HSBC Global Asset Management (UK) Limited

Taskforce on Climate-Related Financial Disclosure (TCFD) Annual Report 2025

For reporting period 1 January – 31 December 2025
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HSBC Asset Management

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A message from the CEO of HSBC Global Asset Management (UK) Limited

Daniel Rudd
Chief Executive Officer

Welcome to HSBC Global Asset Management (UK) Limited's (HSBC AMUK) Task Force on Climate-related Financial Disclosures (TCFD) Entity Report. In this report, we provide information on the climate-related impact and risks of all assets managed by HSBC AMUK in our capacity as an investment manager. We also explain our governance, strategy, risk management, and metrics and targets for addressing climate-related risks and opportunities.

The TCFD framework is central to our efforts to understand, assess, and disclose climate-related risks. HSBC AMUK is committed to transparent and regular reporting, ensuring our clients and other stakeholders are informed of our progress and ongoing commitment to responsible investment.

Over the course of 2025, we continued to implement our climate strategy across several key areas, including:

- **Research and integration of climate considerations:** We have assessed companies using the Institutional Investors Group on Climate Change's (IIGCC) Net Zero Investment Framework (NZIF), incorporating forward-looking indicators to evaluate issuers and portfolios exposed to significant climate-related risks, where relevant, alongside other factors that may impact investment value[1]
- **Stewardship:** Climate has been a long-standing thematic priority for our engagement activities. In 2025, we engaged with approximately 360 issuers on climate-related issues to highlight good practices and encourage progress towards these
- **Climate product offering:** We have developed an internal climate product framework to further define our climate-related offering as part of the HSBC ESG and Sustainable Investing Framework.[2] We continue to expand and evolve this offering to provide innovative, tailored solutions across a broad range of asset classes and climate themes, including transition and solutions
- **Thermal coal and energy policies:** We have a policy to phase-out from thermal coal by the end of 2030 in EU/OECD markets and by the end of 2040 in all markets, and a phase-down energy policy. We direct away from issuers that take no action or are slow to adopt action in line with our stated policies and product guidelines

1. https://www.iigcc.org/net-zero-investment-framework
2. HSBC Asset Management applies a climate product framework for the internal classification of climate-related strategies. The framework is used to promote consistent standards across asset classes where relevant. Strategies within the climate product framework may not necessarily be marketed as sustainable externally, depending on the relevant regulatory regime for sustainable investment disclosure where there may be differences in requirements. The climate product framework should not be relied on to assess the climate-related characteristics of any given product; please refer to the relevant product literature for further information.

A message from the CEO of HSBC Global Asset Management (UK) Limited

Compliance Statement

I can confirm under the FCA rules ESG 2.2.7 and ESG 4.3.1 that the disclosures in this report, including any third party or group disclosures cross-referenced in it, comply with the requirements stated in the FCA's ESG Environmental, Social and Governance sourcebook.

Reflection

Throughout the last 12 months since our previous TCFD disclosure, the investment management industry has continued to adapt in response to evolving sustainability regulations. HSBC AMUK remains committed to working in collaboration with regulators, peers and clients to successfully navigate this transition.

As we seek to further improve the quality and disclosure of our climate data, I hope this TCFD Entity Report offers useful information regarding the climate impact and risks associated with all assets managed by HSBC AMUK in our capacity as an investment manager.

Thank you for your continued confidence in HSBC Global Asset Management (UK) Limited as your trusted investment partner.

Best wishes,

Daniel Rudd
Chief Executive Officer

Introduction

Introduction

Purpose of this report

The purpose of this report is to provide investors with information on how HSBC AMUK takes climate-related risks and opportunities into account in managing or administering investments on behalf of clients.

The scope of this report covers assets managed by HSBC Global Asset Management (UK) Limited for the reporting period 1 January 2025 to 31 December 2025. Its content is based on TCFD recommendations and the Financial Conduct Authority's (FCA) ESG sourcebook. This report is relevant for individual and institutional investors as well as professional advisors. TCFD product reports are also available for some products where HSBC AMUK is the investment manager.

Throughout this report we refer to activities of HSBC AMUK and our parent HSBC Global Asset Management Limited (HSBC AM), both of which form part of HSBC AMUK's approach to climate and sustainability. Depending on the context, 'we' means either or both HSBC AMUK or HSBC AM. HSBC AMUK shares policies and principles with the wider HSBC AM business, while respecting local regulatory requirements.

Introduction

Sections in this report

This report is structured in four sections, in line with TCFD recommendations:

1. **Governance section**
   Here we discuss HSBC AMUK's governance around climate-related risks and opportunities.

2. **Strategy section**
   Here we discuss the actual and potential impacts of climate-related risks and opportunities on HSBC AMUK's business, strategy and investment management.

3. **Risk Management section**
   Here we discuss the processes used by HSBC AMUK to identify, assess and manage climate-related risks.

4. **Metrics and Targets section**
   Here we share the metrics and targets used to assess and manage relevant climate-related risks and opportunities.

To aide understanding of technical terminology within the report, we have included a glossary to provide more information on the abbreviations and technical terms used throughout the report.

Introduction

HSBC Asset Management's climate strategy

As part of HSBC Group, HSBC AM supports the Group's ambition to become a net zero bank by 2050. In alignment with the Group's updated Net Zero Transition Plan, we have established a climate strategy and implementation plan to support clients in achieving their investment objectives and climate preferences. Our approach is underpinned by an interim 2030 net zero target, the integration of climate considerations into the investment process through stewardship and research, the continued development of climate and transition-focused investment solutions, and participation in relevant industry groups to share best practice.

Our approach to addressing climate-related risks and opportunities is guided by our responsible investment policies, including commitments to phase out thermal coal and a phase-down energy policy, alongside engagement with certain high-emitting issuers to assess the credibility of their transition plans.[1] We continue to evolve our climate strategy across our investment platform to ensure it remains aligned with our net zero 2050 ambition.

1. The application of these policies is determined by our obligations to clients and our role as an investor on their behalf, and may differ from HSBC Group's approach in its financing and advisory activities due to differing client requirements and information availability.

Introduction

Assets under Management (AuM)

Figures as at 31 December 2025

HSBC AMUK – AuM

USD 262 bn

USD50.4bn (19.2%) of HSBC AMUK's AuM, was in ESG and sustainable investing strategies[1]

HSBC AM – AuM

USD 866 bn

HSBC AMUK's ESG and sustainable investing AuM represented 23.6% of HSBC AM's total ESG and sustainable investing AuM

HSBC AMUK provides investment solutions aligned to client preferences. While some strategies have dedicated climate, ESG and/or sustainability objectives, others take a more general investment approach and where possible, are managed in line with our responsible investment policy. Non ESG/sustainable strategies account for circa 81% of HSBC AMUK's AuM as at the end of December 2025. These investment solutions offer exposure to traditional asset classes such as equities and fixed income. They are managed to various core strategies including index tracking, multi-factor and multi-asset.

While these investment solutions do not have a specific climate, ESG and/or sustainable objective, they are, where possible, managed in line with our responsible investment policy.

HSBC AMUK acts as investment manager for UK and non-UK domiciled funds, Exchange Traded Funds (ETFs), discretionary portfolios and investment advisory roles for both active and passive strategies across multiple asset classes, including alternatives. We are also investment manager for institutional clients. HSBC AMUK AuM reported above covers all of these investment activities.

1. ESG and Sustainable Investing AuM, as defined in section 2.1 of the HSBC Sustainable Finance and Investment Data Dictionary 2025 . 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.

Introduction

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

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 sustainability-related issues and the effectiveness of any such response, HSBC AM may have to re-evaluate its progress towards its sustainability ambitions, commitments and targets in the future, update the methodologies it uses or alter its approach to sustainability (including climate) analysis and may be required to amend, update and recalculate its sustainability disclosures and assessments in the future, as market practice and data quality and availability develop.

Introduction

Cautionary statements regarding ESG data, metrics and forward-looking statements (continued…)

No assurance can be given by or on behalf of HSBC AMUK as to the likelihood of the achievement or reasonableness of any estimates, targets, commitments or ambitions contained herein. Readers are cautioned that a number of factors, both external and those specific to HSBC AMUK's clients, could cause actual achievements, results, performance or other future events or conditions to differ, in some cases materially, from those stated, implied and/or reflected in any ESG-related forward-looking statement or metric due to a variety of risks, uncertainties and other factors (including without limitation those referred to below):

- **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 2025. 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 HSBC AMUK uses 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 made by or on behalf of HSBC AMUK speak only as of the date they are made. HSBC AMUK expressly disclaims any obligation to revise or update these ESG forward-looking statements, other than as expressly required by applicable law.

Governance

Governance

HSBC AMUK Board oversight of climate-related risks/opportunities

HSBC AMUK has designed and built its governance structure to meet, and account for, its regulatory responsibilities and industry best practices for an organisation of its scale. Good governance is designed to be at the core of how HSBC AMUK conducts business.

The HSBC AMUK Board is committed to maintaining high standards of corporate governance. The corporate governance framework enables efficient and effective decision making with clear accountabilities. The AMUK Board integrates climate-related risks and opportunities into its governance, where relevant.

The Board takes overall responsibility for setting the company's values and standards, including in relation to environmental, social and governance matters, to help ensure that obligations to clients, shareholders and other stakeholders are understood and met.

The governance framework continues to evolve to incorporate changes in regulatory requirements and to improve oversight of climate metrics. HSBC AMUK continued to refine the UK Sustainability Oversight Panel. The Oversight Panel was designed to provide key committees, including the AMUK Board Risk Committee, with appropriate oversight of sustainability risk. Examples include key regulatory changes and metrics in relation to investment processes and reporting requirements. The Oversight Panel is reviewed and presented on a quarterly basis to HSBC AMUK's main governance forums for review and challenge.

The CEO of HSBC AMUK is responsible for the management of climate-related risk for HSBC AMUK. Any climate-related issues will be included in sustainability risks and can be escalated to the Board and the Board Risk Committee on a quarterly basis.

The HSBC AMUK Board Risk Committee

The Board has delegated non-executive responsibility for oversight and advice on risk related matters and risk governance to the HSBC AMUK Board Risk Committee.

The Committee is responsible for overall oversight of HSBC AMUK's risk management framework and for reviewing top and emerging risk and escalations from the HSBC AMUK Risk Management Meeting. This includes both financial risks and non-financial risks (which includes sustainability and climate risk).

The Committee also reviews the effectiveness of the Risk Management Framework and provides strong challenge and input into the Internal Capital Adequacy and Risk Assessment process. The Committee is chaired by and includes Non-Executive Directors (NEDs). The permanent attendees include the Chief Executive Officer (CEO), Chief Operating Officer (COO), Chief Risk Officer (CRO), Head of Regulatory Compliance, Head of Financial Crime Compliance and Internal Audit. The Committee meets as required, and at least quarterly.

The Committee reviews the UK Sustainability Oversight Panel on a quarterly basis.

Governance

HSBC AMUK Board oversight of climate-related risks/opportunities

The HSBC AMUK Risk Management Meeting (RMM)

The HSBC AMUK RMM is a management forum established to provide recommendations and advice as required by the CRO to assist them in the discharge of their role and responsibilities. The scope and remit of the HSBC AMUK RMM extends to the entire business of HSBC AMUK.

The CRO is responsible for setting, within the context of HSBC AM and HSBC Group direction, the HSBC AMUK risk management strategy and appetite, policies and control standards for HSBC AMUK and to monitor their implementation. In this regard, the CRO reviews the material risks affecting the HSBC AMUK business and is responsible for the oversight of the risk and internal control environment and escalating material issues to the Board Risk Committee and Board.

The HSBC AMUK Operating Committee (OpCo)

The OpCo meeting is a management forum established to provide recommendations and advice as required by the HSBC AMUK CEO to assist them in the discharge of their responsibilities.

The specific responsibilities and duties delegated to the CEO, and which serve as the areas of attention for the OpCo are Financials, Distribution, Manufacturing, Operations, Regulatory change, People & Sustainability.

The OpCo reviews sustainability initiatives and policies, alongside any relevant sustainability risk metrics.

The HSBC AMUK New Business Committee (NBC)

The NBC is a committee responsible for reviewing and approving all product initiatives, including the launch and closure of, and changes to, products and services. This includes ensuring sustainability risks are considered where relevant.

The scope and remit of the NBC extends to the entire business of HSBC AMUK, hence covering products and services manufactured and/or distributed by HSBC AMUK and products and services domiciled in the United Kingdom where approval authority has been delegated to the NBC.

Governance

HSBC AMUK Governance and Accountability Structure

	Mandate	Scope	Key membership	Frequency
1 AMUK Board	Responsible for the long-term success of the Company and delivery of sustainable value to shareholders. The Board sets the strategy and risk appetite for the Company within the context of the HSBC Group's and HSBC AM's direction.	Oversees the operation, governance and risks to help ensure HSBC AMUK is fulfilling its obligations and is acting in the interests of clients at all times.	Chief Executive Officer (CEO), Chief Investment Officer (CIO)	Quarterly
2 AMUK Board Risk Committee	Responsible for overall oversight of the risk management framework and for reviewing top and emerging risk and escalations.	Oversees and advises the Board on risk-related matters, including both financial and non-financial (operational) risks.	Chaired by a Non-Executive Director (NED) Also attended by CEO, Chief Risk Officer (CRO), Head of Regulatory Compliance (RC) and Head of Financial Crime Compliance	Quarterly
3 AMUK Risk Management Meeting (RMM)	Responsible for recommendations and advice to the CRO in order to assess changes in business activities or the markets in which AMUK operates, analysing the possible risk impact and addressing these risks accordingly.	Sets the HSBC AMUK risk management strategy and appetite, policies and control standards and to monitor implementation. The CRO reviews the material risks and is responsible for the oversight of the risk and internal control environment.	CEO, CRO, Chief Financial Officer (CFO), CIO, Chief Operating Officer (COO), Head of Regulatory Compliance and Head of Financial Crime Compliance	Minimum 6 times a year
4 AMUK Operating Committee (OpCo)	Responsible for business oversight, monitoring and stewardship for HSBC AMUK and to drive business development and providing due consideration to local board and corporate management.	Where HSBC AMUK acts as the manager and/or distributor to approve proposals with global alignment to sustainability policies (e.g. thermal coal, energy policies), helps identify engagement priorities/themes, approve engagement plans, industry involvement, addresses controversial issues.	AMUK SMF* representatives	Minimum 6 times a year
5 AMUK New Business Committee (NBC)	Responsible for reviewing and approving all product initiatives, including the launch and closure of, and changes to products and services. This includes ensuring sustainability risks are a consideration where relevant.	The scope is all products and services for which HSBC AMUK is acting as the manager.	CEO CRO CIO Head of Product and Senior Compliance Manager	Every 2 weeks

*SMF – Senior Manager Function (FCA Senior Managers & Certification Regime)

Governance

Sustainability Governance and Management Oversight

HSBC AM's sustainability governance framework is structured to ensure ongoing strategic oversight, accountability, and effective decision making across the key components of our responsible investment activities, including climate-related matters.

Globally, our responsible investment activities are overseen by senior-level governance bodies. Senior management is accountable for the strategy and execution of sustainability initiatives across the HSBC AM business. This includes oversight of climate-related risk and collaboration with the business to embed appropriate climate risk frameworks, as well as providing review and challenge on climate-related activities. These senior governance bodies are supported by management-level sub-committees, which are responsible for overseeing the delivery of our sustainability strategy and responsible investment activities, including HSBC AM's climate change investment strategy.

Senior-level sustainability governance bodies

Governance Body/Committee	Responsibilities
Asset Management Sustainability Oversight Committee (AMSOC)	◆ Oversees sustainability strategy and policies, ensuring implementation across all locations with oversight of activities, risks and controls
Responsible Investment Committee (RIC)	◆ The Responsible Investment Committee (RIC) is a sub-committee of AMSOC ◆ The RIC determines proposals for Responsible Investment (RI) strategy, positioning and policies. It seeks to develop and strengthen internal processes to implement RI policies and investment objectives, across investment teams, functions and regions ◆ **Chair:** Global Chief Investment Officer (CIO)
Alternatives Sustainability Oversight Committee	◆ The Alternatives Sustainability Oversight Committee oversees responsible investment practices. It is responsible for alignment with RI Policy, escalations and best practice sharing ◆ **Chair:** Head of Responsible Investment & Strategy Execution, Alternatives
Responsible Investment Operations Committee (RIOC)	◆ The Asset Management Responsible Investment Operations Committee (RIOC) is a sub-committee of AMSOC ◆ RIOC oversees the operational implementation and changes relating to RI strategy, policies and commitments, including regulatory, product and operational changes ◆ **Chair:** Global Chief Operating Officer

Governance

Sustainability Governance and Management Oversight

Management-level committees that have oversight on climate-related topics

Management Committee	Responsibilities
Climate Investment Committee (CIC)	◆ The committee oversees the development and implementation of HSBC AM's climate change investment strategy ◆ It is the central point of tracking progress made against our climate strategy, with workstreams across climate research and data, product and solutions, and engagement ◆ **Chair:** Global Head of Responsible Investment
Stewardship Committee	◆ The Stewardship Committee oversees the implementation and delivery of HSBC AM's Stewardship Plan, Global Voting Guidelines and stewardship aspects of policies across the investment function ◆ It provides guidance to internal stakeholders on stewardship matters and thematic priorities, sharing market and industry best practices where relevant ◆ **Chair:** Head of Stewardship
Sustainable Portfolio Review Committee (SPRC)	◆ The SPRC monitors the performance of our ESG and sustainable investing strategies to ensure the strategies continue to deliver on the responsible investment objectives and guidelines, and are aligned with relevant regulatory regimes
Asset Class ESG Committees	◆ The Asset Class ESG Committees oversee the ESG integration across asset classes, including active equity, fixed income, liquidity, quantitative equity, passives and multi-asset

This structure was in place during 2025 and is subject to change in 2026.

Governance

Sustainability Governance Structure

Senior-level committees and sub-committees overseeing responsible investment activities

Asset Management Sustainability Oversight Committee
Chair: Independent/CEO, Listed assets & Alternative assets (Alts)

HSBC AM Global Risk Management Meeting
Chair: Risk & Compliance, Listed & Alts

Oversees sustainability strategy and policies, ensuring implementation across all locations with oversight of activities, risks and controls

Responsible Investment Committee
Chair: CIO Investments, Listed & Alts

Defines and implements Responsible Investment (RI) strategy and policies across teams and regions

Oversees ESG governance, thematic priorities and asset-class committees

Alternatives Sustainability Oversight Committee
Chair: Head of Sustainability Alts

Defines and implements RI strategy and policies across teams and regions

Oversees ESG governance

Responsible Investment Operations Committee
Chair: Operations, Listed & Alts

Oversees operational implementation and changes of RI strategy, policies and commitments, including regulatory, product and operational updates

Regulatory Services input and advice

HSBC Asset Management – June 2025. For illustrative purposes only. This structure was in place during 2025 and is subject to change in 2026.

Governance

Embedding sustainability across our business and investments

We recognise that sustainability issues, including climate-related risks, may have a material effect on the risk profile and financial performance of companies and countries over various investment time horizons. Accordingly, we incorporate sustainability issues into our investment analysis and decision-making processes where applicable, seeking to assess significant climate-related risks where applicable, amongst other risks, which may impact the value of our clients' investments.

We also recognise the investment opportunities arising from the transition to a more sustainable economy, including technological innovation and infrastructure development. We continue to develop new investment capabilities that aim to deliver investment performance, alongside the potential to contribute to more sustainable outcomes.

Our ESG integration process focuses on identifying and assessing significant sustainability issues that we consider to be most relevant to a particular investment, asset class or strategy. The approach applied will vary depending on the investment strategy and time horizon, as well as the applicable fund prospectus and/or client agreement.

Our ESG integration approach is supported by our global Responsible Investment (RI) team, which oversees our responsible investment strategy and policies. Its core responsibilities include developing ESG and sustainable investing solutions, leading stewardship activities, and providing ESG research and analytics to support investment decision-making across traditional asset classes. As a dedicated function within the investment organisation, the RI team partners closely with investment teams to build and deliver an integrated sustainability research capability spanning multiple asset classes, regions, and sectors.

For more information, please refer to "Resources and tools to monitor climate-related risk" in the Risk Management section of this report.

Strategy

Strategy

Climate-related risks and our strategic response

HSBC AM's responsible investment policies outline our approach to key sustainability issues within our investment activities. This includes detailing how we address climate-related risks, guided by our clients' investment objectives and preferences.

There are two major categories of climate-related 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).

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

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.

We acknowledge that physical risk can negatively impact the entities in which we invest either directly (e.g. damage to assets) or indirectly (e.g. via supply chains). Further impacts can arise through changes to the availability of key inputs such as water, food and/or negative impacts to employee safety. This list is not exhaustive.

Transition Risk

Transition risk refers to the potential impact of the global shift towards a low carbon economy. We may consider:

- Climate-related policy and regulatory changes (such as emission regulations and carbon pricing)
- Technological advancements and the risk of losing competitiveness by falling behind
- Shifts in market preferences
- Opportunities arising from the transition, as both policy risks and technology opportunities are considered as transition risks

In considering our climate strategy, we seek to consider these two types of climate-related risks across our 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. Additionally, we acknowledge that sustainability taxonomies differ globally, and evolving standards and practices may lead to changes in our reporting over time.

We also consider climate-related opportunities alongside risks. Such opportunities may arise from activities to support climate mitigation and adaptation, as well as from effective management of climate-related risks. Mitigation involves reducing the cumulative greenhouse gases into the atmosphere, for example by lowering emissions from major sources such as power plants and factories.[1] Adaptation refers to both physical and non-physical solutions that substantially reduce key physical risks.[2] We observe mitigation and adaptation across a range of activities, including the adoption of lower-carbon energy sources, the development of technologies to support resource efficiency and cost savings, the implementation of more circular business models, the development of new products and services that enable a lower-carbon economy, and initiatives that strengthen climate resilience in physical infrastructure and supply chains.

1. Climate Mitigation as defined by the EEA
2. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32023R2485

Strategy

Climate-related risks and our strategic response

Transition risk

We believe that issuers who do not manage the transition effectively may face increased transition risks. Conversely, those who manage the transition well can position themselves as industry leaders and potentially generate attractive value.

We recognise that higher carbon industries are a significant contributor to global emissions, making their transition activities particularly critical to achieving a low carbon economy. Actions taken by these industries – such as producing less carbon intensive steel or energy - can help accelerate the decarbonisation of downstream industries that depend on their products. We therefore recognise the importance transition risk plays in investment decision making, ensuring it is considered across our policies, stewardship activities and responsible investment processes, where relevant.

HSBC AM identifies and addresses transition risk through different approaches:

1. **Policies and associated exclusions** – These outline our approach to sustainability issues, including climate transition, and define how we identify companies with high transition risk. For example, our thermal coal policy aims to phase out actively managed listed holdings exposed to thermal coal mining and power generation by the end of 2030 in EU/OECD markets and by the end of 2040 in all markets

2. **Climate research** – Where relevant, we assess and manage climate-related risks and opportunities by leveraging our research capabilities to assess issuers with high transition risk and/or physical risks, including the use of climate risk indicators such as Climate Value-at-Risk (VaR) and Implied Temperature Rise (ITR). We also measure and classify the net zero alignment of corporate issuers based on our assessments and guidance from the Institutional Investors Group on Climate Change's (IIGCC) Net Zero Investment Framework (NZIF)

3. **Product development** – Where appropriate, our assessment of climate-related risks and opportunities informs product development. We assess issuers, screen companies against specific climate parameters across ESG and sustainable investing portfolios, and use climate and sustainability metrics to inform investment decisions. For example, funds with low carbon objectives aim to maintain lower carbon intensity than their benchmark. Across many of our climate strategies, we combine our net zero alignment classifications with metrics such as carbon intensity and exposure to green solutions to meet a range of client objectives. Please refer to "How our products incorporate climate-related risk and opportunity" for further detail on our climate product framework

4. **Engagement and voting activities** – As part of our stewardship activities, we engage on climate change issues with investee companies on a priority list, as defined in our Stewardship Plan.[1] Our engagement focuses on key issues, including climate transition risks. The stewardship team undertakes targeted engagement with companies facing high transition risk and/or high emissions, through individual company interactions and participation in industry-wide collective initiatives

5. **Product disclosures** – Our UK TCFD product reports disclose each product's carbon intensity and its exposure to six sectors identified as having the highest transition risk

6. **Business targets** – We monitor the flow of our AuM into ESG and sustainable investing solutions across both new and existing portfolios

1. Stewardship - Individual Investor

Strategy

Climate-related risks and our strategic response

Physical risk

While physical risk can emerge over various time horizons, we are already witnessing climate-related changes in our physical environment today. As such, we recognise the potential impact of climate-related physical risk on our investment portfolios.

To address this, we are increasingly integrating physical risk considerations into our investment decision-making tools and risk management processes, using metrics including Climate Value-at-Risk (VaR). This approach provides investment teams with access to both traditional, backward-looking carbon metrics and forward-looking scenario analysis estimates related to physical risks for relevant HSBC AM funds.

Our climate assessment process is designed to identify companies within our listed equity and corporate fixed income holdings that are most exposed to physical risk. We identify high risk companies with a high score for physical Climate VaR, flagging those companies facing the highest costs from acute and chronic weather events related to climate change. Once identified, we assess each company's alignment with a 2050 net zero pathway. The results of these assessments are shared with relevant investment teams to inform them of the climate-related risks associated with these issuers.

For more detailed quantitative climate-related scenario analysis on our HSBC AMUK assets under management, please refer to the 'Metrics and Targets' section.

Strategy

Climate-related risks and our strategic response

Climate-related risk time horizons

For the purpose of this report, we have identified climate-related risks within each category according to the following time horizons:

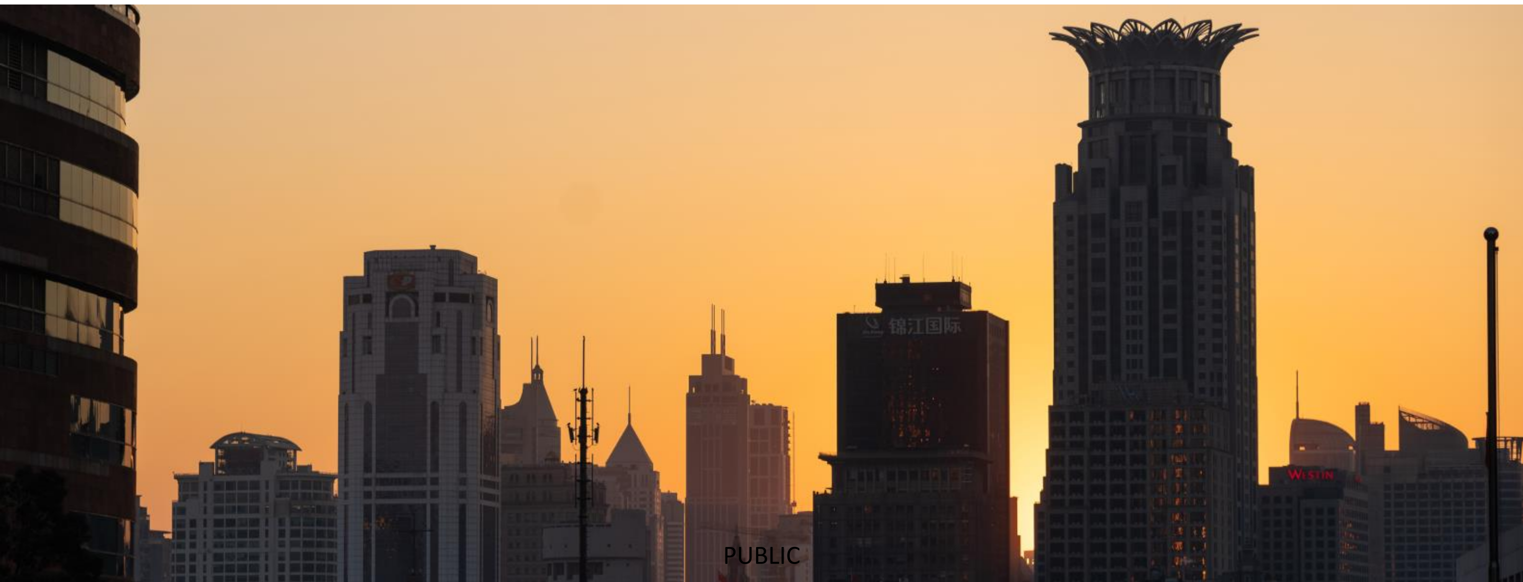
Time horizon	Period
Short-term	Up to 2030
Medium-term	2030-2040
Long-term	2040-2050

These time horizons are aligned with our broader business time horizons such as our thermal coal phase-out plan by the end of 2030 in EU/OECD markets and by the end of 2040 in all markets. They are also complemented by our net zero interim target in the short-term and long-term net zero commitment.

Climate-related orderly transition risk strategy

We are positioning our business towards an orderly climate transition scenario that aims to limit global temperature increase to well below 2ºC, aligned with efforts to limit the temperature increase to 1.5ºC. However, we acknowledge that, according to the Intergovernmental Panel on Climate Change (IPCC), the policies announced by governments up to COP26 in 2021 make it likely that warming will exceed 1.5ºC this century. Without further action, it will be increasingly difficult to keep warming well below 2ºC.[1]

1. Source: IPCC Sixth Assessment Synthesis Report, March 2023.



Strategy

Climate-related risks and our strategic response

HSBC AMUK aims to address the climate-related transition and physical risks identified, as outlined in the following table:

Risk	Risk description	Potential impact on issuer	HSBC AMUK strategy to mitigate risks with issuers	Timeframe
Transition	Cost from regulatory and governmental penalty for high carbon activity and/or support for low carbon activity	Potential regulatory penalty/fine and increased cost without transition to low carbon activity	◆ We have front-office tools to support portfolio analysis and monitoring, enabling us to identify high-carbon assets ◆ We have a process in place that covers the end-to-end lifecycle for implementing regulatory changes that may impact HSBC AM, including relevant climate-related regulations ◆ Where applicable, we seek to align our investments with our policies; including the phasing out of actively managed holdings in thermal coal by the end of 2030 in EU/OECD markets, and by the end of 2040 in all markets), and assessing transition plans of listed issuers responsible for around 70% of relevant emissions. We undertake engagement and assessment of the oil and gas, and power and utilities issuers in this group	Short-term: 2030 Medium-term: 2030-2040
			◆ Our objective is to grow strategies that consider sustainability and climate-related risks and opportunities, in line with our climate product framework which is a subset of our ESG and Sustainable Investing Framework.[1] Our ESG and sustainable investing strategies include funds and mandates that comply with the EU Sustainable Finance Disclosure Regulation (SFDR) Article 8/9 and ESMA fund naming rules ◆ We aim to grow products with long-term climate objectives, such as Paris-aligned strategies. Generally, 'Paris-aligned' refers to activities that are consistent with the goals of the Paris Agreement	Long-term: Up to 2050
	Cost to replace high carbon emitting products with low ones	Increased costs from stranded high carbon assets and inability to continue activity with low carbon alternative	◆ We research and track certain high carbon issuers as part of our thermal coal and energy policies, using metrics such as revenue exposure to thermal coal activities and emissions intensity.[2] These metrics enable us to monitor how material coal and other emission intensive activities are to issuers, helping us assess both current and future transition risks ◆ We have developed an assessment of corporate issuers using the IIGCC's Net Zero Investment Framework (NZIF), incorporating forward-looking indicators to evaluate issuers and portfolios exposed to significant climate-related risks	Short-term: 2030
			◆ Our commitment to growing our ESG and sustainable investing AuM is integrated within our investment strategy. We seek to incorporate the latest approaches to climate risk integration within our investment decision-making, where appropriate, aiming to reduce the risk of having exposure to stranded assets	Medium-term: 2030-2040

1. HSBC Asset Management applies a climate product framework for the internal classification of climate-related strategies. The framework is used to promote consistent standards across asset classes where relevant. Strategies within the climate product framework may not necessarily be marketed as sustainable externally, depending on the relevant regulatory regime for sustainable investment disclosure where there may be differences in requirements. The climate product framework should not be relied on to assess the climate-related characteristics of any given product; please refer to the relevant product literature for further information.
2. Thermal coal activities in scope defined as thermal coal mining and thermal coal-fired power generation.

Strategy

Climate-related risks and our strategic response

HSBC AMUK aims to address the climate-related transition and physical risks identified, as outlined in the following table:

Risk	Risk description	Potential impact on issuer	HSBC AMUK strategy to mitigate risks with issuers	Timeframe
Transition	Changing consumer demand from individuals preferring low carbon, sustainable products	Impact on product demand due to shift in client preferences and potential future declining profits for investee companies that continue to sell high carbon or non-sustainable products	◆ We acknowledge that our clients are at different stages of their transition journey. We have developed a climate offering designed to meet clients' specific objectives, preferences and constraints wherever they are on the transition journey ◆ We undertake structured independent feedback with key clients - including institutional and wholesale distributors - through our client insights programme. This feedback covers the quality of our products, propositions, and client service across three areas – people, processes, and product. Additionally, we use external consultant surveys to gain deeper insights into client segment preferences and investment product trends ◆ We host roundtable sessions with our clients to share our overall plan and focus themes. We look forward to continuing to exchange views with our clients, including discussions on their stewardship priorities, emerging areas of focus, concerns and challenges ◆ Active ownership, through engagement and global proxy voting, is a key pillar of our approach to responsible investment. We meet regularly with issuers to deepen our understanding of their business and strategy, express our support or concerns regarding management actions, and promote best practices. We engage with carbon-intensive issuers to encourage the adoption of climate–resilient business strategies	Short-term: 2030 Medium-term: 2030-2040
	Tarnished brand due to misleading action or inactive transition to low carbon economy	Increased costs due to loss of customers from brand tarnish and/or regulatory fines/penalty from climate inaction	◆ Our investment teams leverage specialised tools and data sources to identify issuers involved in activities that conflict with our support for climate action, or those exposed to climate-related controversy ◆ We have an engagement strategy for priority issuers based on their contribution and materiality to HSBC AM's financed emissions - typically the top emitting issuers. By setting company- level engagement plans, we aim to support issuers along their transition journey	Short-term: 2030 Medium-term: 2030-2040 Long-term: 2050

Strategy

Climate-related risks and our strategic response

HSBC AMUK aims to address the climate-related transition and physical risks identified, as outlined in the following table:

Risk	Risk description	Potential impact on issuer	HSBC AMUK strategy to mitigate risks with issuers	Timeframe
Physical	Increased frequency and severity of weather events causing disruption to business operations (Acute physical risks) Longer-term shifts in climate patterns (e.g. sustained higher temperature, sea level rise, damage to ecosystems, shifting monsoons or chronic heat waves) (Chronic physical risks)	Increased costs due to disruption to business operations and cost to mitigate or adapt to changing weather for investee companies	◆ We recognise that physical risks may increase over time as a result of climate change. Our overall climate risk strategy towards physical risk is currently preventative – by working to reduce greenhouse gas emissions, we aim to limit the increase of physical risk exposure ◆ We have a climate assessment process to determine the exposure of our investments to the physical risks of climate change. For further details on this process, please refer to "identifying issuers exposed to highest transition and physical risks" ◆ We also recognise that nature and climate change are closely interconnected. For example, nature can play an integral role in the net zero transition through nature-based solutions that remove carbon from the atmosphere. At the same time, climate change is a key driver of nature and biodiversity loss, which can impair the potential for nature-led carbon removal. We are working to incorporate nature and biodiversity-related risks into relevant investment activities. To identify companies with potentially high biodiversity risks, we utilise several biodiversity triggers, including controversy flags and data indicators based on sectors with high biodiversity impacts and risk exposures. A subset of these companies is subject to our sustainability due diligence process to assess the potential impact of nature-related risks on the financial performance of the company ◆ We leverage multiple data sources to inform our analysis of nature and biodiversity-related risks. This includes Iceberg Data Lab, which provides the Corporate Biodiversity Footprint (CBF) indicator—a tool that helps us assess the biodiversity impact of companies within our portfolios.[1] Access to these data sources enables us to make more informed investment decisions and better manage biodiversity risks	Short-term: 2030 Medium-term: 2030-2040 Long-term: 2050

Sustainability Due Diligence

Due diligence is part of our research and governance process designed to address and manage sustainability risks associated with issuers in our traditional and sustainable active fundamental investment strategies. For instance, due diligence may be triggered by issuers in breach of our policies or risk thresholds, or if they do not meet the minimum requirements of a HSBC AM fund or product. Once due diligence has been conducted, a range of follow-up actions may be considered, including whether the issuer can remain in the portfolio.

1. The CBF is a metric that measures the extent of a company's impact on biodiversity using the Mean Species Abundance (MSA) metric, both in absolute – km2.MSA – and relative terms. MSA expresses the conservation status of an ecosystem compared to its original state, by measuring the average relative abundance of native species in an ecosystem in relation to their abundance in an ecosystem undisturbed by human impacts. The unit expressed is Km2.MSA, corresponding to a negative impact on biodiversity. This widely used metric is endorsed by the international scientific community such as the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) and the Intergovernmental Panel on Climate Change (IPCC).

Strategy

Climate-related risks and our strategic response

Assessing issuers for climate-related risks and opportunities

Net zero alignment assessment of corporate issuers

We have 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, our insights on a company from our research and engagement, and guidance from the IIGCC's Net Zero Investment Framework (NZIF). Issuers are categorised from not aligned to achieving net zero, enabling a structured, issuer-level approach to tracking progress along the net zero pathway.

For further details on this net zero alignment assessment, please refer to "Net Zero alignment analysis and other climate metrics" in the Metrics and Targets section.

Identifying issuers exposed to highest transition and physical risks

When assessing the impact of climate-related risks, we are increasingly considering both physical and transition risks. Accordingly, we have integrated climate analysis into our processes, where relevant, ensuring these risks are factored into investment decisions. Using portfolio management tools, our investment teams assess and determine the potential impact of climate-related risks on both current and future value.

Our climate assessment process is designed to identify companies with the highest exposure to transition and physical risks. We utilise MSCI Climate Value-at-Risk (VaR) and Implied Temperature Rise (ITR) scores for companies held within our active equity, systematic listed equity and corporate fixed income portfolios. After identifying these companies, we conduct a detailed assessment of their alignment to a 2050 net zero pathway.

This framework is based on the industry recognised Net Zero Investment Framework 2.0.[1] The purpose of this comprehensive climate assessment is to establish whether the company has credible plans to transition its own business model, considering its commitments, targets and activities. Additionally, we assess whether the company has considered both transition and physical risks to its own operations, and whether it has strategies in place to address these risks across various climate scenarios.

The outcomes of these assessments are shared with relevant investment teams to ensure they are informed about the types of climate-related risks associated with specific issuers. The launch of climate-specialised strategies emphasising the energy transition, alongside client requests, has driven increased focus in this area.

1. https://www.iigcc.org/net-zero-investment-framework

Strategy

Climate-related risks and our strategic response

Identifying climate solutions leaders

Climate opportunities are also considered within the sustainability assessment of issuers conducted for our ESG and sustainable investing strategies. We consider ESG and sustainable leaders as issuers that contribute positively to environmental and/or social outcomes, including climate-related outcomes. One of our primary tools for identifying such leaders is identifying issuers with meaningful climate solutions related revenues, typically measured via Green Revenues or other proprietary metrics. Another primary tool is via our Sustainable Investment Methodology [1], as defined by the Sustainable Finance Disclosure Regulation (SFDR). Sustainable investments are typically measured by their positive contribution on sustainable outcomes, while also adhering to the Do No Significant Harm (DNSH) principle and maintaining good governance practices.

Our methodology for measuring positive contribution has evolved from focusing solely on historical revenue alignment to UN Sustainable Development Goals (SDGs), towards a more comprehensive assessment. We now also consider the compatibility of business models, operational activities, and future ambitions, providing a clearer view of a company's commitment to addressing climate challenges.

The methodology assesses positive contributions across three key pillars:

1. **Sustainable products and services** - typically measured via revenues
2. **Sustainable strategic business alignment** - typically focused on the sustainability of business models
3. **Green, social and sustainable bonds** - climate-related considerations are included across each, whether through climate-related revenues, business models, or specific issuances designed to support climate-related outcomes

The DNSH principle requires that investments substantially contributing to environmental or social objectives do not significantly harm other such objectives. Our approach incorporates the 14 mandatory Principal Adverse Indicators (PAIs), most of which are environmentally focused—covering areas such as greenhouse gas emissions, non-renewable energy consumption and production, waste generation, and biodiversity loss. We also exclude issuers involved in severe controversies, including those related to climate.

Investee companies are also expected to demonstrate good governance practices, particularly in terms of sound management structures and capability to implement strategies for achieving climate ambitions.

1. Our Sustainable Investment Methodology is available on our website here: https://www.assetmanagement.hsbc.co.uk/-/media/Files/attachments/common/responsible-investing-methodologies.pdf

Strategy

How our products incorporate climate-related risk and opportunity

Our climate strategies ("offering")

Many of our clients consider climate as both a risk and opportunity within their investment portfolios. We recognise the consumer demand for funds that offer varied approaches to managing climate-related risks, aligned with our net zero ambition.

We have developed an internal climate product framework, as part of the HSBC ESG and Sustainable Investing Framework, to further define our climate-related offering.[1] We continue to expand and evolve this offering to provide innovative, tailored solutions.

Within our climate product framework, we embed additional, decision-useful sustainability metrics into the investment process depending on whether the strategies consider climate or have Transition and Climate Solutions as part of their objective. For example, we analyse a combination of carbon intensity, Implied Temperature Rise (ITR), green revenues, and our internal Net Zero Investment Framework (NZIF) classifications to assess transition progress and net zero alignment, and these inputs can be incorporated into portfolio construction to meet a range of client climate objectives.

Responsible investment opportunity

HSBC AMUK manages 23.6% of HSBC AM's total ESG and sustainable investing AuM as at 31 December 2025. We are committed to further developing our ESG and sustainable investing strategies over time. This includes exploring climate critical strategies and themes such as climate technology and climate transition, as well as offering Paris Aligned strategies to support net zero objectives. We continue to introduce new investment propositions, including sustainable exchange-traded, actively managed funds, and transition investment solutions. HSBC AM is also further developing our ESG and sustainable investing solutions across asset classes and strategies, while enhancing existing products in response to investor interest.

As of December 2025, HSBC AM managed approximately 190 ESG and sustainable investing strategies, of which approximately 80 are managed by HSBC AMUK. We offer a range of sustainable investment products across asset classes, including equities, fixed income, liquidity, discretionary and alternatives.

1. HSBC Asset Management applies a climate product framework for the internal classification of climate-related strategies. The framework is used to promote consistent standards across asset classes where relevant. Strategies within the climate product framework may not necessarily be marketed as sustainable externally, depending on the relevant regulatory regime for sustainable investment disclosure where there may be differences in requirements. The climate product framework should not be relied on to assess the climate-related characteristics of any given product; please refer to the relevant product literature for further information.

Strategy

How our products incorporate climate-related risk and opportunity

Case Study 1

IFC and HSBC Asset Management expand partnership to support sustainability in emerging markets

IFC, a member of the World Bank Group, and HSBC AM have established a specialized fund vehicle to invest in publicly listed bonds issued by corporate and financial institutions in emerging markets, with the aim of increasing access to finance and supporting sustainable growth. Launched in 2025, the fund supports the existing HSBC Global Emerging Market Corporate Sustainable Bond Strategy and is classified as Article 9 under the Sustainable Finance Disclosure Regulation (SFDR). The collaboration is intended to help drive sustainable growth and measurable impact in emerging markets by directing capital towards areas such as sustainable technologies and social impact, recognising that emerging market countries account for more than 80% of the world's population yet receive a much smaller share of global financing.[1] The strategy seeks to deliver positive environmental, social and governance (ESG) outcomes by investing in EM corporate bonds and related securities that contribute to the UN Sustainable Development Goals (SDGs) while helping to bridge the financing gap for EM corporate issuers.

Looking Ahead

We are committed to developing new and innovative climate-related investment solutions for our clients. Our climate product working group brings together subject-matter experts from across the business to expand our product offering and ensure the latest approaches to climate-risk management are integrated into our investment processes. This working group reports into the Climate Investment Committee.

1. https://www.worldometers.info/

Strategy

Our climate-related opportunities

The UK's Financial Conduct Authority's (FCA) Sustainability Disclosure Requirements (SDR) and the European Securities and Markets Authority (ESMA) guidelines on Fund Naming Rules set distinct requirements for the use of ESG or sustainability-related terms in the naming and marketing of UK and EU domiciled funds. These guidelines are designed to protect investors from misleading claims and greenwashing. Certain funds where HSBC AMUK is the investment manager fall within the scope of the ESMA guidelines.

Climate transition products

Our climate transition products are expected to allocate at least 80% of their investments to companies that are on a clear and measurable pathway to net zero. To support this, we have developed an internal assessment framework that considers sector-specific projected carbon pathways, a company's current emissions trajectory, its stated carbon targets, and the management plans in place to deliver those targets. The assessment results in a Net Zero alignment classification that portfolio managers use to support the minimum 80% allocation requirement.

Case Study 2

HSBC Global Funds ICAV - Global Transition Resources Equity Fund

Global megatrends are long-term structural forces underpinning the investment case for mining and materials, with the shift from fossil fuels to renewable energy expected to drive particularly high materials demand over a multi-decade timeframe.

In 2025, HSBC Investment Funds (Luxembourg) S.A. launched the HSBC Global Funds ICAV - Global Transition Resources Equity Fund, an actively managed fund, managed by HSBC AM UK, that invests in listed shares predominantly in, but not limited to, the materials sectors. The Fund will invest up to 100% of its assets in shares (and other similar securities) linked to transition resources and services that are critical to enabling a clean energy eco-system. The Fund aims to provide long-term value by investing in a concentrated portfolio of shares (and other similar securities) of companies worldwide that enable the energy transition, while promoting environmental, social and governance (ESG) characteristics within the meaning of Article 8 of the European Union's SFDR. At least 80% of underlying investment holdings will have a minimum of 20% revenues related to transition resources products and services.

Strategy

Climate-related impact on our business and strategy

We highlighted our strategic response to climate-related risks earlier in this section. At HSBC AMUK, we also see climate positively impacting business strategy in a number of ways including:

Climate-related opportunities

Recognising the investment opportunities presented by the transition to a more sustainable economy, we are focused on developing new capabilities that aim 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. We support the development of natural, human and social capital into investible asset classes, aiming to channel capital towards the UN Sustainable Development Goals.

Investment governance and decision making for climate-related matters

Beyond the Responsible Investment (RI) team, our research platform comprises of equity and credit investment professionals who analyse risks and opportunities to identify climate risks, assess their materiality on company and country business and financial profiles, and evaluate how these factors influence stock and security valuations.

Portfolio managers and analysts incorporate research from the RI Research team into their portfolio research and analysis. They utilise our ESG Materiality Framework, which features sector specific checklists and research to identify the most financially material climate-related issues and suggested engagement approaches for each sector and industry. This supports investments teams in conducting issuer-level research, complementing their fundamental analysis. Additionally, they draw on third-party ESG research and data, as well as HSBC internal scores, where relevant, to ensure they have appropriate metrics to identify and manage climate risks and opportunities.

Information gathered from issuer engagement is also integral to the fundamental research process. Our equity and credit analysts and portfolio managers engage with issuers as part of the investment process, addressing relevant climate-related issues in their research and discussions. The stewardship team further supports investment teams where possible.

Climate-related impact on our operations

Our company's operational climate impact is summarised and calculated at the HSBC Group level (see page 48 of HSBC Holdings plc's Annual Report and Accounts 2025).

Strategy

How will our products meet our net zero objective

We have developed four levers to support climate implementation across our investment platform and client portfolios for corporate fixed income and listed equities managed within our major investment hubs. These levers are designed to embed climate and net zero considerations into our product offering, helping us deliver solutions that support our clients' objectives and our own net zero commitment. The application of these levers is tailored to each investment strategy, time horizon, and the relevant fund prospectus or client agreement.

Assessment of issuer net zero alignment

As described in "Assessing issuers for climate-related risks and opportunities", HSBC AM has developed an internal alignment framework using forward-looking indicators to measure the status of transition and alignment to net zero pathways for corporate issuers based on IIGCC's Net Zero Investment Framework.

Targeted engagement strategy

HSBC AM has a targeted engagement strategy in place for certain high-emitting issuers and progress tracking to support issuers along their transition journey. Our objective is to guide engagement with companies, outline our expectations, and ultimately contribute to an improvement in the issuer's net zero classification under our internal net zero alignment framework. Through our engagement activity and the objectives we set, we encourage companies to be aligned, or aligning, with a net zero pathway. Please refer to "How engagement with issuers helps us identify and assess climate-related risk and opportunities" for further detail on how we engage with issuers on climate change.

Direct capital towards climate solutions

As referenced in "Our climate strategies", HSBC AM has developed guidelines to support the design of our climate strategies. Our climate offering will typically consider net zero alignment classifications, alongside other climate metrics, to meet a range of client specific climate objectives preferences.

Screening

Our thermal coal and energy policies guide our investment and engagement activities and support us in fulfilling our commitments to clients and regulators. We direct away from issuers that take no action or are slow to adopt action in line with our stated policies and product guidelines.

Strategy

Climate-related impact on financial plan and strategy

HSBC Asset Management recognises that climate-related risks may impact the operational and financial performance of investee companies. The impact of these risks will vary depending on characteristics such as asset class, sector, business model and geography. We continue to integrate climate analysis into our actively managed product offerings and seek to assess climate-related risks that could impact investment performance, where applicable and relevant.

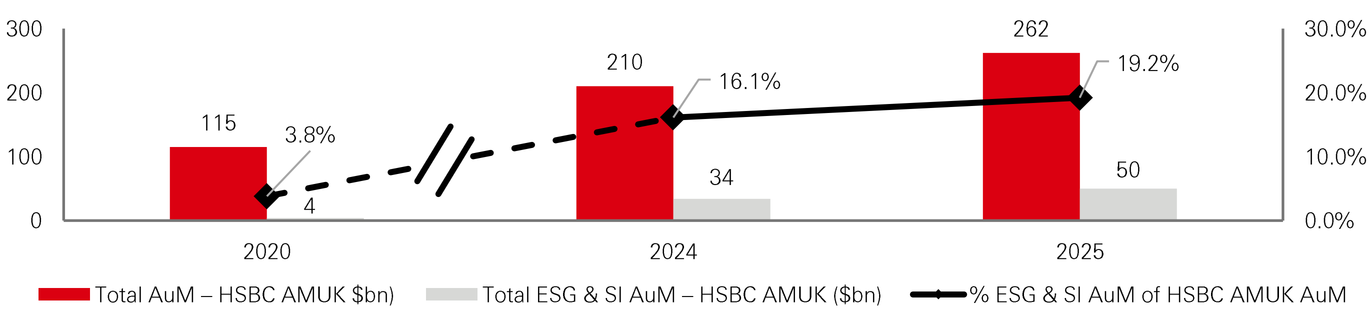
At the same time, we recognise the potential climate-related opportunities arising from the transition. We seek to develop new investment capabilities to help our clients achieve their investment objectives, that may also address the climate-related issues that pose a systemic risk to the global economy.

As an asset manager, the financial impacts of climate change are primarily indirect and driven by market movements and client allocation decisions, making direct integration into revenue and cost forecasts challenging. Our revenue assumptions consider forecasted AuM and the impact of client demand on total AuM, which could include client behaviour based on ESG appetite.

Our ESG and sustainable investing AuM has increased from 3.8% of HSBC AMUK's total AuM as at December 2020 to 19.2% as at December 2025, representing an increase from 16.1% as of December 2024. Whilst our ESG and sustainable AuM calculation methodology has not changed since December 2020, in future it may change with evolving regulatory developments. The ESG and sustainable AuM across HSBC AM globally increased from 2.0% in 2020 to 24.6% in 2025 of HSBC AM's total AuM, largely due to recategorising some liquidity products as ESG and sustainable AuM where they previously had not been included as such.

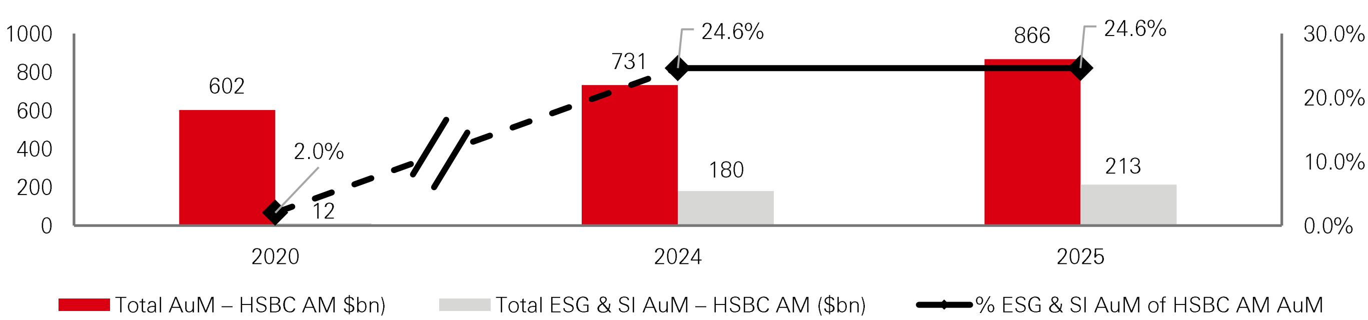
AuM and ESG and sustainable investing AuM – HSBC AMUK

(USDbn)



AuM and ESG and sustainable investing AuM – HSBC AM

(USDbn)



Risk Management

Risk Management

Risk Management Framework (RMF)

The HSBC AMUK Board has overall responsibility for ensuring that the RMF is adequate in light of the nature, scale and complexity of HSBC AMUK's business activities and setting the risk appetite. The RMF provides a comprehensive framework around managing risk, including climate risks. Our risk management approach follows five simple steps: define and enable, identify and assess, manage, aggregate and report and govern.

5 **Govern** the risks through analysis, challenge and remediation.

4 **Aggregate** and analyse data.
Report to enable decision making.

3 **Manage** and control our risks within appetite.

2 **Identify** and record risks to our business, including climate risks.
Assess the potential Impact.

1 **Define** risk appetite and controls.
Enable risk culture and accountability.

HSBC AMUK has adopted the Three Lines of Defence Model to ensure that there is clear accountability within the business to manage risks including climate risk in an effective and efficient manner.

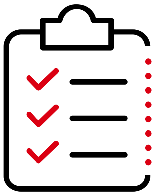
Risk Management

Risk Management Framework (RMF)

Three Lines of Defence

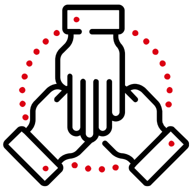
First line

Responsible for identifying, assessing and managing risks, and ensuring that the right policies, controls and assessments are in place to mitigate these risks.



Second line

Risk specialists (Risk Stewards) who provide subject matter expertise, advice, guidance and review and challenge of the First Line activities to help ensure that risk management decisions and actions are appropriate, within risk appetite and support the delivery of conduct outcomes.



Third line

Independently ensure the effective management of risk.

Risk Management

How does the overall risk framework integrate the climate-related risk framework

The RMF has been enhanced from a governance and controls perspective to integrate sustainability-related risk considerations, including climate risks. Further details on the governance forums are outlined within the Governance section of this report.

The integration of climate-related risks takes two approaches:

1

From a top-down perspective, climate-related policy sets the overarching framework.

2

From a bottom-up perspective at fund or mandate level, responsibility for managing risks and implementing associated controls lies with the first line. This is complemented by an additional layer of independent second line oversight.

Any significant breaches are escalated to the relevant governance forums including the HSBC AMUK Risk Management Meeting and the HSBC AMUK Board Risk Committee. The HSBC AMUK risk appetite statement sets out the key risks the business faces in the execution of its strategy, this includes sustainability related metrics.

Emerging climate-related regulatory requirements are identified by a dedicated regulatory change Business Transformation team. This team co-ordinates the review of new regulation and co-ordinates the related activities and responsibilities on a cross functional basis. As part of the ongoing review of new regulation or regulator guidance, the HSBC AMUK Compliance team also conducts gap analyses to identify areas of enhancement or whether any new policy or governance processes need to be established. Where required, third party consultants may also be engaged to provide an independent view on the Company's interpretation and approach.

Risk Management

How does the overall risk framework integrate the climate-related risk framework

Risk Management Framework Climate-Related Control Enhancements

HSBC AM's responsible investment policies outline our approach to managing climate risk. We recognise that climate risk may manifest as both transition and physical risk over the short, medium, and longer term, with the impact varying by asset class, sector, business model and geography.

Where applicable and relevant, we incorporate climate-related indicators such as carbon intensity and management of carbon emissions into our investment decisions, alongside insights from our climate-related engagement.

The Investment Guidelines Monitoring (IGM) team is responsible for coding sustainability-related investment restrictions and exclusions into our core investment system, Bloomberg AIM, and for overseeing and escalating any breaches. Where restrictions or investment guidelines cannot be automated, such as those related to carbon intensity or ESG uplift scores, other solutions are used independently of the Investment Team. The second line Risk team works with the Performance and Reporting and the IGM teams to ensure the appropriate level of governance is maintained.

The Risk team provides independent oversight of a range of sustainability-related risk metrics, including carbon intensity, ESG uplifts, and tail risk. The Risk team works closely with the Responsible Investment team to regularly review sustainability risks, either at an absolute level or relative to benchmarks or parent indices (for index tracking funds), ensuring that funds and mandates are managed in line with their stated objectives. Issuers with unsatisfactory ESG scores are also monitored under the tail risk management policy.

Management action triggers (MAT) are set for a given risk metric for the relevant portfolios. Although, these are not hard limits, these triggers serve as early warning indicators, highlighting when a fund or mandate deviates from expected levels for a given metric. If a fund or mandate moves outside of its agreed sustainable risk MAT, the relevant manager (or index vendor for passive funds) is engaged to understand the causes, and where necessary, determine remedial action to realign the fund or mandate with its investment objective.

Risk Management

How engagement with issuers helps us identify and assess climate-related risk and opportunities

Responsible Investing Policies

Our global responsible investing policies have been developed to guide our investment and engagement activities. Our policies are subject to change over time to respond to evolving global norms, regulatory developments, and client preferences.

Thermal Coal Policy

Under the HSBC AM Thermal Coal Policy, we engage with companies with more than 10 per cent revenue exposure to thermal and/or metallurgical coal, prioritising those in which we have the highest exposure.

Energy Policy

Under the HSBC AM Energy Policy, we will engage with and assess transition plans of listed issuers responsible for around 70 per cent of relevant emissions. We have commenced engagement with oil and gas, and power and utilities companies in this group, and will continue to have conversations with these companies as they transition.

Our current policies including their application can be found here.

Key engagement and voting statistics during 2025

- Approximately 24% of total engagement events consisted of purposeful and insightful engagements on climate change topics[1]
- We voted against over 40 individual directors due to climate change concerns[2]
- We supported approximately 80% of shareholder resolutions relating to climate change
- We supported approximately 90% of 'Say on Climate' management proposals

1. Although HSBC AM makes reasonable efforts to collate engagement data, actual figures may vary and you should not place reliance on the accuracy of the data
2. Voting data covers our holdings across our offices where our global voting guidelines are applicable. Voting data from our offices in Argentina, Germany and Taiwan, as well as some from Japan, Mexico and Turkey is not included

Risk Management

How engagement with issuers helps us identify and assess climate-related risk and opportunities

Engagement approach

Corporate stewardship plays a key role in integrating climate risks and opportunities into investment strategies by encouraging companies to prepare for a changing climate landscape.

When engaging with companies, we consider a variety of risks and potential value creation opportunities, including our internal net zero alignment assessment of those constituting our top 70% of financed emissions. As outlined within our Stewardship Plan, we highlight good practices below and encourage priority companies, where climate change is a relevant issue, to work towards these.

Climate strategy including decarbonisation and emissions reduction

- Set a net zero ambition from the company that covers all material areas of business and operations, aligned with the objectives of the Paris Agreement
- Develop clear short and medium-term emission reduction targets, for scope 1, scope 2 and material scope 3 emissions
- Set out sector-based decarbonisation strategies supporting the achievement of the company's net zero target, including climate solutions and objectives to grow green revenue
- Set out capital expenditure plans to support the company's net zero targets and objectives
- For companies covered under our Coal or Energy policies, set out a credible transition plan

Climate risk and reporting

- Disclose emissions data and seek independent assurance of this information
- Publish comprehensive climate risk disclosures and scenario planning, including details on assumptions used e.g., carbon pricing. We strongly encourage companies to align with the recommendations of the TCFD and report in accordance with IFRS S2

Climate adaptation and physical risks

- Evaluate and disclose potential risks, resilience gaps and opportunities related to physical climate impacts over short, medium and long-term horizons against established pathways. This should encompass the company's assets, operations and value chain
- Develop a clear plan to manage, monitor and adapt to physical risks, including measures to strengthen operational and value chain resilience, as well as metrics and targets to track progress over a period of time
- Embed physical risk considerations into corporate strategy, capital expenditure plans and risk management processes to support long-term business resilience
- Disclose the impacts of physical events on the company's operations and value chain, where significant.
- Assess how physical climate hazards - such as heat stress, wildfire smoke, extreme weather, and vector-borne disease – affect the health of workers, customers, communities and other stakeholders, and disclose the company's response, including mitigation measures and/or related opportunities if relevant for sector

Just Transition

- Set out how the company has engaged with stakeholders, including workers, suppliers, and communities to identify impacts associated with the energy transition in their climate strategy.
- Identify risks and opportunities related to a Just Transition and develop a suitable approach to addressing these considerations
- Integrate Just Transition objectives within transition plans, for example, specific metrics or objectives in relation to employee training and development, green job creation, and dialogue, among others

Climate governance including lobbying

- Ensure senior management is accountable for the company's climate strategy and that there is sufficient board oversight of material climate risks
- To publish the company's climate policy engagement position and assess alignment of lobbying activities with the goals of the Paris Agreement

Risk Management

How engagement with issuers helps us identify and assess climate-related risk and opportunities

Case Study 3: Thermal Coal Policy 2025 Updates

How information gathered through stewardship has informed investment decisions

Background

- Our coal policy commits us to engaging with issuers whose revenue from thermal or metallurgical coal is greater than 10%. The policy also expects additional due diligence for companies above this revenue threshold for participation in any primary issuance and IPOs, and for inclusion in our sustainable fund range
- Our aims in 2025 were to:
  1. Communicate our expectations, as outlined within our Thermal Coal policy
  2. Understand and assess relevant companies' transition plans, particularly timelines for coal exit

Approach

- Companies were identified using thermal coal revenue data from a third-party provider. They were then subject to engagement and assessment on the quality of their transition plans, guided by an internal climate assessment
- Within our engagement, we outlined our expectations, speaking to sustainability and investor relations teams. We also provided recommendations regarding disclosure on the company's climate transition
- Scores were then assessed by the Utilities VST, which provided additional commentary and review of transition plan assessments where this was required in the case of addressing any challenges or uncertainty in the quality of the company's transition plan. This assessment helped to guide in providing a final recommendation on which issuers should be fully approved for participation in primary issuance and IPOs, and for inclusion in our sustainable funds, and which should be approved for participation in green bond issuance only
- Approval on the issuers was then subject to review from members of the Credit, Equity, Risk and Responsible Investment teams through our internal workflow tool

Outcomes

- Following our due diligence and engagements over 2025, 26 issuers were approved for participation in primary issuance and for inclusion in our sustainable funds with 6 issuers recommended for green bond purchase only
- We also voted against relevant board directors in 2025 AGMs at companies who derived more than 10% of thermal or metallurgical coal revenue and where we also noted poor climate disclosure
- We will continue to engage with and assess the transition plan of thermal coal companies into 2026

Risk Management

Resources and tools to monitor climate-related risk

Resources

To ensure a robust and consistent approach to risk management across all risk types, including climate risks, we have established a Risk Management Framework (RMF) that is applied across all business areas and geographies.

Our approach to managing risks, including climate risks, is detailed in the "Risk Management Framework" section alongside our Three Lines of Defence Model.

Within the First Line of Defence, our sustainability risk strategy, including climate-related risks, is led by the Responsible Investment team, supported by our investment teams. The Global Head of Responsible Investment is responsible for setting and driving the climate investment strategy and for strengthening our approach to climate-related risk . The Responsible Investment team works closely with investment teams to integrate climate considerations into investment decision-making and, where appropriate, into product design and development.

Our Virtual Sector Teams (VSTs) support this collaborative model by providing sector-specific expertise across asset classes and geographies. VSTs bring together sustainability research and integration analysts, stewardship specialists, and credit and equity analysts from different regions.

VSTs responsibilities include:

- Conducting sector-level sustainability and climate research
- Overseeing the development of sector sustainability checklists
- Deriving related scores/assessments
- Aligning our engagement activities to the relevant sector sustainability risk issues

Risk Management

Resources and tools to monitor climate-related risk

Climate data and internal tools

Monitoring external research and data providers is essential to ensure that the ESG data on which we rely is accurate, timely, and fit for purpose. We have an oversight forum led by our global Data Management function to oversee and direct the acquisition, utilisation, governance, and distribution of ESG data, ensuring alignment with investment objectives, reporting standards, and regulatory requirements. We have developed several in-house tools to support our research and stewardship activities, including the identification and management of climate-related risks and opportunities. Examples of key tools include:

- **Engagement recording tool:** used by stewardship and investment teams to capture, maintain, and evidence engagement activities, including climate engagement data. The tool supports compliance with applicable regulatory and client reporting obligations by enabling recording of engagement details and by providing extraction capabilities for reporting
- **Ongoing monitoring:** an application that enables investment teams to access relevant ESG data and monitor sustainability performance across selected portfolios. Relevant ESG metrics, including climate metrics, are monitored and displayed at both portfolio and company level within a dynamic dashboard. Investment teams can identify the ESG characteristics of their portfolios in real time and conduct ongoing monitoring
- **Workflow tool:** used to streamline the sustainability due diligence process by automating the capture and retention of due diligence inputs, assessments, and outcomes. The tool supports consistent recordkeeping and oversight by maintaining an auditable workflow

Additional oversight measures for monitoring climate risks are outlined in the "Risk Management Framework" section.

Metrics and Targets

Metrics and Targets

Analysis of climate-related metrics

The emission metrics we report are in relation to HSBC AMUK's own scope 3, category 15 (Investment) emissions. We use the following three key emission metrics to describe the exposure of our AuM to GHG emissions as set out subsequently on pages 50-54 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 (VaR) and Implied Temperature Rise (ITR).

Comparator analysis

The change of emissions profiles of our AuM is influenced by multiple factors, including change in investment positions, market movement and actual emissions 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 the 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.

Metrics and Targets

Analysis of climate-related metrics

Sector review

As sectors have vastly different emissions profiles and climate risks, it is useful to understand the sector distribution of the broad market indices in comparison to the HSBC AMUK portfolio.

Our corporate portion (companies as opposed to governments) of the HSBC AMUK AuM showed some increase in its emission intensity compared to last year (both WACI and Carbon Footprint have higher numbers) for its scope 1 and 2 emissions. This is largely driven by higher sector weighted average carbon intensity in HSBC AMUK portfolios for high emitting sectors such as utilities, materials and energy.

We have lower weighted average carbon intensity for the utilities, materials and energy sectors compared to MSCI ACWI, indicating that our investment in these sectors has better emissions performance than benchmarks on an average basis.

Our sovereign portion of the HSBC AMUK AuM 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 have not seen reductions.

Metrics and Targets

Analysis of climate-related metrics

Scope 1 and 2 emission intensity by sector

Sector	HSBC AMUK weight 2025[1]	MSCI ACWI weight 2025	HSBC AMUK weight 2024-2025 movement	HSBC AMUK Carbon Scope 1&2 tCO_2/$m sales 2025	MSCI ACWI Carbon Scope 1&2 tCO_2/$m sales 2025	HSBC AMUK Carbon Scope 1&2 tCO_2/$m invested 2025	MSCI ACWI Carbon Scope 1&2 tCO_2/$m invested 2025
Information Technology	21.7%	27.2%	0.4%	38	32	9	7
Communication Services	7.9%	8.8%	0.6%	34	33	8	7
Consumer Discretionary	9.2%	10.2%	-0.8%	44	46	17	13
Real Estate	3.7%	1.8%	0.2%	73	80	8	9
Industrials	9.8%	10.6%	0.1%	84	79	46	35
Utilities	4.0%	2.5%	0.3%	943	1,492	255	388
Materials	3.4%	3.7%	0.3%	679	746	409	383
Energy	3.3%	3.4%	-0.4%	411	436	239	246
Financials	24.6%	17.6%	3.6%	10	13	3	3
Consumer Staples	4.4%	5.1%	-0.6%	45	42	27	25
Health Care	7.9%	9.0%	-0.2%	18	17	5	4

1. Figures presented are reweighted to the covered portion of the portfolio for corporate assets. This contributes to 82% of total AuM

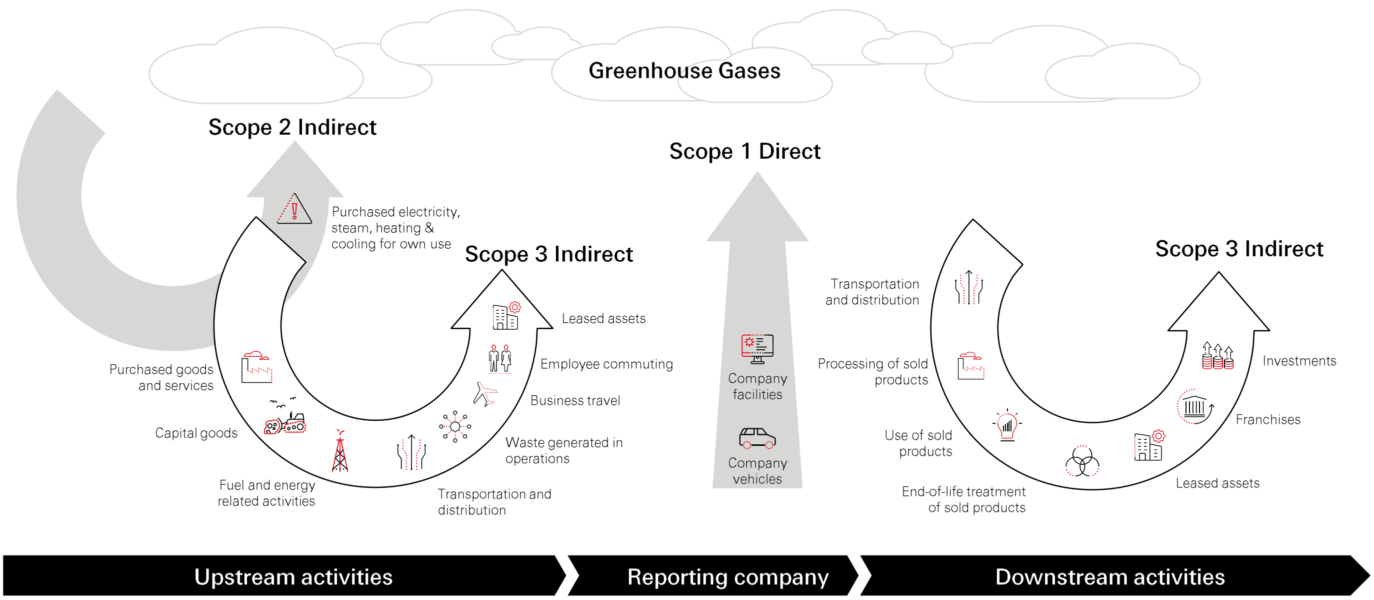
Metrics and Targets

Climate-related metrics

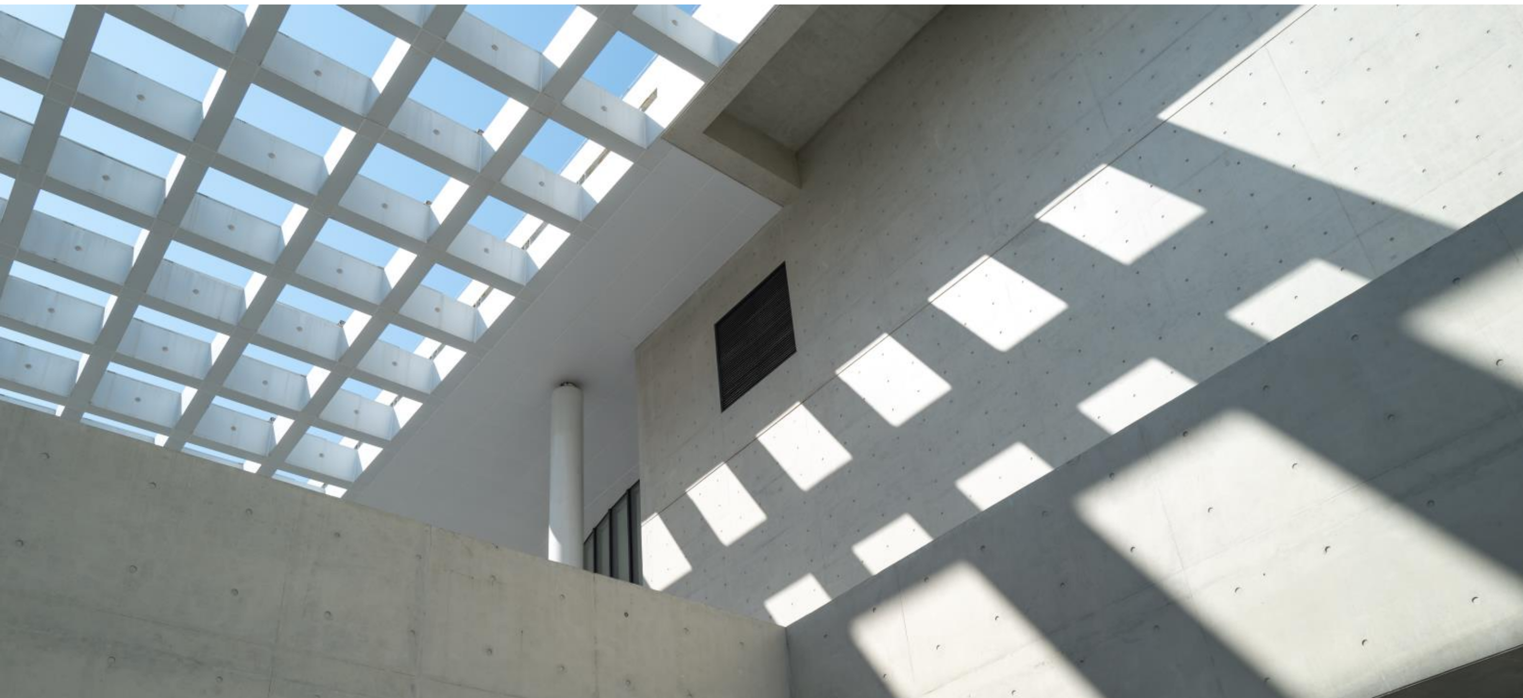
Methodological choices

Corporate carbon emissions

Below is a graphic of the different types 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 AMUK's own scope 3, category 15 (Investment) emissions, which include the scope 1 and 2 emissions of our portfolio companies.



Details of our financed emissions metrics definition can be found in Appendix 3



Metrics and Targets

Climate-related metrics

Our Greenhouse Gas Emissions

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

Weighted Average Carbon Intensity (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 82% and 14% of AMUK 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.

Metrics and Targets

Climate-related metrics

Weighted Average Carbon Intensity (WACI)

	Scope 1 and 2		
	Corporates - Scope 1 and 2	Sovereigns[1] Scope 1	Combined
2025			
HSBC AMUK unadjusted WACI (A)[2]	79.29	24.42	103.71
Eligibility (B)[3]	82%	14%	97%
Data coverage (C)[4]	93%	94%	90%
Eligible data coverage (D = B * C)[5]	76%	13%	90%
HSBC AMUK WACI (E = A / D)[6]	103.87	183.94	115.73
MSCI ACWI WACI[6]	111.61	N/A	111.61
Eligible data coverage[5]	99%	N/A	99%
Bloomberg Corporate Aggregate WACI[6]	163.01	N/A	163.01
Eligible data coverage[5]	89%	N/A	89%
2024			
HSBC AMUK unadjusted WACI (A)[2]	73.46	30.37	103.92
Eligibility (B)[3]	79%	16%	95%
Data coverage (C)[4]	95%	94%	90%
Eligible data coverage (D = B * C)[5]	75%	15%	90%
HSBC AMUK WACI (E = A / D)[6]	98.12	198.41	115.24
MSCI ACWI WACI[6]	113.03	N/A	113.03
Eligible data coverage[5]	99%	N/A	99%
Bloomberg Corporate Aggregate WACI[6]	153.55	N/A	153.55
Eligible data coverage[5]	89%	N/A	89%
2023			
HSBC AMUK unadjusted WACI (A)[2]	86.31	36.96	123.27
Eligibility (B)[3]	77%	18%	95%
Data coverage (C)[4]	94%	96%	94%
Eligible data coverage (D = B * C)[5]	72%	17%	89%
HSBC AMUK WACI (E = A / D)[6]	119.42	215.63	137.86
MSCI ACWI WACI[6]	127.34	N/A	127.34
Eligible data coverage[5]	98%	N/A	98%
Bloomberg Corporate Aggregate WACI[6]	158.07	N/A	158.07
Eligible data coverage[5]	89%	N/A	89%

Source: HSBC. 2025 refers to data as of 31 December 2025. Units in tonnes of CO_2 equivalent per USD million of economic output (tCO_2e/USDm).

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 AMUK on a discretionary basis. This includes model portfolios where HSBC AMUK also undertakes placing of orders. For model portfolios the related AuM is estimated based on actual portfolio values aligned to model portfolio weights. Please note we are unable to report on approximately 0.04% of our AuM, representing circa USD112m. In addition, we are also unable to report on the approximately 1.9% of our AuM, representing circa USD4.9bn relating to our Alternative Investment Products where we do not receive carbon metric information on the underlying holdings. We do not deem this to be material.

1. 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, excluding those arising from land use, land-use change and forestry activity (LULUCF), divided by the PPP-adjusted GDP. This is also reported as a combined figure with corporate carbon intensity.
2. Unadjusted WACI refers to WACI prior to adjustments for share of holdings and data availability and is defined as the sum ofthe following for all holdings: % weight of holding within portfolio multiplied by issuer's carbon intensity in tCO_2e/USDm revenues of issuer (for sovereigns GDP PPP is used instead of revenues).
3. Eligibility refers to % of total AuM. Non-eligible items include cash and other assets not classified as corporate or sovereigns or both, respectively.
4. Data coverage refers to % of eligible AuM for which data is available.
5. Eligible data coverage refers to % of total AuM for which data is available.
6. WACI refers to unadjusted WACI divided by eligible data coverage.

Metrics and Targets

Climate-related metrics

Total Carbon Footprint

Carbon footprint measures the portfolio's normalized carbon footprint per million dollar invested. It allows comparison to between portfolios of different sizes and compare with benchmark indexes. Our carbon footprint is higher compared to 2024 primarily due to increased carbon footprint of our existing and new positions, which outweigh sold positions.

	Corporates Scope 1 and 2
2025	
HSBC AMUK unadjusted Total Carbon Footprint (A)[1]	32.33
Eligibility (B)[2]	82%
Data coverage (C)[3]	92%
Eligible data coverage (D = B * C)[4]	76%
HSBC AMUK Total Carbon Footprint (E = A / D)[5]	42.46
MSCI ACWI Total Carbon Footprint[5]	41.70
Eligible data coverage[4]	99%
Bloomberg Corporate Aggregate Total Carbon Footprint[5]	53.93
Eligible data coverage[4]	89%
2024	
HSBC AMUK unadjusted Total Carbon Footprint (A)[1]	30.60
Eligibility (B)[2]	79%
Data coverage (C)[3]	94%
Eligible data coverage (D = B * C)[4]	74%
HSBC AMUK Total Carbon Footprint (E = A / D)[5]	41.27
MSCI ACWI Total Carbon Footprint[5]	42.11
Eligible data coverage[4]	99%
Bloomberg Corporate Aggregate Total Carbon Footprint[5]	54.68
Eligible data coverage[4]	88%
2023	
HSBC AMUK unadjusted Total Carbon Footprint (A)[1]	35.62
Eligibility (B)[2]	77%
Data coverage (C)[3]	95%
Eligible data coverage (D = B * C)[4]	73%
HSBC AMUK Total Carbon Footprint (E = A / D)[5]	48.69
MSCI ACWI Total Carbon Footprint[5]	52.26
Eligible data coverage[4]	100%
Bloomberg Corporate Aggregate Total Carbon Footprint[5]	67.09
Eligible data coverage[4]	90%

Source: HSBC. 2025 refers to data as of 31 December 2025. Units in tonnes of CO_2 equivalent per USD million of company value (tCO_2e/USDm). Please note we are unable to report on approximately 0.04% of our AuM, representing circa USD112m. In addition, we are also unable to report on the approximately 1.9% of our AuM, representing circa USD4.9bn relating to our Alternative Investment Products where we do not receive carbon metric information on the underlying holdings. We do not deem this to be material.

1. 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 AMUK AuM: issuer's carbon emissions in tCO_2e multiplied by current value of investment divided by issuer's Enterprise Value including cash.
2. Eligibility refers to % of total AuM. Non-eligible items include cash and other assets not classified as corporates.
3. Data coverage refers to % of eligible AuM for which data is available.
4. Eligible data coverage refers to % of total AuM for which data is available.
5. Total Carbon Footprint refers to unadjusted Total Carbon Footprint divided by eligible data coverage.

Metrics and Targets

Climate-related metrics

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. Our total carbon emission has increased compared to prior years mainly due to our increase of AuM and eligible data coverage.

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 1.5ºC 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.

	Corporates Scope 1 and 2
2025	
HSBC AMUK unadjusted Total Carbon Emissions (A)[1]	8,851,137
Eligibility (B)[2]	82%
Data coverage (C)[3]	92%
Eligible data coverage (D = B * C) [4]	76%
PCAF Data Quality Score[5]	2.13
2024	
HSBC AMUK unadjusted Total Carbon Emissions (A)[1]	6,285,297
Eligibility (B)[2]	79%
Data coverage (C)[3]	94%
Eligible data coverage (D = B * C)[4]	74%
PCAF Data Quality Score[5]	2.10
2023	
HSBC AMUK unadjusted Total Carbon Emissions (A)[1]	5,687,816
Eligibility (B)[2]	77%
Data coverage (C)[3]	95%
Eligible data coverage (D = B * C)[4]	73%
HSBC AMUK Total Carbon Emissions (E = A / D)[6]	7,775,605

Source: HSBC. 2025 refers to data as of 31 December 2025. Units in tonnes of CO_2 equivalent (tCO_2e). Please note we are unable to report on approximately 0.04% of our AuM, representing circa USD112m. In addition, we are also unable to report on the approximately 1.9% of our AuM, representing circa USD4.9bn relating to our Alternative Investment Products where we do not receive carbon metric information on the underlying holdings. We do not deem this to be material.

1. In 2024, our methodology changed to remove any reweighting of Total Carbon Emissions across the portfolio as we think this ismore representative of our portfolios. In prior years we also included an adjusted figure for reweighting for share of holdings and data availability. Uadjusted Total Carbon Emission is a non-weight-adjusted figure and represents tons of emissions financed by eligible AuM with data coverage.
2. Eligibility refers to % of total AuM. Non-eligible items include cash and other assets not classified as corporates.
3. Data coverage refers to % of eligible AuM for which data is available.
4. Eligible data coverage refers to % of total AuM for which data is available.
5. PCAF Data Quality Scores where 1 is high and 5 is low. From 2025, PCAF Data Quality Score is weighted by market value to better align to the PCAF Standard A (2022). In prior years, PCAF Data Quality Score was weighted by financed emissions. Some movement in PCAF DQS in 2025 is attributed to this change in weighting approach. Changes to methodology between reporting periods may affect year-on-year comparability and users should exercise caution when comparing across different reporting periods.
6. Total Carbon Emissions refers to unadjusted Total Carbon Emissions divided by eligible data coverage.

Metrics and Targets

Climate-related metrics

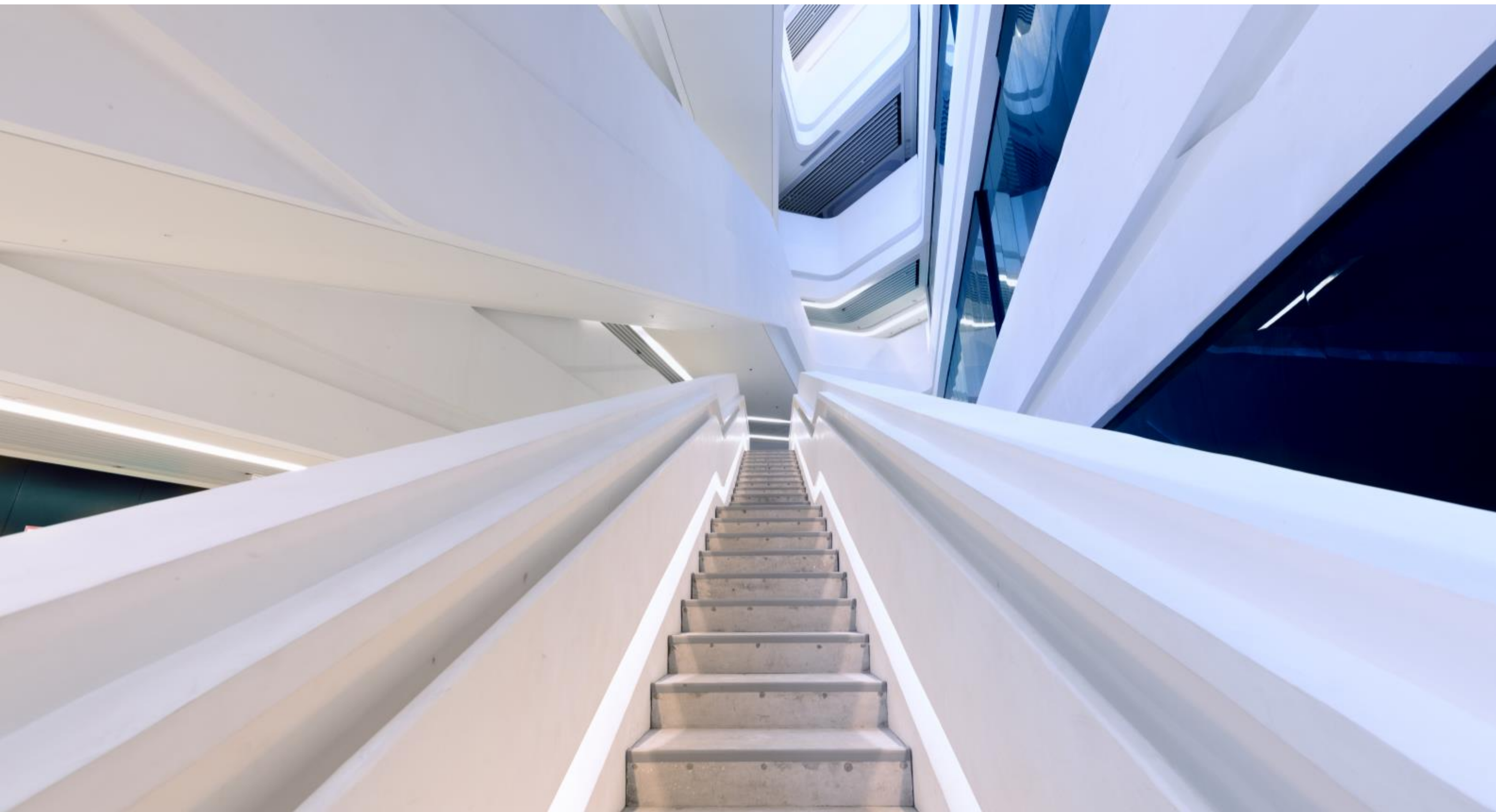
Operational Greenhouse Gas Emissions

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 2025 greenhouse gas emissions in tonnes CO_2e per full time employee reduced from 1.1 to 0.5 in comparison to 2024 for Scope 1, 2 and 3 (Category 6) and reduced from 5.7 to 5.1 for Scope 1, 2 and 3 (Category 1, 2 and 6).

Source: HSBC Holdings plc Annual Report 2025

Remuneration

Given that climate risk management, where relevant, is reflected in investment processes, as outlined in this report, evaluation of 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.



Metrics and Targets

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. We use two forward-looking climate metrics in relation to climate-related scenarios: Climate Value-at-Risk (VaR) and Implied Temperature Rise (ITR). These metrics provide additional investment insights that are made available to our investment teams. These are being integrated into our risk management process where the worst scoring corporate issuers may be subject to an ESG Due Diligence due to their heighted climate risk.

Climate VaR 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.

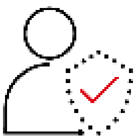
ITR, in contrast, does not factor in the costs associated with the transition to a low carbon economy or physical risk. It takes a carbon budget perspective and measures the company's projected emissions, including consideration of company decarbonisation commitment, compared to the budget allocated.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

Methodologies for climate scenario analysis are still developing and evolving. While we use Climate VaR 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.

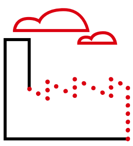
Metrics and Targets

Climate-related scenario analysis

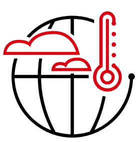
Outlined below are the scenarios provided by the Network for Greening the Financial System (NGFS), which outline the potential impact of climate change under different temperature assumptions.



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 on the next page.



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 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 on the next page.



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 on the next page.

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 on the next page.

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 on the next page.

Metrics and Targets

MSCI Climate Value-at-Risk (VaR)

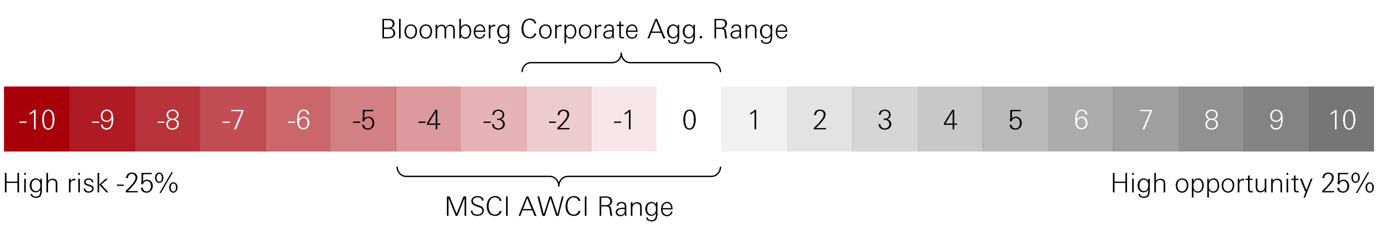
Climate VaR is a forward-looking climate risk metric which provides an assessment of both dimensions of climate change, transition risk and physical risk. To quantify the effects of climate change on our products, we use MSCI's Climate VaR model. The model estimates the present value of future transition 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 AMUK entity level. The Climate VaR metric has been provided in both the Product level and this Entity level TCFD report. The scenario outputs at the HSBC AMUK entity level are outlined below:

Climate VaR results HSBC AMUK as of 31 Dec 2025

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

Climate VaR includes scope 1, 2 and 3 combined

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 the commitments of those 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.

Our Climate VaR metrics only cover corporate bond and equity asset types. We have not included sovereigns 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[1]. The Climate VaR results represent the portion of our AuM that has Climate VaR coverage. In our entity report Climate VaR coverage ranges from 70% for modelled data on opportunity, to 72% for physical risk and 77% for transition cost coverage.

1. For cash and positions where the MSCI Climate VaR model doesn't have coverage, these holdings are assumed to have the same Clmate VaR profile as the other investments in the portfolio for which there is coverage.

Metrics and Targets

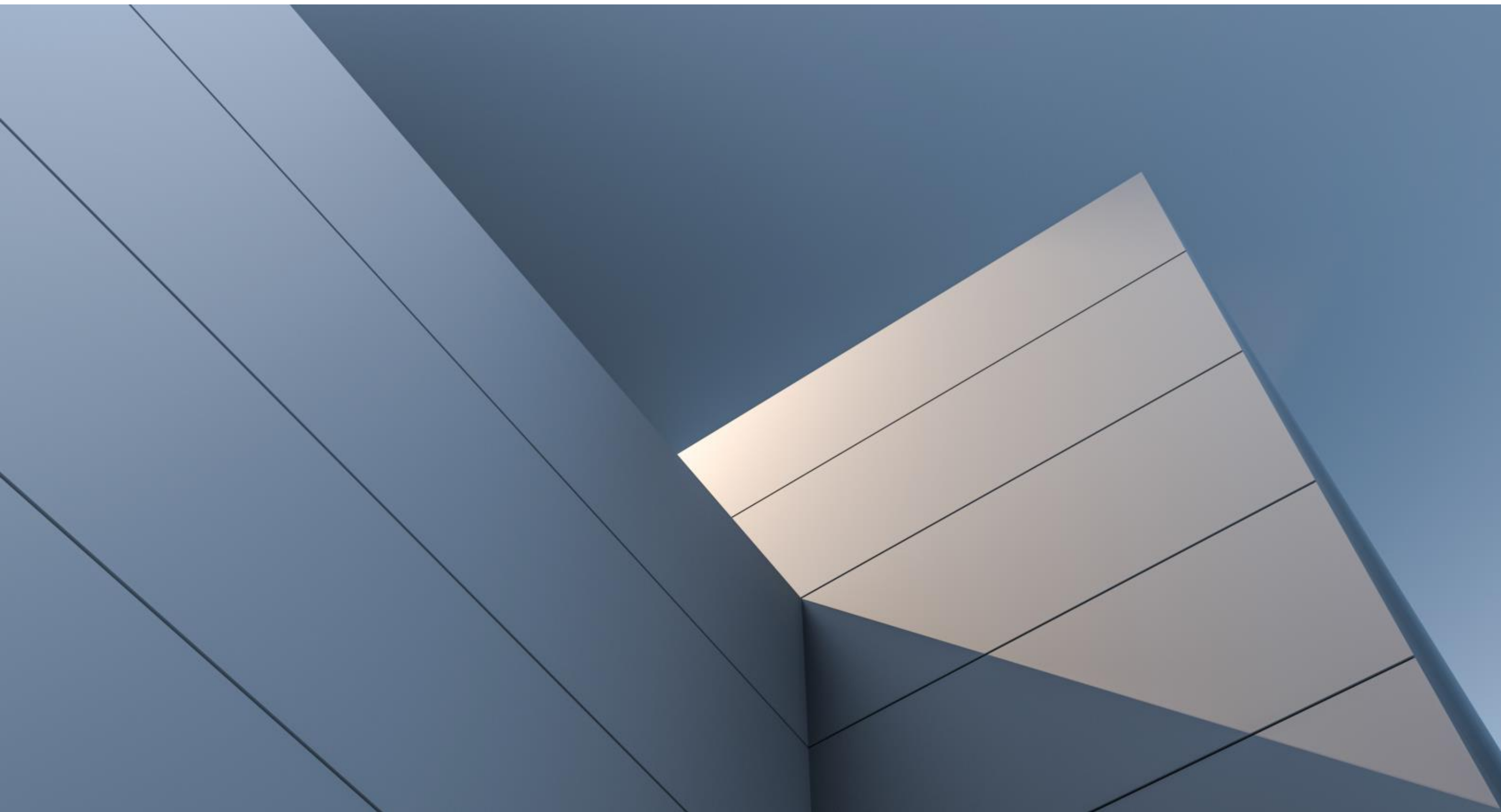
MSCI Climate Value-at-Risk (VaR)

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 Climate VaR 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 Climate VaR 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 end points, as the majority of our test sample were observed to be within this range. We will look to further develop both our 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.

Financial Impact of Climate Change using scenario analysis

Scenario analysis is currently applied at the portfolio level to assess investment risks and opportunities. HSBC AMUK is not using climate-related scenarios within our entity-level financial planning at present due to the financial impacts of climate change being primarily indirect, making direct integration into revenue and cost forecasts challenging.



Metrics and Targets

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.

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.

	ITR
Implied Temperature Rise	**31/12/2025**
HSBC AMUK	> 2.0 – 3.2
Coverage	80%
Reference Comparator (MSCI ACWI)	> 2.0 – 3.2
Coverage	99%
Reference Comparator (Bloomberg Global Agg)	> 2.0 – 3.2
Coverage	94%

ITR includes scopes 1, 2 and 3 combined

Metrics and Targets

Net zero alignment analysis and other climate metrics

Measuring net zero alignment of corporate issuers

We have developed an internal alignment framework to define and classify the net zero alignment of companies based on the IIGCC's Net Zero Investment Framework (NZIF) Implementation Guidance. The framework assesses the transition status and alignment of corporate issuers with net zero pathways. It also informs our transition strategies, particularly those intending to include 'transition' in their fund name under the ESMA guidelines on funds' names using ESG or sustainability-related terms.[1]

The assessment of net zero alignment has two main components:

1. Paris alignment assessment: Assesses an issuer's current emission performance and/or projected emissions, based on reduction targets, in comparison to the net zero pathways

2. Climate management assessment: Incorporates the IIGCC's NZIF implementation guidelines for corporate issuers and assesses the robustness of the issuers' climate management approach

1. https://www.esma.europa.eu/sites/default/files/2024-05/ESMA34-472-440_Final_Report_Guidelines_on_funds_names.pdf

Metrics and Targets

Net zero alignment analysis and other climate metrics

As part of our alignment framework, we analyse issuers' greenhouse-gas (GHG) emissions reduction targets across scope 1, scope 2, and, where appropriate, scope 3, covering short, medium, and long term horizons. We also analyse the consistency between the emissions trajectory set by these 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, including production-based emission intensity, implied temperature rise, and emission intensity reduction rates. Sectoral scenarios are also drawn from various sources including NGFS, IEA, IPCC, SBTi pathways, and are selected for benchmarking based on the specific metric being evaluated.

By leveraging multiple data sources—such as S&P Trucost, MSCI Implied Temperature Rise, and the Transition Pathway Initiative's carbon performance and management quality data- we develop quantifiable indicators and thresholds to score and evaluate issuers. These cover areas including ambition, targets, emission performance, disclosure, climate governance, decarbonisation plans, and capital allocation alignment. This approach provides insight into the strengths and weaknesses of each issuer's climate management strategy.

When evaluating decarbonisation plans and capital allocation alignment, we specifically assess the resources committed by the issuer and their relevance to achieving stated targets. This includes, but is not limited to, reviewing action plans in place and the financial resources allocated. We apply relevant metrics to quantitatively measure and monitor the extent to which issuers are investing in and dedicating resources to green economic activities that support the transition to net zero.

Lastly, we assess each issuer's governance structure and its capacity to implement strategies for achieving climate ambitions. This includes evaluating the presence of executive oversight of environmental issues and the integration of sustainability linked renumeration.

Our alignment framework is used to screen and inform portfolio construction, in the design of our transition strategies. It also informs our company engagement processes.

Metrics and Targets

Net zero alignment analysis and other climate metrics

Other climate metrics

HSBC AMUK utilises a range of data sources and capabilities to report and assess climate-related risks and opportunities, **extending beyond company net zero alignment analysis**. Assessments are conducted at various levels, from issuer to portfolio, depending on the investment objective. Our data sources and metrics enable us to evaluate issuers and portfolios based on their climate-related credentials.

Key features we measure 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 inform our investment and engagement activities across relevant strategies. Additionally, we have developed automated workflow tools that monitor issuer level data and flag issues for analyst review, which are then communicated to our investment teams.

Metrics and Targets

Financed emissions target

Our lead entity HSBC Global Asset Management Ltd has an interim target of reducing scope 1 and 2 financed emissions intensity by 58% between 2019 and 2030 for the in-scope assets under management (AuM), consisting of listed equities and corporate fixed income managed within its major in hubs. As of 31 December 2019, in scope assets amounted to USD193.9bn, equating to 38% of global AuM. The target remains subject to consultation with stakeholders including investors and fund boards on whose behalf it manages the assets. The 58% reduction target is based on assumptions for financial markets and other data, including the IEA's 2021 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/USDm invested), where emissions are scaled by enterprise values including cash.

HSBC AMUK's financed emissions reduction target is embedded in our HSBC AM target, described by the summary below.

Key net zero target setting decision	Explanation/context	HSBC AM's decision
1 **AuM in scope**	AuM in scope for interim target, i.e., % of AuM which is currently covered by a quantified financed emission reduction target. Our target applies to listed equity and corporate fixed income assets managed within our major investment hubs (including the UK), excluding those held in multi asset strategies. As of 31 December 2019, in scope assets amounted to USD193.9bn, equating to 38% of global AuM.	38%
2 **Target year**	The target year we commit to achieving our interim financed emissions reduction target.	2030
3 **Baseline year**	The year we are using as a starting point for calculating our interim financed emissions reduction target.	2019
4 **Quantified targets**	The necessary reduction in financed emissions intensity needed to align our in-scope portfolio to a 1.5°C temperature increase as per the Paris Agreement (i.e., an interim target on the way to net zero by 2050). Target is applied to AuM in scope and is calculated as tonnes of carbon dioxide equivalent per million USD invested (tCO_2e/USDm invested), where emissions are scaled by enterprise values including cash. The target remains subject to consultation with stakeholders including investors and fund boards on whose behalf we manage the assets.	58% reduction in financed emissions intensity (scope 1 and 2) - based on assumptions for financial markets and other data, including the IEA's 2021 Net Zero Emissions by 2050 scenario and its underlying activity growth assumptions.
5 **Framework**	Frameworks and methodologies help drive consistency and credibility across the industry and support us to align the AuM in scope to net zero.	Net Zero Investment Framework (for target setting). Partnership for Carbon Accounting Financials (for financed emissions calculation methodology).
6 **Scenario pathway**	Scenario pathways are projections that estimate the economic activity required to limit global warming to a specific temperature rise (e.g. a pathway aligned to a temperature increase well below 2°C above pre-industrial levels). It is used to calculate our necessary financed emissions intensity reduction.	IEA NZE (International Energy Agency's 2021 Net Zero Emissions by 2050 scenario).
7 **Emissions scope**	The portfolio companies' scope of carbon emissions which are included in our target.	Scope 1 and 2 of portfolio companies.

Metrics and Targets

Reducing emissions in our assets under management

Our lead entity HSBC Asset Management Limited continues to work towards its interim target[1] of reducing scope 1 and 2 financed emissions intensity by 58% between 2019 and 2030 for the in scope assets under management (AuM), consisting of listed equities and corporate fixed income managed within our major investment hubs. As of 31 December 2019, in scope assets amounted to USD193.9bn, equating to 38% of global AuM. This financed emissions target remains subject to developments in transition pathways and consultation with stakeholders including investors, fund boards, industry bodies and regulators.

As at 31 December 2024, the scope 1 and 2 financed emissions intensity of HSBC Asset Management's in scope assets stood at 60.7 tCO_2e/USDm invested, representing a 51% reduction compared with the 2019 baseline. The PCAF[2] data quality score for the 31 December 2024 financed emissions intensity was 2.3.

Reported metrics[3]	**2019**	**2023**	**2024**	**Unit**
Scope 1 and 2 financed emissions intensity	124.0	**69.8**	60.7	tCO_2e/USDm invested
AUM in scope	193.9	**223.0**	250.2	USD billions
PCAF Data Quality Score[4]	2.6	**2.6**	2.3	

1. This target remains subject to consultation with stakeholders including investors and fund boards on whose behalf we manage the assets. The 58% reduction target is based on assumptions for financial markets and other data, including the IEA's 2021 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/USDm invested), where emissions are scaled by enterprise values including cash.
2. PCAF defines and develops greenhouse gas accounting standards for financial institutions. Its Global GHG Accounting and Reporting Standard for Financed Emissions provides detailed methodological guidance to measure and disclose financed emissions. PCAF Standards are available at: https://carbonaccountingfinancials.com/standard. HSBC Asset Management reports financed emissions based on Part A – Financed emissions 2nd edition (2022).
3. The 2024 metrics were subject to independent third-party limited assurance in accordance with the International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information', and with respect to the greenhouse emissions, in accordance with the International Standard on Assurance Engagements 3410 'Assurance Engagements on Greenhouse Gas Statements', issued by the International Auditing and Assurance Standards Board. For the independent third-party's limited assurance report, see http://www.assetmanagement.hsbc.com/about-us/net-zero. The methodology used is available at: http://www.assetmanagement.hsbc.co.uk/-/media/files/attachments/common/creating-a-new-climate-for-change/financed-emissions-disclosures-reporting-criteria.pdf.
4. From 2024, PCAF Data Quality Score is weighted by market value. In prior years, PCAF Data Quality Score was weighted by financed emissions.

Policies references

Policies references

HSBC AM and Group References	Cross References
HSBC AM Policies	https://www.assetmanagement.hsbc.co.uk/en/individual-investor/about-us/responsible-investing/policies
HSBC Group: Annual Report and Accounts 2025 (See pages 33 to 64 for sustainability disclosures)	https://www.hsbc.com/-/files/hsbc/investors/hsbc-results/2025/annual/pdfs/hsbc-holdings-plc/260225-annual-report-and-accounts-2025.pdf?download=1

Abbreviations & Glossary

Abbreviations and Glossary

A		
AGM	Annual General Meeting	An annual general meeting is a meeting of the general membership of an organization.
AuM	Assets under Management	Assets under management (AuM) is the market value of the investments managed by HSBC AMUK on behalf of clients.
B		
Bloomberg AIM	Bloomberg Asset and Investment Manager	Bloomberg AIM is a premium enterprise service by Bloomberg that is fully integrated with the Bloomberg Terminal that enables users to take advantage of Bloomberg news, data and analytics.
C		
Carbon Footprint		The annual amount of greenhouse gas (GHG) emissions that result from the activities of an individual or a company, especially their use of energy and transport and consumption of goods and services, as a portion of company value. GHG emissions can occur throughout the supply chain – direct operational emissions (scope 1), indirect emissions from purchased energy (scope 2) and all indirect emissions in the value chain (scope 3).
Carbon Intensity		Carbon intensity is a way of explaining the carbon exposure of a company based on its revenue, rather than only on the carbon emissions it produces. Carbon intensity is usually defined by the "tonnes of carbon dioxide equivalent (CO_2e), per million USD revenue". Currently, we consider scope 1 and scope 2 emissions when we assess carbon intensity. [*Note: please see Scope 1, 2 and 3 definitions in this glossary*]. Similarly, on country level, carbon intensity is a way of explaining a country's territorial carbon exposure based on its Gross Domestic Product (GDP), rather than only on the carbon emissions it produces. It is measured in the unit of tonnes of CO_2e, per million USD of GDP. Currently, we consider the emissions data that excluded land use, land use change and forestry.
Climate Risk		Potential negative impacts of climate change on an organisation, divided into two major categories: physical risks and transition risks. Physical risks can be event-driven (acute), such as increased severity of extreme weather events, e.g. cyclones, droughts, floods, and fires. They can also relate to longer-term (chronic) shifts in precipitation and temperature, increased variability in weather patterns or other long-term changes such as sea level rise. Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses and reputational considerations.
CO_2e	Carbon dioxide equivalent	CO_2e 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.

Abbreviations and Glossary

C		
COP26	Conference of the Parties (COP 26)	The 2021 United Nations Climate Change Conference Glasgow.
Climate VaR	Climate Value-at-Risk	Climate Value-at-Risk is a model based metric which estimates the present value of future transition costs and opportunities of a company through to 2050 – and physical cost through to 2100 – for a given climate scenario.
D		
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.
E		
Engagement		Engagement refers to interactions between the investor and current or potential investees (which may be companies, governments, municipalities, etc.) on ESG issues. Engagements are undertaken to influence (or identify the need to influence) ESG practices and/or improve ESG disclosure.
Environmental Issues		Issues relating to the quality and functioning of the natural environment and natural systems. These include biodiversity loss, greenhouse gas (GHG) emissions, climate change, renewable energy, energy efficiency, air, water or resource depletion or pollution, waste management, stratospheric ozone depletion, changes in land use, ocean acidification and changes to the nitrogen and phosphorus cycles.
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 glossary.
ETF	Exchange Traded Funds	An exchange-traded fund (ETF) is a basket of securities that tracks or seeks to outperform an underlying index.
EVIC	Enterprise Value Including Cash	A measures of company's total value, often used as alternative to market capitalization.
F		
FCA	Financial Conduct Authority	HSBC UK's regulator.
Framework		HSBC AM's ESG and Sustainable Investment Framework, setting out the internal requirements for our ESG and sustainable strategies.
G		
GDP	Gross Domestic Product	GDP measures the monetary value of final goods and service produced in a country in a given period of time.
GHG	Greenhouse Gas Emission	Greenhouse gases in the earth's atmosphere that trap heat.
Green Revenues		Green revenues in the UK generally refer to income companies generate from products, services, or technologies that support a low carbon, sustainable economy, such as renewable energy, pollution control, and water management.

Abbreviations and Glossary

H		
HSBC AM	HSBC Asset Management	HSBC's global asset management business.
HSBC AMUK	HSBC Global Asset Management (UK) Limited	HSBC's UK asset manager to which this report relates.
I		
IEA NZE	International Energy Agency Net Zero Emissions by 2050 Scenario	A normative IEA scenario that shows a pathway for the global energy sector to achieve net zero CO_2 emissions by 2050, with advanced economies reaching net zero emissions in advance of others.
IFRS S2	International Financial Reporting Standards	IFRS S2 sets out the requirements for disclosing information about an entity's climate-related risks and opportunities.
IIGCC	Institutional Investors Group on Climate Change	The Institutional Investors Group on Climate Change (IIGCC) is a leading European investor membership organisation focused on climate change and its impacts for investors. They work closely with investors to provide guidance, frameworks, tools and support, and help them to respond to challenges and integrate management of climate-related financial risks and opportunities into their investment processes.
IPOs	Initial public offering	The first offering of new securities by an issuer to the public.
IPCC	Intergovernmental Panel on Climate Change	The Intergovernmental Panel on Climate Change (IPCC) is the United Nations body for assessing the science related to climate change. The IPCC was created to provide policymakers with regular scientific assessments on climate change, its implications and potential future risks, as well as to put forward adaptation and mitigation options.
ITR	Implied Temperature Rise	The MSCI Implied Temperature Rise (ITR) model, is a metric which indicates whether an equity or fixed income portfolio is aligned to a sustainable, low carbon trajectory.
J		
Just transition		Seeking to improve 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).
K		
KPI	Key performance indicators	A quantifiable measure of performance over time for a specific objective.
L		
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."
M		
MSCI	Morgan Stanley Capital International	Index vendor, and model supplier for Climate VaR.

Abbreviations and Glossary

N		
Net Zero		The term net zero applies to a situation where global greenhouse gas emissions from human activity are in balance with emissions reductions. At net zero, carbon dioxide emissions are still generated, but an equal amount of carbon dioxide is removed from the atmosphere as is released into it, resulting in zero increase in net emissions.
NGFS	Network for Greening the Financial System	A network of central banks and financial supervisors, launched at the Paris One Planet Summit in December 2017, that aims to accelerate the scaling up of green finance and develop recommendations for central banks' role for climate change.
O		
OECD	The Organization for Economic Co-operation and Development	The Organization for Economic Co-operation and Development (OECD) is a unique forum where the governments of 38 democracies with market-based economies collaborate to develop policy standards to promote sustainable economic growth.
P		
PAIs	Principal Adverse Indicators	Indicators of the adverse impacts investments may have on environmental and social measures, which form part of metrics required by the EU's Sustainable Finance Disclosure Regulations.
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		
S&P	Standard & Poor's	Index vendor.
SBTi	Science Based Targets initiative	A partnership between the carbon disclosure project (CDP), the We Mean Business Coalition, the World Resources Institute (WRI), the Worldwide Fund for Nature (WWF), and the United Nations Global Compact (UN Global Compact). They develop standards, tools and guidance which allow companies to set greenhouse gas (GHG) emissions reductions targets in line with what is needed to keep global heating below catastrophic levels and reach net zero by 2050 at latest.
Scope 1 GHG Emissions		Scope 1 covers the direct emissions from a company's operations – such as heating buildings, running vehicles, or gas flaring, in the case of oil production.
Scope 2 GHG Emissions		Scope 2 covers indirect emissions from the use of purchased energy or electricity.

Abbreviations and Glossary

S		
Scope 3 GHG Emissions		Scope 3 covers indirect emissions from a value chain, including emissions from when the product is used (or burned in this case), such as those from a vehicle's exhaust pipe.
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.
T		
TCFD	Task Force on Climate-related Financial Disclosures	The Financial Stability Board (FSB) created the Task Force on Climate-related Financial Disclosures (TCFD) to develop recommendations on the types of information that companies should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing a specific set of risks—risks related to climate change.
U		
UCITS	Undertakings for Collective Investment in Transferable Securities	A retail investment fund structure used in the UK (UK UCITS) and the EU.
UNGC	United Nations Global Compact	The United Nations Global Compact (UNGC) is a voluntary initiative based on CEO commitments to implement universal sustainability principles and take steps to support UN goals. Within the UNGC there are Ten Principles which focus on setting commitments relating to human rights, labour, environment and anti-corruption.
W		
WACI	Weighted Average Carbon Intensity	A measure of the environmental efficiency of an issuer. It is the sum of all issuer carbon intensity, weighted by the allocation to those issuers, across HSBC AMUK's AuM. This is shown as tonnes of CO_2 equivalent per million USD of economic output (tCO_2e/USDm).

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Appendices

Appendix 1

TCFD Recommended Disclosures

Governance

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

Recommended Disclosure	Page	
Describe the board's oversight of climate-related risks and opportunities.	12 - 14	✓
Describe management's role in assessing and managing climate related risks and opportunities.	13 - 17	✓

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.

Recommended Disclosure	Page	
Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	23 - 31	✓
Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	24 – 26, 32, 34, 40 - 42	✓
Describe the resilience of the organization's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.	23	✓

Appendix 1

TCFD Recommended Disclosures

Risk Management

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

Recommended Disclosure	Page	
Describe the organization's processes for identifying and assessing climate related risks.	36 - 44	✓
Describe the organization's processes for managing climate related risks.	36 - 39	✓
Describe how processes for identifying, assessing, and managing climate related risks are integrated into the organization's overall risk management.	38 – 44	✓

Metrics and Targets

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

Recommended Disclosure	Page	
Disclose the metrics used by the organization to assess climate related risks and opportunities in line with its strategy and risk management process.	50 – 59	✓
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	50 – 54	✓
Describe the targets used by the organization to manage climate related risks and opportunities and performance against targets.	63	✓

Appendix 2

List of Mandatory PAIs

Climate/environment	
1.	Greenhouse gas emissions
2.	Carbon footprint
3.	Greenhouse gas intensity of investee companies
4.	Exposure to companies active in the fossil fuel sector
5.	Share of non-renewable energy consumption and production
6.	Energy consumption intensity per high impact climate sector
7.	Activities negatively affecting biodiversity-sensitive areas
8.	Emissions to water
9.	Hazardous waste and radioactive waste ratio
Social/human rights	
10.	Violations of UNGC principles and OECD guidelines for multinational enterprises
11.	Lack of processes and compliance mechanisms to monitor compliance with UNGC principles and OECD Guidelines for Multinational Enterprises
12.	Unadjusted gender pay gap
13.	Board gender diversity
14.	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

Appendix 3

Details of our financed emissions metrics definition

Scope	HSBC AMUK's financed emissions metrics apply to listed equities and corporate fixed income assets managed by HSBC AMUK. In addition, the WACI metric applies to sovereign instruments managed by HSBC AMUK. 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 further from HSBC AMUK's direct sight and control. Scope 3 emissions are reported in the TCFD product reports, and where applicable, published on the Fund Centre. The WACI metric covers only production emissions (for domestic consumption and export) for sovereign investees, meaning scope 1 GHG emissions only.
Units	◆ Weighted Average Carbon Intensity (WACI) – tCO_2e/USD million economic output (economic output = revenue for corporate and GDP Purchasing Power Parity (PPP) for sovereigns) ◆ Total Carbon Footprint – tCO_2e/USD million invested ◆ Total Carbon Emissions – tCO_2e
Calculation methodology	**Weighted Average Carbon Intensity (WACI)** Carbon intensity measures the quantity of carbon emissions per million dollars of economic output. Economic output is measured using revenues for corporates and Global Domestic Product Purchasing Power Parity adjusted (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. Weighted average carbon intensity (WACI) is the sum of all issuer carbon intensity, weighted by the allocation to those issuers, across HSBC AMUK's AuM. This is shown as tonnes of CO_2 equivalent per million USD of economic output (tCO_2e/USDm). 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 reports, we focus on scope 1[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.

1. Scope 1 emissions for sovereigns is per Table 5-17 PCAF: Scope Definitions for Sovereign Debt

Appendix 3

Details of our financed emissions metrics definition

Calculation methodology	**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 AMUK 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 attributed to HSBC AMUK is HSBC AMUK'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 AMUK'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 tCO_2e 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 0.67% of our overall AuM. In order to incentivise green finance and decarbonisation projects, green bonds are treated as having zero emissions. There is currently no industry-wide consensus as to how to report and estimate both the positive (i.e. avoided carbon emission) and negative (caused emission) impact of the projects financed by the green bonds. Disclosure on green bond financed emissions also remains limited. We will continue to review and adapt our position as the industry metrics evolve and data availability improve.

Appendix 3

Details of our financed emissions metrics definition

Data sources	Company value data is collected from Bloomberg[1], an external data provider. 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 AMUK is based on the latest available data provided by S&P Trucost as at 31 December 2025 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 AMUK 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 AMUK portfolio holdings in scope. S&P Trucost assigns labels for data sources covering Scope 1 emissions derived from CO_2 only, which HSBC AMUK 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.

1. EVIC data was sourced from Factset, an external data provider, in 2023