

# Sustainable Trade Instruments

Take advantage of tailored banking services to achieve sustainability goals for buyers and suppliers by leveraging the power of our network



## What are Sustainable Trade Instruments?

Sustainable Trade Instruments are guarantees, letters of credit, or standby letters of credit issued under a sustainable trade facility made available to exclusively facilitate environmentally and/or socially sustainable economic activities (e.g. supply, production, of sustainable goods/services or support of a sustainable project) adhering to the **HSBC Sustainable Trade Instrument Principles (STIP)**.

The STIP have been developed by HSBC, in the absence of industry common principles, to establish the disclosure standards and requirements for the 'sustainability' designation. You will be required to demonstrate that the underlying economic activities provide clear environmental and/or social benefits or have sustainability objectives in line with the **United Nations Sustainable Development Goals (UN SDGs)**.

## Why use Sustainable Trade Instruments?



### Reputation

Gain positive reputation and brand value around ESG (Environmental, Social, and Governance) to further differentiate against competitors.



### Reduce climate impact

Fund eligible projects to reduce climate impact of your company's operational activities.



### Sustainability credentials

Opportunity to build up profile in the sustainable finance market to enhance attractiveness for investors.



### Demonstrable integrity

Opportunity to develop a reputation as a sustainable business venture.

## Why partner with HSBC?

- ◆ HSBC is well placed and is an active member of the International Chamber of Commerce (ICC), Cambridge Institute for Sustainability Leadership, among other industry bodies, collaborating on the sustainable trade finance agenda.
- ◆ HSBC has substantial experience in trade finance and sustainable finance.

## How do Sustainable Trade Instruments work?

You will be required to demonstrate compliance to the four pillars of STIP:

- 1 Purpose of trade instrument:** for sustainable activities only, in line with select SDG targets.
- 2 Evaluation of underlying activity:** sustainability objectives and evaluation (e.g. process, criteria, standards, certifications, accreditation) of the underlying activities.
- 3 Management of issuance:** presenting the pre-agreed evidence for eligibility of the underlying activity before the issuance of the Sustainable Trade Instruments.
- 4 Reporting:** annual report on achieved environmental/social sustainability impacts with pre-agreed indicators.

Sustainable trade instruments are subject to **credit approval, and additional qualification to confirm** compliance with the four pillars of the Sustainable Trade Instrument Principles.

Any costs relating to evidence for STIP compliance, such as evaluation and certification (including any professional fees), are at the cost of the customer. Designation of the trade instrument and/or facility as "sustainable" may either be unavailable or lost (declassification) due to non-compliance.

## What are the key sustainability goals as set out by the United Nations?



## What are some of the applicable scenarios (indicative examples)?

Trade instruments requested to support:

- ◆ **Sourcing** sustainably extracted/produced raw materials.
- ◆ **Procuring** environmentally or socially sustainable machinery/goods/services.
- ◆ **Manufacturing** or producing sustainable products.
- ◆ **Trading** sustainable commodities.
- ◆ **Supporting** sustainable infrastructure projects.

## What are Sustainable Trade Instruments?

Sustainable Trade Instruments may be appropriate, if:

- ◆ You need trade instruments for your sustainable trade transactions / projects.
- ◆ The facility will be used exclusively to facilitate proposed sustainable activities.
- ◆ You can demonstrate acceptable sustainability evaluation / accreditation for the underlying goods/services or related green/ social projects.
- ◆ You can report annually on achieved sustainability impacts.

## How to find out more?

Please contact your HSBC Relationship Manager to find out more about Sustainable Trade Instruments to support your business needs. You may also visit our website [www.business.hsbc.com.mt/bpfp](http://www.business.hsbc.com.mt/bpfp)

If you do not have a Relationship Manager, or are not an HSBC customer, call our Business Banking Direct on 2380 8000. Our lines are open from 8.00am to 5.00pm Monday to Friday (excluding public holidays).

To find out more about United Nations Sustainable Development Goals, visit [www.sdgs.un.org/goals](http://www.sdgs.un.org/goals)



Together we thrive