

# HSBC CO<sub>2</sub> Emissions Reporting Guidance 2015

This CO<sub>2</sub> Emission Reporting Guidance (“CERG”) document supports the preparation and reporting of carbon dioxide emissions data by HSBC Holdings plc (hereafter “HSBC”). It is the responsibility of HSBC management to ensure that appropriate procedures are in place to prepare its carbon reporting is in line with, in all material respects, the CERG.

## General Reporting Principles

In preparing this guidance document consideration has been given to following principles:

- Information Preparation – to highlight to users of the information the primary principles of relevance and reliability of information;
- Information Reporting – the primary principles are comparability / consistency with other data including prior year and understandability / transparency providing clarity to users.

## Reporting Scope

Carbon emission data comprises carbon dioxide arising from:

- Energy used in commercial buildings, vehicles and other forms of transport owned or leased by HSBC and used for business purposes. By applying an emission uplift rate, energy used in residential building is also accounted for. This includes 100% of emissions from the assets of joint ventures or alliances where HSBC has management control<sup>1</sup>;
- Emissions arising from off-shored operations where HSBC retains control over the outsourced operation via contractual agreement.
- Other business travel including air; rail; hired motorbike; taxi; hire car. By applying an emission uplift rate, elements of boat; bus/coach; ferry/junk; tram; and other travel are also included.

Carbon dioxide emissions from acquisitions and disposals are included and terminated respectively from the date of contractual completion of the transfer of asset ownership/ leasehold. This is consistent with HSBC’s financial reporting. For acquisitions, where data are not available: estimates are prepared for additions which contribute more than 5% of the Reporting Unit (i.e. country level) annual data.

Reporting levels are defined on the basis of the percentage of Full Time Equivalent Employee (FTE) as at 30 September (reporting year runs from 1 October to 30 September). A scale up calculation is made on the basis of the FTE coverage rate to account for any missing data component (typically less than 10% of FTE). In addition, emissions uplift rates are applied to allow for uncertainty on quality and coverage of emissions measurement and estimation. The uplift rates are: 4% for electricity, 10% for other energy, and 6% for business travel, based on IPCC Good Practice Guidance and Uncertainty Management in National Greenhouse Gas Inventories and HSBC’s own internal analysis of data coverage and quality.

Carbon dioxide emission reporting excludes emissions from investments (including loans to third party organisations), employee commuting and other third party sources. It also excludes carbon equivalent emissions arising from other greenhouse gases on the basis that these are negligible and/ or cannot be calculated with a sufficient level of reliability, however, CO<sub>2</sub>e factors were used wherever available, in which case elements of other greenhouse gases would have been included in total emissions.

Further details on the preparation of emissions reported are presented below.

## Data preparation

### Property

Data are reported for electricity, primary fuel sources and locally generated energy sources. Energy consumption data where possible are obtained via meters and collated from the service provider invoices. Where metered data are only partially available or not available, energy consumption may be calculated on the basis of a comparable property, extrapolation of cost per unit or estimates using floor area or other published industry baselines.

### Travel

For air and rail travel, actual data are obtained where possible, from the business travel service agents. Where journey details are not available, estimates of distance travelled are based on the cost of an average journey or by extrapolating from a single month of travel. Where tickets are ordered on a local basis

<sup>1</sup> Management control: where HSBC Group or its member has full authority to implement the Group environmental policy and where there is control of facilities management.

through a travel company an estimated distance of the journey may be made by the traveler/claimant. For independent bookings the estimate of distance travelled is based on the cost of an average journey.

Road travel is measured by direct measurement of journeys made for business purposes. Details of road journeys, including distances travelled, engine size of vehicle and fuel type are submitted as part of expense claims/invoices. This may include company vehicles, personal/private vehicles and hire vehicles. Where only cost data are available, an estimate of distances travelled can be calculated on a local basis. Where journey data are not available, previously recorded data or industry baseline data may be used.

#### **Conversion factors**

Conversion factors enable determination of the amount of carbon dioxide released into the atmosphere per unit of energy consumption. Different types of energy source and modes of travel have different conversion factors reflecting the carbon intensity.

HSBC reports emissions using the most relevant factors. The following order of preference is used reflecting the reliability of the factor in context:

1. Factors provided by the data providers (i.e. energy supplier) including Power Purchase Agreements (PPAs);
2. Factors provided by the local public environmental authorities.
3. For electricity, factors provided by the International Energy Agency (IEA). If the factor specific to the country is not available, a regional factor can be used.
4. For travel, factors provided by the transportation services suppliers or from published sources of the countries where the kilometres are travelled.
5. Factors provided by Department of Environment, Food and Rural Affairs (DEFRA) are used if none of the above sources are available.

UK emissions from energy adhere to the below specific criteria:

From Q4 2013, we switched from DEFRA's 5-year grid rolling average emission factors to DEFRA's 1-year grid average emission factors;

Guidance on the use of conversion factors, including the most recent factors released by the IEA and DEFRA is issued internally bi-annually.

HSBC has reviewed the revised Greenhouse Gas Protocol Scope 2 Guidance. HSBC will be working with service providers in 2016 to integrate the revised GHG Protocol Scope 2 Guidance into HSBC's reporting methodology to enable HSBC to report using both location based and market based methodologies.

#### **Prior year adjustments**

The measuring and reporting of carbon emissions data inevitably involves a degree of estimation. In exceptional circumstances restatements of prior year reported emissions and offset data may be required. Restatements are considered where there is a change in the data that will have material impact on the total emissions and/or offset at Group level.

Following the release of the revised GHG Protocol Scope 2 Guidance, we have revised our methodology for calculating carbon emissions to use the state-specific eGRID emission factors for our US operations until such time as we obtain supplier-specific emission factors. We have re-stated our comparatives for 2014.