Energy policy

November 2025

Today, we and many of our customers contribute to greenhouse gas emissions. We have a strategy to reduce our own emissions and to develop solutions to help our clients invest sustainably. For more information visit https://www.assetmanagement.hsbc.com/about-us/net-zero

HSBC Asset Management

Introduction

We recognise climate change as a significant challenge facing our clients in their investments. Climate-related risks may have a material effect on the risk profile and financial performance of investments over various investment time horizons.

This policy is developed in support of HSBC Group's net zero ambition and is aligned with the HSBC Energy Policy. It complements the HSBC Asset Management Thermal Coal Policy[1] as updated from time to time.

Energy transition

Energy is at the heart of the transition to net zero. The energy sector requires a significant transition to switch from reliance upon fossil fuels to a sustainable energy system.

The energy transition is a systemic change for the economy, bringing investment risk for our clients but also significant investment opportunities as new infrastructure is built and technologies emerge.

Our approach to the energy sector is driven by our analysis of the investment impact of these risks and opportunities based upon our clients' investment interest.

We prioritise engagement as the best means of supporting energy issuers in their transition.

We recognise that fossil fuels, especially natural gas, have a role to play in the transition, even though that role will continue to diminish.

At the same time, a significant increase is required in global investment in the clean technologies and infrastructure that can help transform future energy supply and demand.

1. Please visit the page 'Policies and Disclosures' on our public website for more details on policies related to responsible investing

Listed issuers

Transition plan engagement and assessment

Under our Thermal Coal policy, we assess coal-exposed issuers' transition plans. We also assess the transition plans of oil & gas and power & utilities issuers.

1. We aim to engage with and assess transition plans of listed issuers[2] responsible for around 70 per cent of relevant emissions. We undertake engagement and assessment of the oil & gas and power & utilities issuers in this group. Aspects of the transition plan assessments will inform the engagement objectives we set for issuers.

2. Where issuer transition plans fall short of our expectations following engagement and there has not been adequate progress in meeting engagement objectives, we will consider escalation of our engagement as set out in our Stewardship Plan[3]. We are likely over time to reduce investment exposure to issuers whose transition plans are inconsistent with a net zero objective, for active fundamental managed funds.

3. Our voting approach for oil & gas and power & utilities issuers reflects our view that the board should be responsible for the company's climate change strategy and any shortfall in the management oversight of relevant issues. This may include votes against the re-election of a relevant board director of oil & gas and power & utilities issuers.

Investment considerations & restrictions

4. We have introduced for our ESG and/or sustainable named active fundamental strategies an exclusion of listed issuers whose overall operations are substantially in Arctic oil & gas, oil sands, and shale oil, subject to data availability and due diligence.

Unlisted project financing

Investment restrictions

Our Alternatives business undertakes project financing investment in unlisted entities and applies the following restrictions. These restrictions do not apply to listed issuers' exposure to the activities concerned.

5. We will not undertake new direct investment in projects associated with the following activities (in line with our internal guidelines):

- new oil & gas fields where the government permitting (or equivalent) for development of the specific field was taken after 31 December 2021;
- shale oil projects;
- extra heavy oil projects;
- oil & gas projects in environmentally and socially critical areas;
- infrastructure whose primary use is in conjunction with the above activities;

Notes:
2. Covers listed equity and corporate fixed income issuers managed in our major investment hubs.
3. Please visit the page 'Stewardship' on our public website for more details on our Stewardship Plan.

Unlisted project financing

Investment restrictions (continued)

- hydrogen produced using any technology pathway resulting in a carbon intensity exceeding thresholds set by HSBC that take into consideration national or regional carbon intensity standards, as updated from time to time;
- new oil-fired power plants;
- new large dams or expansion of existing large dams inconsistent with the Hydropower Sustainability Standard or in environmentally and socially critical areas;
- nuclear projects inconsistent with International Atomic Energy Agency standards or in environmentally and socially critical areas;
- new biomass power plants in excess of 10 megawatt (MW) without sustainable biomass sources or in environmentally and socially critical areas.

6. Enhanced Due diligence will be required for the following activities to be investable:

- Offshore oil & gas projects where the depth exceeds 2000m;
- New (or converted) gas fired power plants, conversion of existing coal to gas fired power plants, or conversion of existing oil to gas fired power plants;

Clients

7. We continue to discuss with our clients how we can support them in their own climate objectives, where relevant.

Application

The application of this policy remains subject to compliance with local laws and regulations.

This policy will be reviewed at least annually. We will report annually on HSBC Asset Management's progress on programmes and policies related to HSBC Group's Net Zero 2050 target.

Where we do not have full portfolio discretion, or board/equity control, elements of this policy which may result in investment restrictions or eventual divestment are subject to client, fund director and regulatory approval. This will include joint ventures, independent director-controlled fund boards and client segregated mandates. This policy does not cover India as an independent director-controlled entity, and mainland China domestic funds managed via our joint-ventures due to differing national timelines and local governance decisions.

Multi-asset or fund of fund strategies utilising third party, systematic or passive funds may be unable to implement certain aspects of this policy. This might mean such funds have potential exposure to issuers that would otherwise be excluded. ESG and sustainable multi asset or fund of funds strategies seek funds with aligned / similar restrictions where these are available.

Our engagement with and assessment of listed issuers responsible for around 70 per cent of relevant emissions is based upon all listed equity and corporate fixed income under our direct investment control and managed within our major investment hubs. It therefore covers active fundamental, active systematic and passive holdings.

Listed issuer and unlisted project financing investment restrictions do not apply to certain portfolios where we do not have sole discretion or to any legacy buy and hold investments.

We use third party data providers to monitor issuers' exposure to certain activities and / or breaches of standards. Whilst we assess providers as part of ongoing monitoring, it is not possible to guarantee their accuracy, completeness, quality of judgement or timeliness. We may set aside their data or scoring where our own due diligence suggests that this may be inaccurate, incomplete or disproportionate.

HSBC's ESG and sustainable Investing strategies include impact funds with an ESG or Sustainable objective, thematic funds that seek to invest in ESG or sustainable trends, and strategies that seek to mitigate ESG risks by investing assets with higher ESG performance and/or exclusions of those that are lower ESG performing. Considerations across strategies can include but are not limited to climate/net-zero and/or UN Sustainable Development Goals. For the avoidance of doubt, assets invested pursuant to the ESG and sustainable Investing strategies do not necessarily qualify as "sustainable investments" as defined by SFDR or other relevant regulations. The HSBC ESG and sustainable Investing Framework is an HSBC internal classification framework used to establish ESG and sustainable Investing standards and promote consistency across asset classes and business lines where relevant, and should not be relied on to assess the sustainability characteristics of any given product.

Oversight of the application of this policy is part of our governance and risk framework. Adoption of this policy includes formal governance committees at global and local business levels. Implementation may be led at asset class level, supported by other investment and business functions.

A	
Arctic	The Arctic is the geographic area north of the Arctic polar circle (currently 66°33N).
Amazon Biome	Amazon Biome is defined in accordance with guidance set out by the Amazon Network of Georeferenced Socio-Environmental Information (RAISG) as • the limits of the Amazon biome in Colombia and Venezuela; • the limits of the Amazon basin in Ecuador, Perú and Bolivia; • the sum of the limits of the basins (Amazonas and Araguaia/Tocantins) and the limits of the administrative Legal Amazon in Brazil; and • the whole continental territories of Guyana, French Guyana and Suriname. See further geospatial guidance on this definition at https://www3.socioambiental.org/geo/RAISGMapaOnline/
Antarctic	All of the land and ice shelves south of 60°S latitude, which are administered under the Antarctic Treaty System.
B	
Biomass	Biomass is organic matter, i.e., biogenic material, available on a renewable basis from living or recently living organisms. This includes feedstock derived from plants or animals such as land-based agriculture and forestry products or waste; and organic waste from municipal and industrial sources.
C	
Captive power generation	Captive power generation means the generation of power by an asset owned or controlled or operated by a client where it is dedicated to a specific project or industrial facility, and the majority of power generation is for the client's own use.
Conversion of existing coal-to-gas fired powerplants	Modifications to a thermal coal-fired power plant to introduce gas-firing capability, including: switching to operate only on natural gas, co-firing (able to fire both coal and natural gas at the same time) or dual fuel (able to fire either coal or natural gas).
Conversion of existing oil-to-gas-fired powerplants	Modifications to an oil-fired power plant to introduce gas-firing capability, including switching to operate only on natural gas, co-firing (able to fire both oil and natural gas at the same time) or dual fuel (able to fire either oil or natural gas).
E	
Environmentally and socially critical areas	Amazon Biome, Antarctic, Arctic, Ramsar Wetlands or UNESCO World Heritage Sites
Exempted activities	Exempted activities cover the below services and midstream and downstream activities: • O&G consultancy services; • O&G operation and maintenance (O&M) services; • O&G-related engineering, procurement and construction services; • O&G equipment manufacturing; • O&G traders; • O&G refining where this activity is not materially associated with hydrogen production; • distributers of refined O&G products; • use of O&G as raw material (e.g. for fertiliser or high value chemicals); • infrastructure that is part of a national O&G network or otherwise not associated primarily with new O&G fields (conventional or otherwise); • petrol stations; • transmission from power plants; • captive power generation (including captive renewables); • biomass research and development activities; • bioenergy generation activities such as: methane capture from landfill, onsite anaerobic digestors (e.g. within the agriculture, forestry or food & drink sectors) and use of biowaste residues within the paper & pulp sector; and • domestic use of biomass in homes.
Extra heavy oil projects	Extra heavy oil projects are below 10° on the American Petroleum Institute (API) gravity scale.

G	
Gas-fired power plant	Thermal power plants which burn natural gas to generate electricity.
L	
Large dams	Large hydropower dams exceed 15 metres in height or exceed both 5 metres in height and 3 million cubic metres in reservoir volume.
N	
New O&G field	An O&G licence or lease* where the government permitting (or equivalent) for development of the specific field was taken after 31 December 2021. An O&G licence or lease can comprise a number of fields. *A licence or lease, the primary purpose of which is to set the contractual framework for which oil, gas and/or condensate is to be produced from a defined geographic area.
New oil-fired power plant	New oil-fired power plant means: • the creation of a new oil-fired or diesel-fired power plant; or • expansions to an existing oil-fired or diesel-fired power plant (except for the purpose of retrofitting an asset to materially reduce greenhouse gas emissions), that was not already either: a) contractually committed (via power purchase agreement) or b) under construction, in each case before 1 January 2021.
O	
Oil-fired power plant	Thermal power plants which burn oil or diesel to generate electricity.
O&G infrastructure	O&G infrastructure refers to pipelines, LNG liquefaction facilities and floating vessels (i.e. drilling rigs, Floating Production Storage and Offloading (FPSO) vessels) whose primary use is linked to new O&G fields.
R	
Ramsar Wetlands	https://rsis.ramsar.org/ris-search/?f[0]=montreuxListed_b:true&pagetab=1 These are wetland sites designated to be of international importance under the Ramsar Convention (also known as "The Convention on Wetlands") and are listed under the Ramsar List. Home | Ramsar Sites Information Service
S	
Shale oil	Activities where the primary purpose, or value proposition, is the exploration, development and production of shale oil (as opposed to natural gas liquids (NGLs) and gas). Note: When drilling for shale oil, shale gas is often produced as a by-product and vice versa. Shale gas productions often have some oil and condensate content which may also get monetised but are not the primary focus of the operations, as gas is the business primary focus/revenue generator.
Sustainable biomass	Sustainable biomass refers to biomass that: • has a low lifecycle carbon footprint that considers the opportunity cost of the land as well as the timing of carbon sequestration and carbon release specific to each form of biomass and its use; • the principles of the waste management hierarchy are considered and any waste biomass can be classified as suitable for energy recovery in the waste management hierarchy; and • is produced without triggering any destructive land use change (in particular minimising deforestation) and avoids competition with other key land uses (such as food production).
U	
Ultra-deepwater offshore O&G projects	Exploration, development and production operations on offshore fields that are greater than 2000 metres below surface level at the location of the deepest production well.
UNESCO World Heritage Sites	Designated cultural and natural heritage areas, including buffer zones, around the world which are considered of outstanding value to humanity and are listed under the World Heritage Convention. https://whc.unesco.org/en/list/
W	
Waste biomass	Waste biomass refers to biomass sourced from (but not limited to) the below: • post-consumer waste products and materials and food waste; and • waste by-products from commercial and industrial processes such as construction, paper manufacturing, food and drink sector, animal processing and other industrial processes.