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HSBC structures Bangladesh's first-ever Sustainability Linked Loan for Square Group

****Country's first financing mechanism linked to environmental, social and governance performance targets (ESG)****

The Hongkong and Shanghai Banking Corporation (HSBC) in Bangladesh has arranged the country's first ever Sustainability Linked Loan for Square Group. The total facility of USD118 Million (approximately BDT1,000 Crore) worth of sustainable finance has been structured to align Square Group business to better long-term renewable energy usage.

Sustainability linked loans aim to improve the borrower's sustainability profile by aligning loan terms to the borrower's performance against pre-determined Sustainability Performance Target (SPT) benchmarks. For example, the interest rate under the relevant loan agreement may be reduced where the borrower satisfies a pre-determined SPT threshold or vice versa. By linking the loan terms to the borrower's sustainability performance, borrowers are economically incentivised to make improvements to their sustainability profile over the term of the loan.

Square Group is one of the pioneer signatories of the United Nations Global Compact (UNGC), which encourages businesses worldwide to adopt sustainable and socially responsible policies and to report on their implementation. This particular proposition will reward the Group for improving their sustainability profile by aligning credit terms to a set of agreed sustainability performance metrics. As Square Group achieves the pre-determined renewable energy targets mutually agreed with HSBC, it will become eligible for interest rate reductions for the loan.

The deal was launched through a virtual session attended by Dr. Tawfiq-e-Elahi Chowdhury Bir Bikram, Power, Energy and Mineral Resources Affairs Adviser to the Honourable Prime Minister as the Chief Guest and Mohd. Humayun Kabir, Executive Director, Bangladesh Bank as the Special Guest. Tapan Chowdhury, Managing Director, Square Group, Laura Galvin, Regional Head of International Markets, Commercial Banking, HSBC Asia Pacific; Md. Mahbub ur Rahman, Chief Executive Officer, HSBC Bangladesh, Riaz A Choudhury, Country Head of Wholesale Banking (interim) were present along with other senior officials.

Dr. Tawfiq-e-Elahi Chowdhury Bir Bikram, Power, Energy and Mineral Resources Affairs Adviser to the Honourable Prime Minister said, "Congratulations to HSBC and Square for launching this unique initiative even during this otherwise crisis time. It will, hopefully, encourage other financial institutions to follow the suit. Sustainability is a buzzword —this one operationalizes the goal into initiative in financial market. My prayers for those who lost their lives, kudos for the frontline workers of COVID-19 and best wishes for HSBC and Square for promoting sustainability through financial instruments, combining business profit with responsibility. Credit also goes to Bangladesh Bank for supporting such initiative."

Speaking at the landmark signing, Tapan Chowdhury, Managing Director, Square Group said, "Square Group and HSBC have always pioneered positive change across industries. Sustainability sits at the core of Square's purpose and is dear to my heart. We are delighted to see Square to be the first Bangladeshi organisation to utilise a Sustainability Linked Loan and we look forward every success of this project, with the aim of building a sustainable world for future generations."

Commenting on the first-ever Sustainability Linked Loan, Md. Mahbub ur Rahman, Chief Executive Officer, HSBC Bangladesh said, “This is a new beginning for both Bangladesh’s banking sector and business community – an important step in creating a stronger, more resilient and sustainable economy. At HSBC we are proud to play our part in structuring the country’s first sustainability-linked loan and we will continue to support the development of Bangladesh’s financial markets. I also want to thank our regulators for their strong leadership and encouragement in driving this important initiative forward.”

A key part of HSBC’s sustainability strategy involves supporting our customers and their suppliers with their transition to a low-carbon economy. We aim to achieve this by providing sustainable finance, offering advice on how to structure financing solutions that align to the Paris Agreement and engaging with them on transition and physical risk.

The Bank has pledged to provide \$100 billion in sustainable financing and investment by 2025. The goal is one of five new commitments that HSBC is making to tackle climate change and support sustainable growth in the communities it serves. Since taking the pledge, the bank has intensified its support for clean energy and lower-carbon technologies, as well as projects that support the implementation of the United Nation’s Sustainable Development Goals.



Photo Caption: Photo of solar panels placed in Square Textiles to increase their renewable energy usage

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Note to editors:

The Hongkong and Shanghai Banking Corporation Limited

The Hongkong and Shanghai Banking Corporation Limited is the founding member of the HSBC Group. HSBC serves customers worldwide from offices in 64 countries and territories in its geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US\$2,918bn at 31 March 2020, HSBC is one of the world’s largest banking and financial services organisations.

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