

The era of sustainability-linked bonds and loans is here

Bonds linked to Environment, Social and Governance (ESG) issues are gaining popularity amid demand for purpose-driven investing

What are ESG-linked bonds?

Investors are providing debt and loans to companies that care for the **Environment**, demonstrate **Social** responsibility and practice strong corporate **Governance**

To secure sustainability-linked loans, companies must demonstrate progress in one of the three key areas:

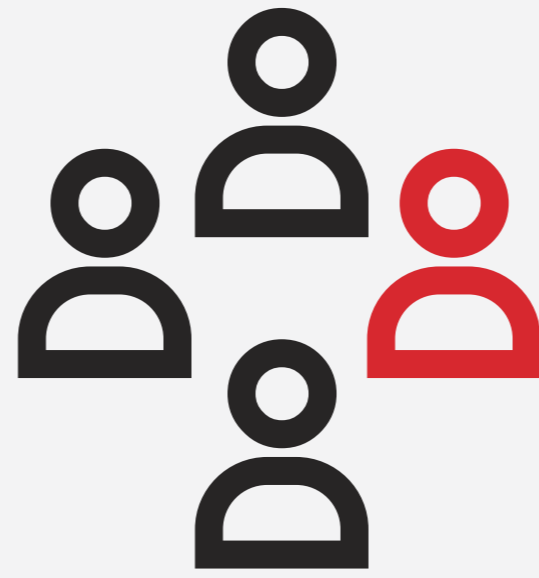
Environmental



The Green Loan Principles ensures integrity of green loan products. It includes:

- Use of proceeds
- Process for project evaluation and selection
- Management of proceeds and reporting

Social



- Focuses on areas of affordable housing and essential services
- Socio-economic advancement and empowerment
- Targeting marginalised, underserved and undereducated populations

Governance



- Gender balance in board and management
- Corporate social responsibility
- Focus on shareholders

Sustainability-linked loans and bonds are on the rise



Sustainability linked loans support environmentally and socially sustainable economic activity, according to Loan Market Association

Source: www.lma.eu.com/application/files/8015/5307/4231/LMA_Sustainability_Linked_Loan_Principles.pdf



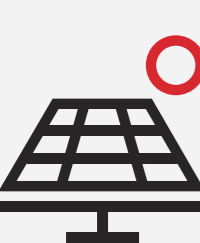
Sustainability-linked loans jumped **235%** last year to reach **USD 122Bn**, compared to previous year

Source: Bloomberg New Energy Finance



A new sustainability-linked bond category emerged in the last half of 2019

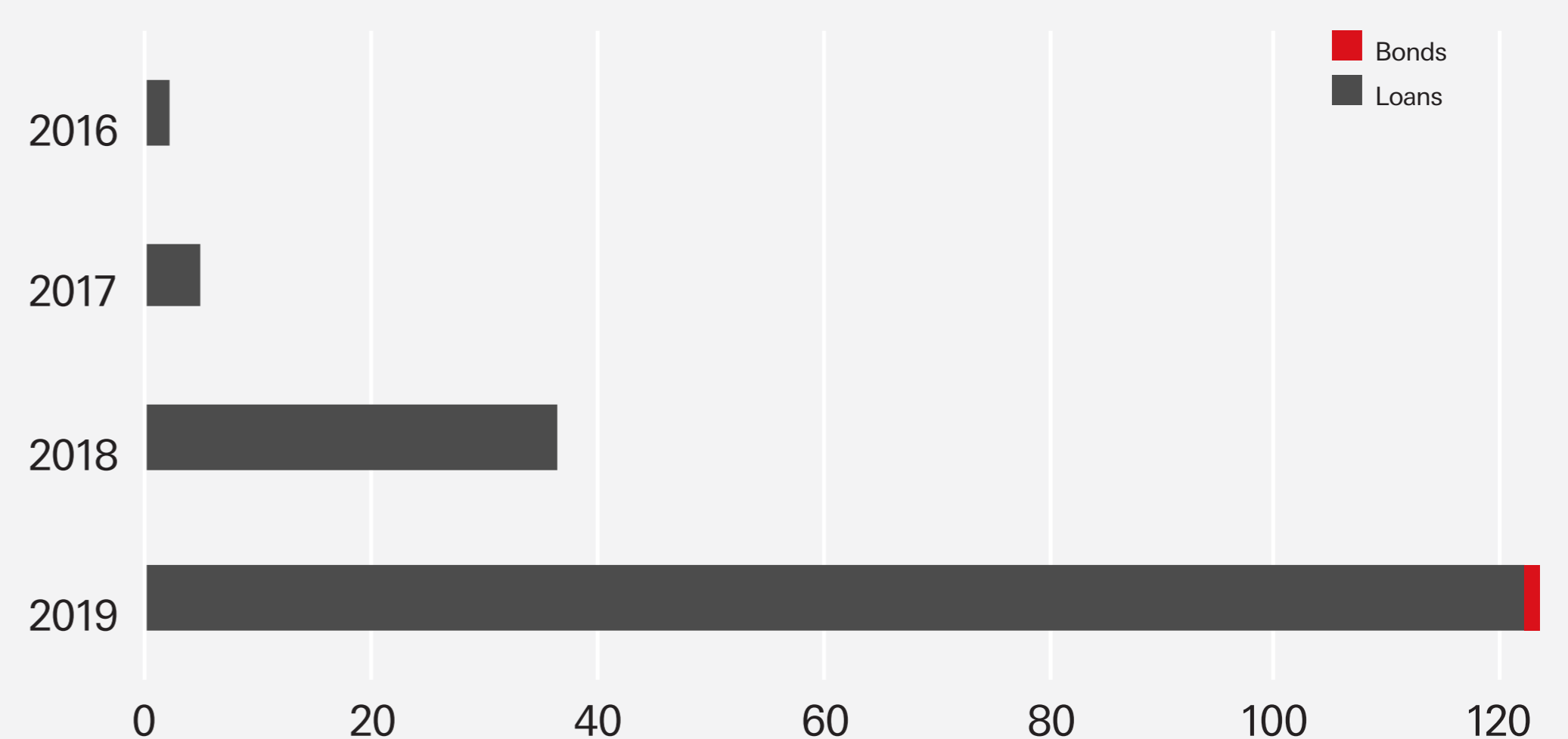
Source: Thomson Reuters



Enel, Italian electricity giant, successfully placed the world's first sustainability-linked bond- a **USD 1.5Bn** issuance- last September

Source: www.reuters.com/article/enel-ditches-green-bonds-for-controversial-new-format

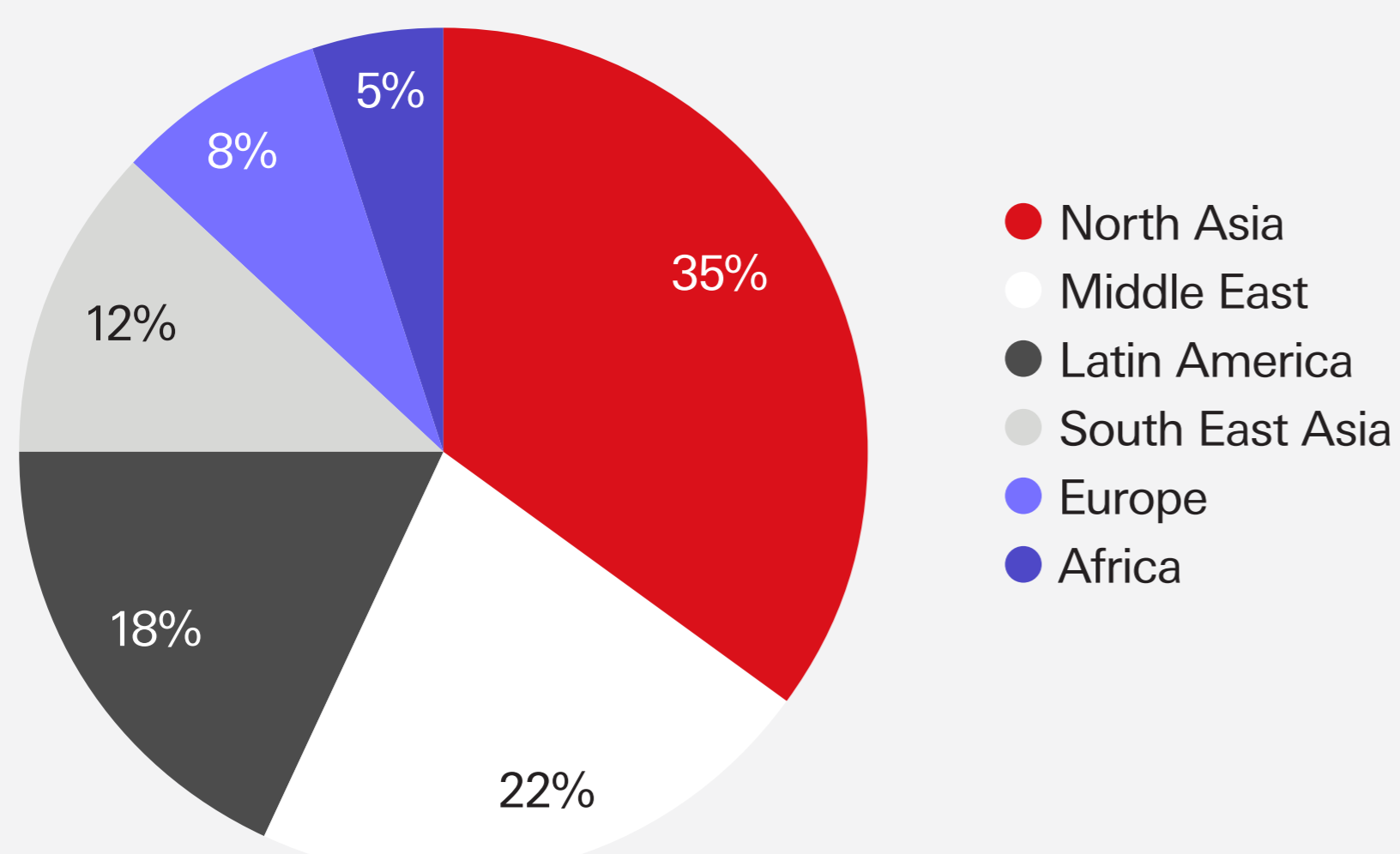
Sustainability-linked bonds and loans (USD Bn)



Source: Bloomberg New Energy Finance

Sustainability-linked loans are blossoming across Emerging Markets

Emerging Markets Sustainability-linked Loans by region (% share)

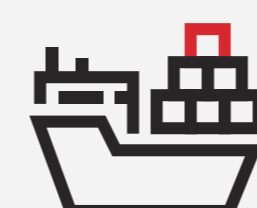


Source: Moody's Investors Service

Emerging markets are leading the surge



24 sustainability-linked loans across a broad range of global emerging market corporations since June 2018



USD 1.4Bn sustainability-linked facility for Dubai-based port operator and logistics company DP World Plc



USD 2.3Bn sustainability-linked loan for COFCO (Hong Kong) Ltd, the subsidiary of Chinese commodities trader COFCO Corp

Source: Loan Market Association, Bloomberg New Energy Finance, Thomson Reuters, Reuters, Moody's Investors Service

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