



Sustainability-Linked Bond Principles

Related Questions

June 2022

**The Q&As below will be included in a new Chapter of the [Guidance Handbook](#).
All cross references are related to Q&As of this Guidance Handbook.**

The Qs 2.3.11 to 2.3.23 of the January 2022 edition of the Guidance Handbook are consequently repealed.

List of Abbreviations and Acronyms (extract)

Core Components:	Requirements for the labelling of bonds issued in alignment with the Principles: <i>For GSS/UoP Bonds</i> : 1. Use of Proceeds 2. Process for Project Selection and Evaluation 3. Management of Proceeds 4. Reporting <i>For Sustainability-Linked Bonds</i> : 1. Selection of KPIs 2. Calibration of SPTs 3. Bond Characteristics 4. Reporting 5. Verification
GBP	Green Bond Principles
GSS	Green Bonds, Social Bonds or Sustainability Bonds
SBG	Sustainability Bond Guidelines
SBP	Social Bond Principles
UoP	Use of Proceeds Bonds (Green Bonds, Social Bonds and Sustainability Bonds)

4 Core Components of the SLBP (New)

4.1 General features

4.1.1 Are there any minimum requirements in terms of an issuer's ESG performance or exclusions in terms of business activities or practices?

No, the SLBP do not prescribe a minimal level of ESG performance or consider any exclusions. However, SLBs may be best suited for companies that have integrated their business strategy with their sustainability strategy and therefore are advancing in their ESG journey.

Unless issuers choose to combine the GBP/SBP ('use of proceeds' format) with the SLBP, the proceeds of SLBs are intended to be used for general corporate purposes. As a result, proceeds may be used to finance any kind of business activities that the issuer is pursuing (see Q 1.2 above). However, it is the responsibility of the issuer to explain the credibility and ambition of their SLB and overall sustainability/transition strategy.

Many investors take into consideration the quality of the issuer's overall ESG profile. Investors may take into consideration the broader conduct of the issuer in order to evaluate the level of ambition of the chosen KPI(s) as well as to assess the likelihood of the issuer achieving the SPTs. Investors with a focus on sustainability may apply exclusion criteria and minimum requirements with respect to ESG performance.

4.1.2 Can a Sustainability-Linked Bond be issued by an issuer at the start of their transition journey i.e., issuers not yet able to claim alignment with the Paris Agreement or similar relevant benchmark on the theme the KPIs address, but taking ambitious steps in that direction?

Yes. SLBs are accessible to all issuers, regardless of sector, geography or level of sustainability provided they deliver alignment with the key principles, i.e. selection of KPIs reflecting issues which are 'core',

material, and relevant (even if the issuer only recently started to measure them), and the associated targets are ambitious. This instrument is designed to support issuers' journeys, provided the aim, the path and the pace are appropriate.

It is noted that in the case of Climate Risk-related themes, in order to establish credibility, issuers may also – on a best-efforts basis, in a comply or explain spirit – seek to demonstrate alignment with the voluntary guidelines set out the [CTF Handbook](#)

Lastly, as indicated in Q 4.1.1, many investors take into consideration the quality of the issuer's overarching sustainability and may apply a variety of exclusion criteria, and minimum requirements with respect to ESG governance, management and performance.

4.2 Selection of KPIs

4.2.1 What do the SLBP mean by “material” KPIs?

The notion of materiality is multi-faceted. It can be understood from a few different vantage points:

- an economic lens or a strategic planning exposure (i.e. the E and/or S and/or G issues captured by the chosen KPIs are the ones that have the greatest impact on the relevant activity, strategic orientation and the issuer's operational and potentially financial performance. KPI(s) should thereby address the most important E and/or S and/or G challenges of the industry sector, and should be consistent with the issuer's overarching sustainability strategy, referencing a core, significant and relevant business activity, for which the outcomes are predominantly influenced by the issuers' decisions and management controls), and /or
- a sustainability standpoint, where the ESG issues captured by the KPIs have the highest impact on the environment and/or society, whether to external stakeholders or internally).

Materiality maps such as SASB^{1 2}, and as reflected in the sector materiality matrix of the [Illustrative KPIs Registry](#), can provide helpful guidance for issuers.

Optimally, the materiality that SLBs are intended to address, is the confluence of these standpoints, with scale/magnitude being the relevant factor.

A determination of materiality may ideally take into account physical metrics (inputs or outputs throughout the value chain), e.g. % of total footprint, % of employees, % of total tonnes of products, % of volume of production or other relevant metrics, and, when appropriate, financial metrics i.e. as % of turnover/EBITDA or other relevant metrics. It can be assessed using standard calculation and accounting methods (e.g., compound annual growth rate, changes in the share of the business or a relevant financial indicator, such as capacity or energy mix for utilities).

Multiple KPIs may be relevant, even for a single tranche, especially where a 'basket' of KPIs is needed to holistically encompass a material sustainability theme, or in order to appropriately capture all the materiality dimensions of the issuer. Please see the description of Core and Secondary KPIs on the “Note to Users” tab of the [Illustrative KPIs Registry](#), for additional insight.

¹ The International Sustainability Standards Board (ISSB) is developing sustainability-related disclosure standards that will build on existing reporting initiatives such as SASB.

² <https://www.sasb.org/standards/materiality-map/>

4.2.2 What are the benchmarks, standards or frameworks that can be used to identify relevant and material KPIs?

Prospective SLB issuers may reference or take inspiration from regulatory standards or taxonomies, as well as any internally or externally performed materiality assessment in the choice of relevant KPIs. Similarly, the opportunity to reference goals and objectives set in international agreements, such as the Paris Agreement (countries' NDCs and the 1.5°C or 2°C temperature rise objective) or the 2030 Agenda on Sustainable Development (SDGs), can prove useful.

Existing and ongoing work on environmental and social impact metrics by the GBP may also help to identify relevant KPIs, associated performance targets and calculation methodologies³. Reference to public or private multi-stakeholder initiatives can also prove useful – such examples are available in the [sustainable finance section](#) of ICMA's website.

Other examples of external guidance and/or tools that issuers may reference include: the [Global Reporting Initiative](#) (GRI), [Sustainability Accounting Standards Board](#) (SASB), [TCFD](#), [International Integrated Reporting Council's Framework](#), the [Accountability's Materiality Framework](#), and the various reports produced by the EU Sustainable Finance Platform (incl. on the Extended environmental taxonomy⁴). Further guidance is available in the [Illustrative KPIs Registry](#) available on ICMA's website including a suggested sustainability 'materiality matrix' by sector, establishment of a distinction between core and secondary KPIs by sector, and an indicative list of global benchmark and sector initiatives for suggested KPIs.

When climate change is identified as a core, relevant and material issue for a given issuer (from a strategic, operational and impact perspective), the CTFH provides relevant guidance when it comes to KPI materiality and expected disclosure. Several initiatives provide more detailed resources and guidance on the level of ambition to support climate-related KPIs, notably in line with a net zero decarbonisation pathway (e.g., Science-Based Target initiative, Transition Pathway Initiative, Climate Action 100+).

4.2.3 Can a third party ESG rating serve as KPI for a SLB?

In principle, an issuer's ESG rating as provided by an external sustainability/ESG rating agency may serve as KPI for a SLB. Issuers should clarify if they are using either an ESG rating as a whole, or specific E and/or S and/or G-related components of the overall rating as their target KPIs. Given diverging and evolving rating methodologies and rating scales, as well as other characteristics (e.g. subjectivity), where an ESG rating is not accompanied by other KPIs, issuers are expected to explain why an ESG rating may be the best indicator to reflect their core business ESG challenges, and disclose the kind of rating (solicited vs unsolicited rating). In addition, issuers should be aware that they hold no direct influence on the evolution of their ESG ratings and, in choosing them as KPIs, they risk not reaching any set SPT(s).

There may also be regulatory or licensing constraints to using ESG ratings as KPIs that the issuer should consider.

4.2.4 Can the KPIs be at project level? Or do they need to be at corporate level?

Yes, the KPIs can be at a project level provided that any such KPI fulfils the first and second principles of the SLPB in terms of KPI selection and calibration of the SPTs. In particular, this means that the KPIs should still 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", which may be less clearly defined for KPIs that are solely project-related.

³ <https://www.icmagroup.org/sustainable-finance/impact-reporting/>

⁴ https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/220329-sustainable-finance-platform-finance-report-environmental-transition-taxonomy_en.pdf

4.2.5 When the issuer is an issuing subsidiary within a larger group: should it use its own KPI or can it use group KPIs?

KPIs could be KPIs related to the group or set independently of the issuing entity, as long as they are relevant, core and material to the issuer. In addition, it is also recommended that the issuing subsidiary's KPI(s) be consistent with the group's overarching sustainability strategy.

4.3 Calibration of SPTs

4.3.1 How should differences in the sector, geography, governing laws and environmental policies be reflected when defining the ambition of SPTs?

The issuer should select KPIs and SPTs in relation to the specific sectors and local context with ambitious SPTs based on a combination of benchmarking approaches, such as historical and externally verified values, those selected by the issuer's peers, and industry or sector standards, incorporating recognised Best-Available-Technologies or other proxies in the sector/industry.

Targets should be set, at a minimum, to be in line with official country/regional/international targets (e.g. the EU Taxonomy of sustainable activities, the China Catalogue, Paris Agreement, 2030 Agenda on SDGs, etc.), and, when possible, shall aim to go beyond such levels. For example, climate-related targets should be set in line with 'science-based' scenarios.

It is understood that sustainability priorities are likely to vary depending on the economic, social and political context of different geographies in which issuers are domiciled or where they have the largest proportion of their activities situated. For example, environmental SPTs that may be regarded as modest in ambition in developed economies, could be highly ambitious in regions where the decarbonisation effort is less advanced. Similarly, differences in social factors including demographics, workforce participation and gender equality where issuer activities are undertaken may mean that what is regarded as an ambitious target in one region may not be accepted as ambitious in another.

The Principles invite issuers to clearly communicate to investors the references to the benchmarks selected, and how the specificities of a given sector and/or local context have been identified and addressed.

4.3.2 Is it possible to use ranges, dynamic targets, and/or benchmarks (as opposed to all being "set" before the issuance of the bond) including to allow for a reasonable margin of error?

The SLBP state that SPTs should "where possible be compared to a benchmark or an external reference;" and "be determined on a predefined timeline, set before (or concurrently with) the issuance of the bond." While such SPTs will be the most transparent and easiest to calculate, some issuers may select a range, or dynamic targets that could change over the life of the bond. Examples may include, but are not limited to, a "Most Favoured Nation" clause, or a target to remain in the top [quartile] of an industry or peer group with respect to a particular KPI. Issuers should keep in mind that in such situations, the calculation and evaluation of a KPI against an SPT must remain transparent, specific, and replicable over time. Language which leaves room for interpretation – for example as to whether or not to apply a most favoured nation clause, or to modify a peer group (for example due to M&A activity of peers) is discouraged. The scale of any range should be clearly defined, with any margin of error being commensurate.

4.3.3 What governance process should be established by the issuer to monitor the achievement of SPTs?

The issuer should not only select the relevant KPIs and related SPTs as per sections 1 and 2 of the SLBP, but also ensure proper monitoring, disclosure and verification as per section 4 of the SLBP.

Issuers should also consider potential requirements to file such information with securities' regulators, when required, as the price change in a security due to a change in bond characteristics could be considered financially material.

4.3.4 Can an SLB be issued with any target observation date?

It is recommended that issuers include (a) target(s) that is/are appropriate for the financial instrument selection. In general, it is recommended to include an intermediate observation date. For example, for a 10-year bond an approximately 5 to 7-year observation date should be considered as the latest.

In line with the CTFH, relevant interim targets on the trajectory towards the long-term goal are recommended, including references to near-term alignment with science-based targets and transition pathways. Visibility on any long-term trajectory is also recommended to be provided to investors even if not necessarily disclosed as an SPT per se.

4.3.5 Can SLBs be issued with a call date that precedes the target observation date for the SPT?

Issuers should ensure the structure of any SLB requires their performance against at least one SPT be evaluated, prior to the bond becoming callable at the issuer's option at a pre-determined price. Where there is an early first call date, and evaluation against an SPT is impracticable, investors will likely expect the call price to reflect an assumption that the SPT has not been met.

Issuers are encouraged to set the target observation date/payment of penalty date before the call date.

4.3.6 Can SLB issuers use absolute or intensity-based KPI / SPT?

Issuers can use both absolute and intensity-based metrics, provided that they represent ambitious and appropriate measures of progress.

In the case of climate change mitigation-related KPIs & SPTs:

- Intensity targets are usually defined based on two approaches: the Sectoral Decarbonization Approach (SDA), and the Economic Intensity Contraction approach (Greenhouse gas emissions per unit of value added ("GEVA")) as defined by the Science-Based target initiative. It is recommended to use SDA where available; in any case, intensity targets are recommended to be set if they lead to absolute reductions in line with climate science.
- Targets should, to the extent feasible, be formulated both in intensity and absolute terms (as per the CTFH).

Issuers are encouraged to set targets without considering offsetting efforts in particular the use of carbon offsets. In any case, it is recommended to provide information on offsetting projects (if applicable), any related impact calculations and the rationale behind their selection, as recommended in the Net Zero guidance by SBTi.

4.4 Bond characteristics

4.4.1 How can issuers evaluate the meaningfulness of any adjustment to the bond financial characteristics?

A key objective underlying SLBs is the reinforcement of the accountability of issuers with regard to their sustainability targets, through introduction of a tangible incentive. Further, the SLBP recommend that trigger event(s) lead to a meaningful and commensurate variation in the financial and/or structural bond characteristics relative to the issuer's original bond.

Investors may prefer that the incentive mechanism embedded in an SLB reflects the specificities of (i) the issuer (e.g. size, industry), (ii) the transaction structure (e.g. tenor, call features, SPT evaluation

date(s), and credit rating – especially classification as an investment grade v. high yield offering), and (iii) the relative and absolute ambition of the target(s). Investors may consider the meaningfulness of the adjustment offered in the context of the issuer’s overall cost of borrowing and to evaluate SLB structures with a particular focus on comparable issuers/issuances in the same region and/or currency.

Issuers are encouraged to disclose their rationale for considering the economic value associated with the incentive mechanism to be meaningful and commensurate in the context of their funding program. Issuers may further wish to demonstrate a relationship between SLB issuance amounts, the funding needs associated with the achievement of the selected sustainability performance targets, and the change in financial characteristics of their SLB issuance and/or program.

4.4.2 Can an issuer amend how it calculates a KPI or change an SPT prior to the maturity of an SLB?

KPI(s) and SPT(s) will be fixed in the legal terms and conditions of an SLB at the point of issuance. Therefore, to the extent there is to be any discretion as to how a KPI is calculated or potential for an issuer to change an SPT prior to maturity, it must be explicitly contemplated in the legal documentation. (Provisions have been observed in the market requiring the issuer: (i) to act in good faith; (ii) to make appropriate disclosures to bondholders and (iii) have an external party verify that the new KPIs / SPTs reflect the same level of materiality and ambition).

Issuers are encouraged to clearly communicate the rationale for recalculation and/or restatement optionality, or set out a restatement policy as part of their framework and/or legal documentation.

Where KPI or SPT changes are identified and included in the documentation - framework and/or legal documentation depending on regulators specific expectations - it may include applicable methodology or data sources for calculation, evolution of the issuer’s perimeter (e.g. in terms of activities, business, employees), evolution of the calculation perimeter, organic business development, force majeure events, changes in market practice or market standard, any applicable laws, regulations, rules, guidelines and policies relating to the business of the issuer. Clauses must be explicit, detailed and incorporated in a systematic way.

Further work may be undertaken with regards to the conditions under which it would collectively be considered appropriate to apply a consent solicitation process, where a change to the KPI(s) and/or SPT(s) is not explicitly included in the documentation.

The issuer could consider also seeking an external review (such as an updated SPO) confirming inter alia, that the changes would result in the SPTs being no less ambitious than those originally set, that the SLB continues to align with the SLBP, that there continues to be consistency with the issuer’s sustainability strategy, that there is no (material) impact on the original SPO, that there is no material adverse effect on the interests of the bondholders, and/or that changes to calculation policies are aligned with the SBTi methodology (or another relevant recognised body).

For example, regarding the baseline recalculation, the GHG Protocol recommends that companies ‘shall develop a base year emissions’ recalculation policy, and clearly articulate the basis and context for any recalculations. If applicable, the policy shall state any “significance threshold” applied for deciding on historic emissions’ recalculation’, detailing cases that trigger recalculation of base year emissions, e.g., mergers, acquisitions and divestments Based on recently observed market practices, issuers may recalculate in good faith the levels of the baselines, SPTs and/or KPIs to reflect any material impact (e.g. impact causing a change of at least 5%) on the initial levels of the SPTs, baselines and/or KPIs.

4.4.3 How should bond characteristics be defined where more than one SPT(s) has been defined, but only one of the SPTs is achieved?

Issuers should act in good faith to respect the SLBP in the structuring of the bond characteristics. No specific approach is recommended, but a case-by-case structuring exercise should be done depending on the selected KPIs.

For example, the weighted approach between SPTs (i.e., partial impact on the bond characteristics in case one of the SPTs is missed) can be relevant, for example when:

- Discrete sustainability topics are covered (such as 1 KPI relating to climate and 1 KPI relating to gender).
- A combination of both management objectives and impact KPIs is applied.

Conversely, the “all-or-nothing” approach (i.e., full impact on the bond characteristics in case one of the SPTs is missed) could be more compelling and relevant in cases, for example, where a ‘basket’ of KPIs is used to encompass the necessary scope of a given theme (to ensure abidance by the core, relevant and material principles), (e.g., all GHG emissions Scopes. In other words, investors are asked to look at the basket as a “whole”, possibly because no single KPI is core.

In any case, the mechanism should be clearly pre-defined at the time of the issuance, and the decision between the two approaches (partial impact or all-or-nothing) should be chosen by the issuer and dully explained to the market.

4.4.4 How should the issuer deal with M&A activities with regards to the existing KPIs/SPTs defined at the bond issue date? How should an issuer disclose material changes to its operations (i.e. M&A activity) and corresponding adjustment to SPTs?

Any adjustments to KPIs and SPTs designed to address the impacts of M&A activity must be defined before (or concurrently with) the issuance of an SLB. The methodology for dealing with such M&A activity will be highly customised for each set of KPIs and SPTs, however, the calculation and evaluation of a KPI against an SPT must remain transparent, specific, and replicable over time.

M&A activity which impacts KPIs and the probability of achieving SPTs is likely to impact the price at which SLBs trade. As such, disclosure of material changes to operations must be done in accordance with securities disclosure laws applicable to the issuer and the SLB.

4.4.5. Can an issuer pick and choose among the set of KPIs and SPTs outlined in its framework for each issuance, and each tranche within an issuance?

In the event of a multi-tranche/multi-bond issuance in an SLB format, the issuer should ensure each individual bond/tranche presents a comparable level of quality, integrity and ambition (taking into consideration the consistency between the maturity of the bond/tranche and the horizon of the considered KPI/SPT).

In case multiple KPIs and ad hoc SPTs are included, please see Q 5.12.

4.5 Reporting

4.5.1 Should the SLB's reporting process be aligned in timing to the issuer's Management Report?

There is no such requirement as part of the SLBP. The timing of the annual reporting relative to an SLBP issuance or programme is not prescribed, but the issuer would need to disclose it ahead of issuance. However, since KPIs are likely to be part of the issuer's annual reporting exercise, the coincidence of timelines is therefore more likely and welcome by investors (that can process all the

information at once). In which case, this might result in a rather short or long first reporting cycle depending on the timing of the first issuance vs the issuer's annual reporting cycle.

4.5.2 How should the issuer report in the case of an SLB Program with several issuances?

Issuers are encouraged to report in a user-friendly format (e.g. table) key information on all their SLBs outstanding and issued to date to allow an overview of their SLB program (including but not limited to the Market Information Template) e.g. bond framework KPI(s) and SPT(s), bonds SPT(s), baseline value, issue date, baseline and target years, maturity date, trigger point(s), penalty (including relevant details e.g. type of penalty, penalty of each KPI and in combination if there is more than one), callability, external verification of the framework and SLB reporting (including relevant details e.g. level of assurance), external verification of the target and date when obtained (e.g. SBTi), use of proceeds (if specific e.g. M&A, or combined SLB-GSS bond).

4.6 Verification

4.6.1 External verification of the performance against the SPTs is required under the SLBP. How will this affect the legal documentation?

Under the SLBP external verification of each KPI should occur at least once a year and for any date/period relevant for assessing the SPT performance ("trigger event") that may lead to an adjustment of the bond characteristics.

Therefore, it is expected that reference will need to be made in the legal terms and conditions of the bonds setting out the roles of the parties in confirming whether each SPT has been met. By way of example, in bond documentation, where an issuer or third party makes a determination, it is common to include drafting that the determination, in the absence of error, fraud, negligence etc., is binding. The precise drafting would need to be addressed as part of the documentation process prior to issuance of the SLB.

It is also likely that parties structuring the transaction will want to include a specific undertaking from the issuer in the legal terms and conditions to make external verification reports publicly available in line with the requirements of the SLBP.

5 Market and Technical Issues

(...).

5.12 How can issuers deal with the selection of only some but not all of the KPIs and SPTs set out in their framework? (New)

SLBs issuers are encouraged to state clearly in their frameworks and other marketing materials that SLBs may be issued referencing one or some (but not all) of the KPIs and SPTs set out in the framework. In that case, it must be explicit that investors will need to check the Ts&Cs to determine which KPIs and SPTs are selected in the context of each individual SLB.

When selecting only some but not all of the KPIs and SPTs set out in their framework, issuers are encouraged to respect the SLBP fundamental principles when it comes to selection of KPI(s) for a given transaction, i.e., relevant, core, and material. These principles apply to each transaction-specific combination of KPI(s). SPO providers are encouraged to specify in their report the combination of KPIs demonstrated to be 'relevant, core and material' and/or indicate for each KPI/SPT, if it could be used

on a standalone basis. Additional guidance is provided in the [Illustrative KPIs Registry](#), with regards to ‘core’ and ‘secondary’ KPIs at sector level.

6 Governance and Membership

(...)

7 Other Market and Official Sector Initiatives

(...)

7.6 Are “science-based targets”, referred to in the SLBP and in the Climate Transition Finance Handbook, the same as Nationally Determined Contributions, as proposed by the parties to the Paris Agreement? (revised)

Not necessarily. NDCs⁵ represent a country’s individual commitments under the Paris Agreement. Science based targets, such as the approach set out by the Science Based Targets Initiative (SBTi)⁶, seek to provide guidance to companies and other economic actors on the extent and speed by which they need to reduce their greenhouse gas emissions to meet and/or exceed the objectives of the Paris Agreement. As it stands today, the sum of each countries’ NDCs does not meet the 1.5°C or well below 2°C target of the Paris Agreement.

Element 3 of the CTF Handbook recommends, as part of a credible transition proposition, that issuers reference appropriate, sector-specific decarbonisation trajectories in communicating their strategy in this area. We note that an aim to align the business plans with a 1.5°C trajectory will be perceived as most credible to an increasing proportion of market participants. However, reference to NDCs could be made as part of a transition strategy, particularly where issuers are at the beginning of their transition journey.

7.7 What are the main differences between the SLBP and the Sustainability Linked Loan Principles (SLLP). Can a Sustainability-Linked Bond be used to refinance a Sustainability-Linked Loan? (revised)

Both the SLBP and SLLP are voluntary guidelines that aim to incentivise material sustainability achievements by the borrower. Owing to the more public nature and (expected) broad distribution of SLBs, however, the SLBP provide more detailed indications on the definition and calibration of the Key Performance Indicators (KPIs) and Sustainability Performance Targets (SPTs), and promote a higher level of transparency, requiring that the post issuance verification of the issuer’s performance against these targets be made publicly available. This can consequently expose the issuer’s strategy, goal-setting and deliverables to the broader market, with the potential for a higher impact on the issuer’s reputation. Sustainability-Linked Bonds aligned with all Core Components of the SLBP can be used to refinance Sustainability-Linked Loans.

7.8 How might the EU Taxonomy support Green Bond and Sustainability-Linked Bond issuance? (revised)

The EU Taxonomy seeks to identify activities that substantially contribute to the EU’s environmental objectives of climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control and/or

⁵ <http://spappssecext.worldbank.org/sites/indc/Pages/INDCHomeMore.aspx>

⁶ <https://sciencebasedtargets.org/about-us>

protection and restoration of biodiversity and ecosystems. The EU Taxonomy includes technical screening criteria (TSCs) that are both qualitative and quantitative, and although there may be challenges both in translating green activities into eligible Green Projects, and in applying the TSCs to projects undertaken outside the EU, it will nevertheless provide a reference point for identifying and reporting on eligible Green Projects. Issuers of Sustainability-Linked Bonds are encouraged to reference and benchmark their sustainability performance against the EU Taxonomy's TSCs, which may also be applied as KPIs or the SPT calibration for such an issuance (e.g. % of revenue aligned with Taxonomy, % of investments that are aligned with the Taxonomy).

7.9 Are there any specific disclosure recommendations regarding issuers that have already established sustainability-linked loans? (New)

No, the SLBP do not specify disclosure recommendations regarding already established sustainability-linked loans. As borrowers of sustainability-linked loans, SLB issuers that have already established such instruments are encouraged to publicly report information relating to the SPTs used (e.g. previous KPIs included and level of ambition and justification for a change). However, it is noted that as per the Sustainability-Linked Loan Principles, borrowers may choose to share this information privately with the lenders rather than making this publicly available.

By disclosing information regarding outstanding sustainability-linked loans (e.g. previous KPIs included and level of ambition) as part of their SLB communication, issuers could allow investors to holistically assess how their financing is linked to the issuer's sustainability targets. SLBs should be ambitious on a standalone basis and ongoingly. They should therefore not represent a step back from outstanding sustainability financing KPIs and SPTs.

7.10 Does ICMA provide specific resources regarding KPIs for SLBs from Sovereign, Supranational and Agency issuers? (New)

The [Illustrative KPIs Registry](#) is primarily relevant for corporate issuers although some of these metrics can be also used and adapted by Sovereign, Supranational and Agency issuers. The World Bank Group has also published a report that specifically suggests a list of potential KPIs for sovereign SLBs⁷. The [suggested metrics](#) in the Harmonised Framework for Impact Reporting for Green Bonds and in the Harmonised Framework for Impact Reporting for Social Bonds may also be relevant.

⁷ November 2021: <https://documents1.worldbank.org/curated/en/935681641463424672/pdf/Striking-the-Right-Note-Key-Performance-Indicators-for-Sovereign-Sustainability-Linked-Bonds.pdf>