HSBC Sustainable Finance and Investment Data Dictionary

December 2022

HSBC

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 to $1tn** of sustainable finance and investment[1] by 2030
- **Our sustainable finance and investment activities fall within three categories of initiatives described on the right**, with further details on reporting definitions and scope set out on the following pages

Reporting approach 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 products with defined and qualifying sustainability performance targets

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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 financing, 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 but 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, Private Banking and Wealth businesses

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Sustainable finance (1/4)

Product	Definition	Reporting scope	Primary reference frameworks	Financing type
Green, Social & Sustainability Bonds	Bond issuances labelled as green, social or sustainable (GSS) as defined by the Green Bond Principles (GBP), and/or Social Bond Principles (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 ICMA. The use of proceeds must align to the eligible project categories of the ICMA's GBP, SBP, or the Climate Bonds Initiative. This includes HSBC's own bond issuances.	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.	• ICMA Green and Social Bond Principles • ICMA Sustainability Bond Guidelines • Climate Bonds Initiative • ICMA Climate Transition Finance Handbook 2020	Off-balance sheet
Sustainability Linked Bonds	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 ICMA.	Apportioned value of HSBC's participation in underwriting of the issuance as a bookrunner in the transaction as reported by Dealogic. For private placements, apportioned value as per transaction documentation.	• ICMA Sustainability Linked Bond Principles • ICMA Climate Transition Finance Handbook 2020	Off-balance sheet

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Sustainable finance (2/4)

Product	Definition	Reporting scope	Primary reference frameworks	Financing type
Debt Capital Markets – Short term debt	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 Bond Principles (GBP) and/or the Social Bond Principles (SBP) of the International Capital Markets Association (ICMA) or the Climate Bonds Initiative. The use of proceeds must align to the eligible project categories of the ICMA's GBP, SBP, 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.	• ICMA Green and Social Bond Principles • ICMA Sustainability Bond Guidelines • Climate Bonds Initiative	Off-balance sheet
Green Loans	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 booked 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.	• LMA Green Loan Principles	On-balance sheet
Other green qualified lending	Lending which does not meet the Green Loan Principles (GLP) of the Loan Market Association (LMA), but where the use of proceeds align with the eligible categories for green projects recognised within the first pillar of the GLP. 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 booked at execution of new facilities provided. Local business teams identify qualifying lending and evidence of the use of proceeds. These facilities are reviewed by HSBC's regional and global sustainability governance forums to ensure the use of proceeds align with the eligible categories for green projects recognised within the first pillar of the GLP. The limit is sourced from HSBC's internal risk systems.	• LMA Green Loan Principles	On-balance sheet

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Sustainable finance (3/4)

Product	Definition	Reporting scope	Primary reference frameworks	Financing type
Social Loans	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 booked 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.	• LMA Social Loan Principles	On-balance sheet
Other Social qualified lending	Lending which does not meet the Social Loan Principles (SLP) of the Loan Market Association (LMA), but where the use of proceeds align with the eligible categories for social projects recognised within the first pillar of the SLP. 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 booked 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 the use of proceeds align with the eligible categories for social projects recognised within the first pillar of the SLP. The limit is sourced from HSBC's internal risk systems.	• LMA Social Loan Principles	On-balance sheet
Sustainability Linked Loans	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 booked 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.	• LMA Sustainability Linked Loan Principles	On-balance sheet

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Sustainable finance (4/4)

Product	Definition	Reporting scope	Primary reference frameworks	Financing type
Green Trade Finance	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; distribution and commodity structured trade finance (CSTF).	Committed amount / limit booked 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.	• LMA Green Loan Principles	On-balance sheet
Sustainable Trade Instruments	Global Trade and Receivables Finance (GTRF) contingent liability facilities aligned to HSBC's internal Sustainable Trade Instrument Principles (STIP) which are based on the Green Loan Principles (GLP) of 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 booked at deal execution of new facilities provided. The facility terms and conditions must reflect STIP 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.	• LMA Green Loan Principles • UN Sustainable Development Goals	On-balance sheet
Sustainable Supply Chain Finance	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 booked 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.	• LMA Sustainability Linked Loan Principles • UN Sustainable Development Goals	On-balance sheet

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Sustainable infrastructure (1/1)

Product	Definition	Reporting scope	Primary reference frameworks	Financing type
Debt Capital Markets (DCM)	Corporate or project bond issued by a company or project vehicle 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.	• EU Sustainable Finance Taxonomy	Off-balance sheet
Equity Capital Markets (ECM)	Corporate or project equity issued by a company or project vehicle 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.	• EU Sustainable Finance Taxonomy	Off-balance sheet
Project Finance	Project loan, other type of lending, trade instrument or supply chain facility structured to finance a project where 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 booked at execution of new facilities provided. Facilities are managed and monitored by HSBC's Global Banking & Markets business. The limit is sourced from HSBC's internal risk systems.	• EU Sustainable Finance Taxonomy	On-balance sheet

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Sustainable investment (1/2)

Product	Definition	Reporting scope	Primary reference frameworks	Financing type
ESG Enhanced	Investment funds and other investment products which intentionally invest in companies based on relative ESG performance. Common approaches include: • **ESG Improvers:** Strategies that focus on enhancing alpha by targeting ESG improving companies. • **ESG tilt:** Strategies that focus on delivering a specified outcomes (compared to benchmark) by enhancing portfolio exposure to strong performing ESG companies. • **ESG best-in-class:** High-conviction strategies that aim to invest in companies that are relatively more advanced in managing ESG risks/opportunities, across sectors.	Net new flows for investment products provided by HSBC Asset Management, and 3rd party products and related investments distributed through HSBC's Insurance, Private Banking and Wealth businesses.	n/a	Investments
Thematic	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. Examples of themes related to the environment include low carbon transition readiness, clean energy, responsible consumption, natural capital. Examples of themes related to social issues include gender equality, health and education.	Net new flows for investment products provided by HSBC Asset Management, and 3rd party products and related investments distributed through HSBC's Insurance, Private Banking and Wealth businesses.	n/a	Investments

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Sustainable investment (2/2)

Product	Definition	Reporting scope	Primary reference frameworks	Financing type
Impact	Investment funds and other investments products seeking to deliver a direct, positive and measurable impact on society and/or the environment. 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.	Net new flows for investment products provided by HSBC Asset Management, and 3rd party products and related investments distributed through HSBC’s Insurance, Private Banking and Wealth businesses.	n/a	Investment

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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.

We only include facilities as sustainable finance once they have been identified and validated by the relevant governance forums, that they qualify in accordance with the data dictionary.

Product Design

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

Origination and approval

- Labelled on-balance sheet sustainable finance products require approval by sustainable finance forums to ensure alignment to internal standards and relevant industry guidelines
- Sustainability performance targets (SPTs) for on-balance sheet sustainability linked products are -reviewed by sustainable finance forums to assess the level of ambition and the relevance to the issuer's ESG strategy
- The forums include representatives with relevant expertise from: corporate sustainability, reputational and sustainability risk, product specialists and business management
- Labelled sustainable finance debt products facilitated by HSBC are reviewed by governance forums to ensure that they are in line with sustainability risk appetite. The forums include representatives from: sustainable product specialists, reputational and sustainability risk , and business management

Tracking and monitoring

- Qualifying transactions and investments are recorded and tracked through HSBC systems
- Labelled on-balance sheet and debt sustainable finance products are monitored and controlled as part of annual client review processes to help ensure adherence to conditions and covenants applied to the relevant facility
- On-balance sheet sustainable finance products 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 assurance is undertaken
- Disclosures follow internal review governance
- External assurance is provided on our annual disclosures

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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. The data dictionary is reviewed annually to take into account the evolving standards, taxonomies and practices we deem appropriate. This includes updates to our product definitions, addition/deletion of qualifying products, enhancements to our internal standards, reporting and governance.
3. 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.
4. 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 Finance (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. In 2022, we have excluded Green Deposits and Structured Green Deposits from the data dictionary as part of our annual review process. Transition Bonds are included within the category of Sustainability Linked Bonds. Products which are excluded from the data dictionary as part of the annual review process are removed from the cumulative total reporting, including their contribution reflected in prior year values.
5. Sustainability Linked Loans and Sustainable Supply Chain Finance were introduced in 2018, however not previously included in the scope of reporting. These were added from 2020 in order to reflect more fully our activities.
6. Green Loans, Sustainability Linked Loans, other lending activity, and labelled debt products 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.
7. We continue to work together with industry bodies such as ICMA and LMA, with civic society and investor groups, to help build a robust set of standards and frameworks that govern sustainability linked facilities and help ensure their integrity.
8. The EU Sustainable Finance Taxonomy is used as a reference framework only with regard to the classification of activities provided within the Taxonomy. Transactions are not necessarily reviewed against metric and threshold criteria and “do no significant harm” requirements also set out in the EU Sustainable Finance Taxonomy.
9. 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 any changes in FX rates. For investments, conversion to USD is done at the time of reporting.
10. 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.
11. Where we refer to ‘new facilities’ in this document, that includes qualifying refinancing facilities. 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
- **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
- **International Capital Markets Association – Sustainable Finance** https://www.icmagroup.org/sustainable-finance
- **Loan Market Association – Sustainable Lending** www.lma.eu.com/sustainable-lending
- **Climate Bonds Initiative** www.climatebonds.net

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