Introduction

The start of a new decade marks the 10-year countdown for the world’s leaders to achieve the United Nation’s Sustainable Development goals (SDGs). The 17 goals, adopted by 150 nations in 2015, embody an international framework to end extreme poverty, fight inequality and injustice, and mitigate the impact of climate change.

We are living in transformative times. Coronavirus and resulting economic shock have put development gains at risk. Job losses, illness and overwhelmed healthcare systems jeopardize efforts to reach the UN SDGs. However, as UN Secretary-General Antonio Guterres asserted at the Global Investors for Sustainable Development Alliance (GISD) this year, the pandemic also provides an opportunity to accelerate progress in meeting the goals by rebuilding a “fairer, greener, and more resilient global economy, that leaves no one behind”.

Against this backdrop, financing efforts to achieve the SDGs are more pertinent than ever. The World Bank’s most comprehensive analysis estimates that meeting the infrastructure-related goals, alongside infrastructure related climate change mitigation will require 4.5-8.2 percent of low- and middle-income countries aggregate GDP per annum (equating to USD1.5 trillion to USD2.7 trillion each year) between 2015-30.

The UN’s call to action is clear: governments, businesses and society should collaborate to achieve the UN SDGs in this ‘decade of action’ with private investment flows and international cooperation central to ensuring all countries have the resources require to meet the goals.

As a global bank, we recognise our duty to support the communities in which we operate and the impact our business has on the wider environment – and how we can contribute towards achieving the goals in the UN’s 2030 Action Plan. Having already established sustainable offerings through our range of green bonds, in 2017 we launched the world’s first bond that specifically supports the UN SDGs. This USD1 billion bond is aligned to seven of the goals, including a commitment to renewable energy, building sustainable cities, and improving access to fresh water and sanitation. In 2018, through HSBC Group’s commitment to provide USD100bn in sustainable financing and investment by 2025, HSBC Amanah Malaysia Berhad launched the world’s first UN SDG sukuk. In September 2019, we issued new Green Certificates of Deposit in the US which aligns to our SDG framework.

We are committed to the disclosure of our investments and the required transparency for this product. HSBC serves as a corporate member of the United Nations Global Compact (UN GC) reporting on the SDGs, whose work aims to promote and facilitate corporate reporting on the UN SDGs.

SDG Market Overview

Sustainable investment products remain nascent, though action to ensure that these align with the SDGs has accelerated in recent years. Furthermore, emerging digital technology is being increasingly harnessed which reduces the cost of financial intermediation, and boosts innovation in financial products, enterprises, and markets. This will serve as a catalyst for accelerating investment levels for meeting the SDGs in the coming years.

Accessing the SDG development market can be achieved indirectly by identifying relevant companies, setting parameters for investment selection, or it can be performed retrospectively through portfolio reporting. However, when HSBC launched the USD1 billion bond based on the UN SDGs in 2017, we pioneered direct access to SDG-connected investments. The bond is aligned to the related HSBC SDG Bond Framework, created alongside the 2017 Green Bond Principles, 2017 Social Bond Principles and the Sustainability Bond Guidelines, as held by the International Capital Markets Association (ICMA). This framework allows for investors to align their portfolio with their investment mandate, which according to our research is a priority, with 61 percent of institutional investors having an ESG strategy to guide their investment decisions and over 40 percent actively disclosing it.

The development of green and sustainability sukuk provides investors with access to funding sustainable infrastructure without contravening Islamic Shariah law. This is particularly beneficial to help countries in Asia raise required investment to achieve SDGs in the region, as it can be used around the world. Malaysia and Indonesia in particular have pioneered the launch of green sukuk to finance climate-related projects.

Market Opportunities

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.

We are helping with the development of the sustainable finance market not only through enabling clients and creating capital flows, but also through our own actions. Our Centre of Sustainable Finance to provide sustainability related thought-leadership and innovation and to support client engagement, with almost 100 reports published to date. Our Centre can be found at https://www.sustainablefinance.hsbc.com which hosts all of the insight from our award winning team and industry leading partnerships.

SDG Bond Report

This Report details the framework, evaluation and selection procedure, reporting criteria and use of proceeds of:

- SDG Bond - US404280BM08 (issued 15 November 2017)
- SDG Sukuk - MYBV/11802740 (issued 2 October 2018)
- Green Certificate of Deposit - US44329MAR43 (issued 27 September 2019)

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

(All figures correct as 30 June 2020)
Reporting Criteria For SDG Bonds

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

HSBC will determine eligibility based on assessment of whether the funds are applied to Eligible Categories, and, whether a significant positive sustainability net impact is achieved.

Where a business or project derives 90% or more of revenues from activities in Eligible Categories (i.e. essentially sustainable business) it will be considered as eligible for financing from an HSBC SDG Bond. In these instances, the Use of Proceeds can be used by the business for general purposes, so long as this financing does not fund expansion into activities falling outside the Eligible Categories.

Businesses and projects may benefit the environment and society in important ways but also degrade it in others. HSBC has specific sustainability risk policies covering various sectors (see https://www.hsbc.com/our-approach/risk-and-responsibility/sustainability-risk for further details) which seek to ensure that the financial services we provide to our customers to support economic development do not result in an unacceptable impact on people or the environment. HSBC’s assessment of environmental and societal benefits will consider the balance of impacts in determining overall net benefit. Moreover, HSBC will exercise its professional judgement, discretion and sustainability knowledge in determining eligibility of businesses and projects for the Use of Proceeds of an HSBC SDG Bond issue.
## HSBC SDG Bond Framework Summary

### Pillar

#### Use of proceeds

| SDG 3: Good health and well-being | SDG 9: Industry, innovation and infrastructure |
| SDG 4: Quality Education | SDG 11: Sustainable cities and communities |
| SDG 6: Clean water and sanitation | SDG 13: Climate action |
| SDG 7: Affordable and clean energy |  |

#### Evaluation

- Definition of sustainable finance/lending defined by the Green Bond & Loan Committee (GB&LC)
- Project details submitted to GB&LC for their ratification of inclusion or exclusion as Use of Proceeds
- Their recommendation will be made with consideration of net sustainability benefit, with a focus towards targeted populations as defined by the ICMA Social Bond Principles 2017
- Group Sustainability will have a final veto on eligibility decisions
- HSBC internal knowledge on climate change, including the HSBC Climate Change Center of Excellence, are employed in decisions relating to the HSBC SDG Bond

#### Funds tracking

- The GB&LC tracks the Use of Proceeds via its internal information system
- HSBC has established an asset register, recording each specific facility allocated as Use of Proceeds for an SDG Bond by a unique position identifier.
- While any portion of the proceeds of an HSBC SDG Bond issue has not been applied directly to finance or refinance eligible lending, proceeds may be invested according to local liquidity management guidelines.

### Reporting

HSBC Holdings plc will provide a consolidated SDG Progress Report for all issuances on an annual basis, until full allocation including:

**Allocation Reporting:**
- Aggregate amounts of funds allocated to each of the Eligible Categories (as listed in Table 1) together with a description of the types of business and projects financed;
- The remaining balance of unallocated SDG Bond proceeds at the reporting period end; and
- Confirmation that the Use of Proceeds of the SDG Bond(s) issued conforms with the HSBC SDG Bond Framework

**Impact Reporting:**

HSBC recognises investors’ preference for enhanced information on Use of Proceeds. Where possible, HSBC will provide further information and examples of eligible businesses and projects financed by an HSBC SDG Bond.

### Assurance Obtained

A second party opinion from Sustainalytics on the HSBC SDG Bond Framework, and on the framework’s environmental and social credentials.

### Excluded Use of Proceeds

As stated in our framework:

- Nuclear power
- Weapons
- Alcohol
- Gambling / adult entertainment
- Palm oil

### Summary

Overall, Sustainalytics is of the opinion that the HSBC SDG Bond Framework creates meaningful impact, is transparent, credible and aligns with the Green Bond Principles 2017 (GBP), the Social Bond Principles 2017 (SBP), and the Sustainability Bond Guidelines 2017.
Reporting Evaluation and Selection Procedure

The Green Bond & Loan Committee is chaired by Group Treasury, membership consists of experts from HSBC’s Group Sustainability, Risk, Sustainable Financing, Debt Capital Markets, and Project Export Finance teams, among others.

This Green Bond & Loan Committee was appointed with the responsibility for governing the HSBC SDG Bond Framework to align / streamline oversight processes and ensure consistency of approach.

Similarly to an HSBC Green Bond issue, the GB&LC has responsibility for the ratification of eligible business and projects, which are initially proposed by local banking teams and evaluated by Group Sustainability via disciplined, multi-step process following clear and consistently applied guidelines.

1. A definition of sustainable finance/lending has been defined in the Eligible Categories above and approved by the GB&LC for the purposes of identifying and monitoring of potentially eligible business or projects, as well as reporting on any HSBC SDG bond issue across the bank. As noted above, any potentially eligible business or projects will have already been evaluated for adherence to HSBC’s Sustainability Policies (see https://www.hsbc.com/our-approach/risk-and-responsibility/sustainability-risk for further details).

2. Ultimately the project details, together with Group Sustainability review and recommendation are submitted to the GB&LC for their ratification of inclusion or exclusion as Use of Proceeds of the respective HSBC SDG Bond. The recommendation will be made with consideration of net sustainability benefit, including:
   a. An assessment of the business or projects against relevant available standards and benchmarks;
   b. A consideration of the business or projects compared to feasible alternatives; and
   c. Lifecycle impacts and rebound effects over a timeline relevant to the business or project.
   d. The intended beneficiaries of the project, with a focus towards targeted populations as defined by the ICMA Social Bond Principles 2017.

3. In all cases, Group Corporate Sustainability will have a final veto on eligibility decisions.

4. Additionally, HSBC internal knowledge and expertise on climate change, including the HSBC Climate Change Center of Excellence, will be employed in decisions made with regards to HSBC’s SDG Bond.

Regional Bond Allocation

Projects are located in:

- UK
- USA
- Mexico
- UAE
- India
- Sri Lanka
- Malaysia
- Singapore
- Australia
- Indonesia
- Malaysia
- Singapore
- Australia
- Indonesia

Key Stats:

Amount Disbursed to Projects or Businesses by SDG Category (based on full project)

- 62% SDG9 – Industry, innovation and infrastructure
- 22% SDG11 – Sustainable cities and communities
- 11% SDG7 – Affordable clean energy
- 3% SDG6 – Clean water
- 2% SDG3 – Good health
- 13% Islamic Financing
- 42% Loan
- 33% Capital Expenditure
- 89% to existing projects
- 11% to new projects since last report
The HSBC SDG Asset Register forms the basis of the data in the table below, detailing the specific allocation of the SDG Bond, SDG Sukuk and Green Certificate of Deposit.

### HSBC SDG Bond Progress Report

**SDG Bond Details**

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Issue Date</th>
<th>Currency</th>
<th>Issued Amount</th>
<th>Tenor</th>
<th>ISIN</th>
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<tbody>
<tr>
<td>HSBC Holdings plc</td>
<td>15 November 2017</td>
<td>USD</td>
<td>1,000,000,000</td>
<td>5 years</td>
<td>US404280BM08</td>
</tr>
<tr>
<td>HSBC Amanah Malaysia Berhad</td>
<td>2 October 2018</td>
<td>MYR</td>
<td>500,000,000</td>
<td>5 years</td>
<td>MYBV11802740</td>
</tr>
</tbody>
</table>

**Use of Proceeds**

<table>
<thead>
<tr>
<th>Reporting Date</th>
<th>Reporting Date</th>
<th>(numbers are rounded to the nearest m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>30/06/2020</td>
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<td></td>
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</table>

<table>
<thead>
<tr>
<th>SDG Bond</th>
<th>MYR</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>HSBC SDG Bond</td>
<td>92 14%</td>
<td>- -</td>
</tr>
<tr>
<td>SUKUK SDG Bond</td>
<td>110 17%</td>
<td>- -</td>
</tr>
<tr>
<td>Green CD</td>
<td>200 31%</td>
<td>1 100%</td>
</tr>
<tr>
<td>666 65%</td>
<td>246 38%</td>
<td>- -</td>
</tr>
<tr>
<td>264 26%</td>
<td>- -</td>
<td>- -</td>
</tr>
</tbody>
</table>

**Number of projects/clients supported by HSBC SDG Bond**

| Number of projects/clients | 15 | 5 | 1 |

**Geographic allocation of projects**

- Australia
- Dubai
- India
- Singapore
- Sri Lanka
- UK
- USA
- Mexico
- Malaysia
- USA

All projects are listed in the full green asset register that can be found at - [https://www.hsbc.com/investors/fixed-income-investors/green-and-sustainability-bonds](https://www.hsbc.com/investors/fixed-income-investors/green-and-sustainability-bonds)
HSBC Sustainable Financing Updates

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

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

- HSBC Environmental, Social & Governance Update April 2019:

- 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

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

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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.