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HSBC launches an innovative derivative to facilitate ESG market growth

HSBC Korea announced that it has completed the trade of Asia's first sustainability-linked derivative product on 23 March 2021.

HSBC Global Markets in Korea dealt a two-year, structured 100 million US dollar Environment, Social and Governance (ESG)-linked cross currency swap to Hana Financial Investment, a major local financial institution.

This is a first of its kind transaction which offers direct incentives to a client to improve its ESG capabilities, as HSBC continues to support the development of the sustainable finance market in Korea.

The product's economic terms are directly linked to a specific ESG Key Performance Indicator (KPI), which the client pledges to achieve. Should the client successfully meet this target by maturity, they can receive a benefit in the form of a premium payment or discount. In this case, the KPI was linked to the client's parent group's ESG risk rating set by Sustainalytics, a leading ESG rating company.

Eunyoung Jung, President and CEO of HSBC Korea, commented "With this ESG derivative, market participants will be able to enjoy a much wider and flexible range of sustainable finance products. It is another testament to HSBC's commitment to a sustainable future, and part of its strategic efforts to open up a world of opportunity for its customers."

HSBC is one of the global banks leading the transition to net zero. Recently, it announced its commitment to phase out the financing of coal-fired power and thermal coal mining by 2030 in EU and OECD markets, and in other markets by 2040. It also pledged to facilitate USD 750 billion -1 trillion of financing and investment to help clients with their transition.

In 2020, HSBC was named The World's Best Bank for Sustainable Finance by Euromoney and Investment Bank of the Year for Sustainability by The Banker.

Media inquires

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HSBC

HSBC operates a bank branch and a securities branch in Korea. The Hongkong and Shanghai Banking Corporation to which HSBC Korea belongs 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\$2,984bn at 31 December 2020, HSBC is one of the world's largest banking and financial services organisations.

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