

# 5 Breakout Innovations in Sustainable Finance for Banks

Sustainable finance has transformed from a niche market into a leading global practice in little over a decade. For example, the global cumulative issuance of sustainable debt reached \$732 billion in 2020—a 23% increase over 2019—and in 2021, new sustainable debt issuance outpaced all previous years combined.<sup>i</sup>

To meet the growing demand for sustainable finance, banks and other issuers are innovating with new instruments, including offerings aimed at borrowers in industries not traditionally considered green. This infographic outlines **five of the latest innovations in sustainable finance** that leading banks are offering corporate clients looking to invest in sustainability for themselves and their supply chain.

## Breakout Innovation

## Innovation in Action

### #1 Green Deposits

Green deposits offer opportunities to invest short-term liquidity in environmentally sustainable projects by companies that meet eligibility criteria.



Banks like the MUFG Union Bank,<sup>ii</sup> Sumitomo Mitsui Banking Corporation,<sup>iii</sup> and Citizens Financial Group<sup>iv</sup> have added this new instrument to their portfolios. The banks' green deposit frameworks ensure capital goes toward qualifying initiatives, e.g., renewable energy generation, improved energy efficiency, and reduced shipping emissions.

### #2 Sustainable Deposits

Sustainable deposits can be used to fund small and medium-sized enterprises in developing countries, support microfinancing projects, and provide resources for sustainable projects.



The world's first sustainable deposit was launched in 2019 by Standard Chartered to finance the Sustainable Development Goals in Africa, Asia and the Middle East using their Green and Sustainable Product Framework.<sup>v</sup>

### #3 Green Trade Loans

Green trade loans finance the purchases of goods and materials to support sustainable initiatives, including the transition toward renewable energy or sustainable food production.



As part of its Sustainable Finance Framework,<sup>vi</sup> Barclays is offering its British clients access to green trade loans for short-term borrowing needs of between 30 and 364 days.

### #4 Green Guarantees and Letters of Credit

Green guarantees and letters of credit are used to finance projects or products with a clear positive impact on the environment and the transition to a low-carbon economy.



Siemens Gamesa Renewable Energy, a leading provider of wind power solutions, was the first recipient of Societe Generale's certified green trade finance<sup>vii</sup> transaction of €230 million.

### #5 Sustainable Supply Chain Financing

Sustainable supply chain financing is a partnership wherein a corporation provides its suppliers with access to better financing options based on their environmental, social and governance (ESG) profile. The goal is to reduce suppliers' costs to improve their sustainability.



ING Bank developed its sustainable supply chain financing solution in response to corporate clients' calls for solutions to strengthen their supply chain and finance vendors.<sup>viii</sup>

**LEARN MORE** about why banks are embracing sustainable finance by downloading our latest ebook, **How Sustainable Finance is Shaping Change in Banking.**

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