

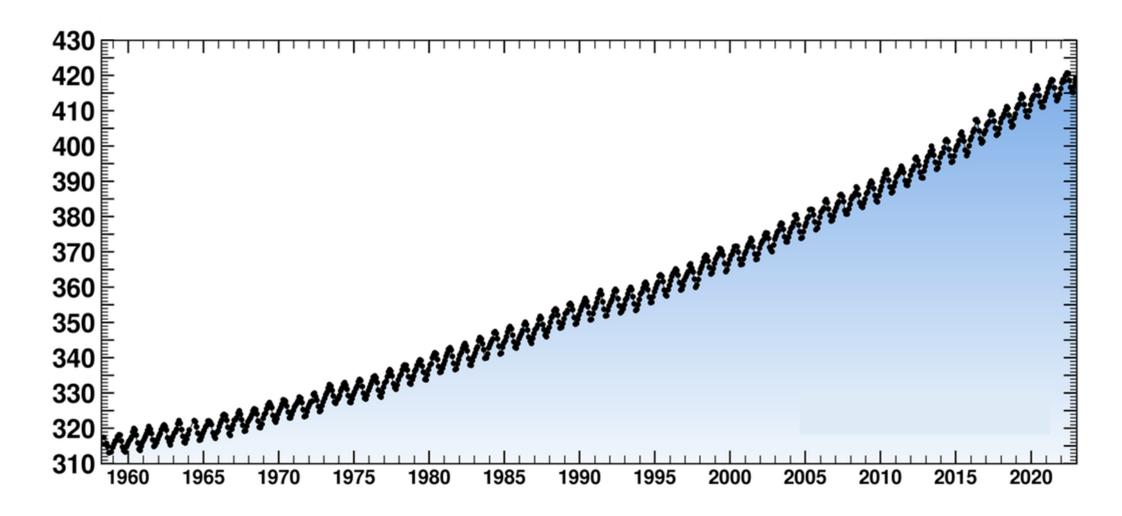
Structuring Sustainable Finance Products

Jonathan Drew

Vice President, HKGFA;

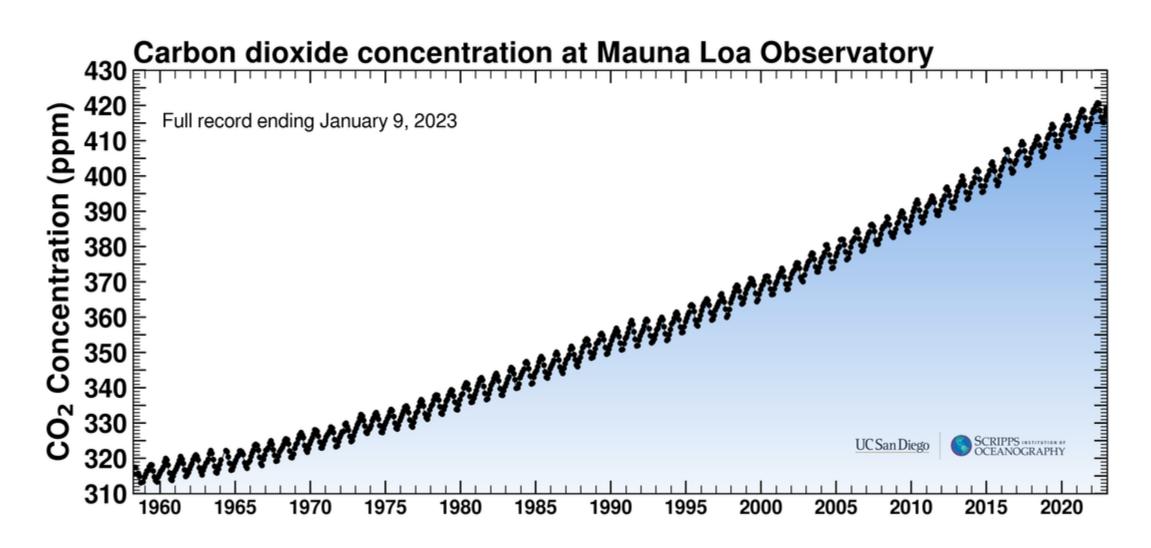
Head of Global Banking Sustainability, Asia-Pacific, The Hongkong and Shanghai Banking Corporation Limited





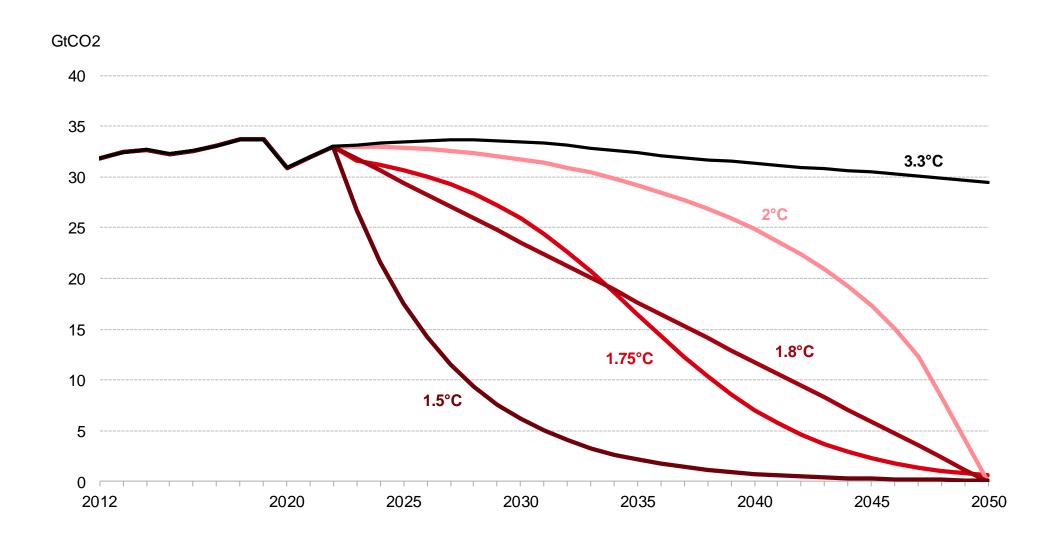
Reality check





Keeping inside 1.5 degrees requires immediate and significant emissions reductions





Planning and Action for Net Zero







 Understand the impacts and materiality



 Dual materiality -Access the impacts the business on external environment, and the impacts of external environment on the business



Scope of emissions –
 Decisions and influence



2 Ambition and Targets

Establishing the right metrics



 Clear short-term, interim and long-term net zero targets



 Keep track of the transition progress over time



3 Plan

 Strategic plan describing a feasible transition pathway



 Concrete activities to reduce carbon emissions



 Reasonable assumptions about emission reduction and temperature scenarios



4 Take Action

 Specific activities and initiatives for emission reduction



 Transition-related investment and outcomes



5 Governance

 Robust senior leadership and governance structure



 Board level oversight and top-down approach for transition matters



 Embed sustainability considerations throughout the organisation



6 Disclosure

 Regularly report the results and progress for net-zero journey

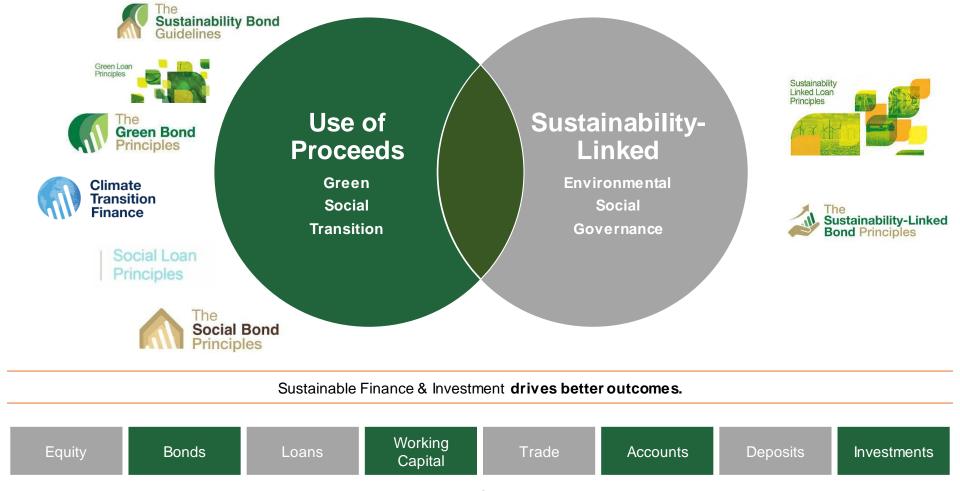


 Include details of major relevant projects

Overview of Sustainable Financing Options



Turning Financing Needs into Sustainable Finance & Investment



Green, Social, Sustainability UoP – Bonds and Loans



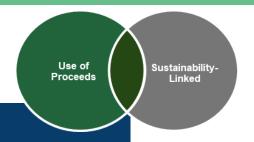


Sustainability-Linked Bonds and Loans









Sustainability Linked

Financing terms such as the margin can be linked to the ESG score/KPI performance of the borrower

Core Components:

1. Selection of KPIs

Internal or external metrics that measures one or more material ESG considerations for the company/sector

2. Calibration of SPTs

Details the level of ambition – how much the company seeks to improve their performance over the life of the deal

3. Characteristics Economic outcome is linked to selected pre-defined SPTs

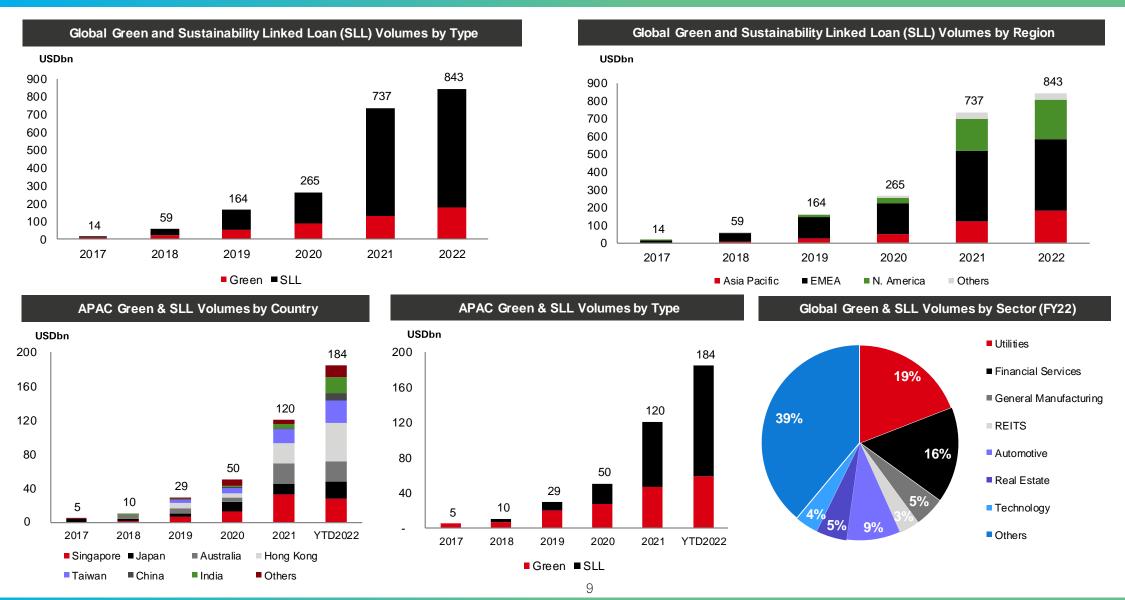
4. Reporting

Performance should be reported at least once per annum to enable the Characteristics to adjust

5. VerificationBorrowers must obtain independent and external verification of the borrower's performance level against each SPT for each KP

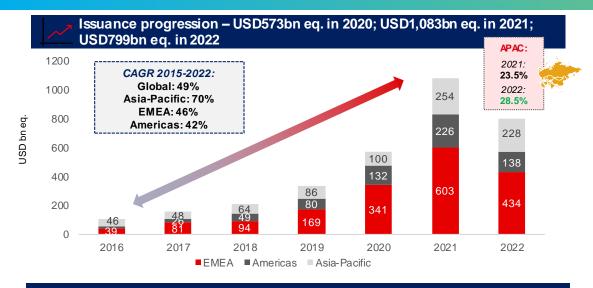
Sustainable Loan Market Update



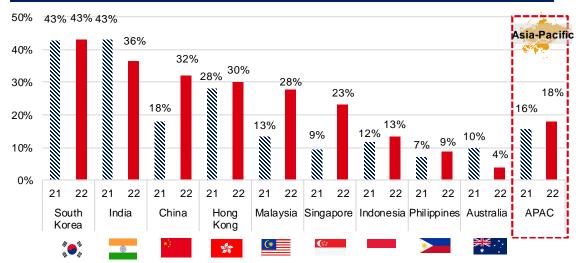


Sustainable Bond Market Update

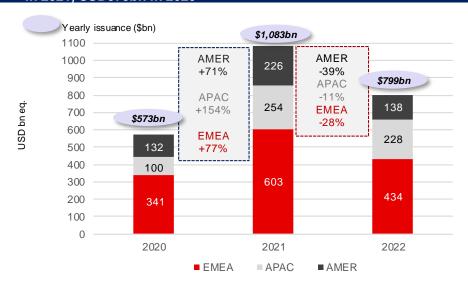




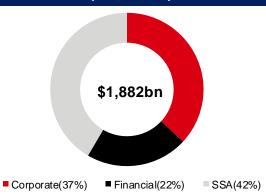
Sustainable Bond market accounts for 18% of total bond issuances in APAC countries in 2022 (International Market issuances)



Sustainable Bond supply: USD799bn in 2022 (-26% vs last year), USD1,083bn in 2021, USD573bn in 2020



Global issuances by issuer type (2021 – 2022)



Global issuances by bond type (2021 – 2022)







