

## **HSBC leads in playing a critical role in sustainable finance to enable the transition to a low-carbon economy**

**Bali, 10-11 October 2018** – Financial institutions have a critical role to play in supporting a sustainable, long-term prosperity of the community. Banks in particular are the main intermediary between business, governments, investors and the public in channeling financial capital into businesses, projects, and sectors. As such, HSBC aspires to be the leading global partner in financing, managing and shaping the transition to a low carbon economy. The bank is therefore fully supporting the Tri Hita Karana forum to help promote the blended finance as one of innovative solutions for sustainable development.

HSBC defines Sustainable Finance as any form of financial service which integrates environmental, social and governance (ESG) criteria into business or investment decisions. It covers both the financing and the investment activities needed to support the UN Sustainable Development Goals (SDGs), and in particular focuses on combating the threat of climate change.

“We believe that sustainable finance helps businesses transition from carbon intensive activities, as well as develop the new energy sources, technology and infrastructure needed for a cleaner future. We support the conference as it brings forth topics on business sectors to align with the SDGs such as clean energy transitions, food & land use, resilient cities, and technology and innovation. As a financial institution we play a crucial role in mobilising capital for sustainable projects, where one of the solution is blended finance,” said Sumit Dutta, President Director of PT Bank HSBC Indonesia.

He added that within Sustainable Finance, HSBC has recently successfully priced USD 3 billion Green Sukuk 5/10Y for the Republic of Indonesia with the Green Sukuk tranche amounted USD 1.25 billion. Being the sole green structuring advisor in this transaction, evidences HSBC’s expertise and strength in the green bond area. The Green Bond framework will not only be used as a platform for future issuances but will create a benchmark for other Green Bond framework established by Indonesian companies.

Furthermore, in November 2017 the bank announced a series of sustainable finance commitments, including a commitment to provide USD100 billion of sustainable financing and investment by 2025 to develop clean energy, lower carbon technologies and projects that contribute to the delivery of the Paris agreement and the SDG.

With the aim of Tri Hita Karana forum to align global action for the SDGs particularly on infrastructure development, blended finance is seen as an important tool to help mobilise private financing. It offers the possibility to scale up commercial financing for developing countries like Indonesia and help to channel the finance toward investments with development impact, to support progress towards SDG.

Blended financing as an alternative sustainable finance solution is also preferred by today's investors as they want to reduce their exposure to industries that cause environmental damage. They see heavily polluting companies to be unprofitable over the long term, and increasingly demand green investment options that enables development of infrastructure in a sustainable way.

Stewart James Head of Group Public Affairs HSBC Asia Pacific, during his address said, "The opportunities of investment grade defined by credit rating agencies limit investors ability to invest in infrastructure to the scale and speed required, unless the risk return profile of the investment can be altered to crowd-in. This may require instruments tailored to meet common financing impediments found in project finance, simplified access to risk mitigation instruments and construction of the project pipeline to use these instruments."

James further points out that a risk-based capital framework can and should be used to support the transition to a low carbon economy. A broader policy environment which is designed to meet COP21 commitments (21st yearly session of the Conference of the Parties to the 1992 United Nations Framework Convention on Climate Change) will result in a higher credit-worthiness of sustainable investments over carbon intensive investments.

Thus HSBC is committed to help serve the needs of a changing world. It continues to create important milestone in Sustainable finance in Indonesia and globally. Both through financing and insight sharing with the industry and businesses, the bank addresses the increasing need to develop the skills, business innovation and low-carbon solutions with governments, corporations, the financial system and civil society as stakeholders of climate change and sustainability challenges. The aim is to secure long-term prosperity for all, where for HSBC, these are the key elements of sustainable growth which it can influence.

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