HSBC Holdings plc Sustainable Development Goal (SDG) Framework





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HSBC's SDG Bond Framework



HSBC SDG Bond Framework

HSBC is a committed sustainable finance partner

- HSBC has committed to provide USD100bn of sustainable financing and investment by 2025 to develop clean energy, lowercarbon technologies and projects that contribute to the delivery of the Paris Agreement and the UN Sustainable Development Goals
- HSBC ranked by Global Capital as #1 Most Impressive Bank in Asia Pacific Green/SRI Capital Markets, #2 for EMEA, #3 for Americas – the only bank to be ranked in the top 3 for all global markets in 2017 (awarded Sept 2017)
- HSBC awarded Best Underwriter in the Environmental Finance Green Bond Awards 2017 (awarded April 2017)
- HSBC is a longstanding member of the ICMA² Green Bond Principles Executive Committee
- HSBC was one of the founding writers of the Social Bond Principles and continues to work closely with ICMA on their development
- ICMA have also launched new Sustainability Bond Guidelines to provide guidance for bonds combining green and social projects, which HSBC supported
- HSBC France issued its inaugural EUR500m Green Bond in 2015
 - In September 2016 the first related progress report was published; proceeds were used across 20 projects/clients, of which 81% in Renewable Energy, 16% in Sustainable Waste Management and 2% in Energy Efficiency³



HSBC SDG Bond Framework

Background to UN SDGs

In September 2015 the United Nations Sustainable Development Goals, known as the SDGs, were launched. They give a framework to end poverty and reverse human impacts for a more sustainable planet by 2050. The SDGs call for collaboration between all sectors: private, public, grass roots and governments¹.

- The need for private finance² for selected SDGs is summarised in the Appendix of this presentation
- HSBC supports the SDGs and expects to report further on them in our Annual Report and Accounts 2017



Key features of HSBC's SDG Bond & Framework

The HSBC SDG Framework is an example of our strategic commitment to sustainability and support for our customers and clients in this important area

- Proceeds from the issuance of bonds which comply with the SDG Bond Framework will be used in defined Eligible Sectors relating to the SDGs as specified, further information on governance, reporting and indicative portfolio is provided on the following pages
- The defined Eligible Sectors under the HSBC SDG Framework are:



Summary Eligible Sectors (1/2)

The full framework is available on our website



- Eligibility criteria: 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
- Examples: Hospitals; Healthcare centres; Training for medical professionals; Vaccines / medicines; Provision / distribution of healthcare equipment and services



- Eligibility criteria: Activities that expand access to primary, secondary, adult and vocational education; Activities that target women and minority inclusion in education; Activities that improve educational infrastructure
- Examples: Construction of schools; Construction of Campus; Construction of student housing; Educational grants; Training for educational professionals



- Eligibility criteria: Activities that expand public access to safe and affordable drinking water; Activities that
 provide access to adequate sanitation facilities; Activities that improve water quality; Activities that increase
 water-use efficiency through water recycling, treatment and reuse
- **Examples**: Water supply & distribution; Water treatment facilities; Water saving systems, technologies and water metering; Training sessions / workshops to improve sanitation knowledge of less well off populations



- Eligibility criteria: Generation of energy from renewable sources; Construction / maintenance / expansion of associated distribution networks; Manufacture of components of renewable energy technology; Development and implementation of products or technology that reduces energy consumption;
- Examples: Renewable energy projects including wind, solar, small scale hydro and biomass and their associated components; Grid expansion / development that carries a minimum of 85% renewable Energy; Smart grids; Smart meters

Summary Eligible Sectors (2/2)

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



SUSTAINABLE CITIES AND COMMUNITIES

- Eligibility criteria: Develop quality, reliable, sustainable infrastructure, 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
- **Examples**: Rail transportation projects for public use; Development of roads in areas that lack connectivity, or in areas lacking infrastructure; Communication projects including internet coverage and mobile phone usage
- Eligibility criteria: Activities that expand or maintain the supply of affordable housing; Activities that expand or maintain access to sustainable transport systems
- **Examples**: Rail transportation projects for public use; Development of roads in areas that lack connectivity, or in areas lacking infrastructure; Construction of Social Housing; Right to Buy schemes

13 CLIMATE ACTION



- Eligibility criteria: Adaptation projects that demonstrably contribute to reducing vulnerability to climate change identified in the project area and do not increase carbon emissions
- **Examples**: Natural disaster prevention infrastructure; Education programmes to increase awareness and knowledge on climate related issues

Excluded sectors: Nuclear power generation; Weapons; Alcohol; Gambling / adult entertainment; Palm oil

Overview of HSBC SDG bond framework (new) versus HSBC Green bond framework (2015)

Framework component	HSBC Green bond	HSBC SDG bond
Use of Proceeds (Eligible sectors)	 Renewable energy Energy efficiency Efficient buildings Sustainable waste management Sustainable land use Clean transportation Sustainable water management Climate change adaptation 	 Good health and wellbeing (SDG 3) Quality education (SDG 4) Clean water and sanitation (SDG 6) Affordable and clean energy (SDG 7) Industry, innovation and infrastructure (SDG 9) Sustainable cities and communities (SDG 11) Climate action (SDG 13)
Process for Selection and Evaluation	Business teams will identify potential green lending for HSBC Green Bond Use of Proceeds. The Green Bond Committee will review all new proposed and existing Use of Proceeds to determine their compliance with the HSBC Green Bond Framework. In all cases, Group Sustainability will have a final veto on eligibility decisions.	Business teams will identify potential SDG aligned lending for HSBC SDG Bond Use of Proceeds. The Green Bond Committee will review all new proposed and existing Use of Proceeds to determine their compliance with the HSBC SDG Bond Framework. In all cases, Group Sustainability will have a final veto on eligibility decisions.
Management of Proceeds	The Green Bond Committee will track the Use of Proceeds of its Green Bond(s) via HSBC internal information systems	The Green Bond Committee will track the Use of Proceeds of an HSBC SDG Bond(s) via HSBC internal information systems
Reporting	The HSBC Green Bond issuing entity will provide a Green Progress Report on an annual basis	The HSBC SDG Bond issuing entity will provide a SDG Progress Report on an annual basis
External Review	CICERO	Sustainalytics
Ongoing Assurance	PwC	Sustainalytics

HSBC SDG Bond Framework

Illustrative Model Portfolio, split by SDG target¹



1. The chart above is an illustrative example of the manner in which net proceeds from issuances of bonds may be allocated in accordance with the SDG Framework, as opposed to a representation of how the net proceeds necessarily will be allocated throughout the term of the relevant bonds. The net proceeds may be allocated for any eligible project or business under the SDG Framework, and such allocations may change throughout the term of the relevant bonds.

HSBC SDG Bond Framework

Independent Second Party Opinion – Sustainalytics



Sustainalytics, a global provider of environmental, social and corporate governance research, ratings and analysis, evaluated HSBC Holdings plc's SDG Bond Framework described in this Presentation and the alignment thereof with relevant industry standards, and has concluded that the SDG Bond Framework is robust and credible within the meaning of the Green Bond Principles, the Social Bond Principles and the Sustainability Bond Guidelines.

HSBC's ESG Profile



HSBC's ESG Profile

HSBC's commitments to support the transition to a low carbon economy

Context	HSBC's Commitments	
 Climate change represents an urgent and irreversible threat to human society, as recognised by the almost 200 countries that have signed the 2015 Paris 	 Provide USD100bn of sustainable financing and investment by 2025 Provide USD 100bn of financing/investment to develop clean energy, lower-carbon technologies, and projects that contribute to the delivery of the Paris Agreement and the UN Sustainable Development Goals Lead the development of sustainable capital markets, support corporate and institutional clients in managing risks and promote sustainable investment products for retail and private banking clients 	i
 Agreement on climate change. An estimated USD90 trillion of investment is needed in new green infrastructure over the next 15 years – double the current annual rate of spending – just to keep the global temperature increase below two degrees. Major injections of capital are needed to pay for more efficient and less carbon- intensive technologies and infrastructure, to reduce the carbon footprint of established companies and industries, and to cover the costs of climate adaptation. 	 Source 100% of our electricity from renewables sources by 2030 (90% by 2025) Use direct investment and direct purchases via PPAs and similar mechanism that directly help the financing of new renewable electricity assets. Collaborate with RE100, governments and regulators to open up renewable energy markets where PPAs or similar are not currently available. Reduce electricity per FTE by 20% by 2020 	
	 Reduce our exposure to thermal coal and actively manage the transition for other high carbon sectors Biscontinue financing of new thermal coal mines (including new customers dependent on it) and new coal-fired power plants in developed countries and continuously reinforce lending criteria in developing countries Engage with clients in high carbon sectors to influence their transition strate Continuously review our risk policies on low carbon technologies 	
	 Adopt recommendations of Task Force on Climate- related Financial Disclosures (TCFD) Report according to governance/ strategy/ risk management recommendation of the task force Engage with academia/ industry associations/ civil society networks to supp robust climate scenario analysis to price transition and physical risk. Promote uptake of these recommendations across our global network 	
	 Lead and shape the debate around sustainable finance and investment Establish a Centre of Sustainable Finance to provide thought leadership about climate change and the role of the financial services sector. Promote the development of industry-wide definitions, standards, tools and metrics to enhance market analysis of ESG issues and impacts. 	out

HSBC's ESG Profile

Spotlight on Sustainability Risk Policies

- HSBC is fully committed to its own sustainability approach and compliance with the sustainability commitments that we have made in the public domain
- HSBC recognises that we have responsibilities not only towards our customers, employees and shareholders, but also the countries
 and communities in which we operate. This means understanding and managing the impact we have on society and the environment,
 and investing in the future of our employees and the communities we serve
- HSBC Group Sustainability's mandate is to ensure that the business translates this recognition into practice.

Coal mining

- We issued an updated mining and metals policy in 2016, providing more details on human rights issues in the sector
- In effect this prohibits the financing of new thermal coal mines and new customers dependent on thermal coal mining
- This builds on our Energy Sector Policy, where HSBC was the first major international bank to restrict finance for coal-fired power plants
- We do not finance new coal-fired power plants that do not meet specific carbon intensity standards

Climate Change

- In addition a statement on climate change and our approach is available on our website
- HSBC expects to respond to the Financial Stability Board Task Force on Climate-related Financial Disclosures in our 2017 Annual Report and Accounts

Palm oil

- In 2017 our Agriculture commodities policy was updated to include a "No Deforestation, No Peat and No Exploitation" commitment
- Since launching our first Forestry policy in 2004, we have been recognised as a leader by Forest 500 ranking, an independent analysis of companies, investors and governments on their commitment to preventing deforestation, an analysis carried out by a UK-based think tank

Appendix



Appendix Simplified structure chart¹



Appendix

SDG3: Good Health and Well-being For background purposes only





In 2015, total official flows for medical research and basic health from all donor countries and multilateral organizations amounted to USD9.7 billion, an increase in real terms of 30% since 2010. Of that amount, the member countries of the Development Assistance Committee of OECD contributed USD4.3 billion

Appendix SDG4: Quality Education For background purposes only



GOAL	Ensure inclusive and equitable	quality education and promote lifelong learning opportunities for al	I	
TARGETS (by 2030)	 Ensure that all girls and boys complete free, equitable and quality primary and secondary education Ensure that all girls and boys have access to quality early childhood development, care and preprimary education so that they are ready for primary education Ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship Eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations Ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy 			
	Public F	FINANCING inancing	Need for Private financing	
 ProFuturo project the between UN Agencie telecommunications i technologies to adva For Example: a) In Colombia, the SE educational institution workshops and a way b) In Mozambique, an 	G Fund is improving integration of ons in rural areas through trainings,	 Government/Public funding: Domestic resources remain the most important source for funding education Public funding for education can be increased by widening the tax base, preventing tax evasion and increasing the share of the national budget allocated to education International benchmarks recommend allocating 15-20% of public expenditure to education and 4-6% of GDP 	 The annual financing gap between available domestic resources and the funding necessary to meet the 2030 commitments in low income countries is around 42% of annual total costs An important use of international public finance, including Official Development Assistance (ODA), is to catalyse additional resource mobilization from other sources, public and private 'Education Cannot Wait' is the first global fund to prioritise education in humanitarian action, by bringing together public and private partners, 	

Financing the translation and implementation of SDG4 commitments will require higher levels of sustained funding

 Official development assistance (ODA) for scholarships amounted to USD1 billion in 2015, a decrease from USD1.2 billion in 2014. Australia, France and the United Kingdom of Great Britain and Northern Ireland were the largest contributors

Appendix SDG6: Clean Water and Sanitation For background purposes only



GOAL	Ensuring availability and susta	inable management of water an	d sanitation for al
 Providing access to safe and affordable drinking water for all (6.1) Access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations (6.2) Improve Water Quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials Substantially increase water-use efficiency and reduce the number of people suffering from water scarcity Implement integrated water resources management at all levels Protect and restore water-related ecosystems Expand international cooperation and capacity-building support to developing countries in water- and sanitation-related activities and programmes 			
FINANCING			
 development mecha Nations It brings together pa of water and sanitati education, environm For Example: a) In Colombian Mass plans for the water 	Public Financing	 Government/Public funding: More than USD85bn is budgeted for WASH in 57 countries, representing a total of 4.4 billion At USD54bn, a major part of this was contributed by China 	 Need for Private financing To meet targets 6.1 and 6.2 alone, capital financing would need to triple to USD114bn per annum, and operating and maintenance costs need to be considered in addition Over 80% of countries report insufficient finance for both urban and rural areas in meeting national targets for drinking-water and sanitation, as well as those for water quality In Ecuador, the National Strategy for Water and Sanitation set a ten-year target in 2014 of 100% coverage for water and sanitation services, requiring an estimated USD7.3bn To achieve this the state would need to double its current annual investment of USD350m In South Africa, a total annual capital investment of USD6.4bn is required until 2026, but currently available funding is only about USD 3.6bn a year In Papua New Guinea, the sector needs USD100m for capital expenditures and USD20m for O&M per year

Meeting SDG6 targets will require large investments in terms of finance and resources

Official development assistance (ODA) for the water sector has been rising steadily, but has remained relatively constant as a proportion of total ODA disbursements, at approximately 5% since 2005. In 2015, ODA disbursements in the water sector totalled about USD8.6 billion, which represents an increase of 67% in real terms since 2005

Appendix SDG7: Affordable and Clean Energy For background purposes only



GOAL	 Sustainable energy for all, t 	o ensure universal access to modern energy services, improv	ve efficiency and increase use of renewable sources	
TARGETS (by 2030)	 Ensure universal access to affordable, reliable and modern energy services Increase substantially the share of renewable energy in the global energy mix Double the global rate of improvement in energy efficiency Enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology Expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States, and land-locked developing countries, in accordance with their respective programmes of support 			
		FINANCING		
 development mecha Nations It promotes the use of of energy. At the sar techniques that are n For Example: a) In Bolivia, a food so promoting the use of b) In Mozambique, it is cleaner production lowering costs throw 	Ei-donor and multi-agency nism created in 2014 by the United of renewable and sustainable sources ne, time they promote construction more energy efficient ecurity and nutrition programme is of solar energy in the food production is promoting resource efficient and methodologies to assist industry in ugh reduced energy, water and id waste management	 Government/Public funding: Group of Twenty (G20) members committed in 2009 to phasing out "inefficient fossil fuel subsidies that encourage wasteful consumption" China and the US became the first G20 members to release voluntary peer reviews of their fossil fuel subsidies The EIB approved €7.3 billion in financing for 47 projects, including €1.3 billion for wind projects in Belgium and Greece, small hydropower plants in Italy and zero energy buildings in Finland Private Financing Advisory Network (PFAN) A multi-lateral PPP, raised a total of USD1.2bn for building, installing, and operating 87 renewable energy projects, totaling 701MW, in Africa, Asia and Latin America 	 Need for Private financing Ensuring universal access to affordable electricity by 2030 means investing in clean energy sources such as solar, wind and thermal Sustainable Energy for All (SE4All) has estimated that annual investments would have to triple and reach USD 1 trillion This represents significant business opportunities in the future Globally, 85.3% of the population had access to electricity in 2014, an increase of only 0.3% since 2012. That means that 1.06 billion people, predominantly rural dwellers, still function without electricity. Half of those people live in sub-Saharan Africa (SSA) 	

• While energy investment is flowing increasingly toward clean energy, it is not flowing at the rate necessary to achieve the SDG 7 goals

Appendix

SDG9: Industry, Innovation and Infrastructure For background purposes only



GOAL	 Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation 			
TARGETS (by 2030)	- Opgrade initiasit defuite and retroit industries to make them sustainable, with increased resource-use enciency and greater adoption of clean and			
	FINANCING			
SDG Fund:	Public Financing	Need for Private financing Sustained investment in infrastructure and innovation are crucial drivers		
 An international multi-donor and multi-agency development mechanism created in 2014 by the United Nations 		of economic growth and development		
 It understands that access to technologies and resilient infrastructure may have a long-lasting impact on inclusive growth 		The global infrastructure gap is estimated to amount to USD1-1.5 trillion annually in developing countries		
 Some SDG Fund programmes include infrastructure and technology elements to bring opportunities to the most vulnerable and those left out of inclusive value chains 		Despite steady improvements in manufacturing output and employment, renewed investment will be needed in the least developed countries to build needed infrastructure and ensure the doubling of industry's share		
For Example:		of GDP in those countries by 2030		
 In Nigeria, the SDG Fund is working to promote food security and nutrition and alleviate poverty through strengthening the agro-food value chains, improving agricultural productivity and yields and promoting access to markets 		The private sector plays an important role in infrastructure finance, particularly through well-structured public-private partnerships		
strengthening th				

Official development assistance (ODA) for economic infrastructure in developing countries reached USD57 billion in 2015, an increase of 32% in real terms since 2010. The main recipient sectors were transport and energy (USD19 billion each)

Appendix

SDG11: Sustainable Cities and Communities For background purposes only



GOAL	 Make cities and human settlements inclusive, safe, resilient and sustainable 			
TARGETS (by 2030)	 Ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums Provide access to safe, affordable, accessible and sustainable transport systems for all Enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries Significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters Reduce the adverse per capita environmental impact of cities Provide universal access to safe, inclusive and accessible, green and public spaces 			
		FINANCING		
created in 2014 by The UN Developme	ent System, through joint collaboration, can contribute to:	Government/Public funding: In Phillipines, JICA formulated a long-term sustainable urban development vision for Metro 	 Need for Private financing Global sustainable development agenda requires significant changes in the way cities are planned, designed, constructed and managed Nearly 55% of people live in urban areas. By 2050, two-thirds of the world's population will live in cities Cities consume two-thirds of the world's energy and generate 	
 promote sustainable urban local and national policies, support better spatial planning and design, to "optimize density, connectivity and diversity" advocate for a more equitable financing of urban initiatives For Example: a) In Mozambique, it is providing training opportunities on green construction using traditional techniques and materials. The objective is to create residences that are less expensive while also preserving the environment 		Cebu, its second largest metropolitan area, forging a cross-sectoral and trans- boundary collaboration among the national government, 13 local governments, the private sector and civil society	 Cities consume two-thirds of the world's energy and generate over 70% of global greenhouse gas emissions Globally, 80% of the largest cities are vulnerable to severe earthquakes and 60% are at risk from tsunamis and storm surges As the urban population grows, we will need to invest more in efficiency and renewable energy, rebuild our cities, towns, municipalities and states 	

- Rapid urbanization has brought enormous challenges
- Better urban planning and management are needed to make the world's urban spaces more inclusive, safe, resilient and sustainable

Appendix SDG13: Climate Action For background purposes only



GOAL	Take urgent action to combat climate change and its impact	ts	
TARGETS	 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries Integrate climate change measures into national policies, strategies and planning Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning Promote mechanisms for raising capacity for effective climate change-related planning and management in least developed countries and small island developing States, including focusing on women, youth and local and marginalized communities 		
	FINANCING	i	
 Nations The SDG Fund join the project cycle The following criterion - The extended the transmission of transmission of the transmission of transmi	Iti-donor and multi-agency development mechanism created in 2014 by the United t programmes take into account climate change adaptation considerations along a are essential elements observed: In to which the policy, plan, or project under could be vulnerable to risks arising ate variability and change	 Government/Public funding: The ADB reported a significant increase, with USD3.7 billion in approvals in 2016 compared to USD2.6 billion in 2015 The EBRD announced that its donors, which include the Climate Investment Funds (CIF), the EU and a number of bilateral 	 Need for Private financing There is a need to cooperate by bringing together mutually beneficial partnerships between the private, public and voluntary sectors Developed countries have committed to jointly mobilizing USD100 billion per year by 2020 to address the climate- related needs of developing countries and to continue that level of support
 The extension The extension For Example: a) In Cuba, it is strend 	at to which climate change risks have already been taken into consideration at to which climate change risks have already been taken into consideration at to which the policy, plan, or project could inadvertently lead to increased ity and maladaptation or miss important opportunities arising from climate change gthening resilience and improving access to water in tackling the impacts of recent is the worst in recent history, affecting more than one million people	 donors, jointly provided more than €250 million for green investments in 2016 The Nordic Development Fund (NDF) announced €10 million in financing to support 'climate-smart planning' in Latin American and Caribbean countries 	 through 2025 Increased financial support required in the areas of, inter alia: "greening" power sectors; increasing transparency; and developing carbon markets and economic instruments for mitigation action, particularly in Asia and Africa

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Page 4 image: A rice farmer at harvest time in north east Vietnam – joint overall winning slot in a Group-wide employee photography competition held in 2016.

Photography: Huynh Nguyen Minh Thu, HSBC Bank (Vietnam) Ltd