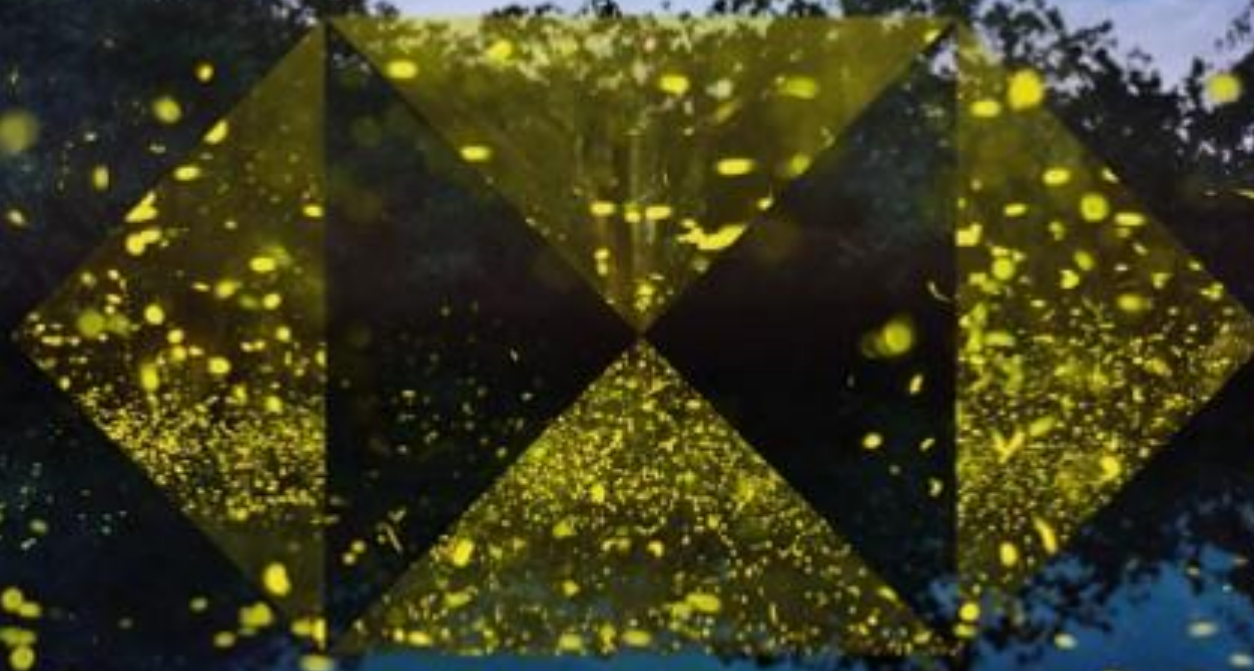


# HSBC Sustainable Finance and Investment Data Dictionary

December 2021



# HSBC Sustainable Finance and Investment

## Context and introduction

- The **transition to a low carbon, sustainable future** represents one of the **biggest opportunities and risks** for the global economy and society at large
- The financial services sector has an important role to play to help **enable the transition** of the real economy to achieve the UN's **Sustainable Development Goals**, including but not limited to the aims of the **Paris Agreement** on climate change and preserving biodiversity.
- HSBC set out in October 2020 an aim to align its **financed emissions to net-zero** by 2050 or sooner
- We seek to **support our customers with an aim to provide and facilitate \$750bn and \$1tn** of sustainable finance and investment<sup>1</sup> by 2030
- **Our sustainable finance and investment activities fall within three initiatives described at right**, with further details on reporting definitions and scope in the following pages

## Reporting structure and definitions overview

### Sustainable finance

- ◆ Financing solutions to enable clients' shift to sustainable and low-carbon activities
- ◆ Products and services include underwriting, direct lending, and trade and receivables finance with defined use of proceeds requirements consistent with market established principles
- ◆ Also includes sustainability-linked facilities with defined sustainability performance targets applied

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### Sustainable infrastructure

- ◆ Financing and investment solutions to direct capital to support sustainable energy, transport and related infrastructure
- ◆ Products and services include event finance and advisory, investment funds and other vehicles to connect investor capital to sustainable infrastructure projects
- ◆ Also includes underwriting of project bonds and debt capital markets activities with clear use of proceeds however which are not issued in a labelled sustainable bond format

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### Sustainable investment

- ◆ Investment solutions to help individuals and institutions to manage Environmental, Social and Governance (ESG) risks and invest in sustainability related opportunities
- ◆ Products and services include investment funds, structured products and other ESG related investment solutions provided by HSBC's Asset Management, Markets & Securities Services, Private Banking and Wealth businesses
- ◆ Also includes deposits designated to fund sustainable finance and investment activities

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# Sustainable finance (1/4)

Product	Definition	Reporting scope	Primary reference frameworks	Financing type
<b>Green, Social &amp; Sustainability Bonds</b>	<p>Bond issuances labelled as green, social or sustainable (GSS) as defined by the Green and/or Social Bond Principles (GBP, SBP) of the International Capital Markets Association (ICMA) or the Climate Bonds Initiative. Qualifying transactions may also include 'transition finance' issuances as set out in the Climate Transition Finance Handbook of the International Capital Markets Association (ICMA).</p> <p>This includes HSBC's own bond issuances.</p>	<p>Apportioned value of HSBC's participation in underwriting the issuance as a bookrunner in the transaction as reported by Dealogic. For private placements, apportioned value as per transaction documentation.</p>	<ul style="list-style-type: none"> <li>• <a href="#">ICMA Green and Social Bond Principles</a></li> <li>• <a href="#">ICMA Sustainability Bond Guidelines</a></li> <li>• <a href="#">Climate Bonds Initiative</a></li> <li>• <a href="#">ICMA Climate Transition Finance Handbook 2020</a></li> </ul>	Off-balance sheet
<b>Sustainability-Linked Bonds</b>	<p>Bond issuances aligned with the Sustainability Linked Bond Principles of the International Capital Market Association (ICMA) in which the financial and/or structural characteristics of the issuance may vary depending on whether the issuer achieves predefined sustainability performance targets (SPTs). SPTs should be material to the issuer's core sustainability and business strategy and address relevant environmental, social and/or governance challenges of the industry sector and be under management's control. Qualifying transactions may also include 'transition finance' issuances as set out in the Climate Transition Finance Handbook of the International Capital Markets Association (ICMA).</p>	<p>Apportioned value of HSBC's participation in underwriting of the issuance as reported by Dealogic. For private placements, apportioned value as per transaction documentation.</p>	<ul style="list-style-type: none"> <li>• <a href="#">ICMA Sustainability Linked Bond Principles</a></li> <li>• <a href="#">ICMA Climate Transition Finance Handbook 2020</a></li> </ul>	Off-balance sheet



## Sustainable finance (2/4)

Product	Definition	Reporting scope	Primary reference frameworks	Financing type
<b>Debt Capital Markets – Short term debt</b>	Short term debt issuances having the same characteristics as a bond, however, with a maturity date less than 18 months from the date of issuance and labelled as green, social or sustainable (GSS) as defined by the Green and/or Social Bond Principles (GBP, SBP) of the International Capital Markets Association (ICMA) or the Climate Bonds Initiative. The use of proceeds must align to one of the eligible project categories of the ICMA Green and Social Bond Principles, or the Climate Bonds Initiative.	Apportioned value of HSBC's participation in underwriting the issuance as a bookrunner in the transaction as reported by Dealogic. For private placements, apportioned value as per transaction documentation.	<ul style="list-style-type: none"> <li>• <a href="#">ICMA Green and Social Bond Principles</a></li> <li>• <a href="#">ICMA Sustainability Bond Guidelines</a></li> <li>• <a href="#">Climate Bonds Initiative</a></li> </ul>	On-balance sheet
<b>Green Loans</b>	Loans aligned to the Green Loan Principles (GLP) of the Loan Market Association (LMA), including any type of loan instrument made available exclusively to finance or re-finance, in whole or in part, new and/or existing eligible green projects (see notes).	Committed amount (limit at execution) of new facilities provided. The facility terms and conditions must reflect GLP requirements with monitoring and control of the facility incorporated into HSBC's normal credit process and annual review. The limit is sourced from HSBC's internal risk systems.	<ul style="list-style-type: none"> <li>• <a href="#">LMA Green Loan Principles</a></li> </ul>	On-balance sheet
<b>Other green qualified lending</b>	Lending for which the use of proceeds meet the criteria for eligible projects of the Green Loan Principles (GLP) of the Loan Market Association (LMA), however the facility is not otherwise labelled as a Green Loan. Facilities may include any type of loan, mortgage, trade or supply chain instrument made available exclusively to finance or re-finance in whole or in part, new and/or existing eligible green projects (see notes).	Committed amount (limit at execution) of new facilities provided. Local business teams identify qualifying lending and evidence of the use of proceeds. These facilities are reviewed on a case by case basis by HSBC's regional and global sustainability governance forums to ensure they comply with the use of proceeds requirements of the GLP. The limit is sourced from HSBC's internal risk systems.	<ul style="list-style-type: none"> <li>• <a href="#">LMA Green Loan Principles</a></li> </ul>	On-balance sheet

## Sustainable finance (3/4)

Product	Definition	Reporting scope	Primary reference frameworks	Financing type
<b>Social Loans</b>	Loans aligned to the Social Loan Principles (SLP) of the Loan Market Association (LMA), including any type of loan instrument made available exclusively to finance or re-finance, in whole or in part, new and/or existing eligible social projects (see notes).	Committed amount (limit at execution) of new facilities provided. The facility terms and conditions must reflect SLP requirements with monitoring and control of the facility incorporated into HSBC's normal credit process and annual review. The limit is sourced from HSBC's internal risk systems.	<ul style="list-style-type: none"> <li>• <a href="#">LMA Social Loan Principles</a></li> </ul>	On-balance sheet
<b>Other Social qualified lending</b>	Lending for which the use of proceeds meet the criteria for eligible projects of the Social Loan Principles (SLP) of the Loan Market Association (LMA), however the facility is not otherwise labelled as a Social Loan. Facilities may include any type of loan, mortgage, trade or supply chain instrument made available exclusively to finance or re-finance in whole or in part, new and/or existing eligible social projects (see notes).	Committed amount (limit at execution) of new facilities provided. Local business teams identify qualifying lending and evidence of the use of proceeds. These facilities are reviewed on a case by case basis by HSBC's regional and global sustainability governance forums to ensure they comply with the use of proceeds requirements of the SLP. The limit is sourced from HSBC's internal risk systems.	<ul style="list-style-type: none"> <li>• <a href="#">LMA Social Loan Principles</a></li> </ul>	On-balance sheet
<b>Sustainability-Linked Loans</b>	Loans aligned with Sustainability Linked Loan Principles (SLLP) of the Loan Market Association (LMA), including any type of loan, mortgage, trade or supply chain instrument for which the financial and/or structural characteristics of the instrument may vary depending on whether the borrower achieves predefined sustainability performance targets (SPTs). SPTs should be ambitious and meaningful to the borrower's business and should be tied to a sustainability improvement in relation to a predetermined performance target benchmark.	Committed amount (limit at execution) of new facilities. The facility terms and conditions must reflect SLLP requirements with monitoring and control of the facility incorporated into HSBC's normal credit process and annual review. The limit is sourced from HSBC's internal risk systems.	<ul style="list-style-type: none"> <li>• <a href="#">LMA Sustainability Linked Loan Principles</a></li> </ul>	On-balance sheet

## Sustainable finance (4/4)

Product	Definition	Reporting scope	Primary reference frameworks	Financing type
<b>Green Trade Finance</b>	Global Trade and Receivables Finance (GTRF) lending facilities aligned to the Green Loan Principles (GLP) of the Loan Market Association (LMA) and made available exclusively to finance or re-finance eligible green trade activities as evidenced by underlying transaction documents. Refinancing in the same calendar year will be excluded. Relevant GTRF products include: (i) trade loans; (ii) receivables finance; (iii) import / export finance; and commodity structured trade finance (CSTF).	Committed amount (limit at execution) of new facilities provided. The facility terms and conditions must reflect GLP requirements with monitoring and control of the facility incorporated into HSBC's normal credit process and annual review. The limit is sourced from HSBC's internal risk systems. Relevant GTRF facilities will be recognised when the four pillars of the GLP are met.	<ul style="list-style-type: none"> <li>• <a href="#">LMA Green Loan Principles</a></li> </ul>	On-balance sheet
<b>Sustainable Trade Instruments</b>	Global Trade and Receivables Finance (GTRF) contingent liability facilities aligned to HSBC's internal Sustainable Trade Instrument Principles which are based on the Green Loan Principles published by the Loan Market Association (LMA) and reference the United Nations Sustainable Development Goals (SDGs). GTRF contingent liability products include (i) guarantees; (ii) standby letter of credit; and (iii) documentary credit.	Limit amount (at deal execution) of new facilities provided. The facility terms and conditions must reflect SCP requirements with monitoring and control of the facility incorporated into HSBC's normal credit process and annual review. The limit is sourced from HSBC's internal risk systems and/or GTRF systems.	<ul style="list-style-type: none"> <li>• <a href="#">LMA Green Loan Principles</a></li> <li>• <a href="#">UN Sustainable Development Goals</a></li> </ul>	On-balance sheet
<b>Sustainable Supply Chain Finance</b>	Supply chain finance (SCF) programme through which the characteristics of funding provided to the client's suppliers may vary based on predefined sustainability performance metrics and thresholds in order to promote the sustainability objectives of the client in its supply chain. The metrics applied should be material to the client's core sustainability and business strategy and address relevant environmental, social and/or governance challenges within its supply chain.	Committed amount (limit at execution) of new facilities provided. The SCF programme must apply sustainability performance metrics to the funding provided to the client's suppliers. Monitoring and control of the facility is incorporated into HSBC's normal credit process and annual review. The limit is sourced from HSBC's internal risk systems and/or GTRF systems.	<ul style="list-style-type: none"> <li>• <a href="#">LMA Sustainability Linked Loan Principles</a></li> <li>• <a href="#">UN Sustainable Development Goals</a></li> </ul>	On-balance sheet

# Sustainable infrastructure – Event finance and advisory (1/1)

Product	Definition	Reporting scope	Primary reference frameworks	Financing type
<b>Debt Capital Markets (DCM)</b>	Corporate or project bond issued for a company or project classified as sustainable energy (e.g. wind, solar), low carbon transport or water infrastructure according to the activities listed under the energy, transport and water sections of the EU Sustainable Finance Taxonomy (see notes).	Apportioned value of HSBC's participation in underwriting the issuance as a bookrunner in the transaction as reported by Dealogic. For private placements, apportioned value as per transaction documentation.	<ul style="list-style-type: none"> <li>• <a href="#">EU Sustainable Finance Taxonomy</a></li> </ul>	Off-balance sheet
<b>Equity Capital Markets (ECM)</b>	Corporate or project equity issued for a company or project classified as sustainable energy (e.g. wind, solar), low carbon transport or water infrastructure according to the activities listed under the energy, transport and water sections of the EU Sustainable Finance Taxonomy (see notes).	Apportioned value of HSBC's participation in underwriting the issuance as a bookrunner in the transaction as reported by Dealogic.	<ul style="list-style-type: none"> <li>• <a href="#">EU Sustainable Finance Taxonomy</a></li> </ul>	Off-balance sheet
<b>Project Finance</b>	Project loan or other type of lending facility structured to finance a project which meets one of the use of proceeds requirements are classified as sustainable energy (e.g. wind, solar), low carbon transport or water infrastructure according to the activities listed under the energy, transport and water sections of the EU Sustainable Finance Taxonomy (see notes).	Committed amount (limit at execution) of new facilities provided, or the value of an increase provided to existing facilities. Facilities are managed and monitored by HSBC's Global Banking & Markets business. The limit is sourced from HSBC's internal risk systems.	<ul style="list-style-type: none"> <li>• <a href="#">EU Sustainable Finance Taxonomy</a></li> </ul>	On-balance sheet

# Sustainable investment (1/2)

Product	Definition	Reporting scope	Primary reference frameworks	Financing type
<b>ESG Enhanced</b>	<p>Investment funds and other investment products which intentionally invest in companies based on relative ESG performance.</p> <p>Common approaches include:</p> <ul style="list-style-type: none"> <li>• <b>ESG Improvers:</b> Strategies that focus on enhancing alpha by targeting ESG improving companies.</li> <li>• <b>ESG tilt:</b> Strategies that focus on delivering a specified outcomes (compared to benchmark) by enhancing portfolio exposure to strong performing ESG companies.</li> <li>• <b>ESG best-in-class:</b> High-conviction strategies that aim to invest in companies that are relatively more advanced in managing ESG risks/opportunities, across sectors.</li> </ul>	Net new flows for investment products provided by HSBC Asset Management and Markets & Securities Services, and 3rd party products and related investments distributed through HSBC's Insurance, Private Banking and Wealth businesses.	n/a	Investments
<b>Thematic</b>	<p>Investment funds and other investments products which actively invest in ESG related growth areas and trends by seeking out companies or sectors that align with specific sustainable outcomes, including strategies that provide exposure to transformative industry trends.</p> <p>Examples of themes related to the environment include low carbon transition readiness, clean energy, responsible consumption, natural capital.</p> <p>Examples of themes related to social issues include gender equality, health and education.</p>	Net new flows for investment products provided by HSBC Asset Management and Markets & Securities Services, and 3rd party products and related investments distributed through HSBC's Insurance, Private Banking and Wealth businesses.	n/a	Investments



## Sustainable investment (2/2)

Product	Definition	Reporting scope	Primary reference frameworks	Financing type
<b>Impact</b>	<p>Investment funds and other investments products seeking to deliver a direct, positive and measurable impact on society and/or the environment.</p> <p>Examples include investments in green and sustainable bonds, renewable energy, companies delivering positive outcomes through their products/services and projects or loans ring-fenced around social and/or environmental activities.</p>	Net new flows for investment products provided by HSBC Asset Management and Markets & Securities Services, and 3rd party products and related investments distributed through HSBC's Insurance, Private Banking and Wealth businesses.	n/a	Investment
<b>Green Deposit</b>	Customer deposits where the funds are allocated to finance eligible lending activities aligned to the Green Loan Principles (GLP) of the Loan Market Association (LMA) and HSBC's Green Bond Framework.	New funds (deposits) raised from institutional and corporate clients as well as individuals through green deposit and term deposit propositions provided by HSBC Global Liquidity & Cash Management and Wealth & Personal Banking (WPB) businesses.	<ul style="list-style-type: none"> <li>• <a href="#">LMA Green Loan Principles</a></li> <li>• <a href="#">HSBC Green Bond Framework</a></li> </ul>	Off-balance sheet
<b>Structured Green Bonds</b>	Structured bonds issued by HSBC through its Markets & Securities Services (MSS) business where the use of proceeds align to eligible projects of HSBC's Green and Sustainable Bond frameworks and the performance (return to the investor) is linked to an ESG market index or an ESG-linked basket of securities (based on Sustainalytics ESG scores) specified as part of the issuance. Reports on the use of proceeds are published annually. The structured bonds are not publicly traded.	Full value of the bond issuance as HSBC is the sole bookrunner. These transactions are private placements and are therefore not recorded or reported on by Dealogic. Issuances are provided by MSS are reviewed by an internal governance committee.	<ul style="list-style-type: none"> <li>• <a href="#">HSBC Green and Sustainable Bond Frameworks</a></li> </ul>	Off-balance sheet

# Governance

We define **sustainable finance and investment** as any form of financial service that integrates ESG criteria into business or investment decisions. This includes financing, investing and advisory activities that support the achievement of the United Nations Sustainable Development Goals (SDGs), including but not limited to the aims of the Paris Agreement on climate change.

## Product Design

- ◆ Product teams ensure that labelled sustainable finance and investment products adhere to
  - Our definitions
  - Available internal standards and industry guidelines where appropriate
  - General product governance

## Origination

- ◆ Labelled on-balance sheet sustainable finance activities, transactions require approval by sustainable finance forums to ensure alignment to internal standards and industry guidelines
- ◆ The forums include representatives with relevant expertise from; Corporate Sustainability, Reputational and Sustainability Risk, product specialists and business management
- ◆ On-balance sheet sustainable finance activities, facilities are monitored and controlled as part of annual client review processes
- ◆ Specialists within our Debt Capital Markets teams structure labelled issuances with clients

## Tracking and monitoring

- ◆ Qualifying transactions and investments are recorded and tracked through HSBC systems
- ◆ On-balance sheet sustainable finance facilities are tracked via internal systems and are reconciled with facilities approved by sustainable finance forums
- ◆ Capital market transactions are validated against external market data for labelled issuances

## External Disclosure

- ◆ Internal validation and is undertaken
- ◆ Disclosures follow internal review governance
- ◆ External assurance is provided on our annual disclosures

# Notes and additional references

## Notes:

1. We define sustainable finance and investment as any form of financial service that integrates ESG criteria into business or investment decisions. This includes financing, investing and advisory activities that support the achievement of the United Nations Sustainable Development Goals (SDGs), including but not limited to the aims of the Paris Agreement on climate change.
2. Apportioned value is calculated as the total issuance value divided by the number of bookrunners participating in the transaction. This methodology is recognised as the industry standard for debt capital markets reporting and league table positioning. Dealogic is an independent third party reporting platform.
3. We began tracking sustainable finance and investment in 2017, and continue to reflect new products in our reporting consistent with developments in the market and our own products and propositions. Additions since 2017 include Sustainability Linked Bonds (2020); Transition Bonds (2020); Green Loans (2018); Green Trade Loans (2019); Sustainable Trade Instruments (2020); and Social Loans (2021). Prior year values are not restated to reflect new products, which are reported only from the time they are introduced.
4. Sustainability Linked Loans and Sustainable Supply Chain Finance were introduced in 2018, however not previously included in the scope of reporting. These have been added from 2020 in order to reflect more fully our activities. We have also clarified our definitions for Sustainable Investments as reflected in this document.
5. Green loans, sustainability linked loans and other lending activity are reviewed by internal committees to validate that transactions meet agreed definitions and standards. Reporting is supported by committees of sustainability experts and controlled by Group Finance.
6. The EU Taxonomy is used as a reference framework only with regard to the classification activities provided. Transactions are not necessarily reviewed against metric & threshold criteria and do no significant harm requirements also set out in the EU Taxonomy.
7. Amounts are converted to USD at the time of recording the transaction as they are a point in time measurement and are not restated to adjust for changes in FX rates. For investments, conversion to USD is done at the time of reporting.
8. All assets under management of HSBC Global Asset Management (HGAM) are subject to ESG integration and corporate engagement as per HGAM's responsible investing policy.
9. Qualifying refinancing facilities include any of the following situations, where (i) an existing green/social-labelled facility is refinanced to support a new qualifying project; (ii) a standard facility is refinanced as a green/social-labelled facility with appropriate amendments to the terms and conditions; or (iii) the structure or product type is changed for a qualifying facility that had not previously been recorded as green/social qualified lending. Extensions to existing facilities that do not meet any one of the conditions stated above will not be counted toward the ambition.

## References:

- **HSBC How we do business**  
[www.hsbc.com/our-approach/how-we-do-business](http://www.hsbc.com/our-approach/how-we-do-business)
- **HSBC Green and Sustainability Bonds**  
<https://www.hsbc.com/investors/fixed-income-investors/green-and-sustainability-bonds>
- **HSBC Global Asset Management – Responsible investing**  
[www.global.assetmanagement.hsbc.com/about-us/responsible-investing](http://www.global.assetmanagement.hsbc.com/about-us/responsible-investing)
- **International Capital Markets Association – Sustainable Finance**  
<https://www.icmagroup.org/sustainable-finance>
- **Loan Market Association – Sustainable Lending**  
[www.lma.eu.com/sustainable-lending](http://www.lma.eu.com/sustainable-lending)
- **Climate Bonds Initiative**  
[www.climatebonds.net](http://www.climatebonds.net)

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# Disclaimer

## Important notice

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## Forward-looking statements

This communication contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements may be identified by the use of terms such as 'expects,' 'targets,' 'believes,' 'seeks,' 'estimates,' 'may,' 'intends,' 'plan,' 'will,' 'should,' 'potential,' 'reasonably possible' or 'anticipates,' variation of these words, the negative thereof or similar expressions. HSBC has based the forward-looking statements on current plans, information, data, estimates, expectations and projections about future events, and therefore undue reliance should not be placed on them. These forward-looking statements are subject to risks, uncertainties and assumptions about us, as described under 'Cautionary statement regarding forward-looking statements' contained in the HSBC Holdings plc Annual Report on Form 20-F for the year ended 31 December 2020, filed with the Securities and Exchange Commission ('SEC') on 24 February 2021 (the '2020 Form 20-F'), in other reports on Form 6-K furnished to or filed with the SEC subsequent to the 2020 Form 20-F ('Subsequent Form 6-Ks') and in our Annual Report and Accounts for the year ended 31 December 2021 available at [www.hsbc.com](http://www.hsbc.com) and which we expect to file with the SEC on Form 20-F on 23 February 2022 (the "2021 Form 20-F"). HSBC undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed herein might not occur. Investors are cautioned not to place undue reliance on any forward-looking statements, which speak only as of their dates. Additional information, including information on factors which may affect the Group's business, is contained in the 2020 Form 20-F, Subsequent Form 6-Ks and the 2021 Form 20-F.