The Green, Social, Sustainability and Sustainability-Linked Bond Principles: Driving the market forward - a US perspective

Opening presentation by Nicholas Pfaff, Head of Sustainable Finance, ICMA
The Principles Infographic

The Principles

Use of Proceeds
Green, Social, Sustainability Bonds (“GSS” or “UoP”)
Core Components:
1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting
Key Recommendations:
1. Bond Frameworks
2. External Reviews

General Purposes
Sustainability-Linked Bonds (“SLBs”)
Core Components:
1. Selection of Key Performance Indicators (KPIs)
2. Calibration of Sustainability Performance Targets (SPTs)
3. Bond characteristics
4. Reporting
5. Verification

Climate Transition Finance Handbook (CTFH)
(Guidance may be applied to GSS/UoP Bonds or SLBs)
The Principles are the global market standard

Percentage of sustainable bonds by region that were based on GBP, SBP, SBLP (excluding supras) in 2020:

- North America: 95%
- Central & South America: 96%
- Europe: 99%
- Russia: 100%
- Asia: 95%
- Africa: 100%
- Middle East: 100%
- Oceania: 95%

Circle size is proportional to total sustainable bond issuance by region.

ICMA analysis based on Environmental Finance Bond Data
GBP/SBP v. 2021: heightened transparency

2021 edition of the GBP:

- Adds two key recommendations (Bond Framework and External Reviews) alongside the four core components;
- Recommends heightened transparency for issuer-level sustainability strategies and commitments,
- Encourages information, if relevant, on the degree of alignment of projects with taxonomies;
- Promotes transparency on issuer processes to identify and manage perceived and known social and/or environmental risks;
- Makes the links and references the complementary guidance of the CTF Handbook, the Harmonised Framework for Impact Reporting and the Guidelines for External Reviews;
- Includes a diagram with the overview of all the guidance provided under the Principles.
GBP SBP Members and Observers

Members at Sept 1st 2021 (196)
- Investors (58): 35%
- Issuers (69): 30%
- Underwriters (69): 30%

Observers at Sept 1st 2021 (215)
- Service Providers (50): 23%
- Audit/Law Firms (32): 17%
- NGO/Universities (37): 10%
- External Reviewers/Rating Agencies (22): 9%
- Financial Institutions (26): 9%
- Market Infrastructure/Data Services (20): 17%
- Public Sector (10): 5%
- Others (18): 9%
GBP SBP Leadership

Current Executive Committee of the Principles

**Investors**
- ACTIAM
- AMUNDI ASSET MANAGEMENT
- AXA INVESTMENT MANAGERS
- BLACKROCK, INC.
- KSW
- Mirova
- PIMCO
- ZURICH INSURANCE GROUP

**Issuers**
- AFRICAN DEVELOPMENT BANK
- EUROPEAN BANK OF RECONSTRUCTION AND DEVELOPMENT (EBRD)
- EUROPEAN INVESTMENT BANK (EIB)
- FANNIE MAE
- IBERDROLA
- INTERNATIONAL FINANCE CORPORATION (IFC)
- NORDIC INVESTMENT BANK (NIB)
- WORLD BANK

**Underwriters**
- BedA SECURITIES
- BNP PARIBAS
- CREDIT AGRICOLE CB
- HSBC
- JPMORGAN CHASE & CO.
- NATIONALS
- NORDEN BANK
- SKANDINAVSKA ENSKILDA BANKEN AB (SEB)

GBP SBP Steering Committee
- IFC (Chair)
- CA-CIB (Vice-Chair)
- BlackRock (Vice-Chair)
U.S. Sustainable Bond Market

**US Sustainable Bonds as a % of total global issuance**

- 2017: 25% US issuance, 19% Global issuance
- 2018: 19% US issuance, 19% Global issuance
- 2019: 15% US issuance, 19% Global issuance
- 2020: 15% US issuance, 19% Global issuance
- 2021: 15% US issuance, 19% Global issuance

**US Sustainable Bond Issuance**

- 2017: 49.99 bn USD
- 2018: 42.13 bn USD
- 2019: 65.15 bn USD
- 2020: 91.23 bn USD
- 2021: 100.6 bn USD

Source: ICMA analysis based on Environmental Finance Database (data cut-off: 20 September 2021)