



Independent Limited Assurance Report to the Directors of HSBC Holdings plc

HSBC Holdings plc (“HSBC”) engaged us to provide limited assurance on the information described below and set out in HSBC’s Annual Report and Accounts 2020 and the website (<https://www.hsbc.com/esg>)¹ for the year ended 30 September 2020.

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 for the year ended 30 September 2020 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 external reporting over CO₂ emissions for the 12 months to 30 September 2020, as set up in the table below (the “Selected Information”).

Selected Information	Value (Tonnes)
CO ₂ emissions from energy (Scope 1 & 2) – market based	363,000
CO ₂ emissions from energy (Scope 1 & 2) – location based	466,000
CO ₂ emissions from travel	43,000

HSBC’s internal reporting guidelines for measuring, recording and reporting the Selected Information (the “Reporting Criteria”) are set out in HSBC CO₂ Emissions - Reporting Guidance 2020 (dated September 2020), available in Appendix A.

Our assurance does not extend to information in respect of earlier periods or to any other information disclosed online.

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 or Reviews of Historical Financial Information’ and, in respect of the greenhouse gas emissions, in accordance with International Standard on Assurance Engagements 3410 ‘Assurance engagements on greenhouse gas statements’, issued by the International Auditing and Assurance Standards Board. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our Independence and quality Control

In carrying out our work, we complied with the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour that are at least as demanding as the applicable provisions of the IESBA Code of Ethics.

We also apply International Standard on Quality Control (UK) 1 and accordingly maintain 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 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 30 September 2020.

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;
- evaluated the design of the key structures, systems, processes and controls for managing, recording and reporting the Selected Information. This included analysing a number of sites, selected on the basis of their inherent risk and materiality to the group, to understand the key processes and controls for reporting site performance data to the group team;
- performed limited substantive testing on a selective basis of the Selected Information at corporate head office and in relation to 10 sites to check that data had been appropriately measured, recorded, collated and reported; and
- considered the disclosure and presentation of the Selected Information.

HSBC’s responsibilities

HSBC management 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 HSBC’s Annual Report and Accounts 2020 and Sustainability section of the website¹.

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 dated 30 September 2020, in order to assist the Directors in reporting HSBC’s sustainability performance and activities. We permit this report to be disclosed at <https://www.hsbc.com/esg> for the 12 months ended 30 September 2020, 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 LLP
Chartered Accountants
London

18 February 2021

¹ The maintenance and integrity of HSBC website is the responsibility of HSBC; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on HSBC’s website.

Appendix A: HSBC CO₂ Emission Reporting Guidance 2020

This CO₂ Emissions Reporting Guidance (“CERG”) document supports the preparation and reporting of carbon dioxide emissions data by HSBC Holdings plc (hereafter “HSBC”). It is the responsibility of HSBC management to ensure that appropriate procedures are in place to prepare its carbon reporting in accordance with the CERG. HSBC has:

- designed, implemented and maintained internal controls and processes over information relevant to the measurement and preparation of carbon emissions data that is free from material misstatement, whether due to fraud or error;
- established objective reporting criteria (i.e. CERG) for measuring, preparing and reporting the carbon emissions data and applied them consistently;
- presented information, including the criteria, in a manner that provides relevant, reliable, comparable and understandable information; and
- measured and reported the carbon emissions data based on this reporting criteria.

General Reporting Principles

In preparing this guidance document consideration has been given to following principles:

- Information Preparation – to highlight to users of the information the primary principles of relevance and reliability of information;
- Information Reporting – the primary principles are comparability / consistency with other data including prior year and understandability / transparency providing clarity to users.

Reporting Scope

Since 2013, HSBC’s annual data is prepared for the 12 month period to 30 September in accordance with internal reporting timelines. Carbon emission data comprises carbon dioxide arising from:

- Energy used in commercial buildings, vehicles and other forms of transport owned or leased by HSBC and used for business purposes. By applying an emission uplift rate, energy used in residential building is also accounted for. This includes 100% of emissions from the assets of joint ventures or alliances where HSBC has management control²;
- Emissions arising from off-shored operations where HSBC retains control over the outsourced operation via contractual agreement; and
- Other business travel including air; rail; taxi; hire car. By applying an emission uplift rate, elements of boat; bus/coach; ferry/junk; tram; and other travel are also included.

Carbon dioxide emissions from acquisitions and disposals are included and terminated respectively from the date of contractual completion of the transfer of asset ownership/ leasehold. This is consistent with HSBC’s financial reporting. For acquisitions, where data are not available: estimates are prepared for additions which contribute more than 5% of the Reporting Unit (i.e. country level) annual data.

Reporting levels are defined on the basis of the percentage of Full Time Equivalent Employee (FTE) as at 30 September (reporting year runs from 1 October to 30 September). A scale up calculation is made on the basis of the FTE coverage rate to account for any missing data component (typically less than 10% of FTE). In addition, emissions uplift rates are applied to allow for uncertainty on quality and coverage of emissions measurement and estimation. The uplift rates are: 4% for electricity, 10% for other energy, and 6% for business travel, based on IPCC Good Practice Guidance and Uncertainty Management in National Greenhouse Gas Inventories and HSBC’s own internal analysis of data coverage and quality.

Carbon dioxide emission reporting excludes emissions from investments (including loans to third party organisations), employee commuting (except where HSBC provides this service in its Global Technology Centers and Global Service Centers) and other third party sources. It also excludes carbon equivalent emissions arising from other greenhouse gases on the basis that these are negligible and/or cannot be calculated with a sufficient level of reliability, however, CO₂e factors were used wherever available, in which case elements of other greenhouse gases would have been included in total emissions.

Further details on the preparation of emissions reported are presented below.

Data preparation

Property

² Management control: where HSBC Group or its member has full authority to implement the Group environmental policy and where there is control of facilities management.

Data are reported for electricity, primary fuel sources and locally generated energy sources. Energy consumption data where possible are obtained via meters and collated from the service provider invoices. Where metered data are only partially available or not available, energy consumption may be calculated on the basis of a comparable property, extrapolation of cost per unit or estimates using floor area or other published industry baselines.

Travel

For air and rail travel, actual data are obtained where possible, from the business travel service agents. Where journey details are not available, estimates of distance travelled are based on the cost of an average journey or by extrapolating from a single month of travel. Where tickets are ordered on a local basis through a travel company an estimated distance of the journey may be made by the traveler/claimant. For independent bookings the estimate of distance travelled is based on the cost of an average journey.

Road travel is measured by direct measurement of journeys made for business purposes. Details of road journeys, including distances travelled, engine size of vehicle and fuel type are submitted as part of expense claims/invoices. This may include company vehicles, personal/private vehicles and hire vehicles. Where only cost data are available, an estimate of distances travelled can be calculated on a local basis. Where journey data are not available, previously recorded data or industry baseline data may be used.

Conversion factors

Conversion factors enable determination of the amount of carbon dioxide released into the atmosphere per unit of energy consumption. Different types of energy source and modes of travel have different conversion factors reflecting the carbon intensity.

Energy - Scope 1

Scope 1 emissions are calculated using factors provided by the Department for Business, Energy and Industrial Strategy (BEIS) for each primary fuel source.

Energy - Scope 2

HSBC reports energy emissions under the location and market basis introduced by the revised scope 2 guidance of the GHG protocol. HSBC has reviewed the revised Greenhouse Gas Protocol Scope 2 Guidance and has worked with service providers in 2020 to integrate the revised GHG Protocol Scope 2 Guidance into HSBC's reporting methodology to enable HSBC to report using both location based and market based methodologies.

Market Based

For market based emissions reporting, HSBC applies the following hierarchy of emission factors:

1. Factors provided by electricity attribute certificates or equivalent instruments;
2. Factors provided by contracts for electricity, such as power purchase agreements (PPAs).
3. Factors provided by energy suppliers
4. Factors provided by the Association of Issuing Bodies (AIB) for the residual mixes in Europe
5. Other grid-average emission factors (subnational or national)
6. Factors provided by the International Energy Agency (IEA).

Location Based

For location based emission reporting; HSBC applies the following hierarchy of emission factors:

1. Regional or subnational emission factors
2. National production emission factors
3. Factors provided by the International Energy Agency (IEA).

Travel

For travel, factors are provided by the transportation services suppliers or from published sources of the countries, where the kilometres are travelled. For air travel, we use the average seat class factor (exclusive of radiative forcing) for short haul and long haul (distances greater than 3,700 km). We do not use cabin seating class of travel (economy to first class) emission factors.

As we are working on the next phase of our operational sustainability strategy, we are reviewing our reporting methodology specially related to air travel emissions including the cabin seating class instead of the average seat class factor. We expect this change to materially increase our reported carbon dioxide emissions from travel. As we define our new baseline for the next phase of our operational sustainability strategy, the updated reporting methodology for air travel, which includes the "cabin seating class", will be incorporated as our new baseline from 2021.

Guidance on the use of conversion factors, including the most recent factors released by the IEA and BEIS is issued internally annually.

Prior year adjustments

The measuring and reporting of carbon emissions data inevitably involves a degree of estimation. In exceptional circumstances restatements of prior year reported emissions and offset data may be required. Restatements are considered where there is a change in the data and/or in the data collection or preparation that will have material impact on the total emissions and/or offset at Group level.