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Largest-ever ESG-linked Schuldschein issued by non-German company

The French automotive technology company Faurecia SE has issued an ESG-linked Schuldschein with multiple tranches and a total volume equivalent to EUR 700 million. With an initial volume of EUR 300 million, the order book was oversubscribed several times. The proceeds will be used to part-finance the acquisition of the German automotive supplier Hella GmbH & Co KGaA. Helaba played a leading role as ESG advisor in the largest-ever ESG-linked Schuldschein issued by a company outside Germany.

"This transaction clearly demonstrates that Schuldschein issuances with ESG components are also very successful at the international level," says a delighted Frederick de Graaf, Corporate DCM at Helaba's Paris branch. "We are especially pleased that we had the opportunity with Faurecia to support an issuer that is actively involved in the transformation of the automotive sector and pursuing a well-defined sustainability strategy," adds Susanne Hübers, Head of International Corporate Clients France. The metrics and performance targets used for the ESG-structure were aligned with Faurecia's ambitious CO2 reduction strategy, which includes a commitment to slash the company's carbon emissions by 80 % by 2025 compared to 2019. This target, which has been validated by the Science Based Target Initiative, is designed to contribute to limiting global temperature increases to 1.5°C. "There is no doubt that Helaba's support was a decisive factor in making this transaction a success, not only because it is one of the leading arrangers in the Schuld-schein market but also because it has the necessary sustainable finance expertise," said Selim Hadj-Smail, Vice President Group Financing & Treasury at Faurecia.

No performance premium if ESG targets achieved

This issue, arranged by Helaba and Commerzbank, represents a departure from the hither-to standard step-up/down system of linking the interest rate to the achievement of ESG targets. As such, Faurecia has deliberately opted against a step-down if it achieves its strategic CO_2 reduction targets. However, if the targets are not met, a coupon step-up would apply to the longer maturities. In other respects, the transaction aligns also more closely to the practices observed in the bond market than to what has been customary on the Schuldschein market in the past. For example, the key metrics and performance targets are set out in a publicly available Sustainability-Linked Finance Framework, which Faurecia designed to address both the recent and very successful EUR 1.2 billion bond placement as well as the Schuldschein issue. In addition, a second party opinion by the sustainability agency ISS ESG confirms the ambition of the reduction targets and compliance of the framework with

the Sustainability-Linked Bond Principles. "The challenge was to structure the ESG component of the Schuldschein to be aligned with the Sustainability-Linked bond that was issued almost simultaneously and to design the framework such that it could also be used for the Schuldschein," explains Rainer Neidnig, Head of Sustainable Finance Advisory at Helaba. "The transaction is without doubt a milestone in the Schuldschein market and could serve as a blueprint for future transactions, especially for large issuers that regularly enter the bond market as well," Neidnig said.

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