

HSBC Holdings Plc.

Type of Engagement: Annual Review

Date: 4 December 2024

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Introduction

HSBC Holdings Plc. (“HSBC” or the “Bank”) issued eight SDG bonds between May 2020 and Jan 2021 (collectively, the “SDG Bonds”)¹ and raised USD 2.13 million aimed at financing projects that advance UN Sustainable Development Goals, specifically SDG 9. In November 2024, HSBC engaged Sustainalytics to review the projects financed with proceeds from the SDG Bonds (the “Nominated Expenditures”) and provide an assessment as to whether they meet the use of proceeds criteria and whether HSBC complied with the reporting commitments in the HSBC Sustainable Development Goal (SDG) Bond Framework (the “Framework”).² Sustainalytics provided a Second-Party Opinion on the Framework in November 2017.³ This is Sustainalytics’ third annual review of allocation and reporting of the instruments issued under the Framework, following previous reviews in November 2022 and November 2023.^{4,5}

Evaluation Criteria

Sustainalytics evaluated the Nominated Expenditures and HSBC’s reporting based on whether they:

1. Meet the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

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

Use of Proceeds Category	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 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. 	<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 The SDG Bonds are: SDG Bond I, issued in May 2020 with maturity in May 2025, raised USD 0.14 million; SDG Bond II, issued in June 2020 with maturity on June 2025, raised USD 0.25 million; SDG Bonds III and IV issued in July 2020 with maturity in July 2025, raised USD 0.45 million and USD 0.14 million, respectively; SDG Bonds V and VI issued in August 2020, with maturity in September 2025 and August 2025, raised USD 0.03 and USD 0.42 million, respectively; SDG Bond VII issued in September 2020 with maturity in September 2025, raised USD 0.24 million; SG Bond VIII issued in January 2021 with maturity in January 2026, raised USD 0.48 million.

² HSBC, “HSBC Sustainable Development Goal (SDG) Bond Framework”, (2017), at: <https://www.hsbc.com/-/files/hsbc/investors/fixed-income-investors/green-and-sustainability-bonds/pdfs/171115-hsbc-sdg-bond-framework.pdf?download=1>

³ Sustainalytics, “Second-Party Opinion, HSBC Sustainable Development Goals (SDG) Bond”, (2017), at: https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/hsbc-sdg-bond-framework_second-opinion_final13nov.pdf

⁴ Sustainalytics, “Annual Review, HSBC Holdings plc.”, (2022), at: <https://www.hsbc.com/-/files/hsbc/investors/fixed-income-investors/green-and-sustainability-bonds/pdfs/221216-hsbc-sdg-bonds-and-sukuk-annual-review-2022-sustainalytics.pdf?download=1>

⁵ Sustainalytics, “Annual Review, HSBC Holdings plc.”, (2023), at: <https://www.hsbc.com/-/files/hsbc/investors/fixed-income-investors/green-and-sustainability-bonds/pdfs/231218-hsbc-sdg-bonds-and-sukuk-annual-review-2023-sustainalytics.pdf?download=1>

	<ul style="list-style-type: none"> • Activities that improve water quality. • 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 or 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 or hybrid or low emission vehicles provided. • Number of smart meters provided (cities/industry).

Issuer’s Responsibility

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

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the 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,⁶ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Nominated Expenditures do not conform with the use of proceeds criteria and reporting commitments in the Framework. HSBC has disclosed to Sustainalytics that the proceeds from the SDG Bonds were fully allocated as of 30 June 2024.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of projects to determine alignment with the use of proceeds criteria outlined in the Framework.	The Nominated Expenditures comply with the use of proceeds criteria.	None
Reporting Criteria	Verification of projects or assets to determine if impact was reported in line with the KPIs outlined in the Framework.	HSBC reported on at least one KPI per use of proceeds category.	None

⁶ Sustainalytics' limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

Appendices

Appendix 1a: Allocation Reporting - Equity-Linked SDG Bonds

Table 3: Allocation of Proceeds from the Eligible Projects

Use of Proceeds Category	Funded with Proceeds from (SDG Instrument Reference) ⁷	Project Description	Location	Amount Allocated (USD million)
SDG9 - Industry, innovation and infrastructure	HSBC-SDG-007	Loans for commercial property build to LEED Gold certification	US	0.14
SDG9 - Industry, innovation and infrastructure	HSBC-SDG-009	Loans for commercial property build to LEED Gold certification	US	0.25
SDG9 - Industry, innovation and infrastructure	HSBC-SDG-012	Loans for commercial property build to LEED Gold certification	US	0.45
SDG9 - Industry, innovation and infrastructure	HSBC-SDG-014	Loans for commercial property build to LEED Gold certification	US	0.14
SDG9 - Industry, innovation and infrastructure	HSBC-SDG-016	Loans for commercial property build to LEED Gold certification	US	0.03
SDG9 - Industry, innovation and infrastructure	HSBC-SDG-019	Loans for commercial property build to LEED Gold certification	US	0.42
SDG9 - Industry, innovation and infrastructure	HSBC-SDG-022	Loans for commercial property build to LEED Gold certification	US	0.24
SDG9 - Industry, innovation and infrastructure	HSBC-SDG-025	Loans for commercial property build to LEED Gold certification	US	0.48
Total Amount Allocated				2.13
Total Proceeds Unallocated				0.00
Total Net Proceeds Raised				2.13

Appendix 1b: Allocation Reporting - Green Certificates of Deposit⁸

Table 4: Allocation of Proceeds from the Eligible Projects

Use of Proceeds Category	Funded with Proceeds from (SDG Instrument Reference)	Project Description	Location	Amount Allocated (USD million)
SDG9 - Industry, innovation and infrastructure	HSBC-GCD-003	Loans for commercial property build to LEED Gold certification	US	1.20

⁷ The Equity-Linked SDG Bonds with the internal reference HSBC-SDG-011, HSBC-SDG-018 and HSBC-SDG-024 matured in 2023.

⁸ 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.

SDG9 - Industry, innovation and infrastructure	HSBC-GCD-004	Loans for commercial property build to LEED Gold certification	US	0.78
SDG9 - Industry, innovation and infrastructure	HSBC-GCD-005	Loans for commercial property build to LEED Gold certification	US	0.74
SDG9 - Industry, innovation and infrastructure	HSBC-GCD-006	Loans for commercial property build to LEED Gold certification	US	0.02
SDG9 - Industry, innovation and infrastructure	HSBC-GCD-007	Loans for commercial property build to LEED Gold certification	US	0.69
SDG9 - Industry, innovation and infrastructure	HSBC-GCD-008	Loans for commercial property build to LEED Gold certification	US	1.04
Total Amount Allocated				4.47
Total Proceeds Unallocated				0.00
Total Net Proceeds Raised				4.47

Appendix 2: Reported Impact

Table 5: Reported Impact for the Equity-Linked SDG Bonds

Use of Proceeds Category	Funded with Proceeds from (SDG Instrument Reference)	Project Description	KPIs
SDG9 - Industry, innovation and infrastructure	HSBC-SDG-007	Loans for commercial property build to LEED Gold certification	LEED Gold certification with CO ₂ emissions approximately 34% lower than an average equivalent building
SDG9 - Industry, innovation and infrastructure	HSBC-SDG-009	Loans for commercial property build to LEED Gold certification	LEED Gold certification with CO ₂ emissions approximately 34% lower than an average equivalent building
SDG9 - Industry, innovation and infrastructure	HSBC-SDG-012	Loans for commercial property build to LEED Gold certification	LEED Gold certification with CO ₂ emissions approximately 34% lower than an average equivalent building
SDG9 - Industry, innovation and infrastructure	HSBC-SDG-014	Loans for commercial property build to LEED Gold certification	LEED Gold certification with CO ₂ emissions approximately 34% lower than an average equivalent building
SDG9 - Industry, innovation and infrastructure	HSBC-SDG-016	Loans for commercial property build to LEED Gold certification	LEED Gold certification with CO ₂ emissions approximately 34% lower than an average equivalent building
SDG9 - Industry, innovation and infrastructure	HSBC-SDG-019	Loans for commercial property build to LEED Gold certification	LEED Gold certification with CO ₂ emissions approximately 34% lower

			than an average equivalent building
SDG9 - Industry, innovation and infrastructure	HSBC-SDG-022	Loans for commercial property build to LEED Gold certification	LEED Gold certification with CO ₂ emissions approximately 34% lower than an average equivalent building
SDG9 - Industry, innovation and infrastructure	HSBC-SDG-025	Loans for commercial property build to LEED Gold certification	LEED Gold certification with CO ₂ emissions approximately 34% lower than an average equivalent building

Table 6: Reported Impact for the Green Certificates of Deposit

Use of Proceeds Category	Funded with Proceeds from (SDG Instrument Reference)	Project Description	KPIs
SDG9 - Industry, innovation and infrastructure	HSBC-GCD-003	Loans for commercial property build to LEED Gold certification	LEED Gold certification with CO ₂ emissions approximately 34% lower than an average equivalent building
SDG9 - Industry, innovation and infrastructure	HSBC-GCD-004	Loans for commercial property build to LEED Gold certification	LEED Gold certification with CO ₂ emissions approximately 34% lower than an average equivalent building
SDG9 - Industry, innovation and infrastructure	HSBC-GCD-005	Loans for commercial property build to LEED Gold certification	LEED Gold certification with CO ₂ emissions approximately 34% lower than an average equivalent building
SDG9 - Industry, innovation and infrastructure	HSBC-GCD-006	Loans for commercial property build to LEED Gold certification	LEED Gold certification with CO ₂ emissions approximately 34% lower than an average equivalent building
SDG9 - Industry, innovation and infrastructure	HSBC-GCD-007	Loans for commercial property build to LEED Gold certification	LEED Gold certification with CO ₂ emissions approximately 34% lower than an average equivalent building
SDG9 - Industry, innovation and infrastructure	HSBC-GCD-008	Loans for commercial property build to LEED Gold certification	LEED Gold certification with CO ₂ emissions approximately 34% lower than an average equivalent building

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