

Carbon Reduction Plan

Supplier name: **HSBC Bank plc**

Publication date: **30 August 2023**

In 2019, the UK became the first major economy to adopt a legal commitment to achieve 'Net Zero' carbon emissions by 2050. To support this, the UK Government Commercial Function has developed a new commercial policy measure for all central government departments and arm's length bodies. This measure requires suppliers bidding for major UK Government contracts to commit to achieving Net Zero by 2050 and publish a Carbon Reduction Plan, outlined in PPN 06/21 policy note and guidelines¹. HSBC Bank plc presents its Carbon Reduction Plan.

Commitment to achieving Net Zero

HSBC Bank plc is committed to achieving Net Zero emissions by **2050**.

Baseline Emissions Footprint

Baseline emissions are a record of the greenhouse gases that have been produced in the past and were produced prior to the introduction of any strategies to reduce emissions. Baseline emissions are the reference point against which emissions reduction can be measured. For those activities for which emissions that are not captured, HSBC has a negligible carbon footprint.

Baseline Year: 2019	
Additional Details relating to the Baseline Emissions calculations.	
The reporting below covers HSBC's own carbon footprint as detailed in the Notes for Completion above.	
Baseline year emissions:	
EMISSIONS	TOTAL (tCO₂e)
Scope 1	22,000 tCO ₂ e

¹ <https://www.gov.uk/government/publications/procurement-policy-note-0621-taking-account-of-carbon-reduction-plans-in-the-procurement-of-major-government-contracts>

Scope 2	392,000 tCO ₂ e
Scope 3 (Included Sources)	<u>Purchased Goods & Services</u> 830,000 tCO ₂ e <u>Capital Goods</u> 38,000 tCO ₂ e <u>Upstream transportation and distribution</u> Not captured <u>Waste generated in operations</u> Not captured <u>Business Travel Transportation</u> 272,000 tCO ₂ e <u>Employee Commuting</u> Not captured <u>Downstream Transportation</u> Not captured Source: HSBC ESG Datapack, 2020 ²
Total Emissions	1,554,000 tCO ₂ e

Current Emissions Reporting

Reporting Year: 2022

² <https://www.hsbc.com/-/files/hsbc/investors/hsbc-results/2020/annual/pdfs/hsbc-holdings-plc/210223-esg-datapack-2020.pdf>

EMISSIONS	TOTAL (tCO₂e)
Scope 1	19,000 tCO ₂ e
Scope 2	224,000 tCO ₂ e
Scope 3 (Included Sources)	<u>Purchased Goods & Services</u> 866,000 tCO ₂ e <u>Capital Goods</u> 144,000 tCO ₂ e <u>Upstream transportation and distribution</u> Not captured <u>Waste generated in operations</u> Not captured <u>Business Travel Transportation</u> 42,000 tCO ₂ e <u>Employee Commuting</u> Not captured <u>Downstream Transportation</u> Not captured Source: HSBC ESG Data Pack, 2022 ³
Total Emissions	1,295,000 tCO ₂ e

Further clarification on current emissions reporting

³ <https://www.hsbc.com/-/files/hsbc/investors/hsbc-results/2022/annual/pdfs/hsbc-holdings-plc/230221-esg-datapack-2022.pdf>

- Total Emissions excludes financed emissions. For further details of HSBC's financed emissions reporting methodology, please see P50 of HSBC Holdings plc Annual Report and Accounts 2022⁴
- Fuel and energy related activities: Not relevant, any emissions relevant to fuel and energy has already been captured within reported Scope 1 and 2
- Upstream transportation and distribution: Upstream transportation and distribution are not currently deemed by HSBC to be relevant to the nature of our business. As a bank, we do not require specific transportation and distribution, aside from that which occurs as part of our supplier relationships and as such is included in Purchased Goods and Services
- Waste Generated in Operations: Waste generated in operations are not currently deemed by HSBC to be relevant to the nature of our business. As a bank, waste is not material to our industry, as concluded by CDP's Relevance of Scope 3 Categories by Sector paper
- Employee commuting: From 2018, we have incorporated data for circumstances such as transporting our employees safely to support our 24/7 business activity. This is included in the Business Travel emissions figure. Remaining employee commuting not currently deemed by HSBC to be relevant to the nature of our business
- Upstream leased assets: Not relevant, upstream leased assets already included within HSBC's Scope 2 emissions
- Downstream transportation and distribution: Downstream transportation and distribution are not currently deemed by HSBC to be relevant to the nature of our business. As a bank, we do not require specific transportation and distribution, aside from that which occurs as part of our supplier relationships and as such is included in Purchased Goods and Services
- Processing of sold products: Processing of sold products is not currently deemed by HSBC to be relevant to the nature of our business
- Use of sold products: Use of sold products is not currently deemed by HSBC to be relevant to the nature of our business, selling services. The downstream emissions of these services are captured under category 15
- End of life treatment of sold products: End of life treatment of sold products is not currently deemed by HSBC to be relevant to the nature of our business, selling services. The downstream emissions of these services are captured under category 15
- Downstream leased assets: Downstream leased assets are not currently deemed by HSBC to be relevant to the nature of our business
- Franchises: Franchises is not currently deemed by HSBC to be relevant to the nature of our business

Emissions reduction targets

In order to continue our progress to achieving Net Zero, we have adopted the following carbon reduction targets:

HSBC Group targets:

⁴ <https://www.hsbc.com/investors/results-and-announcements/annual-report>

- Transform our own operations and supply chain to net zero across HSBC by 2030, and asking our suppliers to do the same
- Align the financed emissions from our portfolio of customers to net zero by 2050 or sooner, in line with the Paris Agreement goals
- Provide between \$750bn and \$1tn of finance and investment towards the transition
- Help unlock the value of natural capital in the global economy and tackle biodiversity loss

In December 2021, HSBC committed to:

- Phase-out the financing of coal-fired power and thermal coal mining in EU/OECD by 2030, and worldwide by 2040
- Engage with relevant clients on their transition plans and agree financing phase-out timelines
- Seek to withdraw any financing and advisory services with a client that makes a new commitment to, or proceeds with, thermal coal expansion after 1 January 2021 (unless such expansion was contractually committed or under construction before that date)

In February 2022, HSBC announced targets for reducing financed emissions in two carbon-intensive sectors:

- A 34% reduction in the absolute on-balance sheet financed emissions for the oil and gas sector by 2030
- A 75% reduction in the on-balance sheet financed emissions intensity for the power and utilities sector by 2030

Per our announcement on 16 March 2022, we have committed to:

- Publish a bank-wide Climate Transition Plan in 2023
- A science-aligned phase-down of fossil fuel financing
- Undertake a review of and update our wider financing and investment policies critical to achieving net zero by 2050

Carbon Reduction Projects

Completed Carbon Reduction Initiatives

Carbon reduction in our own operations

In 2021, we continued to decrease our emissions, achieving a 50.3% reduction compared with our 2019 baseline. This was mainly attributed to travel restrictions and the reduction of usage of our buildings due to the Covid-19 pandemic. We also implemented over 700 energy conservation measures that amounted to an estimated energy avoidance in excess of 14.9 million kWh.

Facilitation of sustainable finance for clients

Since 1 January 2020, we have provided and facilitated \$109.8bn of sustainable finance, \$11.7bn of sustainable investment and \$5.2bn of sustainable infrastructure spanning more than 1,193 transactions, as defined in our data dictionary. This comprised 29% of green, social and sustainability-linked lending to companies, 9% of investments managed and distributed on behalf of investors, and 62% that facilitated the flow of capital and provided access to capital markets.

In 2021, we acted on more green, social, sustainability and sustainability-linked bonds for clients than in 2020. We were mandated to act as structuring adviser on nine ESG-related government bonds, including for the UK, Saudi Arabia, Canada and Indonesia.

In September 2021, we partnered with Temasek to establish (subject to regulatory approval) a debt financing platform dedicated to sustainable infrastructure projects with an initial focus on south-east Asia. The platform aims to deploy blended finance at scale over time to unlock more marginally bankable projects and create a tradeable asset class.

As part of our goal to unlock new climate solutions, we announced the launch of Climate Asset Management, a joint venture with Pollination, in 2020. Climate Asset Management's ambition is to become the world's largest dedicated natural capital asset management company.

Corporate governance

In May 2021, shareholders approved a climate change resolution at our AGM that commits us to set, disclose and implement a strategy with short- and medium-term targets to align our provision of finance with the goals and timelines of the Paris Agreement.

Industry initiatives

In 2021, we were one of 43 founding members of the Net-Zero Banking Alliance ('NZBA'), which seeks to reinforce, accelerate, and support the implementation of decarbonisation strategies for the banking sector.

We also joined the Partnership for Carbon Accounting Financials ('PCAF'), which seeks to define and develop greenhouse gas accounting standards for financial institutions.

We also co-chair the Coalition for Climate Resilient Investment, which was launched at the UN Climate Action Summit to help investors and policymakers understand infrastructure investments and incorporate physical climate risk in decision making.

Supplier engagement

In 2020, we began the three-year process of encouraging our largest suppliers to make their own carbon commitments, and to disclose their emissions via the CDP supply chain programme. The target for 2021 was for suppliers representing 45% of total supplier spend to have completed the CDP questionnaire. In total, suppliers representing 51.2% of total supplier spend completed the CDP questionnaire.

Declaration and Sign Off

This Carbon Reduction Plan has been completed in accordance with **Procurement Policy Note 06/21: Taking account of Carbon Reduction Plans in the procurement of major United Kingdom Government contracts** and associated guidance and reporting standard for Carbon Reduction Plans.

Emissions have been reported and recorded in accordance with the published reporting standard for Carbon Reduction Plans and the GHG Reporting Protocol corporate standard⁵ and uses the appropriate Government emission conversion factors for greenhouse gas company reporting⁶.

Scope 1 and Scope 2 emissions have been reported in accordance with SECR requirements, and the required subset of Scope 3 emissions have been reported in accordance with the published reporting standard for Carbon Reduction Plans and the Corporate Value Chain (Scope 3) Standard⁷.

The information contained within this Carbon Reduction Plan has been signed off by the board of directors (or equivalent management body) of HSBC Bank plc as of 16 March 2023.

HSBC's board of directors include:

- Mark E Tucker - Group Chairman
- Noel Quinn - Group Chief Executive
- Georges Elhedery - Group Chief Financial Officer
- Geraldine Buckingham - Independent non-executive Director
- Rachel Duan - Independent non-executive Director
- Dame Carolyn Fairbairn - Independent non-executive Director
- James Forese - Independent non-executive Director
- Steven Guggenheimer - Independent non-executive Director
- Dr José Antonio Meade Kuribreña - Independent non-executive Director
- Eileen Murray - Independent non-executive Director
- David Nish - Independent non-executive Director
- Jackson Tai - Independent non-executive Director
- Aileen Taylor - Group Company Secretary and Chief Governance Officer

⁵<https://ghgprotocol.org/corporate-standard>

⁶<https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting>

⁷<https://ghgprotocol.org/standards/scope-3-standard>