



The  
Green Bond  
Principles



The  
Social Bond  
Principles



The  
Sustainability Bond  
Guidelines



The  
Sustainability-Linked  
Bond Principles

# KEY DELIVERABLES FROM THE GREEN & SOCIAL BOND PRINCIPLES AGM 2020:

A presentation for the wider market  
22 June 2020

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International  
Capital  
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# Introduction

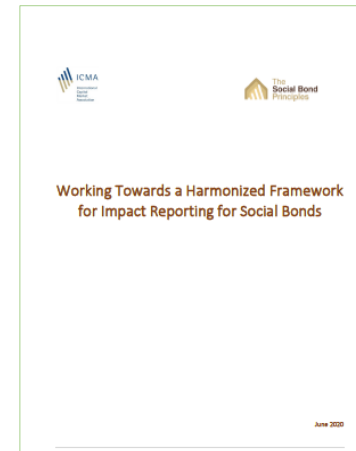
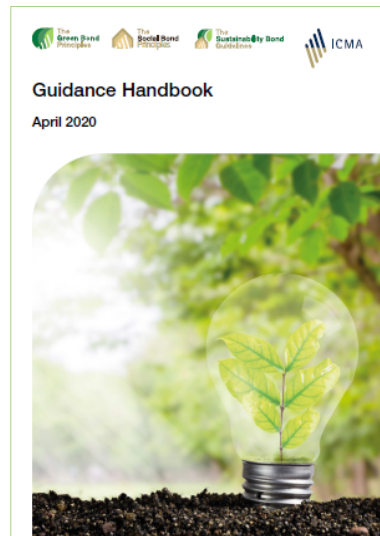
## Nicholas PFAFF

Managing Director  
Head of Sustainable Finance  
ICMA





## GBP SBP Executive Committee 2020 Key deliverables



# AGENDA

*\*British Summer Time*

**13:30** Introduction

**13:35** Opening Remarks

**13:40** Welcome from Luxembourg Green Exchange

**13:45** Social Bonds Working Group overview

**14:15** Sustainability-Linked Bonds Working Group overview

**14:45** Climate Transition Finance Working Group overview

**15:15** Event closed



# Opening Remarks

**Martin SCHECK**

Chief Executive  
ICMA



# Welcome Remarks

**Julie BECKER**

Deputy CEO

Luxembourg Stock Exchange

Founder of LGX



# Social Bonds Working Group overview



Moderated by:

**Lars EIBEHOLM**

Vice President, Head of  
Treasury and  
Sustainability  
Nordic Investment Bank;  
GBP & SBP ExCom Chair



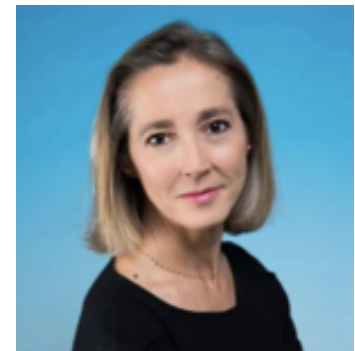
**Denise ODARO**

Head of Bond Investor  
Relations  
International Finance  
Corporation (IFC)



**Francesca SUAREZ**

ESG Analyst  
Mirova



**Isabelle VIC-PHILIPP**

Head of Euro Aggregate  
Amundi



## Social Bond Working Group 2019/2020

- The **SBWG's objective** is to accelerate the development of the social bond market through the consolidation and promotion of the SBP, as well as the establishment of a market forum for potential social bond issuers, investors, and market participants.
- The **2019/2020 priority** was to develop the social bond market infrastructure, review and refine the SBP, and further promote the growth of social bonds.

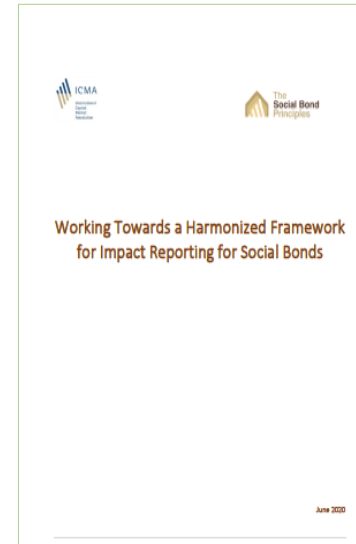
## Deliverables (1)

### 1. Social Bond Principles 2020

Now provides a definition of a social project as well as expansion of examples of project categories and target populations.

### 2. Impact Reporting Framework

Now includes more robust definitions of output, outcome and impacts, and reflects the expansion of target population in the SBP. The working list of sample indicators is restructured.



### 3. SDG Mapping

Now includes guidance that where possible, issuers reference their methodology for alignment with the SDGs, where applicable incorporate this in their external review process, and text to encourage reporting on SDG-related indicators and any potential contradictory negative. Annex references relevant SDGs for alleviation of COVID-19.

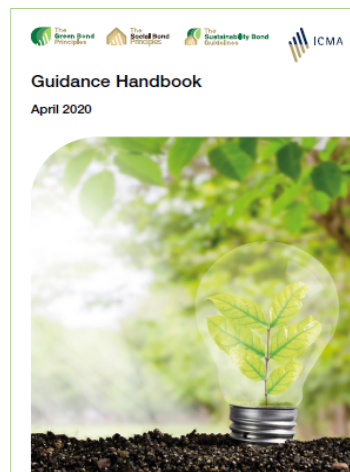
## Deliverables (2)

### 4. Case Studies

Offers a summary collection of frameworks utilized in the capital markets to illustrate how issuers have applied the SBP and Sustainability Bond Guidelines in practice.

### 5. Q&A

Additional Q&A regarding target populations and clarity on issues such as whether to report on actual and/or estimated impact, how to report on partially-financed projects, and the definition of social issues and social outcomes.



### 6. Investor survey

A targeted investor survey has been conducted between 2 March and 15 April 2020 with the aim of collecting information on:

- (1)** investor knowledge of social bonds
- (2)** the current investor base of social bonds
- (3)** investor expectations of social bond issuances, including reporting.



### Response to COVID-19

1

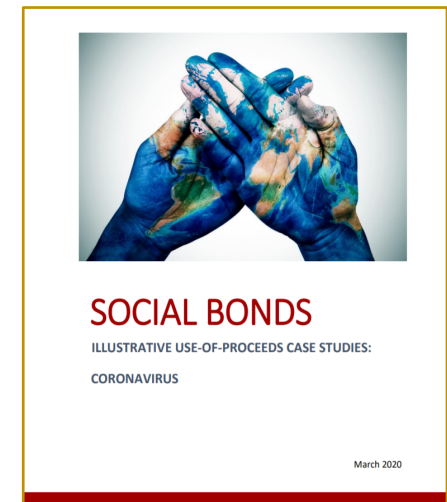
In March, the ExCom underlined that existing guidance for Social and Sustainability Bonds is immediately applicable to efforts addressing the COVID-19 crisis.

The SBWG prepared a [Q&A on COVID-19](#) with additional advice for issuers to addressing the coronavirus crisis with social bonds. The Q&A answers questions such as:

- *What types of issuers can issue Social Bonds related to COVID-19?*
- *What types of proceeds are eligible for a COVID-19 focused Social Bond?*
- *Would an existing Social or Sustainability Bond issuer require a change to its framework to enable issuances related to COVID-19?*

2

The Resource also made available cases studies from issued COVID-19 themed social bonds as well as [illustrative case studies](#), authored by IFC, that highlight how issuers from various industries may use social bonds to raise financing which will go towards addressing social issues that have emerged as a consequence of the COVID-19 pandemic.



## Sustainability-Linked Bonds Working Group overview



Moderated by:

**Tanguy CLAQUIN**

Global Head of Sustainable Banking  
Crédit Agricole CIB;  
GBP & SBP ExCom  
Vice-Chair



**Orith AZOULAY**

Global Head of Green & Sustainable Finance  
Natixis



**Marilyn CECI**

Global Head of ESG Debt Capital Markets  
JP Morgan

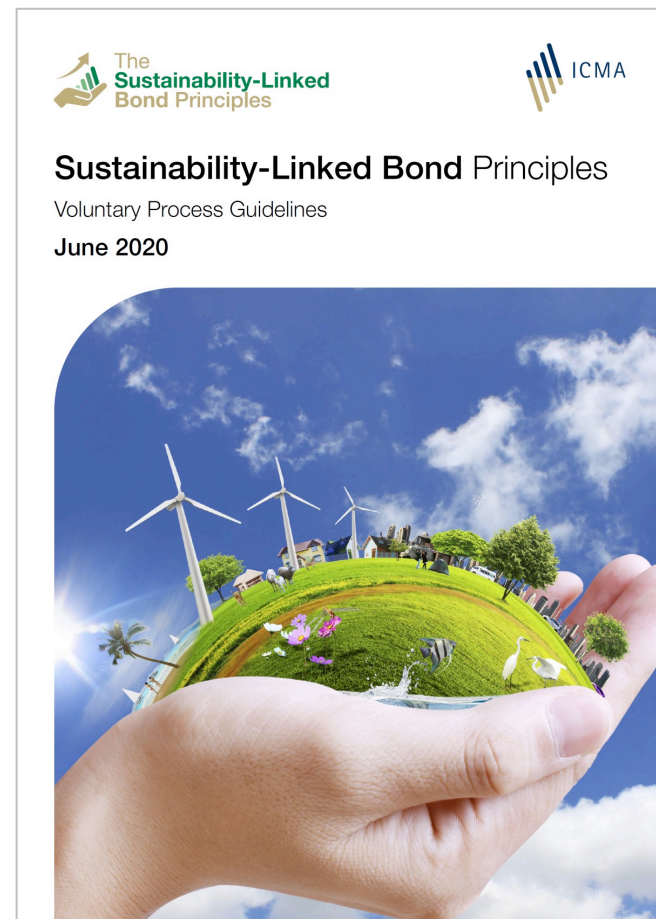


**Christopher FLENSBORG**

Head of Climate & Sustainable Finance  
SEB

## Sustainability-Linked Bond Principles

- SLBs are any type of bond instrument for which the **financial and/or structural characteristics** can vary depending on whether the issuers achieve **predefined Sustainability/ESG objectives**
- Issuers are committing, to **future improvements in sustainability outcome(s)** within a predefined timeline. It is a forward-looking performance-based instrument
- Such outcomes are:
  - measured through **predefined KPIs** and
  - assessed against agreed **Sustainability Performance Targets**.
- Within these parameters, SLBs are to be used for general purposes





## Sustainability-Linked Bond Principles – Overview

### Five core components

1. Selection of KPIs
2. Calibration of SPTs
3. Bond characteristics
4. Reporting
5. Verification

Recommendation for an external review confirming alignment with these five core components

The KPIs should be:

- **relevant, core and material** to the issuer's overall business, and of high strategic significance to the issuer's current and/or future operations.
- **measurable or quantifiable** on a consistent methodological basis,
- externally **verifiable**, and
- able to be **benchmarked**, i.e. as much as possible using an external reference or definitions making the ambition assessment of SPTs possible

## Sustainability-Linked Bond Principles – Overview

### Five core components

1. Selection of KPIs
2. Calibration of SPTs
3. Bond characteristics
4. Reporting
5. Verification

Information on SPTs should be positioned within the context of the issuer's overarching objectives, strategy, policy and/or processes relating to ESG

The SPTs should be **ambitious**, i.e.:

- represent a **material improvement** in the respective KPIs and be beyond “Business as Usual” trajectory,
- where possible **be compared to a benchmark** or an external reference, and
- be consistent with the **issuers’ overall strategic sustainability / ESG strategy**
- be determined on a **predefined timeline**, set before (or concurrently) the issuance of the bond

The target setting should be benchmarked on (i) the issuer's own performance over time, (ii) his peers and (iii) scientific references

## Sustainability-Linked Bond Principles – Overview

### Five core components

1. Selection of KPIs
2. Calibration of SPTs
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5. Verification

- The bond financial and/or structural characteristics can vary depending on **whether the selected KPI(s) would reach (or not) the predefined SPT(s)**, i.e. SLB will need to have a financial and/or structural impact involving trigger event(s)
- The variation of the bond financial and/or structural characteristics should be **commensurate and meaningful** relative to the issuers' original bond financial characteristics



## Sustainability-Linked Bond Principles – Overview

### Five core components

1. Selection of KPIs
2. Calibration of SPTs
3. Bond characteristics
4. Reporting
5. Verification

Issuers of SLBs should publish, and keep readily available and easily accessible:

- up-to-date information on **the performance of the selected KPI(s)**,
- a **verification assurance report** relative to the SPT
- **any information** enabling investors to monitor the level of ambition of the SPTs

Reporting should be published regularly, at least annually, and in any case for any date/period relevant for assessing the SPT performance leading to a potential adjustment of the SLB's financial and/or structural characteristics.

## Sustainability-Linked Bond Principles – Overview

### Five core components

1. Selection of KPIs
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- Issuers should seek **independent and external verification** of their performance level against each SPT for each KPI by a qualified external reviewer with relevant expertise
- The verification of the performance against the SPTs should be made **publicly available**
- As opposed to the pre-issuance external review such as a Second Party Opinion, which is recommended, post issuance verification, is a necessary element of the SLBP.

## Climate Transition Finance Working Group overview



Moderated by:

**Johanna KÖB**

Head of Responsible  
Investment  
Zurich Insurance;  
GBP & SBP ExCom Vice-  
Chair



**Farnam BIDGOLI**

Head of Sustainable  
Bonds, EMEA  
HSBC Bank



**Paul O'CONNOR**

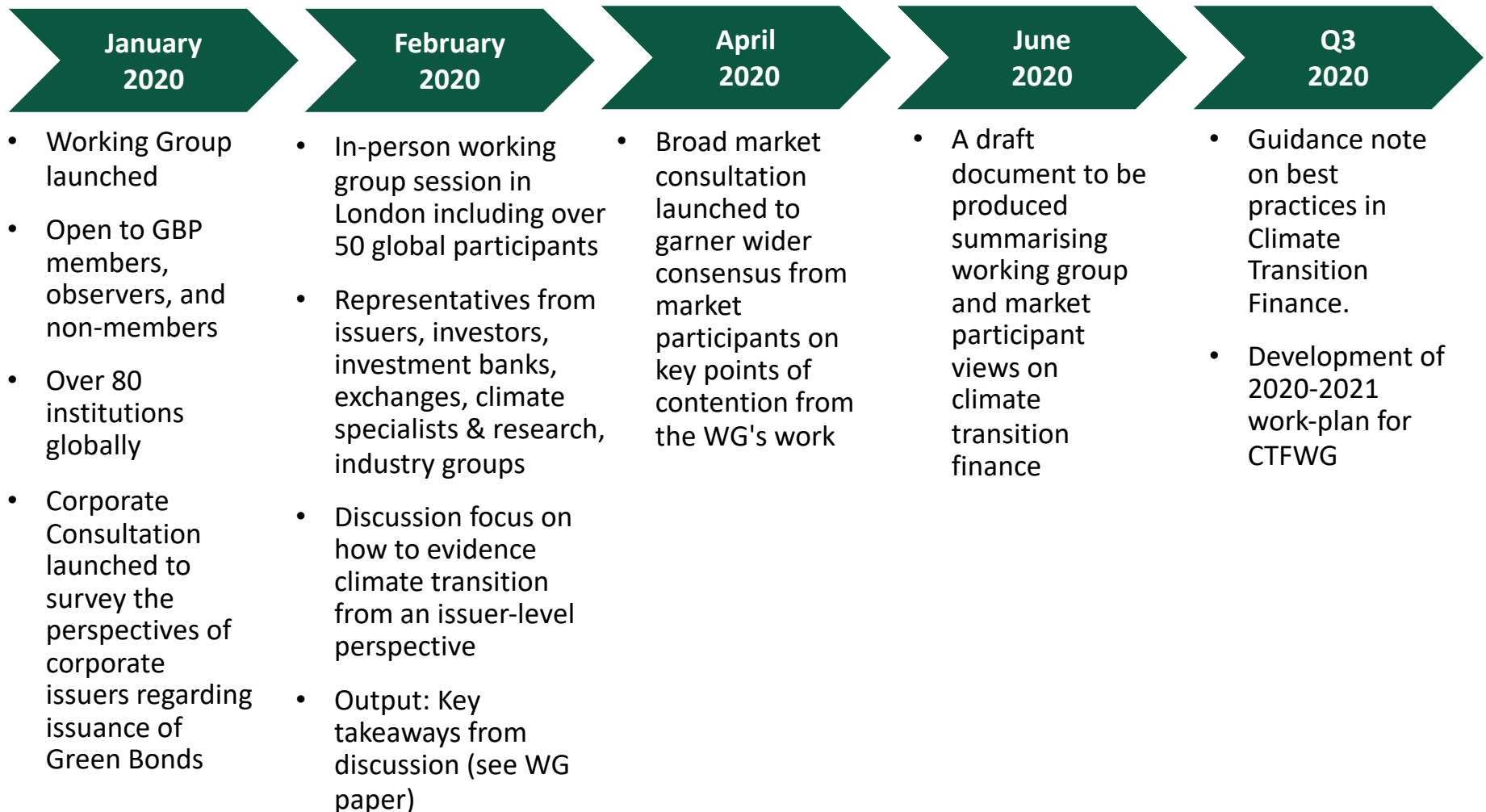
Head of EMEA ESG Debt  
Capital Markets  
J.P. Morgan



**Yo TAKATSUKI**

Head of ESG Research and  
Active Ownership  
AXA Investment Managers

### Climate Transition Finance Working Group - timeline





### Key takeaways from in-person meeting

- Strong view from WG members that climate strategy at issuer-level is most important
- Transition is about how companies seek to contribute to achieving Paris climate goals
- Issuers should set an ambitious long-term climate strategy and objective (e.g. net zero by 2050)
- Taskforce for Climate-related Financial Disclosure is a respected and powerful reporting framework
- Where possible, issuers should commit to TCFD but some issuers may find difficult
- Credibility of issuer's climate strategy is increasingly about science based targets and sector specific transition pathways
- However, it is very difficult to implement scenario analysis. Many sectors don't have well-defined trajectories yet. In some sectors, we do not know how the technology will get us there
- Use of proceeds could be broader than just capex and should be more focused on how corporate expenditures (of varying types) are supporting successful implementation of strategy

## Initial Findings from the Consultation

**What is the market perception of the relevance of existing guidelines to identify companies that are ambitious about decarbonisation within their industry and market?**

- Many respondents underlined that some regional standards and the Green Bond Principles do not specify requirements of the issuer's sustainability or climate strategy/targets, which are considered as essential in assessing the credibility of debt finance for climate transition

**In evidencing issuer-level strategies to accompany debt finance for climate transition, what should issuers be required to disclose?**

- Elements that respondents agreed should be required or strongly recommended were:
  - Governance arrangements to oversee transition strategy (at the board or C-Suite level)
  - The issuer's transition pathway and levers towards decarbonisation
  - Emissions reductions targets in Scope 1 and 2
  - A long-term target to align with the goals of the Paris Agreement
  - An external review from an independent expert



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# Thank you for joining

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