INTRODUCTION

“HSBC stands ready to play its full part, and to work with all of our peers and partners to build the climate-friendly future to which we all aspire.”

Stuart Gulliver, HSBC, Group Chief Executive

Over the past decade green bonds have entered the corporate mainstream. As companies transition towards a low-carbon economy this is fuelling huge growth in the green bond market. The Climate Bond Initiative estimates that the total amount of green bonds issued in 2017 could reach $130bn compared to $82bn in 2016 and just $4bn in 2010. HSBC’s 2017 sustainable finance survey, conducted on issuers and investors, found that over half (53%) now have strategies in place to reduce the environmental impact of the organisation while 59% have investment plans in place to make their business more operationally sustainable, with strong growth noted in both Europe and Asia. However, it has been estimated that approximately $100trillion of additional investment will be required between 2016 and 2030 to meet global development needs in a way that is climate compatible through financing clean energy infrastructure, sustainable transport, energy efficiency and waste management. Further growth and diversification of the market remain key targets.

Since 2003, when HSBC was among the founding signatories of the Equator Principles, establishing an environmental risk management framework for banks, the bank has been at the forefront in supporting growth and innovation in the market for sustainable finance. HSBC remains committed to our membership of the ICMA Green Bond Principles having become one of the first banks to support those principles in 2014 working with others to establish clear and consistent rules for green investing. HSBC issued our first Green Bond in 2015 raising EUR 500 million. In 2018, HSBC will publish its annual report in accordance with the Task Force on Climate-related Financial Disclosures recommendations on governance, strategy and risk management, as part of our commitment to improve transparency on ESG investing.

HSBC aims to help the green bond market grow by facilitating market dialogue and helping clients find appropriate finance solutions to release their green potential. In 2016 the Group launched the quarterly Sustainable Financing Newsletter, providing comment and information on the latest developments in the market. The fifth edition of this newsletter is available at http://www.gbm.hsbc.com/solutions/sustainable-financing where you can also sign up to receive direct distribution.

2017 has delivered another strong year for the Green, Social, Sustainability bond market. Total market volume sits at $95.6bn from 245 deals, a 30% increase in terms of USD issuance value and 39% increase in terms of the number of deals. Europe remains the biggest market accounting for 61% of issuance, Asia accounts for 25%.

Since the inception of the Green Bond market, HSBC has played a pivotal role in supporting its establishment and in helping to enhance the market depth and diversification for the benefit of issuers and investors alike. Currently, HSBC ranks #2 in the Dealogic Green, Social, Sustainability Bond league tables, and #1 in the Dealogic Green Bond league tables in the 2017 YTD tables. HSBC has continued to drive market innovation during 2017 helping Poland to finance EUR750 million of green projects as part of the world’s first Sovereign Green Bond. In March, we helped raise EUR 1BN through the launch of the first green Hybrid bond helping to finance renewable energy projects in Germany and the Netherlands. March also saw HSBC help a financial institution raise $300m as part of the world’s first sustainable Tier 2 bond in Turkey.

2017 has seen HSBC continue its industry leadership role. Our award-winning Climate Change Centre of Excellence continues to inform efforts to create a green economy, ranked first for integrated climate change research in 2017 according to Extel. We also chair two of the six ICMA GBP Working Groups, acting as global coordinators of the New Markets Working Group and the Index and Database Group, as well as contributing to the Social Bonds working group. In June, the ICMA GBP AGM in Paris saw the launch of the Social Bond Principles. This follows a significant pick up in deals with 36 transactions with a combined deal value of $11.9bn; this represents a significant increase from $8bn in 2016. Social Bonds now represent 14% of the total sustainable bond market, up from 9% in 2016.

(All figures correct as of 9th October 2017)
## HSBC GREEN BOND FRAMEWORK SUMMARY

<table>
<thead>
<tr>
<th>Pillar</th>
<th>Use of proceeds</th>
<th>Evaluation</th>
<th>Funds tracking</th>
<th>Reporting</th>
</tr>
</thead>
</table>
|                        | • Renewable energy • Energy efficiency • Sustainable waste management • Sustainable land use | • Agreed criteria for selecting Use of Proceeds and confirming eligibility • Relationship Managers propose the Use of Proceeds • Group Sustainability review for ESG factors and compliance with Green Bond Framework and form a recommendation • Green Bond Committee confirms eligibility | • Use of Proceeds tracked via register, ultimately will be tracked via internal loan management system | • The issuing entity will provide a Green Progress Report, annually until full allocation. Thereafter, the issuing entity will provide a Green Progress Report if there have been material updates made to the project allocation • The Green Bond Committee review and approve each Green Progress Report, which includes:  
  – Aggregate amounts of funds allocated to each of the Eligible Sectors, followed by more detailed descriptions of the types of business and projects financed  
  – The remaining balance of unallocated Green Bond proceeds at the reporting period end  
  – Confirmation that the Use of Proceeds of the Green Bond(s) issued conform to the HSBC Green Bond Framework |

Assurance obtained a second party opinion from CICERO on the HSBC Green Bond Framework and been certified as ‘Dark Green’.

### SUMMARY

Overall, HSBC’s Green Bond framework and environmental policies provide a progressive framework for climate-friendly investments. The Green Bond framework lists eligible businesses and projects that are mainly supportive of the objective of promoting a transition to low-carbon and climate-resilient growth and is supported by a strong governance structure.

HSBC has engaged PwC as an independent assurance provider to provide assurance that selected information in this report has been prepared in line with the HSBC Green Bond Framework.

### EXCLUDED USE OF PROCEEDS

As stated in our framework:

- Nuclear Power
- Weapons
- Gambling
- Alcohol

Furthermore no coal and Palm Oil related assets are or will be financed under this Green Bond Framework.
REPORTING EVALUATION AND SELECTION PROCEDURE

The cornerstone of every Green Bond is the verifiable use of its proceeds to support sustainable investment. To facilitate this, issuers need a robust and transparent framework detailing, among other aspects, a strong project evaluation and selection process.

HSBC’s Green Bond Framework is overseen and governed by the Green Bond Committee (GBC). The GBC is chaired by Group Treasury and consists of sustainability specialists and senior directors from across the businesses, including input from the HSBC Climate Change Centre of Excellence where appropriate.

The GBC has responsibility for the ratification of sustainable projects, which are initially proposed by local banking teams and evaluated by Group Sustainability via a highly-disciplined, multi-step process following clear and consistently applied guidelines, as defined below:

- A definition of green finance/lending has been developed and approved for the purposes of identifying, monitoring and reporting green finance activity across the bank
- Once a green project is identified by the local banker, if the finance/lending is considered to fit within the tighter green bond Eligible Sectors' definitions of the Green Bond Framework, the bankers are prompted to complete a form that details the specifics of the client and the associated green finance/lending
- Once identified, green finance/lending is reviewed by Group Sustainability which considers conformity to HSBC’s Green Bond Eligible Sectors. Sustainability risk including physical, transition and liability risk is also reviewed to ensure only those deemed acceptable are considered for HSBC Green Bond allocation recommendation
- Finally the project details, together with Group Sustainability recommendation are submitted to the GBC for their ratification of inclusion or exclusion as use of proceeds of the respective HSBC Green Bond.

REGIONAL BOND ALLOCATION WITHIN EMEA

Projects are located in

- UK
- Ireland
- France
- Spain
- Germany
- Italy
- Greece
- Turkey
- South Africa

GREEN BOND ISSUED
On 25th November 2015 HSBC issued its inaugural Green Bond

KEY STATS:
EUR 500 million of the inaugural HSBC Green Bond has been allocated to green projects since bond issuance

AMOUNT DISBURSED TO ELIGIBLE GREEN PROJECTS OR BUSINESSES

82% Renewable energy
10% Sustainable waste management
8% Energy efficiency

BOND ALLOCATION

96% to existing projects
4% to new projects
89% in Project Finance Assets
11% Corporate loan
A summary of the selection process for these projects is noted below:

- HSBC finance/lending identified as green by Relationship Manager – noting whether the Use of Proceeds conform to HSBC Green Bond Framework
- Projects within the region of the issuing entity, in this case EMEA, are considered for potential inclusion
- The HSBC Green Bond Register tracks all projects identified by Relationship Managers within the region of the issuing entity and records the review/approval process performed by Group Sustainability and the Green Bond Committee as noted below
- All projects in the HSBC Green Bond Register are reviewed by Group Sustainability and if ‘approved’, they are ‘ratified’ for inclusion in the Green Bond by the Green Bond Committee
- If ratified by the Green Bond Committee, the projects outstanding commitments as per HSBC’s financial reporting systems at 30 June 2017 (elected reporting date) are recorded within the HSBC Green Bond Progress Reported data
- Exchange rates are taken from HSBC internal conversion rates where project investments are made in alternative currencies
- For the purpose of this report new projects are those which were agreed and signed since the publication of the 2016 Green Bond report. All other projects are considered to be “existing” projects
- There is no direct financial link between the allocated assets and the green bond itself, i.e. this is an unsecured issuance
- The HSBC Green Bond Register forms the basis of the data in the table below:

### HSBC INAUGURAL GREEN PROGRESS REPORT

#### Green Bonds Details

<table>
<thead>
<tr>
<th>Issuer</th>
<th>HSBC France SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue Date</td>
<td>25/11/2015</td>
</tr>
<tr>
<td>Currency</td>
<td>EUR</td>
</tr>
<tr>
<td>Tenor</td>
<td>5 years</td>
</tr>
<tr>
<td>Issued Amount</td>
<td>500,000,000</td>
</tr>
<tr>
<td>ISIN</td>
<td>FR0013064755</td>
</tr>
</tbody>
</table>

#### Use of Proceeds

<table>
<thead>
<tr>
<th>Reporting Date</th>
<th>Amount Disbursed to Eligible Green Projects or Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>30/06/2017</td>
<td>EUR (numbers are rounded to the nearest m)</td>
</tr>
</tbody>
</table>

- **Renewable Energy (RE)** 410 82%
- **Energy Efficiency (EE)** 38 8%
- **Efficient Buildings (EB)** -
- **Sustainable Waste Management (SWaste)** 52 10%
- **Sustainable Land Use (SLU)** -
- **Clean Transport (CT)** -
- **Sustainable Water Management (Swater)** -
- **Climate Change Adaptation (CCA)** -
- **Bond proceeds remaining to be used** 0 0

### Further Bond Information

- **Number of projects/clients supported by HSBCs Inaugural Green Bond**: 17
- **Allocation of bond proceeds to new projects signed within 6 months of bond issue**: EUR 19m 4%
- **Allocation of bond proceeds to refinanced projects**: EUR 481M 96%
- **Geographic allocation of projects**: France, Greece, Ireland, Italy, Germany, South Africa, Spain, Turkey and the UK
- **Allocation of bond proceeds to project and export finance**: EUR 447m 89%
- **Allocation of bond proceeds to client loans**: EUR 53m 11%
<table>
<thead>
<tr>
<th>HSBC business area</th>
<th>Type of Project, per HSBC Green Bond Framework Eligible Sector List</th>
<th>Project description</th>
<th>Geography</th>
<th>Loan committed as at 30/06/2017 EUR (numbers are rounded to the nearest m)</th>
<th>Number of assets supported</th>
<th>Renewable Energy installed capacity – predictions/ projections made by our clients in public sources for the full project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project finance</td>
<td>Renewable Energy</td>
<td>Financing construction and operation of an onshore wind farm</td>
<td>Turkey</td>
<td>Wind farm (onshore)</td>
<td>1</td>
<td>135MW Total installed capacity</td>
</tr>
<tr>
<td>Project finance</td>
<td>Renewable Energy</td>
<td>Construction and operation of concentrated solar power plant</td>
<td>Spain</td>
<td>Solar power plant</td>
<td>1</td>
<td>49.9MW Total installed capacity</td>
</tr>
<tr>
<td>Project finance</td>
<td>Renewable Energy</td>
<td>Construction of an onshore wind farm</td>
<td>UK</td>
<td>Wind farm (onshore)</td>
<td>1</td>
<td>24MW Total installed capacity</td>
</tr>
<tr>
<td>Project finance</td>
<td>Energy Efficiency</td>
<td>Acquisition and installation of Smart Grid Meters</td>
<td>UK</td>
<td>Electricity and gas smart meters over a 5-year roll-out period</td>
<td>c.7.4m</td>
<td>5.3MCO2 Emissions reduced</td>
</tr>
<tr>
<td>Project finance</td>
<td>Renewable Energy</td>
<td>Financing the purchase of solar panels</td>
<td>South Africa</td>
<td>Large scale photovoltaic power projects</td>
<td>4</td>
<td>313.5MW Total installed capacity</td>
</tr>
<tr>
<td>Project finance</td>
<td>Renewable Energy</td>
<td>Financing the construction and operation of an onshore wind farm</td>
<td>UK</td>
<td>Wind farm (onshore)</td>
<td>1</td>
<td>48MW Total installed capacity</td>
</tr>
<tr>
<td>Project finance</td>
<td>Renewable Energy</td>
<td>Financing a portfolio of operational windfarms</td>
<td>Italy and Germany</td>
<td>Wind farm (onshore)</td>
<td>1</td>
<td>550MW Total installed capacity</td>
</tr>
<tr>
<td>Project finance</td>
<td>Renewable Energy</td>
<td>Financing the construction and operation of a portfolio of wind farms</td>
<td>UK</td>
<td>Wind farms</td>
<td>4</td>
<td>315.5MW Total installed capacity</td>
</tr>
<tr>
<td>Project finance</td>
<td>Sustainable Waste Management</td>
<td>Financing the development of waste treatment facilities</td>
<td>UK</td>
<td>Advanced Thermal Treatment (&quot;ATT&quot;) plant</td>
<td>1</td>
<td>c.130ktpa Waste processed per annum</td>
</tr>
<tr>
<td>Project finance</td>
<td>Renewable Energy</td>
<td>Purchase of wind turbines and construction of associated windfarms</td>
<td>Turkey</td>
<td>Wind turbine generators</td>
<td>22</td>
<td>50.6MW Total installed capacity</td>
</tr>
<tr>
<td>Project finance</td>
<td>Renewable Energy</td>
<td>Refinancing a wind farm project expansion</td>
<td>Greece</td>
<td>Wind farms</td>
<td>2</td>
<td>34.85MW and additional 13.60MW Total installed capacity</td>
</tr>
<tr>
<td>Loan</td>
<td>Sustainable Waste Management</td>
<td>Financing sustainable recovery of waste into raw materials</td>
<td>France</td>
<td>Energy from Waste (&quot;EfW&quot;) plant</td>
<td>1</td>
<td>6mm tons of waste recycled, 3.23m t eq CO2 avoided in 2014 Emissions avoided</td>
</tr>
<tr>
<td>Loan</td>
<td>Renewable Energy</td>
<td>Financing the construction of solar farms</td>
<td>UK</td>
<td>Solar farms</td>
<td>4</td>
<td>4 x 5MW Total installed capacity</td>
</tr>
<tr>
<td>Loan</td>
<td>Renewable Energy</td>
<td>Financing the construction of an Anaerobic digestion plant</td>
<td>UK</td>
<td>Anaerobic Digestion Plant</td>
<td>1</td>
<td>2.5% of UK's liquefied CO2 Processed liquified CO2</td>
</tr>
<tr>
<td>Project finance</td>
<td>Renewable Energy</td>
<td>Financing the construction of wind farms</td>
<td>UK and Ireland</td>
<td>Wind farms</td>
<td>1</td>
<td>450MW, 222 turbines Total installed capacity</td>
</tr>
<tr>
<td>Loan</td>
<td>Renewable Energy</td>
<td>Financing to fund a new Biogas project</td>
<td>UK</td>
<td>New Biogas project</td>
<td>1</td>
<td>485KW listed capacity Total installed capacity</td>
</tr>
<tr>
<td>Loan</td>
<td>Renewable Energy</td>
<td>Standby facility for investment in renewable projects</td>
<td>UK</td>
<td>Renewable projects</td>
<td>Multiple</td>
<td>Clean energy acquired in Europe is 205.4 MW in 2017 Total installed capacity</td>
</tr>
</tbody>
</table>
HSBC has created various platforms to facilitate enhanced communications of its Sustainable Financing activities. These are listed below:

- **Sustainable Financing Website:** [http://www.gbm.hsbc.com/solutions/sustainable-financing](http://www.gbm.hsbc.com/solutions/sustainable-financing)
- **HSBC Green Bonds Website:** [http://www.hsbc.com/investor-relations/fixed-income-securities/green-bond-reports](http://www.hsbc.com/investor-relations/fixed-income-securities/green-bond-reports)
- The **ICMA Green Bond Principles Executive Committee** – HSBC was one of the initial banks to support the Green Bond Principles (GBP), run by ICMA and has been a member of the Executive Committee since June 2014
- The **Social Bond Guidance Steering Committee** – HSBC helped establish the Social Bond Guidance (released by ICMA GBP in June 2016), and has been members of the Steering Committee since it was formed in February 2016. In June 2017, HSBC signed ICMA’s Social Bond Principles, committing the bank to promote market transparency and disclosure, as well as maintain the integrity of the Social Bond Market
- The **Green Growth Platform Financial Advisory Council** – HSBC joined the Advisory Council in 2015 which brings together ministers from European governments, businesses and the European Parliament to discuss and debate the economic opportunities and challenges involved in the transition to a low-carbon economy
- **HSBC is partner to the Climate Bonds Initiative** – HSBC is the sole sponsor of the only jointly published CBI/HSBC State of the Market report each year to help raise awareness of climate financing
- **Institutional members of China’s Green Finance Committee (GFC)** – HSBC joined in June 2015 having representatives from HSBC’s UK and China offices. The GFC includes members of China’s financial community. The purpose is to identify practical steps to achieve economic growth and environmental improvements through reform of China’s financial system
- **Accredited member of the Green Climate Fund** – HSBC is one of a handful of International Commercial Banks to be accredited by the Green Climate Fund, gaining accreditation in March 2016, thus allowing it to arrange GCF funding for projects
- **HSBC Green Bonds Website:** [http://www.hsbc.com/investor-relations/fixed-income-securities/green-bond-reports](http://www.hsbc.com/investor-relations/fixed-income-securities/green-bond-reports)

### 2015-2017YTD HSBC SUSTAINABLE FINANCING MILESTONES

HSBC is a member of several industry bodies focused on climate change, such as:

- The **ICMA Green Bond Principles Executive Committee** – HSBC joined the Executive Committee in 2016. As part of the Secretariat Group, HSBC has helped expand CFI’s interest beyond Clean Energy financing into other Sustainable Project Financing
- The **Equator Principles Association** – HSBC was one of the early signatories of the Equator Principles in 2003. Starting in 2004, HSBC published its own internal Sustainability Policies. We consulted with customers, industry experts, shareholders and non-governmental organisation (NGOs), focusing on sectors which may have high adverse impact on people or the environment and in which we have a significant number of customers. We keep our policies under constant review, updating them wherever necessary
- The **WEF Climate Leaders CEO Group** – HSBC CEO Stuart Gulliver is a member and signed the Leader’s statement in 2015 calling for ambitious climate change targets and delivering solutions in support of COP 21
- **HSBC Climate Change Centre of Excellence** – has again been voted by Extel as the Number 1 provider of climate change research, for the fifth year in a row, with specialist research teams in London and Hong Kong
- **Created the HSBC Centre of Sustainable Finance** - Appointed Global Head of Sustainable Finance and established sustainable finance hubs in Hong Kong, Paris, London, New York and Toronto
- **Adopted Task Force on Climate-related Financial Disclosures recommendations** - to improve transparency, HSBC’s 2017 annual report will be published (in 2018) according to TCFD governance, strategy and risk management recommendations. HSBC also published a standalone ESG update in 2017
- **Launched world’s first sovereign Green bond** - in December 2016, HSBC helped to raise Euro 750m to finance Green projects in Poland
CONCLUSION

HSBC maintains a **clear focus on helping clients** to reduce their environmental impact by investing more in **sustainable business models**.

Our shared challenge is to secure growth and diversification in what remains a market with huge untapped potential. Global climate leaders have set a target of achieving $1trillion in green finance by 2020! This requires a ten-fold increase in green bond issuance.

As our own sustainable finance survey reveals, demand for green financing is growing rapidly. Most large corporates are already on a journey towards a low-carbon economy. To hit the 20207 target, we must also encourage growth in the mid-cap market.

Diversifying the Green, Social, Sustainability bond market beyond project finance assets into corporate loans, and working more with mid-sized companies, forms a significant step towards realising that goal, one which is increasingly being reflected in HSBC’s own Green Bond allocation. By working together with issuers and investors, of all sizes, HSBC is helping to make a low-carbon future a shared reality.

In support of our ongoing commitment to the robustness and transparency of the Green Bond market, we have appointed PwC as our independent third-party assurance provider of our Green Bond Progress Report and their full assurance statement is provided within this report.

Note: Estimates of sustainability benefit or impact included in this report are based on HSBC’s clients “ex ante” assessment of benefits for the whole project that HSBC has supported financing of. HSBC has not independently validated these estimates.

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1 CBI website of as 4 October 2017  
2 HSBC Sustainable Finance survey 2017 conducted by East & Partners in June-July 2017  
3 OECD, IEA, Investing in Climate, Investing in Growth, 23 May 2017  
4 Dealogic website as of 4 October 2017  
5 The Extel-UKSIF SRI & Sustainability Survey 2017  
6 renewable energy; energy efficiency; efficient buildings; sustainable waste management; sustainable land use; clean transportation; sustainable water management; and climate change adaptation  
7Mission 2020, 6 Milestones, as of 4 October 2017