HSBC Private Bank

Sustainability Insights

Investing in Resilience: Turning Sustainability Ambition into Action

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Written by



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Highlights: Necessity is the mother of invention. Today, HSBC's Transition Market Outlook (TMO) highlights that it is also becoming the mother of investment. Geopolitics, rising power demand, resource constraints and biodiversity loss reshape where capital flows and how we can build resilience. The green transition is moving beyond emissions reduction towards a major industrial build-out: securing reliable energy, strengthening grids, powering AI, cooling a warmer world and using scarce resources more efficiently. For investors, the opportunity lies where ambition meets execution: in the essential systems that support a more secure and adaptable economy.

- **Energy security and resource resilience**: Conflicts, shipping chokepoints, several nations' dependence on imported fuels and concentrated mineral processing makes energy and resource resilience an economic imperative. Renewables, storage, firm power and resource-efficient solutions can help reduce exposure to volatile imports and supply disruptions.
- **AI is making electricity a strategic asset**: Economic growth is becoming more power-intensive, making reliable electricity a strategic asset rather than a background utility. Data centres and electrification are accelerating power demand. This is creating investment opportunities across clean power, grid infrastructure, batteries, power management, cooling and efficiency technologies.
- **Climate investing is entering its build-out phase:** The transition is moving from targets to delivery. Energy-transition investment reached approximately US$2.3 trillion in 2025, while around US$6.3 trillion a year may be needed through 2030—highlighting the scale of the financing opportunity.
- **Nature and circularity are economic priorities**: Biodiversity loss, water stress and resource scarcity can disrupt operations and supply chains. Recycling, reuse, repair, sustainable agriculture, water infrastructure and ecosystem protection can help businesses use fewer virgin resources and build resilience.

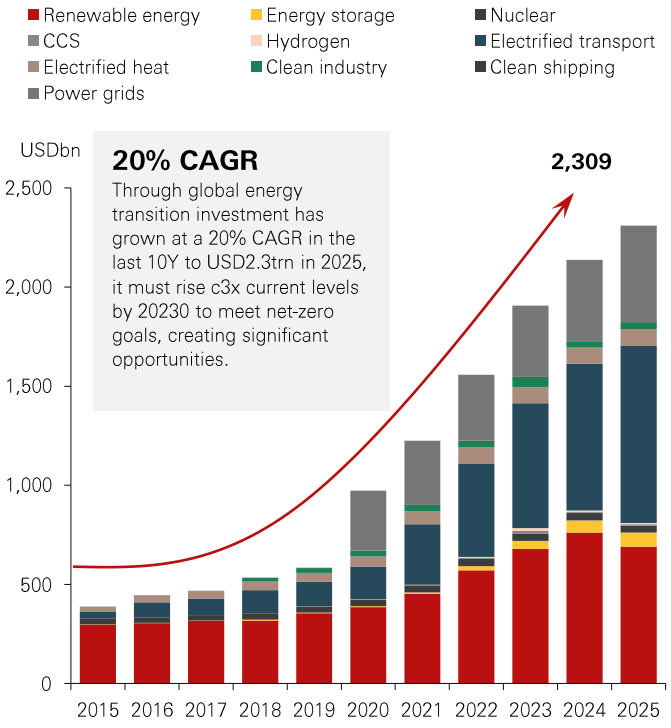
The opportunity is to invest with a resilience lens: Review your portfolio through three questions: 1.) Where are the bottlenecks? 2.) Which businesses are enabling the build-out? 3.) How resilient are your investments to energy, resource and nature-related disruption? Our three themes – Biodiversity and circular economy, Climate investing, and Energy and resource security – could complement your objectives, time horizon, liquidity needs and risk tolerance.

The Green Transition: From Ambition to Build-out

The green transition was once considered primarily a climate imperative - cut emissions, deliver net zero and limit global warming. Whilst that underlying objective hasn't changed, the economics of investing in transition certainly have. Today, the transition investing is increasingly being driven by practical economic priorities—securing reliable energy, meeting the towering power demands of the digital economy, safeguarding critical resources, reusing them as much as possible, and protecting the natural systems that underpin economic growth. Now climate ambition sits alongside energy security, the race to power artificial intelligence and the push to make supply chains more resilient.

The transition is no longer confined to conventional boundaries: it's becoming a large-scale industrial buildout across power generation, grid expansion, energy storage, industrial decarbonisation, securing critical minerals & prioritising resource efficiency, water infrastructure, cooling and adaptation. Together, these forces are redirecting capital expenditure—and expanding the transition economy well beyond its traditional boundaries.

Global energy transition investment continues to grow at a healthy rate



Source: Bloomberg, HSBC GIR Climate Solutions Playbook 2026, HSBC Private Bank, October 2026.

In this report, we explore the economics of Climate Investing, and why it is transforming into a noticeable commercial/ investment opportunity. We'll look at the economics of clean power, storage and efficiency; expansion into cooling, buildings, grids, transport, water and resilience; AI-driven infrastructure demand and key opportunities and risks involved.

Four forces are speeding investments in transition

As the energy transition enters a more strategic, yet contested phase, four noticeable forces, each powerful in its own right, are now interacting to determine how quickly capital moves, which technologies scale and where the next industrial advantages emerge.

1. Energy security is reshaping the economics of transition

Recent geopolitical shocks have shown how quickly energy markets and logistics can be disrupted. Sudden spikes in oil and electricity prices have exposed the fragility of just-in-time supply chains and highlighted the continued dependence of many economies on long, vulnerable fossil-fuel routes. Events far from the end consumer can now affect the price and availability of energy with remarkable speed. This has triggered a volatile reordering of energy markets. Through 2030, security, resilience and industrial competitiveness are increasingly influencing capital allocation alongside—and, in some cases, ahead of—climate and carbon considerations. * Governments are recognising that energy and resource security are not only economic priorities but also important elements of national resilience and defence strategy.

The response is strengthening the case for domestically produced power, including renewables, electrification and battery storage. For households and businesses facing higher energy costs or the risk of physical shortages, clean technologies are no longer viewed solely as tools for reducing emissions. They are also a means of improving resilience, lowering exposure to imported fuels and strengthening energy independence.

This shift is particularly significant in South and Southeast Asia, where many economies remain heavily reliant on energy supplies from the Middle East. In these markets, capital is increasingly being deployed because clean technologies can help address energy insecurity and supply constraints—not only because governments have set long-term climate targets.

Renewables are central to this transition, but generating more renewable electricity is only part of the challenge. Power systems also need expanded transmission and distribution networks, energy storage, flexible generation and more efficient demand management. These investments are essential to integrate intermittent renewable generation and deliver reliable electricity where

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and when it is needed. Therefore, investing in clean energy is no longer simply the antidote to greenhouse-gas emissions. In a fragmented world shaped by conflict, supply-chain disruption and geopolitical chokepoints, it is increasingly a source of greater energy security, domestic resilience and potentially more competitive power for governments, corporates and societies.

2. AI is turning electricity into a strategic asset

AI is creating a new power race. Data centres and cloud infrastructure are driving electricity demand just as transport, buildings and industry are being electrified. The scale of the buildout is becoming visible in both the US and China. BloombergNEF expects US data-centre capacity to rise from 47 GW in 2025 to 194 GW by 2035, reflecting an 83% increase from its previous outlook. The IEA expects global data-centre electricity consumption to more than double, from 415 TWh in 2024 to 945 TWh by 2030—slightly above Japan's current annual usage. As such, Data-centre power demand is growing at approximately 16% a year. HSBC's Transition Market Outlook expects global power demand to rise ~15% by 2030, driven by data centres, air conditioning, EVs, heat pumps and industry, with electricity demand growth running six times faster than overall energy demand. Utilities are confronting rising load growth after years of underinvestment—making infrastructure build-out central to sustainable economic growth and competitiveness. The pressure will be especially acute in the US, where data centres could account for almost half of electricity-demand growth through 2030. Their global share will still be below 3%, but that headline understates their importance.

This timing mismatch is creating a bottleneck. AI infrastructure can be built quickly; power generation, transmission and grid connections cannot. Reliable electricity is therefore becoming a deciding factor in where data centres are located—and how quickly the digital economy can scale.

Meeting demand will require a broad energy mix. Renewables are expected to supply nearly half of the additional power needed by data centres over the next five years, with gas and nuclear also playing important roles. AI could therefore accelerate investment in clean power, grids and storage, but where low-carbon capacity cannot keep pace, it may also prolong reliance on fossil fuels.

The bigger message is clear: electricity is becoming a strategic input to digital competitiveness. The transition is no longer only about changing the energy mix; it is about building the power system needed to support the next wave of economic growth. The power market will also be reshaped not just by how much electricity economies consume, but by where, when and how reliably they need it. This new dynamic creates opportunities in renewables, nuclear, storage, grid equipment, efficient cooling and power-management technologies.

The investment stack - the AI infrastructure build-out is creating opportunities in four connected areas:

a.) **Clean power procurement**: Renewable power-purchase agreements, hybrid solar-and-storage projects and time-matched clean-energy contracts.

b.) **Grid connection and reinforcement:** Substations, transformers, transmission, distribution, power electronics and grid digitalisation.

c.) **Flexibility and resilience:** Battery storage, demand response, behind-the-meter generation and energy-management software.

d.) **Efficiency and cooling**: Direct-to-chip and immersion cooling, power-quality management, waste-heat recovery and water-efficient systems.

Source: HSBC's Transition Market Outlook 2026-30.

3. Climate investing is entering its build-out phase

The transition to a lower-carbon economy is moving beyond ambition and into commercial delivery. Falling technology costs, improving performance and rising demand are turning clean power, storage, electrification and energy management into substantial markets.

The opportunity is also expanding beyond generation. Increasingly, value is emerging at the system's pressure points: grids, cooling, energy efficiency and physical resilience. These are areas where investment, stronger contracts and disciplined execution can quickly influence corporate earnings and valuations.

The scale of the opportunity is significant. As per HSBC'S Transition Market Outlook report, energy-transition investment reached approximately US$2.3 trillion in 2025, yet around US$6.3 trillion a year may be required through 2030 to remain on track. The gap points to both a substantial investment opportunity and a pressing need for capital to move from targets to delivery.

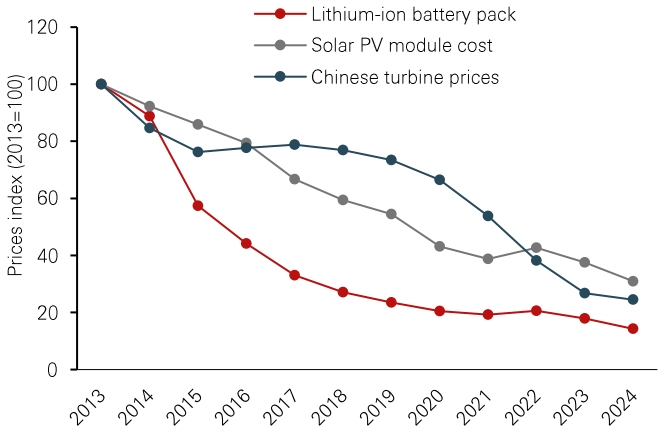
Adaptation funding remains the glaring gap: developing countries face annual needs of US$310–365 billion by 2035, compared with public flows of about USD30 billion today. Buildings alone account for roughly 45% of electricity-demand growth in 2025, while cooling is becoming a practical resilience solution—especially when only around 15% of people in high-temperature regions currently have air conditioning. As temperatures rise and incomes grow, the demand for cooling solutions is expected to increase substantially. Add to this the global demand for data centres' electricity and cooling requirements – and electricity and cooling become major bottlenecks in a fast-changing world.

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Against this backdrop, two investment groups stand out as per our colleagues in HSBC Global Investment Research: **Clean Tech & Smart Cooling Pioneers,** enabling a more electrified and resilient economy, and **Climate Champions,** growing revenues from climate solutions while improving energy and emissions intensity.

The journey won't be linear, but the direction is clear - climate investing is becoming less about predicting the future and more about identifying who is already building it.

There's been a steady decline in key clean-tech solutions prices in recent years



Source: Bloomberg, HSBC Private Bank, October 2026. Forecasts are subject to change.

China is reshaping the economics of clean technology: China's strength in clean-technology manufacturing has helped accelerate the transition. It accounts for an estimated 70–90% of global manufacturing capacity across areas including solar panels, batteries, electric vehicles, wind turbines, electrolysers and several critical raw materials.

The scale of Chinese production and exports has reduced technology costs and made deployment more affordable, particularly in emerging markets. But it has also raised concerns in the US, Europe and elsewhere about industrial competitiveness, strategic dependence and supply-chain security. Governments are responding with tariffs, investment restrictions, local-manufacturing requirements and supply-chain diversification.

Clean technology is therefore becoming more than a growth market - it is increasingly central to industrial policy and geopolitical strategy. The balance between low-cost deployment and more nationally controlled supply chains is likely to shape the market through the rest of the decade.*

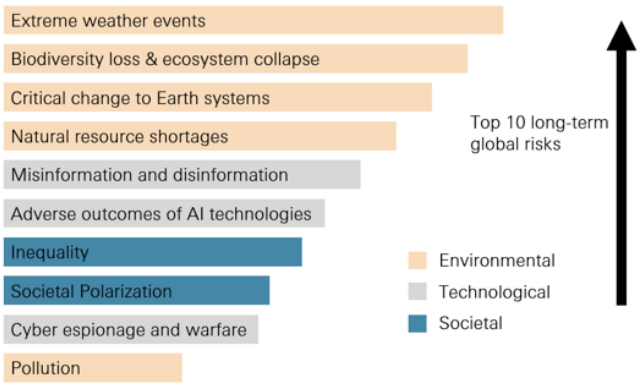
4. Biodiversity and Circularity: from environmental concern to resource strategy

The transition story extends beyond carbon. Economies depend on healthy soils, reliable freshwater, forests, oceans and biodiversity. When these natural systems deteriorate, the impact can be financial—through disrupted supply chains, higher costs, tighter regulation, reputational damage and impaired assets.

For investors, nature is both a source of risk and an expanding opportunity. Companies exposed to water scarcity, soil degradation or ecosystem loss may face rising costs and operational disruption. At the same time, demand is growing for solutions across water infrastructure, sustainable agriculture, precision farming, forestry, pollution control and ecosystem restoration.

The strongest investment case treats nature as economic infrastructure, not a peripheral environmental theme. Natural capital supports productivity, resilience and long-term value creation. Investors will increasingly need to assess not only which companies provide nature-positive solutions, but also how exposed businesses are to water, land and ecosystem risks.

Environmental risks are the greatest source of long-term concern



Source: WEF, Bloomberg, HSBC Private Bank, October 2026.

Circularity is getting more value from every resource: The transition isn't only about producing cleaner energy. It's also about using materials more efficiently. Circularity means designing products and production systems that use fewer virgin materials, last longer and recover value through reuse, repair and recycling. The need is becoming more urgent: according to UNEP's Global Resources Outlook 2024, global resource extraction has tripled over the past five decades and could rise by a further 60% by 2060 from 2020 levels if current trends continue.

That trajectory creates more than environmental pressure—it creates economic vulnerability. Companies dependent on virgin materials are exposed to commodity-price volatility, supply constraints and rising waste costs.

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Circular models can reduce these exposures while keeping valuable materials in use for longer. The opportunity spans battery recycling, electronic-waste recovery, remanufacturing, repair, reusable packaging, industrial waste recovery and longer-lasting products. Recycling can also reduce energy use, although the benefits vary by material, technology and process. Nature-focused AI can strengthen this shift by improving traceability, monitoring land and water use, identifying waste streams and integrating sustainability data into procurement and operations.

Circularity won't eliminate the need for mining or primary production. Clean-energy infrastructure will still require significant volumes of new materials, while collection systems, contamination, recovery rates and recycling economics limit what can be recovered. The objective is more practical—and more valuable - reduce the amount of new extraction required for each unit of economic output and make supply chains more resilient. Companies that use fewer virgin materials, recover more value from waste and can prove the origin of their inputs may be better positioned for both regulatory change and supply-chain disruption. For investors, this expands the transition beyond clean-energy generation to the productivity of the entire material economy. Businesses that recover scarce inputs, reduce waste and deliver more with fewer resources may be well placed as resource constraints intensify. Our **Biodiversity and circular economy high-conviction investment theme** captures the structural investment opportunities in this space.

Circularity in Action

HSBC's transition-market outlook highlights several practical examples:

a.) The European Union requires recovery of at least 95% of copper, cobalt, lead and nickel from used batteries by 2031.

b.) Nearly one-quarter of Apple's product materials by mass are now from recycled content.

Where opportunity concentrates - the three bottlenecks and the build-out

We invest where the bottlenecks are:

Bottleneck 1—Domestic, lower-volatility generation (renewables scale + firm power). A key inflection is cost. HSBC's Transition Market Outlook data show global average costs have fallen sharply since 2009/2019:

- Onshore wind costs down 71% since 2009
- Solar PV costs down 91% since 2009
- 4-hour battery storage costs down ~68% since 2019

With renewables now the cheapest new bulk power in most major economies, the investable challenge becomes delivery: connecting supply, balancing variability, and ensuring reliability.

Scale of build-out (TMO forecasts, 2026–2030):

- Solar PV: $2.04tn capex; (≈ $408bn/year); 3,620GW installations
- Wind: $1.39tn capex; 863GW installations
- BESS: $591bn capex; 973GW installations
- Clean firm power (nuclear/hydro/geothermal): ~$600bn opportunity; nuclear ~ $441bn within that (TMO)
- BESS (grid-scale batteries): $591bn investment, 973GW installations

Source: TMO investment outlook (2026–2030):

Investable read-through: strengthening energy security means accelerating lower-volatility domestic generation across both renewables and selected non-renewables (e.g., nuclear), so households and businesses are less exposed to external shocks. Falling costs and scale of buildout offer attractive investment opportunities in grid upgrades, storage and selective firm power for long term investors.

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Bottleneck 2—Grids, the "quiet giant" of transition investment

Power systems can't benefit from cheap generation if they can't deliver it. The grid is increasingly the constraint. TMO forecasts $2.9tn global investment in transmission and distribution between 2026 and 2030 (≈ $590bn/year), largely to replace and reinforce ageing infrastructure—especially in distribution grids.

TMO's breakdown of the $2.9tn:

- ~$1.4tn reinforcement/upgrades
- ~$1.0tn replacement of ageing equipment
- ~$0.6tn new connections

This is also a supply-chain story: transformers, cables and switchgear are bottlenecks with multi-year lead times, and demand is being pulled simultaneously by grids, renewables, EV charging and data centres.

- $2.9tn global transmission & distribution investment (2026–2030)
- ~$1.4tn reinforcement
- ~$1.0tn replacement
- ~$0.6tn new connections

Investable read-through: equipment makers and supply chains (transformers, cables, switchgear), grid digitalisation, and regulated/contracted infrastructure – all offer investors selective opportunities. Investment and expansion of grid capacity is a key opportunity underscored in two of our High Conviction Themes – Energy and Resource Resilience and Climate Investing

Bottleneck 3—Energy flexibility and storage keep the system stable in a variable world

TMO notes that even with rapid battery build-out, there remain 5–20% of hours each year that are hard to cover with renewables plus conventional 2–4 hour batteries—supporting diversified solutions: demand response, interconnectors, long-duration storage and selected firm power.

- TMO cites an announced 36GW LDES pipeline, led by 8+ hour lithium-ion, but still early-stage beyond pumped hydro and requiring investable market signals and "FOAK" financing.

Investable read-through: Our high-conviction theme on Climate investing underscores investment in flexibility and storage solutions.

To conclude, build resilience into your portfolio by investing in transition

For investors, resilience is not a portfolio attribute to watch from the sidelines; it's an investment lens to apply today. And the opportunity isn't about picking a single winning technology. It's about identifying the essential systems every credible transition will need—from grids, storage and cooling to resource efficiency, recycling and nature protection.

Discerning investors will review their portfolio through a resilience lens and then ask themselves these three practical questions:

1.) How prepared are my investments for resource scarcity, critical-mineral disruption and nature-related regulation?

2.) Which holdings could benefit from the infrastructure supporting electrification and AI?

3.) Is my portfolio exposed to energy-price volatility, rising power demand or grid constraints? If yes, how can I hedge it?

The call to action is to assess whether you hold a diversified allocation across climate solutions, energy infrastructure, efficient cooling, circular materials and nature-positive businesses that fits your objectives, liquidity needs, time horizon and risk tolerance.

Our three high-conviction investment themes: Energy and resource security; Climate investing and Biodiversity and circular economy offer diversified exposure to these areas.

The aim is disciplined participation. As investors, we focus on durable demand, credible cash flows and businesses with the capabilities to deliver—not simply the most exciting technology story.

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***Source used:**

1.) HSBC's Transition Market Outlook, 2026-30

2.) HSBC Global Investment Research Reports

3.) BloombergNEF

Risk Disclosures

Risks of investment in fixed income

There are several key issues that one should consider before making an investment into fixed income. The risk specific to this type of investment may include, but are not limited to:

Credit risk

Investor is subject to the credit risk of the issuer. Investor is also subject to the credit risk of the government and/or the appointed trustee for debts that are guaranteed by the government.

Risks associated with high yield fixed income instruments

High yield fixed income instruments are typically rated below investment grade or are unrated and as such are often subject to a higher risk of issuer default. The net asset value of a high-yield bond fund may decline or be negatively affected if there is a default of any of the high yield bonds that it invests in or if interest rates change. The special features and risks of high-yield bond funds may also include the following:

- Capital growth risk - some high-yield bond funds may have fees and/ or dividends paid out of capital. As a result, the capital that the fund has available for investment in the future and capital growth may be reduced; and
- Dividend distributions - some high-yield bond funds may not distribute dividends, but instead reinvest the dividends into the fund or alternatively, the investment manager may have discretion on whether or not to make any distribution out of income and/ or capital of the fund. Also, a high distribution yield does not imply a positive or high return on the total investment.
- Vulnerability to economic cycles - during economic downturns such instruments may typically fall more in value than investment grade bonds as (i) investors become more risk averse and (ii) default risk rises.

Risks associated with subordinated debentures, perpetual debentures, and contingent convertible or bail-in debentures

- Subordinated debentures - subordinated debentures will bear higher risks than holders of senior debentures of the issuer due to a lower priority of claim in the event of the issuer's liquidation.
- Perpetual debentures - perpetual debentures often are callable, do not have maturity dates and are subordinated. Investors may incur reinvestment and subordination risks. Investors may lose all their invested principal in certain circumstances. Interest payments may be variable, deferred or cancelled. Investors may face uncertainties over when and how much they can receive such payments.
- Contingent convertible or bail-in debentures - Contingent convertible and bail-in debentures are hybrid debt-equity instruments that may be written off or converted to common stock on the occurrence of a trigger event. Contingent convertible debentures refer to debentures that contain a clause requiring them to be written off or converted to common stock on the occurrence of a trigger event. These debentures generally absorb losses while the issuer remains a going concern (i.e. in advance of the point of non-viability). "Bail-in" generally refers to (a) contractual mechanisms (i.e. cotractual bail-in) under which debentures contain a clause requiring them to be written off or converted to common stock on the occurrence of a trigger event, or (b) statutory mechanisms (i.e. statutory bail-in) whereby a national resolution authority writes down or converts debentures under specified conditions to common stock. Bail-in debentures generally absorb losses at the point of non viability. These features can introduce notable risks to investors who may lose all their invested principal.

Contingent convertible securities (CoCos) or bail-in debentures are highly complex, high risk hybrid capital instruments with unusual loss-absorbency features written into their contractual terms.

Investors should note that their capital is at risk and they may lose some or all of their capital.

Changes in legislation and/or regulation

Changes in legislation and/or regulation could affect the performance, prices and mark-to-market valuation on the investment.

Nationalisation risk

The uncertainty as to the coupons and principal will be paid on schedule and/or that the risk on the ranking of the bond seniority would be compromised following nationalisation.

Reinvestment risk

A decline in interest rate would affect investors as coupons received and any return of principal may be reinvested at a lower rate. Changes in interest rate, volatility, credit spread, rating agencies actions, liquidity and market conditions may have a negative effect on the prices, mark-to-market valuations and your overall investment.

Risk disclosure on Dim Sum Bonds

Although sovereign bonds may be guaranteed by the China Central Government, investors should note that unless otherwise specified, other renminbi bonds will not be guaranteed by the China Central Government.

Renminbi bonds are settled in renminbi, changes in exchange rates may have an adverse effect on the value of that investment. You may not get back the same amount of Hong Kong Dollars upon maturity of the bond.

There may not be active secondary market available even if a renminbi bond is listed. Therefore, you need to face a certain degree of liquidity risk.

Renminbi is subject to foreign exchange control. Renminbi is not freely convertible in Hong Kong. Should the China Central Government tighten the control, the liquidity of renminbi or even renminbi bonds in Hong Kong will be affected and you may be exposed to higher liquidity risks. Investors should be prepared that you may need to hold a renminbi bond until maturity.

Alternative Investments

Hedge Fund - Please note Hedge Funds often engage in leveraging and other speculative investment practices that may increase the risk of investment loss. They can also be highly illiquid, are not required to provide periodic pricing or valuation information to investors, and may involve complex tax structures and delays in distributing important information. Alternative investments are often not subject to the same regulatory requirements as, say, mutual funds, and often charge high fees that may potentially offset trading profits when they occur.

Private Equity - Please note Private Equity is generally illiquid, involving long term investments that do not display the liquid or

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transparency characteristics often found in other investments (e.g. Listed securities). It can take time for money to be invested (cash drag) and for investments to produce returns after initial losses.

Risks of investing in private markets

The value of investments and any income from them can go down as well as up and investors may not get back the amount originally invested. Past performance information presented is not indicative of future performance. The return and costs may increase or decrease as a result of currency fluctuations.

- **Liquidity Risk -** Investors may be unable to dispose of an investment quickly and at a price that's closely related to recent similar transactions. There is no guarantee of distributions and no established secondary market.
- **Event Risk -** A significant event may cause a substantial decline in the market value of all securities.
- **Long-term Horizon -** Investors should expect to be locked-in for the full term of the investment, which is subject to extensions.
- **No Capital Protection -** Investors may lose the entirety of invested capital.
- **Unpredictable Cashflows -** Capital may be called and distributed at short notice.
- **Economic Conditions -** Ability to realise/divest from existing investments depends on market conditions and the regulatory environment.
- **Risk of Forfeiture -** Failure to make call payments could result in forfeiture of commitment, including invested capital, without compensation.
- **Default Risk -** in the event of default investors risk losing their entire remaining interest in the vehicle and may be subject to legal proceedings to recover unfunded commitments.
- **Reliance on Third-party Management Teams -** Underlying investments will be managed by various third-party management teams that will in aggregate determine the eventual returns for the investor.

The risk factors listed above are not exhaustive, always refer to product specific documentation for full details and risk disclosures.

Risk disclosure on Emerging Markets

Investment in emerging markets may involve certain, additional risks which may not be typically associated with investing in more established economies and/or securities markets. Such risks include (a) the risk of nationalisation or expropriation of assets; (b) economic and political uncertainty; (c) less liquidity in so far of securities markets; (d) fluctuations in currency exchange rate; (c) higher rates of inflation; (f) less oversight by a regulator of local securities market; (g) longer settlement periods in so far as securities transactions and (h) less stringent laws in so far the duties of company officers and protection of Investors.

Risk disclosure on FX Margin

The price fluctuation of FX could be substantial under certain market conditions and/or occurrence of certain events, news or developments and this could pose significant risk to the Customer.

Leveraged FX trading carry a high degree of risk and the Customer may suffer losses exceeding their initial margin funds. Market conditions may make it impossible to square/close-out FX contracts/options. Customers could face substantial margin calls and therefore liquidity problems if the relevant price of the currency goes against them.

The leverage of a product can work against you and losses can exceed those of a direct investment. If the market value of a portfolio falls by a certain amount, this could result in a situation where the value of collateral no longer covers all outstanding loan amounts. This means that investors might have to respond promptly to margin calls. If a portfolio's return is lower than its financing cost then leverage would reduce a portfolio's overall performance and even generate a negative return.

Currency risk – where product relates to other currencies

When an investment is denominated in a currency other than your local or reporting currency, changes in exchange rates may have a negative effect on your investment.

Chinese Yuan ("CNY") risks

There is a liquidity risk associated with CNY products, especially if such investments do not have an active secondary market and their prices have large bid/offer spreads.

CNY is currently not freely convertible and conversion of CNY through banks in Hong Kong and Singapore is subject to certain restrictions. CNY products are denominated and settled in CNY deliverable in Hong Kong and Singapore, which represents a market which is different from that of CNY deliverable in Mainland China.

There is a possibility of not receiving the full amount in CNY upon settlement, if the Bank is not able to obtain sufficient amount of CNY in a timely manner due to the exchange controls and restrictions applicable to the currency.

Illiquid markets/products

In the case of investments for which there is no recognised market,

it may be difficult for investors to sell their investments or to obtain reliable information about their value or the extent of the risk to which they are exposed.

Environmental, Social and Governance ("ESG") Customer Disclosure

In broad terms "ESG and sustainable investing" products include investment approaches or instruments which consider environmental, social, governance and/or other sustainability factors to varying degrees. Certain instruments we classify as ESG or sustainable investing products may be in the process of changing to deliver sustainability outcomes. There is no guarantee that ESG and Sustainable investing products will produce returns similar to those which don't have any ESG or sustainable characteristics. ESG and Sustainable investing products may diverge from traditional market benchmarks. In addition, there is no standard definition of, or measurement criteria for, ESG and Sustainable investing or the effect of ESG and Sustainable investing products. ESG and Sustainable investing and related measurement criteria are (a) highly subjective and (b) may vary significantly across and within sectors.

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An investment which is considered to fulfil sustainable criteria today

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may not meet those criteria at some point in the future. When we allocate an HSBC ESG and Sustainable Investing (SI) classification: HSBC ESG Enhanced, HSBC Thematic or HSBC Impact (this is known as HSBC Purpose in the UK) to an investment product, this does not mean that all individual underlying holdings in the investment product or portfolio individually qualify for the classification. Similarly, when we classify an equity or fixed income under an HSBC ESG Enhanced, HSBC Thematic or HSBC Impact (this is known as HSBC Purpose in the UK) category, this does not mean that the underlying issuer's activities are fully aligned with the relevant ESG or sustainable characteristics attributable to the classification. Not all investments, portfolios or services are eligible to be classified under our ESG and SI classifications. This may be because there is insufficient information available or because a particular investment product does not meet HSBC's SI classifications criteria.

Today we finance a number of industries that significantly contribute to greenhouse gas emissions. We have a strategy to help our customers to reduce their emissions and to reduce our own. For more information, visit www.hsbc.com/sustainability.

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