

# Green Bonds

'Use of Proceeds' bond to finance projects that address key environmental objectives



## What are Green Bonds?

Green Bonds are to enable capital-raising and investment for new and existing projects with environmental benefits. Green Bonds are similar to a normal corporate bond and should where possible, follow the Green Bond Principles (GBP), as well as any local regulatory requirements.

The GBP are **voluntary process guidelines** that recommend transparency and disclosure and promote integrity in the development of the Green Bond market by clarifying the approach for issuance of a Green Bond. They provide issuers guidance on the **key components involved in launching a credible Green Bond**; they aid investors by ensuring availability of information necessary to evaluate the environmental impact of their Green Bond investments; and they assist underwriters by moving the market towards standard disclosures which will facilitate transactions.

As Green Bond Structuring Agent, HSBC provides advice on the design of a green bond framework, assists in the development of the ongoing program and supports a successful issuance.

## Why use Green Bonds?



### Reputation:

Gain positive reputation and brand value around Environmental, Social, and Corporate Governance (ESG).



### Flat pricing:

The green bond market has developed around the idea of flat pricing – where the bond price is the same as ordinary bonds. Prices are flat because the credit profile of green bonds is the same as other bonds from the same issuers.



### Finance your sustainability investment strategy:

Fund eligible green projects which contribute to the achievement of international environmental goals, including (but not limited to) the Paris Agreement, Sustainable Development Goals, EU environmental objectives etc.

## What are the key benefits?

- 1 Investor diversification:** Attract a broader investor base, with dedicated green bond investors and sustainability focused / Responsibility Investment (RI) investors who have perhaps not considered you before but would be interested in your green bond.
- 2 Demonstrate leadership in Sustainability:** Highlight the strength of your sustainability program to investors and improve your ESG scores.
- 3 Potential for outperformance:** Pricing is in line with conventional bonds or slightly better. Green bonds are less volatile than non-green bonds in times of stress.

## How do Green Bonds work?

Clients with a sufficient sized pool of eligible green assets consistent with a robust sustainability /decarbonization strategy are eligible:

### Sectors

All sectors including Sovereigns, Supranationals and Agencies (SSA), Corporate, Financial Institutions Group (FIG) and all geographies can qualify.

### Framework

Create a comprehensive Green Bond Framework aligned with the Green Bond Principles (details below).

### Review

Obtain an independent external review for your Green Bond Framework.

### Launch

Market and execute the transaction.

### Reporting

Report annually on the allocation and impact of the bond.

To meet the Green Bond Principles requirements, the following four areas need to be addressed and disclosed in a publicly available Green Bond Framework document:

- 1 Identify use of proceeds:** Determine project categories from the suggested eligible green projects list.
- 2 Process for project evaluation & selection:** Determine eligibility criteria, demonstrate evaluation & selection process, define the governance structure, the environmental objectives and exclusions.
- 3 Management of proceeds:** Determine the method for allocation of funds from net bond proceeds.
- 4 Reporting:** Commit to publicly report annually, at least until full allocation of funds and offer independent assurance of your reporting.

## What are the eligible projects (indicative examples)?



Renewable energy,  
including storage  
& smart grids



Green  
buildings



Pollution prevention &  
control, including reduction  
of air emissions &  
greenhouse gas control



Eco-efficient &/or circular  
economy adapted products;  
production technologies &  
processes



Clean  
transportation



Sustainable management  
of living & natural  
resources and land use



Energy efficiency



Terrestrial and aquatic  
biodiversity conservation



Climate change  
adaptation



Waste prevention,  
reduction, recycling;  
waste to energy;  
products from waste



Sustainable water &  
wastewater management



Sustainable animal  
husbandry; climate smart  
farm inputs (e.g. crop  
protection)

## How to find out more:

Please contact your HSBC Relationship Manager to find out more about the opportunities for Green Bonds to support your business needs or visit [business.hsbc.ca/sustainability](https://business.hsbc.ca/sustainability)

You can also see a detailed definition and explanation on the Green Bond Principles here: [www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/](https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/)

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