

October 2020

HSBC Green Bonds Report



Together we thrive

Introduction

“Sustainable finance is key to our long-term strategy. We are at the start of a journey and are committed to being a leading bank in financing the transition to a sustainable, low-carbon economy. We will continue to support our customers’ investments and growth in this area” Daniel Klier, Global Head of Sustainable Finance, HSBC

Amidst the shock and uncertainty of a global health crisis attention has shifted, albeit temporarily, towards social or sustainability bonds, however green bonds remain as important as ever. The last decade (2010-2019) was the warmest on record and every decade since the 1960s has been warmer than the one previousⁱ.

In recent decades, the international community has strived for consensus and a framework to meet the considerable threat climate change entails for society. The United National Framework Convention on Climate Change (IPCC) in 1992 and Kyoto Protocol in 1995 set out legally binding international commitments. The Paris Agreement in 2015 built on the Convention and brought into sharp focus the requirement to keep global temperature rises well below 2 degrees Celsius of pre-industrial levels and in doing so to limit temperature increases even further to 1.5 degrees Celsius.

Achieving this ambitious goal is dependent on public and private sectors committing to increasing levels of green finance. According to the Climate Policy Initiatives latest global landscape report (published November 2019), annual tracked climate finance in 2017 and 2018 crossed the USD half-trillion mark for the first time and has enjoyed an upward trend globally, increasing almost 60 percent between 2013-2018 (from USD 342 billion to USD 546 billion), but despite record levels of climate finance achieved in recent years, progress is still far behind the USD 1.6 trillion to USD 3.8 trillion estimated to be required annually between 2016 and 2050 for supply-side energy system investments aloneⁱⁱ.

Covid-19 threatened to stall progress in the battle to mitigate climate change, however, many governments are now using this as an opportunity to create a green economic recovery. This resulted in a landmark step by the German Treasury in September 2020 to raise EUR 6.5 billion from a 10-year green bond, that is expected to establish a benchmark for pricing other green transitions. Many European leaders, including the German Chancellor, have signalled they will pursue a green growth strategy. Leveraging private investment will be required to complement imminent waves of public finance.

HSBC remains committed to sustainable finance, with 2020 serving as the sixth anniversary of our membership to the ICMA Green Bond Principles. In addition to this, we have made good progress on our pledge to provide and facilitate USD100bn of sustainable finance and investment by 2025, having already delivered USD52.4 billion of this commitment as at 31st December 2019ⁱⁱⁱ.

Green Bond Market Overview

The market for green bonds has enjoyed a strong upward trajectory since the issuance of the world’s first green bond by the World Bank in November 2008^v. In parallel to growth in the market, the marketplace is becoming more diversified with bonds issued under sustainability, SDGs and social bonds arriving to the market. Appetite for green bonds hit record levels in 2019, with a total issuance of USD258.9bn, representing a 51 percent increase year-on-year^v.

Coronavirus initially threatened to derail progress in the green bond market, green bond issuance halted at the first peak of the Covid-19 crisis with global issuance falling to just USD5bn in March 2020, compared with USD18bn one month prior. Yet the market rebound has been robust, with issuance levels returning to USD17.3bn in April 2020 and total issuance projections for 2020 above USD350bn^{vi}.

More broadly, the roll out of the EU Sustainable Finance Taxonomy and G20’s Taskforce for Climate-related Financial Disclosure (TCFD) recommendations have prompted greater transparency across the marketplace. The compliance and regulatory structures coming into place will solidify and propel the pace of the green bond market. The green bond market is diversified in terms of the structure, allowing greater scope for financing climate solutions. Product developments include access to debt capital markets through structured bonds, as well as those that link payment to the return of the underlying green equity.

Structured Green Bond Market Overview

The structured green bond market is nascent and signifies an important innovation for the bond market. Packaging debt into different structures allows investors to increasingly align their green preferences and investments to their long-term goals. Structured green bonds can be either a public or a private placement, enabling the needs of investors to be met. Such innovation reveals the evolving nature of the market to meet existing investor demand whilst also increases the prospect of future growth.

Market Opportunity

HSBC's long-term commitment to sustainable finance has continued into 2020, through both our own product creation and working with clients to structure financing for green projects.

HSBC's position in the industry has been recognised through a number of awards and industry rankings. We were awarded the prize for World's Best Bank for Sustainable Finance 2020 by Euromoney, in addition to receiving the accolade of Best Bank for Sustainable Finance for Asia, the Middle East, and Western Europe at Euromoney's annual regional awards.

In 2020, HSBC has expanded its role in facilitating and offering sustainable finance and expanding its footprint in new markets and sectors. HSBC was the first foreign bank in India to launch a Green Deposit program. The program for our Corporate clients will enable them to support greener and more sustainable projects. In addition to this, in 2020 HSBC was delighted to launch two new Green Certificates of Deposit in the Asia-Pacific region.

In 2019, HSBC became the largest green, social and sustainability bond market underwriter. Across all three markets total volume at HSBC increased by two thirds to USD19.2bn in 2019, up from USD11.5bn the previous year^{vii}. Headway continued into H1 2020, and despite efforts being focused towards Covid-19 relief, HSBC was still ranked in the top ten global bond underwriters for H1 2020 (with over USD3bn of issuance)^{viii}.

HSBC Green Progress Report

This Report covers HSBC's Green Bond range, detailing the framework, evaluation and selection procedure, reporting criteria and use of proceeds of:

- ◆ Green Bond - FR0013064755 (issued 25 November 2015)
- ◆ Equity Linked Green Bond - FR0013224334 (issued 27 March 2017)
- ◆ Green Structured Bond - FR0013294352 (issued 20 November 2017)
- ◆ Green Structured Bond - FR0013298189 (issued 5 December 2017)
- ◆ Green Structured Bond - FR0013336013 (issued 1 May 2018)
- ◆ Green Bond - XS1917601582 (issued 27 November 2018)
- ◆ Green Structured Bond - FR0013432846 (issued 29 July 2019)
- ◆ Green Structured Bond - FR0013432861 (issued 29 July 2019)
- ◆ Green Structured Bond - XS2034898978 (issued 6 August 2019)
- ◆ Green Structured Bond - FR0013440864 (issued 13 August 2019)
- ◆ Green Structured Bond - XS2044465479 (issued 30 August 2019)
- ◆ Green Structured Bond - XS2052159642 (issued 19 September 2019)
- ◆ Green Certificate of Deposit - HK0000565447 (issued 12 February 2020)
- ◆ Green Certificate of Deposit - XS2151000226 (issued 27 March 2020)

For further details on the projects funded, please visit: <https://www.hsbc.com/investors/fixed-incomeinvestors/green-and-sustainability-bonds>

HSBC Holdings plc are responsible for the preparation of this report and all supporting records, including selecting appropriate reporting criteria to form the Green Bond Framework and assessing the statement as to Use of Proceeds against that Framework. On behalf of each HSBC group bond issuer, the allocation and tracking of funds received is the responsibility of our Green Bond & Loan Committee as described on page 4 in this report. We confirm that the statement as to Use of Proceeds is properly prepared in accordance with the Framework for the year ended 30 June 2020.

HSBC Green Bond Framework Summary

The full green bond framework can be found at - <https://www.hsbc.com/investors/fixed-income-investors/green-and-sustainability-bonds>

Pillar

 <p>Use of proceeds</p>	<ul style="list-style-type: none"> • Renewable energy • Energy efficiency • Sustainable waste management • Sustainable land use • Efficient buildings • Clean transportation • Sustainable water management • Climate change adaptation
 <p>Evaluation</p>	<ul style="list-style-type: none"> • Agreed criteria for selecting Use of Proceeds and confirming eligibility • Local Banker proposes the Use of Proceeds • Group Sustainability review for ESG factors and compliance with Green Bond Framework • Green Bond & Loan Committee confirms eligibility
 <p>Funds tracking</p>	<ul style="list-style-type: none"> • Use of Proceeds tracked via HSBC’s Green Asset Register
 <p>Reporting</p>	<ul style="list-style-type: none"> • HSBC Holdings plc will provide a consolidated Green Progress Report covering all issuances annually until full allocation. Thereafter, HSBC Holdings plc will provide a Green Progress Report if there have been material updates made to the project allocation • The Green Bond & Loan Committee review and approve each Green Progress Report, which includes: <ul style="list-style-type: none"> – 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’.

The full opinion can be found at - <https://www.hsbc.com/investors/fixed-income-investors/green-and-sustainability-bonds>

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 denoted by (A) in this report has been prepared in line with the HSBC Green Bond Framework. The report is available on our website^x.

Excluded Use of Proceeds

As stated in our framework:



Nuclear power



Weapons



Gambling



Alcohol

Furthermore, no coal or 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.

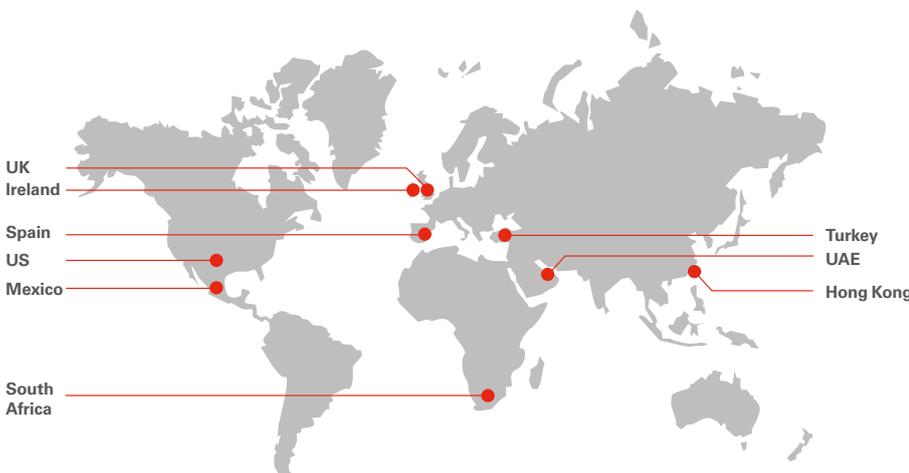
HSBC's Green Bond Framework is overseen and governed by the Green Bond & Loan Committee (GB&LC). The GB&LC is chaired by Group Treasury and consists of sustainability specialists and senior management from across the businesses, including input from Sustainable Finance teams.

The GB&LC has responsibility for the ratification of sustainable projects, which are initially proposed by local bankers and evaluated by Group Sustainability 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 green bond Eligible Sectors definitions of the Green Bond Framework, the local banker is 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 GB&LC for their ratification of inclusion or exclusion as use of proceeds of the respective HSBC Green Bond.

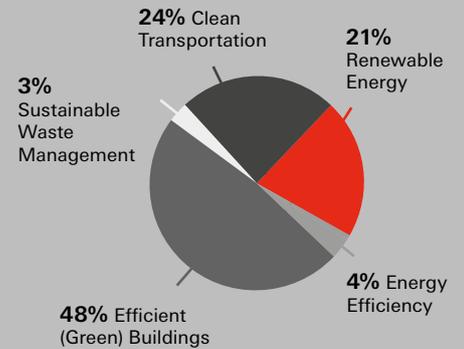
Regional Bond Allocation

Projects are located in

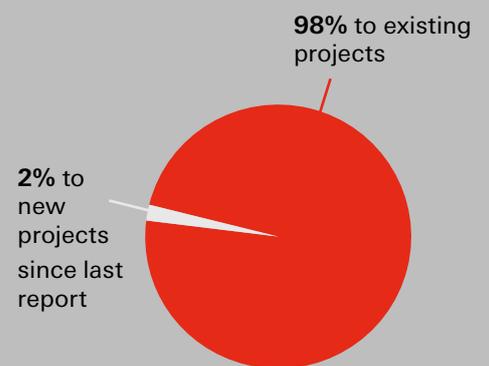


Key Stats:

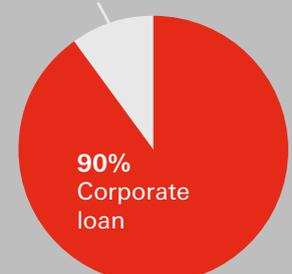
Amount Disbursed to Eligible Green Projects or Businesses



Bond Allocation



10% Project Finance



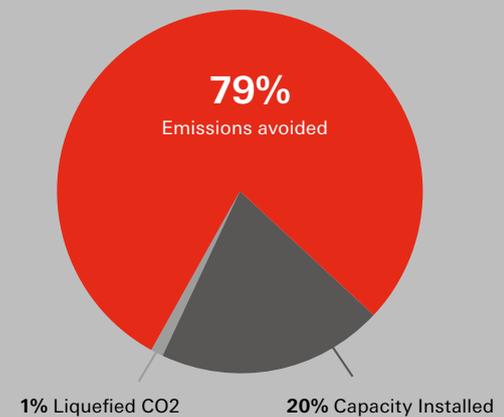
Reporting Criteria For Green Bonds

A summary of the selection process for these projects is noted below:

- ◆ HSBC finance/lending identified as green by the local banker – noting whether the Use of Proceeds conform to HSBC Green Bond Framework
- ◆ Projects within the region of the issuing entity, are considered for potential inclusion
- ◆ The HSBC Green Asset 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 & Loan Committee (GB&LC) as noted below
- ◆ All projects in the HSBC Green Asset Register are 'ratified' for inclusion in the GB&LC
- ◆ If ratified by the GB&LC, the projects outstanding commitments as per HSBC's financial reporting systems at 30 June 2020 (elected reporting date) are recorded within the HSBC Green Asset Register
- ◆ 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 within six month from the issuance of the bond they are allocated to. 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

Key Stats:

Amount distributed by type of project



The HSBC Green Asset Register forms the basis of the data in the table below:

For full breakdown of asset allocation, details can be found at <https://www.hsbc.com/investors/fixed-income-investors/green-and-sustainability-bonds>

HSBC Green Progress Report

Green Bonds Details

Reference	HSBC-GRB-001	HSBC-GRB-002	HSBC-GRB-003	HSBC-GRB-004	HSBC-GRB-005	HSBC-GRB-006
Type	Green Bond	Equity Linked Green Bond	Green Structured Bond	Green Structured Bond	Green Structured Bond	Green Bond
Issuer	HSBC France	HSBC France	HSBC France	HSBC France	HSBC France	HSBC Holdings plc
Issue Date	25 November 2015	27 March 2017	20 November 2017	5 December 2017	1 May 2018	27 November 2018
Currency	EUR	EUR	EUR	EUR	EUR	EUR
Tenor	5 years	8 years	15 years	15 years	15 years	6 years
Issued Amount	500m	38m	40m	50m	100m	1,250m
ISIN	FR0013064755	FR0013224334	FR0013294352	FR0013298189	FR0013336013	XS1917601582

Use of Proceeds

EUR (numbers are rounded to the nearest m)

Reporting Date	30/06/2020											
	HSBC-GRB-001		HSBC-GRB-002		HSBC-GRB-003		HSBC-GRB-004		HSBC-GRB-005		HSBC-GRB-006	
	Green Bond		Equity Linked Green Bond		Green Structured Bond		Green Structured Bond		Green Structured Bond		Green Bond	
Renewable Energy	280	56%	-	-	-	-	-	-	-	-	139	11%
Energy Efficiency	21	4%	-	-	41	100%	-	-	-	-	-	-
Efficient (Green) Buildings	186	37%	38	100%	-	-	-	-	110	100%	645	50%
Sustainable Waste Management	13	3%	-	-	-	-	50	100%	-	-	-	-
Clean Transportation	-	-	-	-	-	-	-	-	-	-	501	39%
Total:	500		38		41		50		110		1,285	

Further Bond Information

Reporting Date	30/06/2020											
Number of projects/clients supported	18	2	1	1	1	10						
Geographic allocation of projects	UK & Ireland Turkey Spain South Africa	UK	UK	UK	UK	USA UK Hong Kong Mexico Spain UAE						

HSBC Green Progress Report

Green Bond and Certificate of Deposit details (2)

Reference	HSBC-GRB-007	HSBC-GRB-008	HSBC-GRB-009	HSBC-GRB-010	HSBC-GRB-011	HSBC-GRB-013	HSBC-GCD-001	HSBC-GCD-002
Type	Green Structured Bond	Green Certificate of Deposit	Green Certificate of Deposit					
Issuer	HSBC France	HSBC France	HSBC France	HSBC Bank plc	HSBC Bank plc	HSBC Bank plc	HSBC Asia-Pacific ^x	HSBC Asia-Pacific ^x
Issue Date	29 July 2019	29 July 2019	13 August 2019	06 August 2019	30 August 2019	19 September 2019	12 February 2020	27 March 2020
Currency	USD	USD	USD	USD	GBP	GBP	HKD	HKD
Tenor	6 years	4 years	4 years	3 years	5 years	5 years	<1 year	<1 year
Issued amount	1m	1m	2m	1m	4m	8m	200m	189m
ISIN	FR0013432846	FR0013432861	FR0013440864	XS2034898978	XS2044465479	XS2052159642	HK0000565447	XS2151000226

Use of Proceeds (numbers rounded to the nearest m)

Reporting Date 30/06/2020

	HSBC-GRB-007	HSBC-GRB-008	HSBC-GRB-009	HSBC-GRB-010	HSBC-GRB-011	HSBC-GRB-013	HSBC-GCD-001	HSBC-GCD-002		
	Green Structured Bond	Green Certificate of Deposit	Green Certificate of Deposit							
	USD	USD	USD	USD	GBP	GBP	HKD	HKD		
Renewable Energy	-	-	-	-	-	-	-	-	195	100%
Energy Efficiency	-	-	-	-	-	-	231	100%	-	-
Efficient (Green) Buildings	1	100%	1	100%	2	100%	1	100%	4	100%
Sustainable Waste Management	-	-	-	-	-	-	-	-	-	-
Clean Transportation	-	-	-	-	-	-	-	-	-	-

(A) Total:	1	1	2	1	4	8	231	195
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Further Bond Information

Reporting Date 30/06/2020

Number of projects/clients supported	1	1	1	1	1	1	1	1
Geographic allocation of projects	UK	UK	UK	UK	UK	UK	Hong Kong	Hong Kong

All projects are listed in the HSBC Green Asset Register that can be found at - <https://www.hsbc.com/investors/fixed-income-investors/green-and-sustainability-bonds>
In some cases the value of the assets are greater than the value of the bond

HSBC Sustainable Financing Updates

HSBC has created various platforms to facilitate communication of its Sustainable Financing activities. These are listed below, along with other reports we have supported:

- ◆ HSBC Green Bonds Website:
<http://www.hsbc.com/investor-relations/fixed-income-securities/green-bond-reports>

- ◆ HSBC Environmental, Social & Governance Update April 2019:
<https://www.hsbc.com/our-approach/measuring-our-impact>

- ◆ HSBC Centre of Sustainable Finance:
<http://www.sustainablefinance.hsbc.com/>

- ◆ Sustainable Financing Website:
<http://www.gbm.hsbc.com/solutions/sustainable-financing>

- ◆ HSBC/CBI State of the Market report 2018:
<https://www.climatebonds.net/resources/reports/green-bonds-state-market-2018>

- ◆ China Green Bond Market 2019 Research Report:
<https://www.climatebonds.net/resources/reports/china-green-bond-market-2019-research-report>

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 the Environment, Social & Governance chapter of our full year 2020 Annual Report & Accounts.

Disclaimer

Important Notice

The information, statements and opinions set out in this document are for informational and reference purposes only and do not constitute a public offer for the purposes of any applicable law or an offer to sell or solicitation of any offer to purchase any securities or other financial instruments or any advice or recommendation in respect of such securities or other financial instruments.

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Forward-Looking statements

This document may contain projections, estimates, forecasts, targets, opinions, prospects, results, returns and forward-looking statements which can be identified by the use of forward-looking terminology such as "may", "will", "should", "expect", "anticipate", "project", "estimate", "seek", "intend", "target" or "believe" or the negatives thereof or other variations thereon or comparable terminology (together, "forward-looking statements"), including any financial or investment targets or frameworks described herein. Any such forward-looking statements are not a reliable indicator of future performance, as they may involve significant stated or implied assumptions and subjective judgements which may or may not prove to be correct. There can be no assurance that any of the matters set out in forward-looking statements are attainable, will actually occur or will be realised or are complete or accurate. The assumptions and judgments may prove to be incorrect and involve known and unknown risks, uncertainties, contingencies and other important factors, many of which are outside the control of the Group. Actual achievements, results, performance or other future events or conditions may differ materially from those stated, implied and/or reflected in any forward-looking statements due to a variety of risks, uncertainties and other factors (including without limitation those which are referable to general market conditions or regulatory changes and due to the impact of COVID-19). Any such forward-looking statements are based on the beliefs, expectations and opinions of the Group at the date the statements are made, and the Group does not assume, and hereby disclaims, any obligation or duty to update, revise or supplement them if circumstances or management's beliefs, expectations or opinions should change. For these reasons, recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements. No representations or warranties, expressed or implied, are given by or on behalf of the Group as to the achievement or reasonableness of any projections, estimates, forecasts, targets, prospects or returns contained herein.

Additional detailed information concerning important factors that could cause actual results to differ materially from this document is available in our Annual Report and Accounts for the fiscal year ended 31 December 2019 filed with the Securities and Exchange Commission (the "SEC") on Form 20-F on 19 February 2020 (the "2019 Form 20-F"), and in other reports on Form 6-K furnished to or filed with the SEC subsequent to the 2019 Form 20-F.

Information in this document was prepared as at 30 June 2020, unless otherwise stated.



HSBC

- i NASA, NOAA Analyses Reveal 2019 Second Warmest Year on Record, January 2020
- ii Climate Policy Initiative, Global Landscape of Climate Finance 2019, November 2019
- iii HSBC, Sustainable Finance, 2020
- iv World Bank, 10 Years of Green Bonds: Creating the Blueprint for Sustainability Across Capital Markets, March 2019
- v Climate Bonds Initiative, Green Bonds Global State of the Market 2019, July 2020
- vi Climate Bonds Initiative, Green Bonds Market 2020, Accessed September 2020
- vii Environmental Finance, HSBC named largest green, social and sustainability bond manager, February 2020
- viii Climate Bonds Initiative, Green Bonds Underwriters League Table, 2020
- ix <https://www.hsbc.com/investors/fixed-income-investors/green-and-sustainability-bonds>
- x HSBC Asia Pacific is the legal entity 'The Hongkong and Shanghai Banking Corporation Limited'

^(A) Denotes PwC assurance on the allocation of bond proceeds. The Reporting Criteria against which it was assessed is available at <https://www.hsbc.com/investors/fixed-income-investors/green-and-sustainability-bonds> and summarised in this report.