

# Green loans:

Sowing the seeds of a sustainable future

## Benefits of securing a green loan:

- Lower carbon footprint make firms more attractive to eco-conscious investors
- Lower funding costs due to lower risk profile
- Increasingly large pool dedicated to financing green initiatives
- Take advantage of carbon tax credits and incentives by governments across the world

**\$103.5** trillion investment in global infrastructure is required under the 2-degree scenario to combat climate change

Source: HSBC's Client Briefing Materials

**#1** HSBC was the first to structure and issue a bond aligned with Sustainable Development Goals in 2017

Source: HSBC's Client Briefing Materials

Green loans can play a role in funding a portion of the **\$5.2** trillion infrastructure investments required in the Middle East

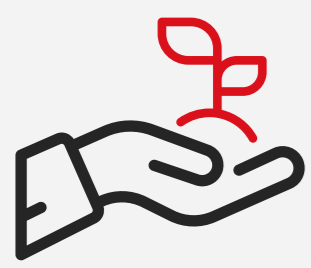
Source: HSBC's Client Briefing Materials

HSBC was **#1** global green bond underwriter and largest green bond underwriter in emerging markets in H1 2019

Source: <https://www.climatebonds.net/resources/league-table>

## Green loan principles (GLP)

Loan Market Association outlines four principles to ensure loans are utilised to pursue sustainable projects



**#1** Use of Proceeds:  
Determining that loan is used for green projects



**#3** Management of Proceeds:  
Loan to be credited to a dedicated account or tracked by the borrower










**#2** Process for Project Evaluation and Selection:  
Borrower to clearly communicate use of loan



**#4** Reporting:  
Borrowers to ensure information is readily available on the use of proceeds

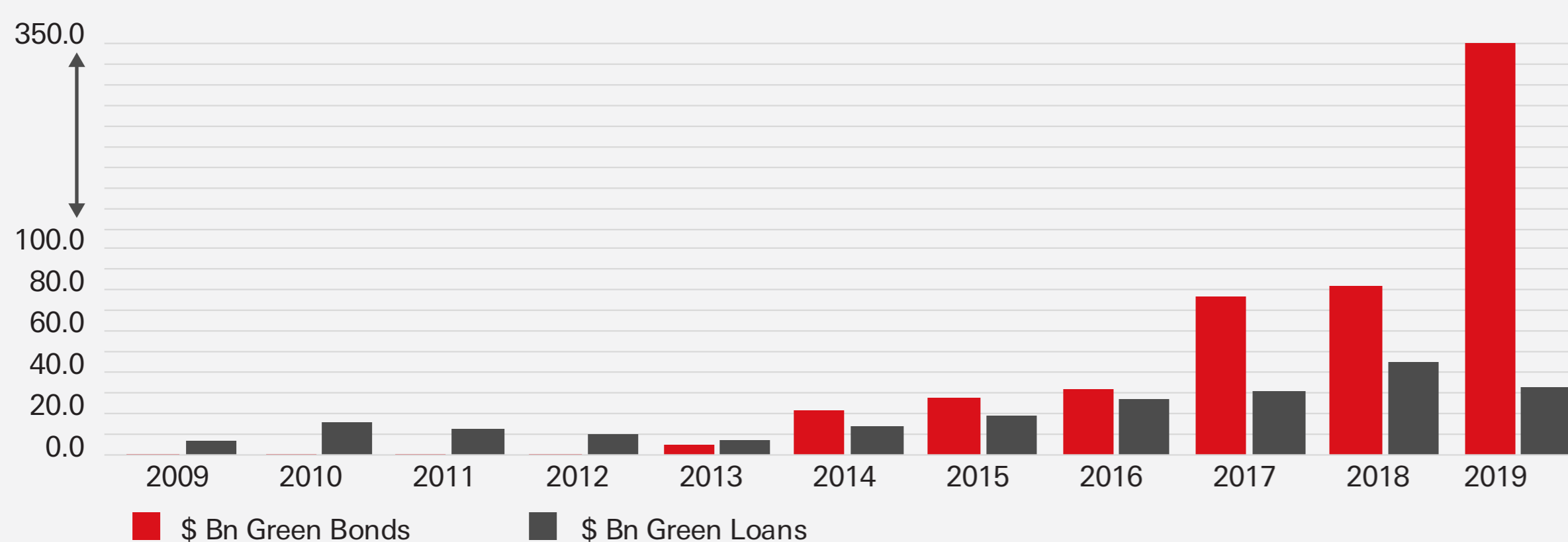
Source: [https://www.lma.eu.com/application/files/9115/4452/5458/741\\_LM\\_Green\\_Loan\\_Principles\\_Booklet\\_V8.pdf](https://www.lma.eu.com/application/files/9115/4452/5458/741_LM_Green_Loan_Principles_Booklet_V8.pdf)

## Green loans adhering to GLP can be used to fund the following segments:

 Renewable energy	 Energy efficiency	 Sustainable water and wastewater management
 Green buildings	 Terrestrial and aquatic biodiversity conservation	 Smart farm inputs
 Pollution prevention and air emission reductions	 Climate change adaptation	 Other products and applications that can mitigate impact of climate change
 Clean transportation	 Waste prevention, reduction and recycling	
 Sustainable land use		

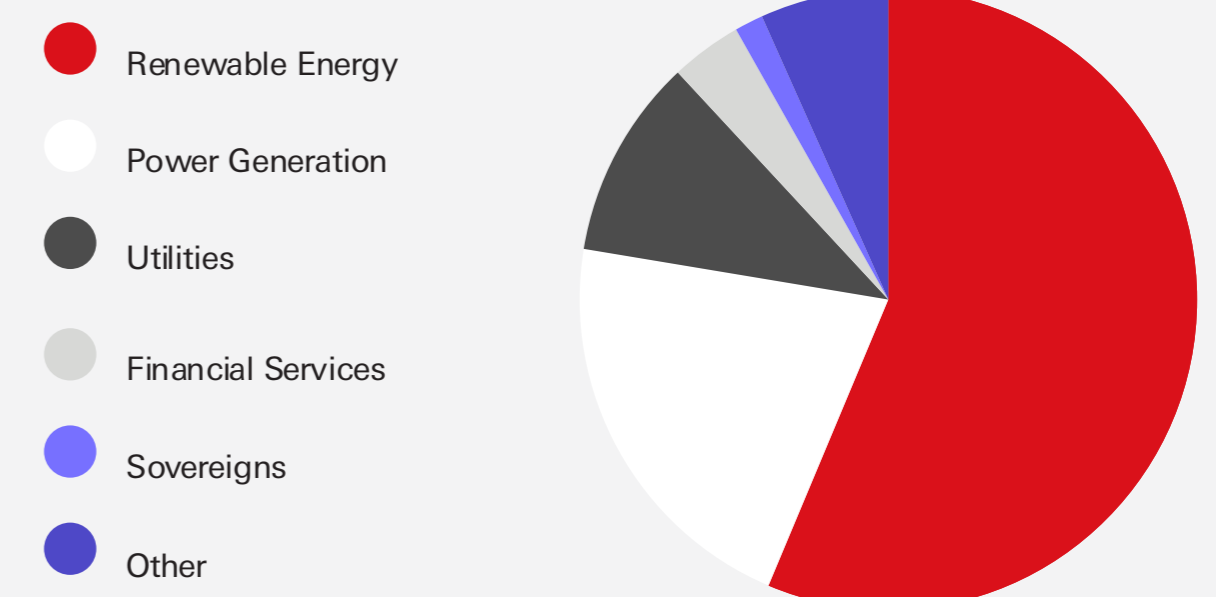
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## Rise of green instruments globally (\$BN)



Source: <https://www.linklaters.com/en/insights/thought-leadership/sustainable-finance/the-rise-of-green-loans-and-sustainability-linked-lending>

## Green loans by sector (\$BN, Apr 2019)



Source: [https://www.iif.com/Portals/0/Files/2\\_SF\\_green\\_loan\\_issuance%20v1.pdf](https://www.iif.com/Portals/0/Files/2_SF_green_loan_issuance%20v1.pdf)

Source: HSBC, Refinitiv, Bloomberg, Institute of International Finance, Loan Markets



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