



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 Structured Bond Report dated November 2018 for two HSBC France Green Structured Bonds (ISIN FR0013298189 and ISIN FR0013294352) as at 30 June 2018 (the “Green Structured 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 Structured 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 Structured Bond” on page 6 of the Green Structured Bond Report.

Our assurance does not extend to information in respect of earlier periods or to any other information included in the Green Structured 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 23 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 Structured 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 Structured 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 Structured 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

HSBC Green Structured Bond Report



Introduction

“As one of the main intermediaries between businesses, governments and investors, we have a responsibility to direct flows of capital and to help manage the low-carbon transition more broadly. Equally we have a duty to help shape the green finance markets, and to contribute to the design and development of the new products that the global economy will need – including green bonds.” John Flint, HSBC Group Chief Executive

The green bond market as it first appeared a decade ago is a far step from its current shape. Since the inaugural green bond launch, the model has been reified to accommodate a wider scope of impact investing, with social bonds and sustainable bonds providing investors avenues to place their money in products that make a long-term, climate-conscious and social-economic difference across the world.

The role of green bonds and their core ICMA Green Bond Principles (use of proceeds; process for project evaluation and selection; management of proceeds; 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 (including energy use in power, transportation, and buildings) would require over \$1tn a year through to 2050 to operate at a low-carbon mandate.¹

The green initiative is not one of idealism, but of ever-pressing importance and immediacy. The Intergovernmental Panel on Climate Change (IPCC)'s special report on the impacts of global warming of 1.5°C above pre-industrial levels brings to sharp focus the colossal scale of change required from energy systems, agriculture, cities and industries to contain the rate of climate change.² Carbon dioxide emissions would need to be cut by 45 percent from present levels by 2030, and be eradicated completely by 2050. Mitigation of climate-related risks on the world will require substantial mobilisation of finance into green projects.

HSBC Green Structured Bonds give investors not only access to low-carbon, renewable and environmental projects, as is the case with standard green bonds, but the ability to reap investment returns of the companies benefitting from the bond's issuance.

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 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 per cent 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.

Green Structured Bond Market Overview

The structured product division of the green bond market remains nascent, but is an important product innovation. This ability to package debt into different structures enables investors to better align their green preferences and investments against their long-term goals, demonstrating how the market is evolving in order to meet both existing investor demand and helping to grow demand in the future.

Market Opportunity

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.

In 2017, HSBC helped 48 clients issue green bonds, and in 2018 we supported Indonesia in issuing Asia's first sovereign green bond. 2017 also saw the bank launch the HSBC Sustainable Development Goals (SDG) Bond, the world's first corporate sustainable development bond based on the United Nations' SDG targets.





HSBC is determined to match clients' growing desire for green finance solutions with its sustainable investment projects. Our 2018 Sustainable Financing and ESG Investing report found 61.4 per cent of investors globally have an ESG strategy, with financial returns as the biggest driver of adoption.³ It is unsurprising, then, that in 2017 global issuance of green bonds topped \$155bn in 2017, almost double the \$82bn logged in 2016 by the Climate Bonds Initiative.⁴

Currently, HSBC ranks #2 in the Sept 2018 YTD Dealogic Green, Social and Sustainability Bond 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.

HSBC Green Bond Framework Summary

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 • Relationship Managers propose the Use of Proceeds • Group Sustainability review for ESG factors and compliance with Green Bond Framework • Green Bond Committee confirms eligibility
 <p>Funds tracking</p>	<ul style="list-style-type: none"> • Use of Proceeds tracked via register, ultimately will be tracked via internal loan management system
 <p>Reporting</p>	<ul style="list-style-type: none"> • 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: <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'.

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.

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.

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.

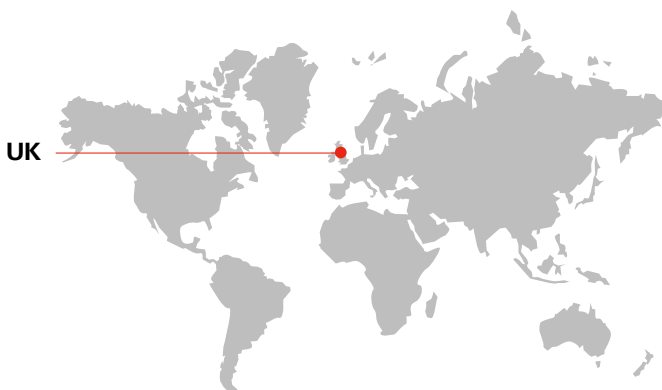
HSBC's Green Bond Framework is overseen and governed by the Green Bond Committee (GBC). The GBC is chaired by Group Treasury and consists of sustainability specialists and senior directors from across the businesses, including Sustainable Finance teams.

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:

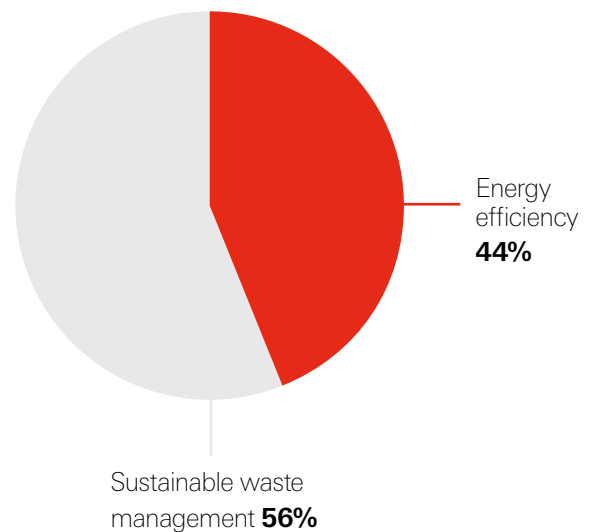
- ◆ A definition of green finance/lending has been developed and approved for the purposes of identifying, monitoring and reporting green finance activity across the bank
- ◆ Once a green project is identified by the local banker, if the finance/lending is considered to fit within the tighter green bond 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:

Projects are located in:



Amount Disbursed to Eligible Green Projects or Business (based on full project)



Reporting Criteria For this Green Structured 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 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
- ◆ Projects within the region of the issuing entity, in this case EMEA,⁵ are considered for potential inclusion
- ◆ 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
- ◆ 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
- ◆ There is no direct financial link between the allocated assets and the green bond itself, i.e. this is an unsecured issuance
- ◆ 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
- ◆ The HSBC Green Bond Register forms the basis of the data in the table below:
- ◆ 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

HSBC Green Structured Bond Progress Report

Green Structured Bonds Details

Issuer	HSBC France SA	HSBC France SA
Issue Date	20 November 2017	05 December 2017
Currency	EURO	EURO
Tenor	15 years	15 years
Issued Amount	40,000,000	50,000,000
ISIN	FR0013294352	FR0013298189

Use of Combined Proceeds

EUR (numbers are rounded to the nearest m)

(A) Amount Disbursed to Eligible Green Projects	90	100%
(A) Energy Efficiency (EE)	40	44%
(A) Sustainable Waste Management (SWaste)	50	56%

HSBC business area	Type of Project, per HSBC Green Bond Framework Eligible Sector List	Project description	Geography	Loan committed as at 30/06/2018 EUR (numbers are rounded to the nearest m)	Asset supported	Renewable Energy installed capacity – predictions/projections made by our clients in public sources for the full project
Loan	Energy Efficiency	Roll-out and installation of Smart Metres	UK	EUR 40m	50m Smart Metres by the end of 2020	c.10% reduction in energy usage & c.15% reduction in total waste generation
Loan	Sustainable waste management	Construction of a new anaerobic digestion facility	UK	EUR 50m	Anaerobic digestion facility	c.3m cubic metres of Bio Gas produced p.a.

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 Environment, Social & Governance Update April 2018:
<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 Sustainable Financing Newsletter (available on website above):
<http://www.gbm.hsbc.com/solutions/sustainable-financing/edition6-newsletter-2017>

- ◆ HSBC/CBI State of the Market report 2018:
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.



HSBC



1 Climate Policy Initiative, Global Landscape of Climate Finance, October 2017
2 IPCC, Global Warming of 1.5°C: Summary for Policymakers, October 2018
3 HSBC, HSBC Sustainable Financing and ESG Investing report, September 2018
4 Climate Bonds Initiative, Green Bond Highlights 2017, January 2018
5 EMEA: Europe, Middle East & Africa