

Thermal Coal 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>

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 the phase-out from thermal coal-fired power and thermal coal mining (collectively 'thermal coal') within the 2030/40 timelines set out in the HSBC Thermal Coal Phase-Out Policy. It complements HSBC Asset Management's Energy Policy¹ as updated from time to time.

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

Investments

1. By the end of 2030, we will not hold listed securities of issuers with more than de minimis² revenue exposure to thermal coal³ in EU / OECD⁴ markets in our actively managed portfolios.
2. By the end of 2040, we will not hold listed securities of issuers with more than de minimis revenue exposure to thermal coal in all markets in our actively managed portfolios.
3. We do not make direct investments in new or existing thermal coal projects. This includes but is not limited to: creation of new thermal coal assets; thermal coal expansion; extensions to the unabated operating lifetime of existing thermal coal assets; new captive thermal coal-fired power plants or new captive thermal coal mines; new thermal coal or metallurgical coal infrastructure; new metallurgical coal mines; new coal gasification / liquefaction plants and thermal or metallurgical coal mines using Mountaintop Removal. Actively managed portfolios do not participate in initial public offerings (IPOs) or primary fixed income financing by issuers engaged in thermal coal expansion.

For other issuers with more than 10 per cent revenue exposure to thermal coal, participation by actively managed portfolios in IPOs or primary fixed income financing is subject to due diligence to help ensure that the issuer has a credible transition plan.

We will divest over time from issuers whose transition plans are considered incompatible with a net zero objective.

4. Our actively managed ESG and sustainable⁵ fund ranges exclude issuers with more than 10 per cent revenue exposure to thermal coal⁶, unless the issuer has a credible transition plan as determined through due diligence.

Notes:

2. De minimis level set at no more than 2.5 per cent of issuers' revenues.
3. Thermal coal activities in scope defined as thermal coal mining and thermal coal-fired power generation.
4. OECD refers to the Organisation for Economic Cooperation and Development.
5. 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, these 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.
6. The threshold for exclusion may be lower for ESG and sustainable funds which are subject to local regulations.

Research and engagement

5. We will undertake due diligence on issuers of listed securities held in our active fundamental portfolios with more than 10 per cent of their revenue from thermal coal or metallurgical coal, prioritising those with the highest exposure. We recognise that given the length of time to 2040, some non-EU/OECD companies may not yet have announced a phase out date, however we expect companies to demonstrate plans to phase down their thermal coal assets, whilst increasing investment into clean technology and infrastructure where applicable.

6. Engagement with companies on their transition plan information, and assessment of transition plans, forms an important part of our approach. We continue to engage with priority issuers⁷, focusing on those where we have the highest exposure. We have initiated engagement with listed issuers held in our active fundamental portfolios with more than 10 per cent revenue exposure to thermal coal, as well as those with more than 10 per cent revenue exposure to metallurgical coal.

Additionally, we aim to engage with listed issuers held in our passive and active systematic portfolios with more than 10 per cent revenue exposure to thermal or metallurgical coal, subject to portfolio turnover constraints. Our engagement with these issuers will be prioritised based on the size of our holding and will target those with poor emissions disclosure or lacking a public net zero target.

7. We may vote against the re-election of a relevant board director of listed issuers covered by our engagement if they have more than 10 per cent revenue exposure to thermal coal and do not provide Task Force on Climate-Related Financial Disclosures (TCFD) or equivalent reporting. This voting approach is applied to issuers covered by our active fundamental, passive, and active systematic engagements, subject to portfolio turnover.

Passive products

8. We will not launch new ESG and sustainable passive Exchange Traded Funds (ETFs) and ESG and sustainable index funds including issuers with more than de minimis exposure to thermal coal⁸, unless the strategy for the relevant passive ETF / fund has specific Paris-aligned objectives⁹ and / or clear divestment pathways. We have developed a suite of Lower Carbon, Paris-aligned passive ETF and Index products. We may engage with index providers and industry bodies where relevant, to expand the range of available indices and passive products that do not have exposure to thermal coal.

Clients

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

Notes:

7. Priority issuers are defined in our Stewardship Plan.

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, commitments included in this policy 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.

These commitments apply to actively managed portfolios as set out, except certain alternatives and other portfolios where we do not have sole discretion.

Our thermal coal phase-out commitment does not apply to passive ETFs and index funds. Subject to regulatory requirements, policy revisions might be applied to funds launched after September 2022 when the thermal coal policy was introduced.

Multi-asset or fund of fund strategies utilising third party 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 to invest in where these are available.

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 it may be inaccurate, incomplete or disproportionate.

Our voting activity covers all equity holdings managed in our UK, France, Hong Kong SAR, Singapore, Malta and India offices – whether in active fundamental, active systematic or passive portfolios – over which we have voting discretion, with some commitments in this policy subject to third party data coverage and our discretion to consider other factors. Our voting records are publicly available online.

Further information on our engagement related to climate change is available in our Stewardship Plan.

New investment in 'Buy and Maintain' and 'Buy and Hold' assets will be assessed according to this policy; existing holdings will be managed in client interest, which may include holding to maturity where there is a fiduciary or regulatory obligation to do so.

Existing and new client on-boarding requirements set out in the HSBC Thermal Coal Phase Out Policy are applied by HSBC Group where relevant as part of its on-boarding process for Asset Management clients.

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.

C

Captive thermal coal-fired power plants	Thermal coal-fired power plants dedicated to a specific project or industrial facility, such as an aluminium smelter, a steel mill or cement plant, and the majority of power generation is for the client's own use.
Captive thermal coal mines	Thermal coal mines solely providing thermal coal for captive thermal coal-fired power plants. Coal mines owned, controlled or operated by a power generating company that feeds into a power grid are not considered captive coal mines under this Policy.
Clean technology or infrastructure	Clean technology or infrastructure are those which support abating greenhouse gas emissions to net zero, including: <ul style="list-style-type: none"> • converting fossil fuel fired power plants to operate on zero-carbon fuels (e.g. renewable hydrogen, ammonia and other technologies as they may develop); • renewable energy; • carbon removal technologies such as carbon capture and storage (CCS); or • reduction or elimination of scope 1 and 2 emissions including methane.
Coal gasification / liquefaction plant	An industrial plant or facility that converts coal into coal gas, liquid hydrocarbons, liquid fuels or petrochemicals. This includes (but is not limited to) the gasification of coal for the production of hydrogen.

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Mountaintop Removal	A form of surface mining at the summit or summit ridge of a mountain in the Central Appalachian Mountains of the United States of America.
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New coal gasification / liquefaction plant:	New coal gasification / liquefaction plant means: <ul style="list-style-type: none"> • the creation of new coal gasification / liquefaction plants; or • expansions to existing coal gasification / liquefaction plants (except for the purpose of retrofitting an asset to materially reduce greenhouse gas emissions) that was not already either: a) contractually committed or b) under construction, in each case before 1 January 2021.
New metallurgical coal mines:	new metallurgical coal mines means: <ul style="list-style-type: none"> • the creation and commercialisation of new metallurgical coal mines or major capital equipment for new metallurgical coal mines; or • expansions to existing metallurgical coal mines that involve geographically separate locations. that was not already either: a) contractually committed or b) under construction, in each case before 1 January 2021.
New thermal coal assets	New thermal coal assets means new thermal coal mines, new thermal coal-fired power plants and new coal gasification / liquefaction plants.
New thermal coal-fired power plants	New thermal coal-fired power plants means: <ul style="list-style-type: none"> • the creation of new thermal coal-fired power plants; or • expansions to existing thermal coal-fired power plants (except for the purpose of retrofitting an asset to materially reduce greenhouse gas emissions) that was not already either: a) contractually committed or b) under construction, in each case before 1 January 2021.
New thermal or metallurgical coal infrastructure	new thermal or metallurgical coal infrastructure means: <ul style="list-style-type: none"> • the creation of thermal or metallurgical coal infrastructure; or • expansions to existing thermal or metallurgical coal infrastructure (except for the purposes of retrofitting an asset to materially reduce greenhouse gas emissions) that was not already either: a) contractually committed or b) under construction, in each case before 1 January 2021.

T

Thermal coal expansion	For thermal coal mining, increases in total tonnage of thermal coal extracted; for thermal coal-fired power, increases in net operational thermal coal power capacity. In each case where such expansion: refers to absolute global increases rather than increases in issuers as a result of corporate mergers and acquisitions; and was not already contractually committed (via power purchase agreement for thermal coal-fired power generation) or under construction, in each case before 01 January 2021.
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Thermal coal-fired power plants

Thermal power plants which burn natural gas to generate electricity.

Thermal coal or metallurgical coal infrastructure

Infrastructure assets dedicated to support thermal or metallurgical coal assets, such as coal terminals or coal railways.

