

HSBC Holdings plc.

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Introduction

In 2017, 2018, 2019, 2020 and 2021, HSBC Holdings plc. (HSBC) issued SDG Bonds aimed at financing projects which advance UN Sustainable Development Goals (SDGs) 3, 4, 6, 7, 9, 11 and 13. In November 2022, HSBC engaged Sustainalytics to review the projects financed through the issued bonds and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the HSBC Sustainable Development Goal (SDG) Bond Framework (the “Framework”). Sustainalytics provided a Second-Party Opinion on the Framework in November 2017.^{1,2}

Evaluation Criteria

Sustainalytics has evaluated the projects and assets funded with proceeds from the SDG Bonds based on whether the projects and programmes:

1. Met the use of proceeds and eligibility criteria outlined in the Framework; and
2. Reported on at least one of the key performance indicators (KPIs) for each use of proceeds category outlined in the Framework.

Table 1: Use of Proceeds Category, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria	KPIs
SDG 3: Good Health and Well-being	<ul style="list-style-type: none"> • Activities that strengthen the capacity of all countries, in particular developing countries, for provisions of free or subsidized healthcare, and early warning, risk reduction and management of health crises 	<ul style="list-style-type: none"> • Number of hospitals and other healthcare facilities built/upgraded • Number of health checks provided • Number of residents benefitting from healthcare which is otherwise not accessible
SDG 4: Quality Education	<ul style="list-style-type: none"> • Activities that expand access to primary, secondary, adult and vocational education • Activities that target women and minority inclusion in education • Activities that improve educational infrastructure 	<ul style="list-style-type: none"> • Number of educational institutions funded – location and type • Number of students supported • Number of years of education provided which is otherwise not accessible
SDG 6: Clean Water and Sanitation	<ul style="list-style-type: none"> • Activities that expand public access to safe and affordable drinking water • Activities that provide access to adequate sanitation facilities • Activities that improve water quality 	<ul style="list-style-type: none"> • Number of tonnes of clean water provided • Number of units of water hygiene equipment provided • Number of water infrastructure projects built i.e. dams, reservoirs

¹ Sustainalytics, “HSBC Sustainable Development Goals (SDG) Bond”, (2017), at: <https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/hsbc/hsbc-sustainable-development-goals-sdg-bond/hsbc-sdg-bond-framework-second-opinion-final13nov-pdf>

² In its Second-party Opinion, Sustainalytics assessed the Framework’s alignment with the requirements outlined in the ICMA 2017 Sustainability Bond Guidelines which have since been replaced by 2018 and 2021 versions.

	<ul style="list-style-type: none"> Activities that increase water-use efficiency through water recycling, treatment and reuse (including treatment of wastewater) 	
SDG 7: Affordable and Clean Energy	<ul style="list-style-type: none"> Generation of energy from renewable sources Construction / maintenance / expansion of associated distribution networks Manufacture of components of renewable energy technology Development of products or technology and their implementation that reduces energy consumption of underlying asset, technology, product or system(s) Improved efficiency in the delivery of bulk energy services Manufacture of components to enable energy efficiency 	<ul style="list-style-type: none"> KW of clean energy provided Number of tonnes of CO₂ avoided Number of household/residents benefitting from affordable and clean energy which is otherwise not accessible Number of solar farms or wind farms Location and type of solar or wind farms
SDG 9: Industry, Innovation and Infrastructure	<ul style="list-style-type: none"> Develop quality, reliable, sustainable infrastructure, (including regional and transborder), to support affordable and equitable access for all that will also benefit economic development and human well-being Upgrade and retrofit infrastructure to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes 	<ul style="list-style-type: none"> Length of low carbon tracks built Number of electric/hybrid/ low-emission vehicles provided Number of Smart Meters provided (cities / industry)
SDG 11: Sustainable Cities and Communities	<ul style="list-style-type: none"> Activities that expand or maintain the supply of affordable housing Activities that expand or maintain access to sustainable transport systems 	<ul style="list-style-type: none"> Number of households/residents Length of low carbon tracks built Number of electric/hybrid/ low-emission vehicles provided Number of tonnes of CO₂ avoided KW of clean energy provided Number of Smart Meters provided
SDG 13: Climate Action	<ul style="list-style-type: none"> Adaptation projects that demonstrably contribute to reducing vulnerability to climate change identified in the project area and do not increase carbon emissions 	<ul style="list-style-type: none"> Length of low carbon tracks built Number of electric/hybrid/ low-emission vehicles provided Number of tonnes of CO₂ avoided

Issuer's Responsibility

HSBC is responsible for providing accurate information and documentation relating to the details of the funded projects, including description of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of use of proceeds from HSBC's SDG Bonds. The work undertaken as part of this engagement included collection of documentation from HSBC and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by HSBC. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by HSBC.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,³ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds and reporting criteria outlined in the Framework. HSBC has disclosed to Sustainalytics that the proceeds from the SDG Bonds were fully allocated as at 30 June 2022.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the SDG Bonds to determine if projects aligned with the use of proceeds criteria outlined in the Framework and above in Table 1.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the projects funded with proceeds from the SDG Bonds to determine if impact of projects was reported in line with the KPIs outlined in the Framework and above in Table 1. For a list of KPIs reported, please refer to Appendix 1.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

³ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, estimated and realized costs of projects, and project impact, as provided by the Issuer, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendices

Appendix 1: Impact Reporting⁴

Use of Proceeds Category	Project Description	Location	KPIs	Amount Allocated (USD million)	Funded with Proceeds from (SDG Instrument Reference)
SDG 9	Loans for residential property build to LEED Platinum certification	US	LEED Platinum certification with CO ₂ emissions approximately 34% lower than an average equivalent building.	7.08	HSBC-SDG-001
SDG 7	Wind farm construction project financing	India	102.4 MW of renewable energy capacity installed	1.57	HSBC-SDG-001
SDG 6	Water supply aqueduct project financing	Mexico	47 million m ³ /year of water supplied to three cities of overall population of one million	5.45 ⁵	HSBC-SDG-001
SDG 9	Energy efficient campus project financing	UK	BREEAM Excellent certification	12.28 ⁶	HSBC-SDG-001
SDG 9	New green building capital expenditure	Dubai	LEED Gold certification	204.00	HSBC-SDG-001
SDG 9	New green building capital expenditure	UK	LEED Gold certification	181.00	HSBC-SDG-001
SDG 9	Loans for construction of Green commercial/office properties	US	LEED Gold certification with CO ₂ emissions approximately 34% lower than an average equivalent building	142.02	HSBC-SDG-001
SDG 9	Loans for residential property build to LEED Platinum certification	US	LEED Platinum certification with CO ₂ emissions approximately 34% lower than an average equivalent building.	32.95	HSBC-SDG-001
SDG 7	Loans for financing of wind farm	Australia	206 MW of renewable energy capacity installed	28.20 ⁷	HSBC-SDG-001
SDG 7	Loans for financing of wind farm	Mexico	164 MW of renewable energy capacity installed	18.05	HSBC-SDG-001
SDG 9	Loans for commercial green buildings	US	LEED Gold certification with CO ₂ emissions approximately 34% lower than an average equivalent building	119.13	HSBC-SDG-001
SDG 7	Loans for renewable energy – V120-2.2 MW wind turbine blades manufacturing	India	Improving the wind turbines to generate around 30 to 50 times more energy than it consumes during its entire lifecycle	54.44 ⁸	HSBC-SDG-001
SDG 9	Loans for the construction of green buildings	Hong Kong SAR	Green buildings obtaining BEAM Plus Platinum or Gold certification	90.22 ⁹	HSBC-SDG-001

⁴ Sustainalytics notes that instruments number HSBC-GCD-003 to HSBC-GCD-008 are green certificates of deposit, which were not specified as financial instruments to be issued under the Framework.

⁵ HSBC totaled allocated amounts in Mexican Peso then converted to US Dollar.

⁶ HSBC totaled allocated amounts in Pound sterling then converted to US Dollar.

⁷ HSBC totaled allocated amounts in Australian Dollar then converted to US Dollar.

⁸ HSBC totaled allocated amounts in Indian Rupee then converted to US Dollar.

⁹ HSBC totaled allocated amounts in Hong Kong Dollar then converted to US Dollar.

SDG 9	Loans for the acquisition and development of a residential property	Hong Kong SAR	Residential property to be renovated to certificate Provisional Gold or Provisional Platinum rating under BEAM Plus	103.60	HSBC-SDG-001
SDG 9	Financing the pre-operating expenses, construction costs and development charges of a skyscraper office tower	Malaysia	Obtaining Green Building Index (GBI) Gold certification	35.71 ¹⁰	HSBC-SDG-002
SDG 6	Financing the planning, design, supply, installation, construction, testing, commissioning and completion of water treatment plants	Malaysia	Water treatment plants with total capacity of processing up to 148 million litres per day	25.84	HSBC-SDG-002
SDG 9	Financing the cost for land acquisition, construction of plant, and purchase of machinery, in relation to the development and commissioning of a new Industrialised Building System ("IBS") plant	Malaysia	IBS minimizes the usage of timber due to the elimination of conventional timber formwork; this is good for the environment; minimal wastage at the factory and construction sites. IBS construction also promotes principally safer and systematic factory setting improving working conditions for the workforce.	4.76	HSBC-SDG-002
SDG 3	Financing healthcare – initiative to provide quality healthcare services for poor and low-income households, provides charity outpatient clinics and dialysis centres for underprivileged communities	Malaysia	1,351,185 patients treated since inception	20.91	HSBC-SDG-002
SDG 9	Financing a green building	Malaysia	Green Loan proceeds are to be applied to the financing of a building that is LEED Gold	26.25	HSBC-SDG-002
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	0.62	HSBC-SDG-003
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	0.13	HSBC-SDG-004
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	0.03	HSBC-SDG-005
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	0.16	HSBC-SDG-007
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	0.27	HSBC-SDG-009
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	0.09	HSBC-SDG-010
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	0.02	HSBC-SDG-011
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	0.46	HSBC-SDG-012
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	0.42	HSBC-SDG-013

¹⁰ HSBC totaled allocated amounts in Malaysian Ringgit then converted to US Dollar.

SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	0.14	HSBC-SDG-014
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	0.06	HSBC-SDG-015
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	0.03	HSBC-SDG-016
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	0.17	HSBC-SDG-017
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	0.11	HSBC-SDG-018
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	0.76	HSBC-SDG-019
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	0.21	HSBC-SDG-020
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	0.57	HSBC-SDG-021
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	0.34	HSBC-SDG-022
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	0.13	HSBC-SDG-023
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	0.67	HSBC-SDG-024
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	0.66	HSBC-SDG-025
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	0.06	HSBC-SDG-026
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	0.39	HSBC-SDG-027
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	0.99	HSBC-SDG-028
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	0.13	HSBC-SDG-029
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	1.14	HSBC-SDG-030
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	1.20	HSBC-GCD-003
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	1.57	HSBC-GCD-004
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	1.49	HSBC-GCD-005
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	0.02	HSBC-GCD-006
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	1.48	HSBC-GCD-007
SDG 7	GE turbines wind farms project financing	US	218 MW of renewable energy installed	1.85	HSBC-GCD-008
Total				1,129.82	

Appendix 2: Allocation Reporting

Issuance Type	Issuance Amount (USD million)	Assets coverage (USD million)	Variance (USD million)
SDG Bonds (Senior Debt)	1,113.47	1,113.47	0.00
Equity-Linked SDG Bonds (Structured Bonds)	8.28	8.74	0.46
Green Certificates of Deposit	7.61	7.61	0.00
Total	1,129.36	1,129.82	0.46

Appendix 2a: Allocation Reporting – SDG Bonds

Bond Internal Reference	Issuance Type	Issuance Amount (USD million)	Assets coverage (USD million)	Variance (USD million)
HSBC-SDG-001	SDG Bond	1,000.00	1,000.00	0.00
HSBC-SDG-002	SUKUK SDG Bond	113.47	113.47	0.00

Appendix 2b: Allocation Reporting – Equity-Linked SDG Bonds

Bond Internal Reference ¹¹	Issuance Type	Issuance Amount (USD million)	Assets coverage (USD million)	Variance (USD million)
HSBC-SDG-003	Equity-Linked SDG Bond	0.52	0.62	0.10
HSBC-SDG-004	Equity-Linked SDG Bond	0.13	0.13	0.00
HSBC-SDG-005	Equity-Linked SDG Bond	0.02	0.03	0.01
HSBC-SDG-007	Equity-Linked SDG Bond	0.14	0.16	0.03
HSBC-SDG-009	Equity-Linked SDG Bond	0.27	0.27	0.00
HSBC-SDG-010	Equity-Linked SDG Bond	0.05	0.09	0.04
HSBC-SDG-011	Equity-Linked SDG Bond	0.02	0.02	0.00
HSBC-SDG-012	Equity-Linked SDG Bond	0.45	0.46	0.01
HSBC-SDG-013	Equity-Linked SDG Bond	0.42	0.42	0.00
HSBC-SDG-014	Equity-Linked SDG Bond	0.14	0.14	0.00
HSBC-SDG-015	Equity-Linked SDG Bond	0.05	0.06	0.01
HSBC-SDG-016	Equity-Linked SDG Bond	0.03	0.03	0.00
HSBC-SDG-017	Equity-Linked SDG Bond	0.17	0.17	0.00
HSBC-SDG-018	Equity-Linked SDG Bond	0.11	0.11	0.00
HSBC-SDG-019	Equity-Linked SDG Bond	0.71	0.76	0.05
HSBC-SDG-020	Equity-Linked SDG Bond	0.18	0.21	0.03
HSBC-SDG-021	Equity-Linked SDG Bond	0.57	0.57	0.00
HSBC-SDG-022	Equity-Linked SDG Bond	0.24	0.34	0.10
HSBC-SDG-023	Equity-Linked SDG Bond	0.08	0.13	0.05
HSBC-SDG-024	Equity-Linked SDG Bond	0.67	0.67	0.00

¹¹ The Equity-Linked SDG Bonds with the internal reference HSBC-SDG-004, HSBC-SDG-005, HSBC-SDG-010, HSBC-SDG-015, HSBC-SDG-020 and HSBC-SDG-023 matured in 2022.

HSBC-SDG-025	Equity-Linked SDG Bond	0.66	0.66	0.00
HSBC-SDG-026	Equity-Linked SDG Bond	0.06	0.06	0.00
HSBC-SDG-027	Equity-Linked SDG Bond	0.39	0.39	0.00
HSBC-SDG-028	Equity-Linked SDG Bond	0.98	0.99	0.01
HSBC-SDG-029	Equity-Linked SDG Bond	0.13	0.13	0.00
HSBC-SDG-030	Equity-Linked SDG Bond	1.12	1.14	0.02

Appendix 2c: Allocation Reporting – Green Certificates of Deposit

Bond Internal Reference	Issuance Type	Issuance Amount (USD million)	Assets coverage (USD million)	Variance (USD million)
HSBC-GCD-003	Green Certificate of Deposit	1.20	1.20	0.00
HSBC-GCD-004	Green Certificate of Deposit	1.57	1.57	0.00
HSBC-GCD-005	Green Certificate of Deposit	1.49	1.49	0.00
HSBC-GCD-006	Green Certificate of Deposit	0.02	0.02	0.00
HSBC-GCD-007	Green Certificate of Deposit	1.48	1.48	0.00
HSBC-GCD-008	Green Certificate of Deposit	1.85	1.85	0.00

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