

HSBC SDG Bond

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Introduction

In 2017, 2018, 2019 and 2020, HSBC issued SDG bonds aimed at financing projects which advance UN Sustainable Development Goals 3, 4, 6, 7, 9, 11, and 13. In October 2021, 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.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded as of June 2021 based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the HSBC SDG Bond Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the HSBC SDG Bond Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs.

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria	Key Performance Indicators
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 Activities that increase water-use efficiency through water recycling, treatment and reuse (including treatment of wastewater) 	<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
SDG 7: Affordable	<ul style="list-style-type: none"> Generation of energy from renewable sources 	<ul style="list-style-type: none"> KW of clean energy provided Number of tonnes of CO₂ avoided

and Clean Energy	<ul style="list-style-type: none"> • 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"> • 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

Issuing Entity's Responsibility

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

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of HSBC's SDG Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from HSBC employees and review of documentation to confirm the conformance with the HSBC SDG Bond Framework.

Sustainalytics has relied on the information and the facts presented by HSBC with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct 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 over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,¹ nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of HSBC’s SDG Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the HSBC SDG Bond Framework. HSBC has disclosed to Sustainalytics that the proceeds of the sustainability bond were fully allocated as of June 30, 2021.

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 by the SDG bonds as of June 2021 to determine if projects aligned with the Use of Proceeds Criteria outlined in the HSBC SDG Bond Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the SDG bonds as of June 2021 to determine if impact of projects was reported in line with the KPIs outlined in the HSBC SDG Bond 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 criteria.	None

¹ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix

Appendix 1: List of projects funded & KPI's reported on

Project Description	Location	Amount Allocated (million USD) ²	Relevant SDG	Impact Reported
Loan to Wind Farm Project	USA	12.31	7 - Affordable and clean energy	218 MW of renewable energy capacity installed
Project Financing to Wind Farm	India	2.30	7 - Affordable and clean energy	100.8 MW of renewable energy capacity installed
Project Financing to Wind Farm	India	3.96	7 - Affordable and clean energy	102.4 MW of renewable energy capacity installed
Solar Farm project financing	USA	27.27	7 - Affordable and clean energy	100 MW of renewable energy capacity installed to power approx. 20,000 homes
Water Supply Aqueduct project financing	Mexico	7.31	6 - Clean water and sanitation	47 million m ³ /year of water supplied to 3 cities of overall population of 1 million
Dairy Processing Facility project financing	Sri Lanka	43.90	9 - Industry, Innovation and Infrastructure	Capacity to process 200,000 L of dairy per day and support national self-sufficiency
Project Financing to Energy Efficient Campus	UK	14.48	9 - Industry, Innovation and Infrastructure	New building to achieve BREEAM Excellent.
Energy Efficient Campus project financing	Singapore	25.88	9 - Industry, Innovation and Infrastructure	> 30% energy saving, BCA Green Mark Platinum certification
Construction of New Green Building	Dubai	204.00	9 - Industry, Innovation and Infrastructure	LEED Gold certification
Construction of New Green Building	UK	181.00	9 - Industry, Innovation and Infrastructure	LEED Gold certification
Loan to Commercial Property	USA	109.72	9 - Industry, Innovation and Infrastructure	LEED Gold certification with CO ₂ emissions approx. 34% lower than an average equivalent building.
Loan to New Green Hotel	USA	45.07	9 - Industry, Innovation and Infrastructure	LEED Gold certification with CO ₂ emissions approx. 34% lower than an average equivalent building.
Construction of Green commercial/office properties - LEED Platinum	USA	32.95	9 - Industry, Innovation and Infrastructure	Green building (residential) in the US - being built to Leadership in Energy and Environmental Design (LEED) Gold accreditation. CO ₂ emissions are c.34% lower in LEED buildings

² The total allocation reflects (in million USD) the fully allocated amount from the third SDG bond issuance (USD 1m), in addition to the outstanding balance from first and second SDG bond issuances which has since been allocated to eligible projects (USD 1,000m & MYR 500m).

				than in an average equivalent building.
Loan to Wind Farm	Australia	35.56	7 – Affordable and clean energy	206MW total capacity installed
Loan to Green Buildings	USA	120.75	9 - Industry, Innovation and Infrastructure	Green building (commercial) in the US - being built to Leadership in Energy and Environmental Design (LEED) Gold accreditation. CO2 emissions are c.34% lower in LEED buildings
Loan to Clean Transportation	China	150.28	11 – Sustainable Cities and Communities	Daily passenger-carrying capacity reaches 6.6m persons, supports over 40% of daily transportation volume in the city.
Financing for Skyscraper Office Tower	Malaysia	56.37	9 - Industry, Innovation and Infrastructure	Green Building Index (GBI) Gold certification
Financing for Water Treatment	Malaysia	31.73	6 - Clean water and sanitation	Water treatment plants with total capacity of processing up to 148 million litres per day
Financing for Green Buildings	Malaysia	7.46	9 - Industry, Innovation and Infrastructure	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.
Financing for Healthcare	Malaysia	22.16	3 – Good Health and Wellbeing	Initiative to provide quality healthcare services for poor and low-income households, provides charity outpatient clinics and dialysis centres for underprivileged communities. 1,351,185 patients treated since inception.
Financing Green Buildings	Malaysia	26.25	9 - Industry, Innovation and Infrastructure	Green Loan proceeds are to be applied to the financing of a building that is LEED Gold
Total Financed		1,160.70		

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