

# 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

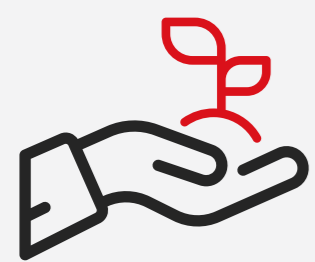
Source: HSBC's Client Briefing Materials

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

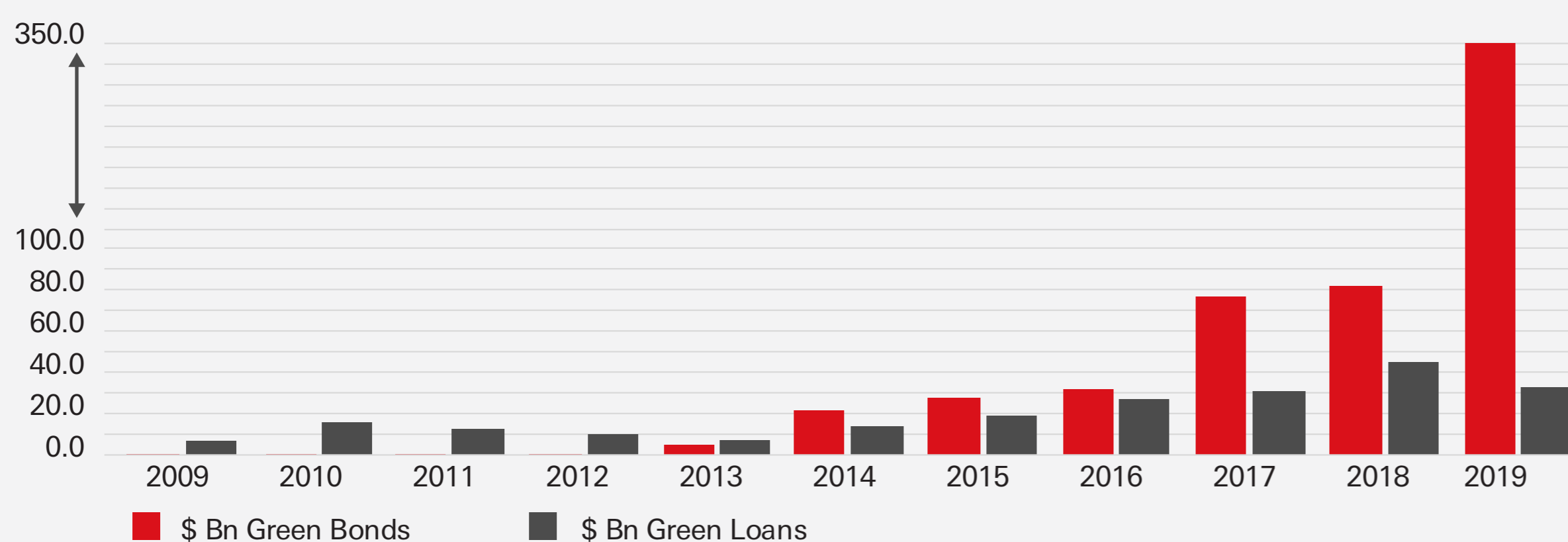
Source: [https://www.lma.eu.com/application/files/9115/4452/5458/741\\_LM\\_Green\\_Loan\\_Principles\\_Booklet\\_V8.pdf](https://www.lma.eu.com/application/files/9115/4452/5458/741_LM_Green_Loan_Principles_Booklet_V8.pdf)

## 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		

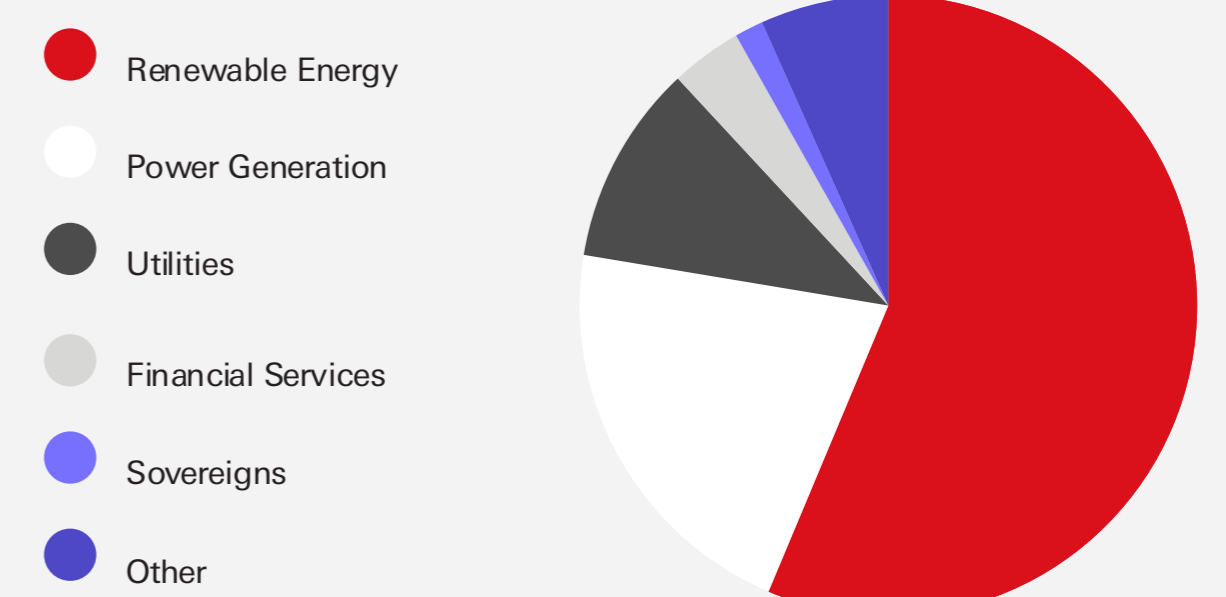
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## Rise of green instruments globally (\$BN)



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%20vf.pdf](https://www.iif.com/Portals/0/Files/2_SF_green_loan_issuance%20vf.pdf)

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



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