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Independent Limited Assurance Report to the Directors of HSBC Holdings plc on the use of bond proceeds

Our limited assurance conclusion

Based on the procedures we have performed, as described under “Summary of work performed” and in the “Key Assurance Matters” section below, and the evidence we have obtained, nothing has come to our attention that causes us to believe that the information marked with the **A** symbol in HSBC Holdings plc’s (“HSBC’s”) Green Bond Report for the year ended 30 June 2023 (the “Report”) and summarised below (together, the ‘Subject Matter Information’), has not been prepared, in all material respects, in accordance with HSBC’s Green Bond Framework (the ‘Reporting Criteria’), available at <https://www.hsbc.com/investors/fixed-income-investors/green-and-sustainability-bonds>¹.

What we were engaged to assure

The Subject Matter Information, which covers the use of proceeds for HSBC’s Green Bonds, needs to be read and understood together with the Reporting Criteria which HSBC’s Directors are solely responsible for selecting and applying. The Subject Matter Information and the Reporting Criteria are as set out in the table in Appendix A.

The scope of our work did not extend to information in respect of earlier periods or to any other information included in, or linked from, the Report.

Our work

Professional standards applied

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) ‘Assurance Engagements other than Audits or Reviews of Historical Financial Information’, issued by the International Auditing and Assurance Standards Board.

Our independence and quality control

We have complied with the Institute of Chartered Accountants in England and Wales’ Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, that are at least as demanding as the applicable provisions of the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards).

We apply International Standard on Quality Management (UK) 1 and accordingly maintain a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of work performed

We performed a limited assurance engagement. As a limited assurance engagement can vary, we give more detail about the procedures performed, so that the intended users can understand the nature, timing and extent of the procedures we performed as context for our conclusion. These procedures vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

In performing our limited assurance procedures, which were based on our professional judgement, we performed the following:

- Obtained an understanding of the process of how the Reporting Criteria are developed;
- Obtained an understanding of HSBC’s control environment, processes and systems relevant to the preparation of the Subject Matter Information. Our limited assurance procedures did not include assessing the adequacy of control activities through performing design or operating effectiveness testing;
- Performed limited substantive testing on a selective basis of the Subject Matter Information. Testing involved:
 - Inspecting information on the underlying projects in loan agreements and assessing whether this was consistent with the Reporting Criteria. Our procedures did not include inspecting the existence of the underlying supporting assets to which use of proceeds are allocated;
 - Inspecting evidence of review and approval of loans by the Global Sustainability Treasury Committee;
 - Comparing records maintained in HSBC’s loan management systems to information used to prepare the Subject Matter Information;

¹ The maintenance and integrity of HSBC’s website is the responsibility of the Directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Subject Matter Information or Reporting Criteria when presented on HSBC’s website.

- Comparing exchange rates used to independent external sources; and
- Comparing the disclosures of the Subject Matter Information in HSBC's Green Bond Report to use of proceeds tested.

Materiality

We are required to plan and perform our work to address the areas where we have identified that a material misstatement of the Subject Matter Information is likely to arise. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our procedures in support of our conclusion. We believe that it is important that the intended users have the information they need to understand the concept and the level of materiality to place our conclusion in context. Based on our professional judgement, we determined materiality for the Subject Matter Information as follows:

Overall materiality	<p>Materiality differs depending upon the nature of the Subject Matter Information. We apply professional judgement to consider the most appropriate materiality benchmark for each aspect of the Subject Matter Information, having considered how the intended users may use the information.</p> <p>For use of proceeds of each bond in the list in Appendix A, 5% of HSBC's reported use of proceeds has been set as the threshold.</p> <p>The threshold means that a misstatement of 5%, either as an individual misstatement or as an aggregate of smaller misstatements, would lead us to conclude that the Subject Matter Information had not been prepared in all material respects in accordance with the Reporting Criteria.</p>
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We also agreed to report to the Directors misstatements ('reportable misstatements') identified during our work at a level below overall materiality, as well as misstatements below that lower level that in our view warranted reporting for qualitative reasons. The Directors are responsible for deciding whether adjustments should be made to the Subject Matter Information in respect of those items.

Key assurance matters

We considered the following areas to be those that required our particular focus and discussed these areas with HSBC's management. This is not a complete list of all areas of focus identified by our work.

Classification of loans in accordance with HSBC's Green Bond Framework	
Nature of the issue	HSBC uses proceeds from Green Bonds, Certificates and Deposits to fund facilities for the purpose of an asset within an Eligible Sector. Eligible Sectors are defined on page 4 of HSBC's Green Bond Framework. Classification of an asset as relating to an Eligible Sector is subjective and involves management applying judgement. There is a risk that the underlying assets of the loans are inappropriately classified as relating to an Eligible Sector.
How our work addressed the key assurance matter	<p>The following procedures were performed on a selective basis and are supplementary to those set out above:</p> <ul style="list-style-type: none"> • Inspected documentation of monitoring performed by HSBC to validate that funds are being used for the assets agreed within the loan agreements, and; • Inspected certifications (such as BREEAM and LEED) as defined by the Eligible Sector section of the HSBC Reporting Criteria.
Element(s) of the Subject Matter Information most significantly impacted	Use of proceeds disclosures on pages 11 to 26 of the HSBC Green Bond Report 2023

Challenges of non-financial information

The absence of a significant body of established practice upon which to draw to evaluate and measure non-financial information allows for different, but acceptable, evaluation and measurement techniques that can affect comparability between entities, and over time. In particular the basis for the use of bond proceeds may differ between different reporting frameworks, including whether proceeds may be used for existing loans or only to new loans, and the basis on which eligibility of an asset is determined.

Non-financial information is subject to more inherent limitations than financial information, given the characteristics of the underlying subject matter and the methods used for measuring or evaluating it. The precision of different measurement techniques may also vary.

Reporting on Other Information

The other information comprises all of the information in the Report other than the Subject Matter Information and our assurance report. The Directors are responsible for the Subject Matter information and other information. As explained above, our conclusion does not extend to the other information and, accordingly, we do not express any form of assurance thereon. In connection with our assurance of the Subject Matter Information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Subject Matter Information or our knowledge obtained during the assurance engagement, or otherwise appears to contain a material misstatement of fact. If we identify an apparent material inconsistency or material misstatement of fact, we are required to perform procedures to conclude whether there is a material misstatement of the Subject Matter Information or a material misstatement of the other information, and to take appropriate actions in the circumstances.

HSBC's responsibilities

HSBC's management are responsible for:

- determining appropriate reporting topics and selecting or establishing suitable criteria for measuring or evaluating the underlying subject matter;
- ensuring that those criteria are relevant and appropriate to HSBC and the intended users of the Report;
- the preparation of the Subject Matter Information in accordance with the Reporting Criteria including designing, implementing and maintaining systems, processes and internal controls over the evaluation or measurement of the underlying subject matter to result in Subject Matter Information that is free from material misstatement, whether due to fraud or error;
- documenting and retaining underlying data and records to support the Subject Matter Information; and
- producing the Report and providing a balanced reflection of HSBC's performance in this area and discloses, with supporting rationale, matters relevant to the intended users of the Report and
- producing a statement of HSBC's responsibility, as set out on page 4 of the Report.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Subject Matter Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Directors of HSBC.

Use of our report

Our report, including our conclusion, has been prepared solely for the Directors of HSBC in accordance with the agreement between us dated 23 November 2023 (the "agreement"). To the fullest extent permitted by law, we do not accept or assume responsibility or liability to anyone other than the Board of Directors and HSBC for our work or our report except where terms are expressly agreed between us in writing.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Chartered Accountants
London
14 December 2023

Appendix A

The reporting criteria for all the bonds listed in the table below: HSBC Green Bond Framework dated 6 November 2015 available at <https://www.hsbc.com/investors/fixed-income-investors/green-and-sustainability-bonds>

Use of proceeds disclosures (Subject Matter Information) is on pages 11 to 26 of the HSBC Green Bond Report 2023.

HSBC Reference	ISIN number	Bond issue date	Tenor (years)	Curr	Subject Matter Information: Use of proceeds as at 30 June 2023 (m)
HSBC-GRB-006	XS1917601582	27/11/2018	6	EUR	1,250.0
HSBC-GRB-015	TW000G133227	25/12/2020	5	TWD	3,000.0
HSBC-GRB-002	FR0013224334	27/03/2017	8	EUR	38.0
HSBC-GRB-003	FR0013294352	20/11/2017	15	EUR	40.0
HSBC-GRB-004	FR0013298189	05/12/2017	15	EUR	50.0
HSBC-GRB-005	FR0013336013	01/05/2018	15	EUR	100.0
HSBC-GRB-007	FR0013432846	29/07/2019	6	USD	0.1
HSBC-GRB-008	FR0013432861	29/07/2019	4	USD	0.7
HSBC-GRB-009	FR0013440864	13/08/2019	4	USD	1.3
HSBC-GRB-016	FR0013483161	18/02/2020	12	EUR	20.0
HSBC-GRB-022	XS2346727543	19/05/2021	5	EUR	3.9
HSBC-GRB-023	XS2349901285	28/05/2021	5	EUR	2.2
HSBC-GRB-024	XS2357952998	18/06/2021	5	EUR	7.0
HSBC-GRB-029	GBooBN08SM29	20/08/2021	6	GBP	9.4
HSBC-GRB-030	XS2390403140	17/09/2021	5	EUR	1.4
HSBC-GRB-032	GBooBP1TBT64	22/12/2021	7	GBP	4.5
HSBC-GRB-033	XS2366184716	28/07/2021	3	JPY	1,500.0
HSBC-GRB-036	XS2499652787	30/06/2022	4	GBP	1.0
HSBC-GRB-037	XS2500318402	19/07/2021	4	USD	1.1
HSBC-GRB-038	XS2530261622	15/09/2022	4	GBP	1.0
HSBC-GRB-039	XS2531668601	19/09/2022	1	USD	5.2
HSBC-GRB-040	XS2493709328	23/09/2022	1	USD	1.0
HSBC-GRB-041	XS2606994072	13/04/2023	1	USD	20.0
HSBC-GSD-010	S259014	07/07/2021	2	CNY	5.6
HSBC-GSD-012	S259635	05/08/2021	2	CNY	11.3
HSBC-GSD-013	S260015	23/08/2021	2	CNY	44.5
HSBC-GSD-014	S260312	09/09/2021	2	CNY	18.0
HSBC-GSD-015	S260541	17/09/2021	2	CNY	24.5

HSBC Reference	ISIN number	Bond issue date	Tenor (years)	Curr	Subject Matter Information: Use of proceeds as at 30 June 2023 (m)
HSBC-GSD-016	S260688	28/09/2021	2	CNY	13.0
HSBC-GSD-017	S260922	15/10/2021	2	CNY	21.7
HSBC-GSD-018	S260919	15/10/2021	2	CNY	8.9
HSBC-GSD-019	P348537	27/10/2021	2	CNY	17.2
HSBC-GSD-020	P348542	27/10/2021	2	CNY	8.5
HSBC-GSD-021	P349061	05/11/2021	2	CNY	5.6
HSBC-GSD-022	P349752	12/11/2021	2	CNY	24.2
HSBC-GSD-023	P349966	16/11/2021	2	CNY	7.7
HSBC-GSD-024	P350906	26/11/2021	2	CNY	8.1
HSBC-GSD-025	P351765	10/12/2021	2	CNY	13.2
HSBC-GSD-026	P352190	23/12/2021	3	CNY	1.5
HSBC-GSD-027	P352195	23/12/2021	3	CNY	1.5
HSBC-GSD-028	P353373	11/01/2022	2	CNY	6.3
HSBC-GSD-029	P353382	11/01/2022	2	CNY	4.5
HSBC-GSD-030	P354663	20/01/2022	2	CNY	3.9
HSBC-GSD-031	P355727	28/01/2021	2	CNY	4.1
HSBC-GSD-032	P357308	15/02/2022	2	CNY	4.3
HSBC-GSD-033	P357306	15/02/2022	2	CNY	1.3
HSBC-GSD-034	P358583	28/02/2022	2	CNY	6.6
HSBC-GSD-035	P358584	29/02/2022	2	CNY	1.6