiated claims regarding sustainability to our stakeholders.

For further details, please refer to the [HSBC Global Asset Management \(UK\) Limited Task Force on Climate-Related Financial Disclosure \(TCFD\) Annual Report 2023](#).

Identifying transition risk

ESG and climate considerations are increasingly important to managing potential investment risk, as well as identifying and capturing opportunities. Transition risk can potentially impact assets with more exposure to higher carbon sectors, regions and/or business models, as these are likely to be most affected by the low-carbon transition. This is why transition risk is considered across HSBC AM policies, engagement and SI processes and product/solution frameworks.

Specifically, HSBC AM identifies and manages transition risk through multiple lenses:

- **Through policies and exclusions**, which set out its beliefs, ambition, and commitments on ESG and related issues, including climate transition. For example, its NZAM initiative commitment to align its AuM to net zero by 2050, and the HSBC AM thermal coal policy that aims to phase out actively managed listed holdings exposed to thermal coal mining and power generation by 2030 in EU/ OECD markets, and 2040 in other markets. Both positions apply to HSBC UK discretionary mandates managed by HSBC AM.
- **Through engagement**, which focuses on specific ESG themes including supporting the transition of high carbon emitters and/or industries where emissions are typically most concentrated; HSBC AM engagement focuses on individual company interactions as well as industry wide collective initiatives. HSBC AM serves as an important link between HSBC UK's clients and the companies in which HSBC UK invests on their behalf.
- **Through assessment of issuers, portfolio construction and product development** where HSBC AM Responsible Investment (RI) teams screen companies, set specific standards and parameters for ESG and climate metrics across sustainable portfolios. For example, HSBC AM sustainable mandates are managed with active consideration of low carbon intensity investments compared to their benchmarks.

The HSBC Group introduced an approach to sustainable investing which both HSBC UK and HSBC AM have adopted. This sets the standards across the investment platform for what constitutes a sustainable strategy at the portfolio level across investment approaches and asset classes. Climate metrics, like carbon intensity for example, are measured and assessed across sustainable strategies. Climate-related factors that are considered are both current and, increasingly, forward looking.

Identifying physical risk

Physical risk can manifest over different time horizons and though traditionally seen as an emerging risk, it is clear we are already seeing the impact of climate-related physical risk today. As such, HSBC AM has been working to integrate physical risk-related metrics into investment decision making tools to aid risk management. The aim of this work is to enable investment teams to have access to not only traditional backward-looking carbon metrics, but also forward-looking scenario analysis metrics related to physical climate risk for HSBC AM portfolios, including also HSBC UK discretionary solutions.

Alongside this, HSBC AM has also begun work looking at the companies within their corporate fixed income and listed equity portfolios with the highest exposure to climate physical risk. Looking ahead, HSBC AM will seek to use this work to drive more in-depth analysis and research with the aim of further enhancing ESG integration of physical risk within its investment processes. In addition, HSBC AM is also focused on identifying mitigants of physical risk including maintaining and restoring biodiversity, which is crucial for a sustainable global economy.

Climate-related risk time horizons

For the purpose of this report, across each category of climate-related risk, HSBC AM has identified the following risks based on the following time horizons:

- Short-term: Up to 2030
- Medium-term: 2030-2040
- Long-term: 2040-2050

HSBC AM considers climate-related risks and opportunities within the short, medium and long-term time horizons, and is aligned with HSBC AM's overall business time horizons such as the HSBC AM thermal coal phase out by 2030 in the EU/OECD, and by 2040 in all markets. These time horizons are also complemented by the NZAM initiative interim targets in the short-term and net zero strategy in the long term.

HSBC AM currently considers risk and opportunities at a global and UK level, however, it does not break these down into sector or geography for climate-related issues at present.

For further details, please refer to the [HSBC Global Asset Management \(UK\) Limited Task Force on Climate-Related Financial Disclosure \(TCFD\) Annual Report 2023](#).

Climate-related opportunities

Climate opportunities are reflected across our sustainability investment framework and other relevant metrics such as carbon, sustainable development goals, sustainable themes and outcomes.

To reflect HSBC AM's support of the Paris Agreement's goals of maintaining the global temperature rise to below 2°C compared to pre-industrial levels, HSBC AM became a signatory to the NZAM initiative in July 2021. Listed equity and corporate fixed income holdings within Discretionary portfolios are also in scope of HSBC AM's path to net zero, which requires action to address sectors with the largest emissions held in our portfolios, starting with thermal coal. HSBC UK mandates fall in scope of the HSBC AM thermal coal and energy policy.

Our ESG / sustainable mandates seek to exclude issuers with:

- Exposure to companies with more than 10% revenue generated from thermal coal extraction which do not have a clearly defined, credible plan to reduce exposure to below 10%.
- Exposure to companies with more than 10% revenue generated from coal-fired power generation which do not have a clearly defined, credible plan to reduce exposure to below 10%.

As per the HSBC AM [Energy policy](#), HSBC AM will introduce an exclusion of listed issuers whose overall operations are substantially in unconventional oil and gas, as well as apply enhanced due diligence for exposure to investments included in the GPB&W restricted oil and gas list.

In addition to the above, HSBC AM is currently considering how to enhance our approach to exclusions by applying the [Paris-aligned Benchmark \(PAB\) exclusions](#) (as suggested by recent ESMA [update on the guidelines on funds' names using ESG or sustainability-related terms](#)).

In order to achieve the desired investment characteristics, multi-asset strategies may invest in third-party, systematic or passive funds that may not apply all exclusions. Prior to investment, all third-party funds are subject to a specific due diligence process, where sustainable criteria are assessed against an internal sustainable framework. However unwanted exposure cannot be completely avoided due to different construction approaches (e.g., data providers, exclusion thresholds, methodologies) or policies.

As per HSBC AM's [Responsible Investment Policy](#), no mandates invest directly in companies with severe United Nations Global Compact (UNGC) violations or companies to have proven involvement to banned weapons (HSBC AM [Banned Weapons Policy](#)).

For further details, please refer to the [HSBC Global Asset Management \(UK\) Limited Task Force on Climate-Related Financial Disclosure \(TCFD\) Annual Report 2023](#).

Climate-related impact on our operations

HSBC UK's operational climate emissions are included within HSBC Group emissions, with further detail available in the ESG review in the [HSBC Holdings plc Annual Report and Accounts 2023](#).

For details on HSBC UK investments emissions please see the section on [Metrics and Targets](#).



05 | Risk Management

Risk management framework

Climate risks may have the potential to cause both financial and non-financial impact across HSBC UK’s risk taxonomy through both transition risk, arising from the move to a net zero economy such as through policy, regulatory and technological changes and physical risk impacts due to the increasing severity and/or frequency of severe weather or other climatic events such as rising sea levels and flooding, and chronic shifts in weather patterns, which could affect our ability to conduct our day-to-day operations.

The HSBC UK Board is responsible for our firm-level climate strategy, overseeing executive management in developing the approach, execution, and associated reporting. The identification, assessment, and management of climate risk at a firm-level in HSBC UK is undertaken in line with the HSBC Group’s risk management framework and three lines of defence model. We have embedded climate risk within the risk taxonomy rather than as a principle / standalone risk type and HSBC UK firm-level climate risks are reported and governed through our HSBC UK Climate Risk governance structure. The key components of our risk management framework are:

Table 2: HSBC risk management framework

HSBC values and risk culture		
Risk governance	Non-executive risk governance	The Group Board approves the Group’s risk appetite, plans and performance targets. It sets the ‘tone from the top’ and is advised by the Group Risk Committee.
Risk governance	Executive risk governance	Our executive risk governance structure is responsible for the enterprise-wide management of all risks, including key policies and frameworks for the management of risk within the Group.

HSBC values and risk culture		
Roles and responsibilities	Three lines of defence model	Our 'three lines of defence' model defines roles and responsibilities for risk management. An independent Group Risk and Compliance function helps ensure the necessary balance in risk/return decisions
Processes and tools	Risk appetite	The Group has processes in place to identify, assess, monitor, manage and report risks to help ensure we remain within our risk appetite.
	Enterprise-wide risk management tools	
	Active risk management: identification/assessment, monitoring, management and reporting	
Internal controls	Policies and procedures	Policies and procedures define the minimum requirements for the controls required to manage our risks.
	Control activities	Operational and resilience risk management defines minimum standards and processes for managing operational risks and internal controls.
	Systems and infrastructure	The Group has systems and processes that support the identification, capture and exchange of information to support risk management activities.

An annual climate risk materiality assessment is completed by the HSBC Group, enabling HSBC UK to have a holistic view of climate risk impacts across its risk taxonomy, and identify potential gaps within its climate risk management capabilities.

To further manage climate risks, the HSBC Group has developed a climate risk approach which aims to effectively manage the material climate risks that could impact operations, financial performance and stability, and reputation. It is informed by the evolving expectations of its regulators.

Policies and procedures are used to define the minimum standards required for managing climate risks within the principal types impacted. They are assessed by the relevant Risk Stewards using a risk-based approach to determine if these already effectively manage climate risk, or if specific climate risk enhancements need to be made, or if a new policy is required.

Individuals across the three lines of defence have climate risk integrated into their formal roles and responsibilities.

- **The First Line of Defence** has ultimate ownership for climate risk and controls, including read-across assessments of issues, events and near misses, and the delivery of good conduct outcomes.
- **The Second Line of Defence** provides subject matter expertise, advice, guidance and review and challenge to the first line of defence activities to help ensure that risk management decisions and actions relating to climate are appropriate, within appetite and support the delivery of good conduct outcomes.

- **The Third Line of Defence** provides independent assurance to management and the non-executive Risk and Audit Committees that climate risk management, governance and internal control processes are designed and operating effectively.

For further detail please refer to the [HSBC Holdings plc Annual Report and Accounts 2023](#).

At HSBC UK, firm-level climate risk initiatives focus on four pillars: governance, risk management, scenario analysis and disclosures. Through the HSBC UK Climate Risk programme, which is closely aligned to the HSBC Group Climate Risk programme, HSBC UK continues to enhance climate risk capabilities throughout the organisation by integrating climate risk into its policies, processes, and controls across all taxonomy risk types. HSBC UK continues to enhance the data, tools and metrics used for monitoring and managing exposures, which are also used for internal scenario analysis models.

HSBC UK is adopting a strategic approach to address climate change, through the HSBC Group's net zero ambition which it remains aligned to, and in developing its approach to climate risk management. Building the right culture and capabilities around climate risk is an enabler to the delivery of the HSBC Group's net zero ambition.

HSBC UK has implemented HSBC Group's revised energy policy, which covers the broader energy system including upstream oil and gas, oil and gas power generation, coal, hydrogen, renewables, hydropower, nuclear, biomass and energy from waste. HSBC Group also updated a thermal coal phase-out policy in January 2024

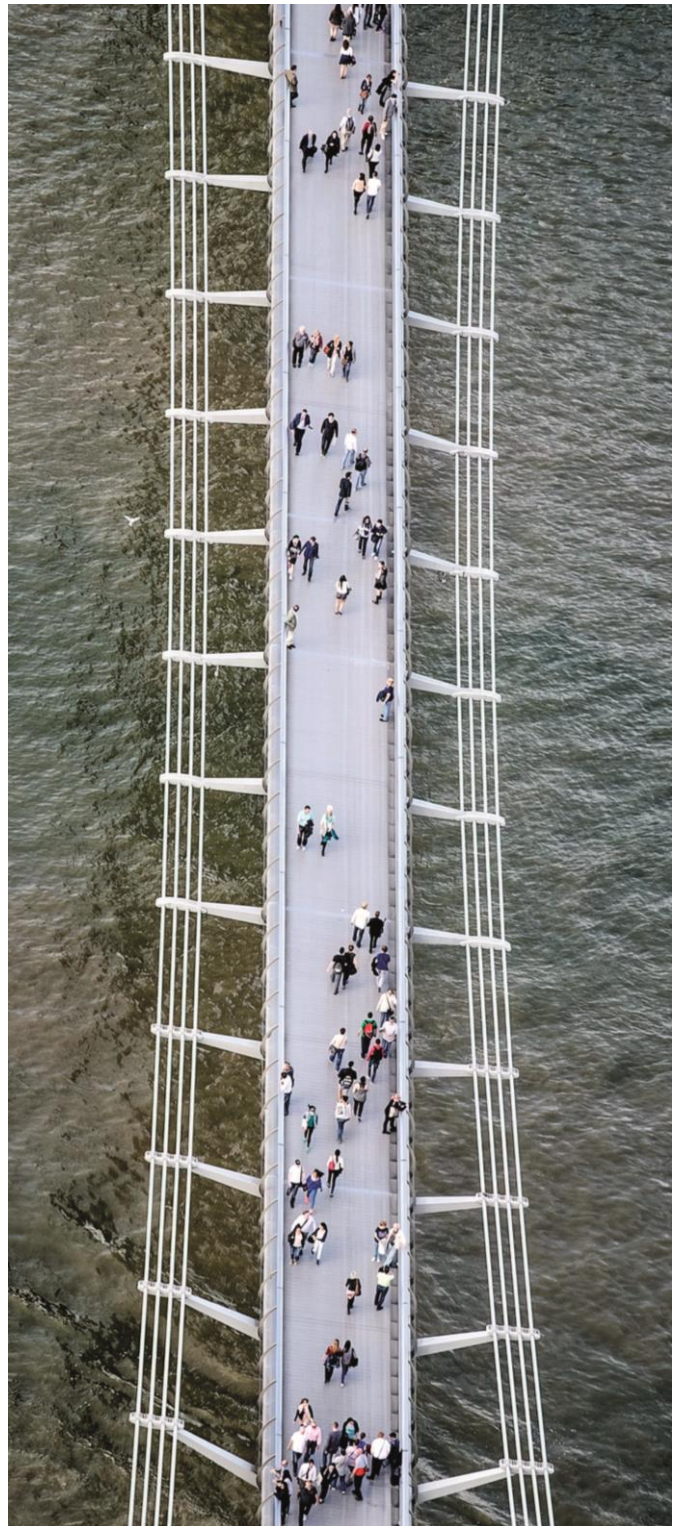
While climate risk reporting has improved over time, due to the diverse range of data sources and data structures needed for climate-related reporting, data accuracy and reliability risks may arise.

For further details, please refer to the ESG review in the [HSBC Holdings plc Annual Report and Accounts 2023](#), the [HSBC UK Bank plc Annual Report and Accounts 2023](#), and the [HSBC Global Asset Management \(UK\) Limited Task Force on Climate-Related Financial Disclosure \(TCFD\) Annual Report 2023](#).

Stewardship: how engagement with issuers helps us identify and assess climate-related risk and opportunities

HSBC AM serves as an important link between HSBC UK's clients and the issuers HSBC UK invests in on their behalf. Climate change is a central theme of [HSBC AM stewardship programme](#), with stewardship being a key lever in our effort to encourage issuers to commit to a just climate transition.

Through HSBC AM's stewardship activities such as engagement and voting at company meetings, it aims to deliver sustainable and ongoing value to its clients and the issuers in which it invests. Engagement, whether through direct discussion with issuers or collaborative engagement with other stakeholders, is integral to providing valuable insights for more informed investment decision making and driving change where it is needed.



Engagement approach

Key to the HSBC AM approach is its commitment to net zero. As a member of the NZAM initiative, HSBC AM commits to supporting the goal of reducing net zero greenhouse gas (GHG) emissions by 2050 and is guided by the Net Zero Investment Framework. HSBC AM's engagements align and support these overarching strategic objectives with the aim to improve the climate resilience of the companies it invests in.

HSBC AM encourages priority companies where climate change is a material issue to:

Climate strategy

- Set a net zero ambition from the company covering all material areas of business and operation, aligned with the objectives of the Paris Agreement.
- Develop clear short and medium-term emission reduction targets, for both scope 1, 2 and material scope 3 emissions.
- Set out sector-based decarbonisation strategies supporting the achievement of the company's net zero target, inclusive of climate solutions and objectives to grow green revenue.
- Set out capital expenditure plans to support the company's net zero targets and objectives.
- For companies covered under the energy or thermal coal policies to set out credible transition plans (see details below).

Climate risk and reporting

- Publish comprehensive climate risk disclosure and scenario planning, including details on assumptions used e.g., carbon pricing. HSBC AM strongly encourages companies to align with the recommendations of the TCFD and report in accordance with IFRS S2.
- Disclose emissions data and independent assurance of this information, including emission reduction trajectories (absolute and intensity).

Climate governance including lobbying

- Ensure senior managers are accountable for the company's climate strategy and there is sufficient board oversight of material climate risks.
- Publish a Paris-aligned climate lobbying position, consistent with an overall net zero outcome.

Just Transition

- Commit to a Just Transition
- Set out how the company has engaged with stakeholders, including workers, suppliers and communities on identifying impacts associated with the energy transition in their climate strategy.
- Identify risks and opportunities related to a Just Transition and develop a suitable approach to addressing Just Transition considerations.
- Integrate Just Transition objectives within transition plans. This may include specific metrics or objectives in relation, but not limited to employee training and development, green job creation, safeguarding workers' rights, support to affected communities, and social dialogue amongst others.

When HSBC AM engages with companies and other stakeholders, it identifies specific, measurable, achievable, relevant and timebound objectives to achieve the desired outcomes, tracking progress and milestones over time. As investment manager, HSBC AM relies on investee companies to implement strategies to achieve agreed sustainability related outcomes. If it does not observe sufficient progress or traction, an escalation process may be applied.

Throughout 2023, HSBC AM's stewardship team has engaged with various companies to discuss their ESG strategies and decarbonisation plans. As an example of their efforts, the team has engaged with 150 unique investee companies in the CMS Sustainable Portfolio, with total of 300 E, S, and G engagements, from which 50 were classified as purposeful engagements*. As a result, 38 entities have acknowledged the concern as a serious matter worthy of a response, and 17 entities have either developed a credible strategy to achieve the engagement objective or stretching targets were set to address the concern or have already implemented a strategy or measures to address the concern.

* Substantial / purposeful engagement; engagements are defined as where both parties a) set a specific engagement objective related to change they are looking to see, and b) the engagement involves an in-depth two-way dialogue on the matter.

For further details on HSBC AM approach to stewardship, please refer to the publicly available [Stewardship Plan](#).

Climate considerations in voting

HSBC AM believes that the board should be responsible for the company's climate change strategy and the oversight of relevant issues. Where the strategy or actions of a company in a carbon intensive sector fall short of that required for a low carbon transition it may vote against the re-election of the chair or relevant board director.

The Board assesses "say on climate" resolutions put forward by companies on a case-by-case basis. Its support of the proposals is contingent on factors such as its assessment of the climate strategy proposed, the scope of any targets, management oversight and accountability, and capital expenditure plans. It typically supports proposals to introduce a regular "say-on-climate" resolutions, regular reporting on climate, or a vote on climate transition plans.

For further details please refer to HSBC AM [Voting Guidelines](#).

For further details, please refer to the [HSBC Global Asset Management \(UK\) Limited Task Force on Climate-Related Financial Disclosure \(TCFD\) Annual Report 2023](#).

06 | Metrics and targets

Our climate ambition requires us to continue to enhance our capabilities including governance, processes, systems and controls. We also need new sources of data, some of which may be difficult to assure using traditional verification techniques. This challenge, coupled with diverse external data sources and structures, further complicates data consolidation. Our activities are underpinned by efforts to develop our data and analytics capabilities and to help ensure that we have the appropriate processes, systems, controls and governance in place to support our transition. We continue to increase automation of our processes, with a particular focus on developing our ESG data capabilities to help address data gaps and improve consistency.

We are also developing our processes, systems, controls and governance to meet the demands of future ESG reporting. Certain aspects of our reporting rely on manual sourcing and categorisation of data. Given the manual nature of the process, enhanced verification and assurance procedures are performed on a sample basis over this reporting, including the first and second line of defence.

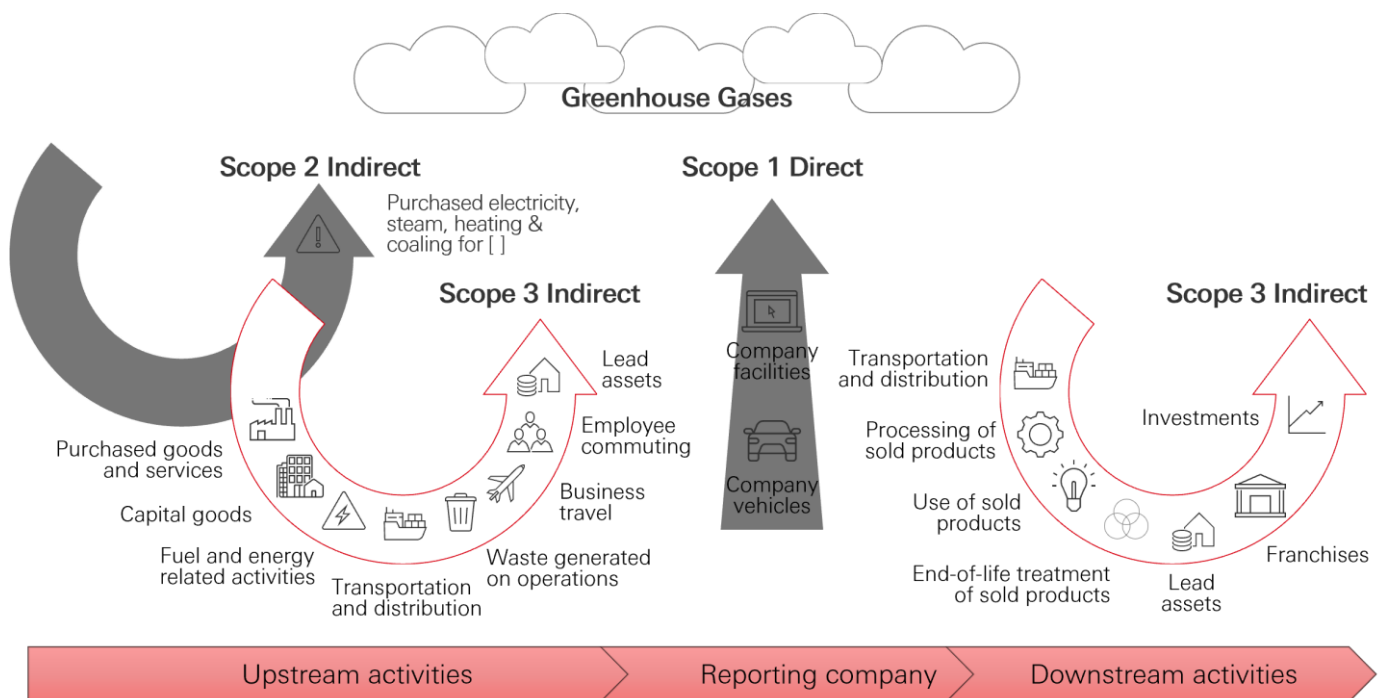
This is the first TCFD report produced for HSBC UK's Discretionary Portfolio Services. The metrics in the report are published for the first time and will provide a baseline reference comparative for future reporting.



Current climate metrics

Corporate carbon emissions

Below is a graphic of the different scope of emissions. Greenhouse gases contribute to global warming and are released through different company activities. Company emissions are a summation of the three scopes, though a company's indirect emissions will be double counted by the emissions of another company's indirect emissions.



- **Scope 1 emissions** - the Green House Gas (GHG) emissions that a company makes directly – for example while running its boilers and vehicles
- **Scope 2 emissions** - GHG emissions that a company makes indirectly – like when the electricity or energy it buys for heating and cooling buildings is being produced on its behalf.
- **Scope 3 emissions** - all the emissions associated, not with the company itself, but that the organisation is indirectly responsible for, up and down its value chain. For example, from buying products from its suppliers, and from its products when customers use them.

Sovereign carbon emissions

Country emissions, which are in large part a double count of its private and public sector emissions, are also a summation of its scope emissions which are defined as follows.

Table 3: Partnering Carbon Accounting Financials (PCAF) scope definition for Sovereign Debt

Scope 1	Scope 2	Scope 3
<p>Domestic GHG emissions from sources located within the country territory.</p> <p>This aligns with the UNFCCC definition of domestic territorial emissions, including emissions from exported goods and services.</p>	<p>GHG emissions occurring as a consequence of the domestic use of grid-supplied electricity, heat, steam and/or cooling which is imported from another territory.</p>	<p>Emissions attributable to non-energy imports as a result of activities taking place within the country territory.</p>

Methodological choices

This section describes the methodologies used in the calculation of the metrics shown in this report.

Sovereigns

Within the weighted average carbon intensity metric, we only source a sovereign's production emissions, which are the scope 1 emissions of a country. As per PCAF guidance, production emissions are the only scope appropriate to divide by gross domestic product (GDP) to derive a carbon emission intensity in units of emissions per million US dollars.

We choose not to include sovereign emissions in our other metrics because 1) we monitor our portfolios using weighted average carbon intensity, and 2) believe that sovereign emissions per GDP is a rate of emissions per economic activity, and closely resembles emissions per corporate revenue, and not emissions per company value, which is used to normalise the other climate metrics.

Scope 3 emissions

We have chosen to only report on upstream corporate emissions under scope 3, over which the company has greater control. This decision is due to the inherent uncertainty in scope 3 emission accounting and the potential for double counting. As regulations and guidance evolve and our understanding of company decarbonisation capabilities becomes clearer, we will reconsider this approach.

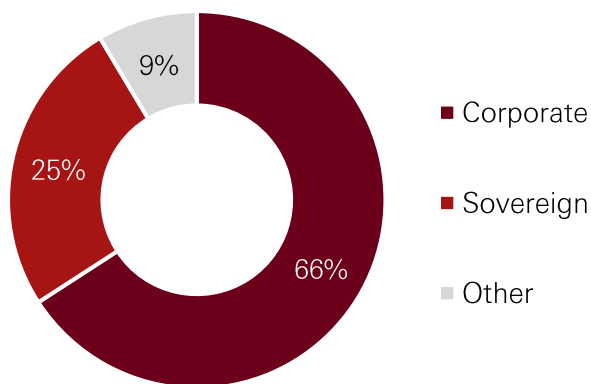
To avoid duplication, these figures are reported separately and not combined with scope 1 and 2 emissions.

Green Bonds

To incentivise green financing and the climate transition, we override the emissions of issuers of green bonds with a value of zero for those green bonds that meet our green bond principles framework. To be approved under this framework, the issuer must have a justifiable transition plan and climate awareness that emphasises the issue and purchase of the green bonds they issue. The financing of these securities is used to finance climate solutions to help climate transition. These climate solutions, such as wind farms or other renewable projects,

do not have zero carbon emissions, but we do not have the granular project data to assess these emissions in full. The avoided emissions that they facilitate outweigh the emissions they generate, so we believe this treatment is fair and appropriate. We acknowledge this limitation and are members of the ICMA the International Capital Market Association (ICMA) Green Bond Working Group and give feedback to PCAF to find an appropriate industry solution in the future.

Carbon metrics are calculated separately for the equity and equity-like (66%) part of the HSBC UK portfolio and sovereign (25%) part of the HSBC UK portfolio.



Corporate (Investee Company) - applicable to corporate issuers including all equity and equity-like securities. It also includes all bonds issued by corporations.

Sovereign or Supranational - applicable to government, some agencies and supranational bonds including all government bonds, government agency bonds and supranational bonds.

Other Holdings - including all other security's types (cash, commodities, and unknown securities).

Coverage

Coverage statistics are presented to enable users to also see the impact values of the adjusted portfolio that is eligible and covered.

- **Eligible assets** – holdings that are the relevant type for the metric.
- **Covered assets** – holdings that are relevant for the metric and for which the relevant underlying data has been obtained or estimated.
- **Coverage** - the percentage of the portfolio's eligible holdings and the portfolio's covered holdings.

Our Greenhouse Gas Emissions

Reported metrics are dependent on the chosen vendor's data quality and availability of metrics as at the reporting date.

In accordance with our choices for climate-related metrics, HSBC UK greenhouse gas emissions for assets under management are as follows:

Weighted Average Carbon Intensity

Carbon intensity measures the quantity of carbon emissions per million dollars of economic output. Economic output is measured using revenues for corporates and GDP based on purchasing power parity (PPP) for sovereigns, both in line with their respective methodology as per PCAF. Thus, it is a measure of the environmental efficiency of an issuer.

Weighted average carbon intensity is the sum of all issuer carbon intensity, weighted by the allocation to that issuer, for all HSBC UK DPM holdings.

Table 4: HSBC UK DPM Carbon intensity

	Corporate Scope 1 and 2 tCO ₂ e / USDm revenue	Sovereign Scope 1 tCO ₂ e / USDm PPP- adjusted GDP excluding LULUCF*	Corporate Scope 3 Upstream tCo ₂ e / USDm revenue
HSBC UK DPM	70.31	54.27	59.39
Coverage	93%	97%	93%

*LULUCF stands for land use, land-use change, and forestry.

Source: HSBC Asset Management data as of 31-Dec-2023. Impact values pertains to the covered part of the portfolio. Please refer to Section 8: Metrics description for further information on the unit of measurement and methodology.

Corporate Carbon Footprint

Carbon footprint measures the quantity of carbon emissions divided by the issuer value, and then multiplied by the size of the investment. It is a measure of carbon emissions ownership, as it takes account of the proportion of emissions per investment, relative to the total size of the issuer value. However, carbon footprint can fluctuate without a change in carbon emissions as a result of changes in issuer value. Understanding the change in investment or issuer versus the change in carbon emissions is an important step in monitoring the environmental progress of the investment. Total carbon footprint is the sum of all HSBC UK issuer carbon footprint, divided by the value of the HSBC UK portfolio.

Table 5: HSBC UK DPM Corporate Carbon footprint

tCO ₂ e / USD m invested	Corporate Scope 1 and 2	Corporate Scope 3 Upstream
HSBC UK DPM	49.41	47.59
Coverage	94%	94%

Source: HSBC Asset Management data as of 31-Dec-2023. Values presented pertains solely to the covered portion of the portfolio. Please refer to Section 8: Metrics description for further information on the unit of measurement and methodology.

Corporate Carbon Emissions

Total carbon emissions represent the investment share of all HSBC UK issuer emissions, often referred to as 'financed emissions'. Since it is not scaled to the value of the portfolio, it is sensitive to the value of the assets. When the value of the assets decline, so do the total carbon emissions if everything else is constant. This is why it is not appropriate to compare the total carbon emissions of different entities. However, it can be useful for providing a perspective of the amount of financing the entity is contributing towards the remaining total global carbon budget. The remaining total carbon budget to limit global warming to 1.5°C and avoid any material long term effects from climate change is 500 billion tonnes of carbon emissions – refer to the [United Nations Framework Convention on Climate Change for more information](#).

Table 6: HSBC UK DPM corporate carbon emissions

tCO2e	Corporate Scope 1 and 2	Corporate Scope 3 Upstream
HSBC UK DPM	388,408	374,094
Coverage	94%	94%

Source: HSBC Asset Management data as of 31-Dec-2023. Values presented pertains solely to the covered portion of the portfolio. Please refer to Section 8: Metrics description for further information on the unit of measurement and methodology.

HSBC AM is currently working to implement MSCI climate-value at-risk (cVaR) and implied temperature rise (ITR) models and embed them into the investment framework (where applicable) at a product level and HSBC AM / HSBC UK financial and strategic planning. We plan to integrate forward-looking scenario analysis into future iterations of this report

HSBC UK uses firm-level internal climate-related scenario analysis on an annual basis to assess capital and financial planning impacts. This is in line with HSBC Group approach and further details can be found by referring to the ESG review in the [HSBC Holdings plc Annual Report and Accounts 2023](#).

Transition plan and net zero

HSBC UK discretionary portfolio management has fully aligned its data approach and calculation methodologies with HSBC AM. HSBC AM leverages multiple data sources and capabilities to report and assess climate-related risks and opportunities. Assessments take place at multiple levels from the issuer to the portfolio, depending on the investment objective. HSBC AM's data sources and metrics enable it to evaluate companies and portfolios based on their current climate relevant credentials, HSBC AM is

developing a forward-looking view as to how it considers climate impacts across its investments in the future. The features measured include carbon intensity, total carbon emissions/footprint, fossil fuel reserve emissions, coal revenues and portfolio temperature. These will form part of the future KPI setting to support managing climate related risk across our portfolios.

- **At the issuer level,** HSBC AM investment teams use third party data to assess issuers' climate credentials and transition risks/opportunities. They are building on the existing set of proprietary capabilities to help enable them to analyse companies in which they invest to assess the risks and opportunities climate presents to their business models; developing sector specific templates for key sectors critical to the transition; and assessing the quality and credibility of a company's transition planning. Combining insights from across HSBC AM (e.g., Responsible Investments team, credit and equity analysts, portfolio managers), along with multiple carbon data sources, allows alignment of portfolios and sets key priorities for engagement.
- **At the portfolio level,** HSBC AM has developed internal reporting mechanisms which allow it to regularly monitor carbon intensity, avoided carbon emissions, carbon footprint, fossil fuel reserves emissions and exposure to fossil fuels, coal, power generation, climate solutions and green revenues, and portfolio temperature. This data is typically run on an aggregated basis for both portfolios and benchmarks. Additionally, the percentage of coverage is also available. This data is mainly sourced from S&P Global Trucost and covers scope 1 and scope 2 emissions.

Transition plan analysis

In addition to existing vendor metrics and data sources HSBC AM is initiating issuer transition plan analysis in high carbon industries. Its investment teams are undertaking qualitative assessments of the credibility of issuers' transition plans to support its net zero commitment, which also includes discretionary portfolios.

HSBC AM net zero targets

HSBC UK portfolio management greenhouse gas emissions targets are embedded in the HSBC AM targets, captured by the HSBC AM NZAM summary below.

[Our Net Zero Transition Plan | HSBC Holdings plc](#)

Key NZAM decision ²	Explanation/context	HSBC AM's decision
1. AuM in scope	AuM in scope for interim target, i.e., % of AuM which is currently covered by a quantified, science-based emission reduction target (NB: 100% of AuM will be in scope for net zero by 2050). This applies to listed equity and corporate fixed income assets, excluding those held in multi-asset strategies.	38%
2. Target year	The target year we commit to achieving our interim decarbonisation target	2030
3. Baseline year	The year we will be using as a starting point for our interim carbon reduction target.	2019
4. Quantified targets	The necessary reduction in carbon emissions intensity needed to align our portfolio to a 1.5° C temperature increase as per the Paris Agreement (i.e., an interim target on the way to net zero by 2050). Target is applied to AuM in scope (38% - listed equity and corporate fixed income managed within HSBC Asset Management's major investment hubs in UK, Hong Kong SAR, France, Germany and US, which amounted to \$193.9bn at 31/12/2019) and is calculated as (tCO ₂ e/\$Mn invested), where emissions are scaled by enterprise values including cash. Our targets will be reviewed on an ongoing basis, with a view to ratcheting up our commitment towards the target of 100 per cent of assets being included by 2050 as per the NZAM initiative commitment. Implementation of the net zero targets remains subject to consultation with stakeholders including investors and fund boards on whose behalf we manage the assets.	58% reduction in carbon emissions intensity (Scopes 1 and 2) - based on assumptions for financial markets and other data, including the IEA Net Zero emissions by 2050 scenario and its underlying activity growth assumptions.
5. Framework	Frameworks set the rules and guardrails on metrics, methodologies, and approaches to net zero to help drive consistency and credibility across the industry. This will support us to align our AuM in scope to net zero.	Net Zero Investment Framework
6. Scenario pathway	Scenario pathways are projections that estimate the economic activity required to limit global warming to a 1.5° temperature rise. It is used to calculate our necessary carbon emission reduction.	IEA NZE (International Energy Agency Net Zero Emissions by 2050)
7. Baseline emissions	Our baseline emissions include Scope 1 and 2 portfolio companies only. (We aim to include Scope 3 once data is sufficiently available and of good quality).	131 tonnes of CO ₂ e/\$m invested

Note: Carbon emissions intensity (carbon footprint) represents the "emissions per company value". More information is available at [HSBC Asset Management website and NZAM Financed Emissions Methodology](#).

07 | Abbreviations & Glossary

A

AuM	Assets under Management	Assets under management (AuM) is the market value of the HSBC UK discretionary portfolio management investments managed on behalf of clients
-----	-------------------------	--

C

CEO	Chief Executive Officer	
CIO	Chief Investment Officer	
CO2e	Carbon dioxide equivalent	CO2e is a metric measure used to compare the emissions from various greenhouse gases on the basis of their global-warming potential, by converting amounts of other gases to the equivalent amount of carbon dioxide
cVaR	Climate-Value-at-Risk	Climate Value at Risk is a model-based metric which estimates the present value of future transition costs and opportunities of a company through to 2050 – and physical cost through to 2100 – for a given climate scenario

D

DE&I	Diversity, Equity & Inclusion	
DPM	Discretionary Portfolio Management	

E

ESG	Environmental, Social, and Governance	
EU	European Union	

G

GHG	Greenhouse Gas Emissions	Greenhouse gases in the earth's atmosphere that trap heat
-----	--------------------------	---

H		
HSBC AM	HSBC Global Asset Management (UK) Limited	
I		
IEA NZE	International Energy Agency Net Zero Emissions by 2050 Scenario	A normative IEA scenario that shows a pathway for the global energy sector to achieve net zero CO2 emissions by 2050, with advanced economies reaching net zero emissions in advance of others.
K		
KPI	Key performance indicators	
M		
MSCI	Morgan Stanley Capital International Index vendor, and model supplier for cVaR	
N		
Net Zero	Net Zero refers to a state in which greenhouse gases going into the atmosphere are balanced by removal out of the atmosphere. The term net zero is important because for CO2 at least- this is the state at which global warming stops. The Paris Agreement underlines the need of net zero; to 'go net zero' is to reduce greenhouse gas emissions and/or to ensure that any ongoing emissions are balanced by removals. The 'net' in net zero is important it will be very difficult to reduce all emission to zero on the timescale needed. As well as deep and widespread cuts in the emissions, we will likely need to scale up removals. The IPCC concluded the need for net zero CO2 by mid- century remain consistent with 1.5° C	
NZTP	Net Zero Transition Plan	The HSBC Group's Net Zero Transition Plan, which provides an overview of the actions being taken and planned to embed HSBC Group's net zero ambition across the Group.
NGO	Non-governmental organisations	
NZAM	Net Zero Asset Managers initiative,	An international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner.

O

OECD	The Organisation for Economic Co-operation and Development	The Organisation for Economic Co-operation and Development (OECD) is a unique forum where the governments of 37 democracies with market-based economies collaborate to develop policy standards to promote sustainable economic growth
------	--	--

R

RI	Responsible Investments Team	
----	------------------------------	--

S

S&P	Standard & Poor's	Index vendor
SFDR	Sustainable Finance Disclosure Regulation	EU legislation that imposes mandatory ESG disclosure obligations for asset managers and other financial markets participants
SI	Sustainable Investments	

T

TCFD	Task Force on Climate-related Financial Disclosures	A taskforce established by the Financial Stability Board to develop recommendations on the types of information that companies should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing risks related to climate change
TPI	The Transition Pathway Initiative Global Climate Transition Centre	An independent, authoritative source of research and data into the progress being made by the financial and corporate world in making the transition to a low-carbon economy, based at the London School of Economics and Political Science

U

UNPRI	UN Principles for Responsible Investment	<p>A set of responsible investment principles developed under the leadership of the United Nations. The six Principles offer a menu of possible actions for incorporating ESG issues into investment practice.</p> <p>The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system. They have attracted a global signatory base representing a majority of the world's professionally managed investments.</p>
-------	--	--

Links:

Cross Reference	Link
HSBC AM Policies	https://www.assetmanagement.hsbc.co.uk/en/individual-investor/about-us/responsible-investing/policies
HSBC UK Bank plc Annual Report and Accounts 2023	https://www.hsbc.com/-/files/hsbc/investors/hsbc-results/2023/annual/pdfs/hsbc-uk-bank-plc/240221-annual-report-and-accounts-2023.pdf
HSBC Global Asset Management (UK) Limited Task Force on Climate-Related Financial Disclosure (TCFD) Annual Report 2023	Our governance at HSBC Asset Management - Individual Investor
HSBC Holdings plc Annual Report and Accounts 2023	ESG reporting centre HSBC Holdings plc

08 | Metrics description

	Brief description	Calculation methodologies
Weighted Average Carbon Intensity (WACI)	<p>Unit is tonnes of carbon dioxide equivalent per millions of USD (tCO₂e/USD m)</p> <ul style="list-style-type: none"> For corporate issuers, the “economic output” is million USD of revenue For sovereign issuers, “economic output” is million USD of Purchasing Price Parity (PPP) adjusted gross domestic product (GDP) 	Sum of the carbon emissions divided by economic output, multiplied by the weight of the investment (the market value of the investment divided by the value of the portfolio)
Corporate Carbon Footprint	<p>Unit is tonnes of carbon dioxide equivalent per millions of USD invested (tCO₂e/USD m)</p>	Sum of the carbon emissions (scope 1, 2) of an issuer multiplied by the portfolio ownership ratio (investment value / enterprise value of the company), divided by the current value of all Investments (with data available)
Corporate Carbon Emissions	<ul style="list-style-type: none"> Commonly referred to as ‘financed emissions’ Unit is tonnes of carbon dioxide equivalent (tCO₂e) 	Sum of a portfolio's corporate asset's GHG scope 1,2 emissions, weighted by the portfolio ownership (investment value / enterprise value of the company).
Issuer value	<ul style="list-style-type: none"> For listed corporates, issuer value is the EVIC or Enterprise Value including Cash. For unlisted companies, issuer value is total book value of debt and equity. For sovereign issuers, issuer value is the purchasing power parity gross domestic product (“PPP-GDP”) of the country for sovereign issuers. 	

HSBC AM does not use proxies and relies on S&P Global Trucost data methodology (a hierarchical approach where if the issuer does not report emissions, they will estimate those emissions, which is based on PCAF industry standard). Carbon emissions for internally approved green bonds are reported as zero.

09 | Important information

The material contained in this TCFD report is for information only. This document is not contractually binding. It does not constitute legal, tax or investment advice or a recommendation to any reader of this material to buy or sell investments. You must not, therefore, rely on the content of this document when making any investment decisions.

This material is not intended for distribution to or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. This material is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe to any investment.

Any views expressed were held at the time of preparation and are subject to change without notice. While any forecast, projection or target where provided is indicative only and not guaranteed in any way. HSBC UK Bank plc accepts no liability for any failure to meet such forecast, projection or target.

A number of risks, uncertainties and other important factors could cause actual developments, performance and/or results to differ materially from HSBC's expectations. These include, among others, the risks, and uncertainties we identify in HSBC Holdings plc's Annual Report and Accounts filed with the Securities and Exchange Commission (SEC) on Form 20-F and interim reports and earnings releases furnished to the SEC on Form 6-K from time to time.

HSBC's (including HSBC UK, HSBC AM and the HSBC Group's) disclosures are limited by the availability of high-quality data in some areas and HSBC's own ability to timely collect and process such data as required. Changes in the availability and quality of data over time, or HSBC's ability to collect and process such data, could result in revisions to reported data going forward, including on financed emissions. In addition, the methodologies and scenarios HSBC uses to assess financed emissions and set ESG-related targets may develop over time in line with market practice, regulation and/or developments in science, where applicable. Such developments to data quality, methodologies and scenarios could result in revisions to reported data, including on financed emissions or the classification of sustainable finance and investments, meaning that the data and its outputs may not be reconcilable or comparable year-on year.

Neither HSBC UK Bank plc nor any of its officers, employees, agents or advisers accepts any duty of care, responsibility or liability in relation to this report or its application or interpretation, including as to the accuracy, completeness or sufficiency of it or any outcomes arising from the same.

HSBC UK Bank plc is not responsible for any loss, damage or other consequences of any kind that any third party may incur or suffer as a result of, arising from or relating to their use of or reliance upon the information available from this material. The information and materials available here are not intended to provide advice and do not constitute a solicitation, marketing or recommendation for the purchase of any

product, making of any deposit or investment.
Investment involves risks.

This report contains information and data sourced from third parties outside the HSBC Group and commentary based on data and information compiled by such third parties. Whilst we believe the third party sources we have used to be reliable, we have not independently verified the data or information they have provided, and we recognise that some carbon emission data are based on estimates by data vendors such as Scope 1 for Sovereigns and Scope 3. As such, neither HSBC UK Bank plc nor any other member of the HSBC Group accepts any responsibility of any kind for the accuracy or completeness of any such third-party data or information or for any errors in any commentary based on it. We do not seek to exclude any liability that might arise under the Financial Services and Markets Act 2000 or otherwise under the UK regulatory system.

This report is issued by HSBC UK Bank Plc which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Firm reference number: 765112.

HSBC UK Bank Plc is incorporated in England and Wales with company number 09928412 and its registered office is at 1 Centenary Square, Birmingham, B1 1HQ

Appendix 1 – HSBC UK Governance Forums

Governance Forums	Description
HSBC UK	
HSBC UK Board	<p>The HSBC UK Board is collectively responsible for the long-term success of the HSBC UK Bank and delivery of sustainable value to shareholders. It approves and oversees the strategy for the HSBC UK Bank (including Environmental, Social and Governance related strategies) and approves the risk appetite statement, and capital and operating plans presented by management for the achievement of the strategic objectives it has set.</p> <p>Chair: Dame Clara Furse Frequency: at least six times a year</p>
HSBC UK Board Risk Committee	<p>The Risk Committee has been delegated responsibility by the Board for oversight and monitoring of risk related matters impacting the Company; risk governance; and internal control systems (other than internal financial control systems).</p> <p>Chair: Mridul Hegde Frequency: at least six times a year</p>
HSBC UK Executive Committee	<p>The Board delegates the management and day-to-day running of the Company to the Executive Committee which exercises all the powers, authorities and discretions of the Board in accordance with such policies and directions as the Board or HSBC Group may from time to time determine. The Executive Committee operates as a general management committee with the Chair being the Chief Executive Officer.</p> <p>Chair: Ian Stuart Frequency: at least six times a year</p>

Governance Forums	Description
HSBC UK	
HSBC UK Bank plc Risk Management Meeting (HSBC UK RMM)	<p>The Risk Management Meeting of the Executive Committee, chaired by the CRO, is responsible for establishing, maintaining and periodically reviewing the policy and guidelines for the management of risk within the group. It also considers financial crime risk management to ensure effective enterprise-wide management of financial crime risk within the group and to support the Chief Executive Officer in discharging his financial crime risk responsibilities.</p> <p>Chair: Julia Dunn Frequency: at least six times a year</p>
UK Investment and Wealth Solutions and Insurance (IWSUK) Executive Committee & Private Banking Executive Committee (PBUK ExCo)	<p>The IWS UK Executive Committee is the primary governance meeting for all UK Wealth Management & Insurance commercial considerations.</p> <p>In addition, the PBUK Executive Committee drives the execution of strategy and provides a forum for discussion of client and business issues at the Senior Management level for the entity.</p> <p>Chair: Xian Chan – IWS; Charles Boulton – PBUK Frequency: every two months</p>
Investment & Wealth Solutions UK Product & Risk Oversight Committee (IWS UK PROC)	<p>IWS UK PROC is a formal committee with individual accountability mandated by the HSBC UK WPB Executive Management Committee. The Committee is responsible for the ongoing oversight and governance of all in-scope products/services made available to clients of UK and the risks related to the distribution including distribution of Insurance products, ongoing management, and servicing across all sales journeys.</p> <p>Chair: Xian Chan Frequency: every two months</p>
The Discretionary Investment Services Joint Oversight Forum (DISJOF)	<p>This forum maintains an effective framework for oversight of services delivered by HSBC Asset Management in relation to the DPM services.</p> <p>Chair: Owen Jenkins Frequency: Quarterly</p>

Appendix 2 – TCFD Recommended disclosure

Recommendation	Response	Disclosure location
Governance		
a) Describe the Board's oversight of climate-related risks and opportunities		
Processes and frequency	<p>HSBC UK firm-level climate risk initiatives focus on four pillars: Governance, Risk Management, Scenario Analysis and Disclosures and are addressed through the HSBC UK climate risk programme. For the DPM services, the governance, strategy, and risk activities, including investment-related climate risk matters, are carried out by HSBC AM, and overseen by HSBC UK.</p>	Page 5
	<p>The HSBC UK Board is responsible for our firm-level climate strategy, overseeing executive management in developing the approach, execution, and associated reporting. HSBC UK firm-level climate risks are reported and governed through our HSBC UK Climate Risk governance structure. This is also covered within HSBC Holdings plc Annual Report and Accounts 2023, which is cross-referenced in the report.</p>	Page 9
Sub-committee accountability processes and frequency	<ul style="list-style-type: none"> • Our HSBC UK Chief Risk Officer is responsible for climate-related financial risks under the UK Senior Managers Regime. The Chief Risk Officer attends HSBC UK Board meetings held nine times a year and is a member of the Executive Committee. Where appropriate the CRO provides verbal or written updates on climate risk. • The HSBC UK Risk Management Meeting (RMM) and the HSBC UK Risk Committee (RC) held nine times a year, receive updates on our climate risk profile and progress of our climate risk programme. • The UK Climate Management Meeting (CMM) meets every six weeks and oversees risk activities relating to Climate Risk management and the escalation of climate risks. <p>This is also covered within HSBC Holdings plc Annual Report and Accounts 2023, which is cross-referenced in the report.</p>	Page 9

Recommendation	Response	Disclosure location
Examples of the Board and relevant Board committees taking climate risk into account	<p>HSBC UK supports the HSBC Group climate ambition to align its financed emissions to net zero by 2050 and to become net zero in its own operations and supply chain by 2030. Our management of climate risk in HSBC UK is aligned to HSBC Group’s risk management framework, which sets out how we identify, assess, and manage climate risks and oversee against goals.</p>	Page 9
	<p>HSBC UK's firm-level risk appetite statements are approved by the HSBC UK Board and include the measures we intend to take to meet HSBC Group’s ambition, targets, and commitments. In HSBC UK, our measures are focused on the oversight and management of climate risks in our portfolios and are reported to the HSBC UK Risk Management Meeting.</p>	Page 10
	<p>HSBC UK uses firm-level internal climate-related scenario analysis on an annual basis to assess capital and financial planning impacts. This is in line with HSBC Group's approach and further details can be found by referring to the ESG review in the HSBC Holdings plc Annual Report and Accounts 2023.</p>	Page 30

Recommendation	Response	Disclosure location
b) Describe management's role in assessing and managing climate-related risk and opportunities		
Who manages climate-related risks and opportunities	<p>The HSBC UK Board is responsible for our firm-level climate strategy, overseeing executive management in developing the approach, execution, and associated reporting. HSBC UK firm-level climate risks are reported and governed through our HSBC UK Climate Risk governance structure.</p>	Page 9
	<p>HSBC UK delegates the investment management of its DPM services to HSBC AM. All sustainable investing activities for these services, including management of climate-related risks and opportunities, are therefore undertaken by HSBC AM on behalf of HSBC UK. HSBC UK works closely with HSBC AM to provide requirements for portfolio construction to benefit from its securities analysis and risk management tools.</p>	Pages 10-11 & Appendix 1
How management reports to the Board	<p>The AMGB Board takes overall responsibility for setting its own values and standards, including in relation to environmental, social and governance matters, to help ensure that obligations to clients, shareholders and other stakeholders are understood and met. The Chief Executive Officer of HSBC AM (UK) is responsible for the management of its climate-related risk. Currently any climate-related issues are included in sustainability risks and ESG risks and can be escalated to its Board and Board Risk Committee.</p>	Pages 10-11, Appendix 1
Processes used to inform management	<p>HSBC AM (UK) Senior Manager accountability includes the oversight of climate risk and working with the business to help ensure that the appropriate climate risk frameworks are embedded whilst providing review and challenge on climate-related activity.</p> <p>For further details, please refer to the HSBC Global Asset Management (UK) Limited Task Force on Climate-Related Financial Disclosure (TCFD) Annual Report 2023.</p>	Pages 10-11, Appendix 1
	<p>The HSBC UK Product & Risk Oversight Decision Making Committee, and the Investment and Wealth Solutions and Insurance UK Product and Risk Oversight Committee, are responsible for the management, oversight, and approval of new and existing investments.</p>	Page 11

Recommendation	Response	Disclosure location
Strategy		
a) Describe the climate-related risk and opportunities the organisation has identified over the short, medium, and long term		
Processes used to determine material risk and opportunities	HSBC AM identifies and manages transition risk through multiple levers: <ul style="list-style-type: none"> - through policies and exclusions - through engagement - through assessment of issuers, portfolio constructions and product development 	Page 14
	Strategy and Risk Management sections	Pages 12-23
Relevant short-, medium- and long-term time horizons	We consider climate-related risks and opportunities within the short, medium, and long-term time horizons reflected above. This is aligned with HSBC AM's overall business time horizons such as the HSBC AM thermal coal phase-out by 2030 in the EU/OECD, and by 2040 in all markets.	Page 15
	For the purpose of this report, across each category of climate-related risk, we have identified the following risks based on the following time horizons: <ul style="list-style-type: none"> • Short-term: Up to 2030 • Medium-term: 2030-2040 • Long-term: 2040-2050 	Page 15

Recommendation	Response	Disclosure location
Transition or physical climate-related issues identified	<p>HSBC AM considers two primary types of climate-related risks across its strategy and investment platform:</p> <ol style="list-style-type: none"> 1. Physical risk which arises from the increased frequency and severity of extreme weather events, such as hurricanes and floods, or chronic gradual shifts in weather patterns or rises in the sea level. 2. Transition risk which arises from the process of moving to a net zero economy, including changes in government policy and legislation, technology, market demand, and reputational implications triggered by a change in stakeholder expectations, action or inaction. 	Pages 13-15
Risks and opportunities by sector and/or geography	<p>HSBC AM currently considers risk and opportunities at a global and UK level, however, it does not break these down into sector or geography climate-related issues at present. For further details, please refer to the HSBC Global Asset Management (UK) Limited Task Force on Climate-Related Financial Disclosure (TCFD) Annual Report 2023.</p>	Page 15

Recommendation	Response	Disclosure location
b) Describe the impact of climate-related risk and opportunities on the organisation's business, strategy, and financial planning		
Impact on strategy, business, and financial planning	At a firm-level, HSBC UK use internal climate-related scenario analysis on an annual basis to assess capital and financial planning impacts. This is in line with HSBC Group approach and further details can be found by referring to the ESG review in the HSBC Holdings plc Annual Report and Accounts 2023.	Page 30
Impact on: - product and services - supply chain and/or value chain - adaptation and mitigation activities - Operations - investment in research and development	At a firm-level, HSBC UK use internal climate-related scenario analysis on an annual basis to assess capital and financial planning impacts. This is in line with HSBC Group approach and further details can be found by referring to the ESG review in the HSBC Holdings plc Annual Report and Accounts 2023.	Page 30
Impact on our operations	HSBC UK's operational climate emissions are included within HSBC Group emissions, with further detail available in the ESG review in the HSBC Holdings plc Annual Report and Accounts 2023. For details on HSBC UK investments emissions please see the section on Metrics and Targets.	Page 15, 24-32
Transition plan to a low-carbon economy	<p>We recognise that we have an important role to play in supporting the transition to a net zero economy, and we are developing strategies to reduce our own emissions and to help our clients to reduce theirs.</p> <p>HSBC UK offer three sustainable programmes: CMS Sustainable, Charities Sustainable and PIMS Sustainable.</p> <p>Please see sections; Sustainability Strategy and Products, Climate-related opportunities and Climate-related impact on our operations.</p>	Pages 6, 16-17

Recommendation	Response	Disclosure location
<p>Climate-related risk and opportunities for products or investment strategies. Relation with transition to a low-carbon economy. (Supplemental guidance for Asset Managers)</p>	<p>HSBC UK, firm-level climate risk initiatives focus on four pillars: governance, risk management, scenario analysis and disclosures. Through the HSBC UK Climate Risk programme, which is closely aligned to the HSBC Group Climate Risk programme, HSBC UK continues to enhance climate risk capabilities throughout the organisation by integrating climate risk into its policies, processes, and controls across all taxonomy risk types. HSBC UK continues to enhance the data, tools and metrics used for monitoring and managing exposures, which are also used for internal scenario analysis models.</p> <p>How ESG is governed, Strategy and Product Governance, Climate Considerations in Voting sections and metrics sections.</p>	<p>Pages 9-10, 20, 23-32</p>

Recommendation	Response	Disclosure location
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario		
Strategy resilience towards climate-related risk and opportunities	<p>In addition to existing vendor metrics and data sources HSBC AM is initiating issuer transition plan analysis in high carbon industries. Their investment teams are undertaking qualitative assessments of the credibility of issuers' transition plans to support our net zero commitment, which also includes discretionary portfolios.</p>	Page 31
	<p>As a responsible steward of our clients' investments, we recognise the role that climate-related risks and opportunities play in shaping the future of the financial landscape and are working to align our investment practices with global efforts to mitigate climate change.</p> <p>In January 2024, the HSBC Group published its first Net Zero Transition Plan (NZTP), to provide an overview of the actions being taken and planned to achieve its net zero ambitions. The HSBC Group aims to achieve net zero in its operations and supply chain by 2030, and in its financing portfolio by 2050.</p>	Page 3
Scenarios used and how they factored in government policies	<p>HSBC UK uses firm-level internal climate-related scenario analysis on an annual basis to assess capital and financial planning impacts. This is in line with HSBC Group approach and further details can be found by referring to the ESG review in the HSBC Holdings plc Annual Report and Accounts 2023. The climate-related scenarios are covered within the Climate-related risk time horizons and Metrics sections.</p>	Pages 15, 24-32

Recommendation	Response	Disclosure location
<p>How our strategies may change and adapt</p>	<p>During 2023, Climate-related risks and Climate-related risks and HSBC AM's (UK) strategic response sections covers how strategies may be affected by climate-related risks and opportunities. The potential impact on climate-related issues on financial performance links back to the Holdings and HSBC UK ARAs. HSBC UK's firm-level risk appetite statements are approved by the HSBC UK Board and include the measures we intend to take to meet HSBC Group's ambition, targets, and commitments. In HSBC UK, our measures are focused on the oversight and management of climate risks in our portfolios and are reported to the HSBC UK Risk Management Meeting. At a firm-level, HSBC UK use internal climate-related scenario analysis on an annual basis to assess capital and financial planning impacts. This is in line with HSBC Group approach and further details can be found by referring to the ESG review in the HSBC Holdings plc Annual Report and Accounts 2023.</p>	<p>Pages 8, 10, 12-13, 30</p>

Recommendation	Response	Disclosure location
Risk management		
a) Describe the organisation's processes for identifying and assessing climate-related risks		
Process	Risk Management section.	Pages 18-23
Integration into policies and procedures	<p>An annual climate risk materiality assessment is completed by the HSBC Group, enabling us to have a holistic view of climate risk impacts across our risk taxonomy and identify potential gaps within our climate risk management capabilities.</p> <p>To further manage climate risks, the HSBC Group has developed a climate risk approach which aims to effectively manage the material climate risks that could impact the operations, financial performance and stability, and reputation. It is informed by the evolving expectations of our regulators.</p>	Page 20
Engagement activity with investee companies (Supplemental Guidance for Asset Managers)	<p>HSBC AM serves as an important link between HSBC UK's clients and the companies that HSBC UK invests in on their behalf. Climate change is a central theme of HSBC AM stewardship programme, with stewardship being a key lever in our effort to encourage investee companies to commit to a just climate transition.</p> <p>Stewardship: how engagement with issuers helps us identify and assess climate-related risk and opportunities, Climate Considerations in Voting sections all cover this requirement.</p>	Pages 21-23
Identifying and assessing material climate related risk (Supplemental Guidance for Asset Managers)	Climate-related risks and our strategic response and Climate-related opportunities sections of the report cover this requirement. The HSBC Global Asset Management (UK) Limited Task Force on Climate-Related Financial Disclosure (TCFD) Annual Report 2023 is also cross referenced.	Pages 12-13, 16

Recommendation	Response	Disclosure location
b) Describe the organisation's processes for managing climate-related risks		
Process and how we make decisions	Governance and Risk Management sections	Pages 9-11, 18-23
How we manage climate-related risks for product or investment strategy (Supplemental Guidance for Asset Managers)	The HSBC Group introduced an approach to sustainable investing which both HSBC UK and HSBC AM have adopted. This sets the standards across the investment platform for what constitutes a sustainable strategy at the portfolio level, across investment approaches and asset classes. Climate metrics, like carbon intensity for example, are measured and assessed across sustainable strategies. Climate-related factors are considered on both a current and, increasingly, forward looking basis. Climate-related risks and our strategic response and Climate-related opportunities sections.	Pages 12-16
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management framework		
How we have aligned and integrated our approach	The identification, assessment, and management of climate risk at a firm-level in HSBC UK is undertaken in line with the HSBC Group's risk management framework, and three lines of defense model, where we have embedded climate risk within the risk taxonomy rather than as a principle / standalone risk type. More details are covered in Risk Management, Governance and Strategy sections.	Page 9-23

Recommendation	Response	Disclosure location
Metrics and targets		
a) Disclose the metrics used by organisation to assess climate-related risk and opportunities in line with its strategy and risk management process		
Metrics used to assess the impact of climate-related risks on our loan portfolio as well as or progress against opportunities	<p>Metrics and targets section.</p> <p>HSBC UK discretionary portfolio management has fully aligned its data approach / calculation methodologies with HSBC AM.</p>	Pages 24-32
Internal carbon prices and revenue from product and services designed for a low-carbon economy	<p>The HSBC Holdings plc Annual Report and Accounts 2023 which this report cross references, explains that we do not disclose an internal carbon price - Pg73 - We do not currently disclose internal carbon prices due to transitional challenges such as data challenges. But we considered carbon prices as an input for our climate scenario analysis exercise. We expect to further enhance this disclosure in the medium term. The HSBC Holdings ARA also makes it clear on Pg 73 that we do not disclose the proportion of assets, revenue from products/services designed for a low-carbon economy - We do not currently fully disclose the proportion of revenue or proportion of assets, capital deployment or other business activities aligned with climate-related opportunities, including revenue from products and services designed for a low-carbon economy.</p>	HSBC Holding Annual Report and Accounts page 73
Metrics used to assess climate-related risk and opportunities in each product or investment strategy (Supplemental guidance for Asset Managers)	The Risk Management and Metrics and Targets sections.	Pages 18-32

Recommendation	Response	Disclosure location
Metrics considered in investment decisions and monitoring (Supplemental guidance for Asset Managers)	Metrics and Targets section	Pages 24-32
b) Disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas emissions and the related risk		
Scope 1, Scope 2 GHG emissions materiality, calculations, and historical periods	Operational GHG scope 1 and 2 emissions are calculated at the HSBC Group level. For more operational GHG metrics, refer to the HSBC Holdings (HSBC Group) Annual Report and Accounts 2023.Greenhouse Gas Emissions part in report also covers this recommendation.	Page 28-30
Other carbon footprint metrics	Current Climate Metrics section.	Pages 25-27
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets		
Our climate related targets	HSBC UK portfolio management greenhouse gas emissions targets are embedded in the HSBC AM targets, captured by our HSBC AM the Net Zero Asset Managers (NZAM) initiative summary. Current Climate Metrics, Out Greenhouse Gas Emission and HBSC AM Net Zero Targets sections.	Pages 25-32
	Targets for organisation are covered in HSBC Holdings plc Annual Report and Accounts 2023 cross-referenced within this report. Metrics to assess climate-related risk and opportunities are in the metrics and target section	Pages 24-32