

## 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 project assessment.

The Eligible Criteria are non-exhaustive and HSBC may require additional information to support selection and verification of Green Activities. Each request will be considered on a case by case basis and subject to HSBC discretion

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.

### 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.

## Method of assessing supporting information

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. Evidence provided to HSBC in relation to satisfaction of Eligible Criteria and Green Loan Principles, will be required in a form and substance satisfactory to HSBC, and where relevant assessed by a reputable third party.

In addition to projects meeting all national and international law regulations and standards HSBC would expect to see evidence (requirements may vary on a case by case basis depending on the size and scope of green project) of the adherence to the GLP's. The LMA principles are designed to provide a framework to all market participants to enable and understanding of the characteristics of green lending based around the below four core components:

### 1. Use of Proceeds

Borrower should outline what the intended use of proceeds will be, which should align to a sub-category in HSBCs Eligible Green Activities outlined in this document.

### 2. Process for Project Evaluation and Selection

Evidence of the Borrower's Environmental and/or Sustainability policies and procedures and in relation to the green project.

### 3. Management of Proceeds

Based on the nature of the project, HSBC would require one, or more of the following as evidence:

- **Renewable Energy:** CEEQUAL (Good and above), or any other Civil Engineering label of equivalent standard (optional).
- **Climate change adaption:** Climate Change Risk / Vulnerability Assessment by issuer / third-party to determine the needed enhancements for climate change adaptation and resilience purpose.

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<sup>1</sup> [https://www.lma.eu.com/application/files/9716/1304/3740/Green\\_Loan\\_Principles\\_Feb2021\\_V04.pdf](https://www.lma.eu.com/application/files/9716/1304/3740/Green_Loan_Principles_Feb2021_V04.pdf)

- **Eco-Efficiency:**
  - a. Evidence project has met Regional, National, or Internationally recognised eco-label or environmental certification (applicable to development of environmentally friendlier products).
  - b. Lifecycle assessment report to demonstrate quantifiable improvements related to, for example, recyclability or the use of recycled or plant-based inputs.
- **Green buildings:** Evidence project has met Regional, National, or Internationally recognised standards or certifications such as LEED (Gold, Platinum), BREEAM (Excellent and higher), HQE (Excellent), CASBEE (A- Very Good / S- Excellent), HQM (4 star), or CEEQUAL (Good and higher) for civil engineering projects. The bank may consider other additional equivalent internationally recognised certification schemes on a discretionary basis.
- **Energy Efficiency:** Evidence relating to (clean) energy efficiency & production / low environmental impact provided in:
  - a. Planning permission submission (if required); and/or
  - b. A report by engineers; and/or
  - c. Pre-Standard / Certification assessment report.
- **Other Categories:** Copies of back up/supplier invoices and where relevant proof of payment directly relating to the assets (and agreed qualifying costs).
- **Pure Play Green:** Where a business derives 90% or more of revenues from activities in Eligible Sectors (i.e essentially green business) it is considered as 'Pure-Play Green' and is eligible for green financing. In these instances, Use of Proceeds can be used by the business for general purposes, so long as this financing does not fund expansion into activities falling outside the Eligible Sectors.

#### 4. Reporting

Compliance Report from the Borrower on an annual basis, or until the loan is fully drawn. The Compliance Report should include details of Green Projects which the loan has been allocated to, and the amount allocated, along with the expected environmental impact. The GLP recommend using qualitative indicators in reports, and, where feasible, quantitative performance indicators together with disclosure of the underlying methodology and assumptions.

Borrowers should keep readily available up-to-date information on the use of proceeds, which can be assessed at annual review if necessary, and thereafter in the event of material developments.



## HSBCs Eligible Green Activities

Eligible Green Projects		Description	Sub-Category Considerations
Category	Sub-category		
1. Renewable Energy2.	1. Solar:	Conversion of energy from sunlight into electricity, either directly using photovoltaics, indirectly using concentrated solar power, or a combination.	CEEQUAL (Good and above), or any other Civil Engineering label of equivalent standard (optional).
	i. Photovoltaics (PV)	Solar radiation emitted from the sun is used to generate electricity through a PV system.	
	ii. Thermal	A solar water heating system uses solar collectors, normally mounted on a roof, to capture the energy released by the sun to heat water for domestic and industrial uses.	
	2. Wind (onshore/offshore)	Use of air flow through wind turbines to provide the mechanical power to turn electric generators.	
	3. Hydro	Produced when the kinetic energy of flowing water is converted into electricity by a turbine connected to an electricity generator.	Hydropower projects that are less than 25MW are eligible. Projects larger than 25MW are eligible if lifecycle emissions are less than 100gCO <sub>2</sub> /kWh or power density is greater than 5W/m <sup>2</sup> and have a completed environmental and social impact assessment and not be the subject of any legal proceedings against the project.
	4. Energy from Waste:	Energy recovered from waste (e.g. municipal solid waste, compost).	Projects with direct emissions of 100gCO <sub>2</sub> /kWh or less are eligible.
	i. 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.	Projects are ineligible if they use feedstock that competes with food production or decreases forestation, biodiversity, or carbon pools in soil.
	ii. 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.	
	iii. 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.	Projects are ineligible if: <ul style="list-style-type: none"> <li>• they use feedstock that competes with food production or decreases forestation, biodiversity, or carbon pools in soil.</li> <li>• they produce feedstock intended for petro-chemical manufacturing.</li> <li>• if they use petroleum-based feedstock (e.g. plastic)</li> </ul>

			<ul style="list-style-type: none"> <li>where feedstock is transported over significant distances.</li> </ul>
	5. Deep Geothermal:	Geothermal technology harnesses energy to provide surface heating (and cooling) and steam-generated power.	Geothermal projects with direct emissions of 100gCO <sub>2</sub> /kWh or less are eligible.
	i. Steam power plants.	These plants use very hot steam and water resources. The steam is used to turn turbines which drive generators to produce electricity.	
	ii. District & Commercial Heating Plants.	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.	Projects are ineligible if the application of the technology is in the fossil fuel industry.
	6. Heat Pumps:	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.	Projects are ineligible if the application of the technology is in the fossil fuel industry.
	i. Ground Source Heat Pumps.	Obtain their heat energy through pipes buried in the ground.	
	ii. Air Source Heat Pumps.	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.	
	iii. Water Source Heat Pumps.	Utilise the heat from a pond, lake, river, stream, or other body of water to provide heating for nearby homes.	
	7. Transmission and Distribution Lines.	Connecting renewable energy to the grid.	Projects are ineligible if at least 80% of grid is already powered by renewables.
	8. Manufacture of components which directly support the technologies listed, and Research & Development with a reasonable prospect of successful commercialization.		
<b>2. Energy Efficiency.</b>	1. Energy Storage (Mechanical, Thermal, Battery Energy Storage System, Other) :	Capture of energy produced by various sources and storing it for discharge when required.	
	2. District Heating (heat networks).	Generation of heat in a centralised location and distribution it amongst multiple different buildings.	<ul style="list-style-type: none"> <li>Fossil fuel-based district heating networks are ineligible.</li> <li>Projects involving the installation of a distribution network are eligible so long as the network is &gt;50% powered by renewables and/or waste heat.</li> <li>Projects involving the generation of heating/cooling and transmission &amp; distribution should be 100% powered by renewables and/or waste heat.</li> </ul>
	3. Smart Grids technologies, which include a variety of operational and energy measures such as smart meters, smart appliances,		

	renewable energy resources, and energy efficient resources		
	4. Flywheels (fitted or retrofitted to vehicles).	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.	
	5. LED Lighting a. Building lighting b. Street lighting c. Mobile (site) lighting.	Utilisation of energy efficient LED lighting.	
	6. Manufacture of components which directly support the technologies listed, and Research & Development with a reasonable prospect of successful commercialization.		
<b>3. Pollution prevention and control.</b>	1. Reduction of air emissions and greenhouse gas control.		<ul style="list-style-type: none"> <li>Fossil fuel-based projects (including, for example, carbon capture and storage from fossil-fuel power generation) are ineligible.</li> </ul>
	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 & Development with a reasonable prospect of successful commercialization.		
<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	<ul style="list-style-type: none"> <li>Projects must be 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.</li> </ul>
	2. Climate smart agriculture <sup>3</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.	

<sup>3</sup> Source: Food and Agriculture Organization of the United Nations: <http://www.fao.org/climate-smart-agriculture/en/>

	<b>3. Precision agriculture<sup>4</sup>.</b>	Farming practices using information and communications technology in farming for the explicit purpose of using water, soil and energy resources more efficiently.	<ul style="list-style-type: none"> <li>Projects are ineligible if they use equipment and technology for purposes other than explicitly for resource efficiency.</li> </ul>
	<b>4. Hydroponics / Aquaponics.</b>	Organic cultivation of plants (hydroponics) or plants and animals together (aquaponics) in a re-circulating closed system (water tank), using water instead of potting mixes.	<ul style="list-style-type: none"> <li>Projects must be certified with the Aquaculture Stewardship Counsel label, Global Sustainable Seafood Initiative, Best Aquaculture Practice, or Marine Stewardship Counsel label.</li> </ul>
	<b>5. Climate smart forestry<sup>5</sup></b>	<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> </ul>	<ul style="list-style-type: none"> <li>Projects are eligible if they are certified as or with the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC).</li> </ul>
	<b>6. Manufacture of components which directly support the technologies listed, and Research &amp; Development with a reasonable prospect of successful commercialization.</b>		
<b>5. Terrestrial and aquatic biodiversity conservation.</b>	<b>1. Conservation projects.</b>	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	
	<b>2. Manufacture of components which directly support the technologies listed, and Research &amp; Development with a reasonable prospect of successful commercialization.</b>		
<b>6. Clean transportation (both public and private).</b>	<b>1. Battery electric vehicles.</b>	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.	
	<b>2. Hybrid electric vehicles with plug-in.</b>	Vehicles using both electric motors and internal combustion engines.	<ul style="list-style-type: none"> <li>Projects are eligible where the carbon intensity of the hybrid vehicles is 75gCO<sub>2</sub>e/p-km or less for multiple occupant transit vehicles and 75gCO<sub>2</sub>e/km for single occupancy vehicles.</li> </ul>
	<b>3. Rail – freight.</b>	A means of transport of goods on vehicles which run on tracks (rails or railroads).	<ul style="list-style-type: none"> <li>Freight rail systems are eligible if emissions are 25 grams of CO<sub>2</sub>/t-km or less.</li> </ul>

<sup>4</sup> Source: AHDB: <https://cereals.ahdb.org.uk/>

<sup>5</sup> Source: The European Forest Institute: <https://www.efi.int/articles/climate-smart-forestry>



			<ul style="list-style-type: none"> <li>Projects are ineligible where the systems and infrastructure are used primarily for the transportation of fossil fuels.</li> </ul>
	4. Rail – passenger.	A means of transport of people on vehicles which run on tracks (rails or railroads).	<ul style="list-style-type: none"> <li>Passenger rail systems are eligible if emissions are 50 grams of CO2/p-km or less.</li> </ul>
	5. Transport powered by alternative sources of fuel.	Transport powered by alternative sources of fuel (e.g. green hydrogen ).	<ul style="list-style-type: none"> <li>Biofuel usage that competes with food production or decreases forestation, biodiversity, or carbon pools in soil is not eligible.</li> <li>Biogas is not eligible</li> <li>Green Hydrogen must be produced with power generated with emissions below 100g/kWh to be eligible</li> </ul>
	6. Non-motorised.	Includes bicycling, and variants such as small-wheeled transport (cycle rickshaws, skates, skateboards, push scooters and hand carts) and wheelchair travel.	
	7. Infrastructure for clean energy vehicles and reduction of harmful emissions, including charge points.		<ul style="list-style-type: none"> <li>Projects are ineligible where the systems and infrastructure are used primarily for the transportation of fossil fuels.</li> </ul>
	8. Manufacture of components which directly support the technologies listed, and Research & Development with a reasonable prospect of successful commercialization.		
7. Sustainable water and wastewater management.	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.	<ul style="list-style-type: none"> <li>Wastewater treatment projects related to fossil fuel production are ineligible.</li> <li>Projects are ineligible if they involve the distribution of drinking water without measurable improvements to water quality, water efficiency, or climate change resilience.</li> </ul>
	2. Water treatment.		
	3. Sustainable infrastructure for clean / drinking water.		
	4. Urban draining systems & river training.		
	5. Flooding mitigation e.g. flood defence systems, porous pavements.		
	6. Manufacture of components which directly support the technologies listed, and Research & Development with a reasonable prospect of successful commercialization.		
8. Waste Management.	1. Waste prevention, reduction and recycling.	Collection for recycling and/or composting, transportation, disposal or recycling and monitoring of waste materials.	
	2. Energy / emission-efficient waste to energy (see category Renewable Energy / Energy from Waste).		

	<ol style="list-style-type: none"> <li>3. Products from waste and remanufacturing and associated environmental monitoring.</li> <li>4. Manufacture of components which directly support the technologies listed, and Research &amp; Development with a reasonable prospect of successful commercialization.</li> </ol>			
<b>9. Climate change adaptation</b>	<ol style="list-style-type: none"> <li>1. Installation of systems and technologies to infrastructure, buildings, and other real assets to protect against increased climate risks.</li> <li>2. Climate change monitoring technologies such as climate observation, information support systems.</li> <li>3. Manufacture of components which directly support the technologies listed, and Research &amp; Development with a reasonable prospect of successful commercialization.</li> </ol>		Projects must include Climate Change Risk / Vulnerability Assessment by issuer / third-party to determine the needed enhancements for climate change adaptation and resilience purpose	
	<ol style="list-style-type: none"> <li>1. Development of environmentally friendlier products.</li> <li>2. Development of resource-efficient packaging / distribution.</li> </ol>	<p>Products must demonstrate a substantial reduction of lifecycle emissions relative to comparable fossil fuel-based products.</p> <p>Packaging must demonstrate a substantial reduction of lifecycle emissions relative to comparable fossil fuel-based products. 90% or more of inputs must be recycled or renewable; must not be intended for single-use ; and must be recyclable.</p>		<ul style="list-style-type: none"> <li>• Projects are ineligible where products are made entirely from virgin petroleum-based plastic and for products which are not generally recyclable.</li> <li>• Lifecycle assessment report to demonstrate quantifiable improvements related to, for example, recyclability or the use of recycled or plant-based inputs.</li> </ul>
	<ol style="list-style-type: none"> <li>3. Manufacture of components which directly support the technologies listed, and Research &amp; Development with a reasonable prospect of successful commercialization.</li> </ol>			
<b>11. Green buildings.</b>	<ol style="list-style-type: none"> <li>1. Refurbishment.</li> </ol>	A range of improvements at sites in relation to property and associated infrastructure.		
	<ol style="list-style-type: none"> <li>2. Development / Build.</li> <li>3. Development/redevelopment of stadiums/arenas.</li> </ol>	Construction of the property including EPC.		
	<ol style="list-style-type: none"> <li>4. Manufacture of components which directly support the technologies listed, and Research &amp; Development with a reasonable prospect of successful commercialization.</li> </ol>			

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