

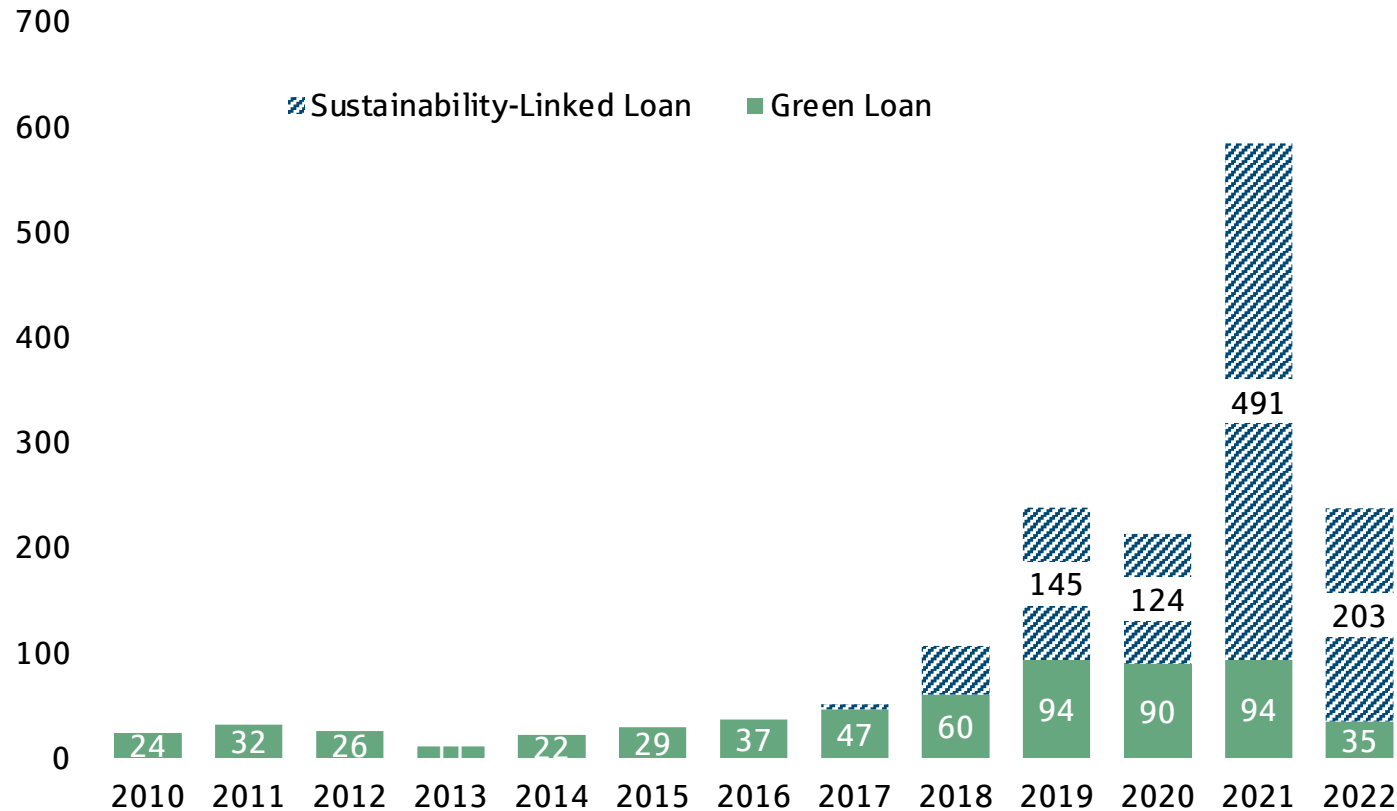
Sustainability-Linked Loans



Loans | Sustainability-Linked becoming new normal for large corporate credit facilities

Sustainability-Linked outpaces Green

Global of Green and Sustainability-Linked Loans (in billion USD)



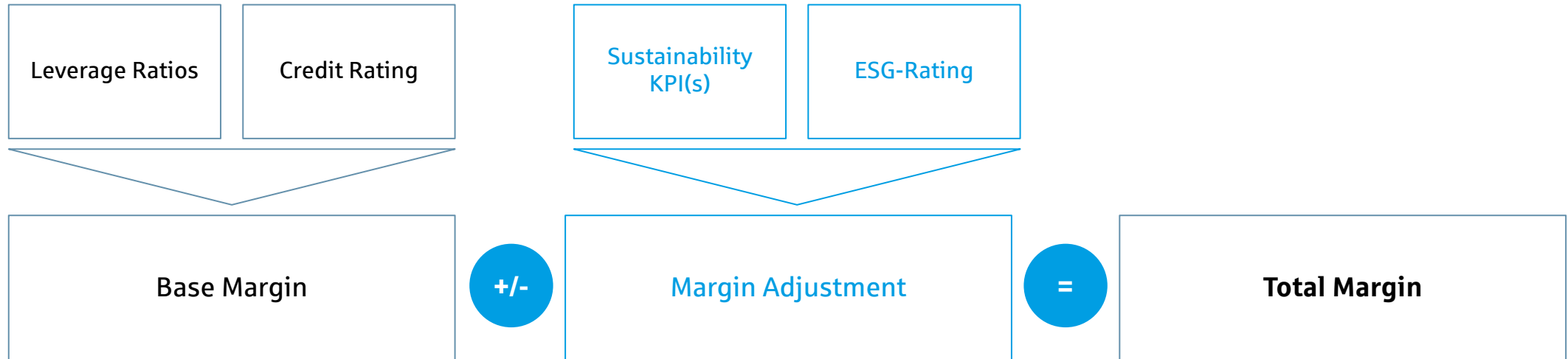
- **Positive momentum** continues despite Covid impact and Ukraine crisis
- Increasing number of corporate syndicated credit facilities with **margin-link to ESG-rating or KPIs**
- ESG-margin-link in **~40% of syndicated credit facilities in 2021** (ESG-Ratings or KPIs; investment grade; tenor > 2 years)
- Decision for KPI or rating depends on company specifics; **KPIs clearly outweigh ratings lately** (typically 1 to 5 KPIs)
- **Green Loans** suitable for term loans with clear scope for use of proceeds but not for typical corporate revolving credit facility

Sources: Bloomberg BNEF (as of 30.06.2022), Helaba

Loans | ESG margin adjustment is a key element of Sustainability-Linked Loans

Composition of interest margin in Sustainability-Linked Loans

Simplified illustration



- **Modest adjustments to facility agreement** required: Additional clause for determination of interest margin, definitions, reporting requirements (similar to compliance certificate)
- Margin adjustment **typically discount or premium of 2 to 5 basis points** (depending on level of base margin)
- **No event of default** as any consequence of ESG element

Loans | Flexibility in selection and target setting of KPIs or ESG Ratings

Wide spectrum to choose from
Selected ESG Rating agencies and KPIs

Agencies / Examples	ESG Ratings	KPIs
	<ul style="list-style-type: none"> ▪ Cicero ▪ Ecovadis ▪ ISS ESG ▪ Moodys ▪ MSCI ▪ Sustainalytics ▪ S&P ▪ ... 	<ul style="list-style-type: none"> ▪ CO₂-emissions ▪ Energy consumption ▪ Renewable energy ▪ Water consumption ▪ Share of certified purchasing ▪ Recycled waste ▪ Women in management positions ▪ ...

- In the case of a margin-link to an **ESG Rating**, the rating of an reputable sustainability agency should be used
- In case of a **KPI-based** financing structure, ESG indicators relevant to the business model and ambitious targets must be defined. An external review of the KPIs is market standard, while the involvement of a sustainability agency in the selection of the KPIs and the dimensioning of the targets remains optional