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

Annual Report 2024

HSBC UK Bank plc

HSBC UK | Opening up a world of opportunity

Contents

Note: This document comprises the TCFD for HSBC UK Bank plc (the bank' or 'the Company') and its subsidiaries (together 'HSBC UK') Discretionary Portfolio Services 2024 Annual Report. '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 and the wider HSBC Asset Management business.

1. Message from Senior Management

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

In this report, we provide insights into our strategies, initiatives, and progress towards our climate-related ambitions and targets. We seek to foster 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.

Improvements since our last report:

Over the course of 2024, we continued to develop the approach to climate risk management, including:

- Further development of investment management and metrics capabilities.
- Continued review and refinement of existing Thermal Coal and Energy policies
- Enhancements to control framework to mitigate exposure to reputational and greenwashing risks and increase the resilience of our clients' investments.
- Continued work on the implementation of the Financial Conduct Authority's (FCA) Sustainability Disclosure Requirements (SDR).
- Enhancements to the way HSBC oversee the sustainability credentials of the investments, including an internal framework to help define and classify the net zero alignment of the companies.
- Launch of a new sustainable mandate – Global Sustainable Long-Term Equity (GSLTE).

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.

Reflection

In January 2024, HSBC Group published its first Net Zero Transition Plan, which provides an overview of the Group's approach to net zero and the actions it is taking to help meet its ambition across the HSBC Group. HSBC UK has adopted the HSBC Group's climate-related ambitions and targets to align its financed emissions to net zero by 2050.

We continue to engage with our customers, investors and regulators proactively on the management of climate-related risks. The HSBC Group also references industry insights to help drive good practice for climate risk management.

Signed on behalf of HSBC UK

Jose Carvalho

Head of Wealth and Personal Banking HSBC UK

2. Introduction

2.1. 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 2024 to 31 December 2024. Its content is based on the recommendations of the TCFD and the Financial Conduct Authority's (FCA) ESG sourcebook.

Supporting the transition to net zero is a key priority for the HSBC Group. Through the HSBC UK climate risk programme, progress was made on embedding climate considerations throughout the organisation, including through risk policy updates. We also developed risk metrics to monitor and manage exposures and develop portfolio steering capabilities and revenue assessments. Aligned with the HSBC Group, we further enhanced our Internal Climate Scenario Analysis that focused on generating more granular insights which we are using to improve our understanding of our risk exposures for use in risk management, business decision making, and to meet ongoing regulatory expectations.

This report relates only to HSBC UK as an asset manager acting on behalf of its discretionary clients. 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.

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.

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 refer to the 2024 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 2024, 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 2024, 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 responsible investment policies and Net Zero Asset Managers (NZAM) commitment. These are aligned with HSBC Group's net zero ambition, however, the 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 investors, may differ from the approach taken by HSBC Group in its financing and advisory activities, which involve different client obligations and data availability.

2.2. Sustainability strategy and products

Supporting the transition to net zero is a key priority for HSBC Group. In 2020, HSBC Group set an ambition to achieve net zero in its own operations and supply chain by 2030. HSBC Group has made good progress in reducing its scope 1 and 2 emissions, however, progress in reducing emissions in the scope 3 supply chain component is proving slower than anticipated, driven mainly by the slower pace of the transition across the real economy. As such, HSBC Group has revisited its ambition and is now focused on achieving net zero in own operations, travel and supply chain by 2050.

Through HSBC AM as our investment manager, we are committed to serving clients to achieve their investment objectives and offer international expertise and innovative investment opportunities to support these goals. HSBC AM designed and implemented a framework to offer a range of investment strategies and solutions, which include sustainability considerations alongside investment performance objectives.

HSBC AM is a signatory to the NZAM initiative, and it 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%[1] compared with 2019, including HSBC UK portfolio. On 13 January 2025, the NZAM initiative launched a review of the initiative. As the initiative undergoes this review, it is suspending activities to track signatory implementation and reporting. We are following closely and engaging on the review.

While the investment solutions offered by HSBC UK do not have specific climate-focused objectives and the majority 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 its investment processes. This incorporates stewardship and engagement activities.

HSBC UK offer four sustainable products[2] (products promoting ESG and sustainable characteristics alongside financial objectives): CMS Sustainable, Charities Sustainable, PIMS Sustainable and Global Sustainable Long-Term Equity (GSLTE) (please refer to the

[1] The 58% target is based on assumptions for financial markets and other data, including the IEA Net Zero emissions by 2050 scenario and its underlying activity growth assumptions. Carbon emissions intensity is measured as tonnes of carbon dioxide equivalent per million USD invested ($tCO_2e/M\$$ invested), where emissions are scaled by enterprise values including cash.
[2] HSBC Sustainable Finance and Investment Data Dictionary 2024.

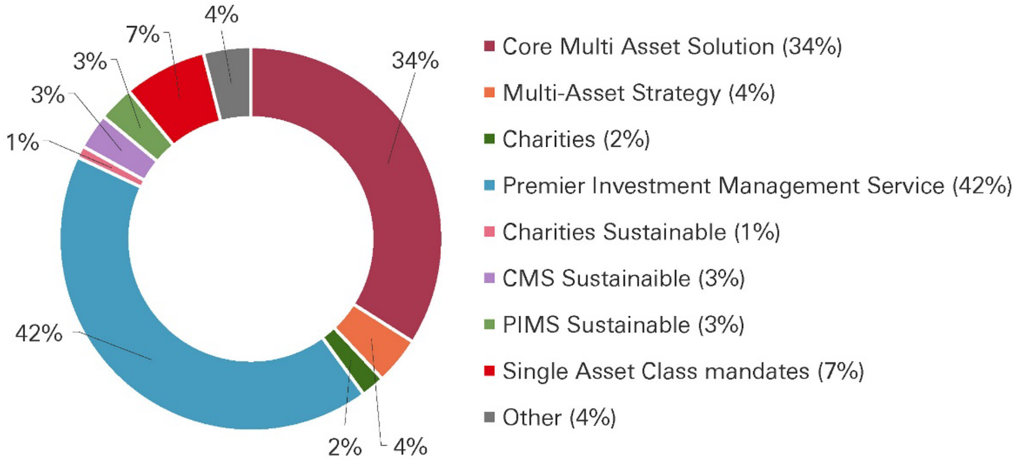
Climate-related opportunities section of the report for more details). Please note that some PIMS portfolios hold assets in Feeder Accounts that we only manage from a Capital Gains Tax (CGT) perspective. Holdings are sold in line with the CGT policy agreed with the client, and proceeds invested into the PIMS managed account. These feeder accounts represent around USD 46m[3] and they are not included in any of our core strategies / metrics in this report.

2.3. Figures as at 31 December 2024

HSBC UK Discretionary Portfolio Management: Assets under Management (AuM) USD14.8bn

USD1bn (6.6%) of HSBC UK's AuM, was in ESG & sustainable strategies[4]

HSBC UK discretionary portfolio by strategy



[3] Source: HSBC Private Banking and Wealth, as at 24 December 2024. Exchange rate GPB to USD: 1.25445.
[4] ESG and sustainable AuM, as defined in section 2.1 of the HSBC Sustainable Finance and Investment Data Dictionary 2024. The definition of ESG and sustainable investment strategies is based on HSBC ESG and Sustainable Investing Framework. This approach is an HSBC internal classification approach used to establish our own ESG and sustainable investing criteria (recognising the subjectivity inherent in such approach and the variables involved) and promote consistency across asset classes and business lines where relevant and should not be relied on externally to assess the sustainability characteristics of any given product. There is no single global standard definition of, or measurement criteria for, ESG and sustainable investing or the impact of ESG and sustainable strategies.

HSBC UK discretionary portfolio by asset type

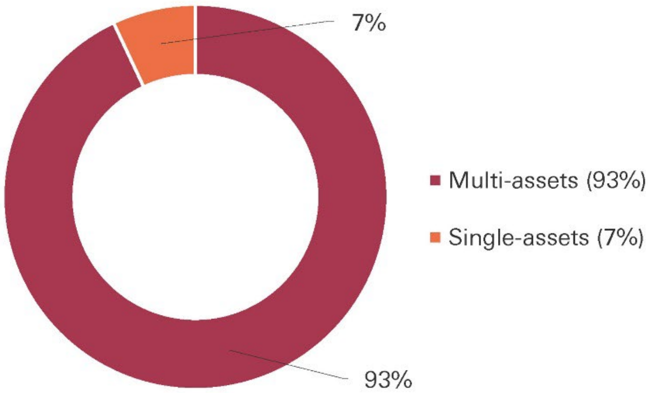


Table 1: HSBC UK DPM AuM in 2024

HSBC UK discretionary AuM	HSBC UK Wealth	HSBC UK Private Banking
• USD 14.8bn	• USD 6.7bn	• USD 8 bn
6.6 % of AuM invested in Sustainable Investment	**6.4 % in Sustainable Investment** • PIMS Sustainable	**6.8 % in Sustainable Investment** • CMS Sustainable • Charities Sustainable • Global Sustainable Long-Term Equity

Table 2: HSBC UK DPM AuM: 2023 vs 2024

	2023	**2024**	**Change**
Mainstream mandates	$11.7bn	$13.8bn	18%
Sustainable / ESG mandates	$0.9bn	$1bn	7%
Total	**$12.6bn**	**$14.8 bn**	**17%**

Source: HSBC Global Private Banking & Wealth, as at 31-December 2024. All Numbers in USD. Exchange rate GPB to USD: 1.25445. Due to rounding, some totals may not correspond with the sum of the separate figures.

2.4. Cautionary statements regarding ESG data, metrics and forward-looking statements

This report contains certain forward-looking statements with respect to the HSBC Group's ESG ambitions, targets, commitments, climate-related pathways, processes and plans, and the methodologies and scenarios it uses, or intends to use, to assess its progress in relation to these; and HSBC UK's ability to contribute to the HSBC Group's ESG ambitions, targets and commitments described herein.

Statements that are not historical facts, including statements about the Group's beliefs and expectations, are forward-looking statements. Words such as 'may', 'will', 'should', 'expects', 'targets', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', or the negative thereof, other variations thereon or similar expressions are intended to identify forward-looking statements. These statements are based on current plans, information, data, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak 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 could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement.

In preparing the information contained in this report, we have made a number of key judgements, estimations and assumptions, and the processes and issues involved are complex. We have used ESG (including climate) data, models and methodologies that we consider, as of the date on which they were used, to be appropriate and suitable to understand and assess climate change risk and its impact, to analyse emissions, to set sustainability-related targets and to evaluate the classification of sustainable investments. However, these data, models and methodologies (including third party proprietary estimation models, methodologies, assumptions, techniques and model data inputs that are not made public) are often new, are rapidly evolving and are not of the same standard as those available in the context of other financial information, nor are they subject to the same or equivalent disclosure standards, historical reference points, benchmarks or globally accepted accounting principles. In particular, it is not possible to rely on historical data as a strong indicator of future trajectories in the case of climate change and its evolution. Outputs of models, processed data and methodologies are also likely to be affected by underlying data quality, which can be hard to assess, and we expect industry guidance, market practice, and regulations in this field to continue to evolve. We also face challenges in relation to the lack of consistency and comparability between data that is available and the use of proprietary models, estimates and proxies by data vendors to address gaps in data from issuers. Consequently, the information and ESG metrics disclosed in this report carry an additional degree of inherent risk and uncertainty.

Due to the unpredictable evolution of climate change and its future impact and the uncertainty of future policy and market response to ESG-related issues and the effectiveness of any such response, we may have to re-evaluate our progress towards the HSBC Group's ESG ambitions, targets and commitments in the future, update the methodologies we use or alter our approach to sustainability (including climate) analysis and we may be required to amend, update and recalculate our ESG disclosures and assessments in the future, as market practice and data quality and availability develop.

- **Climate change projection risk:** this includes, for example, the evolution of climate change and its impacts, changes in the scientific assessment of climate change impacts, transition pathways and future risk exposure and limitations of climate scenario forecasts.

- **ESG projection risk:** ESG metrics are complex and are still subject to development. In addition, the scenarios employed in relation to them, and the models that analyse them, have limitations that are sensitive to key assumptions and parameters, which are themselves subject to some uncertainty, and cannot fully capture all of the potential effects of climate, policy and technology-driven outcomes.

- **Changes in the sustainability regulatory landscape:** this involves changes in government approach and regulatory treatment in relation to sustainability disclosures and reporting requirements, and the current lack of a single standardised regulatory approach to sustainability across all sectors and markets.

- **Variation in reporting standards:** sustainability reporting standards are still developing and are not standardised or comparable across all sectors and markets, new reporting standards in relation to different ESG metrics are still emerging.

- **Data availability, accuracy, verifiability and data gaps:** our disclosures are limited by the availability of high-quality data in some areas and our own ability to timely collect and process such data as required. Even the most recent available data obtainable from vendors may relate to underlying data for periods earlier than the year ended 31 December 2024. Where data is not available for all sectors or consistently year on year, there may be an impact to data quality. While we expect data quality to improve over time, as issuers continue to expand their disclosures to meet growing regulatory and stakeholder expectations, there may be unexpected fluctuations within sectors year on year, and/or differences between the data quality across varied sectors. Any such changes in the availability and quality of data over time, could result in revisions to reported data going forward, meaning that such data may not be reconcilable or comparable year-on year.

- **Developing methodologies and scenarios:** the methodologies and scenarios used to assess emissions and set sustainability-related targets may develop over time in line with market practice, regulation and/or developments in science, where applicable. Such developments could result in revisions to reported data, including on emissions or the classification of sustainable investments, meaning that data outputs may not be reconcilable or comparable year-on year.

Any forward-looking statements speak only as of the date they are made. We expressly disclaim any obligation to revise or update these ESG forward-looking statements, other than as expressly required by applicable law.

3. Governance

3.1. Oversight of climate-related risks and opportunities

HSBC UK has adopted the HSBC Group's climate-related ambitions and targets to align its financed emissions to net zero by 2050. 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.

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 HSBC UK Climate Management Meeting (CMM) meets at least nine times a year 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.

For the oversight of climate-related risks provided by our investment manager, please refer to the HSBC Global Asset Management (UK) Limited Task Force on Climate-Related Financial Disclosure (TCFD) Annual Report 2024 Governance section .

3.2. Sustainability Governance & Management Oversight

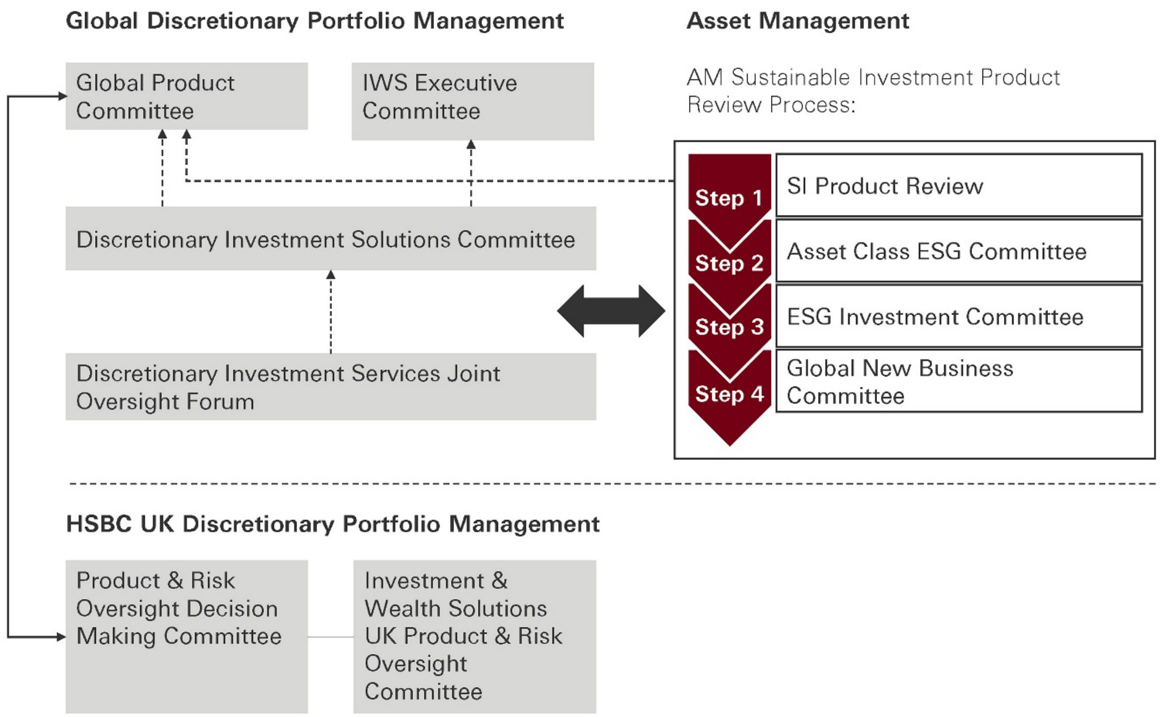
HSBC UK works closely with HSBC AM to provide requirements for portfolio construction to benefit from its securities analysis and risk management tools.

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

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 2024.

HSBC UK Product & Risk Oversight Committee (PROC) / UK Decision Making Committee (DMC) 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 sustainability 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 sustainability governance is likely to continue to develop, in line with our evolving approach to sustainability matters, regulatory changes and stakeholders' expectations.

The table in Annex I 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.

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.

Please note that the above governance structure was in place during 2024 and is currently under review and subject to change in 2025.

4. Strategy

4.1. Climate-related risks and strategic response

We recognise 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.

HSBC UK is subject to financial and non-financial risks. Climate risk is a current area of focus, and it can impact us both directly and indirectly through our business activities and relationships.

The Responsible Investment Policy and Climate Change Policy of our investment manager HSBC AM set out the approach to key sustainability issues in the investment activities, including an explanation of how HSBC AM's approach to climate-related risk is based upon clients' investment interest, as well as meeting their interest in transitioning to a low carbon economy.

There are two major categories of climate risk: risks related to the physical impacts of climate change (physical risks) and risks related to the transition to a lower-carbon economy (transition risks).

The categorisation of each climate-related risk is as follows:

1. **Physical Risk** - Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for an issuer, such as direct damage to assets and indirect impacts from supply chain disruption. Issuers' financial performance may also be affected by changes in water availability, sourcing, and quality; food security; and

extreme temperature changes affecting issuers' premises, operations, supply chain, transport needs, and employee safety.

2. **Transition Risk** - Transition risk refers to the risk of being impacted by the global shift towards a low carbon economy, including changes in government policy and legislation, technology, market demand, and reputational implications triggered by a change in stakeholder expectations, action or inaction.

In addition, the following thematic issues related to climate risk were identified, which are most likely to materialise in the form of reputational, regulatory compliance and litigation risks:

- 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.

In setting its climate strategy, our investment manager considers these two types of climate-related risks across its strategy and investment platform.

We believe both transition risk and physical risk will impact society, the operating environment and the value of our investments, if not managed well. These impacts will vary depending on different factors such as location and type of industry. We recognise that sustainability taxonomies are not consistent globally, and evolving taxonomies and practices could result in revisions in our reporting going forward.

We also consider climate-related opportunities alongside risks. Climate opportunities can arise from activities to support climate mitigation and adaptation, as well as from managing climate-related risks. Mitigation refers to reducing the cumulative greenhouse gases into the atmosphere, like cutting greenhouse gases from main sources such as power plants, factories, etc.[5] Adaptation refers to physical and non-physical solutions that substantially reduce the most important physical risks[6].

For further details, please refer to the HSBC Global Asset Management (UK) Limited Task Force on Climate-Related Financial Disclosure (TCFD) Annual Report 2024.

4.1.1. Identifying climate transition risk

Sustainability and climate considerations are increasingly important to managing potential investment risk, as well as identifying and capturing opportunities. Transition climate risk can potentially impact assets with more exposure to higher carbon sectors, regions and/or

[5] Climate Mitigation as defined by the EEA
[6] Climate Adaptation as defined in Commission Delegated Regulation (EU) 2023/2485

business models, as these are likely to be most affected by the low-carbon transition. We recognise the importance transition risk plays in investment decision making and this is why transition risk is considered across our investment manager's policies, stewardship activities, and responsible investment processes where applicable. Specifically, HSBC AM identifies and manages climate transition risk through different means:

- Policies and associate exclusions
- Climate research
- Product development
- Engagement and voting

For further details, please refer to the HSBC Global Asset Management (UK) Limited Task Force on Climate-Related Financial Disclosure (TCFD) Annual Report 2024.

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.

4.1.2. Identifying physical climate risk

Physical risk can manifest over different time horizons and though traditionally seen as an emerging risk, it is clear we are already seeing its impact today. To support this, HSBC AM is integrating physical risk considerations into investment decision making tools that support their risk management processes, beginning with Climate Value at Risk (cVaR).

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 risk, including for HSBC UK discretionary solutions.

HSBC AM has a climate assessment process which aims to understand which companies are exposed to the highest physical risk across our listed equity and corporate fixed income holdings. They identify high risk companies with a high score for Physical Risk cVaR, flagging those companies with the highest costs due to physical acute and chronic weather events related to climate change. Once those companies are identified, they perform a detailed assessment of the company's alignment to a 2050 Net Zero pathway. The outcomes of these assessments are communicated to relevant investment teams to inform them about the types of climate related risks within these issuers.

For more quantitative climate scenario analysis on HSBC UK AuM, refer to the section on 'Metrics and Targets'.

4.1.3. Climate-related risk time horizons

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

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

This is aligned with HSBC AM's overall business time horizons such as the HSBC AM thermal coal phase out by 2030 in the European Union (EU)/ Organisation for Economic Co-operation and Development (OECD), and by 2040 in all markets. These time horizons are also complemented by the HSBC AM net zero interim target in the short-term and net zero commitment in the long term.

For further details, please refer to the HSBC Global Asset Management (UK) Limited Task Force on Climate-Related Financial Disclosure (TCFD) Annual Report 2024.

Climate-related orderly transition risk strategy

Together with HSBC AM, we are working to position our business towards an orderly climate transition scenario that would limit global temperature increase to well below 2ºC, aligned with efforts to limit the temperature increase to 1.5ºC. However, we recognise that under the policies already announced by governments by the time of COP26 in 2021, the Intergovernmental Panel on Climate Change believed it was likely that warming will exceed 1.5ºC during this century and that it would be harder to limit warming well below 2ºC if no additional commitments were made or actions taken[7]. Under the Paris Agreement, each country as a Party to the agreement must submit its Nationally Determined Contribution (NDC) for its emissions reduction to the United Nations Framework Convention on Climate Change (UNFCCC) every 5 years, ahead of the relevant COP. Each successive NDC is meant to reflect an increasingly higher degree of ambition compared to the previous version[8].

More details on how HSBC AM seeks to address the climate-related transition and physical risks identified are available in the HSBC Global Asset Management (UK) Limited Task Force on Climate-Related Financial Disclosure (TCFD) Annual Report 2024.

4.1.4. Scanning for climate-related risks and opportunities

Net zero alignment assessment of issuers

HSBC AM has been strengthening climate transition metrics into product strategies, where relevant, in order to support its net zero commitment and client's objectives. In supporting this ambition, it has developed an internal alignment framework which assesses companies on their progress towards interim and longer-term net-zero targets. This framework defines and classifies the net zero alignment of companies, based on relevant climate data, HSBC AM's insights on a company from their research and engagement, and guidance from the IIGCC's Net Zero Investment Framework (NZIF). Issuers are classified

[7] Source: IPCC Sixth Assessment Synthesis Report, March 2023
[8] Source: The Paris Agreement | UNFCCC

into different categories of alignment from not aligned to achieving net zero. This framework is applied at the issuer level and represents progressive steps towards alignment with a net zero pathway.

For further details on this net zero alignment assessment, please refer to the Strategy section of the HSBC Global Asset Management (UK) Limited Task Force on Climate-Related Financial Disclosure (TCFD) Annual Report 2024.

Identifying issuers exposed to highest transition and physical risks

When assessing the impact of climate-related risks to our portfolios, HSBC AM is increasingly considering both physical and transition risks. As a result, where relevant, climate analysis was integrated to help ensure that risks faced by companies are considered throughout the investment decision-making process. Investment teams – through portfolio management tools – assess, examine, and determine the level of potential climate-related risks that could impact the current and future value. In 2024, HSBC AM has developed a climate assessment process, which aims to understand which companies are exposed to the highest transition and physical risk (please refer to section 4.2 "How our products incorporate climate-related risk and opportunity" for more information).

Identifying climate solutions leaders

Climate opportunities are also considered within the sustainability assessment of issuers HSBC AM carries out on our behalf for our ESG and sustainable products. HSBC AM considers ESG and sustainable leaders as issuers that contribute positively to environmental and/or social outcomes, including climate-related outcomes. One way HSBC AM currently assesses whether an issuer is leading on ESG, or sustainability is via its Sustainable Investment methodology as defined by the Sustainable Finance Disclosure Regulation (SFDR). Measuring a sustainable investment is typically through an assessment of the positive contribution on sustainable outcomes while complying with Do No Significant Harm (DNSH) and good governance practices.

More information is available in the HSBC Global Asset Management (UK) Limited Task Force on Climate-Related Financial Disclosure (TCFD) Annual Report 2024.

4.2. How our products incorporate climate-related risk and opportunity

Climate strategies ("offering")

We recognise that the consumer demand for solutions offering different approaches to the management of climate-related risks is increasing. Our investment manager's climate strategies consider net zero alignment classifications as well as other metrics, to meet a range of client's climate objectives. Climate metrics such as carbon intensity or green solutions are measured and assessed across many of the climate strategies.

For further details, please refer to the HSBC Global Asset Management (UK) Limited Task Force on Climate-Related Financial Disclosure (TCFD) Annual Report 2024.

4.3. Climate-related impact on our business and strategy

Together with HSBC AM we see climate positively impacting business strategy in a number of ways including:

- **Climate-related opportunities** - recognising the potential investment opportunities arising from the transition to a more sustainable economy, HSBC AM seeks to develop new investment capabilities to deliver investment performance, alongside the potential to contribute to more sustainable outcomes.
- **New asset classes** - the net zero transition will give rise to new asset classes. Natural, human and social capital are the world's most precious resources. HSBC AM supports their development into investible asset classes with the aim of directing capital towards the UN Sustainable Development Goals.
- **Investment governance and decision making for climate-related matters** - outside of the Responsible Investment team, HSBC AM's research platform comprises of equity and credit investment professionals who conduct risk and opportunity analysis to identify climate risks, assess their materiality on company/country business and financial profiles, and evaluate how these factors influence stocks and securities valuations.

For further details, please refer to the HSBC Global Asset Management (UK) Limited Task Force on Climate-Related Financial Disclosure (TCFD) Annual Report 2024.

4.4. How our products will meet net zero objective

As our investment manager, HSBC AM has initiated activities to support achievement of net zero target, focused on engagement, issuer net zero alignment and embedding net zero alignment into investment considerations for listed equity and corporate fixed income assets. Key activities include:

A. **Assessment of issuer net zero alignment** – use of forward-looking indicators to assess issuers and portfolios progress towards net zero targets.

B. **Targeted engagement strategy** – engagement strategy for high-emitting issuers and progress tracking to support issuers along their transition journey.

C. **Direct capital towards climate solutions** – invest in strategies that meet a range of client specific climate objectives and preferences.

D. **Divestment** – divest away from issuers that take no action or are slow to adopt action.

For more detailed information please refer to the HSBC Global Asset Management (UK) Limited Task Force on Climate-Related Financial Disclosure (TCFD) Annual Report 2024.

4.5. Climate-related impact on financial plan and strategy

The HSBC UK discretionary portfolio management sustainable AuM, as of year-end 2024 was USD1bn representing USD0.1bnUSD (+7%) increase year on year.

The portfolios with the largest AuM were our multi-asset strategies: the CMS Sustainable (USD400k) offered for Global Private Banking clients and PIMS Sustainable (USD420k) available for our Wealth clients.

We recognise that climate-related risks may impact the operational and financial performance of investee companies. As our investment manager HSBC AM continues to integrate climate analysis into its actively managed product offerings and seeks to assess climate-related risks that could impact investment performance, where applicable and relevant.

HSBC AM does not fully disclose impacts from climate-related opportunities on financial planning and performance including on revenue, costs and the balance sheet, quantitative scenario analysis, detailed climate risk exposures for all sectors and geographies or physical risk metrics. They expect these data limitations to be addressed in the medium term as more reliable data becomes available and technology solutions are implemented.

For further details, please refer to the HSBC Global Asset Management (UK) Limited Task Force on Climate-Related Financial Disclosure (TCFD) Annual Report 2024.

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 2024 HSBC Holdings plc Annual Report and Accounts. For details on HSBC UK investments emissions please see the section on Metrics and Targets.

5. Risk management

5.1. 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 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. It 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, where 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.

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. There are policies and procedures in place to define the minimum requirements for the controls required to manage our risks and 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.

For further detail please refer to the HSBC Holdings plc Annual Report and Accounts 2024 and HSBC UK Bank plc Annual Report and Accounts 2024.

Through the HSBC UK climate risk programme, we made progress on embedding climate considerations throughout the organisation, including through risk policy updates. We also developed risk metrics to monitor and manage exposures and develop portfolio steering capabilities and revenue assessments. Aligned with the HSBC Group, we further enhanced our Internal Climate Scenario Analysis that focused on generating more granular insights which we are using improve our understanding of our risk exposures for use in risk management, business decision making, and to meet ongoing regulatory expectations

HSBC UK has adopted the HSBC Group's climate-related ambitions and targets to align its financed emissions to net zero by 2050. Whilst we have continued to develop our climate risk framework, our remaining challenges include the diverse range of data sources and data structures needed for climate-related reporting creates data accuracy and reliability risks.

Operationalising the HSBC Group's ambition is dependent on data and methodologies maturing over time and requires us to continue developing our internal processes and tools.

For further details, please refer to the ESG review in the HSBC Holdings plc Annual Report and Accounts 2024, and the HSBC Global Asset Management (UK) Limited Task Force on Climate-Related Financial Disclosure (TCFD) Annual Report 2024. Also, for more information on our investment manager's risk management framework, please refer to the HSBC Global Asset Management (UK) Limited Task Force on Climate-Related Financial Disclosure (TCFD) Annual Report 2024.

5.2. 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 that it invests in. 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 contributing to change where it is needed.

Engagement approach

When engaging with companies, HSBC AM considers its internal net zero alignment assessment of those constituting its top 70% of financed emissions. HSBC AM encourages its priority companies, where climate change is a material issue, to focus on:

- Climate Strategy
- Climate Risk and Reporting
- Climate Adaptation
- Just Transition
- Climate Governance including Lobbying

For more information, please refer to the HSBC Global Asset Management (UK) Limited Task Force on Climate-Related Financial Disclosure (TCFD) Annual Report 2024.

Responsible Investing Policies

HSBC UK portfolios fall under HSBC AM's responsible investing policies, including Thermal Coal and Energy policies.

Key engagement and voting statistics

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.

For further details on approach to stewardship, including case studies or HSBC AM climate considerations in voting, please refer to the publicly available Stewardship Plan and Voting Guidelines.

5.3. Resources and tools to monitor climate-related risk

Our investment manager HSBC AM has made further progress in bringing different ESG and climate data sources onto a common internal platform. This has helped to maximise access to ESG and climate data across our investment and client reporting functions.

HSBC AM has set up an ESG Data Steering Committee which is an oversight and decision-making forum that covers acquisition, utilisation, governance and distribution of ESG data in line with investment, reporting and regulatory expectations. Also, they continue to invest in internal tools by building in-house solutions to enhance its approach to ESG integration, including the management of climate-related risks and opportunities.

For more details, please refer to the HSBC Global Asset Management (UK) Limited Task Force on Climate-Related Financial Disclosure (TCFD) Annual Report 2024.

6. Metrics and targets

6.1. Analysis of climate-related risk

The emission metrics we report are in relation to HSBC UK's own scope 3, category 15 (investment) emission. Aligned with HSBC AM, we use the following three key emission metrics to describe the exposure of our AuM to GHG emissions as set out subsequently on pages 29-31 of this report: Weighted Average Carbon Intensity (WACI), Total Carbon Footprint and Total Carbon Emissions.

We use two other forward-looking climate metrics in relation to climate related scenarios: Climate Value at Risk (cVaR) and Implied Temperature Rise (ITR).

Comparator analysis

The change of emission profiles of our AuM is influenced by multiple factors, including change in investment positions, market movement and actual emission change of our investee companies. To align with our investment management practices, we focus on the overall weighted average carbon intensity for our year-on-year comparisons.

We also use broad market indices such as MSCI All Country World Index (MSCI ACWI) to put into context our AuM exposure and its associated climate risks. Although, it should be noted we are not managing our AuM against these indices.

Sector review

As sectors have vastly different climate risks, it is useful to understand the sector distribution of the broad market indices in comparison to the HSBC UK DPM portfolio. Our corporate portion of the HSBC UK DPM AuM showed improvements on its emission intensity compared to last year (both WACI and carbon footprint has lower numbers) for its scope 1 and 2 emissions. This is largely driven by lower exposure to high emission intensity sectors (energy and materials) and lower sector weighted average carbon intensity in UK portfolios for some high emission sectors such as utilities.

Compared with the broader market, we have lower weighted average carbon intensity for the utilities and energy sectors compared to the two comparator benchmarks, indicating that our investment in these sectors has better emissions performance than benchmarks on an average basis.

Our sovereign portion of the HSBC UK AuM also demonstrates slight improvements on its weighted average carbon intensity compared to last year. This has been driven partly by lower sovereign emissions intensity and Gross Domestic Product (GDP) growth by select economies based on modelled data. Absolute emissions of some key economies will still need to see reductions.

Table 3: Scope 1 and 2 emission intensity by sector

Sector	HSBC PB Discretionary Weight 2024	MSCI ACWI Weight 2024	HSBC UK Discretionary Weight 2023-2024 movement	HSBC UK Discretionary Carbon Scope 1&2 tCO2/$mn sales 2024	MSCI ACWI Carbon Scope 1&2 tCO2/$mn sales 2024
Information Technology	18%	26%	2%	24	28
Communication Services	5%	8%	1%	33	31
Consumer Discretionary	8%	11%	0%	38	48
Real Estate	4%	2%	0%	84	92
Industrials	8%	10%	0%	90	83
Utilities	3%	2%	0%	903	1664
Materials	1%	3%	-1%	574	705
Energy	3%	4%	-1%	404	392
Financials	14%	17%	2%	12	14
Consumer Staples	4%	6%	-1%	41	44
Health Care	6%	10%	0%	16	18

Note: HSBC UK numbers presented are re-weighted to the covered portion of the portfolio for corporate assets.

Remuneration

To help achieve the ESG ambitions, a number of measures are included in the annual incentive and long-term incentive scorecards of the Group CEO, Group CFO and Group Executives that underpin the ESG metrics in the table below. For a summary of how all financial and non-financial metrics link to executive remuneration, see pages 296 to 308 of the Directors' remuneration report.

Given that climate risk management is reflected in HSBC AM investment processes, evaluation of HSBC AM portfolio managers and Chief Investment Officers (which feeds into remuneration setting) includes the extent to which they have managed in line with those processes, in accordance with local legal requirements.

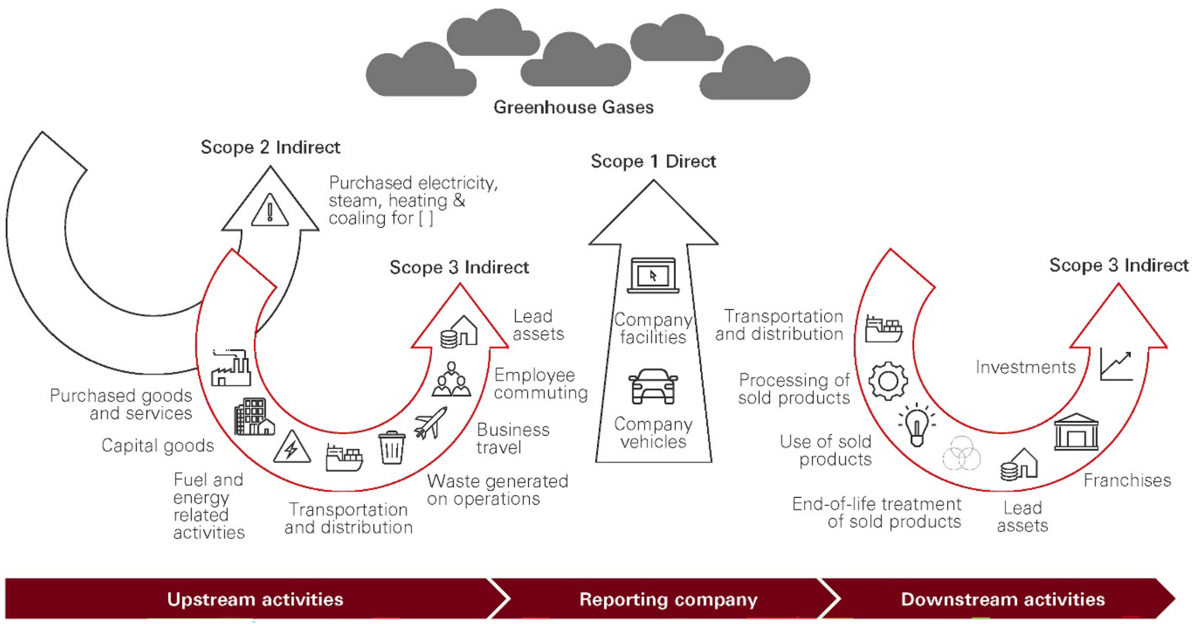
6.2. Climate-related metrics

6.2.1. Methodological choices

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

Corporate carbon emissions

Below is a graphic of the different scope of scope emissions. Greenhouse gases contribute to global warming and are released through different company activities. The emission metrics we report are in relation to HSBC UK's own scope 3, category 15 (Investment) emissions, which include the scope 1 and 2 emissions of our portfolio companies.



- **Scope 1 emissions**: the Greenhouse 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. It comprises upstream and downstream emissions, where the related proportion of each can vary for different issuers and sectors.

Details of our financed emissions metrics definition

Scope

HSBC UK's financed emissions metrics apply to listed equities and corporate fixed income managed by HSBC UK on behalf of its discretionary clients. In addition, the WACI metric applies to sovereign instruments managed by HSBC UK on behalf of its discretionary clients.

The emissions metrics covers scope 1 and 2 GHG emissions of investee companies only for corporates. We continue to review our approach to disclosures and assess usefulness of information within our sustainable reporting. Scope 1 and 2 financed emissions are included in this report. Scope 3 emissions occur throughout the value chain and are beyond HSBC UK's direct sight and control. The WACI metric covers only production emissions (for domestic consumption and export) for sovereign investees, meaning scope 1 GHG emissions only.

Units

- WACI: tCO2e /$ million economic output (economic output = revenue for corporate and Global Domestic Product Purchasing Power Parity (GDP PPP) for sovereigns)
- Total Carbon Footprint: tCO2e/$ million invested
- Total Carbon Emissions: tCO2e

Calculation methodology

- **WACI** - carbon intensity measures the quantity of carbon emissions per million dollars of economic output. Economic output is measured using revenues for corporates and GDP PPP for sovereigns, both in line with their respective methodology as per the Partnership for Carbon Accounting Financials (PCAF). Thus, it is a measure of the environmental efficiency of an issuer. WACI is the sum of all issuer carbon intensity, weighted by the allocation to those issuers, across HSBC UK's AuM. This is shown as tonnes of CO2 equivalent per million USD of economic output (tCO2e/USD m). For corporate issuers, WACI measures the covered portion of the portfolio's exposure to carbon-intensive companies. For sovereign issuers, WACI measures the covered portion of the portfolio's exposure to carbon intensive economies
- **Sovereign WACI** - country emissions include both its private and public sector emissions. In our TCFD report, we focus on scope 1 weighted average carbon intensity, which is production-based emission intensity within a country's territory and represents the typical disclosures from countries emissions. Reported sovereign emissions intensity exclude those arising from land use, land-use change and forestry activity (LULUCF) as these calculations have a high degree of uncertainty with high annual fluctuations. The related emissions estimates can vary between different datasets and methodologies. However, in line with PCAF guidance we will explore reporting including LULUCF in future periods when feasible. Sovereign WACI is not intended to

cover supranational and sub-sovereigns (such as municipal or regional bonds) due to data and methodology challenges.

- **Carbon Footprint** - carbon footprint measures the quantity of carbon emissions financed by our investment divided by the AuM invested and is also referred as the financed emission intensity or emission intensity. It indicates the climate impact that an investor is responsible for per USD 1 million of financing. It is a normalised metric, carbon footprint allows comparing the carbon footprint across portfolios of different sizes or against benchmark indices. The carbon footprint can fluctuate without a change in carbon emissions due to movements in the 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. The Total Carbon Footprint is the sum of all issuer carbon emissions financed by our investment, divided by the value of the HSBC UK AuM with an emission coverage.
- Total Carbon Emissions - total carbon emissions measure how financial institutions should account for the emissions attributed to their investments and is often referred to as 'financed emissions'. It is calculated based on guidance from PCAF. Financed emissions in a company by HSBC UK is HSBC UK's invested amount in the company shares or corporate bonds multiplied by the attribution factor, calculated as the company's emission divided by the company value.

The total carbon emission of a portfolio or of HSBC UK's AuM is the sum of the financed emission in the companies that the portfolio invests in, defined as the sum of the following for all holdings: issuer's carbon emissions in tCO2e multiplied by current value of investment divided by issuer's company value.

Company values

Company values are measured using enterprise value including cash (EVIC) for publicly listed companies, which is defined as the sum of the market capitalisation of ordinary shares and preferred shares, the book values of the total debt and minorities' interests and the cash, at fiscal year-end.

The value for private companies is measured by the sum of total company equity and debt, which can be found on the company's balance sheet, as no market value for equity is available in the case of private companies. If total debt or total equity are not available, financial institutions can use the total balance sheet value (i.e. the sum of total equity and liabilities, which is equal to the company's total assets).

Green Bonds

Green bonds comprise an immaterial share of less than 0.7% of our overall AuM. In order to incentivise green finance and decarbonisation projects, green bonds are treated as having zero emissions. We do this because there is no clear and appropriate measure to calculate the avoided emissions that the projects financed by these bonds would have helped with. There is currently no industry-wide guidance as to how to estimate both the positive (i.e. avoided carbon emission) and negative (caused emission) impact of the projects financed by the green bonds. We will continue to review and adapt our position as the industry metrics evolve.

Data sources

Company value data is collected from Bloomberg, an external data provider (the latest data available). Global Domestic Product purchasing power parity adjusted (GDP PPP) for sovereigns is collected from the International Monetary Fund (IMF). Emissions data for both corporates and sovereigns is collected from S&P Trucost, an external data provider:

- The emissions data used by HSBC UK is based on the latest available data provided by S&P Trucost as at 31 December 2024 for scope 1 and 2. S&P Trucost maintains a database of historic company emissions, based on company disclosures or estimated by S&P Trucost in the absence of company reported data.
- HSBC UK incorporate all greenhouse gases (GHGs) included in the data of external data providers, including carbon dioxide (CO2), methane (CH4) Nitrous oxide (N2O), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs), Sulfur hexafluoride (SF6). These GHG emissions are measured in tonnes of CO2 equivalent (CO2e) using the Global Warming Potential framework.
- The company-disclosed, non-modelled data used by the provider, "comes from a variety of publicly disclosed sources such as company financial reports (Annual Reports, Financial Statements, 10-K/20-F reports, SEC/regulatory filings) and environmental data sources (CSR, Sustainability or Environmental Reports, the CDP, EPA filings) in addition to data published on company websites or other public sources."
- When data is not disclosed, or does not cover all operations or GHGs, S&P Trucost produces estimates. The model uses data on direct emissions from various distinct industry sectors, like emission intensity factors in units of emissions per dollar of industry output (or company revenue), sourced from national, international industry and company databases. S&P Trucost uses country specific data when possible.
- When emissions data is not available from S&P Trucost, these holdings are not included in the emissions metric. We do not use proxies such as industry average to estimate non-covered companies. The coverage percentage disclosed alongside the emissions metrics indicates all holdings where data is available from S&P Trucost.

Data quality

PCAF proposes a methodology for scoring the quality of a company's GHG emissions data used by financial institutions in their carbon footprint disclosures. Scores of this methodology range from 1 to 5, the lowest number indicating the best quality.

Emissions data coming from S&P Trucost accounts for the majority of the HSBC UK portfolio holdings in scope. S&P Trucost assigns labels for data sources covering Scope 1 emissions derived from CO2 only, which HSBC UK extrapolate across Scope 2 emissions and all other greenhouse gases in the absence of more granular data sourcing labels from S&P Trucost. This does not impact the overall financed emissions intensity calculation.

Eligibility and Coverage

Carbon metrics are calculated separately for Corporates (66% part of the HSBC UK portfolio) and Sovereign (23% part of the HSBC UK portfolio), where:

- **Corporate (Investee Company)** - represents corporate issuers including all equity and equity-like securities. It also includes all bonds issued by corporations.
- **Sovereign or Supranational** - represents government, some agencies and supranational bonds including all government bonds, government agency bonds and supranational bonds.
- **Other Holdings** – includes all other security's types (cash, commodities, and unknown securities).

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

6.2.2. HSBC UK DPM Greenhouse Gas Emissions for asset under management

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

WACI

WACI evaluates a portfolio's relative exposure to carbon intensive companies or economies. It is a common indicator for sustainable strategies or sustainable index construction. Corporates and sovereigns comprise 65% and 23% of HSBC UK DPM AuM, respectively. As the sovereign scope 1 emission intensity metric is an attribution of emissions by economic activity, we combine it with corporate carbon intensity to give a full picture. However, as sovereign emissions can include an element of duplication of private sector emissions, we present the metrics separately as well.

Table 4: HSBC UK DPM Carbon Intensity (WACI)

	Scope 1 and 2		
	Corporates Scope 1 and 2	Sovereign[9] Scope 1	Combined
2024			
HSBC UK unadjusted WACI (A)[10]	61.82	39.74	101.56
Eligibility (B)[11]	65%	23%	89%
Data coverage (C)[12]	94%	96%	95%
Eligible data coverage (D = B * C)[13]	61%	23%	84%
HSBC UK WACI (E = A / D)[14]	**100.52**	**176.42**	**120.87**
MSCI ACWI WACI[14]	112.81	N/A	112.81
Eligible data coverage[13]	99%	N/A	99%
Bloomberg Corporate Aggregate WACI[14]	153.61	N/A	153.61
Eligible data coverage[13]	89%	N/A	89%
2023			
HSBC UK unadjusted WACI (A)[10]	70.31	54.27	Not reported
Eligibility (B)[11]	66%	25%	Not reported
Data coverage (C)[12]	93%	97%	Not reported
Eligible data coverage (D = B * C)[13]	62%	25%	Not reported
HSBC UK WACI (E = A / D)[14]	**114.26**	**218.76**	**Not reported**
MSCI ACWI WACI[14]	127.34	N/A	127.34
Eligible data coverage[13]	98%	N/A	98%
Bloomberg Corporate Aggregate WACI[14]	158.07	N/A	158.07
Eligible data coverage[13]	89%	N/A	89%

Source: HSBC Asset Management. 2024 refers to data as at 31 December 2024. Units in tonnes of CO2 equivalent per USD million of economic output (tCO2e/ USD m). Reported metrics are dependent on the chosen vendor's data quality and availability of metrics as at the reporting date. Assets under management for this entity report includes all mandates managed by HSBC UK on a discretionary basis. Please note we are unable to report on 0.32% of our AuM representing circa USD47m (feeder accounts).

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[9] Sovereign production emission intensity is the scope 1 emissions of a country, defined as the Domestic GHG emissions from sources located within the country territory,' divided by the PPP adjusted GDP excluding LULUCF The Global GHG Accounting and Reporting Standard for the Financial Industry (carbonaccountingfinancials.com). This is also reported as a combine figure with corporate carbon intensity.

[10] Unadjusted WACI refers to WACI prior to adjustments for share of holdings and data availability and is defined as the sum of the following for all holdings: % weight of holding within portfolio multiplied by issuer's carbon intensity in tCO2e/$m revenues of issuer (for sovereigns GDP PPP is used instead of revenues).

[11] Eligibility refers to % of total AuM. Non-eligible items include cash and other assets not classified as corporate or sovereigns or both, respectively

[12] Data coverage refers to % of eligible AuM for which data is available.

[13] Eligible data coverage refers to % of total AuM for which data is available.

[14] WACI refers to unadjusted WACI divided by eligible data coverage.

Total Carbon Footprint

Carbon footprint measures the portfolio's normalized carbon footprint per million dollars invested. It allows comparison to between portfolios of different sizes and compare with benchmark indexes.

Table 5: HSBC UK DPM Corporate Carbon Footprint

	Corporates Scope 1 and 2
	2024
HSBC UK unadjusted Total Carbon Footprint (A)[15]	24.33
Eligibility (B)[16]	65%
Data coverage (C)[17]	94%
Eligible data coverage (D = B * C)[18]	61%
HSBC UK Total Carbon Footprint (E = A / D)[19]	**39.83**
MSCI ACWI Total Carbon Footprint[19]	41.87
Eligible data coverage[18]	98%
Bloomberg Corporate Aggregate Total Carbon Footprint[19]	54.63
Eligible data coverage[18]	88%
	2023
HSBC UK unadjusted Total Carbon Footprint (A)[15]	30.80
Eligibility (B)[16]	66%
Data coverage (C)[17]	94%
Eligible data coverage (D = B * C)[18]	62%
HSBC UK Total Carbon Footprint (E = A / D)[19]	**49.41**
MSCI ACWI Total Carbon Footprint[19]	52.26
Eligible data coverage[18]	100%
Bloomberg Corporate Aggregate Total Carbon Footprint[19]	67.09
Eligible data coverage[18]	90%

Source: HSBC Asset Management. 2024 refers to data as of 31 December 2024. Units in tonnes of CO2 equivalent per USD million of company value (tCO2e /USD m). Reported metrics are dependent on the chosen vendor's data quality and availability of metrics as at the reporting date. Assets under management for this entity report includes all funds and mandates managed by HSBC UK on a discretionary basis. Please note we are unable to report on 0.32% of our AuM representing circa USD47m (feeder accounts) and approximately 0.17% of our AuM due to missing company values. We do not deem this to be material.

[15] Unadjusted Total Carbon Footprint refers to Total Carbon Footprint prior to adjustments for share of holdings and data availability and is defined as the sum of the following for all holdings divided by the total HSBC UK AuM: issuer's carbon emissions in tCO2e multiplied by current value of investment divided by issuer's Enterprise Value including cash.
[16] Eligibility refers to % of total AuM. Non-eligible items include cash and other assets not classified as corporates.
[17] Data coverage refers to % of eligible AuM for which data is available.
[18] Eligible data coverage refers to % of total AuM for which data is available.
[19] Total Carbon Footprint refers to unadjusted Total Carbon Footprint divided by eligible data coverage.

Total Carbon Emissions

Total carbon emissions figure is an absolute figure, dependent on size of the assets, and not a ratio like weighted average carbon intensity or carbon footprint.

It can be useful for providing a perspective of the amount of financing our AuM 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 GHG emissions

	Corporates Scope 1 and 2
	2024
HSBC UK unadjusted Total Carbon Emissions (A)[20]	**359,168**
Eligibility (B)[21]	65%
Data coverage (C)[22]	94%
Eligible data coverage (D = B * C)[23]	61%
PCAF Data Quality Score[24]	2.09
	2023
HSBC UK unadjusted Total Carbon Emissions (A)[20]	**388,408**
Eligibility (B)[21]	66%
Data coverage (C)[22]	94%
Eligible data coverage (D = B * C)[23]	62%

Source: HSBC Asset Management. 2024 refers to data as of 31 December 2024. Units in tonnes of CO2 equivalent (tCO2e). Reported metrics are dependent on the chosen vendor's data quality and availability of metrics as at the reporting date. Assets under management for this entity report includes all funds and mandates managed by HSBC UK on a discretionary basis. Please note we are unable to report on 0.32% of our AuM representing circa USD47m (feeder accounts) and approximately 0.17% of our AuM due to missing company values. We do not deem this to be material.

Operational Greenhouse Gas Emissions

Our operational GHG, or HSBC AMUK's operational emissions are calculated at the Group level as HSBC AMUK shares the facilities and resources of its parent company HSBC Holdings plc. Our 2024 greenhouse gas emissions in tonnes CO2e per full time employee

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[20] Unadjusted Total Carbon Emission is a non-weight-adjusted figure and represents tons of emissions financed by eligible AuM with data coverage.
[21] Eligibility refers to % of total AuM. Non-eligible items include cash and other assets not classified as corporates.
[22] Data coverage refers to % of eligible AuM for which data is available.
[23] Eligible data coverage refers to % of total AuM for which data is available.
[24] PCAF Data Quality Scores where 1 is high and 5 is low. This is a weighted average score based on in-scope financed emissions.

reduced from 1.3 to 1.1 in comparison to 2023 for Scope 1, 2 and 3 (Category 6) and reduced from 5.9 to 5.7 in comparison to 2023 for Scope 1, 2 and 3 (Category 1, 2 and 6).

6.3. Climate related scenario analysis

Forward looking metrics

TCFD recommends climate-related scenario analysis as a tool to enhance strategic thinking. The scenarios used should be plausible, consistent, relevant, and challenging. HSBC AM uses two other forward-looking climate metrics in relation to climate related scenarios: Climate Value at Risk (cVaR) and Implied Temperature Rise (ITR). These metrics provide additional investment insights that are made available to HSBC AM's investment teams to support investment decisions. These are being integrated into risk management process where the worst corporate issuers may be subject to an enhanced Due Diligence due to their heighted climate risk.

cVaR explores the impact to market value under different climate scenarios based on the company's current emission and product profile and considers the costs associated with transition to a low-carbon economy and costs associated with physical risks. It is important to note that these scenarios represent a range of end of the century projected global pathways, among a very large number of climate scenarios and potential outcomes. Measuring the risks and opportunities under these scenarios is only a guide to understanding the likely sensitivity of investments and should not be interpreted as a prediction of future investment value.

ITR, in contrast, does not factor in the costs associated with the transition to a low-carbon economy or physical risk. It takes a carbon budget perspective and measures the company's projected emissions, including consideration of company decarbonisation commitment, compared to the budget allocated. The comparison gives understanding of how aligned the company or portfolio is aligned to the Paris Agreement to limit global warming to 1.5C in the year 2100 compared to pre-industrial levels.

Methodologies for climate scenario analysis are still developing and evolving. While we use cVaR and ITR as our precursors for this analysis, we recognise the frequent updates and methodology enhancement is ongoing. The current analysis focuses on corporate investees and provides a view on the climate risks that potentially impact company's valuations or investor preferences in investing in more net zero aligned assets.

Outlined below are the scenarios provided by the Network for Greening the Financial System (NGFS), which outline the potential impact of climate change under different temperature assumptions:

Orderly transition: Under an 'orderly transition' scenario, we expect a tightening of national climate policies that would increase the costs for companies engaging in high-emitting activities while providing subsidies for activities and technology that accelerate the transition. Assets that can take advantage of the subsidies and limit their costs would increase in value. Under this scenario, there is a limit to global warming and assets experience minimal cost from physical climate change. The impact under this scenario is shown by the 1.5°C transition scenario below.

Disorderly transition: Under a 'disorderly transition' scenario, we expect current national climate policies to continue before an aggressive tightening. The disorder from the tightening would disrupt supply chains, strand assets and lead to significant costs for companies that were not able to adjust quickly. The abrupt changes would lead to a deterioration in assets across sectors and the delayed policies would come too late to offset some of the costs from physical climate risk weather events, adding further to company costs and decreasing asset value. The impact under this scenario is shown by the 2.0°C disorderly transition scenario below.

Hot house world: Under a 'hot house world' scenario, we expect emissions and temperatures to rise throughout the end of the century leading to economic loss and decline in asset values.

Amongst 'hot house' scenarios, the best-case limits global temperature rises to 3.0°C, if every country delivers on their current nationally determined contributions through the Paris Agreement. The impact under this scenario is shown by the 3.0°C 'Hot House 1' scenario below.

Under the current global trajectory, temperature rise is expected to exceed 3.0°C with currently implemented policies preserved and no transition. The impact under this scenario is shown by the +3.0°C 'Hot House 2' scenario below.

Under an extreme scenario, where national security is prioritized, public and private sectors would favour existing carbon intensive energy sources and carbon emissions would rise consistently, leading to increasing temperatures of greater than 4.0°C. The impact under this scenario is shown by the +4.0°C 'Hot House 3' scenario below.

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 in the HSBC Holdings plc Annual Report and Accounts 2024.

6.3.1. MSCI Climate-Value-at-Risk (cVaR)

cVaR is a forward-looking climate risk metric which provides an assessment of both dimensions of climate change, transition risk and physical risk. To quantify the effects of climate change on our products, we use MSCI's cVaR model. The model estimates the present value of future transition costs and opportunities of each company through to 2050 and physical cost through to 2100 across each climate scenario. The modelled costs and profits are expressed as a percentage of equity or debt depending on the type of instrument, weighted by holdings and aggregated at the HSBC UK entity level.

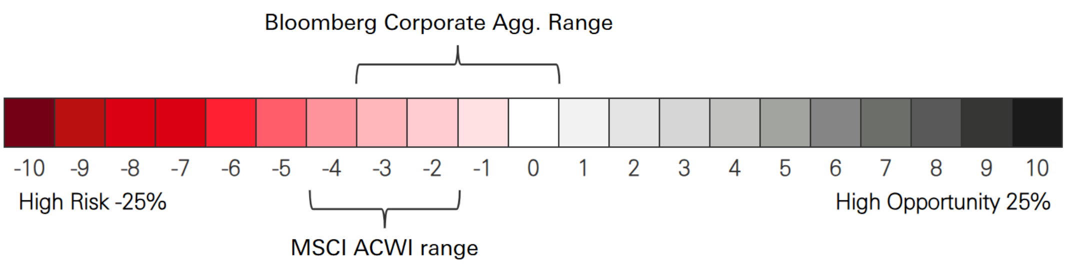
The scenario outputs at the HSBC UK entity level are outlined below:

Table 7: HSBC UK cVaR results as of 31 December 2024.

	Climate Change Mitigation		Climate Change Impact
Climate Scenario	**Transition Opportunity**	**Transition Costs**	**Physical Risk**
1.5°C	1	-4	0
2.0°C	0	-2	-1
3.0°C: Hot House 1	0	-1	-1
+3.0°C: Hot House 2			-2
+4.0°C: Hot House 3			-2

Source: HSBC Asset Management, data as at 31 December 2024.

The scores are based upon the scale below.



Critically, the MSCI Climate Value-at-Risk model places a high weight on the current climate profile of the issuer. An issuer in a high carbon sector will have higher decarbonisation costs than an issuer in a low carbon sector. Issuers that are currently engaged in low carbon solutions will have higher projected opportunities. The model does not capture issuers' that are serious about a low carbon economy but perhaps not yet transitioning or are not at the forefront of the clean technology revolution but can still benefit. For issuers that have not yet transitioned, forward looking scenario projections are needed to measure whether a high carbon portfolio today, can align to be a low carbon portfolio in the future.

The cVaR metrics only cover corporate bond and equity asset types. Sovereigns are not included as the methodology is still evolving to include the broader climate risks that are covered for equities and corporate bonds. Proxies are not used where data is missing[25].

The cVaR results represents the portion of our AuM that has CVaR coverage. In our entity report cVaR coverage ranges from 57% for modelled data on opportunity and physical risk and 61% for transition cost coverage.

Given some of the uncertainty of the model projections (for example the ability of issuers to offset projected carbon related costs with future profitability), the results have been expressed as a score where the MSCI cVaR percentage has been translated to a score range to show the indicative impact rather than the precise percentage. The scores range from -10 to 10 based on a cVaR distribution of -25% to 25%. Negative scores show the projected associated costs, whereas positive scores relate to opportunities. An absolute figure of 25% was chosen as the score bounds as majority of our test sample were observed to be within this range. HSBC AM will look to further develop both the usage and coverage of assets as the model methodology is enhanced.

It is important to note that the entity level climate scenario scores are broadly aligned with the comparator The HBSC UK cVaR results will be an aggregate of its equity to fixed income split.

Financial Impact of Climate Change using scenario analysis

HSBC UK is not using climate-related scenarios within financial planning at present. Financial planning is carried out on a 5-year cycle, so as our sustainable product offering expands to form a greater proportion of our assets under management, this will be considered within our future financial planning utilising the cVaR scenarios that we are already monitoring as part of our risk assessment process.

6.3.2. MSCI Implied Temperature Rise (ITR)

The MSCI Implied Temperature Rise (ITR), is a metric which indicates whether a portfolio is aligned to a sustainable, low carbon trajectory based on comparing its portfolio attributed carbon budget and carbon emissions. Portfolios that exceed 2°C, are misaligned, because of its high financed overshoot of emissions will contribute to global warming. The greater the temperature ◦C, the higher the contribution. The ITR projects whether a company will exceed its allocated sector and geographic carbon budget to limit global warming to a level that minimises any long-term impact on future generations. A company's projected carbon emission is based on a company's stated targets and adjusted based on their credibility assessment quantified by MSCI.

[25] For cash and positions where the MSCI cVaR model doesn't have coverage, these holdings are assumed to have the same cVaR profile as the other investments in the portfolio for which there is coverage.

Table 8: How to interpret the ITR – Scale/Score

	ITR Band	Range (°C)	Description
MISALIGNED	Strongly Misaligned	> 3.2	This company/portfolio is misaligned even by business-as usual standards. Its contribution to catastrophic climate change is higher than most companies'/portfolios'.
MISALIGNED	Misaligned	> 2.0 – 3.2	This company/portfolio does not comply with the Paris Agreement goals. Its pace of decarbonization is too slow to mitigate catastrophic climate change. The threshold is determined by the Network for Greening the Financial System (NGFS). Current policies scenario yielding an estimated 3.24°C at the 2100 horizon (rounded 3.2°C).
ALIGNED	2°C Aligned	>1.5 – 2.0	This company/portfolio meets the Paris Agreement's minimum objective of +2°C global mean temperature compared with pre-industrial levels. It is engaged in the low carbon transition.
ALIGNED	1.5°C Aligned	<=1.5	This company/portfolio is in line with the Paris Agreement's maximal objective of keeping global mean temperature to +1.5°C compared with pre-industrial levels. It is a transition leader, significantly contributing to mitigating catastrophic climate change.

Source: HSBC Asset Management, data as at 31 December 2024.

Table 9: HSBC UK DPM Implied Temperature Rise

	ITR Scope 1, 2 and 3
HSBC UK	>2.0-3.2
Coverage	63%
Reference Comparator (MSCI ACWI)	>2.0-3.2
Coverage	99%
Reference Comparator (Bloomberg Global Agg)	>2.0-3.2
Coverage	95%

Source: HSBC Asset Management, data as at 31 December 2024.

6.4. Net zero alignment analysis and other climate metrics

6.4.1. Measuring net zero alignment

Our investment manager HSBC AM has developed an internal framework defining and classifying the net zero alignment of companies, based on their views and guidance from the IIGCC's Net Zero Investment Framework (NZIF). As part of HSBC AM's alignment framework, HSBC AM provides an analysis of the issuer's various greenhouse-gas (GHG) emissions reduction targets (Scopes 1, 2 and/or 3 where appropriate), for the short, medium and long term. Also, analysed is the consistency between the trajectory defined by issuer's emissions targets and sectoral scenarios aligned with the climate objectives of the Paris Agreement.

Emission targets and trajectories are evaluated through a combination of methods and metrics, such as production-based emission intensity, implied temperature scores and emission intensity reduction rates. Where possible, HBSC AM considers the credibility of company's climate targets when analysing emission trajectories. Sectoral scenarios are also drawn from various sources including NGFS, IEA, IPCC, SBTi pathways, and selected for benchmarking depending on the specific metric that is being evaluated.

More details on alignment framework including the data sources, approach when evaluating decarbonisation plans and capital allocation alignment is available in the HSBC Global Asset Management (UK) Limited Task Force on Climate-Related Financial Disclosure (TCFD) Annual Report 2024.

Other climate metrics

HSBC AM also uses multiple data sources and capabilities to report and assess climate-related risks and opportunities[26] that extend beyond company net zero alignment analysis. Assessments take place at multiple levels, from the issuer to the portfolio, depending on the nature of the investment objective. Data sources and metrics enable HSBC AM to evaluate issuers and portfolios based on their climate related credentials. The features that are measured include, but are not limited to, carbon intensity, climate value at risk, avoided carbon emissions, climate solutions and green revenues, fossil fuel exposure, coal revenues and portfolio temperature. These metrics are used to inform HSBC AM's investments and engagement activity for all relevant strategies. HSBC AM has also built automated workflow tools that monitor issuer level data and send flagged issues to their

[26] Historical figures for 2022 represent the figures published in the HSBC AMUK TCFD report as at 31 December 2022. These have not been recalculated and may not be comparable as i) the scope of the entity's AuM for TCFD reporting purposes (i.e. portfolio and holdings) for the current year's report would differ from the scope as at 31 December 2022, and ii) data quality may have evolved, such as the extent of data coverage, the specific data fields used, and data limitations.

analysts for further review, which is then cascaded to the investment teams.

6.5. Net zero targets

HSBC UK DPM greenhouse gas emissions targets are embedded in the HSBC AM targets, more details is available in HSBC Global Asset Management (UK) Limited Task Force on Climate-Related Financial Disclosure (TCFD) Annual Report 2024.

7. Abbreviations & Glossary

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.
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.
DNSH	Do No Significant Harm	A requirement of the EU's SFDR legislation that investments that are contributing towards certain sustainable goals/outcomes are not doing significant harm to other sustainable goals/outcomes.
ESG	Environmental, Social, and Governance	Environmental, social, and governance issues that are identified or assessed in responsible investment processes. E, S and G issues and factors can be characterised using industry standard definitions, such as the UN PRI Reporting Framework.
GDP	Gross Domestic Product	GDP measures the monetary value of final goods and service produced in a country in a given period of time.
Just transition		Greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind, as defined by The International Labour Organization (ILO).
LULUCF	land use, land-use change and forestry activity	Defined as a "greenhouse gas inventory sector that covers emissions and removals of greenhouse gases resulting from direct human-induced land use such as settlements and commercial uses, land-use change, and forestry activities."
MSCI	Morgan Stanley Capital International	Index vendor, and model supplier for cVaR.

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 IPCC concluded the need for net zero CO2 by mid- century remain consistent with 1.5° C.
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.
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
PCAF	Partnership for Carbon Accounting Financials	An industry-led partnership to facilitate transparency and accountability of the financial industry to the Paris Agreement.
PPP	Purchasing Power Parity	A measure of the price of specific goods in different countries and is used to compare the absolute purchasing power of the countries' currencies.
S&P	Standard & Poor’s	Index vendor
SDR	Sustainable Disclosure Requirements	UK legislation that imposes mandatory sustainability disclosure obligations for asset managers and other financial markets participants.
SFDR	Sustainable Finance Disclosure Regulation	EU legislation that imposes mandatory ESG disclosure obligations for asset managers and other financial markets participants
SI	Sustainable Investments	ESG and sustainable investing activities, which fulfil certain conditions related to: products promoting ESG and sustainable characteristics alongside financial objectives, sustainability-related themes such as climate and net zero transition, and/or products delivering a positive environmental and/or social impact.

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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 Board Chair: Dame Clara Furse Frequency: at least six times a year	The HSBC UK Board is collectively responsible for the long-term success of HSBC UK and delivery of sustainable value to shareholders. It approves and oversees the strategy for HSBC UK (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.
HSBC UK Board Risk Committee Chair: Mridul Hegde Frequency: at least six times a year	The Risk Committee has been delegated responsibility by the Board for the oversight of risk related matters and the enterprise risks impacting the Company and its subsidiaries and risk governance.
HSBC UK Executive Committee Chair: Ian Stuart Frequency: at least six times a year	The Operating Committee supports the Chief Executive Officer (CEO) in the performance of their duties and exercise of their powers, authorities and discretions in relation to the management and day to day running of HSBC UK, and to support them in discharging their responsibilities to the Board of Directors of HSBC UK.
HSBC UK Bank plc Risk Management Meeting (HBUK RMM) Chair: Julia Dunn Frequency: at least six times a year	The Risk Management Meeting provides recommendations and advice to the HSBC UK Chief Risk and Compliance Officer (CRCO) on enterprise-wide management of all risks, including key policies and frameworks for the management of risk within HSBC UK. It supports the CRCO and CEO's individual accountability for the oversight of enterprise risk as set out in the Group's Risk Management Framework.
UK Decision Making Committee (DMC) & Private Banking Executive Committee (PBUK ExCo) Chair: Xian Chan – IWS Charles Boulton – PBUK Frequency: every two months	UK Decision Making Committee (DMC) is the primary governance meeting for all UK Wealth Management & Insurance commercial considerations. 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.
Investment & Wealth Solutions UK Product & Risk Oversight Committee (IWS UK PROC) Chair: Xian Chan Frequency: every two months	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.
The Discretionary Investment Services Joint Oversight Forum (DISJOF) Chair: Owen Jenkins Frequency: Quarterly	This forum maintains an effective framework for oversight of services delivered by HSBC Asset Management in relation to the DPM services.

Appendix 2 – TCFD Recommended Disclosure

Governance: Disclose the organization's governance around climate-related risks and opportunities.

Recommendation	Disclosure location
Describe the Board's oversight of climate-related risks and opportunities	Pages 11-13, 18, Appendix 1
Describe management's role in assessing and managing climate-related risk and opportunities	Pages 6, 12-13, Appendix 1

Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

Recommendation	Disclosure location
Describe the climate-related risk and opportunities the organization has identified over the short, medium, and long term	Pages 7, 14-22
Describe the impact of climate-related risk and opportunities on the organization's business, strategy, and financial planning	Pages 18-21
Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Pages14-18, 32-37

Risk Management: Disclose how the organization identifies, assesses, and manages climate-related risks.

Recommendation	Disclosure location
Describe the organization's processes for identifying and assessing climate-related risks	Pages 19-21
Describe the organization's processes for managing climate-related risks	Pages 19-21
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management framework	Pages 19-22

Metrics and Targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Recommendation	Disclosure location
Disclose the metrics used by organization to assess climate-related risk and opportunities in line with its strategy and risk management process	Pages 16-17, 22-39
Disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas emissions and the related risk	Pages 29-31
Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	Pages 22-39