

HSBC Holdings plc Sustainable Development Goal (SDG) Framework

November 2017

HSBC 

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Important notice and forward-looking statements

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Information in this Document was prepared as of November 2017.

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HSBC's SDG Bond Framework

HSBC SDG Bond Framework

HSBC is a committed sustainable finance partner

- **HSBC has committed to provide USD100bn of sustainable financing and investment** by 2025 to develop clean energy, lower-carbon technologies and projects that contribute to the delivery of the Paris Agreement and the UN Sustainable Development Goals
- HSBC ranked by Global Capital as **#1 Most Impressive Bank in Asia Pacific Green/SRI Capital Markets, #2 for EMEA, #3 for Americas** – the only bank to be ranked in the top 3 for all global markets in 2017 (awarded Sept 2017)
- **HSBC awarded Best Underwriter in the Environmental Finance Green Bond Awards 2017** (awarded April 2017)
- HSBC is a **longstanding member of the ICMA² Green Bond Principles Executive Committee**
- HSBC was one of the **founding writers of the Social Bond Principles** and continues to work closely with ICMA on their development
- ICMA have also launched new **Sustainability Bond Guidelines** to provide guidance for bonds combining green and social projects, which HSBC supported
- **HSBC France issued its inaugural EUR500m Green Bond in 2015**
 - In September 2016 the first related progress report was published; proceeds were used across 20 projects/clients, of which 81% in Renewable Energy, 16% in Sustainable Waste Management and 2% in Energy Efficiency³



1. International Capital Market Association
2. 1% unallocated

HSBC SDG Bond Framework

Background to UN SDGs

In September 2015 the United Nations Sustainable Development Goals, known as the SDGs, were launched. They give a framework to end poverty and reverse human impacts for a more sustainable planet by 2050. The SDGs call for collaboration between all sectors: private, public, grass roots and governments¹.

- The need for private finance² for selected SDGs is summarised in the Appendix of this presentation
- HSBC supports the SDGs and expects to report further on them in our Annual Report and Accounts 2017



1. Source: United Nations
2. As identified by the United Nations

HSBC SDG Framework

Key features of HSBC's SDG Bond & Framework

The HSBC SDG Framework is an example of our strategic commitment to sustainability and support for our customers and clients in this important area

- Proceeds from the issuance of bonds which comply with the SDG Bond Framework will be used in defined Eligible Sectors relating to the SDGs as specified, further information on governance, reporting and indicative portfolio is provided on the following pages
- The defined Eligible Sectors under the HSBC SDG Framework are:



HSBC SDG Framework

Summary Eligible Sectors (1/2)

The full framework is available on our website



- **Eligibility criteria:** 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
- **Examples:** Hospitals; Healthcare centres; Training for medical professionals; Vaccines / medicines; Provision / distribution of healthcare equipment and services



- **Eligibility criteria:** 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
- **Examples:** Construction of schools; Construction of Campus; Construction of student housing; Educational grants; Training for educational professionals



- **Eligibility criteria:** 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
- **Examples:** Water supply & distribution; Water treatment facilities; Water saving systems, technologies and water metering; Training sessions / workshops to improve sanitation knowledge of less well off populations



- **Eligibility criteria:** Generation of energy from renewable sources; Construction / maintenance / expansion of associated distribution networks; Manufacture of components of renewable energy technology; Development and implementation of products or technology that reduces energy consumption;
- **Examples:** Renewable energy projects including wind, solar, small scale hydro and biomass and their associated components; Grid expansion / development that carries a minimum of 85% renewable Energy; Smart grids; Smart meters

HSBC SDG Framework

Summary Eligible Sectors (2/2)



- **Eligibility criteria:** Develop quality, reliable, sustainable infrastructure, 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
- **Examples:** Rail transportation projects for public use; Development of roads in areas that lack connectivity, or in areas lacking infrastructure; Communication projects including internet coverage and mobile phone usage



- **Eligibility criteria:** Activities that expand or maintain the supply of affordable housing; Activities that expand or maintain access to sustainable transport systems
- **Examples:** Rail transportation projects for public use; Development of roads in areas that lack connectivity, or in areas lacking infrastructure; Construction of Social Housing; Right to Buy schemes



- **Eligibility criteria:** Adaptation projects that demonstrably contribute to reducing vulnerability to climate change identified in the project area and do not increase carbon emissions
- **Examples:** Natural disaster prevention infrastructure; Education programmes to increase awareness and knowledge on climate related issues

Excluded sectors: Nuclear power generation; Weapons; Alcohol; Gambling / adult entertainment; Palm oil

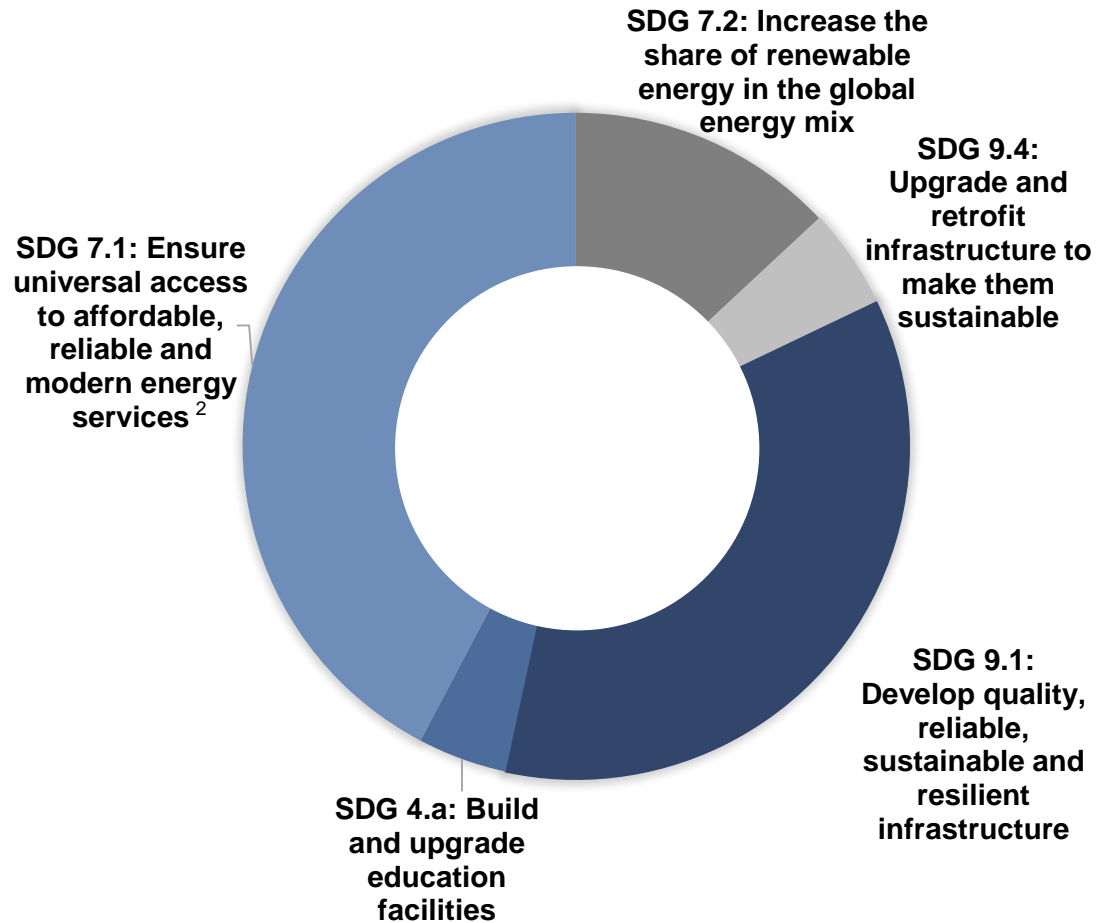
HSBC SDG Framework

Overview of HSBC SDG bond framework (new) versus HSBC Green bond framework (2015)

Framework component	HSBC Green bond	HSBC SDG bond
Use of Proceeds (Eligible sectors)	<ul style="list-style-type: none"> ▪ Renewable energy ▪ Energy efficiency ▪ Efficient buildings ▪ Sustainable waste management ▪ Sustainable land use ▪ Clean transportation ▪ Sustainable water management ▪ Climate change adaptation 	<ul style="list-style-type: none"> ▪ Good health and wellbeing (SDG 3) ▪ Quality education (SDG 4) ▪ Clean water and sanitation (SDG 6) ▪ Affordable and clean energy (SDG 7) ▪ Industry, innovation and infrastructure (SDG 9) ▪ Sustainable cities and communities (SDG 11) ▪ Climate action (SDG 13)
Process for Selection and Evaluation	<p>Business teams will identify potential green lending for HSBC Green Bond Use of Proceeds.</p> <p>The Green Bond Committee will review all new proposed and existing Use of Proceeds to determine their compliance with the HSBC Green Bond Framework.</p> <p>In all cases, Group Sustainability will have a final veto on eligibility decisions.</p>	<p>Business teams will identify potential SDG aligned lending for HSBC SDG Bond Use of Proceeds.</p> <p>The Green Bond Committee will review all new proposed and existing Use of Proceeds to determine their compliance with the HSBC SDG Bond Framework.</p> <p>In all cases, Group Sustainability will have a final veto on eligibility decisions.</p>
Management of Proceeds	<p>The Green Bond Committee will track the Use of Proceeds of its Green Bond(s) via HSBC internal information systems</p>	<p>The Green Bond Committee will track the Use of Proceeds of an HSBC SDG Bond(s) via HSBC internal information systems</p>
Reporting	<p>The HSBC Green Bond issuing entity will provide a Green Progress Report on an annual basis</p>	<p>The HSBC SDG Bond issuing entity will provide a SDG Progress Report on an annual basis</p>
External Review	<p>CICERO</p>	<p>Sustainalytics</p>
Ongoing Assurance	<p>PwC</p>	<p>Sustainalytics</p>

HSBC SDG Bond Framework

Illustrative Model Portfolio, split by SDG target¹



1. The chart above is an illustrative example of the manner in which net proceeds from issuances of bonds may be allocated in accordance with the SDG Framework, as opposed to a representation of how the net proceeds necessarily will be allocated throughout the term of the relevant bonds. The net proceeds may be allocated for any eligible project or business under the SDG Framework, and such allocations may change throughout the term of the relevant bonds

2. Refers to Renewable Energy in low-income countries

HSBC SDG Bond Framework

Independent Second Party Opinion – Sustainalytics



Sustainalytics, a global provider of environmental, social and corporate governance research, ratings and analysis, evaluated HSBC Holdings plc's SDG Bond Framework described in this Presentation and the alignment thereof with relevant industry standards, and has concluded that the SDG Bond Framework is robust and credible within the meaning of the Green Bond Principles, the Social Bond Principles and the Sustainability Bond Guidelines.

HSBC's ESG Profile

HSBC's ESG Profile

HSBC's commitments to support the transition to a low carbon economy

Context

- **Climate change** represents an urgent and irreversible threat to human society, as recognised by the **almost 200 countries** that have **signed the 2015 Paris Agreement** on climate change.
- An estimated **USD90 trillion of investment is needed** in new green infrastructure over the next 15 years – **double the current annual rate** of spending – just to keep the global temperature increase below two degrees.
- Major injections of **capital are needed** to pay for **more efficient and less carbon-intensive technologies** and **infrastructure**, to **reduce the carbon footprint** of established companies and industries, and to **cover the costs of climate adaptation**.

HSBC's Commitments

Provide **USD100bn of sustainable financing and investment** by 2025

- Provide USD 100bn of financing/investment to develop clean energy, lower-carbon technologies, and projects that contribute to the delivery of the Paris Agreement and the UN Sustainable Development Goals
- Lead the development of sustainable capital markets, support corporate and institutional clients in managing risks and promote sustainable investment products for retail and private banking clients

Source **100% of our electricity from renewables sources** by 2030 (**90% by 2025**)

- Use direct investment and direct purchases via PPAs and similar mechanisms that directly help the financing of new renewable electricity assets.
- Collaborate with RE100, governments and regulators to open up renewable energy markets where PPAs or similar are not currently available
- Reduce electricity per FTE by 20% by 2020

Reduce our exposure to **thermal coal** and actively **manage the transition** for other high carbon sectors

- Discontinue financing of new thermal coal mines (including new customers dependent on it) and new coal-fired power plants in developed countries and continuously reinforce lending criteria in developing countries
- Engage with clients in high carbon sectors to influence their transition strategies
- Continuously review our risk policies on low carbon technologies

Adopt recommendations of Task Force on Climate-related Financial Disclosures (**TCFD**)

- Report according to governance/ strategy/ risk management recommendations of the task force
- Engage with academia/ industry associations/ civil society networks to support robust climate scenario analysis to price transition and physical risk.
- Promote uptake of these recommendations across our global network

Lead and shape the **debate** around sustainable finance and investment

- Establish a Centre of Sustainable Finance to provide thought leadership about climate change and the role of the financial services sector.
- Promote the development of industry-wide definitions, standards, tools and metrics to enhance market analysis of ESG issues and impacts.

HSBC's ESG Profile

Spotlight on Sustainability Risk Policies

- HSBC is fully committed to its own sustainability approach and compliance with the sustainability commitments that we have made in the public domain
- HSBC recognises that we have responsibilities not only towards our customers, employees and shareholders, but also the countries and communities in which we operate. This means understanding and managing the impact we have on society and the environment, and investing in the future of our employees and the communities we serve
- HSBC Group Sustainability's mandate is to ensure that the business translates this recognition into practice.

Coal mining

- We issued an updated mining and metals policy in 2016, providing more details on human rights issues in the sector
- In effect this prohibits the financing of new thermal coal mines and new customers dependent on thermal coal mining
- This builds on our Energy Sector Policy, where HSBC was the first major international bank to restrict finance for coal-fired power plants
- We do not finance new coal-fired power plants that do not meet specific carbon intensity standards

Climate Change

- In addition a statement on climate change and our approach is available on our website
- HSBC expects to respond to the Financial Stability Board Task Force on Climate-related Financial Disclosures in our 2017 Annual Report and Accounts

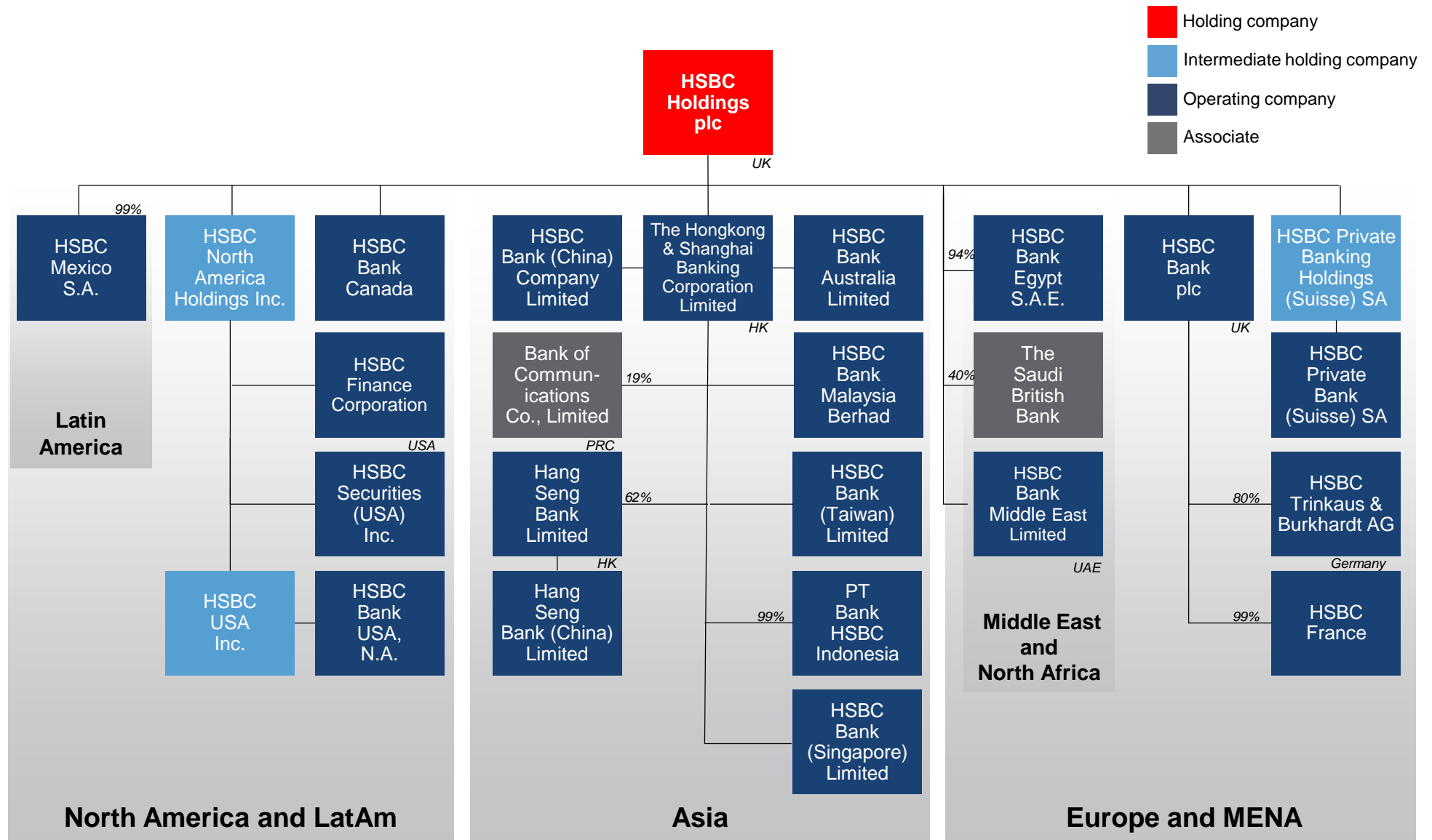
Palm oil

- In 2017 our Agriculture commodities policy was updated to include a "No Deforestation, No Peat and No Exploitation" commitment
- Since launching our first Forestry policy in 2004, we have been recognised as a leader by Forest 500 ranking, an independent analysis of companies, investors and governments on their commitment to preventing deforestation, an analysis carried out by a UK-based think tank

Appendix

Appendix

Simplified structure chart¹



1. As of 30 June 2017

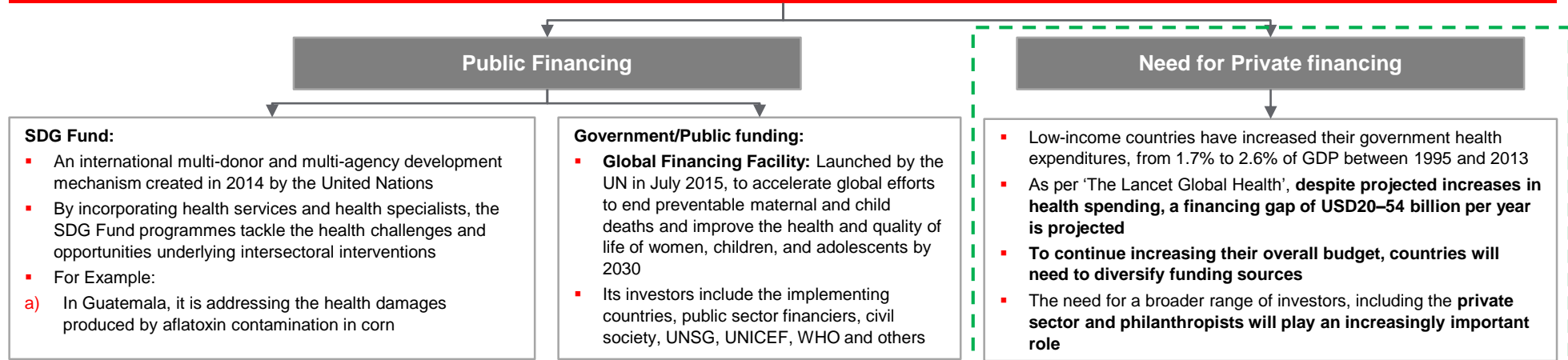
Appendix

SDG3: Good Health and Well-being For background purposes only



GOAL	<ul style="list-style-type: none"> Ensure healthy lives and promote well-being for all at all ages
TARGETS (by 2030)	<ul style="list-style-type: none"> Reducing global maternal mortality ratio to less than 70 per 100,000 live births End preventable deaths of newborns and children under 5 years of age End the epidemic of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases Reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being Ensure universal access to sexual and reproductive health-care services Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination

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SDG Fund	<ul style="list-style-type: none"> To bring together UN agencies, governments, civil society and business to address the challenges of poverty, promote the 2030 Agenda for Sustainable Development and achieve SDGs It works across the UN system, currently with 14 agencies, implementing joint programmes around the globe It is supporting joint programmes in 22 countries with an approximately USD70m budget National and international partners, including the private sector, provide approximately 58% of the resources through matching funds
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- In 2015, total official flows for medical research and basic health from all donor countries and multilateral organizations amounted to USD9.7 billion, an increase in real terms of 30% since 2010. Of that amount, the member countries of the Development Assistance Committee of OECD contributed USD4.3 billion

Appendix

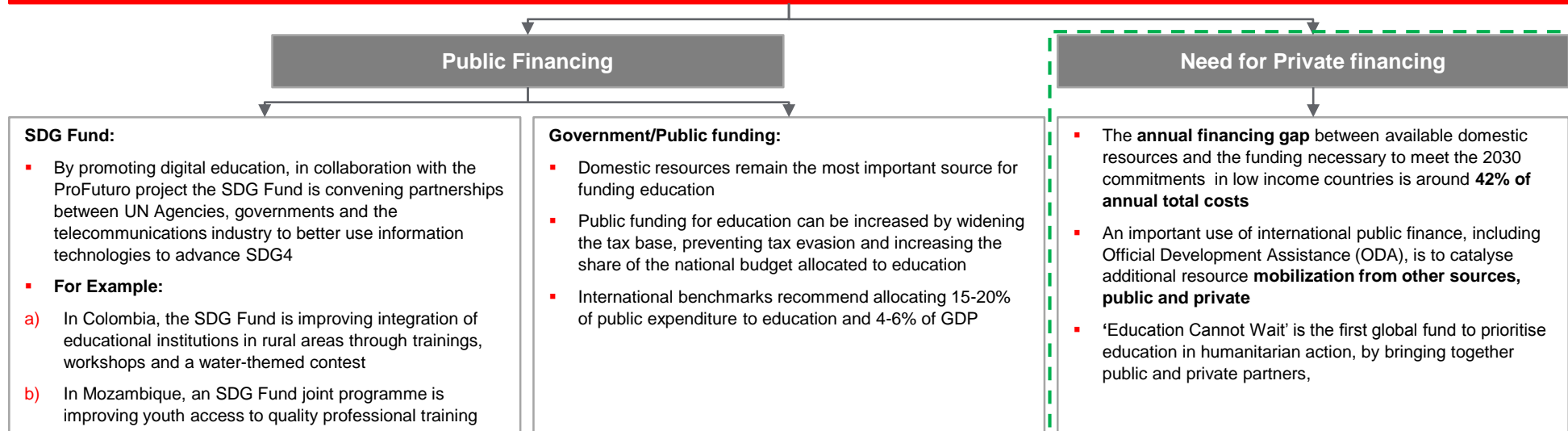
SDG4: Quality Education

For background purposes only



GOAL	<ul style="list-style-type: none"> Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
TARGETS (by 2030)	<ul style="list-style-type: none"> Ensure that all girls and boys complete free, equitable and quality primary and secondary education Ensure that all girls and boys have access to quality early childhood development, care and preprimary education so that they are ready for primary education Ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship Eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations Ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy

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- Financing the translation and implementation of SDG4 commitments will require higher levels of sustained funding**
- Official development assistance (ODA) for scholarships amounted to USD1 billion in 2015, a decrease from USD1.2 billion in 2014. Australia, France and the United Kingdom of Great Britain and Northern Ireland were the largest contributors

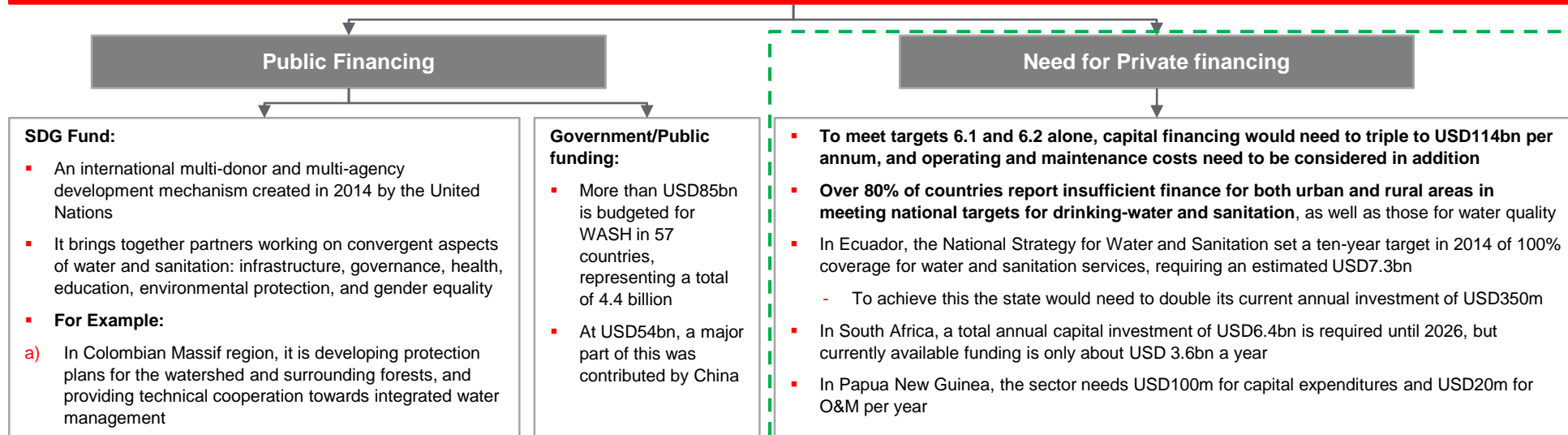
Appendix

SDG6: Clean Water and Sanitation For background purposes only



GOAL	<ul style="list-style-type: none"> Ensuring availability and sustainable management of water and sanitation for all
TARGETS (by 2030)	<ul style="list-style-type: none"> Providing access to safe and affordable drinking water for all (6.1) Access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations (6.2) Improve Water Quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials Substantially increase water-use efficiency and reduce the number of people suffering from water scarcity Implement integrated water resources management at all levels Protect and restore water-related ecosystems Expand international cooperation and capacity-building support to developing countries in water- and sanitation-related activities and programmes

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• **Meeting SDG6 targets will require large investments in terms of finance and resources**

• Official development assistance (ODA) for the water sector has been rising steadily, but has remained relatively constant as a proportion of total ODA disbursements, at approximately 5% since 2005. In 2015, ODA disbursements in the water sector totalled about USD8.6 billion, which represents an increase of 67% in real terms since 2005

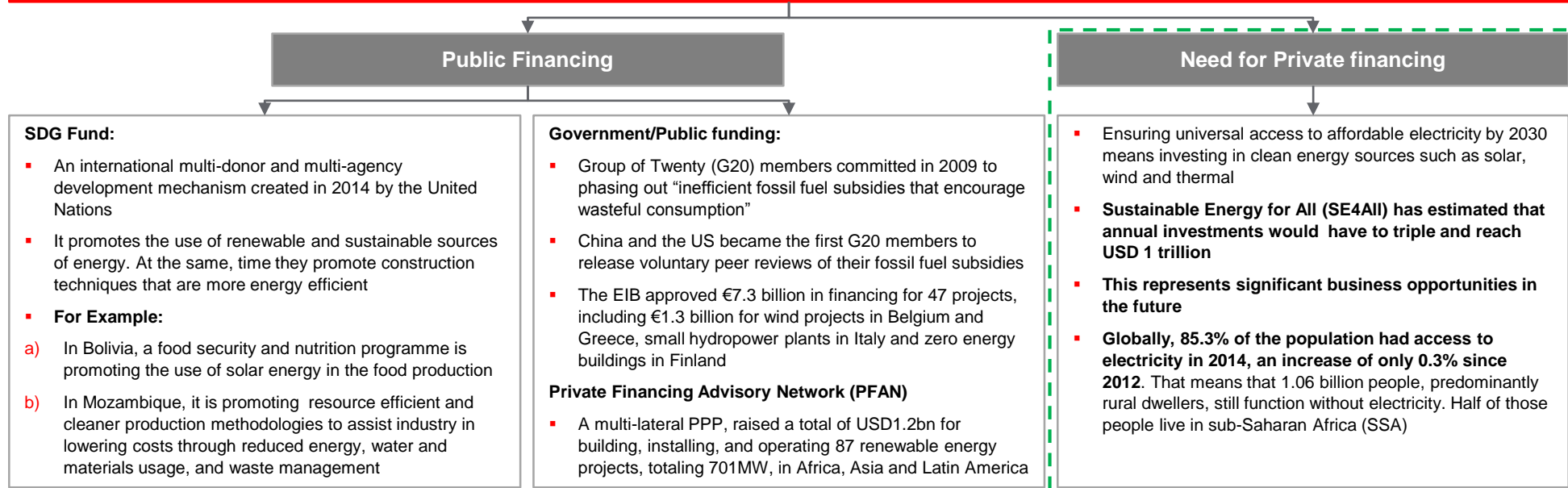
Appendix

SDG7: Affordable and Clean Energy For background purposes only



GOAL	<ul style="list-style-type: none"> ▪ Sustainable energy for all, to ensure universal access to modern energy services, improve efficiency and increase use of renewable sources
TARGETS (by 2030)	<ul style="list-style-type: none"> ▪ Ensure universal access to affordable, reliable and modern energy services ▪ Increase substantially the share of renewable energy in the global energy mix ▪ Double the global rate of improvement in energy efficiency ▪ Enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology ▪ Expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States, and land-locked developing countries, in accordance with their respective programmes of support

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▪ **While energy investment is flowing increasingly toward clean energy, it is not flowing at the rate necessary to achieve the SDG 7 goals**

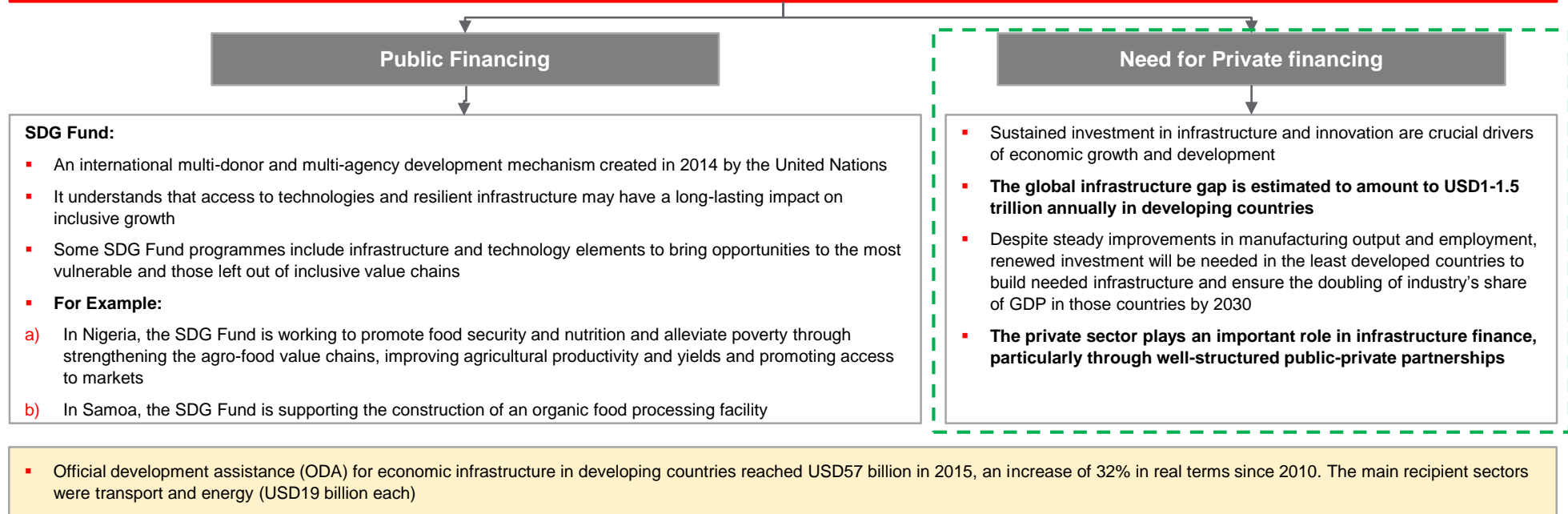
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SDG9: Industry, Innovation and Infrastructure For background purposes only



GOAL	<ul style="list-style-type: none"> Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation
TARGETS (by 2030)	<ul style="list-style-type: none"> Develop quality, reliable, sustainable and resilient infrastructure Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending

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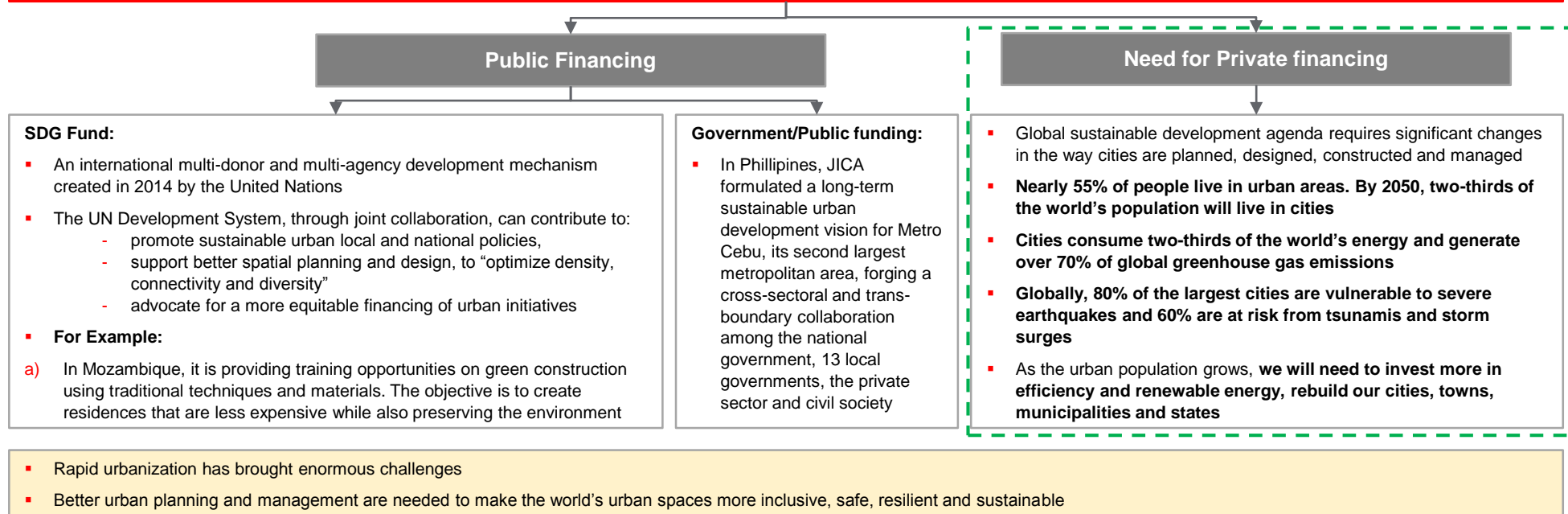
Appendix

SDG11: Sustainable Cities and Communities For background purposes only



GOAL	<ul style="list-style-type: none"> Make cities and human settlements inclusive, safe, resilient and sustainable
TARGETS (by 2030)	<ul style="list-style-type: none"> Ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums Provide access to safe, affordable, accessible and sustainable transport systems for all Enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries Significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters Reduce the adverse per capita environmental impact of cities Provide universal access to safe, inclusive and accessible, green and public spaces

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Appendix

SDG13: Climate Action

For background purposes only



GOAL	<ul style="list-style-type: none"> Take urgent action to combat climate change and its impacts
TARGETS	<ul style="list-style-type: none"> Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries Integrate climate change measures into national policies, strategies and planning Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning Promote mechanisms for raising capacity for effective climate change-related planning and management in least developed countries and small island developing States, including focusing on women, youth and local and marginalized communities

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