

Education Bureau Green and Sustainable Finance Sharing

The background features a light green world map with binary code (0s and 1s) scattered across it. In the lower right, there is a stylized line-art illustration of a city skyline, including a prominent skyscraper and a traditional Chinese junk boat on the water.

Tracy Wong Harris 黃翠芝

Hong Kong Green Finance Association
Vice President & Deputy Secretary General
香港綠色金融協會 副會長及副秘書長

Standard Chartered Bank
Head of Sustainable Finance Asia
渣打銀行 亞洲 可持續金融主管

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Sustainable Finance Overview

可持續金融概括

- The difference between Traditional Finance and Green & Sustainable Finance 綠色及可持續金融
- What is ESG 環境、社會和管治?



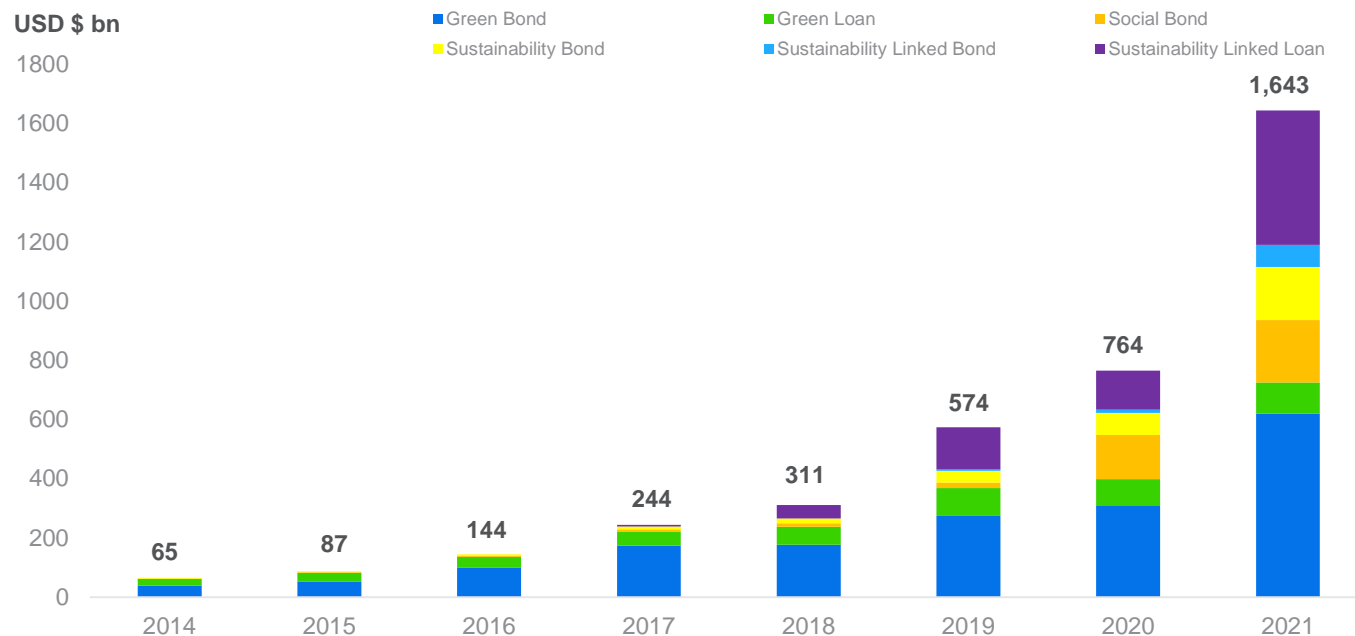
Green and Sustainable Finance Products 綠色及可持續金融產品

Product Suite			
Loans 貸款	Bonds 債券	Deposits 存款	ESG Advisory 環境、社會和管治顧問
<ul style="list-style-type: none"> • Green Loans 綠色貸款: Green use of proceeds • Sustainability-linked Loans (SLL) 可持續發展掛鈎貸款: pricing is linked to ESG performance • Transition Loans 轉型貸款: for companies which are in greenhouse gas (GHG) intensive industries such as extractives, chemicals and transportation, but do have financing needs to reduce their GHGs 	<ul style="list-style-type: none"> • Green Bonds 綠色債券: enable capital-raising for new and existing projects with environmental benefits • Social Bonds 社會債券: proceeds exclusively applied to finance social projects • Sustainability Bonds 可持續發展債券: bonds with a mix of social and green elements • Transition Bonds 轉型債券: for companies which are in greenhouse gas (GHG) intensive industries such as extractives, chemicals and transportation, but do have financing needs to reduce their GHGs 	<ul style="list-style-type: none"> • Sustainable Deposit 可持續發展存款: deposits which allow the customer to have their capital referenced against sustainable assets* 	<ul style="list-style-type: none"> • Provide thematic and bespoke advice to support our clients on environmental and social issues across topics such as <ul style="list-style-type: none"> • ESG ratings advisory 評級顧問 • ESG KPI Benchmarking 關鍵績效指標基準對比 • ESG Strategy Advisory 策略諮詢顧問 • Climate Risk 氣候風險 • Framework creation 框架建設
Derivatives 金融衍生工具	Trade Finance 貿易融資	Cash Management 現金管理	Carbon Trading 碳排放權交易
<ul style="list-style-type: none"> • 'Use of Proceeds' ESG Derivatives 募集資金於ESG用途衍生品: Derivatives that hedge market risks arising from ESG financing • ESG Performance Linked Derivatives ESG績效掛鈎衍生品: Derivatives that link the payoff with ESG performance 	<ul style="list-style-type: none"> • Sustainable use of proceeds or sustainability linked structures to support your Trade Financing flows: <ul style="list-style-type: none"> • Import and Export Letter of Credits • Guarantees • Supplier Finance • Receivables Services • Import and Export Invoice Financing 	<ul style="list-style-type: none"> • Sustainable Accounts: Funds deposited will be used to fund projects that are aligned to Green and Sustainable Product Framework. 	<ul style="list-style-type: none"> • Emissions trading products that will assist clients in the <ul style="list-style-type: none"> • Trading 交易, • Financing 融資, and • Investment 投資 emissions reduction / carbon credits

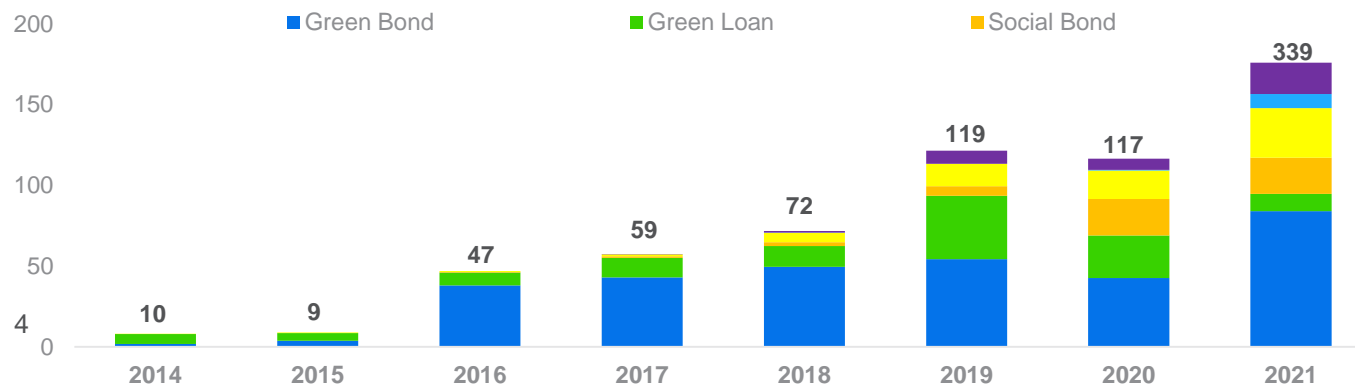
Accelerating Growth in Sustainable Finance 可持續金融加速增長

There has been steady and increasing growth in Sustainable Finance issuances and borrowings in the recent years. The market is also exhibiting increasing sophistication, evidenced through growing volumes in issuances and lending in formats other than green bonds and green loans.

Global Sustainable Finance Growth



Asia Region



Global Sustainable Finance Growth

- In 2021, **more than \$1.6tn (1.6萬億)** in sustainable debt instruments were issued, setting a new milestone as the sustainable finance market totaled more than **US\$ 4tn** for the first time since its inception
- The growth came against the backdrop of COP26 (第26屆聯合國氣候變化大會), among other events, which brought renewed commitments to mobilise public and private climate finance from governments, and brought together private actors through initiatives like the Glasgow Financial Alliance for Net Zero
- A more popular alternative for heavy-emitting industries has been sustainability-linked loans and bonds, which were the fastest growing themes in the ESG fixed income market in 2021. Together, these reached more than \$530 billion – four times the volume offered in 2020.
- Segment share is as follows:
 - Green bonds marked the highest issuances which comprises **38%** of the total issuances in **2021** worth **\$620bn (6.2千億)**
 - Green bonds saw a **100% increase** in issuance between 2020 and 2021
 - Followed by sustainability linked loans which comprises **27.5%** of the total issuances in **2021** worth **\$453bn**
 - Social bonds comprising **13%** of total issuances worth **\$210bn**

Eligible Green / Social / Sustainable Project Categories

合資格 綠色/社會型/可持續 項目類別

Green, Social and Sustainability Loans / Bonds are essentially a Use of Proceeds driven bond product. Sustainability use of proceeds captures both green and social projects

Eligible Green Projects (Green Bond Principles):

- Renewable Energy
- Energy Efficiency
- Pollution prevention and control
- Terrestrial & Aquatic biodiversity conservation
- Clean Transportation
- Sustainable Water and Wastewater Management
- Climate Change Adaptation
- Eco-efficient products etc
- Environmental Sustainable mgmt.
- Green Buildings

Eligible Social Projects (Social Bond Principles):

- Basic Infrastructure
- Essential Services
- Affordable Housing
- Employment Generation
- Food Security
- Socioeconomic advancement, empowerment

Climate Bonds Taxonomy

Energy	Low Carbon Buildings	Industry	Waste	Transport	Information Technology & Communications	Land Use & Marine Resources	Water
Solar	New Residential	Cement Production	Preparation	Private Transport	Broadband Networks	Agriculture	Water Monitoring
Wind	New Commercial	Steel, Iron & Aluminium Production	Reuse	Public Passenger Transport	Power Management	Commercial Forestry	Water Storage
Geothermal	Urban Development	Glass Production	Recycling	Freight Rail	Telecommuting Software & Service	Ecosystem Conservation & Restoration	Water Treatment
Hydropower	Products & Systems for efficiency	Chemical Production	Biological Treatment	Water-bourne Transport	Data Hubs	Fisheries and aquaculture	Water Distribution
Bioenergy		Fuel Production	Waste to Energy	Aviation		Supply Chain Management	Flood Defence
Marine Renewables			Landfill				Nature-based Solutions
Transmission & Distribution			Radioactive Waste Management				
Storage							
Nuclear							

Certification Criteria approved
 Criteria under development
 Due to commence

Source: Climate Bonds

Sustainable Finance Principles 可持續金融原則

	Green 綠色	Social 社會	Sustainability 可持續發展	Transition 轉型
Guidelines				
Starting	<ul style="list-style-type: none"> • 2014 	<ul style="list-style-type: none"> • 2018 	<ul style="list-style-type: none"> • 2019 	<ul style="list-style-type: none"> • 2020
Aim	<ul style="list-style-type: none"> • To facilitate and support environmentally sustainable economic activity. 	<ul style="list-style-type: none"> • To facilitate socially sustainable economic activity. 	<ul style="list-style-type: none"> • To facilitate and support environmentally AND socially sustainable economic activity. 	<ul style="list-style-type: none"> • To facilitate climate transition-related activity
Application	<ul style="list-style-type: none"> • The finance or re-finance of new and/or existing eligible “green” projects 	<ul style="list-style-type: none"> • The finance or re-finance of new and/or existing eligible “social” projects 	<ul style="list-style-type: none"> • Finance or re-finance used to incentivise the company’s achievement of “sustainability performance objectives” (ie sustainability linked) 可持續發展掛鉤 	<ul style="list-style-type: none"> • The finance or re-finance of “transition pathway” 轉型路徑 projects to reach their climate change strategy
Last updated	<ul style="list-style-type: none"> • 2018 	<ul style="list-style-type: none"> • 2020 	<ul style="list-style-type: none"> • 2020 	<ul style="list-style-type: none"> • n/a

Sustainable Finance Options 可持續金融方案

	Green 綠色	Social 社會	Sustainability 可持續發展		Transition 轉型
Financing Type	Bonds / Loans	Bonds	Bonds	Linked-Loans / Bonds	Bonds
Eligible Projects	<ul style="list-style-type: none"> The fundamental feature is the utilisation of the bond/loan for “green projects”. The Green Bond/Loan Principles lists 10 categories of green projects including but not limited to climate change adaption, clean transportation, renewable energy, natural resource conservation, biodiversity conservation and pollution prevention / control. 	<ul style="list-style-type: none"> The fundamental feature is the utilisation of the bond for “social projects”. The Social Bond Principles set out a non-exhaustive list of 6 categories of social projects including affordable basic infrastructure, access to essential services, affordable housing, employment generation through SME financing / microfinance, food security and socioeconomic advancement / empowerment. 	<ul style="list-style-type: none"> The fundamental feature is the utilisation of the bonds for “green” AND “social” projects See previous columns for definitions of “green” and “social” projects 	<ul style="list-style-type: none"> The use of proceeds can be unlinked to categories and typically used for general corporate purposes. The Sustainability Linked Loan/Bond Principles set out a non-exhaustive list of 10 common categories of objectives including but not limited to reduced greenhouse gas emissions, reduced water consumption and the amount of renewable energy generated or used 	<ul style="list-style-type: none"> The use of proceeds can be unlinked to categories and typically used for general corporate purposes. See previous columns for definitions of “objectives”
Impact on pricing of company performance	<ul style="list-style-type: none"> No pricing impact is contemplated in the Green Bond/Loan Principles. 	<ul style="list-style-type: none"> No pricing impact is contemplated in the Social Bond Principles. 	<ul style="list-style-type: none"> No pricing impact is contemplated in the Sustainability Bond Guidelines. 	<ul style="list-style-type: none"> The company’s performance against predetermined sustainability objectives affects the interest rate, incentivising improved performance over time Typically includes a pricing discount or penalty dependent on the instrument and market conditions 	<ul style="list-style-type: none"> The company’s performance against predetermined sustainability objectives may affect the interest rate, incentivising improved performance over time.
Review/ reporting	<ul style="list-style-type: none"> The company should maintain records of the use of green bond/loan proceeds, including a list of the green projects to which the proceeds have been allocated, together with a description of the projects, amount allocated and the expected impact. External review 外部審核 is recommended but not required. 	<ul style="list-style-type: none"> The company should maintain records of the use of social bond proceeds, including a list of the social projects to which the proceeds have been allocated, together with a description of the projects, amount allocated and the expected impact. External review is recommended but not required. 	<ul style="list-style-type: none"> The company should maintain records of the use of sustainability bond proceeds, including a list of the green and social projects to which the proceeds have been allocated, together with a description of the projects, amount allocated and the expected impact. External review is recommended but not required. 	<ul style="list-style-type: none"> The need for external review of the company’s performance against its predetermined sustainability objectives is decided on a case by case basis. For public companies, public disclosures may be sufficient to verify performance for the purposes of the loan. 	<ul style="list-style-type: none"> Additional disclosure The company’s climate transition strategy and governance Business model environmental environmental materiality Climate transition strategy to be ‘science-based’ 科學基礎 including targets and pathways; and Implementation transparency External review is recommended but not required.

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