

## Developing the green bond market

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Ladies and gentlemen, good afternoon, it's a pleasure to be here.

I've just come straight from our leadership conference that we're having over in Kowloon.

The theme is all about the future of the firm, and how our new crop of leaders are going work together to grow HSBC.

And actually that's relevant – because part of what we're discussing is how we grow safely and sustainably.

Our future success is going to be determined by our ability to do that, and by the way we approach the low carbon transition and ESG issues more generally.

So, with that in mind, I'm going to talk about three things this afternoon.

First, I want to explain HSBC's background in sustainable finance, and why we've placed the low carbon transition at the heart of how we work.

Second, I want to talk about why the green bond market is so important in accelerating that transition, and Hong Kong's role in it.

And finally, I want to finish with a plea to you all and to market participants around the world as we consider the next stage of the green bond market's development.

So I'd like to start by telling you a bit about why I'm here.

It is clear to us – and I'm sure to all of you – that climate change is one of the greatest challenges of our generation.

It's also one of our most complex.

Tens of trillions of dollars are needed to finance new technology, to build new infrastructure and to cover the costs of climate-change adaption.

Social, economic and financial systems will need to be recalibrated, and whole communities and industries will need to fundamentally change.

As one of the main intermediaries between businesses, governments and investors, we have a responsibility to direct this flow of capital and to help manage the transition more broadly.

Equally we have a duty to help shape the green finance markets, and to contribute to the design and development of the new products that the global economy will need – including green bonds.

It's why we've begun to embed sustainability into every part of our business and committed to providing USD100 billion in sustainable financing and investment by 2025.

It's why we're involved not just in promoting green finance but in building its intellectual foundation – through workshops, taskforces and leadership of policy initiatives.

And it's why we're one of the driving forces behind the green bond market.

Last year alone we helped clients issue 48 green bonds, and this year we've already helped Indonesia issue Asia's first sovereign green bond.

We're incredibly proud of the part we play in the market, and proud of the role we've played in forging both the Green Bond Principles and more recently the Green Loan Principles.

This is a deeply personal cause for HSBC – and one that goes to the heart of who we are as a bank.

The reasons are fairly simple.

First, we have a large presence in those parts of the world most affected by climate change – and therefore a duty to help reduce its impact.

Over 153 years, we have helped finance economic growth and social progress that we now know has also placed huge stress on the environment.

We have an obligation to help put that right.

Second, we have a duty to help our clients manage their own transition towards a more sustainable future.

As a bank with a focus on the long term, we have an absolute commitment to help ensure the long-term future of our clients.

Finally – and simply – this is what our shareholders and investors want.

Climate risk is a component of credit risk, but it's hard for investors to put a price on it because the bigger impacts lie ahead of us and the lesser impacts are in the historical data we have today.

They also want sustainable investment opportunities, and for us to help find them.

Our shareholders also want us to manage our own exposure and be a leading voice in encouraging others along the same path.

This is really a pivotal issue for HSBC.

Our future success depends in part on getting the low carbon transition right, and helping our clients to do the same.

That is why it features prominently at every level of our strategy for the firm.

The green bond market and the Green Bond Principles are critical in moving this forward.

Last year the green bond market accounted for around 2 per cent of fixed income issuance, but its influence considerably outstrips its transaction volume.

We have always argued that any successful transition has to be driven by the markets – but no market can operate effectively without information.

This is where the green bond market is so important...and where it is so brilliant in its simplicity.

It allows issuers to showcase the investments they are making and the sustainability benefits they bring – while also providing investors with the information they need to make sustainable investment decisions.

The Green Bond Principles themselves have given essential shape and robustness to the green bond market.

They have defined what it means to be 'green' and 'sustainable', taking abstract terms and giving them substance.

And they've created consensus between issuers, investors and intermediaries – which has helped the market grow and develop faster.

They have also proved flexible enough to provide the basis of new national guidelines – in China, in Europe, and for other asset classes like green loans and social bonds.

So it's no exaggeration to say green bonds are the pathfinder for the low carbon transition.

And, speaking for HSBC, we are dedicated to promoting the principles that have shaped the market – and to helping translate them for all our clients in every market and every part of the world.

We have our own Green Bond Framework that aligns to the Green Bond Principles, and we have our own Sustainability Bond from our SDG Bond Framework that aligns to the Sustainability Bond Guidelines.

So we endorse them with confidence from our own experience, and we look forward to more successful transactions in the future.

It's also incumbent on financial centres to help drive this forward, particularly in parts of the world where the green finance need is greatest.

Hong Kong, under the guidance of the Financial Secretary and the HKMA, has shown tremendous leadership with plans to issue its own green bond...and more broadly with its Climate Action plan and the green bond grant programme to assist inaugural issuers come to market.

We hope it will serve as a comprehensive blueprint for other parts of Asia to follow.

All of which brings me to the plea I promised at the start – which is to protect, preserve and sensibly develop the things that have made the green bond market a success.

The next 12 months are going to be critical for scaling up the market – and therefore sustainable finance – for years to come.

That growth will be important, not least in addressing the huge demand for green investments.

But sustained growth will require consistency in approach – even as governments rightly seek to adapt existing rules to their own local markets.

The green bond market has thrived because the market set the standards.

These standards have helped provide transparency and robustness that the market can rely on, while balancing flexibility with clear guidance.

It is therefore vital to the development of the market – and to maintaining investor confidence – that governments and regulators offer explicit support for the principles that have underpinned the success of green bonds.

At a time when there are a number of paths the market could take towards growth, the Green Bond Principles help provide a clear direction.

And they can help underpin the development of the market more broadly by bringing more clarity on disclosure...and by providing the basis for greater standardisation of documentation.

So as issuers, intermediaries and investors, we need to support the Principles and encourage those governing the market to accept them as the basis for the next phase of its growth.

We are a coalition of interests that helped create the Green Bond Principles. Now we must work together to reinforce and develop them.

If we succeed, then the prize will be a bigger market...a more global market...and a market that can underpin sustainable development for decades to come.

That's something we should all be aiming for.

Thank you – and good luck, there is important work to be done today.