

# HSBC's Eligible Criteria for Green Activities

This document sets out HSBC's eligibility criteria (the **"Eligible Criteria"**), for financing projects to be classified as "green" lending (**"Green Activities"**) and outlines HSBC's methods of assessing the Eligible Criteria.

HSBC has voluntarily aligned our green lending proposition to the Loan Market Association's Green Loan Principles<sup>1</sup> (the **"GLP"**), which aim to facilitate and support environmentally sustainable economic activity. The GLP set out a clear framework, enabling all market participants to clearly understand the characteristics of green lending, based around the following four core components:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

HSBC's Green Activities will use the Eligible Criteria to guide acceptability in relation to 'Use of Proceeds' and 'Process for Project Evaluation and Selection'. Evidence provided to HSBC in relation to satisfaction of Eligible Criteria requirements will be required in a form and substance satisfactory to HSBC, and where relevant assessed by a reputable third party.

The Eligible Criteria are non-exhaustive and HSBC may require additional information to support selection and verification of Green Activities.

Green lending may be used to refinance existing facilities, where the original transaction or underlying asset can be evidenced as meeting the Eligible Criteria.

All loans are subject to status. Terms and conditions apply.

<sup>1</sup> [www.lma.eu.com/news-publications/press-releases?id=146](http://www.lma.eu.com/news-publications/press-releases?id=146)

<sup>2</sup> [www.hsbc.com/our-approach/building-a-sustainable-future](http://www.hsbc.com/our-approach/building-a-sustainable-future)

### **Building a sustainable future<sup>2</sup>:**

Since its foundation in 1865, HSBC has adapted to and helped serve the needs of a changing world. It has financed economic growth, fostered international trade and overcome events such as economic crises. We recognise our wider commitments to the communities in which we operate and understand that economic growth must also be sustainable.

Green Finance has a crucial role to play in tackling climate change – and HSBC aspires to be a leading partner in the transition to a low-carbon world. We are committed to supporting responsible economic growth and enabling the low-carbon transition using sustainable finance.

### **External Opinion:**



Sustainalytics, a leading global provider of environmental, social and corporate governance research and ratings, has reviewed HSBC's Eligible Criteria for Green Activities and consider them to be environmentally impactful.

Sustainalytics has extensive experience in reviewing eligibility criteria developed by financial institutions for green products and funds and providing external review for Green bonds and Green loans.

# HSBC's Eligible Green Activities

Eligible Green Projects		Description	Method of assessing supporting information	Exclusions
Category	Sub-category			
<b>1. Renewable Energy<sup>3</sup>.</b>	<b>1.</b> Solar:	Conversion of energy from sunlight into electricity, either directly using photovoltaics, indirectly using concentrated solar power, or a combination.	a. Evidence of the Borrower's Environmental and/or Sustainability policies and procedures and in relation to the project.	HSBC discretionary basis.
	<b>2.</b> Energy from Waste:	Energy recovered from waste (e.g. municipal solid waste, compost).	b. Evidence project has met regional, national, or internationally recognised civil engineering standards ("Standards") or certifications ("Certifications") such as CEEQUAL (Good and above), or any other Civil Engineering label of equivalent standard (optional).	Projects with direct emissions of over 100gCO <sub>2</sub> /kWh.
	<b>i.</b> Anaerobic digestion.	Harnessing of natural biological processes to use available biomass (e.g. food wastes, animal slurries and waste crop feedstocks) to produce renewable methane, which can then be used to produce electricity, heat or upgraded for vehicle fuel and injection to gas grid.	c. Evidence relating to (clean) energy efficiency and production/low environmental impact provided in:  ♦ Planning permission submission (if required); and/or ♦ A report by engineers; and/or ♦ Pre-Standard/Certification assessment report.	Use of feedstock that competes with food production or decreases forestation, biodiversity, or carbon pools in soil.
	<b>ii.</b> Combustion.	Residual biomass waste burns at 850°C and the energy recovered as electricity or heat. This can include combined heat and power CHP plants, and biomass boilers.	d. Copies of back up/supplier invoices and where relevant proof of payment directly relating to the assets (and agreed qualifying costs).  A report on the delivery/completion of the project.	HSBC discretionary basis.
	<b>iii.</b> Gasification and pyrolysis.	Fuel is heated with little or no oxygen to produce "syngas" which can be used to generate energy or as a feedstock for producing methane, chemicals, biofuels, or hydrogen.  Commonly eligible waste feedstock includes: (a) Sewage, manure, wastewater; (b) Landfill gas capture; (c) Sugar cane bagasse; (d) Low-grade wood fibre pellets, sawdust, and other wood industry by-products, subject to recognised industry certifications; (e) municipal solid waste.		Use of feedstock that competes with food production or decreases forestation, biodiversity, or carbon pools in soil.  Production of feedstock intended for petrochemical manufacturing.  Use of petroleum-based feedstock (e.g. plastic).  Feedstock transported over significant distances.

<sup>3</sup> Source: Renewable Energy Association: [www.r-e-a.net/renewable-technologies](http://www.r-e-a.net/renewable-technologies)

Eligible Green Projects		Description	Method of assessing supporting information	Exclusions
Category	Sub-category			
	<b>3. Deep Geothermal:</b>	Geothermal technology harnesses energy to provide surface heating (and cooling) and steam-generated power.		Geothermal projects with direct emissions of over 100gCO <sub>2</sub> /kWh.
	<b>i. Steam power plants.</b>	These plants use very hot steam and water resources. The steam is used to turn turbines which drive generators to produce electricity.		HSBC discretionary basis.
	<b>ii. District and Commercial Heating Plants.</b>	Depending on the temperature achieved in the geothermal reservoir, the water extracted can be used to provide heat through a district heating network or connected to other large heat load.		Application of technology in the fossil fuel industry.
	<b>4. Heat Pumps:</b>	Extracting heat from a natural source and concentrating it to obtain a higher temperature. This gathered heat is usually then applied to water for space heating and hot water.		Application of technology in the fossil fuel industry.
	<b>i. Ground Source Heat Pumps.</b>	Obtain their heat energy through pipes buried in the ground.		HSBC discretionary basis.
	<b>ii. Air Source Heat Pumps.</b>	Obtain their heat from the ambient air, using a fan unit located outside the building. The pump converts heat from the air into more useful energy through a heat exchanger similar to ground source heat pumps.		HSBC discretionary basis.
	<b>iii. Water Source Heat Pumps.</b>	Utilise the heat from a pond, lake, river, stream, or other body of water to provide heating for nearby homes.		HSBC discretionary basis.
	<b>5. Transmission and Distribution Lines.</b>	Connecting renewable energy to the grid.		At least 80% of grid is powered by renewables.
	<b>6. Manufacture of components which directly support the technologies listed, and Research and Development with a reasonable prospect of successful commercialisation.</b>			HSBC discretionary basis.

Eligible Green Projects		Description	Method of assessing supporting information	Exclusions
Category	Sub-category			
<b>2. Energy Efficiency.</b>	<b>1. Energy Storage:</b>	Capture of energy produced by various sources and storing it for discharge when required.	As defined in Renewable Energy section above.	HSBC discretionary basis.
	<b>i. Mechanical.</b>	Energy can be stored in water pumped to a higher elevation using pumped storage methods or by moving solid matter to higher locations (gravity batteries); utilising compressed air to create a potent energy reserve, and flywheels that harness rotational energy to deliver instantaneous electricity.		HSBC discretionary basis.
	<b>ii. Thermal.</b>	Capturing heat and cold to create energy on demand.		HSBC discretionary basis.
	<b>iii. Battery Energy Storage System.</b>	Energy storage via the use of a battery technology for it to be used at a later time.		HSBC discretionary basis.
	<b>iv. Other chemical.</b>	Including biofuels, hydrogen storage, and power to gas.		HSBC discretionary basis.
	<b>2. District Heating (heat networks).</b>	Generation of heat in a centralised location and distribution amongst multiple different buildings.		Fossil fuel-based district heating networks.
	<b>3. Smart Grids.</b>	Smart grids use digital technology that allows for two-way communication between the utility and its customers, allowing digital response to quickly changing consumer demand. It includes a variety of operational and energy measures – smart meters, smart appliances, renewable energy resources and energy efficient resources.		HSBC discretionary basis.
	<b>4. Flywheels (fitted or retrofitted to vehicles).</b>	A motor is used to accelerate a large rotating mass, in this case the flywheel, and by keeping the rotating body at a constant speed energy is stored in the flywheel.		HSBC discretionary basis.
	<b>5. LED Lighting</b> <b>a. Building lighting</b> <b>b. Street lighting</b> <b>c. Mobile (site) lighting.</b>	Utilisation of energy efficient LED lighting.		HSBC discretionary basis.
	Manufacture of components which directly support the technologies listed, and Research and Development with a reasonable prospect of successful commercialisation.			HSBC discretionary basis.

Eligible Green Projects		Description	Method of assessing supporting information	Exclusions
Category	Sub-category			
<b>3. Pollution prevention and control.</b>	1. Reduction of air emissions and greenhouse gas control.		As defined in Renewable Energy section above.	Fossil fuel-based projects (including, for example, carbon capture and storage from fossil-fuel power generation).
	2. Soil remediation.	A process used to treat soils contaminated by pollutants, including heavy metals, by removing and converting them into less harmful products.		
	3. Manufacture of components which directly support the technologies listed, and Research and Development with a reasonable prospect of successful commercialisation.			HSBC discretionary basis.
<b>4. Environmentally sustainable management of living natural resources and land use.</b>	1. Environmentally Sustainable agriculture and animal husbandry.	Practices and resources used to meet society's food and textile needs in the present without compromising the ability of future generations to meet their own needs based on an understanding of ecosystem services. Projects certified with the EU Organic label, EU Ecolabel, USDA Organic label, Aquaculture Stewardship Counsel label, Marine Stewardship Counsel label, Global Sustainable Seafood Initiative, Best Aquaculture Practice, Rainforest Alliance Certified, or UTZ Certified.	As defined in Renewable Energy section above.	HSBC discretionary basis.
	2. Climate smart agriculture <sup>4</sup> .	Approach that helps to guide actions needed to transform and reorient agricultural systems to effectively support development and ensure food security in a changing climate. CSA aims to tackle three main objectives: sustainably increasing agricultural productivity and incomes; adapting and building resilience to climate change; and reducing and/ or removing greenhouse gas emissions, where possible.		HSBC discretionary basis.
	3. Precision agriculture <sup>5</sup> .	Farming practices using information and communications technology in farming for the explicit purpose of using water, soil and energy resources more efficiently.		Use of equipment and technology for purposes other than explicitly for resource efficiency.

<sup>4</sup> Source: Food and Agriculture Organisation of the United Nations: [www.fao.org/climate-smart-agriculture/en/](http://www.fao.org/climate-smart-agriculture/en/)

<sup>5</sup> Source: AHDB: [www.cereals.ahdb.org.uk/](http://www.cereals.ahdb.org.uk/)

Eligible Green Projects		Description	Method of assessing supporting information	Exclusions
Category	Sub-category			
	4. Aquaponics.	Organic cultivation of plants and animals together in a re-circulating closed system (water tank), using water instead of potting mixes. Projects certified with the Aquaculture Stewardship Counsel label, Global Sustainable Seafood Initiative, Best Aquaculture Practice, or Marine Stewardship Counsel label.		HSBC discretionary basis.
	5. Climate smart forestry <sup>6</sup> .	<p>Approach to increase the climate benefits from forests and the forest sector, in a way that creates synergies with other needs related to forests:</p> <ul style="list-style-type: none"> <li>◆ Reducing and/or removing greenhouse gas emissions to mitigate climate change.</li> <li>◆ Adapting forest management to build resilient forests.</li> <li>◆ Active forest management aiming to sustainably increase productivity and provide all benefits that forests can provide.</li> <li>◆ In particular, projects certified as or with the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC).</li> </ul>		HSBC discretionary basis.
	6. Manufacture of components which directly support the technologies listed, and Research and Development with a reasonable prospect of successful commercialisation.			HSBC discretionary basis.
<b>5. Terrestrial and aquatic biodiversity conservation.</b>	1. Conservation projects .	Includes projects to maintain terrestrial, marine and freshwater ecosystems and biodiversity. Examples include, but are not limited to: living wall, wild gardens, green roofs, tree plantation and wood debris habitat creation, riverine habitat creation, bumblebee habitat creation.	As defined in Renewable Energy section above.	HSBC discretionary basis.
	2. Manufacture of components which directly support the technologies listed, and Research and Development with a reasonable prospect of successful commercialisation.			HSBC discretionary basis.

<sup>6</sup> Source: The European Forest Institute: [www.efi.int/articles/climate-smart-forestry](http://www.efi.int/articles/climate-smart-forestry)

Eligible Green Projects		Description	Method of assessing supporting information	Exclusions
Category	Sub-category			
<b>6. Clean transportation (both public and private).</b>	<b>1.</b> Battery electric vehicles.	Type of electric vehicle that uses chemical energy stored in rechargeable battery packs; use electric motors and motor controllers instead of internal combustion engines for propulsion.	As defined in Renewable Energy section above.	HSBC discretionary basis.
	<b>2.</b> Hybrid electric vehicles with plug-in.	Vehicles using both electric motors and internal combustion engines.		Carbon intensity of hybrid vehicle of over 75gCO <sub>2</sub> e/p-km.
	<b>3.</b> Rail – freight.	A means of transport of goods on vehicles which run on tracks (rails or railroads).		Freight rail systems with emissions greater than 25 grams of CO <sub>2</sub> /t-km.  Systems and infrastructure used primarily for the transportation of fossil fuels.
	<b>4.</b> Rail – passenger.	A means of transport of people on vehicles which run on tracks (rails or railroads).		Passenger rail systems with emissions greater than 75 grams of CO <sub>2</sub> /p-km.
	<b>5.</b> Transport powered by alternative sources of fuel.	Transport powered by alternative sources of fuel (e.g. biogas).		Biofuel usage that competes with food production or decreases forestation, biodiversity, or carbon pools in soil.
	<b>6.</b> Non-motorised.	Includes bicycling, and variants such as small-wheeled transport (cycle rickshaws, skates, skateboards, push scooters and hand carts) and wheelchair travel.		HSBC discretionary basis.
	<b>7.</b> Infrastructure for clean energy vehicles and reduction of harmful emissions, including charge points.			Systems and infrastructure used primarily for the transportation of fossil fuels.
	<b>8.</b> Manufacture of components which directly support the technologies listed, and Research and Development with a reasonable prospect of successful commercialisation.			HSBC discretionary basis.

Eligible Green Projects		Description	Method of assessing supporting information	Exclusions
Category	Sub-category			
<b>7. Sustainable water and wastewater management.</b>	1. Wastewater treatment.	Process of planning, developing, distributing and managing the optimum use of water resources; and converting wastewater into an effluent that can be returned to the water cycle with minimum impact on the environment.	As defined in Renewable Energy section above.	Wastewater treatment projects related to fossil fuel production; distribution of drinking water without measurable improvements to water quality, water efficiency, or climate change resilience.
	2. Water treatment.			
	3. Sustainable infrastructure for clean/drinking water.			
	4. Urban draining systems and river training.			
	5. Flooding mitigation e.g. flood defence systems, porous pavements.			
	6. Manufacture of components which directly support the technologies listed, and Research and Development with a reasonable prospect of successful commercialisation.		HSBC discretionary basis.	
<b>8. Waste Management.</b>	1. Waste prevention, reduction and recycling.	Collection for recycling and/or composting, transportation, disposal or recycling and monitoring of waste materials.	As defined in Renewable Energy section above.	HSBC discretionary basis.
	2. Energy/emission-efficient waste to energy (see category Renewable Energy/ Energy from Waste).			HSBC discretionary basis.
	3. Products from waste and remanufacturing and associated environmental monitoring.			HSBC discretionary basis.
	4. Manufacture of components which directly support the technologies listed, and Research and Development with a reasonable prospect of successful commercialisation.		HSBC discretionary basis.	
<b>9. Climate change adaptation.</b>	1. Installation of systems and technologies to infrastructure, buildings, and other real assets to protect against increased climate risks.	Manufacture of components which directly support the technologies listed, and Research and Development with a reasonable prospect of successful commercialisation.	As defined in Renewable Energy section above.  Climate Change Risk/ Vulnerability Assessment by issuer/third-party to determine the needed enhancements for climate change adaptation and resilience purpose.	HSBC discretionary basis.
	2. Climate change monitoring technologies such as climate observation, information support systems.			HSBC discretionary basis.
	3. Manufacture of components which directly support the technologies listed, and Research and Development with a reasonable prospect of successful commercialisation.			HSBC discretionary basis.

Eligible Green Projects		Description	Method of assessing supporting information	Exclusions
Category	Sub-category			
<b>10. Eco-efficient and/or circular economy.</b>	1. Development of environmentally friendlier products.	Eco-efficient and/or circular economy adapted products, production technologies and processes.	<p><b>a.</b> Evidence of the Borrower's Environmental and/or Sustainability policies and procedures and in relation to the project.</p> <p><b>b.</b> Evidence project has met regional, national, or internationally recognised eco-label or environmental certification (applicable to development of environmentally friendlier products).</p> <p><b>c.</b> Lifecycle assessment report to demonstrate quantifiable improvements related to, for example, recyclability or the use of recycled or plant-based inputs.</p> <p><b>d.</b> Copies of back up/ supplier invoices and where relevant proof of payment directly relating to the assets (and agreed qualifying costs).</p> <p><b>e.</b> A report on the delivery/completion of the project.</p>	Products made entirely from virgin petroleum-based plastic and products which are not generally recyclable.
	2. Development of resource-efficient packaging/ distribution.			HSBC discretionary basis.
	3. Manufacture of components which directly support the technologies listed, and Research and Development with a reasonable prospect of successful commercialisation.			HSBC discretionary basis.

Eligible Green Projects		Description	Method of assessing supporting information	Exclusions
Category	Sub-category			
<b>11. Green buildings.</b>	<b>1.</b> Refurbishment.	A range of improvements at sites in relation to property and associated infrastructure.	<b>e.</b> Evidence of the Borrower's Environmental and/or Sustainability policies and procedures and in relation to the project.	HSBC discretionary basis.
	<b>2.</b> Development/ Build.	Construction of the property.		HSBC discretionary basis.
	<b>3.</b> Development/ redevelopment of stadiums/arenas.			
	<b>4.</b> Manufacture of components which directly support the technologies listed, and Research and Development with a reasonable prospect of successful commercialisation.		<p><b>a.</b> Evidence project has met regional, national, or internationally recognised standards or certifications such as LEED (Gold, Platinum), BREEAM (Good and higher), HQE (Excellent), CASBEE (A- Very Good/ S- Excellent), HQM (4 star), or CEEQUAL (Good and higher) for civil engineering projects</p> <p><b>b.</b> Evidence relating to clean energy efficiency and production/low environmental impact provided in:</p> <ul style="list-style-type: none"> <li>◆ Planning permission submission (if required); and/or</li> <li>◆ Green qualification tracker monitored by the Project Monitor.</li> <li>◆ Pre-Standard/ Certification assessment report; and/or</li> </ul> <p><b>c.</b> Copies of back up/ supplier invoices and where relevant proof of payment directly relating to the assets (and agreed qualifying costs).</p> <p><b>d.</b> A report on the delivery/completion of the project.</p>	HSBC discretionary basis.

**Disclaimer**

This document is issued by HSBC UK Bank plc ("HSBC") and is intended for reference and illustrative purposes only. No part of this document may be reproduced, stored, distributed or transmitted in any form without the prior written permission of HSBC.

HSBC does not warrant and makes no representation (express or implied) that the contents of this document are accurate, current, sufficient, complete or relevant for the recipient's purposes and HSBC gives no undertaking and is under no obligation to provide the recipient with access to any additional information or to update all or any part of the contents of this document or to correct any inaccuracies in which may become apparent. Receipt of this document in whole or in part shall

not constitute an offer, invitation or inducement to contract. The recipient is solely responsible for making its own independent appraisal of the products, services and other content referred to in this document and HSBC recommends that before the recipient makes any decision or takes any action that might affect the recipient or recipient's business, the recipient consults with suitably qualified professional advisors to obtain the appropriate financial, legal, accounting, tax or other advice. HSBC cannot accept liability for any direct, indirect or consequential losses arising from the use of or reliance on the information contained in this document by any person and such liability is excluded to the maximum extent permitted by law.

## Accessibility

To find out more about our accessible services please visit [hsbc.co.uk/accessibility](https://www.hsbc.co.uk/accessibility) or ask at any of our branches.

**If you'd like this in another format such as large print, Braille or audio, please contact us.**

A textphone service is available for customers with hearing and/or speech impairments. If you use your own textphone you can call us on **03457 125 563 (+44 207 088 2077)** from outside the UK).

BSL Video Relay Service is also available (Monday-Friday 8am-6pm, excluding Bank and Public Holidays) at [hsbc.co.uk/accessibility](https://www.hsbc.co.uk/accessibility).

**hsbc.co.uk**

**HSBC UK Bank plc.** Registered in England and Wales with number 09928412. Registered Office: 1 Centenary Square, Birmingham B1 1HQ, United Kingdom. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Our Financial Services Register number is 765112.

RFB2447 MCP54720 ©HSBC Group 2020. All Rights Reserved.