

Sustainable Finance Solutions

What are Sustainability Linked Loans (SLLs)

Sustainability Linked Loans: Target setting

A Sustainability Linked Loan is focused on incentivizing sustainability improvements among corporate borrowers by linking the terms of the loan to their overall sustainability performance targets. SLLs can be used for general corporate purposes as the terms are tied solely to the borrower's ESG-related performance. Sustainalytics partners with banks to build the SLL programme offering the option to tie the SLL to a company's Key Performance Indicator(s) or to an ESG Risk Rating provided by Sustainalytics. The borrower can, therefore, select the most suitable option based on the different benefits.

The Sustainability Linked Loan Principles (SLLP) promote the development and preserve the integrity of the sustainability linked loan product by providing guidelines which capture the fundamental characteristics of these loans based around the following four core components:



Relationship to Borrower's Overall Corporate Social Responsibility (CSR) Strategy



Target Setting – Measuring the Sustainability of the Borrower



Reporting



Review

Source: Loan Market Association, "Sustainability Linked Loan Principles", March 2019, <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>

SLLPs strongly recommend that a borrower have its performance against its sustainability performance targets (SPTs) independently verified by a qualified external reviewer. Sustainalytics supports borrowers in this step by verifying their sustainability performance.

SLLs Verified by Sustainalytics

Borrower					
Lender					
SLL Value	€1 Billion	US\$290 Million	A\$1.4 Billion	€1.5 Billion	US\$390 Million
Year	2017	2019	2019	2018	2020
Country	The Netherlands	Brazil	Australia	Germany	United States
SPTs	Sustainalytics ESG Risk Rating	Company's KPIs	Sustainalytics ESG Risk Rating	Sustainalytics ESG Risk Rating	Company's KPIs

Sustainable Linked Loans—Key Benefits



Sustainability Linked Loans: Our Offering

	License our ESG Risk Rating	Opinion on KPIs
Holistic picture of the overall ESG performance	✓	✗
Comparable across industries and companies	✓	✗
Includes annual update with change reports	✓	✗
Includes SLL Principles verification letter	✓	✓
Part of company's strategy	✓	✓
Opinion based on ESG Risk Rating methodology	✓	✓
Controversies included	✓	✗
Improvement areas are clear	✓	✗
Can be used as a single currency	✓	✗
Robust methodology based on materiality	✓	✗
Independent and credible rating	✓	✗



Are you interested in learning about how Sustainability Linked Loans can support your lending or borrowing strategy?
Contact us today to connect with our team of experts.



Get in Touch

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