

# E&S Due Diligence of the HSBC India Framework

## Introduction

India faces a dual challenge in its energy sector: rapidly growing demand and continued dependence on fossil fuels. While significant progress has been made on installing non-fossil capacity, more than double its current renewable capacity is necessary to meet its 2030 NDC target.

This sub-project establishes a framework between the Green Guarantee Company (GGC) and HSBC India to provide credit guarantees for renewable energy generation and clean energy supply chain manufacturing (the 'transactions'). The HSBC India Framework (the 'Framework') is designed to streamline guarantee issuance for HSBC India's lending to the end borrowers, by setting standard terms and restrictions. The Framework is a sub-project to the Green Guarantee Company (FP197) programme approved by GCF.

The focus of this E&S Due Diligence (ESDD) is the HSBC India and GGC policies and procedures governing the Framework, which will be adopted to assess the E&S risks and impacts of the transactions funded under the Framework.

## Risk Category

The designated risk category for the Framework is Category I-2, as the beneficiary of the guarantee is a financial intermediary (HSBC India), investing in renewable energy and clean energy supply chain transactions. In addition to HSBC India's screening process, GGC will be screening each transaction under the Framework for alignment with the GGC Environmental & Social Management System and Operational Manual (GGC ESMS), eligibility criteria under the GGC Guarantee Policy and Exclusion List (all documents approved by GCF under the funding proposal).

The proposed transactions under the Framework are expected to involve business activities with potential limited adverse environmental and social risks, and impacts that are few in numbers, generally site-specific, largely reversible, and readily addressed through mitigation measures. Those transactions are expected to be classified under Category B.

## Environmental and Social (E&S) Risk Assessment

The HSBC risk management team will identify transactions that are in scope using the Equator Principles and the HSBC Sustainability Risk Policies. The transactions will also meet the GGC eligibility criteria (GGC Guarantee Policy and Exclusion List), which will be included in the Framework. Transaction documentation used for the risk assessment includes (but not limited to) the E&S Impact Assessment (ESIA) for Category B transactions, the E&S Management System (ESMS) and the E&S Management Plan (ESMP) where applicable.

GGC will assess the E&S risks and impacts of the transactions in accordance with the GGC ESMS, which requires alignment with applicable local and national E&S laws and regulations, the IFC Performance Standards (2012), the World Bank Environmental, Health and Safety Guidelines and sector specific guidelines, and the core labour conventions of the International Labour Organisations (ILO). Approvals from the GGC Impact and Credit Committees will be required for each transaction under the Framework.

Where gaps are identified, mitigation and corrective actions will be recorded in the E&S Action Plan (aligning with the template in the GGC ESMS) and the Equator Principles Action Plans (EPAPs), forming part of the loan agreement between HSBC and the end borrower.

In addition, for higher risk Category B transaction, there will be oversight of the transaction by the HSBC EP subject-matter-experts. Independent E&S Consultant will be appointed to undertake and produce the E&S Due Diligence (ESDD) on the transaction.

## Compliance Review of HSBC E&S Management System and Policies

The sustainability and ESG related policies presented by HSBC are in alignment with the GGC ESMS, and adequate in managing the Category B or C transactions expected under this Framework. Where there are differences with the GGC ESMS, the more stringent requirements will be applied. HSBC is also a GCF accredited entity and their E&S management system that is applicable to the Framework is expected to be acceptable.

- HSBC ESMS: The HSBC Sustainability Risk Policies (February 2025) explains the HSBC risk management framework and means of implementation. The policies focus on mitigating reputational, credit, legal and other risks related to environmental and social impacts. HSBC is a signatory to the Equator Principles (EP)<sup>1</sup> (adopted in 2003), which means the IFC Environmental and Social Performance Standards (IFC PS) are adopted as the safeguard mechanism. This aligns with the requirements of the GGC ESMS.
- Labour and working conditions (IFC PS2): In addition to the Sustainability Risk Policies and the EP, HSBC has policies that safeguard their staff and working conditions. The policies<sup>2</sup> include, but not limited to, the Health and Safety Policy, Mental Health Policy, HSBC Human Rights Statement, Modern Slavery Act, Remuneration practices and governance, and Whistleblowing arrangement. This aligns with the GGC ESMS.
- Stakeholder engagement: engagement will occur at the transaction level under the Framework, in a structured and culturally appropriate manner with all relevant stakeholders, meeting the requirements of the EP and the GGC ESMS. Details of the stakeholder engagement, in terms of the plan of engagement, the process and the outcome will be reviewed by HSBC and GGC as part of the approval process.
- Grievance redress mechanism: HSBC in India has a grievance reporting system and a Grievance Redressal Policy that sets out the means of raising grievances and the process

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<sup>1</sup> [The Equator Principles EP4 July2020](#)

<sup>2</sup> [ESG reporting centre | HSBC Holdings plc](#)

of handling complaints from stakeholders through a structured framework<sup>3</sup>. There are multiple levels for escalating the grievance including escalation to the Reserve Bank of India Ombudsman scheme. This provision aligns with the EP requirements. At the transaction level, separate grievance mechanism will be established by the end borrowers and provisions for the mechanism will be reviewed by GGC as part of the approval process.

- Safeguarding against SEAH (sexual exploitation, abuse and harassment): The HSBC Human Rights Statement<sup>4</sup> describes their approach on protecting human rights and focusing on areas that are most relevant to their operations and supply chains. Being the signatory of the EP, the Framework will comply with the requirements of IFC Performance Standard (PS) in particular PS4 (Community Health, Safety, and Security), which includes requirements to safeguard against SEAH. As part of the transaction screening process, GGC will review the end borrower's safeguarding mechanism and where gaps are identified, corrective actions will be agreed and recorded in a transaction specific E&S Action Plan (ESAP).
- E&S responsibilities and accountabilities: the HSBC Board takes overall responsibility for ESG strategy, overseeing executive management in developing the approach, execution and associated reporting. Underneath the Board level governance, at the management level, the ESG Committee has oversight of the ESG strategy and policies, including overseeing and monitoring progress on commitments, deliverables and targets, and reporting to the Board<sup>5</sup>.
- Gender positive impact: HSBC has a diversity and inclusion policy at the board level, with targets for female representation on the Board of Directors and holding senior board positions. At the transaction level, GGC will explore opportunities to achieve gender positive impacts using the findings in the GGC Gender Assessment (approved by GCF during the funding approval) for the energy sector and specifically for India. Where appropriate, gender positive actions will be included as part of the action plan for the end borrowers.

## Monitoring and Reporting

- E&S performance monitoring and reporting: transaction level E&S performance will be reported by the end borrowers, as required by the GGC ESMS, to demonstrate responsible business operations and practices are being implemented. The nature of the monitoring will depend on the E&S risks of the transactions under the Framework.

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<sup>3</sup> [Feedback and Complaints | Help and Support - HSBC IN](#)

<sup>4</sup> HSBC Human Rights Statement available online at: <https://www.hsbc.com/-/files/hsbc/who-we-are/pdf/230710-hsbc-human-rights-statement.pdf?download=1>

<sup>5</sup> From the Annual Report and Accounts 2024 (see pages 42-84 for ESG disclosures). Available online at: <https://www.hsbc.com/-/files/hsbc/investors/hsbc-results/2024/annual/pdfs/hsbc-holdings-plc/250219-annual-report-and-accounts-2024.pdf?download=1>

Higher risk Category B transactions will require independent monitoring and reporting by an independent E&S consultant, as per the EP.

- Major Incident reporting: as required by the GGC ESMS, the Framework will include the need for monitoring and reporting on major incidents and grievances raised at the transaction level. The process and timeline in responding to such reporting, after the incident/event/accident is reported to GGC, will align with the GGC ESMS.

## Annex:

As part of the transaction screening by GGC, the completed Transaction Scorecard (template in the GGC ESMS) is included below to document the outcome of the go/no-go assessment.

Scorecard Criteria	Go / No Go / Pending	Comments
1. The transaction <b>is developed by an Eligible Borrower</b> and <b>meets</b> GGC's Exposure Limit defined in its Guarantee Policy.	Go	<p>End borrowers under the HSBC India Framework will be private sector entities, qualifying as "Eligible Borrowers" per GGC's Guarantee Policy. GGC's exclusions will apply to the Framework. GGC will confirm end borrower classification, ownership structure, and compliance with counterparty eligibility requirements.</p> <p>The maximum individual transaction size is USD 50 million, representing 50% of GGC's Total Claim Paying Resources, consistent with the single-obligor exposure cap in the policy.</p>
2. The transaction <b>meets</b> GGC's Sector and Country Criteria as defined in its Guarantee Policy and <b>falls within</b> GGC's eligible sectors, result areas, or industries.	Go	<p>Framework transactions will target renewable energy generation and clean energy supply chain investments in India. Eligible asset classes will include solar, wind, geothermal, bioenergy, marine energy, transmission and distribution infrastructure, and storage, in line with the Guarantee Policy. Hydropower and other excluded activities will be explicitly excluded per policy.</p> <p>This meets the sector criteria for GHG mitigation in the Energy sector (GCF MRA 1).</p> <p>India is on the DAC List of ODA Recipients and is designated as a GGC priority country.</p>
3. Requisite documents are <b>in place</b> to assess adherence to the Climate Bonds Initiative (CBI) Standard and Certification requirements.	Go	GGC will ensure that the transactions under the Framework meet asset specific criteria compliant with CBI Standard.
4. The Eligible Borrower has <b>considered</b> potential positive environmental and social outcomes in the documentation, with targets in place, and has linked them to the SDGs.	Go	Opportunities to create positive outcomes will be explored and identified for implementation on a transaction by transaction basis. GGC will confirm whether the end borrower has considered expected E&S benefits, established measurable targets, and mapped them to relevant SDGs. If absent, GGC will assess whether such documentation is required in the context of the transaction and include the action in the ESAP, if appropriate.
5. The Eligible Borrower has <b>considered</b> potential gender-inclusive outcomes.	Go	The gender positive impact and gender-responsive targets will be developed and included in the Framework. Transactions with opportunities to create gender positive impact will have the relevant KPIs for their monitoring and reporting. The gender inclusive impact will be in alignment with GGC's Gender Assessment and Gender Action Plan.
6. The Eligible Borrower has <b>considered</b> ESG compliance, has completed appropriate documentation to date and is expected to engage on all outstanding actions.	Go	The Equator Principles, HSBC Sustainability Risk Policies and the GGC ESMS are applicable to the Framework and are safeguard mechanism to all transactions under the Framework. For the approval of the loan, the end borrower will be required to demonstrate ESG compliance and complete all appropriate documentation and commit to undertaking outstanding actions.