Independent Limited Assurance Report to the Directors of HSBC France S.A.

The Board of Directors of HSBC France S.A. ("HSBC") engaged us to provide limited assurance on the information described below and set out in the HSBC Green Bond Report dated November 2018 for the HSBC France Green Bond (ISIN FR0013064755) as at 30 June 2018 (the "Green Bond Report").

Our conclusion
Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information as at 30 June 2018 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

This conclusion is to be read in the context of what we say in the remainder of our report.

Selected Information
The scope of our work was limited to assurance over the allocation of bond proceeds as stated within the "Use of Proceeds" section of the Green Bond Report, marked with the symbol \( A \) (the "Selected Information"). The Reporting Criteria against which it was assessed are described in the section entitled "Reporting criteria for this Green Bond Report" on page 5 of the Green Bond Report.

Our assurance does not extend to information in respect of earlier periods or to any other information included in the Green Bond Report. We have not reviewed and do not provide any assurance over the individual project information reported, including estimates of sustainability benefits.

Professional standards applied and level of assurance
We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information', issued by the International Auditing and Assurance Standards Board. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Our Independence and Quality Control
We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our work was carried out by an independent and multi-disciplinary team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies
The Selected Information needs to be read and understood together with the Reporting Criteria, which HSBC is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time. The Reporting Criteria used for the reporting of the Selected Information are as at 30th November 2018.

Work done
We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:

- made enquiries of HSBC's management, including those with responsibility for green bond governance, management and reporting;
- evaluated the design of the key structures, systems, processes and controls for managing, recording and reporting the Selected Information;
- obtained the internal listing of assets allocated into the green bond, and confirmed that this was consistent with the proposed disclosure of the green bond;
- performed limited substantive testing on a sample basis of the Selected Information at corporate head office to check that the identified assets were in line with the HSBC Green Bond Framework and had been appropriately measured, recorded, collated and reported, including:
  - inspecting a sample of loan agreements to confirm that the use of proceeds of the asset was consistent with one of the categories in the HSBC Green Bond Framework; and
  - inspecting records maintained in HSBC's financial reporting systems to confirm the existence of the asset, and that it was recorded in the green bond listing accurately;
- made enquiries of HSBC's Corporate Sustainability team, and inspected evidence of the review performed of each of the proposed eligible green projects or businesses;
- vouched the exchange rates used to independent, external sources and confirmed the accuracy of foreign exchange translation calculations;
- inspected minutes of the Green Bond Committee to confirm that the allocated projects had been considered and approved; and
- considered the disclosure and presentation of the Selected Information.

HSBC's responsibilities
The Directors of HSBC are responsible for:

- designing, implementing and maintaining internal controls over information relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing objective Reporting Criteria for preparing the Selected Information;
- measuring and reporting the Selected Information based on the Reporting Criteria; and
- the content of the Green Bond Report.
Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected 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.

This report, including our conclusions, has been prepared solely for the Board of Directors of HSBC in accordance with the agreement between us, to assist the Directors in reporting HSBC’s green bond performance and activities. We permit this report to be disclosed in the Green Bond Report as at 30 June 2018, to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors and HSBC for our work or this report except where terms are expressly agreed between us in writing.

PricewaterhouseCoopers Audit
Nicolas Montillot
Partner
23rd November 2018
Introduction

“It’s no exaggeration to say green bonds are the pathfinder for the low carbon transition. And, speaking for HSBC, we are dedicated to promoting the principles that have shaped the market – and to helping translate them for all our clients in every market and every part of the world.” John Flint, HSBC Group Chief Executive

Sustainable finance and climate-focused initiatives bore witness over the past year to the perfect interplay between supervisory developments, marketplace product issuance and investor demand. While the G20’s Sustainable Finance Study Group is developing options for voluntary adoption for its members to deploy private capital for sustainable finance,¹ the European Union put together a set of legislative proposals to facilitate sustainable investment, intended to raise the €180bn-per-year required to meet the EU’s 2030 targets of attaining a 40% cut in greenhouse gas emissions.² To this extent, the role of green bonds and their core ICMA Green Bond Principles (use of proceeds; process for project evaluation and selection; management of proceeds; and reporting) have been integral in facilitating flows of funding into the low-carbon economy. However, there is still much more to be done: the Climate Policy Initiative estimates that the energy sector alone would require investments of over $1tn a year through to 2050 to operate at a low-carbon mandate.³

HSBC’s pledges to sustainable finance have continually evolved since the bank was among the founding signatories of the Equator Principles in 2003, which established an environmental risk management framework for banks. In just the past 12 months, HSBC’s drive for innovation and growth in sustainable finance went beyond a pledge of $100bn in sustainable financing and investment by 2025 to also assess and address our responsibility internally. We are targeting to source 100 percent of our electricity from renewable sources by 2030 and have adopted the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in our annual reports. HSBC remains committed to our long-established membership of the ICMA Green Bond Principles. As one of the first banks to support these principles in 2014, we continue to work with others to establish clear and consistent rules for green investing.

Since the inception of the Green Bond market over a decade ago, 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.

HSBC is determined to match clients’ growing desire for green finance solutions with its sustainable investment projects. Our 2018 Sustainable Financing and Environment, Social & Governance (ESG) Investing report found 61.4 per cent of investors globally have an ESG strategy, with financial returns as the biggest driver of adoption.⁶ It is unsurprising, then, that global issuance of green bonds in 2017 almost doubled the $82bn logged in 2016 by the Climate Bonds Initiative.⁷

HSBC ranked #2 in the Sept 2018 YTD Dealogic Green, Social and Sustainability league tables. HSBC is ranked by Global Capital as #1 Most Impressive Bank in Asia Pacific Green/SRI Capital Markets, #3 for EMEA and #2 for Overall Most Impressive Investment Bank for Green/SRI Capital Markets (awarded Sept 2018).

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. Our Centre of Sustainable Finance, a resource centre for our global businesses to support client engagement, serves to help unlock the necessary capital flows needed to address both sustainability challenges and meet investors’ appetite. The Centre can be found at https://www.sustainablefinance.hsbc.com which homes all our insight from our award winning team and industry leading partnerships.

Green Bond Market Overview

Global green bonds attracted $121.9bn in 2017, Dealogic data shows, accounting for 87.1 per cent of the entire sustainable finance market. Volume was up 53 per cent as of year-end, and EMEA came first in terms of issuance, totalling $57.1bn, and APAC second at $43.4bn. The first half of 2018 has seen $74.6bn of issuance across 670 green bonds, a 4 per cent year-on-year growth in number as recorded by the Climate Bonds Initiative.⁸ Although expansion has slowed in 2018 compared to the previous year, issuance is predicted to hit between $175bn and $200bn by year-end.⁹

Market Opportunity

(All figures correct as of 25th October 2018)
## HSBC Green Bond Framework Summary

### Use of proceeds

- Renewable energy
- Energy efficiency
- Sustainable waste management
- Sustainable land use
- Efficient buildings
- Clean transportation
- Sustainable water management
- Climate change adaptation

### Evaluation

- 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
- Green Bond Committee confirms eligibility

### Funds tracking

- Use of Proceeds tracked via register, ultimately will be tracked via internal loan management system

### Reporting

- 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’.

### 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.

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**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.
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 Sustainable Finance teams.

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
- Spain
- South Africa
- Germany
- Italy
- Greece
- Turkey

Key Stats:

- **Amount Disbursed to Eligible Green Projects or Businesses**
  
  - **81%** Renewable energy
  - **18%** Energy Efficiency
  - **1%** Efficient Buildings

- **Bond Allocation**
  
  - **89%** to existing projects
  - **11%** to new projects
  - **78%** in Project Finance Assets
  - **22%** Corporate loan
Reporting Criteria For This Green Bond

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 2018 (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 2017 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

Amount distributed to eligible projects (based on full project)

- 76% Total installed capacity
- 19% Emissions reduced
- 5% Liquefied CO2
The HSBC Green Bond Register forms the basis of the data in the table below:

## HSBC Green Progress Report

### Green Bonds Details

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

### Use of Proceeds

<table>
<thead>
<tr>
<th>Reporting Date</th>
<th>Reporting Date</th>
<th>Reporting Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount Disbursed to Eligible Green Projects or Business</td>
<td>30/06/2018</td>
<td>500</td>
</tr>
<tr>
<td>Renewable Energy (RE)</td>
<td>403</td>
<td>81%</td>
</tr>
<tr>
<td>Energy Efficiency (EE)</td>
<td>93</td>
<td>18%</td>
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<tr>
<td>Efficient Buildings (EB)</td>
<td>4</td>
<td>1%</td>
</tr>
<tr>
<td>Sustainable Waste Management (SWaste)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sustainable Land Use (SLU)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Clean Transport (CT)</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Sustainable Water Management (Swater)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Climate Change Adaptation (CCA)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bond proceeds remaining to be used</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

### Further Bond Information

- Number of projects/clients supported by HSBC’s Inaugural Green Bond: 17
- Allocation of bond proceeds to new projects (signed within 6 months of bond issue): EUR 56m (11%)
- Allocation of bond proceeds to refinanced projects: EUR 444m (89%)
- Geographic allocation of projects: Greece, Ireland, Italy, Germany, South Africa, Spain, Turkey and the UK
- Allocation of bond proceeds to project and export finance: EUR 392m (78%)
- Allocation of bond proceeds to client loans: EUR 108m (22%)
# Reporting Criteria For This Green Bond

<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 30/06/2018 EUR (numbers are rounded to the nearest m)</th>
<th>Number of assets supported</th>
<th>Asset 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>4</td>
<td>1</td>
<td>Wind farm</td>
<td>135MW Total installed capacity</td>
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<tr>
<td>Project finance</td>
<td>Renewable Energy</td>
<td>Construction and operation of concentrated solar power plant</td>
<td>Spain</td>
<td>22</td>
<td>1</td>
<td>Solar power plan</td>
<td>49.9MW Total installed capacity</td>
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<tr>
<td>Project finance</td>
<td>Renewable Energy</td>
<td>Construction of an onshore wind farm</td>
<td>UK</td>
<td>1</td>
<td>1</td>
<td>Wind farm</td>
<td>24MW Total installed capacity</td>
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<tr>
<td>Project finance</td>
<td>Energy Efficiency</td>
<td>Acquisition and installation of Smart Grid Meters</td>
<td>UK</td>
<td>57</td>
<td>c.7.4m</td>
<td>Electricity and gas smart meters over a 5-year roll-out period</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>96</td>
<td>4</td>
<td>Large scale photovoltaic power projects</td>
<td>313.5MW Total installed capacity</td>
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<tr>
<td>Project finance</td>
<td>Renewable Energy</td>
<td>Financing a portfolio of operational windfarms</td>
<td>Italy and Germany</td>
<td>21</td>
<td>41</td>
<td>Wind farm</td>
<td>550MW Total installed capacity</td>
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<td>Project finance</td>
<td>Renewable Energy</td>
<td>Financing the construction and operation of an onshore wind farm</td>
<td>UK</td>
<td>1</td>
<td>1</td>
<td>Wind farm</td>
<td>48MW Total installed capacity</td>
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<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>14</td>
<td>4</td>
<td>Wind farms</td>
<td>315.5MW Total installed capacity</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>161</td>
<td>22</td>
<td>Wind turbine generators</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>5</td>
<td>2</td>
<td>Wind farms</td>
<td>34.85MW and additional 13.60MW 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>26</td>
<td>1</td>
<td>Anaerobic Digestion Plant</td>
<td>Produced about 2.5% of UK's liquefied CO2 processes</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>11</td>
<td>1</td>
<td>Wind farms</td>
<td>485KW listed capacity 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>9</td>
<td>1</td>
<td>New Biogas project</td>
<td>485KW listed capacity Total installed capacity</td>
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<tr>
<td>Loan</td>
<td>Renewable Energy</td>
<td>Standby facility for investment in renewable projects</td>
<td>Multiple</td>
<td>26</td>
<td>Multiple</td>
<td>Renewables projects Clean energy acquired in Europe is 206.4 MW in 2017</td>
<td>87.2MW Total installed capacity</td>
</tr>
<tr>
<td>Loan</td>
<td>Efficient Buildings</td>
<td>100% green energy utility company</td>
<td>UK</td>
<td>4</td>
<td>Multiple</td>
<td>Provider of renewable energy to buildings</td>
<td>87.2MW Total installed capacity</td>
</tr>
<tr>
<td>Loan</td>
<td>Energy Efficiency</td>
<td>Financing to fund the acquisition and continued roll out of SmartMeters for an established Meter Asset Provider</td>
<td>UK</td>
<td>37</td>
<td>1.2m</td>
<td>Electricity and gas smart meters rollout</td>
<td>Increase in meters provided to 3.5m Emissions reduced</td>
</tr>
<tr>
<td>Loan</td>
<td>Renewable Energy</td>
<td>Hydro electric Schemes</td>
<td>UK</td>
<td>6</td>
<td>11</td>
<td>Hydro electric plants</td>
<td>5.8MW Total installed capacity</td>
</tr>
</tbody>
</table>
HSBC Sustainable Financing Updates

HSBC has created various platforms to facilitate communication of its Sustainable Financing activities. These are listed below:

- **HSBC Green Bonds Website:**

- **HSBC Environmental, Social & Governance Update April 2018:**

- **HSBC Centre of Sustainable Finance:**

- **Sustainable Financing Website:**

- **HSBC Sustainable Financing Newsletter (available on website above):**

- **HSBC/CBI State of the Market report 2018:**
  [https://www.climatebonds.net/files/reports/cbi_sotm_2018_final_01h-web.pdf](https://www.climatebonds.net/files/reports/cbi_sotm_2018_final_01h-web.pdf)

For further information on Sustainable Finance at HSBC please use the above websites. Additional disclosure in line with our TCFD commitments will be found in our full year 2018 Annual Report & Accounts and our 2019 ESG Update.