



# Green Bonds & Co

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# The need for climate finance is imminent

- **Climate change is in focus** – political support has never been stronger towards a new global climate agreement in the build up to [COP21](#)
- HSBC Climate Change Centre of Excellence (CCCoE) research estimate 140 intended nationally determined contributions (INDCs) covering 167 countries have been submitted to the UN in preparation for the climate talks in Paris in December (as at 25 November 2015)
- These include 28 EU countries and cover 89.9% (42.8 GtCO<sub>2</sub>e) of global GHG emissions
- The World Economic Forum (WEF) estimates that USD0.7 trillion, or roughly 1% of world GDP, is required annually to deliver 2° C infrastructure [Link to source](#)
- Moreover, The International Energy Agency (IEA) estimate that **USD53trn cumulative investment** required in energy supply and energy efficiency up to 2035 in order to keep the world on a 2° C warming path [Link to source](#)
- The United Nations Principles for Responsible Investment (UNPRI) signatories now stands at more than USD59trn (USD4trn in 2006) [Link to source](#)
- In 2014 USD37bn green bonds were issued in the market, but this is still a long way short of the additional investment needed annually of USD 1trn to finance a 2° C world
- HSBC CCCoE research states; “In our view green bonds are an attractive solution – issuance has been strong and we expect it to continue to grow” [Link to source](#)
- **Capital markets need to be mobilised to facilitate and contribute to such large scale investment**



COP21 Paris commences  
30 November 2015



HSBC CCCoE have produced many reports highlighting the need for climate finance & nations commitments prior to COP21



International  
Energy Agency

Secure • Sustainable • Together

IEA has estimated that the investments in low carbon energy technology must reach USD53trn by 2035 to keep on 2°C target

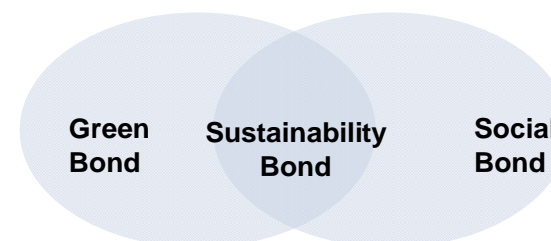
# Current market model built on the Green Bond Principles (GBP) and the Social and Sustainability bond Appendix to GBP

The Green Bond  
Principles

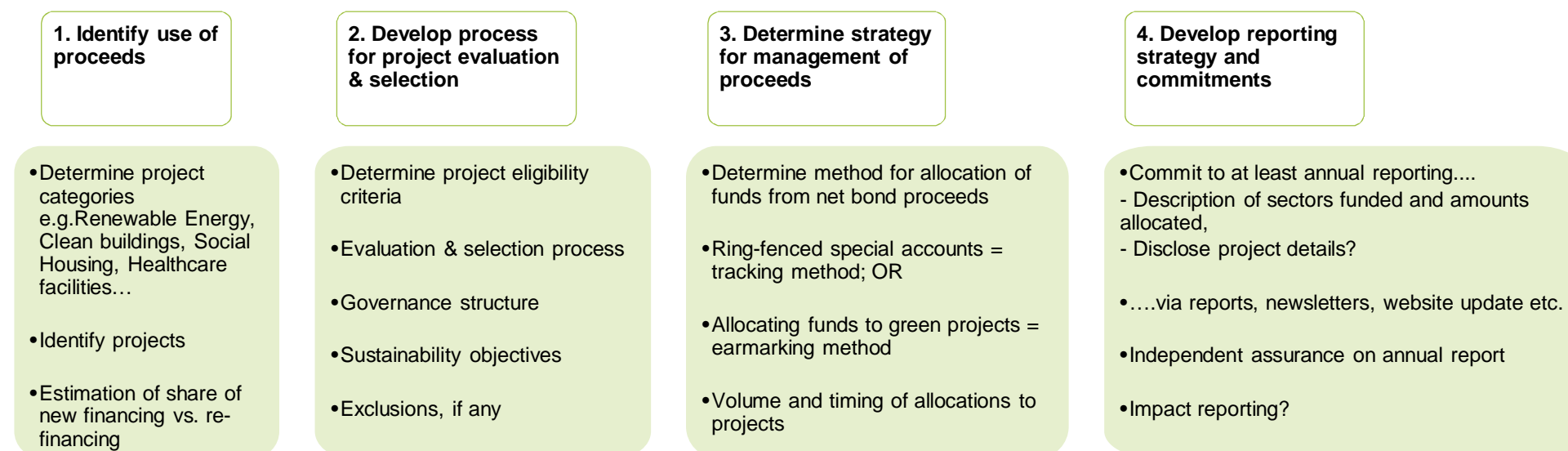


## Voluntary Framework Guidelines for the Green / Sustainability / Social bond market

- Recommend transparency & disclosure and promote integrity in the development of the green bond
- Clarifying the approach for issuance of a green bond
- ICMA act as secretariat for the GBP
- HSBC, together with Rabobank and Credit Agricole are the founding writers of the Social and Sustainability Bond Appendix to the GBP



## Four Pillars of the GBP & Social and Sustainability bond Appendix






Source: Green Bond Principles – Secretariat : ICMA – International Capital Markets Association. <http://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/green-bonds/>

# Distinction between the use of proceeds

## Green/Social/Sustainability bond distinctions

There are 3 main categories of sustainable financing bonds

Green Bonds or SSD	Sustainability Bonds or SSD	Social Bonds or SSD
<p>Green Projects aim to address key areas of concern regarding climate change – adaptation and mitigation</p> <p>There are a variety of categories classified within green bonds, these include, but not limited to:</p> <ul style="list-style-type: none"> <li>• Renewable energy</li> <li>• Energy efficiency</li> <li>• Clean buildings</li> <li>• Clean transportation</li> <li>• Sustainable waste management</li> <li>• Sustainable water management (including clean and/or drinking water)</li> <li>• Sustainable land use (including sustainable forestry and agriculture)</li> <li>• Biodiversity conservation</li> <li>• Climate change adaptation</li> <li>• ...</li> </ul>	<p>Sustainability Projects are defined as projects combining characteristics of both Social Projects and Green Projects</p> <p>Sustainability bonds issued over the last 24 months have focused on the following broad categories:</p> <ul style="list-style-type: none"> <li>• Energy efficient buildings for social housing</li> <li>• Renewable energy projects for SME's</li> <li>• Purchase of green space for conservation purposes</li> <li>• Clean public transport with a "sustainable mobility objective", including a tramway extension and dedicated bicycle lanes</li> <li>• Sustainable resource consumption</li> <li>• ...</li> </ul>	<p>Social Projects are defined as projects aimed at clear social benefits for targeted populations, usually through the provision of basic goods and services</p> <p>Social bonds issued over the last 24 months have focused on the following broad categories:</p> <ul style="list-style-type: none"> <li>• Construction / provision of Social Housing</li> <li>• Access to Healthcare facilities</li> <li>• Access to Education</li> <li>• Increased Employment opportunities through support of SME businesses</li> <li>• Access to basic living resources – food and clean water</li> <li>• Gender equality</li> <li>• Social inclusion</li> <li>• Poverty reduction</li> <li>• ...</li> </ul>
		
<p>These are not exhaustive lists and HSBC continue to explore the potential issuance opportunities further</p>		

# Motivations for issuing Green/Social/Sustainability bonds

Green/Social/Sustainability bonds are simple to issue, but the benefits are manifold

## Investor diversification

- Access new dedicated and or committed Sustainably focused/SRI investors as well as broaden interest among general investors

## Demonstrating innovation

- By embracing a new and fast growing market

## Investor loyalty

- Penetrate different pools of liquidity among existing investor base
- Offer products aligned with investors core corporate values

## Price tension

- Green/Social bonds price in-line with and may eventually price inside of conventional benchmarks

## Ease of issuance

- Issued under same documentation as regular bonds, use existing EMTN programme

## Promote sustainable products

- For example, GDF Suez's proceeds will go towards renewable energy sources, such as wind farms or hydroelectric stations and smart metering systems for remote control of energy use

## Improve image

- Align with the political sustainable growth agenda and plan for the next generation

## Develop sustainable business platforms

- To save money in the long run

## Promote efficiency

- For example, Vasakronan's green bond financed the construction of a new office building which lowers the energy requirements of the building by 50%, using storm water runoff and regionally manufactured and quarried materials

## Value of marketing

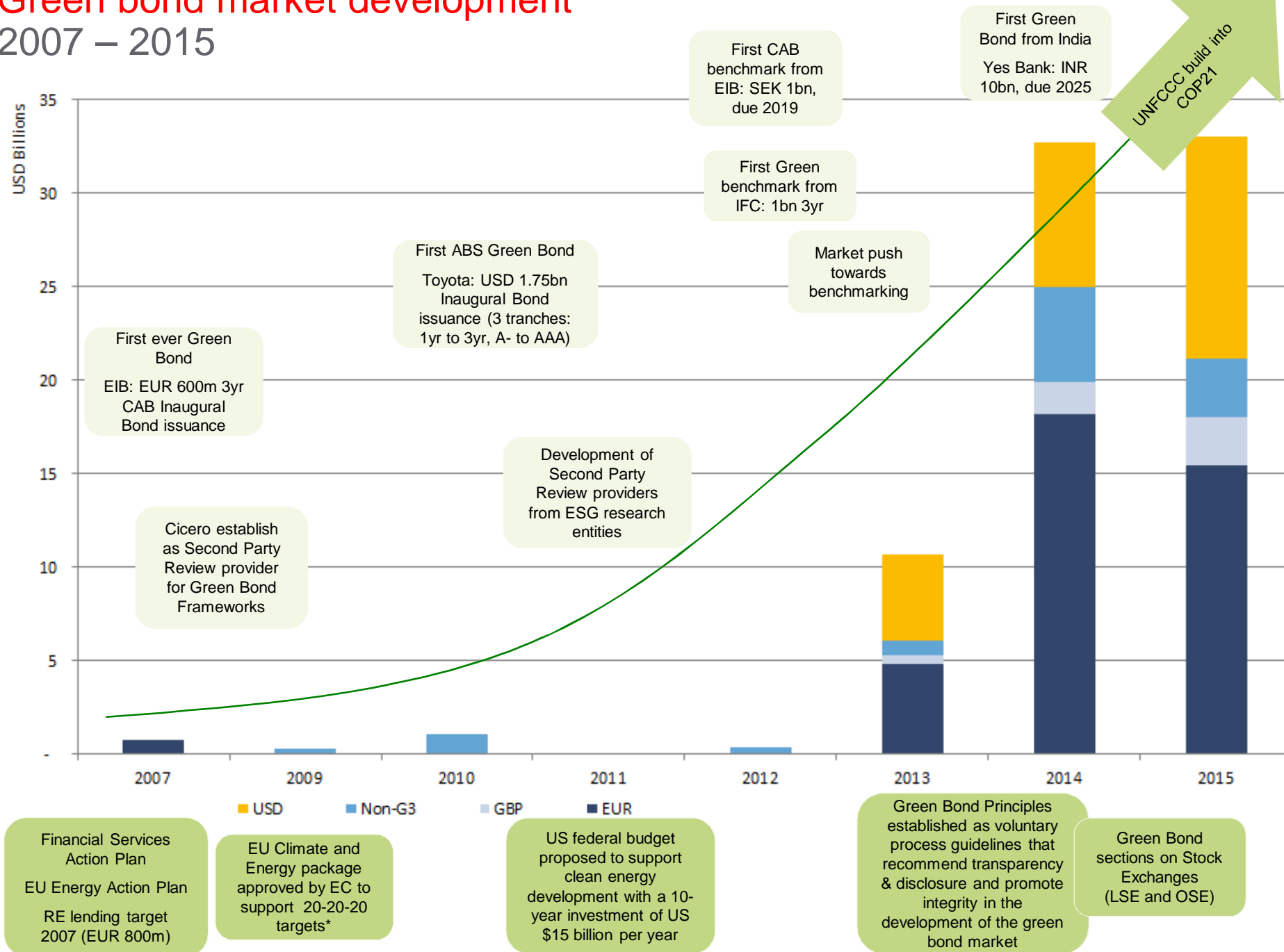
- Display the institution's green agenda in connection with finance activities



# Green/Social/Sustainability Bonds Issuance To Date



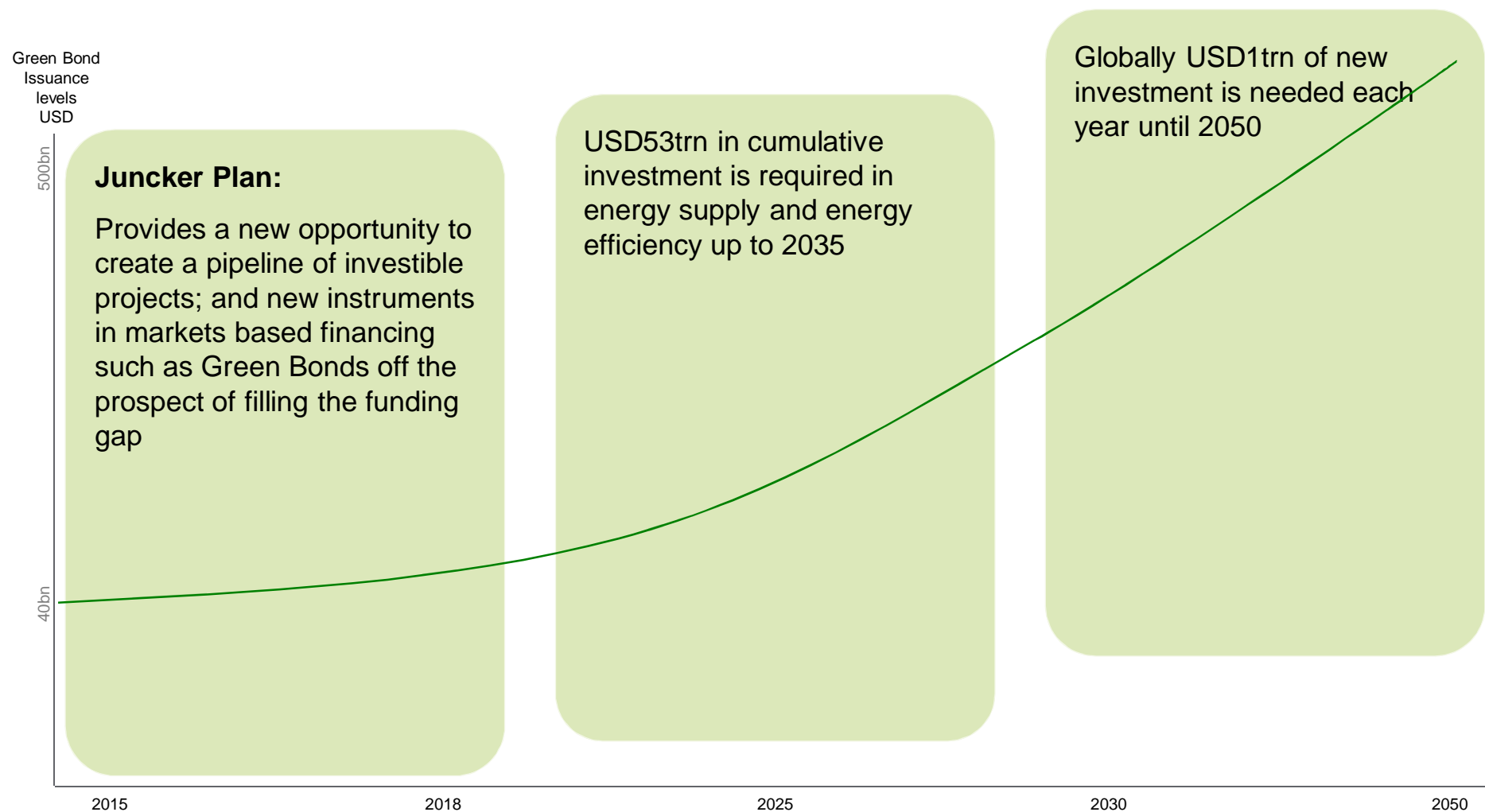
# Green bond market development 2007 – 2015





# Green bond market development

## 2015 onwards



Representative growth of the Green Bond Market

Source: HSBC Sustainable Financing

# Green/Social/Sustainability bonds issuance trends

## Across FIG / Corporate / SSA Issuer

Since 2007 issuance in the Green/Social Bond market has been dominated by SSA Issuers, in particular Development Banks

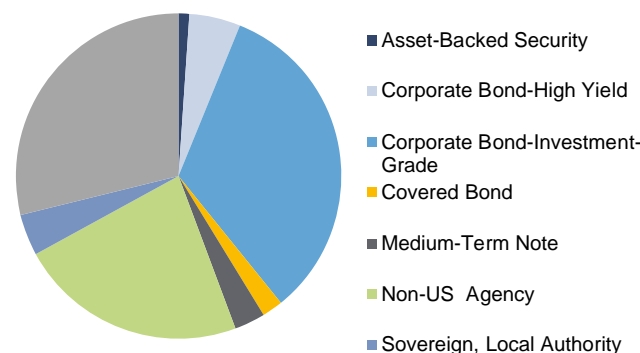
Since 2013, the Green/Social Bond format has become more widely used by Corporates, Municipalities, Provinces, Cities and Financials

In 2015, Corporate issuance constitutes approximately 42% of total issuance compared to 34% in 2014 and 19% in 2013

With Green/Social bond issuance expected to total USD30-50bn in 2015, contributions from Corporate, Financial and Muni/Provincial/City issuers will play a large part

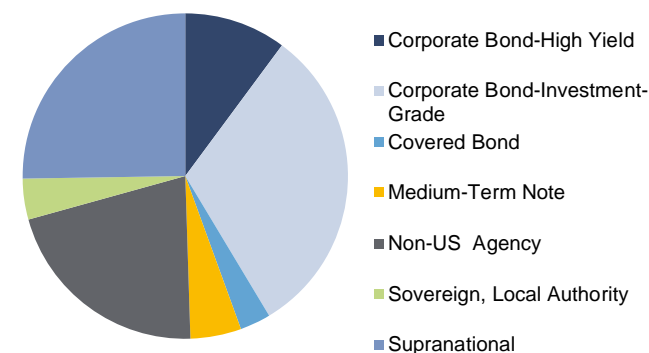
### Green/Social issuance by sector<sup>1</sup>

All Green bonds



37% Corporate (HY & IG), 29% Supra

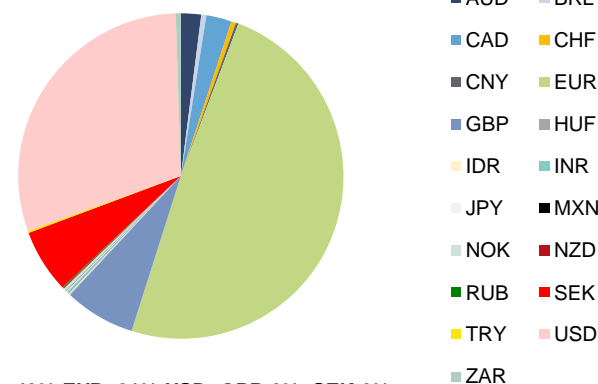
2015 YTD Green Bonds



41% Corporate (HY & IG), 25% Supra

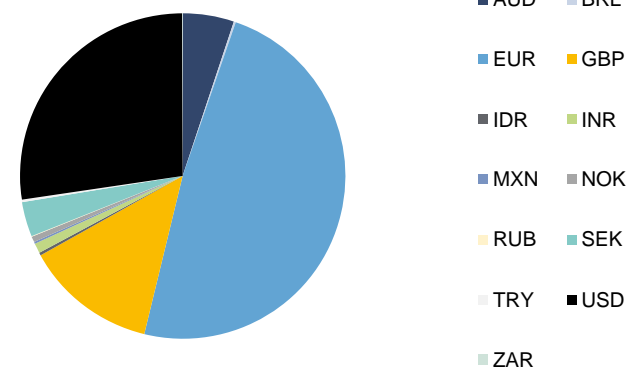
### Green/Social issuance by currency<sup>1</sup>

All Green bonds



49% EUR, 31% USD, GBP 6%, SEK 6%

2015 YTD Green Bonds



48% EUR, 27% USD, GBP 13%, 4% AUD

Note:

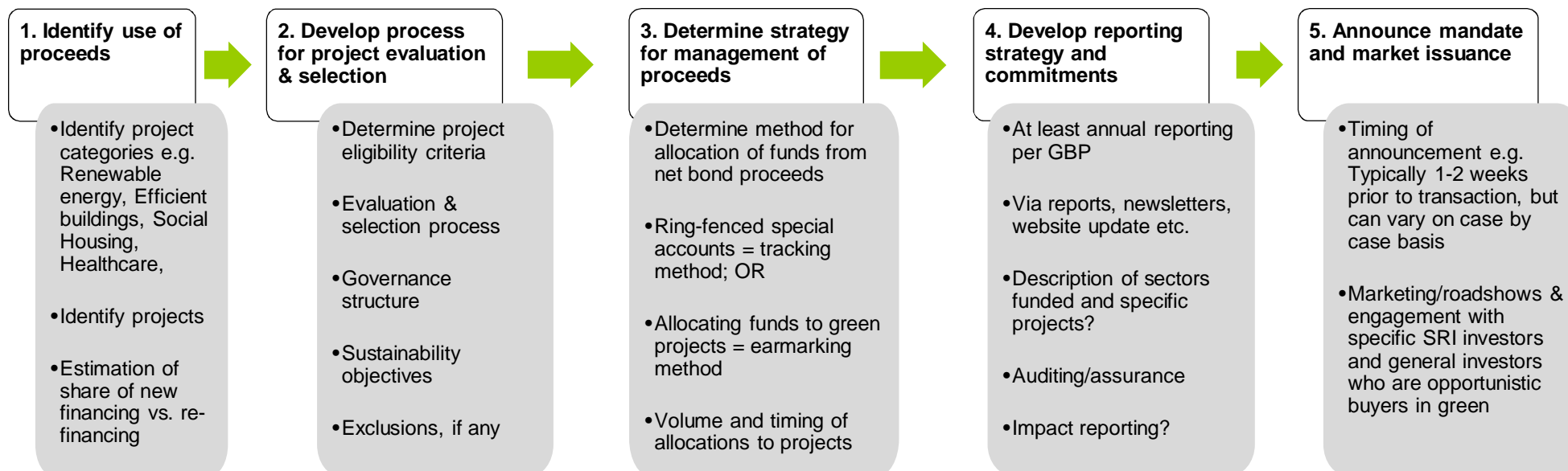
1. Dealogic Green Bond data set, as at 31 Dec15

# Green/Social/Sustainability Bonds Issuance considerations



# What is the Process for Green/Social/Sustainability Bond Issuance?

## Key Steps and Considerations



For more detail on each step, see corresponding following slides

### Key Considerations for Second Party Review:

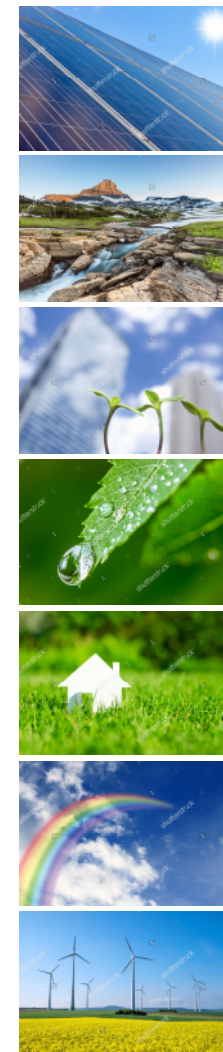
- Can be engaged at any point, we would recommend the earlier the better. Their services can accommodate issuer preparedness
- Cost of engaging a 2<sup>nd</sup> opinion provider is estimated to vary between GBP15,000 – GBP40,000.
- It may take between 2-6 weeks to obtain a 2<sup>nd</sup> opinion depending on the availability of relevant issuer documents (see slide 27), staff and the complexity of green bonds framework and issuer sector (see slide 25)
- Certain opinion providers (e.g. Oekom, Vigeo) require ESG research to be conducted on the issuer as a pre-condition for providing a green bond Second Party Review. If the issuer is not covered in their existing universe they can usually accommodate this

Source: Discussions with 2<sup>nd</sup> opinion providers and HSBC green bond deal experience

# Green/Social/Sustainability bond issuance process

## 1. Use of proceeds – potential considerations

Eligible sectors	Further considerations and examples of potential use of proceeds
<b>Renewable energy</b>	<ul style="list-style-type: none"> <li>Generation of energy from renewable sources (such as wind, solar, tidal, bio, hydro, geothermal and related infrastructure)</li> </ul>
<b>Energy efficiency</b>	<ul style="list-style-type: none"> <li>Improvement of energy efficiency in various sectors (such as district heating/cooling, smart grids and energy recovery)</li> <li>Development of energy efficiency products and technologies that increase underlying asset, technology, product or system(s) performance (such as improved lighting technology)</li> </ul>
<b>Sustainable waste management</b>	<ul style="list-style-type: none"> <li>Waste minimisation, recycling, re-use, processing, disposal (such as methane capture) products and technologies</li> </ul>
<b>Sustainable water management</b>	<ul style="list-style-type: none"> <li>Water collection, treatment, recycling, re-use, technologies and related infrastructure (such as collection facilities, dams, treatment plant facilities)</li> </ul>
<b>Clean transport/infrastructure</b>	<ul style="list-style-type: none"> <li>Low energy or emission transportation assets, systems, infrastructure, components and services (such as Rail tram, Metro, BRT, Electric vehicles)</li> </ul>
<b>Clean buildings</b>	<ul style="list-style-type: none"> <li>New construction building developments or renovation of existing buildings (including public service, commercial, residential and recreational) with: <ul style="list-style-type: none"> <li>Meeting recognised environmental standards such as LEED, BREEAM or equivalent</li> <li>Reduced life cycle building energy consumption levels (eg 15% below national average)</li> </ul> </li> </ul>
<b>Sustainable land use</b>	<ul style="list-style-type: none"> <li>Sustainable forestry with FSC, PEFC certification or equivalent and agriculture with RSPO, RTRS certification or equivalent</li> </ul>
<b>Climate change adaptation</b>	<ul style="list-style-type: none"> <li>Flood defences systems and related infrastructure</li> </ul>
<b>Sustainability projects</b>	<ul style="list-style-type: none"> <li>Such as: Energy efficient buildings for social housing or disadvantaged/elderly people, SME financing in economically disadvantaged areas, Renewable energy projects for SME's</li> </ul>
<b>Social projects</b>	<ul style="list-style-type: none"> <li>Such as: Education, Employment, Healthcare, Access to basic living resources – food and clean water, social inclusion</li> </ul>





# Green/Social/Sustainability bond issuance process

## 2. Simple process for project evaluation and selection

Per the Green Bond principles:

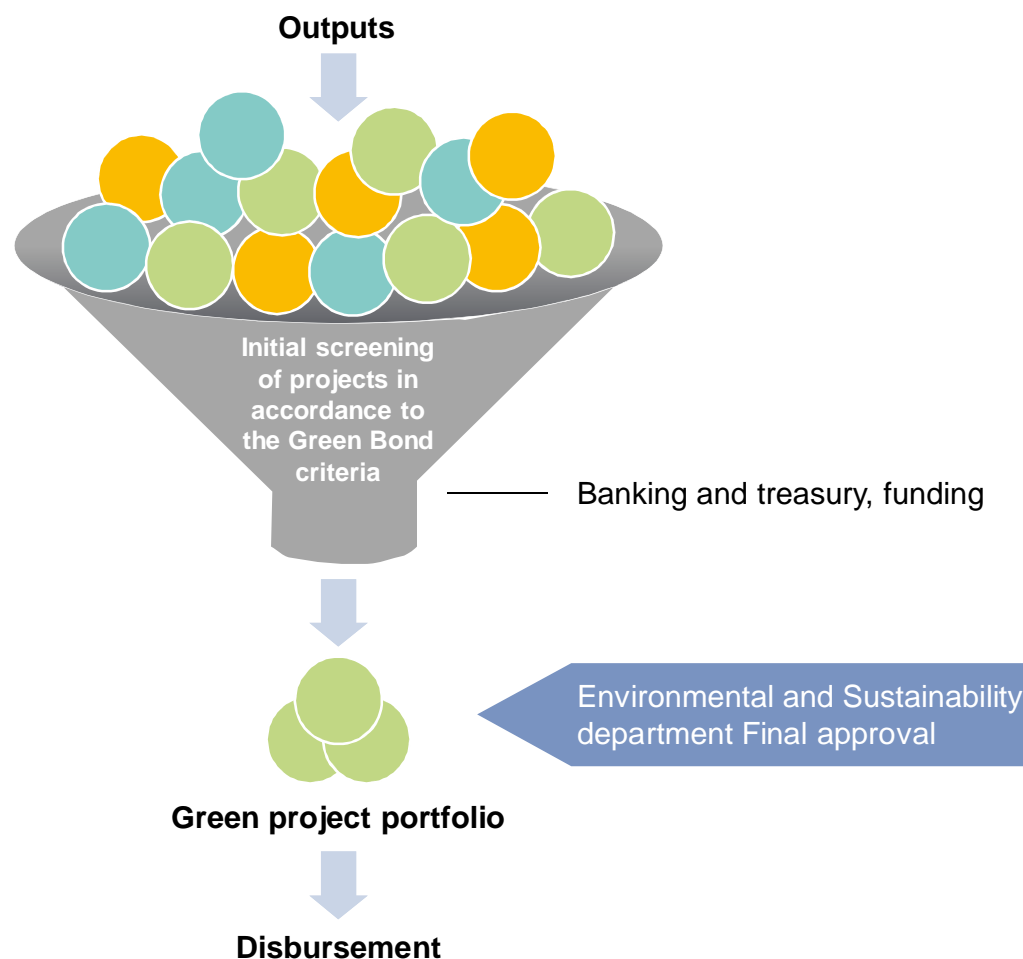
The issuer of a Green Bond should outline the decision-making process it follows to determine the eligibility of projects using Green Bond proceeds

This includes, without limitation:

- Process to determine how the projects fit within the eligible Green Projects categories identified in the Green Bond Principles
- Criteria making the projects eligible for using the Green Bond proceeds
  - Environmental sustainability objectives

### Process for project evaluation and selection

A typical project evaluation and selection process is presented below:



# Green/Social/Sustainability bond issuance process

## 3. Strategy for management of proceeds

Ongoing management of proceeds is a key pillar in the Green Bond Principles

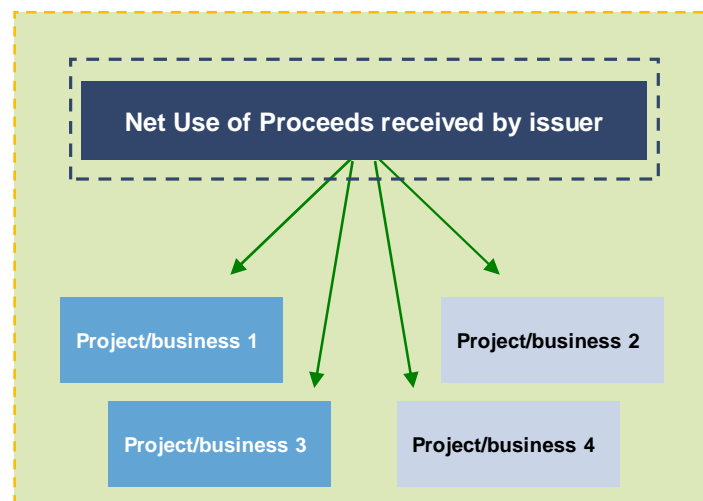
Segregation and traceability of funds are integral to successful Green/Social/Sustainability bond issuance

Pending such investments or disbursements to eligible Green Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds

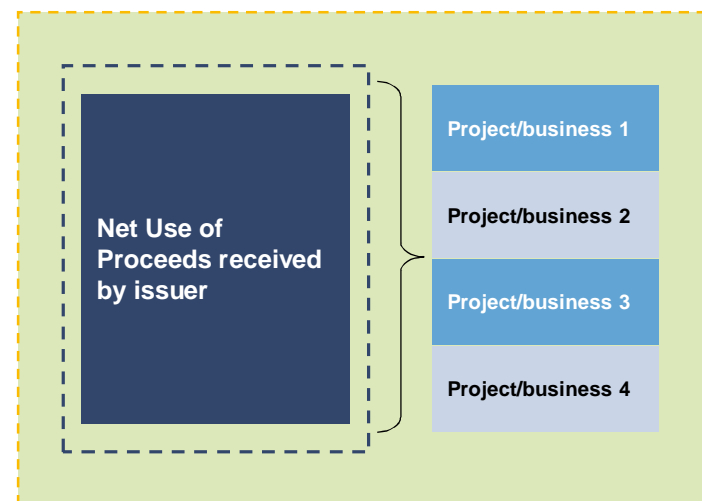
### Ability to trace bond proceeds to project spend

- Ability to trace bond proceeds to project spend
- It will be important for the issuer to demonstrate to investors the traceability of SRI/Green bond proceeds. This can be done in either of the following forms:
  - moved to a sub-portfolio/sub-account – to ‘track’ the funds through to disbursement, or
  - otherwise tracked by the issuer in an appropriate manner – to ‘earmark’ the funds and allocate towards green lending
- The method chosen should be documented clearly in the issuers Green Bond Framework
- So long as the SRI/Green Bonds are outstanding, the balance of the net green proceeds should be periodically reduced by amounts matching eligible green investments or loan disbursements made during that period
- The sub-portfolio/sub-account ‘tracking’ option, or, the ‘allocation’ of funds via the ‘ear-marking’ option

‘Track’ cash through to projects



‘Allocate’ amounts equal to proceeds amount



# Green/Social/Sustainability bond issuance process

## 4. Reporting strategy and commitments

Per the Green Bond Principles:

Reporting on the Use of Proceeds and the temporary investment of unallocated proceeds on at least an annual basis

The GBP recommend the use of qualitative and quantitative performance measures of the expected environmental sustainability impact of the specific investments

Where confidentiality and/or competitive considerations allow, a brief description of the projects is beneficial, as well as amounts disbursed

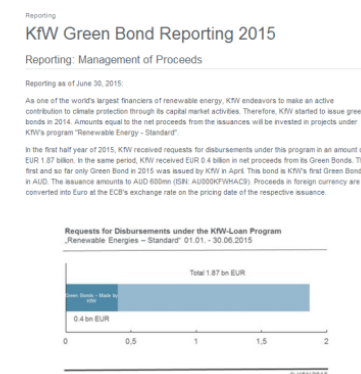
**Required at least annually per the GBP**

- Periodic reporting is aimed at achieving transparency for investors and the market on an ongoing and consistent basis
- To ensure transparency, issuers should report to investors using a variety of quantitative and qualitative information points
- The reporting can take a variety of forms, including (but not an exclusive list):
  - A publically distributed newsletter, presentation, factsheet, 'impact story' .etc.
  - A dedicated area on issuer webpage
- The reporting content should include:
  - A summary of the issuers SRI/Green lending progress and framework considerations, especially Eligible Sectors/Use of Proceeds categories
  - A list of projects/sectors financed
  - Detail on selected projects where confidentiality and/or competitive considerations allow
  - Various data points disclosing impact performance of green bond proceeds

See below for a variety of examples of reporting:



Example 1: Lloyds: Quarterly Investor Report



Example 2: KfW: Half year Investor Reporting

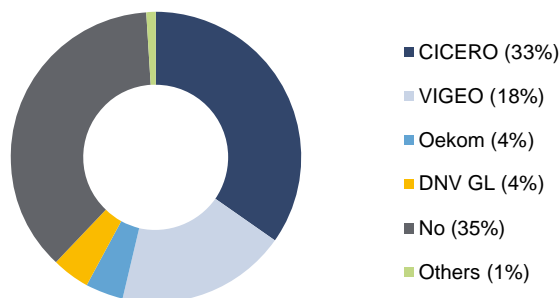
# Independent review of Green/Social/Sustainability bond framework

## Second party review vs Third party certification

### Second party review



- There are 5 main providers of Second Party Review
- **Second Party Reviews are commonly based on the 4 pillars of the Green bond principles**, (See slide 6 for more detail)
- Around 65% of issuance from 2014 and YTD 2015 now receive a Second Party Review on the green bond framework
- Of the remaining 35% without the Second Party Review, half have been issuances by International Development Banks (IDBs) such as the European Investment Bank (EIB) and Nordic Investment Bank (NIB); both of which are known for their best in class green bond frameworks, sustainability strategies and AAA credit ratings



Source: State of the Market Report (2015) – Climate Bonds initiative commissioned by HSBC

### Third party certification



As an alternative to the Second Party Review, the Climate Bonds Initiative has devised the Climate Bonds Standard  
The Climate Bonds Standard is structured in three parts:

#### 1. General requirements

Sets out the clauses that apply to all Climate Bonds, incorporates the Green Bond Principles

#### 2. Low carbon contribution

Sets out the eligible projects and physical assets that, for the purposes of each sector Standard, will be regarded as contributing to the delivery of a Low-Carbon Economy

#### 3. Bond structures

Evaluates specific to certain bond-types (see further detail below)

Certification available for	Certification soon available for
<ul style="list-style-type: none"> <li>• Wind, Solar</li> </ul>	<ul style="list-style-type: none"> <li>• Water (out on consultation)</li> </ul>
<ul style="list-style-type: none"> <li>• Low carbon buildings</li> </ul>	<ul style="list-style-type: none"> <li>• Bioenergy, Geothermal</li> </ul>
<ul style="list-style-type: none"> <li>• Low carbon transport, including BRT</li> </ul>	<ul style="list-style-type: none"> <li>• Industrial energy efficiency</li> </ul>
<ul style="list-style-type: none"> <li>• Agriculture and Forestry and other Land Uses</li> </ul>	<ul style="list-style-type: none"> <li>• IT and broadband</li> </ul>
	<ul style="list-style-type: none"> <li>• Energy storage and energy grid</li> </ul>

# Second party review providers profiles



- **CICERO is Norway's foremost institute for interdisciplinary climate research. CICERO is also the world's biggest provider of second opinions of Green bonds**
  - CICERO Second Opinions are based on documentation of rules and frameworks **provided by the institutions themselves (the client)** and information gathered during meetings, teleconferences and e-mail correspondence with the issuer. **Cicero do not assist with framework construction or Green Bond mechanism implementation at the issuer**
  - **CICERO Second Opinions are categorised Dark green, Medium green or Light green, reflecting the climate and environmental ambitions of the bonds**
  - CICERO cooperates with a number of research communities throughout Europe and North America, and they have also established an active network in several developing countries, including China and India
  - Used by e.g. HSBC, IBRD, IFC, EBRD, AfDB, KBN, IFFIm, NWB Bank
- Fees: GBP 20,000-30,000



- Vigeo was founded in 2002 and has established itself as the leading European expert in assessing organization practices on ESG issues
  - Can perform CBI certification and Second Party Review
  - **There are 3 components to Vigeo's review**
    - Analysis of the issuer regarding international standards in terms of social responsibility – Vigeo require an ESG research rating on the issuer (can do this in short form if it is not covered in their existing research universe)
    - Analysis of the financed projects – and Green Bond Framework
    - Analysis of reporting indicators
  - Used by e.g. EIB, Region Ile de but largely by corporates e.g. Iberdrola, GDF Suez
- Fees: GBP 20,000-30,000



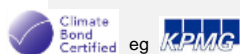
- DNV is a leading provider of ESG classification, certification, verification and training services
  - Can perform CBI certification and Second Party Review
  - **There are 5 components to DNV GL's review**
    - Verification of alignment with the Green Bond Principles
    - Definition of Definition of a Use of Proceeds
    - Verification of: (1) project evaluation and selection method, (2) monitoring and tracking capabilities and (3) green bond reporting capabilities
  - Used by e.g. Unilever, Vestas, Development Bank of Japan, NAB, TfL
- Fees: GBP 15,000-35,000



- Can perform CBI certification and Second Party Review
  - **Oekom's second party review has 4 components**
    - Verification of alignment with the Green Bond Principles
    - Definition of a green bond verification framework
    - Verification of fund allocation and use of proceeds sustainability quality
    - Assessment of the issuers sustainability performance (based on oekom's ESG corporate or country rating)
  - Used by e.g. EIB, IBRD, KfW, NRW.Bank, Tennet
- Fees: GBP 20,000-25,000



- A leader in sustainability research and analysis, for global investors and financial institutions
  - Can perform CBI certification and Second Party Review
  - **There are 4 components to Sustainalytics's review**
    - Alignment with Industry Practices
    - Evaluation of (1) Eligibility Criteria, (2) Management of Proceeds and (3) Green bond reporting capabilities
  - Used by e.g. EIB, NWB Bank, FMO, EBRD, KfW, NRW.Bank
- Fees: GBP 15,000-30,000



- KPMG recommends that issuers define their green bond in line with the available guidance and investor expectations.
- The following approach could be considered by issuers: Green Bond Principles, Climate Bonds Standard, Existing sector specific standards or investor expectations



## Typical requirements from a second party reviewer

These vary depending on the type of framework created

A second party reviewer can request a variety of documents from the issuer to give further colour on the framework

These can vary depending on the type and detail of framework produced, level of second party review and availability of supporting evidence



### A second party reviewer can request a variety of documents from the issuer to give further evidence of the quality of the framework

- These vary depending on the type and detail of framework produced, level of second party review and availability of supporting evidence
- A typical list of supporting documents include
  - Green/Social/Sustainability bond framework
  - Internal guideline documents (if any – sometimes a more detailed version is kept internally)
  - Supporting detail regarding selection and evaluation of green projects
  - Supporting detail regarding sub account, fund flagging/earmarking system
  - Supporting detail regarding reporting – quantitative and qualitative factors (sometimes example reports included)
  - Internal Sustainability guidelines, such as
    - OECD guidelines for multinational enterprises
    - Equator principles
    - UN Global Compact
- Internal sector policies – some of the typical sector policies consider: Energy Sector, Forestry, Freshwater Infrastructure, Chemicals, Oil and Gas, Project Finance (this is not an exhaustive list)
- Detail on certification on standards mentioned in framework, such as
  - LEED – <http://leed.usgbc.org/leed.html?gclid=CMXMuPaTy8YCFfLJtAodV7YFwQ>
  - BREAM – <http://www.breeam.org/>
  - HOE – <http://www.sballiance.org/our-work/libraries/haute-qualite-environnementale/>
  - CASBEE – <http://www.ibec.or.jp/CASBEE/english/methodE.htm>
  - FSC
  - PEFC
  - RSPO
  - RTRS – <http://www.responsiblesoy.org/en/certificacion/tipos-de-certificacion/produccion/>

## Indicative process/timetable for second party review

This can vary depending on issuer preparedness and availability of resources

A Second Party Review can be performed in 2 weeks if requested, but below shows a more relaxed time scale

Stage	Action	Timeline
Kick off	Understand issuer's bond and sustainability objectives	Day 1
Kick off	Understand eligibility criteria and eligible projects (scope)	Day 1
Kick off	Understand management and reporting process	Day 1
Kick off	Identify relevant documents for evaluation	Day 1
Kick off	Identify relevant persons for follow ups	Day 1
Evaluation	Evaluate Use of Proceeds, eligibility criteria and eligible projects	Week 1
Evaluation	Evaluate process for management of proceeds	Week 1
Evaluation	Evaluate KPIs and reporting process and frequency	Week 1
Evaluation	Review issuer's ESG rating	Week 1
Evaluation	Draft opinion	Week 2
Feedback	Provide draft document to client	Week 2
Feedback	Receive feedback from client	Week 2
Feedback	Set up follow-up call If required	Week 3
Final Document	Finalise evaluation	Week 3
Final Document	Update opinion	Week 3
Final Document	Get client sign-off	Week 3
Marketing	Provide marketing support during roadshows and investor meetings	Week 4
Marketing	Co-ordinate press release	Week 4



# **Green/Social/Sustainability Bonds**

## **Further considerations**



# How do investors define their criteria for acceptable products?

## Investors have started to reach consensus on what they expect of Green Bond Issuers

The Investor Network on Climate Risk recently a Statement of Investor Expectations to guide issuers

The Statement supports the ICMA Green Bond Principles but adds clarity:

- **Clear preference for standardised impact reporting**
- **Controversial projects** (eg nuclear, large scale hydro) are potentially unsuitable and need diligence
- **Clarity on use of proceeds and framework**
  - Disclosure of refinancing vs new financing
  - Disclosure of method for Use of Proceeds tracking
  - Green Bond proceeds should be applied in a reasonable amount of time
  - Issuers should declare in advance their plan for reporting impacts
- **Clear preference for 2<sup>nd</sup> party opinions and auditor verification**

## The Statement was signed by 27 major investors, demonstrating its broad support in the market

- |                                  |   |                                    |
|----------------------------------|---|------------------------------------|
| • Addenda Capital                | • Colonial First State                                      | • PIMCO                            |
| • Allianz SE                     | • Community Capital Management                              | • RBC Global Asset Management      |
| • AXA Group                      | • Connecticut Retirement Plans and Trust Funds              | • Standish Mellon Asset Management |
| • AXA Investment Management      | • Employees' Retirement System of the State of Rhode Island | • Treasurer, State of California   |
| • BlackRock Inc                  | • Everence  | • Trillium Asset Management        |
| • Boston Common Asset Management | • Mirova  | • UNJSPF                           |
| • Breckinridge Capital Advisors  | • New York State Comptroller, Thomas P. DiNapoli            | • University of California         |
| • CalPERS                        | • North Carolina Retirement System                          | • Walden Asset Management          |
| • CalSTRS                        | • Pax World Investments                                     | • Zurich Insurance Group           |



### A Statement of Investor Expectations for the Green Bond Market

#### Introduction

Recent success in the development of the Green Bond market has elicited calls from the investment community to develop and adhere to clarity in standards and procedures. This document is intended to provide guidance to issuers of green bonds.

The Ceres Investor Network on Climate Risk (INCR) has convened a working group of existing and potential green bond buyers to outline a "Statement of Investor Expectations" for bonds labeled green. There is consensus among this group that:

- A green bond is a fixed income instrument whose proceeds finance projects that generate significant identifiable climate or other environmental benefits and whose use is predefined and made transparent to the investor
- Bonds that finance credible green projects while remaining consistent with fiduciary considerations enable investors to incorporate environmental objectives into their investment strategies and, as such, are likely to attract increased investor interest
- The Green Bond Principles (GBP) set forth appropriate common criteria concerning eligibility, disclosure, transparency and impact reporting for green bonds

We support adherence to the GBP by issuers and underwriters. Additionally, we address four key issues that can benefit from further definition and structure:

1. Eligibility: General Criteria for Green Projects
2. Initial Disclosures and Intended Use of Proceeds
3. Reporting on Use of Proceeds and Project Impacts / Benefits
4. Independent Assurance

While we acknowledge that implementing these guidelines may have additional costs to issuers, we urge issuers to follow them to the extent feasible.

#### 1. Eligibility: General Criteria for Green Projects

We expect that green bonds will support projects that fit within the eligible categories listed by the GBP and that these projects will have material, positive net benefits for the climate or the environment.

Where proceeds are used to reduce greenhouse gas (GHG) emissions we encourage issuers to compare their targeted impacts to publicly available standards or benchmarks. These are offered by various organizations including green bond issuers such as the European

# How do investors define their criteria for acceptable products?

## Green bond indices

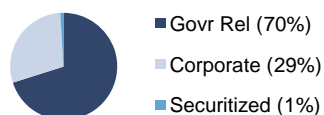
### Barclays MSCI Green Bond Index



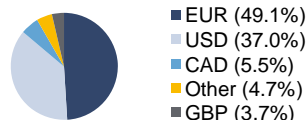
- Barclays MSCI Green Bond index is a multi-currency benchmark that includes local currency debt markets tracked by the Barclays Global Aggregate Index

Eligibility criteria	
<b>Sector</b>	Corporate, government-related, and securitized bonds are eligible for the Green Bond Index
<b>Currency</b>	Multi-currency benchmark that includes local currency debt markets tracked by the Barclays Global Aggregate Index. USD-only and EUR-only Green Bond Indices are also available as flagship benchmarks
<b>Amount Outstanding</b>	Fixed minimum issue sizes are set for all local currency markets matching Barclays Global Aggregate and US Aggregate Indices (USD 250m, CAD/EUR/CHF/AUD 300m, GBP 200m, JPY 35bn, SEK 2.5bn, CZK/THB 10bn, NZD/SGD 500m, CLP 100bn, KRW 500bn, HKD/DKK/NOK/PLN/ZAR/ILS/MYR 2bn)
<b>Credit Quality</b>	Includes only investment-grade bonds using the middle rating of Moody's, S&P, and Fitch
<b>Coupon Type</b>	Includes fixed-rate securities only
<b>Maturity</b>	Does not have a 1-year minimum time to maturity and holds bonds until final maturity

By Sector



By Currency



Index	Mod. Adj. Duration	Yield-to-Worst	1-day%	3-mth%	6-mth%	12-mth%	Ccy	Return Type	Index Value
Global Green Bond Index	5.73	1.56	(0.05)	(1.33)	3.33	8.45	EUR	Unhedged	117.91
Global Green Bond Index	5.73	1.56	(0.08)	(0.29)	0.42	2.26	EUR	Hedged	109.18

- Source: [https://index.barcap.com/Benchmark\\_Indices/Aggregate/Bond\\_Indices](https://index.barcap.com/Benchmark_Indices/Aggregate/Bond_Indices)
- As at 31 August 2015

### BAML Green Bond Index



- BAML Green Bond Index is designed to track the performance of debt issued by quasi-governments and corporations where the proceeds of the issue are to be used solely for projects and activities that promote climate or other environmental sustainability purposes

Eligibility criteria	
<b>Sector</b>	Includes debt of corporate and quasi-government issuers, but excludes securitized and collateralized securities
<b>Currency</b>	Fixed minimum issue sizes are set for all qualifying currencies. Securities denominated in a qualifying emerging market currency must settle on Euroclear
<b>Green Flag</b>	Qualifying bonds must have a clearly designated use of proceeds that is solely applied toward projects or activities that promote climate change mitigation or adaptation or other environmental sustainability purposes General debt obligations of corporations that are involved in green industries are not included
<b>Credit Quality</b>	Includes only investment-grade bonds using Moody's, S&P, and Fitch
<b>Coupon Type</b>	Includes fixed-rate securities only
<b>Maturity</b>	At least 18 months to final maturity at the time of issuance, at least one month remaining term to final maturity as of the rebalancing date

- Of the universe of 190 green bonds listed on Bloomberg, only 51 are eligible for inclusion in the index
- These however, have a value of USD31 billion, and account for 77% of the overall capitalisation of the market
- As at 04 November 2014

### Solactive Green Bond Index



- The Solactive Green Bond Index is a rules-based, market value weighted index engineered to mirror the green bond market

Eligibility criteria	
<b>Weighting</b>	Market Value weighted with the maximum weight capped at 5% per bond
<b>Calculation</b>	Calculated as Total Return Index denominated in USD
<b>Green Flag</b>	Defined as Green Bonds by the Climate Bonds Initiative
<b>Amt Outstanding</b>	Of at least USD 100m
<b>Maturity</b>	At least 6 months until Final Maturity
<b>Exclusions</b>	Include inflation linked bonds, convertible bonds and municipal bonds

- The index is made up of 107 green bonds with coupon ranging from 0.125% to 10.18% and maturity ranging from 2016 to 2039
- Current index value 917.98
- Source: <http://www.solactive.com/equity-indexing/faz-indices/?indexmembers=DE000SLA0FS4>
- As at 01 September 2015



# How do investors define their criteria for acceptable products?

## Green bond indices

### S&P Green Bond Index



- The S&P Green Bond index is a multi-currency benchmark that includes bonds issued by multilateral, government and corporate issuers

Eligibility criteria	
<b>Sector</b>	Corporate, government, and multilateral are eligible for the Green Bond Index
<b>Currency</b>	Green bonds issued from any country and in any currency are eligible for index inclusion
<b>Green Flag</b>	Bonds must be flagged as "green" by Climate Bonds Initiative (CBI) or Thompson Reuters in order to be eligible index inclusion
<b>Green Disclosure</b>	Disclosure must be made in sources that are credible and related to the company and may include: Company's web site, Public Filings, Sustainability report, Independent second opinions, Legal disclosures etc.
<b>Credit Quality</b>	Includes only investment-grade bonds using the middle rating of Moody's, S&P, and Fitch
<b>Coupon Type</b>	Includes Fixed, Zero, Step-up (with a predetermined schedule), Fixed-to-Float (provided they are fixed and one month prior to their float date), Floaters
<b>Maturity</b>	Each bond must have a maturity greater than or equal to one month from the rebalancing date. No bond matures in the index
<b>Optionality</b>	Bullets, callable, puttable, and callable-perpetual (provided they are at least one month from the first call) are included
<b>Settlement</b>	Bonds that are issued but not settled prior to the month-end rebalancing are included in the index
<b>Exclusions</b>	The following bond types are specifically excluded from the index: Bills, Inflation-linked and STRIPS

- The 570 constituents have Outstanding Market Value USD 58,122m and Total Par Value of USD 57,105m with weighted average maturity of 6.61 years
- Yield to Maturity of 2.16%, yield to worst of 2.01%
- As at 01 September 2015

Index	Mod Adj Duration	Yield-to-Worst	1-day%	mtd%	ytd%	12-mth%	Ccy	Return Type	Index Value
Global Green Bond Index	5.07	2.01	(0.27)	(0.39)	(5.27)	(9.53)	USD	Unhedged	125.33

- Source: <http://www.us.spindices.com/indices/fixed-income/sp-green-bond-index>
- As at 01 September 2015
- S&P have produced two other Green Bond related Fixed Income Indices, these are
  - S&P Green Project Bond Index
  - S&P ESG Pan-Europe Developed Sovereign Bond Index
  - (see RHS ->)

### S&P Green Project Bond Index



- The S&P GPBI includes three types of debt: bonds issued by SPEs to finance or refinance a green project; ABSs issued to securitize future cash flows from pools of green assets; and certain corporate bonds issued by "pure play" green companies to finance or refinance the build out or acquisition of green assets. These pure play bonds must be issued by companies that have 100% of their revenue coming from green activities, such as renewable electricity generation and energy efficiency. All such bonds can be green labelled or unlabelled (the labelled issues will overlap with components of the S&P GBI)

Eligibility criteria in addition to Green Bond Index									
<b>Types of Projects:</b>		Project bonds issued by SPVs Project related asset backed securities (ABS) Pure-play green corporate bonds							
<b>Green Flag</b>		Bonds may be either green-labelled or unlabelled							
Index	Mod Adj Duration	Yield-to-Worst	1-day%	mtd%	ytd%	12-mth%	Ccy	Return Type	Index Value
Global Green Bond Index	6.73	4.90	(0.34)	(1.38)	2.87	3.79	USD	Unhedged	194.69

- The 31 constituents have Outstanding Market Value USD 13,491m and Total Par Value of USD 12,643m with weighted average maturity of 15.04 years
- Yield to Maturity of 7.02%, yield to worst of 4.90%
- As at 01 September 2015

### S&P ESG Pan-Europe Developed Sovereign Bond Index



- Developed in partnership with RobecoSAM, the investment specialist focused exclusively on Sustainability Investing. The Index takes an ESG tilted approach to country weightings, using the S&P Pan-Europe Developed Sovereign Bond Index as the underlying index. Countries with sustainability grades, as determined by RobecoSAM, that are higher than the average in the S&P Pan-Europe Developed Sovereign Bond Index are over-weighted, whilst countries with lower grades are under-weighted compared to debt-weighted benchmarks

Index	Mod Adj Duration	Yield-to-Worst	1-day%	mtd%	ytd%	12-mth%	Ccy	Return Type	Index Value
Global Green Bond Index	5.07	1.02	(0.25)	(0.12)	(5.61)	(9.83)	USD	Unhedged	110.75

- The 417 constituents have Outstanding Market Value USD 9,206,627m and Total Par Value of USD 7,829,630m with weighted average maturity of 9.87 years
- Yield to Maturity of 1.02%, yield to worst of 1.02%
- As at 01 September 2015

# Green/Social/Sustainability bond market – other considerations

## London Stock Exchange and Oslo Stock Exchange now have 'Green Segments'

### London Stock Exchange



- On 8<sup>th</sup> July 2015, LSE launched a range of new segments on its fixed income markets dedicated to the issuance of green bonds
- The new segments provide issuers with a full suite of solutions to support green bond issuance
  - Offering the choice of a range of listed markets and trading models, spanning both Regulated Market and MTF, for both retail and wholesale investors
  - Designed to meet the needs of all green bond issuers, trading models include continuous on-screen market maker quoting, end-of-day pricing or OTC-style trade reporting only
- To admit green bonds to London Stock Exchange's dedicated 'green bond' segments, issuers are required to provide
  - "A third party certification that the instruments are considered "green bonds"
- The choice of the certification provider is up to the issuer and its advisers. London Stock Exchange has outlined guidance on a set of criteria that the certifier should meet in order for the certified instruments to be included in the relevant LSE green bond segment
- LSEG has welcomed 20 green bonds to its markets, raising more than USD2.8bn

### Green Bonds listed on London Stock Exchange dedicated Green Bond Segments and sectors

ISIN	Issuer Name	Coupon (%)	Currency of Issue	Amount Raised	Issue Date	Maturity Date	Segment	Sector
US45950VGQ32	International Finance Corporation	6.45	INR	3,150,000,000	10/08/2015	10/08/2020	PSTR	UIDP
XS1253847815	City of Gothenburg Sweden	1.455	SEK	1,050,000,000	30/06/2015	30/06/2021	PSTR	UIDP
XS1238024035	Shanks Group PLC	3.65	EUR	100,000,000	16/06/2015	16/06/2022	PSTR	UIDP
XS1080036939	International Finance Corporation	2	CNY	500,000,000	26/06/2014	26/06/2017	PSTR	UIDP
XS1073521988	City of Gothenburg Sweden	0.132	SEK	1,500,000,000	03/06/2014	03/06/2020	PSTR	UIDP
XS1073488675	City of Gothenburg Sweden	2	SEK	310,000,000	03/06/2014	03/06/2020	PSTR	UIDP
XS0976165828	City of Gothenburg Sweden	0.279	SEK	250,000,000	03/10/2013	03/10/2019	PSTR	UIDP
XS0976166719	City of Gothenburg Sweden	2.915	SEK	250,000,000	03/10/2013	03/10/2019	PSTR	UIDP

### Oslo Stock Exchange



- On 11th Dec 2014, Oslo Stock Exchange (Oslo Børs or OSE) announced that they will become the first stock exchange in the world to set up a separate list for green bonds
- Two separate green bond lists will be set up in late January 2015
  - One for those listed at OSE, and
  - One for green bonds listed on Nordic ABM
- OSE require an independent second opinion to be made public in order to be eligible for listing. OSE publish the Green Bond Segment on [www.oslobors.no](http://www.oslobors.no). Continuing project reporting will be published as stock exchange announcements, if agreed with investors on issuance
- There are now 5 green bonds listed on the Oslo Børs marketplaces with an outstanding value of NOK 3.05 billion

■ Bond listed on Oslo Børs    ■ Bond listed on Nordic ABM

Ticker	Issuer	Currencies	Last	Buy	Sell	Last traded	Volume	Yield	End date	Rate	Outst
BKK25 G	BKK AS	NOK	99.47	-	-	12 Jul	0.00	-	05 Oct 2021	1.88	2,000
DNBA58 G	DNB BANK ASA	NOK	99.83	-	-	02 Jul	0.00	-	06 Feb 2020	2.02	1,000
KOMD80 E G	Kommunalbanken AS	USD	-	-	-		0.00	-	10 Feb 2025	2.13	500
KOMD81 E G	Kommunalbanken AS	USD	-	-	-		0.00	-	20 Nov 2016	0.75	500
NTE03 PRO G	Nord-Trøndelag Elektrisitetsverk	NOK	-	-	-		0.00	-	12 Nov 2017	1.96	250
NTE04 PRO G	Nord-Trøndelag Elektrisitetsverk	NOK	100.37	-	-	09 Jun	0.00	-	12 Nov 2019	2.15	400
NTE05 PRO G	Nord-Trøndelag Elektrisitetsverk	NOK	-	-	-		0.00	-	11 Nov 2021	2.29	100
VARD08 G	Vardar AS	NOK	100.50	-	-	27 May	0.00	-	10 Dec 2019	3.55	300

### Great flexibility when listing green bonds on Oslo Børs or Nordic ABM:

- Denominations: NOK, SEK, DKK, EUR, GBP, USD
- Central Securities Depositories: VPS, VP Securities (DK) and Euroclear
- No trustee requirement
- Two marketplaces:
  - OSE: IFRS and EEA prospectus
  - Nordic ABM: National accounting standards and simplified listing documentation
- Other currencies and central securities depositories on demand

# HSBC Green Bond Framework



# HSBC Green Bond Framework

## HSBC Green Bond Framework

6 November 2015



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# HSBC Green Bond Framework

## 1. Background

HSBC recognises that we have responsibilities not only towards our customers, employees and shareholders, but also the countries and communities in which we operate. This means understanding and managing the impact we have on society and the environment, and investing in the future of our employees and the communities we serve.

HSBC research into the opinions of the scientific community indicates that the evidence for warming of the climate system is unequivocal and that anthropogenic drivers are likely to have been the key cause since the mid 20<sup>th</sup> century. Delaying the implementation of mitigation measures will seriously challenge the probability of achieving 2 degrees warming objectives. Hence the time to act is now.

HSBC has embedded detailed sustainability risk policies into its business processes to ensure that the financial services which HSBC provides to its customers in support of economic development do not result in unacceptable impacts on people or the environment. HSBC seeks a balance of economic, social, and environmental factors by following good international practice on environmental and social risks. In respect of our project financing activities, HSBC was an early adopter of the Equator Principles in 2003.

Furthermore HSBC recognises and supports the move to a low-carbon economy, which will help reduce climate change and benefit communities in the long term. HSBC has established specialist business teams to identify opportunities and to support its clients by financing low-carbon business – the goods and services that will thrive in and accelerate this transition to a low-carbon future.

The HSBC Green Bond Framework represents a further step in supporting investors to meet their objectives whilst supporting clients to realise opportunities in the fast developing low carbon economy.

HSBC's Green Bond Framework is consistent with the current Green Bond Principles (GBP), as held by ICMA, and reflects recent guidance by the investor groups.

HSBC is considering to issue a series of Green Bonds under this Framework (each an HSBC Green Bond), as described herein.

## 2. Use of Proceeds for an HSBC Green Bond

The cornerstone of a Green Bond is the use of the proceeds of the bond. The proceeds of each HSBC Green Bond will be used to finance eligible businesses and projects that promote the transition to low-carbon, climate resilient and sustainable economy and provide clear environmental sustainability benefits.

Specifically, the Use of Proceeds of any HSBC Green Bond will be applied to eligible businesses and projects in Eligible Sectors as defined herein.

For the avoidance of doubt, financing provided to any business or project that is not eligible under the criteria set out in this HSBC Green Bond Framework will not be considered as Use of Proceeds of an HSBC Green Bond issued under this framework.

The process for consideration for lending and thereby determination of eligibility of Use of Proceeds of each HSBC Green Bond is detailed below.

### 2.1. Considerations for lending

Where a business undertakes a diverse range of activities, consideration of eligibility will require the business or project to demonstrate sustainable values and practices to the core of its operations. This can be evidenced in a variety of formats including but not exclusively: detail of the underlying business operations and their low-carbon/sustainability merits, robust sustainability reporting and practices, external ESG research etc. When considering lending, HSBC will determine eligibility based on assessment of whether the funds are applied to Eligible Sectors and whether a significant positive sustainability net impact is achieved, and so long as this financing does not fund expansion into activities falling outside the Eligible Sectors.

Where a business derives 90% or more of revenues from activities in Eligible Sectors (i.e essentially green business) it is considered as eligible for financing from HSBC Green Bond proceeds. In these instances, Use of Proceeds can be used by the business for general purposes, so long as this financing does not fund expansion into activities falling outside the Eligible Sectors.

Businesses and projects may benefit the environment in important ways but also degrade it in others. HSBC's assessment of environmental sustainability benefits will consider the balance of impacts in determining overall net benefit. Moreover, HSBC will exercise its professional judgement, discretion and sustainability knowledge in determining eligibility of businesses and projects for the Use of Proceeds of an HSBC Green Bond issue.

## 2.2. Fossil Fuel Considerations

HSBC recognises that fossil fuels may be used by eligible businesses and projects within an Eligible Sector.

In consideration of these eligible businesses and projects, HSBC will be cautious and consider the net sustainability benefits.

## 2.3. Excluded Sectors

Business and projects that are involved in the following operations will be ineligible as Use of Proceeds of an HSBC Green Bond issue:

- nuclear power generation
- weapons
- alcohol
- gambling / adult entertainment

## 2.4. Global / Regional Green Lending

HSBC supports its clients and the global green agenda with green lending through its subsidiaries and branches worldwide. HSBC expects that the proceeds of each Green Bond will be applied to identified eligible green business and projects in the same geographic region as the issuer.



# HSBC Green Bond Framework

Table 1: Eligible Sectors

HSBC Eligible Sectors <sup>1</sup>	Description and Select Examples
Renewable Energy	<ul style="list-style-type: none"> <li>Generation of energy from renewable sources                             <ul style="list-style-type: none"> <li>Examples include wind, solar, tidal, and biomass energy</li> </ul> </li> <li>Manufacture of components of renewable energy technology                             <ul style="list-style-type: none"> <li>Examples include wind turbines, solar panels</li> </ul> </li> </ul>
Energy Efficiency	<ul style="list-style-type: none"> <li>Development of products or technology and their implementation that reduces energy consumption of underlying asset, technology, product or system(s)                             <ul style="list-style-type: none"> <li>Examples include improved chillers, improved lighting technology, and reduced power usage in manufacturing operations</li> </ul> </li> <li>Improved efficiency in the delivery of bulk energy services                             <ul style="list-style-type: none"> <li>Examples include district heating/cooling systems, smart grids, energy recovery technology, and the storage, transmission and distribution of energy that results in reduced energy losses</li> </ul> </li> <li>Manufacture of components to enable energy efficiency described above</li> <li>Examples include LED lights, fuel cells, smart grid meters</li> </ul>
Efficient Buildings	<ul style="list-style-type: none"> <li>New construction building developments or renovation of existing buildings (including public service, commercial, residential and recreational) which meet recognised environmental standards such as LEED – gold, BREEAM – good/very good, HQE – very good/excellent, CASBEE – A(very good)/S(excellent) or equivalent</li> <li>Buildings which have reduced life cycle consumption of energy levels of at least 20% less than that of the city/city baseline consumption levels, where this can be easily and transparently demonstrated</li> </ul>
Sustainable Waste Management	<ul style="list-style-type: none"> <li>Waste minimisation, collection, management, recycling, re-use, processing, disposal (such as methane capture) products, technologies and solutions</li> </ul>
Sustainable Land Use	<ul style="list-style-type: none"> <li>Forestry with FSC or PEFC certification and agriculture with RSPO, RTRS certification or equivalent, or palm oil with RSPO certification, in line with HSBC's Forestry and Agricultural Commodities policy</li> <li>Other land use loans must, where applicable, meet HSBC's Agricultural Commodities Policy</li> <li>Schemes for allocation and protection of environment, local community, biodiversity or equivalent</li> </ul>
Clean Transportation	<ul style="list-style-type: none"> <li>Low energy or emission transportation assets, systems, infrastructure, components and services                             <ul style="list-style-type: none"> <li>Examples include Rail Tram, Metro, Bus Rapid Transit systems, Electric Vehicles</li> </ul> </li> </ul>
Sustainable Water Management	<ul style="list-style-type: none"> <li>Water collection, treatment, recycling, re-use, technologies and related infrastructure                             <ul style="list-style-type: none"> <li>Examples include water pipes and collection facilities to collect water/rainwater, dams, treatment plant facilities</li> </ul> </li> </ul>
Climate Change Adaptation	<ul style="list-style-type: none"> <li>Flood defences systems and related infrastructure</li> </ul>

Specific sector standards noted in the table above are listed and linked to their external websites for clarification of

## 3. Governance, Process for Identification and Approval of Use of Proceeds

HSBC has established a Green Bond Committee, made up of sustainability experts, senior directors and managers with responsibility for governing the HSBC Green Bond Framework.

Business teams will identify potential green lending for HSBC Green Bond Use of Proceeds. HSBC will review all new proposed and existing Use of Proceeds to determine their compliance with the HSBC Green Bond Framework.

In all cases, Group Sustainability will have a final veto on eligibility decisions.

Additionally, HSBC's has vast internal knowledge and expertise on climate change which will be employed in decisions made with regards to HSBC's Green Bond.

## 4. Management and Tracking of the Proceeds of Issuance

HSBC will track the Use of Proceeds of its Green Bond(s) via its internal information systems.

Each HSBC Green Bond will be booked under an earmarked position which is set up for each Green Bond specifically in the appropriate internal system. HSBC will establish a register, recording each specific facility ID allocated as Use of Proceeds for a Green Bond by a unique position identifier.

## 5. Reporting on Use of Proceeds

The HSBC Green Bond issuing entity will provide a Green Progress Report on an annual basis including:

- Aggregate amounts of funds allocated to each of the Eligible Sectors (as listed in Table 1) together with a description of the types of business and projects financed;
- The remaining balance of unallocated Green Bond proceeds at the reporting period end; and
- Confirmation that the Use of Proceeds of the Green Bond(s) issued conforms with the HSBC Green Bond Framework

HSBC recognises investors' preference for enhanced information on Use of Proceeds. Where possible, HSBC will provide further information and examples of eligible businesses and projects financed by an HSBC Green Bond.

In all cases information with respect to borrowers and their businesses and projects, will be subject to permitted disclosure in accordance with relevant confidentiality agreements and competition issues.

The HSBC issuing entity will prepare the report and the Green Bond Committee will review and approve each Green Progress Report. Each Green Progress Report will be published on HSBC Group Investor Relations webpage, found through [hsbc.com](https://hsbc.com).

## 6. Assurance

HSBC will obtain a second party opinion from an appropriate provider to confirm the validity of the HSBC Green Bond Framework. The second party opinion will be published on HSBC Group Investor Relations webpage, found through [hsbc.com](https://hsbc.com).

For each Green Bond issuance under the HSBC Green Bond Framework, we will engage an appropriate external assurance provider to independently assure the Green Bond Progress Report, on an annual basis, and opine on its conformity with the HSBC Green Bond Framework.

The annual Green Progress Report and related assurance report will be made available, to the public at the HSBC Group Investor Relations webpage, found through [hsbc.com](https://hsbc.com).

# HSBC Green Bond Framework

## 7. HSBC Sector Policies

HSBC is fully committed to its own sustainability approach and compliance with the sustainability commitments that the bank has made in the public domain.

HSBC recognises that we have responsibilities not only towards our customers, employees and shareholders, but also the countries and communities in which we operate. This means understanding and managing the impact we have on society and the environment, and investing in the future of our employees and the communities we serve. HSBC Group Sustainability's mandate is to ensure that the business translates this recognition into practice. For more information on HSBC Sustainability activities and policies, please see the HSBC Group Sustainability page at <http://www.hsbc.com/citizenship/sustainability>.

As such, HSBC has developed specific Sustainability Risk Policies for sectors in which it has considerable business and where there is potentially high adverse impacts on people and the environment. These include: Energy Sector, Defence Equipment, Freshwater, Equator Principles (Project Finance), Chemicals Industry, Mining and Metals, Forestry, World Heritage Sites and Ramsar Wetlands, and Agriculture Commodities. More information can be found on the public website at <http://www.hsbc.com/citizenship/sustainability/finance>.

These policies, in addition to the Equator Principles, are incorporated into the preliminary environmental and social assessment for Eligible green lending.

For more information regarding HSBC's application of the Equator Principles, please visit the following public website <http://www.hsbc.com/citizenship/sustainability/finance/equator-principles>.

## 8. Ongoing Development

It is recognised that the definition of what constitutes green lending is subject to interpretation and, in many cases, requires a complex assessment of the balance of resulting environmental impacts to deliver a scientific result. Determinations of what constitutes an eligible green lending, is therefore recognised to be the subject of some discussion.

HSBC has attempted to address these challenges in developing the HSBC Green Bond Framework.

Constructive feedback and input on the HSBC Green Bond Framework is therefore welcomed with a view to better meeting the objectives of investors and ultimately supporting a greater beneficial sustainability impact from the Use of Proceeds of Green Bonds in a manner consistent with HSBC's commitment to its wider stakeholders.

## Appendix 1.

Links to relevant organisations / standards

LEED: <http://www.usgbc.org/certification>

BREEAM: <http://www.breeam.org/>

HOE: <http://www.sballiance.org/our-work/libraries/haute-qualite-environnementale/>

CASBEE: <http://www.ibec.or.jp/CASBEE/english/methodE.htm>

Equator Principles: [www.equator-principles.com](http://www.equator-principles.com)

Green Bond Principles: <http://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/green-bonds/>

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