Partners in Project Green

HSBC

Poll question: what has your organization done to progress your sustainability initiatives so far?

1. Nothing
2. Recommendations from your Bank
3. Investment in sustainable finance products
4. Hired a sustainability consultant

HSBC Canada at-a-glance

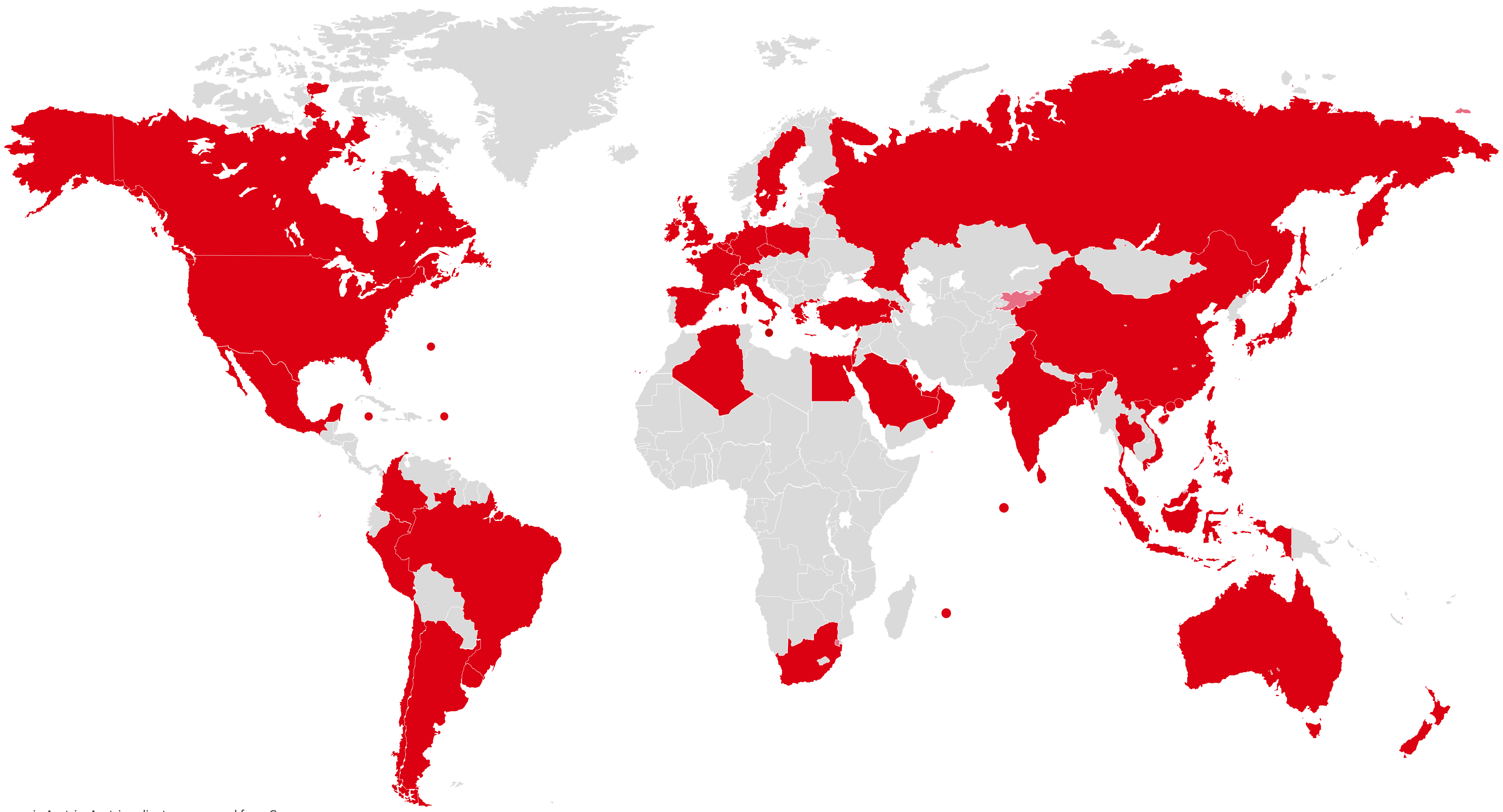
$123 B = Total Assets

7th Largest Bank in Canada

5,300 Employees

National Footprint with 130 Branches

HSBC is currently in 62 markets



As of 1 March 2023
Please note: No physical presence in Austria; Austrian clients are covered from Germany

Our strategy to build a net zero global economy

The transition to net zero carbon emissions presents a clear opportunity to set the global economy on a more sustainable, resilient and inclusive path. Here are some of the ways we're supporting a global transition

Becoming a net zero bank

- Align our financed emissions to achieve net zero by 2050 or sooner
- Use the Paris Agreement Capital Transition Assessment Tool (PACTA) to develop transition pathways
- Make regular, transparent TCFD disclosures to communicate progress, and encourage customers to do the same
- Collaborate with stakeholders to develop a globally consistent standard to measure financed emissions
- Be net zero in our operations and supply chain by 2030 or sooner.

Supporting our customers

- Provide between USD750bn and USD1trn of financing and investment over the next 10 years to support transition and a sustainable future
- Increase our portfolio of transition finance solutions to help heavy-emitting sectors to progressively decarbonise
- Support the development of sustainable supply chains and standards, to embed resilience and growth opportunities for businesses
- Dedicated ESG Solutions Unit to support customers on their journey to lower carbon emissions
- Activating tools and partnerships to support SMEs and businesses with their sustainability needs
- Apply a climate lens to our financing decisions across developed and developing economies

Unlocking new climate solutions

- HSBC Pollination Climate Asset Management – in order to build a leading natural capital manager
- Target $100m CleanTech investment within our technology venture debt fund to support CleanTech innovation and invested US$100m into Breakthrough Energy Catalyst to scale clean technologies
- Launch $100m Climate Solutions Partnership - a philanthropic programme to bring emerging climate solutions to scale between now and 2025
- Help transform sustainable infrastructure into a global asset class, and create a pipeline of bankable projects, through Fast-Infra, Pentagreen and Energy Transition Mechanism

HSBC's transition journey

We're playing a leading role in mobilising the transition to a global net zero economy, not just by financing it, but by helping to shape and influence the global policy agenda. Today, we and many of our customers contribute to greenhouse gas emissions. We have a plan to reduce our own emissions and to help our customers reduce theirs, including in the industries and regions where carbon production is most intense.

Nov-17
HSBC announced its $100bn in sustainable financing by 2025 goal

Jun-18
HSBC prohibited the financing of new thermal coal mines or new coal-fired power plants, globally

Oct-20
We announced our ambition to **align our financed emissions to net zero by 2050 or sooner, with an ambition to provide USD750bn to USD1trn** of finance and investment by 2030 for a sustainable future.

Mar-21
We joined the Partnership for Carbon Accounting Financials (PCAF)

Mar-21
We announced our special resolution on climate change for the 2021 AGM

Apr-21
We became a founding member of the Net Zero Banking Alliance (NZBA)

May-21
The international Energy Agency (IEA) publishes Net Zero by 2050 report

May-21
HSBC shareholders support climate resolution with 99.7% of votes

Jun-21
TCFD releases technical supplement on measuring portfolio alignment

Aug-21
The Inter-governmental Panel on Climate Change (IPCC) publishes Climate Change 2021 Physical Sciences Basis report

Oct-21
The Financial Services Taskforce (FSTF) publishes Net Zero Practitioner's Guide for Banks

Oct-21
The Science Based Targets Initiative (SBTi) releases Net Zero Standard for companies

Dec-21
We published thermal coal phase out policy

Dec-21
We published an update on approach to financed emissions

Feb-22
HSBC publication of initial financed emissions targets for **Oil & Gas and Power & Utiliies** sectors

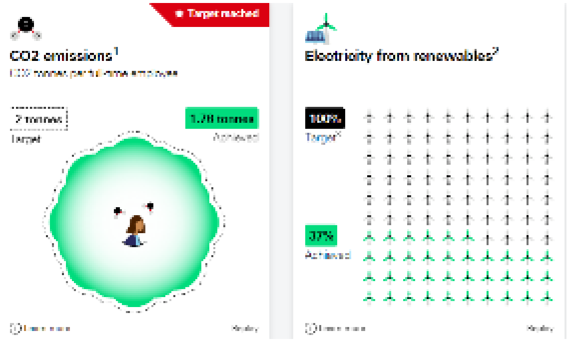
Mar-22
We announced key next steps for net zero, including a commitment to publish a Transition Plan in 2023

Dec-22
We published our updated **Energy Policy**

Feb-23 onwards
HSBC to publish **financed emissions targets for additional sectors** as identified by the NZBA

Note all HSBC documents can be found here: https://www.hsbc.com/who-we-are/our-climate-strategy

Our transition – useful links



Net zero in our operations | HSBC Holdings plc

We are committed to net zero carbon emissions in our own operations and supply chain by 2030.

This means managing the emissions of more than 30,000,000 sq ft of offices, branches and data centres around the world, and those of close to 29,000 suppliers.

Our climate strategy | HSBC Holdings plc

We will align the financed emissions from our portfolio of customers to net zero by 2050 or sooner.

We're setting 2030 targets for emissions reduction in different sectors, focusing on the heaviest emitters first.

How we're supporting our customers transition| HSBC

Explore how our global clients are acting on their sustainability ambitions - driving impact for their business, employees and communities.

We're supporting transition across our network, covering some of the hardest-to-abate sectors.

ESG and responsible business | HSBC Holdings plc

How we do business is as important as what we do. Reporting on our environmental, social and governance performance transparently is essential to building stakeholder confidence and creating value for all our stakeholders.

You can read our latest ESG report here.

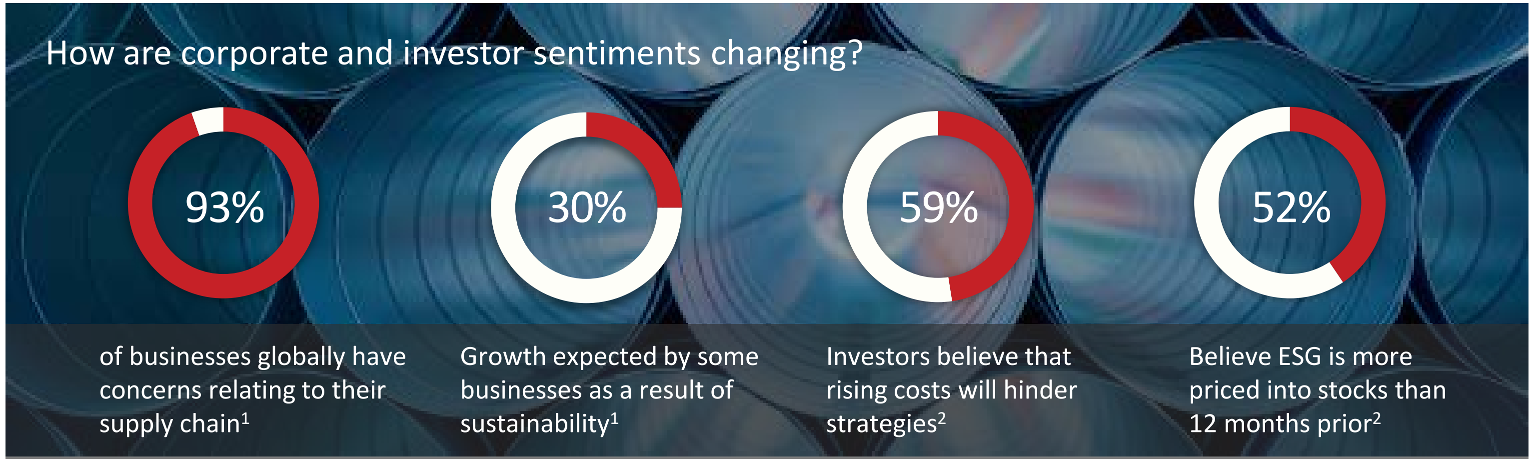
Poll Question: What are your organization's current or potential motivations for becoming more sustainable?

1. Respond to customers / capture new business opportunities
2. Reduce costs
3. Manage risks
4. Attract / Retain employees
5. Senior leadership preferences ("it's the right thing to do")

Sustainability impact on businesses

Over the last two years, we've seen shifts in businesses seeing the commercial benefits of transition. Coupled with governments, regulators, shareholders and consumers are placing businesses' sustainability performances under ever greater levels of scrutiny and accountability.

Here's some of the key insights we're seeing.....

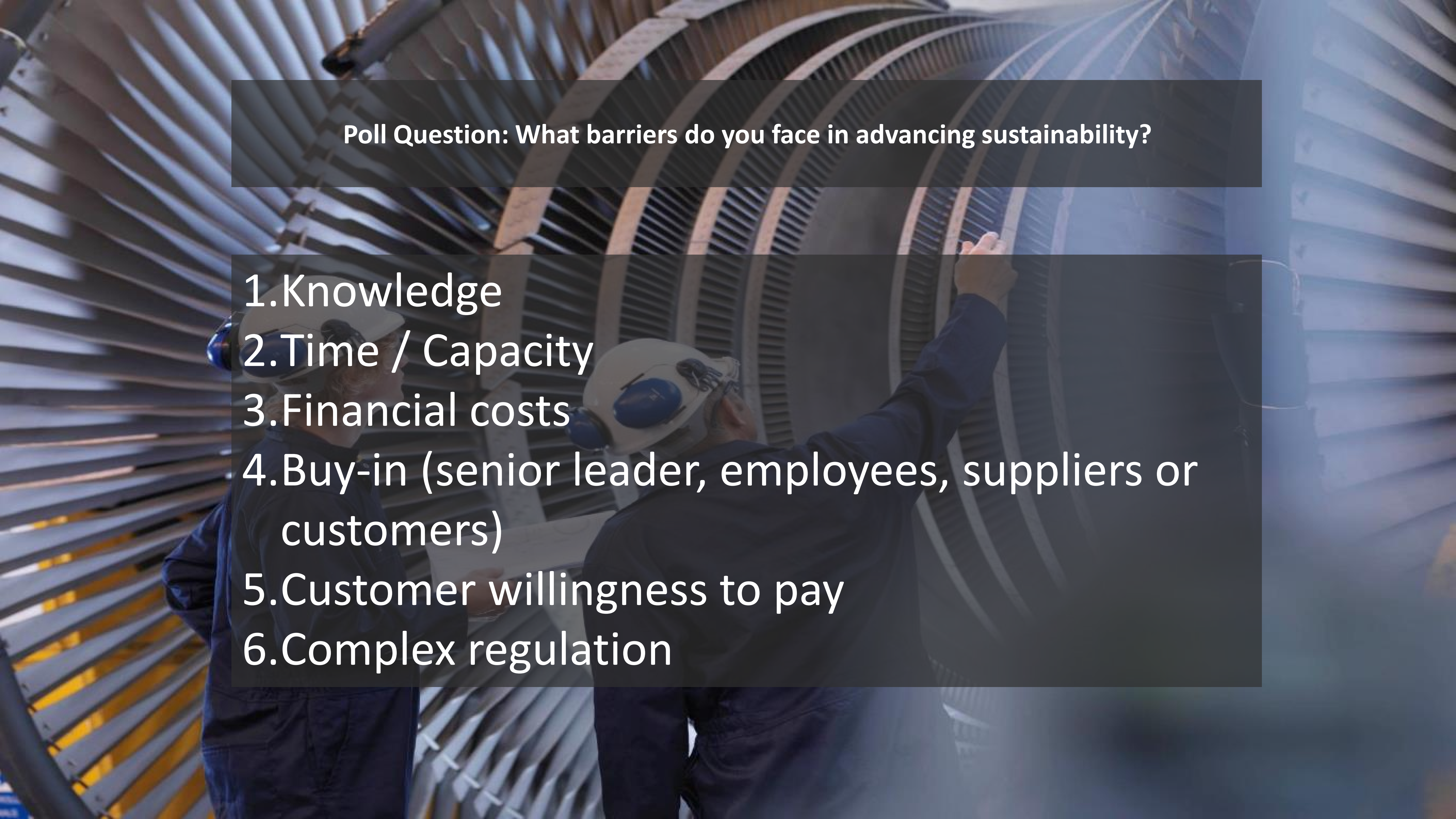


Embedding sustainability can help improve business performance:

- Creates cost reduction & efficiency gains
- Increases reputation among buyers and suppliers
- Enables risk mitigation and resilience
- Meet regulatory requirements
- Attracts wider investor base
- Enables growth in new markets
- Enhances staff pride and purpose

Sources:

1. Navigator 2021 | HSBC - 2021 survey of over 7,000 businesses, spanning 30+ countries, markets & territories
2. HSBC ESG Sentiment Survey – Global Research



Poll Question: What barriers do you face in advancing sustainability?

1. Knowledge
2. Time / Capacity
3. Financial costs
4. Buy-in (senior leader, employees, suppliers or customers)
5. Customer willingness to pay
6. Complex regulation

Have you spoken to your bank about sustainability?

Where can financing help on this journey?

Awareness and ambition

- Understand the importance of sustainability, start to embed a transition plan and measurement
- Have a formal commitment and/or objective which will be reported upon

Operational objectives

- Reduce the climate impact of company's operational activities
- Invest in renewable energies, R&D activities and efficiency improvements

Supply chain sustainability

- Define commitments linked to Scope 3 and wider ESG goals
- Provide access to financing for suppliers' sustainable investments

Business growth

- Sustainability integrated into business strategy, products and services
- Potential growth through investment, joint venture and M&A

How sustainable finance and investments may fit in

Liquidity, Hedging & Investment

- Asset Management
- FX

Lending & Borrowing

- Project finance for Net Zero transition
- Green / sustainable loans
- Green / sustainable bonds

Sustainable Trade & Supply Chains

- Sustainable supply chain finance
- Supplier term lending
- Green trade loans
- Trade sustainable instruments

ESG Solutions

- M&A Advisory
- Ratings Advisory, Corporate Finance Advisory
- Equity Financing & Investments

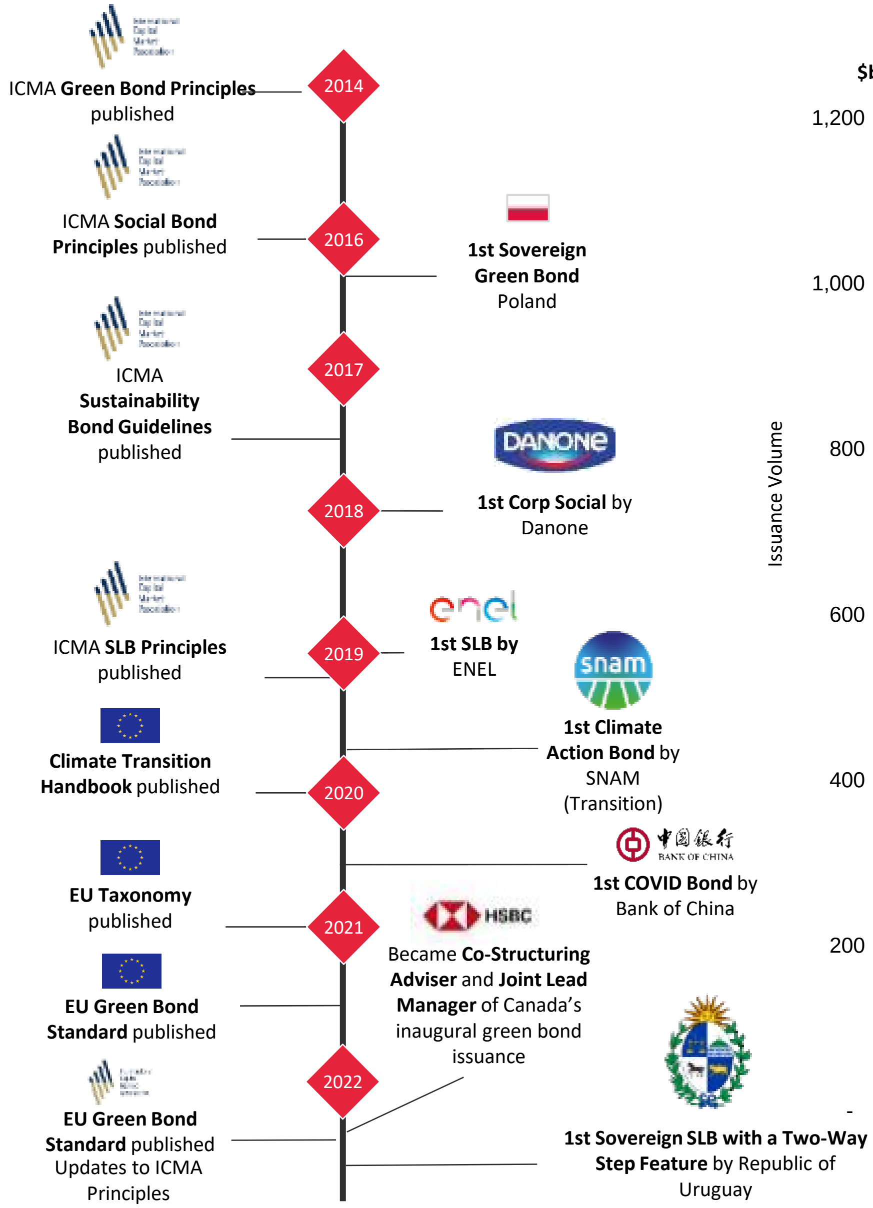
Supporting customers of all sizes to advance sustainability

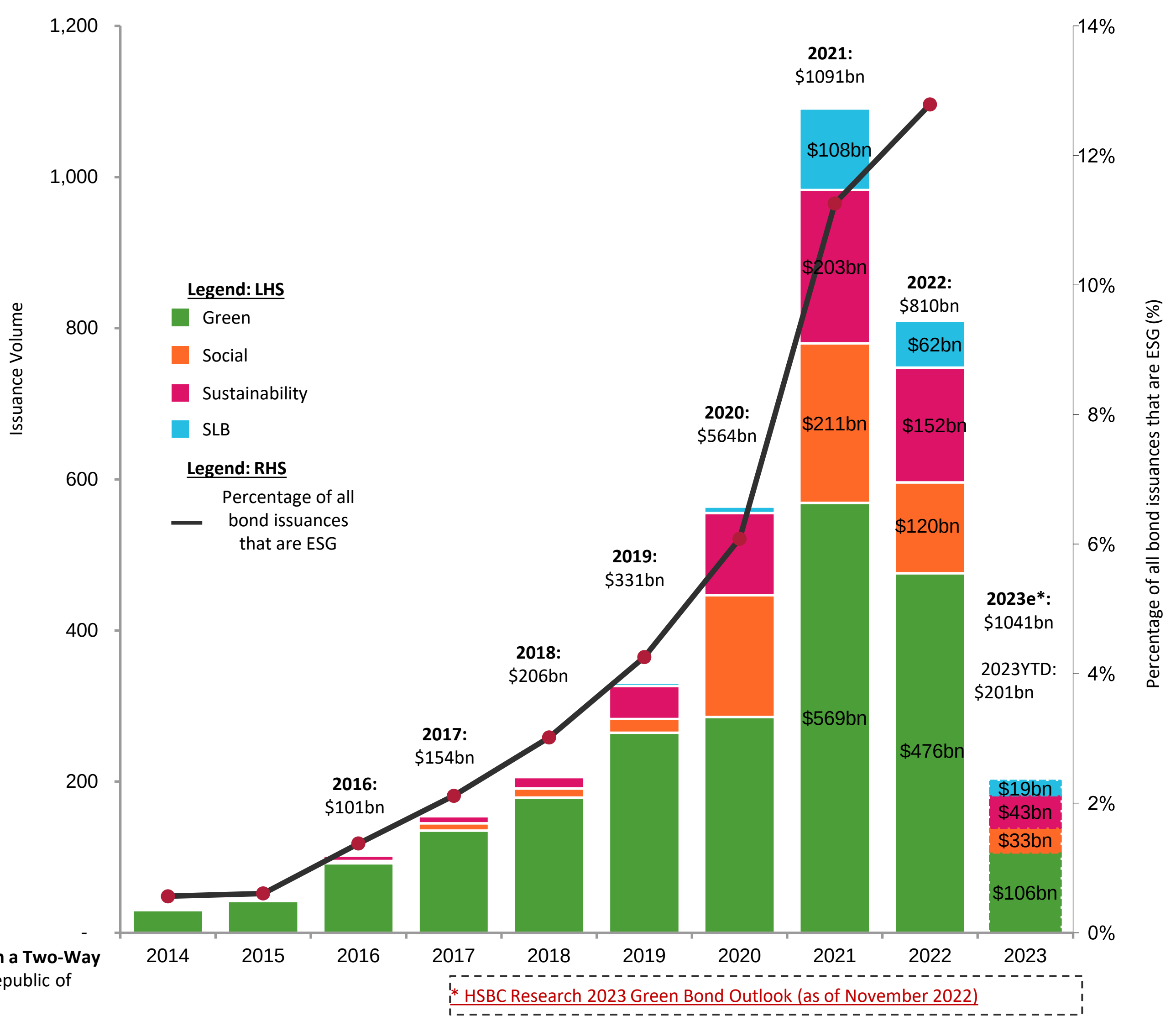
	Small/Medium business	Large business
Drivers	• Supply chain pressure • Employee retention	• Stakeholder and NGO pressure
Challenges	• Lack of resources	• Meeting stakeholder expectations, understanding investor expectatons
Needs	• Guidance on where to start	• Advisory • Understanding how capital markets are integrating sustainaibility • Understandng sustainable finance options
Solutions	• Green loans, leases and trade finance • Capacity building resources and advice/insights • Sustainability Tracker	• Green bonds, sustainable bonds, social bonds, and SSL bonds • IPOs • Integration of ESG in M&A and advisory

The growth of the sustainable financing market

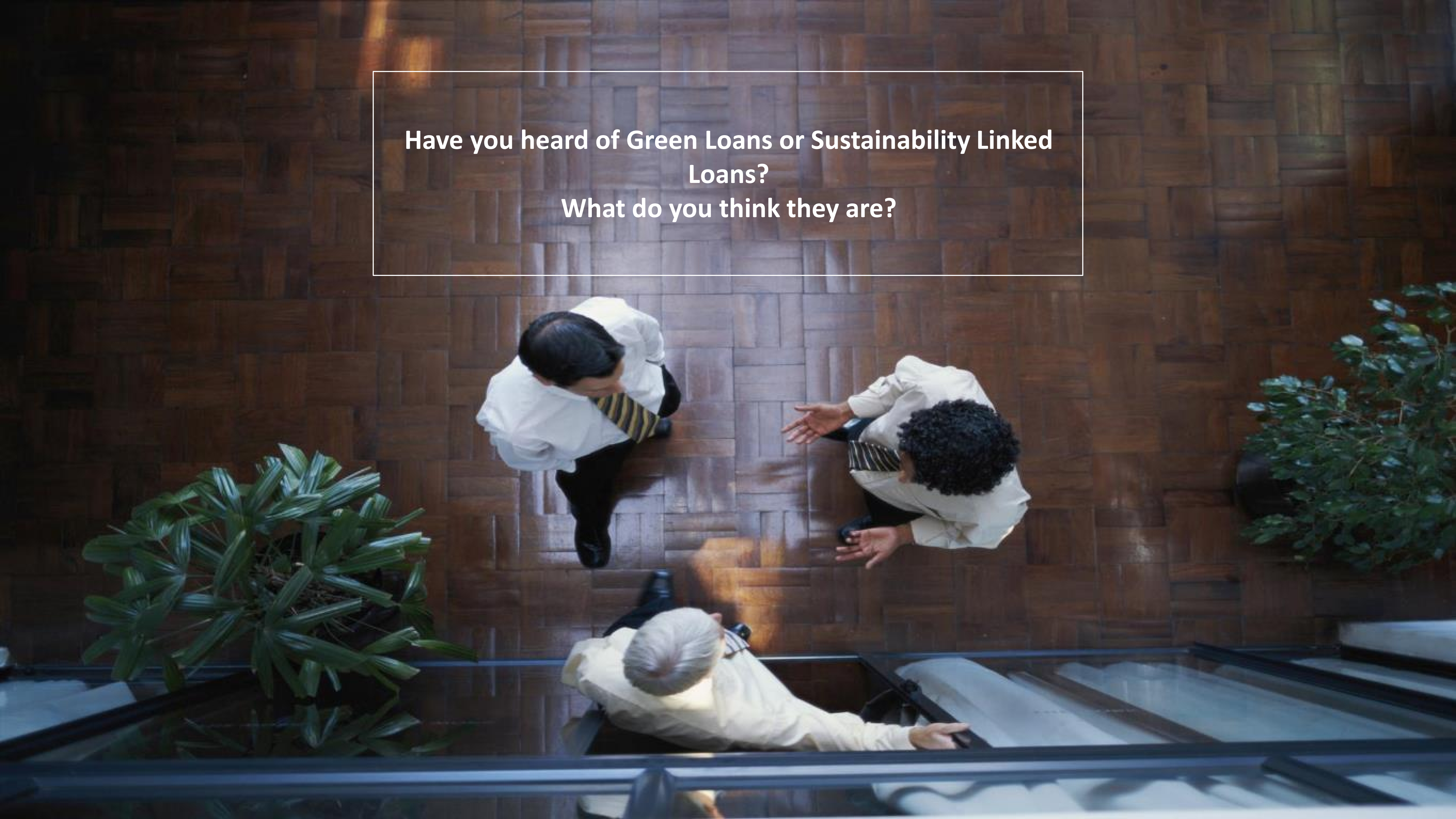
Key deals and market guidelines have helped accelerate the sustainable bond market

For 2023, HSBC forecasts global supply of green bonds to be $635bn, social bonds to be $124bn, sustainability bonds to be $162bn and SLBs to be $120bn





Source: HSBC Green, Social, Sustainability (GSS) Bond database – based on Dealogic, CBI, Bloomberg, as of 27th March 2023
The data presented above is to the best of our knowledge and may not be fully representative of the SRI market

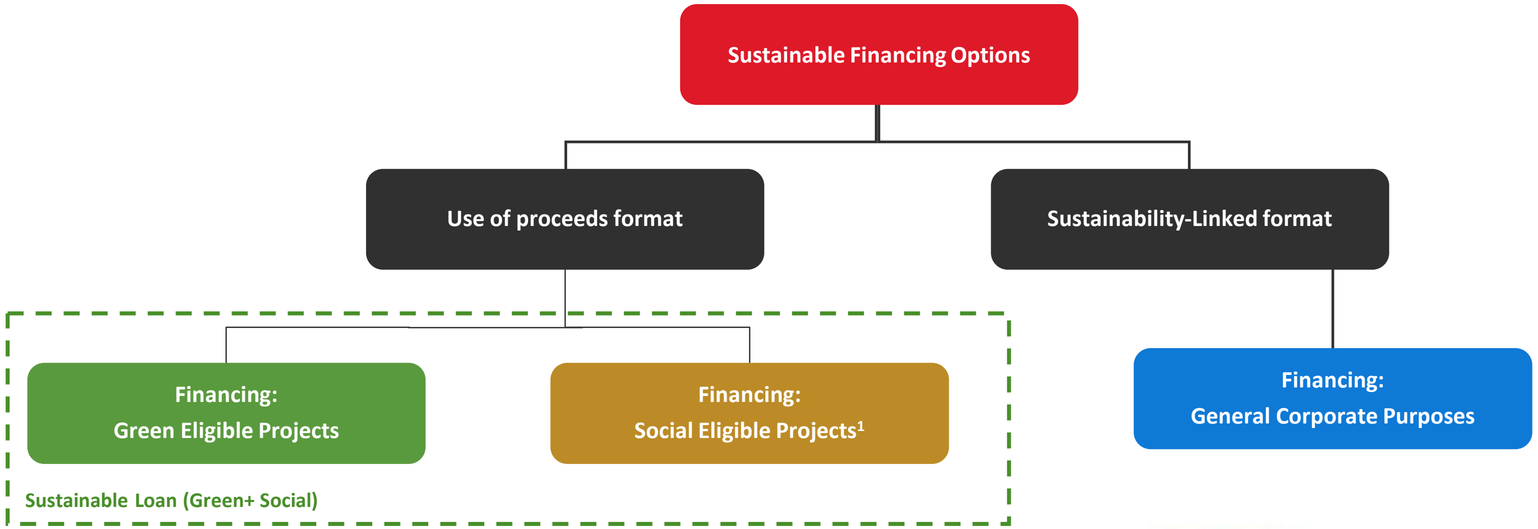


Have you heard of Green Loans or Sustainability Linked Loans?
What do you think they are?

Sustainable lending solutions

The key difference between Green Loans and Sustainability Linked Loans (SLLs) is the use of proceeds requirements

The proceeds of Green Loans and Social Loans are to be used exclusively to finance eligible green or social projects, whereas there are no such requirements for SLLs. Instead SLLs can be structured to reflect a corporate's existing sustainability strategy and targets



Green Loan Principles | The Green Bond Principles

Indicative project categories

- Renewable energy
- Energy efficiency
- Pollution prevention and control
- Natural resource management
- Clean transportation
- Water and wastewater management
- Climate change adaptation
- Green buildings

Social Loan Principles | The Social Bond Principles

Indicative project categories

- Affordable basic infrastructure e.g. drinking water, sewers, sanitation
- Access to essential services e.g. health, education & financial services
- Affordable housing
- Employment generation
- Food security
- Socioeconomic empowerment

Sustainability Linked Loan Principles | The Sustainability-Linked Bond Principles

Indicative ESG KPIs

- Reductions in greenhouse gas emissions (scope 1-3)
- Increases in the use of verified sustainable raw materials/supplies
- Diversity & inclusion
- Employee health and safety
- Promoting strong corporate governance & transparency

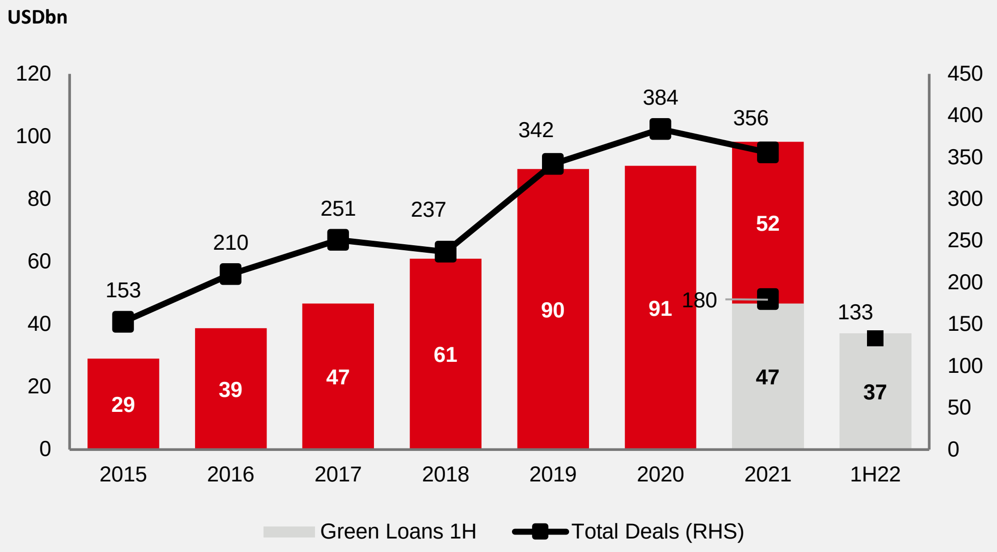
1. Social loans are not available in Canada

What is the market demand for these facilities?

Both Green Loan and Sustainability Linked Loan (SLL) global issuance volumes have seen significant growth in recent years given their growing maturity in the market and increasing pressure from a wide range of stakeholders including investors, consumers and regulators.

The growth in both has been facilitated by the launch of the Green Loan Principles (GLPs) in March 2018 and the Sustainability Linked Loan Principles (SLLPs) in March 2019 by the Loan Market Associations which have encouraged more banks to offer these products and consumers to request them. Subsequently to the launch of the principles, the LMA has released more granular guidance on GLP and SLLP in 2021 and 2022, and an update in 2023.

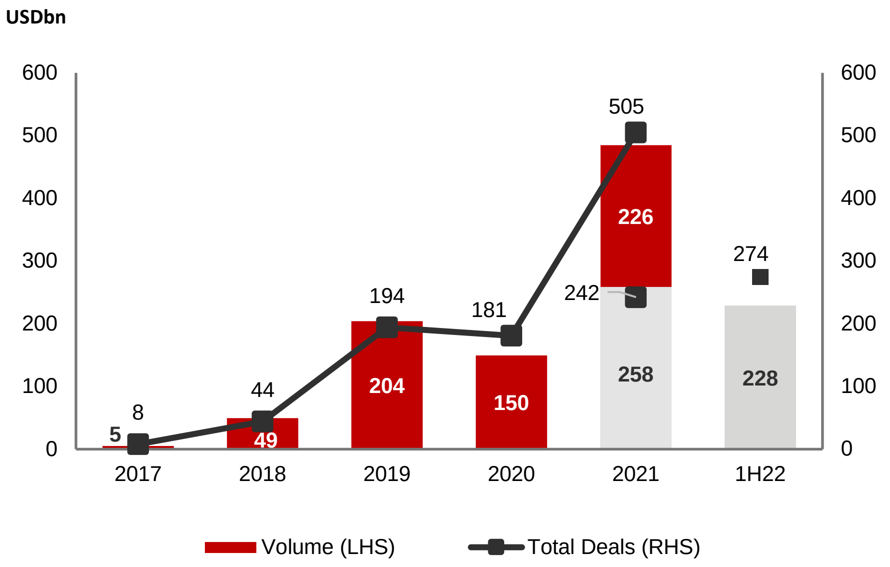
Green Loan Issuance[1]



- Issuance volumes in the Green Loan market have remained stable over the past three years, with issuances of approximately USD 90bn
- In 1H22, USD 37bn of Green Loans were issued across 133 transactions

Source: Bloomberg
1. Data as 30 June 2022

SLL Issuance[1]



- A total of 932 SLLs worth USD 892bn were signed between 2017 and 2021
- In 1H22, SLL issuances were up 13% in number compared to 1H21 but down 12% in volume

Source: Bloomberg
1. Data as 30 June 2022

Green Loans

The Green Loan Principles (GLP) were first launched by the LMA, APLMA and LSTA in March 2018 and they are closely aligned with the Green Bond Principles (GBP) issued by ICMA

Green Loans reference loans that have characteristics aligned with the four pillars of the GLP. The key pillar is that loans are made available to fully or partially finance/re-finance new or existing eligible Green Projects:

Green Loan Principles		Steps for Borrowers
Pillar 1 Use of Proceeds	◆ The **utilisation of the loan proceeds** must be for eligible green projects	◆ Consider which projects align with GLP
Pillar 2 Process for Project Evaluation and Selection	◆ The borrower should communicate to the lender what their **environmental sustainability objectives** are and how they have assessed the project as being green/sustainable	◆ Evidence of the Environmental and/or Sustainability policies. ◆ Evidence project has met any relevant Regional, National, or Internationally recognised standards or certifications
Pillar 3 Management of Proceeds	◆ The borrower should appropriately **track the loan proceeds** to ensure transparency and integrity in the use of the proceeds	◆ Establish an internal governance process to track the allocation of funds (ring fenced or earmarked) towards green projects
Pillar 4 Reporting	◆ The borrower should **report on the allocation of proceeds, the progress and impact of the project to the lender** on an annual basis, or until the funds are fully drawn	◆ External review of the allocation report is encouraged and this can be done by auditors, ESG consultants or ratings agencies

Green Loans are to support eligible green projects including, but not limited, to....

- 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 & 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)

Source: LMA, APLMA, LSTA

What are the advantages of entering a green loan?

Since the UNFCCC Climate Agreement, ratified in 2016 (known as the "Paris Agreement"), and the publication of the UN Sustainable Development Goals (SDGs)[1] in 2015, companies are increasingly devising green and sustainable strategies, incorporating them into their business strategy and aligning their funding mechanisms to their sustainable development commitments.

Entering into a sustainable financing in this context has a number of wide ranging advantages for borrowers.

Green Loan

The benefits include, but are not limited to:

- ✓ Clear communication on the positive impact on the environment or the positive mitigation to climate change;
- ✓ Gaining access to a wider/more diverse pool of investors, particularly those seeking investment with a positive environmental impact or an ESG focus;
- ✓ Strengthening reputation and credibility by earmarking funds for green purposes;
- ✓ Gaining access to new markets, providing greater resilience to market disruption caused by climate change and decreasing risk across portfolios;
- ✓ Building stronger, values-based relationships with stakeholders;
- ✓ Meeting regulatory and policy targets/commitments; and
- ✓ Increasing ability to attract and retain staff, who increasingly see SDG contribution and accountability as an important part of their personal and working lives

Source:

1. The Sustainable Development Goals are the blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including those related to poverty, inequality, climate change, environmental degradation, peace and justice. https://www.un.org/sustainabledevelopment/sustainable-development-goals/

Sustainable Lending Products

HSBC is passionate about playing our part in this global movement towards greater sustainability and have recently worked with the Loan Market Association globally who published their Green Loan Principles[1] and Sustainability Linked Loan Principles. Both sets of principles are voluntary for banks and seek to encourage behaviour and projects which are beneficial for Sustainable outcomes.

Key Characteristics of Green and Sustainability Linked Loans

	Green Loans	Sustainability Linked Loans
Scope/Facility size	✓ All relationship managed segments ◆ No Minimum | Term/Commercial Real Estate Loans, Leasing/Equipment Finance ◆ CAD1m Minimum | Revolving Facilities	✓ Minimum facility size of CAD1m – higher facility size reflects the greater costs to set up and monitor loans
Products covered[1]	✓ Term Loans; Corporate Real Estate Loans; Leasing/Equipment Finance; Revolving Facilities; Commercial Mortgages[1]	✓ Term Loans; Corporate Real Estate Loans; Leasing/Equipment Finance; Revolving Facilities
Criteria measured	✓ The Project's Use of Proceeds has to make a material Green/Environmental improvement and align to the Green Loan Principles	✓ The Company's Overall Performance is measured against pre-determined and meaningful Environmental, Social or Governance (ESG) criteria which align to Sustainability Linked Loan Principles
Reporting requirements	✓ Annually until the loan is fully drawn ✓ Self-certification is permissible by the Borrower if it satisfies certain conditions are met, except for RCFs: only Pure-Play Green[2] clients with deals <=CAD10m taking out an RCF can self certify	✓ At least annually for the full tenor of the loan ✓ 3rd party is strongly recommended to verify performance (can be Bank or Client appointed) but self certification may be possible in some circumstances
Can the transaction details be published?	✓ Yes | If all 4 Green Loan Principles are met, and continue to be met for the life of the loan ✓ No | If the client does not comply to all 4 GLP e.g. only UoP met	✓ Yes | Should be noted that there could be an improvement OR detriment in Environmental and/or Social and/or Governance criteria

Note:
1. Term Loans & CRE Loans (bi-lateral or syndications) such as Flexible Business Loan, Commercial Mortgage, LIBOR Loan, Property Development or Investment Loan, Public Programme Loan (DE only); Leasing products - Finance Leasing/Hire Purchase/Asset Loan; Revolving Loans / RCF (product names may vary by Site).
2. Pure-Play Green definition as per publically available Data Dictionary | Businesses which derive 90% or more of their revenues from activities in 'Eligible Sectors', such as renewables or energy efficiency. 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.

Case Study: Canada's First Green Loan Principles (GLP) Facility

CONCERT
a developer with a difference

Term Loan
June 2020

Company Overview

- Concert Properties has a strong commitment to sustainability. Concert's Sustainability Framework lays out its plan for the next 30 years to make the company a leader in sustainable buildings, including targeted carbon emissions reductions.
- The project has been designed with a focus on carbon emission reductions. The project utilizes a high-performance mechanical system with high efficiency heat pumps and a high-quality building envelope. At the time of construction, the project was projected to achieve a 63% decrease in greenhouse gas emissions and use 33% less energy than a comparable building.
- This project is also the first project where Concert is trying to tackle the carbon emissions that come from the extraction, fabrication, transportation and installation of materials during the construction process. Concert estimates this will reduce the embodied carbon in this project by at least 10%.
- Concert is also seeking Gold certification for the development under Leadership in Energy and Environmental Design (LEED).

> Tapestry at Victoria Harbour demonstrates our commitment to quality, sustainability and creating communities that inspire and enhance the wellness of an active aging resident. We are dedicated to making a positive contribution to the economy, society and the environment. We are pleased to be selected for HSBC's Green Loan program. It recognizes Concert's commitment to achieving greater sustainability in our portfolio."
>
> Brian McCauley, President and CEO, Concert Properties

Deal Structure

- HSBC acted as Green Coordinator for a construction facility provided to Concert Properties for the construction of Tapestry at Victoria Harbour.
- Funding is aligned to the Green Loan Principles ("GLP"), first published in March 2018 by the EMEA and Asia-Pacific Loan Market Associations.
- This transaction represents the first GLP compliant loan in Canada.

HSBC's Roles and Achievements

1. ✓ Green Loan Coordinator role
2. ✓ Franchise building transaction which further solidifies HSBC's capabilities in green real estate financing
3. ✓ Reaffirms HSBC's global commitment to provide USUSD750bn – 1 trillion in sustainable financing by 2030

Helping you build a more sustainable business

Case Study: Canada’s First GLP Facility in support of a leveraged Private Equity transaction

October 2020

Company Overview

- Newterra is based in Brockville, ON. They are a global leader in designing, engineering and manufacturing modular treatment solutions for water, wastewater, and groundwater.
- Newterra has >10,000 modular water treatment installations in service globally.
- Newterra is classified as a pure play “green company” given its focus on water and wastewater management solutions.
- Frontenac is a Chicago-based private investment firm with a focus on investing in lower middle market buyout transactions.
- Frontenac has completed over 275 transactions with businesses across a diversified range of sectors including the industrial, consumer and business services markets.
- 50 years in business, Frontenac has raised >$2.1 billion across 11 funds.

> “As a portfolio investment company, and with increasing focus on owning assets that can help contribute to the planet’s long-term health, Newterra represents an important green industry acquisition for us. We are pleased that HSBC aligned our acquisition financing to the GLPs and it was a competitive advantage for HSBC when we were considering financing partners on the Newterra acquisition.”
>
> Ron Kuehl, Managing Director, Frontenac

Deal Structure

- HSBC acted as Lead Arranger, Book Runner and Green Loan Coordinator to support Frontenac’s leveraged acquisition of Ontario based Newterra.
- Funding is aligned to the Green Loan Principles (“GLP”), first published in March 2018 by the EMEA and Asia-Pacific Loan Market Associations.
- This transaction represents the first GLP compliant loan in Canada in support of a leveraged private equity acquisition.


Frontenac Acquires Newterra

Frontenac Enters the Global Modular Water Treatment Market with the Acquisition of Newterra Group

HSBC’s Roles and Achievements

1. ✓ Green Loan Coordinator.
2. ✓ Franchise building GLP transaction which further solidifies HSBC’s capabilities in the leveraged M&A space.
3. ✓ Reaffirms HSBC’s global commitment to provide USUSD750bn – 1 trillion in sustainable financing by 2030.

Green Equipment Finance – Leases & CSA

Benefits of Green Equipment Finance (EF):

Stakeholders

Customers, suppliers and employees are now considering a company's green credentials before entering into a relationship. Green EF allows you to showcase your green credentials to stakeholders

Flexibility

Commercial terms of Green EF mirror those of a traditional EF including term, amortization, residual and pricing

Structure

At any point, should the Green EF fail to meet the GLPs, the commercial terms are unaffected however, the Green EF can no longer be marketed as green

Green Equipment Finance – Key Terms & Conditions

Facility Structure	◆ Commercial terms of Green EF products mirror those of traditional EF products including term, amortization, residual and pricing
Green Qualification	◆ Should the Green EF fail to meet the annual compliance certificate requirements, the commercial terms of the facility are not affected, however, the facility can no longer be marketed as green
Green Documentation	◆ A short Green EF addendum will be included in your documentation outlining the key terms & conditions associated with the green qualification
Conditions Precedent	Green EF Compliance Certificate ◆ Evidence of the Lessee/Borrower's policies in relation to the Green Loan Principles ◆ Evidence of the proposed use of the proceeds of the Green EF
Annual Green EF Compliance Certificate	Confirmation that ◆ the Lessee/Borrower continues to conduct the activities financed using the proceeds of the Green EF in a manner consistent with the representations and warranties ◆ Updated policies in relation to the Green EF (or confirmation that existing policies are unchanged) ◆ Any additional documentation that may be mutually agreed to

Case Study: Canada's Progressive Industrial Fluids Green Lease

Company Overview

- Canada's Progressive Industrial Fluids researches, develops, and produces industrial lubricants and additives for various industries and applications
- Progressive believes the future lies in environmentally friendly and biodegradable materials as, right now, most industrial lubricants and additives are derived from crude oil.
- After investing heavily to create its own offerings – Progressive now makes 95% of what it sells and has also adopted a vertically integrated model to control every stage of the manufacturing process.
- The installation of more than 350 rooftop solar panels will make its main facility carbon neutral in 2023, and Progressive plans to remove emission from its delivery logistics by converting its delivery logistics by converting its entire transport fleet to electric vehicles by 2025.

"Since Progressive Industrial Fluids was founded, the world has been greatly impacted by climate change, which is driven in large part by our reliance on hydrocarbon-based products. This is an issue that Progressive does not take lightly."

Darren Chambers, Chief Executive officer of Canada's Progressive Industrial Fluids

Deal Structure

- HSBC has supported Progressive's transition its manufacturing to solar energy through a green lease
- This kind of green equipment finance bridges the capex gap between the upfront cost involved in the installation of rooftop solar power systems and the electricity savings over the long term.

HSBC's Roles and Achievements

1. ✓ Green Lease Coordinator
2. ✓ Reaffirms HSBC's global commitment to provide USUSD750bn – 1 trillion in sustainable financing by 2030.

Sustainability Linked Loans

Sustainability Linked Loans (SLLs) are aimed at supporting the borrower's transition to a low carbon economy through encouraging achievement of borrower's sustainability goals. SLLs place no restriction on use of proceeds (i.e. can be for general corporate purposes). The cost of capital (i.e. margin paid by the borrower) is linked to pre-agreed sustainability performance targets (SPTs), to incentivise borrowers to achieve ambitious sustainability targets

SLLs should comply with the five core pillars of the LMA's Sustainability Linked Loan Principles[1] (SLLPs):

Pillar	Requirement	HSBC's recommendation
1 Selection of KPIs	◆ The borrower of a SLL should clearly communicate to its lenders the rationale behind the selection of KPIs ◆ The KPIs should be **material** to the borrower's core sustainability and business strategy, and address relevant ESG challenges of the industry sector	◆ Select 2-4 KPIs across the pillars of the Client's Sustainability Strategy ◆ Ensure KPIs are material & core to the Client's business
2 Calibration of SPTs	◆ The SPTs should be **ambitious** and represent a material improvement for the KPIs [over facility life]. In addition, they should: • be consistent with the borrower's overall sustainability ESG strategy; • where possible, make reference to the science behind the SPTs; • where possible be compared to a benchmark or an external reference	◆ External benchmarking (e.g. SBTi, or industry standards); benchmarking with peers or historical performance, if available ◆ Consider the initiatives the Client will introduce to achieve the SPTs • Are cost and impact significant?
3 Loan Characteristics	◆ **Economic outcome** is linked to whether the predefined SPTs are met for a given year ◆ A sustainability margin reduction will reflect whether SPTs were achieved, with a penalty if not achieved (i.e. two-way pricing)	◆ Two-way sustainability margin adjustment to be determined on a case by case basis
4 Reporting	◆ Borrower to report annually to the SLL lenders the **performance for the KPIs** to allow monitoring of whether the SPTs were achieved	◆ Report via Sustainability Compliance Certificate in loan docs ◆ *Best practice:* Publically reporting performance (e.g. in annual report)
5 Verification	◆ **Annually obtain independent & external verification** of the performance for the KPIs ◆ Once reporting has been completed and externally verified, the sustainability margin adjustment will apply	◆ Extend scope of auditor or ESG consultant to verify performance ◆ *Best practice:* verification of entire Sustainability Report

Source: LMA
Note
1. https://www.lma.eu.com/application/files/9416/4873/5604/Sustainability-Linked_Loan_Principles_Guidance_31_March_2022.pdf

What are the advantages of a Sustainability Linked Loan?

Since the UNFCCC Climate Agreement, ratified in 2016 (known as the "Paris Agreement"), and the publication of the UN Sustainable Development Goals (SDGs) in 2015, companies are increasingly devising green and sustainable strategies, incorporating them into their business strategy and aligning their funding mechanisms to their sustainable development commitments.

Entering into a sustainable financing in this context has a number of wide ranging advantages for borrowers.

Sustainability Linked Loans:

The benefits include, but are not limited to

- ✓ Incorporating Borrower's ESG strategy in Lenders' assessment of the financing;
- ✓ Showing commitment to achieve corporate social responsibility goals with a correlated economic impact where an interest margin is agreed and adjusted by a pre-determined amount, if the Borrower improves or falls short of pre-defined sustainability performance targets;
- ✓ Flexibility, as the SLL structure can be suitable for almost all forms of financings without restriction on use of proceeds
- ✓ Building stronger, values-based relationships with stakeholders;
- ✓ Promoting sustainable long term growth and profitability;
- ✓ Meeting regulatory and policy targets/commitments; and
- ✓ Increased ability to attract and retain staff, who increasingly see SDG contribution as an important part of their personal and working lives.

seaspan
A Subsidiary of Atlas Corp.

Case Study: Seaspan inaugural Sustainability Linked (SLL) Loan

Company Overview

- Seaspan is an association of Canadian companies primarily involved in coastal marine transportation, shipdocking/ship escort, ship repair and shipbuilding services in Western North America.
- The scope of Seaspan's services, the quality of its employees and over a century of successful participation in coastal commerce, make the company a major partner in the economy of the Pacific Northwest.
- The company's operations consist of three shipyards that are all currently certified to ISO 9001 for quality, OHSAS 18001 for safety and ISO 14001 for environmental standards.

> "Our execution of the SLL marks the first sustainability-linked financing in the containership leasing space and aligns Seaspan's long-standing commitment to sustainability with our capital structure strategy. Further, our team has been consistently executing on quality growth and capital structure improvement through a difficult period for the global capital markets. We are proud of the partnerships we have fostered over the last 20 years – with both liner customers and financial partners – which have made this milestone possible."
>
> Bing Chen, Chief Executive Officer and Interim Chief Financial Officer of Atlas

Deal Structure

- The SLL will be a $200 million increase to Seaspan's portfolio financing program, the first of its kind in the containership leasing industry.
- The SLL consists of a $200 million term loan with a tenor of six years. The expanded program is comprised of a $300 million revolving credit facility ("RCF") and approximately $1.5 billion of term loan commitments, with staggered maturities between 2024 and 2026. Proceeds from the SLL are intended to pay down the RCF, bolstering liquidity and capacity for growth opportunities.

HSBC's Roles and Achievements

1. ✓ Participant in the SLL structure
2. ✓ Reaffirms HSBC's global commitment to provide USUSD750bn – 1 trillion in sustainable financing by 2030.

Green trade finance

Green Trade Finance is a proposition where a trade finance facility (of funded products such as trade loans and receivables finance) is made available to exclusively fund environmentally sustainable trade activities (eg purchase, supply or trading, which can be evidenced by underlying trade transaction documents) and adhering to the Green Loan Principles (GLP).

The GLP have been developed to promote the integrity and transparency of green finance products by setting the standard for the 'green' additionality – the underlying activities funded must provide clear environmental benefits that can be assessed, and where feasible, quantified, measured and reported on.

The borrower must demonstrate compliance to the 4 pillars of GLP:

- Use of proceeds: for environmentally sustainable trade activities only
- Evaluation of underlying activity: environmental objectives and evaluation (eg process, criteria, standards, certifications) of the underlying activities
- Management of proceeds: record and track allocation of funds
- Reporting: annual report on facility allocation and environmental impacts

Key environmental objectives (indicative GLP examples)

- Climate change mitigation (eg renewable energy, decarbonisation)
- Climate change adaptation
- Sustainable water use and wastewater management
- Natural (terrestrial and aquatic) resource and biodiversity conservation
- Circular economy and resource-efficient model
- Pollution prevention and control

Applicable scenarios (indicative examples)

Trade finance for

- Sourcing eco-friendly raw materials
- Procuring eco-friendly machinery/ goods/ services
- Manufacturing eco-friendly products
- Trading eco-friendly commodities
- Services / expenditures to and for green projects

Accelerated cashflow from

- Receivables from sales of eco-friendly products or services
- Receivables from products or services delivered to green projects

Value proposition

- Brand standout – opportunity to differentiate your brand and products & services, versus your competitors
- Green credentials – building up your profile in the green finance market, to enhance your attractiveness to investors looking to evolve their portfolios to be more sustainable
- Demonstrable integrity – assisting clients to adhere to the market standard Green Loan Principles to safeguard against reputational **risks**

Key considerations

Green Trade Finance may be appropriate, if

- Client needs finance for its environmentally sustainable trade transactions
- Proceeds will be used exclusively for trade of green underlying goods/services
- Client can demonstrate green evaluation / accreditation for the underlying goods/services
- Client can report annually on facility allocation and achieved environmental impacts

Why HSBC?

HSBC is well placed and

- Is a founding member of the Loan Market Association (LMA)
- HSBC has worked with the LMA to help develop the industry standard GLP
- Has experience as Green Arranger / Coordinator in developing bespoke structures gives confidence that execution risk will be minimised

Case Study: GLP-aligned trade loan for a sustainable energy solution company

An energy solution company

GLP-compliant Green Trade Loan to support sustainable utilities

Sole Arranger

A Green Trade Loan for an energy solution company in India specialising in biomass-fired sustainable steam supply

Green Element of the Deal

The client company supplies steam using biomass fired boilers instead of furnace fired boilers to its end customers under the an outsourced business model. It executes long term supply contracts with farmers and vendors to ensure uninterrupted supply of biomass fuel to the plant, and provides comprehensive operations and maintenance services at client sites including fuel and residue management, statutory compliance, automation etc. The client invests in efficient technologies to effectively utilise sustainable fuel and waste energy in the utility plants instead of traditional fossil fuel, thereby reducing carbon footprint.

Green Loan Principles (GLP) Compliance

- Use of Proceeds: Procurement of clean boilers for “green house gases emissions removal” and “pollution prevention/control”; installation and operation services to solar power plants falling under “renewable energy”.
- Evaluation and Selection: Client will certify the GHG reductions calculated for the projects financed under this facility. This will be provided within 18 months from the date of disbursement, after 6-8 months required for installation and another 6-12 months for CO_2 saving benefits to be realised.
- Management of Facility: For purchase of boilers/ solar equipment, payment will be directly transferred to the vendor’s account against standard drawdown documents; for utility service expenditures, reimbursement will be transferred to the client’s account against expense evidence and proof of payment.
- Reporting: Client will provide letter confirming end use of the green facility within 30 days from drawdown; third party verification by a credible auditor acceptable to HSBC will be arranged by the client and obtained in a pre-agreed format within 18 months of drawdown.

Why HSBC?

- HSBC acted as the Green Structuring Bank. With expertise in green finance closely aligned to the client’s commitment to sustainable energy solutions, we helped the client secure long term financing for its uninterrupted supply of sustainable steam to end customers
- With expertise in trade finance, we structured a post-shipment buyer loan facility which matched client working capital needs by directly facilitating its vendor payments and providing additional controls by aligning disbursals with project payments
- Execution efficiency: demonstrated strong capability and quick turnaround in delivering a bespoke solution and assisting in robust adherence to the industry standard GLP

Sustainable trade instruments

Products in scope:

All unfunded trade products where there is an underlying facility, including:

- Guarantee
- Letter of Credit
- Standby Letter of Credit

Except DC confirmation

Product Offering:

- Green and Sustainable labelling
- No product change or financial incentives to the GTRF product offerings
- Credit will be assessed as per standard process
- Choice of solutions will have no adverse impact to pricing for the customers

Available to all relationship managed clients

Framework:

- An in-house methodology – Sustainable Trade instrument Principles ("STIP") – has been developed, referencing Green Loans Principles ("GLP") developed by Loans Management Association ("LMA")

1. Purpose of trade instrument

The underlying activities supported by the facility must demonstrate clear environmental and / or social benefits

2. Evaluation of underlying activity

Acceptable criteria and/or accreditation on the green/ social/ sustainable credentials of the underlying activities

3. Management of issuance

Individual instrument issued under a designated facility, based on eligibility of the intended trade

4. Reporting

Impact reporting to the Bank on pre-agreed indicators on an annual basis, and on the occurrence of any material development

Sustainability Linked Lending for Trade

Sustainability Linked Loans (SLL) aim to facilitate and support environmentally and socially sustainable economic activity and growth by linking a borrower's cost of capital to ESG/sustainability metrics. The Sustainability Linked Loan Principles[1] are voluntary recommended guidelines[2] for SLLs issued by the global loan market associations in 2019, followed by subsequent updates (latest amendment in April, 2023). HSBC were involved with the drafting of SLLP.

The Sustainability Linked Loan Principles (SLLP)	The SLL covers both funded and unfunded trade products, which incentivise borrowers to achieve ambitious, pre-determined sustainability performance targets (SPT). The SLLP set out a framework, enabling all market participants to clearly understand the following core components:

SLLPs

Pillar 1 Selection of KPIs	◆ The borrower of a SLL should clearly communicate to its lenders the rationale behind the selection of KPIs ◆ The KPIs should be **material** to the borrower's core sustainability and business strategy, and address relevant ESG challenges of the industry sector
Pillar 2 Calibration of SPTs	◆ The SPTs should be **ambitious** and represent a material improvement for the KPIs [over facility life]. In addition, they should: • be consistent with the borrower's overall sustainability ESG strategy; • where possible, make reference to the science behind the SPTs; • where possible be compared to a benchmark or an external reference
Pillar 3 Loan Characteristics	◆ **Economic outcome** is linked to whether the predefined SPTs are met for a given year ◆ A sustainability margin reduction will reflect whether SPTs were achieved, with a penalty if not achieved (i.e. two-way pricing)
Pillar 4 Reporting	◆ Borrower to report annually to the SLL lenders the **performance for the KPIs** to allow monitoring of whether the SPTs were achieved
Pillar 5 Verification	◆ **Annually obtain independent & external verification** of the performance for the KPIs ◆ Once reporting has been completed and externally verified, the sustainability margin adjustment will apply

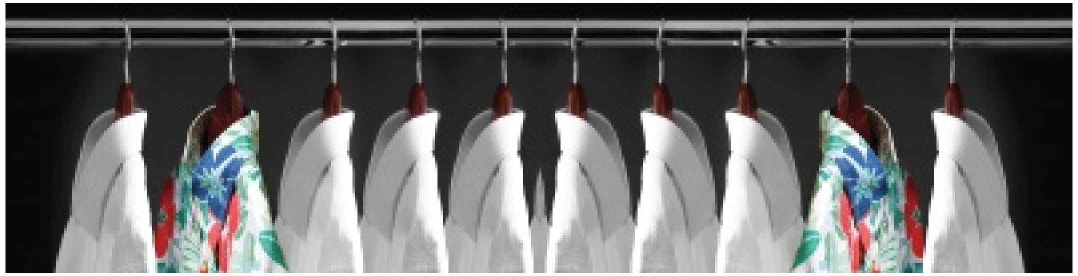
Source :
1. SLLP launched by APLMA, LMA and LSTA
2. SLLP guidance document by the APLMA, LMA and LSTA

Case Study: Sustainability Linked Lending for Trade – Epic Group

Sustainable Fashion Company

Company Overview[1]

Epic Group provide design and manufacturing services to well known brands across the apparel industry. The group is vertically integrated across the entire apparel supply chain, including design, fabric sourcing, manufacturing and logistics.



Our Solution

- Combined trade facilities including import and export loans with interest rate incentives linked to the client's performance against pre-set Sustainability Performance Targets ("SPTs"), which include green house gas emissions intensity, freshwater use intensity and waste management/chemical use.
- The SPTs are independently validated on an annual basis to confirm the performance against SPTs.
- The facilities allow the client access to working capital, with an added benefit of having incentivised pricing when meeting/exceeding their ESG goals.

Customer Need

Opportunity to align client's ESG medium term targets with interest rate incentives.

The targets set are ambitious, relevant and core to the client's overall ESG strategy. Achieving these targets is anticipated to generate a positive environmental impact.

"Net-zero" being a key objective, the client had developed a medium-long term roadmap to reduce environmental impact.

Why HSBC

01 Recognised as a bank with strong ESG experience and knowledge. Euromoney- Asia's best bank for sustainable finance in 2022.

02 HSBC relationship management team actively supported EPIC beyond just finance, by understanding their ESG ambitions.

03 Ability to align financing requirements with an ESG lens.

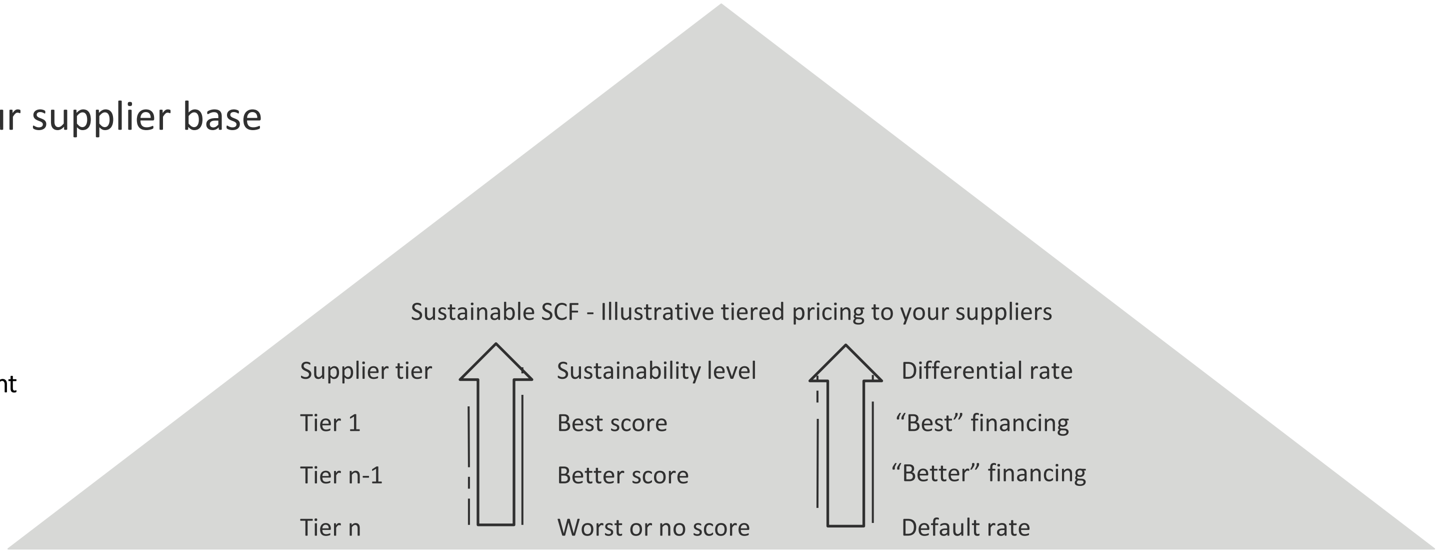
1. Epic Group, Sustainable Fashion Company

Sustainable Supply Chain Financing

Finance linked to sustainability performance may mobilise your supplier base

Sustainable Supply Chain Financing (SCF) is a proposition where HSBC can make early payments to customer's suppliers on terms that take into account the suppliers' sustainability performance.

It aims to service the client needs of ensuring sustainable sourcing and reducing the carbon footprint within their supply chain (e.g. scope 3 emissions).



Objectives

Of your business

- Implement sustainable procurement standard to encourage change
- Strengthen your supply chain sustainability and reduce footprint
- Enhance sustainability strategy and credentials

Of your suppliers

- Alternative access to working capital at a competitive rate without additional borrowing
- Economic benefit from subscribing to your strategy

Our solutions

For you

- Tiered pricing: linked to client-owned sustainability metrics of supplier performance, validated by HSBC as suitable under Sustainable SCF
- Encouraging supplier sustainability: supplier eligibility and/or tier criteria can be set to drive continuous improvements
- Demonstrating financial benefit to suppliers

For your suppliers

- Early payment[1] of approved invoices at competitive rate linked to Buyer's credit profile[2]
- Attractive financing terms to encourage continuous, aspirational targets
- Prioritising sustainability improvements for funding

Expected benefits

For you

- Embedded sustainable sourcing: integrated into SCF structure; promoting supplier accountability
- Stronger supplier base: mobilised for common goals; continued financial viability and resilience
- Sustainability credentials and enhanced strategy to get suppliers' improved buy-in and accelerate transition to sustainability

For your suppliers

- Cash unlocked into their order-to-cash cycle
- Attractive rates linked to Buyer's credit position with improved rates for sustainability improvements
- Cost savings to re-deploy in sustainability

Source: All offers of financing, products and services are subject to credit adjudication, qualification and prior approval.
1. All payments are made at HSBC's sole and absolute discretion.
2. Where your cost of credit risk is better than that of your suppliers.

What are the advantages of Sustainable Supply Chain Financing?

Buyer/ Supplier needs and challenges	**Supplier** **Lack of access to finance**	**Buyer** **Collaborate and Enable** suppliers to improve sustainability	**Supplier** **No clear financial incentive**	**Buyer** **Recognise and reward** supplies' sustainability achievement
How HSBC can help	Support supplier's sustainable CAPEX investment through **local lending solutions** with preferential terms **Sustainable Term Lending:** provided to strategic suppliers to address capital needs for sustainability investment, leveraging on HSBC's strong global network and buyer-supplier relationship		Encourage suppliers by tying pricing of **working capital solution** with supplier's sustainability score/rating/certification [1] **Sustainable supply chain finance:** a post-shipment solution providing early payment options to suppliers[2]	**Sustainable pre-shipment loan:** a working capital solution provided to suppliers to cover pre-shipment expenses

Potential Benefit for you and your suppliers

	Buyer	Supplier
Sustainability	Accelerate the achievement of supply chain sustainability targets Mitigate reputational risks	Achieve sustainable operational improvements Ability to meet buyer's sustainability requirements
Procurement	Improve supply chain resilience and reduce supplier risk Enhances overall relationship with supplier Improve responsible procurement practice Maintain consistency across the supply chain	Maintain relationship with the buyer Increase attractiveness to wider buyer group by demonstrating future-proof business model
Treasury	Optimise working capital[3] Improve cost savings/cost management	Enable potential investment in sustainability through access to working capital Improve cost efficiency and profitability

Note:
1. Buyer is responsible for identifying sustainability compliance ratings of suppliers.
2. Early payments are made at the discretion of HSBC.
3. Accounting treatment applicable to a supply chain finance structure varies depending upon many factors, including the attributes and behaviour of the participant buyer or supplier. You are responsible for obtaining your own professional accounting, tax, legal and other professional advice prior to the implementation of any trade, supply chain finance or receivables finance structure.

Case Study: Sustainable Supply Chain Finance to support Walmart's Sustainability Initiatives

Customer Need

- Have a bank provide tiered pricing to Walmart's suppliers to drive their achievement of certain sustainability goals as part of Walmart's "Project Gigaton" and Sustainability Index scorecard program
  - Project Gigaton – a Walmart initiative to remove one billion metric tons (a gigaton) of greenhouse gases from the global supply chain by 2030
  - Sustainability Index scorecard program – scorecards that help Walmart benchmark suppliers and encourage continuous improvement in meeting sustainability objectives. These are provided by The Sustainability Consortium (TSC)
- Have a bank establish and administer a supplier financing program linked to and aligned with the suppliers' rankings in the client's sustainability programs
- Support supplier communications and provision of information relating to Sustainable SCF features and benefits

Our Solution

- Global Sustainable SCF program hubbed in Hong Kong, allowing suppliers who demonstrate meeting relevant sustainability criteria in either initiative to apply for financing rates that take account of meeting such criteria, based on a sustainability rating framework by Walmart and TSC
- Tiered Sustainable SCF pricing model tied to suppliers' sustainability ratings, and based on Walmart's credit relationship with HSBC, as is typical in SCF programs
- The Sustainable SCF program is potentially open to all suppliers (excl. Bangladesh) of Walmart in the US, Canada and Mexico taking meaningful efforts towards sustainability

Company Overview

- Incorporated in Delaware, Walmart is the world's largest retailer[1] and operates a chain of discount department stores and warehouse stores serving more than 100m customers each week through the region of 11,300 stores under 58 banners in 27 countries and e-commerce websites in 10 countries[2]
- Walmart is listed on the New York Stock Exchange with turnover of USD514bn and market cap of USD288bn[3]

Why HSBC

01 Willingness and capability to provide support and collaborate on new initiative to ultimately deliver a sustainability linked SCF program for Walmart.

02 Robust supplier on boarding capabilities.

03 Strategic SCF banking partner to Walmart, with the potential of offering pre-shipment financing as part of a holistic supply chain solution.

"Investing in sustainability can not only lead to higher productivity and cost savings for suppliers, but can also drive their business growth"

Matthew Allen

Vice-resident of Finance and Assistant Treasurer at Walmart[4]

Source:
1. Deloitte, 2018
2. Walmart, 2019
3. Bloomberg, 2019 accessed on 08 May 2019
4. Global Trade Review, 2019

Please note the sustainability programs and all ratings are administered by Walmart. HSBC is not responsible for establishing or maintaining such programs or ratings.

Sustainable SCF Success Story – Levi Strauss & Co.

International Retailer

Company Overview

Levi Strauss & Co. is one of the world's largest brand-name apparel companies and a global leader in jeanswear. The company designs and markets jeans, casual wear and related accessories for men, women and children under the Levi's®, Dockers®, Signature by Levi Strauss & Co.TM, Denizen® and Beyond Yoga® brands. Its products are sold in more than 110 countries worldwide through a combination of chain retailers, department stores, online sites, and a global footprint of approximately 3,000 brand-dedicated stores and shop-in-shops. Levi Strauss & Co.'s reported 2020 net revenues were $4.5 billion[1]

One of the first companies to set up science-based targets on climate, LS&Co.has well documented sustainability objectives for both their company and their supply chain. In 1992, LS&Co. became the first multi-national corporation to publish a comprehensive code of conduct, by documenting their 'Terms of Engagement' for all suppliers. This was later the foundation for their Worker Well-being initiative. [2]

Customer Need

Improve working capital management including successfully supporting suppliers in an unusual extended payment terms environment to address global retail industry impacts attributed to the COVID-19 pandemic

Provide tiered pricing to Levi Strauss & Co. (LS&Co.) suppliers to foster their achievement of clear sustainability goals as part of its Sustainability Guidebook

Establish and administer a supplier financing program linked and aligned to the prioritization of working capital management

- Prompt reaction and implementation were key in managing a rapidly changing environment including multinational company structure, external investors, legal contracts, and technological integration
- Provide working capital for direct and indirect suppliers, at a global scale, with fast onboarding

Our Solution

- HSBC was able to implement a Supply Chain Financing (SCF) Program to support LS&Co.'s indirect spend in the US and European markets and extend the SCF program to support direct spending in the Asian markets
- The all encompassing Sustainable SCF program covering both indirect and direct spend allowed LS&Co.'s to support suppliers in an extended payment terms environment in the Retail Sector
- Initial and swift implementation of a standard SCF solution while in parallel structuring the metrics for sustainable SCF overlay. That allowed a quick response to suppliers to manage their working capital in a stressful pandemic environment, while promoting sustainable behavior.

Why HSBC

01 A bank that is 157 years old with institutional knowledge of trade finance challenges.

02 Leading ESG research and sustainability expertise in-house including relationships with organizations driving for change such as TSC, CDP, and SAC.[3]

03 A bank that is on the ground in over 60 countries and able to meet the needs of both buyer and supplier in those unique markets

04 HSBC's ability to efficiently and expeditiously manage a cross border implementation to minimize Covid impacts to suppliers

Source:

1. Levi Strauss
2. Levis Strauss & Co. 2017 Sustainability Guidebook
3. The Sustainability Consortium (TSC), Carbon Disclosure Project (CDP), Sustainable Apparel Coalition (SAC)

HSBC Partnerships / Tools

HSBC x Climate Solutions Partnerships

Linking HSBC's philanthropic activities with our business and brand priorities

Quebec Cleantech Investment Challenge

Four partners – Foresight Canada, Cycle Momentum, Spring Activator and the Centre for Social Innovation – are delivering a challenge that involves training both investors and ventures to equip them with the tools to select ideal investments, invest in a specific venture, and foster a strong cleantech ecosystem in Quebec.

June 15: Finale Event – winning venture announced

UBC Creative Destruction Labs | Vancouver Climate Stream Program

Delivering programming for Seed to Series A stage (TRL 4-9), deep-science and technology climate solutions from across Canada to accelerate their growth.

CDL also builds the pipeline of early stage ventures, supports past ventures, and strengthens the ecosystem by establishing more relationships with universities, including BIPOC founders.

Green Economy Canada | National Green Economy Hub

The virtual, national Green Economy Hub established by Green Economy Canada (GEC) recruits and supports members through a proven process to measure their emissions, set reduction targets, develop and implement action plans, and publicly report on their results.

The Pembina Institute is the lead partner responsible for deliverables and disseminates relevant policy research as part of member education efforts.

MaRS Discovery District

MaRS supports high-growth startups and scale-ups tackling key issues in health, cleantech, fintech and other sectors.

Building off the success of the Mission from MaRS: Climate Impact Challenge, MaRS have announced the launch of a second program – MaRS: Carbon Management.

Virtual Mission launch event on June 15

Green Economy Canada

HSBC is supporting Green Economy Canada via community investment

About Green Economy Canada

- GEC is a national non-profit that aims to accelerate Canada's transition to a net-zero future
- Green Economy Hubs is a proven model for engaging local business in setting and achieving sustainability targets

HSBC:

- HSBC is a Founding Partner of Green Economy Canada (GEC)'s National Hub which provides participating businesses with training, resources and 1:1 support to measure your carbon footprint and set reduction targets.

Why Green Economy Canada?

- Cost effective compared to hiring an external consultant.
- Specialised 1:1 support and access to a peer network.
- Actionable steps to measure and reduce your carbon footprint.
- Public recognition and opportunity to build brand credibility with sustainability.

HSBC Sustainability Tracker

The HSBC Sustainability Tracker is designed to help companies understand how sustainable their business is today and get started on their sustainability journey.

By completing the HSBC Sustainability Tracker businesses will receive:

- A view of how sustainable their business is today
- Suggestions on how they can transition to a more sustainable business model
- Comparisons to similar businesses and tips on how to benefit from growth opportunities and/ or cost reductions
- Additional resources to further help them in their planning
- Guidance on how HSBC's sustainable financing products and services can support them

The HSBC Sustainability Tracker explained in 60 secs

What are the benefits of driving sustainability for small to medium-sized businesses?

- Pursue new growth opportunities / open up new markets
- Encourages a wider investor base and investment opportunities
- Creates opportunities for cost reduction/ efficiency gains
- Increases reputation among buyers and suppliers
- Helps mitigate risk and meet regulator requirements

Sources: SME Climate Hub / HSBC ESG Customer Research, July 2022 (Canada & HK, sample: 900+businesses)

Case Study 1: Metal Recycler

Company Profile:

- Founded in Alberta in 1998 the company engages in the collection, sorting and bundling of ferrous metals such as iron and steel, and non-ferrous metals such as aluminium, copper and nickel
- The company has a strong core customer base in Canada with a presence in markets across North America
- The company operates from 9 properties in total

No sustainability commitments or targets

Challenges:

Knowledge gap

- How is my business contributing to climate change?
- What actions can I take?
- What is the business case?
- What are my peers doing?
- What resources are available to me?

Capacity

- No dedicated sustainability staff
- Tendency for one-off projects versus long-term strategies

Buy-in

- Employee engagement to achieve sustainability targets

Case Study 1: Metal Recycler

Drivers:

- Stakeholder pressure
- Competitive advantage
- Global leader
- Increase operational efficiency & reduce costs

In your groups discuss the following questions:

- **What areas do you think the company could focus on to progress their sustainability strategy forward?**
- **How can the bank support the company to achieve their sustainability goals?**

What areas do you think the company could focus on to progress their sustainability strategy forward?

- Identifying the most material ESG issues related to their business through engagement with stakeholders, benchmark to peers or SASB
  - Learn from peers: Schnitzer Steel - one of North America's largest manufacturers and exporters of recycled metals – named one of the most sustainable businesses in 2023 by Corporate Knights

- Develop short, medium and long-term goals / roadmap to reach **net zero**
  - Renewable energy
  - Electrification of fleet
  - Energy efficient / electric equipment

- **Green steel/low carbon metals** - new sustainability standard for steel: https://rmi.org/sustainable-steel-principles-forging-new-paradigm/
- Embed sustainability in all business operations – message has to come from the top down
- Begin to measure and track their carbon emissions

How can the bank support the company to achieve their sustainability goals?

Resources:

- HSBC Sustainability Tracker
- Introduction to Green Economy Canada
- Market insights
- HSBC Global Research

Sustainable Finance solutions:

Use of Proceeds/Green lending:

- Green leases to support investment in EVs and EV charging stations
- Green leases to support energy efficient / electric Capex investments
- Green loan to retrofit facilities to a green building standard

Sustainability Linked Loan:

- Align the companies financing with their sustainability objectives
- Bank can provide recommendations on market expectation on potential KPIs

Case Study 2: Brewery

Company Profile:

- Founded in BC in 2005 the company is one of Western Canada's fastest growing breweries. The company is built on a track record of brand and product innovation in the craft beer, cider and vodka-based beverage markets. They also have taphouse restaurant concepts in BC and Alberta to engage with loyal customers.
- The companies' head office is in Vancouver, with three company-owned production sites across BC and Calgary.
- The company understands that brewing is an energy intensive process and is working towards developing a sustainability strategy to transition to a more sustainable business model.

Challenges:

- CFO buy-in
- Limited resources
- Cost
  - Initial investment

Drivers:

- Increasing regulations
  - Single-use plastic ban
- Stakeholder pressure
- Competitive advantage
- Increase operational efficiency & reduce costs

Case Study 2: Brewery

In your groups discuss the following questions:

- **What areas do you think the company could focus on to progress their sustainability strategy forward?**
- **How can the bank support the company to achieve their sustainability goals?**

What areas do you think the company could focus on to progress their sustainability strategy forward?

- Waste reduction
- Renewable energy
- Energy efficient equipment
- Fleet electrification & distances to transport product
- Sustainable packaging
- How raw materials are sourced
- New technologies that make brewing process more efficient
- Retrofits to existing facilities

How can the bank support the company to achieve their sustainability goals?

Resources:

- HSBC Sustainability Tracker
- Introduction to Green Economy Canada
- Market insights
- HSBC Global Research

Sustainable Finance solutions:

Use of Proceeds/Green lending:

- Green leases to support investment in EVs and EV charging stations
- Green leases to support energy efficient / electric Capex investments
- Green loan to retrofit facilities to a green building standard
- Green Loan to support R&D for energy efficient processes / acquire energy efficient equipment or packaging equipment to convert to a more sustainable option
- Green Trade Loan to support import of energy efficient equipment

Sustainability Linked Loan:

- Align the companies financing with their sustainability objectives
- Bank can provide recommendations on market expectation on potential KPIs