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REPORT ON SUSTAINABILITY-LINKED BONDS

A new instrument on the primary euro corporate bond market?

Sustainability-Linked Bonds (SLB), which first appeared in 2019, saw significant growth in issuance in 2021, with volumes of €42.5bn vs. €3.3bn issued in 2020. In order to support its clients in this market, CIC Market Solutions, in conjunction with CIC Corporate, has realised a report (in French only) that decodes the main issues related to the expansion of SLB and presents the findings of interviews with bond investors on their perceptions and expectations.

Sustainability-Linked Bonds (SLBs) first appeared in the primary euro corporate bond market in late 2019. Their popularity grew rapidly in 2021 with over fifty transactions, representing 37% of ESG bond volumes over the year.

SLB are bond instruments whose financial and/or structural characteristics – usually the coupon – may vary depending on pre-determined ESG objectives.

They have a shared interest for issuers and bond investors:

- They systematise the relationship between extra-financial targets and economic results – i.e. between financial strategy and CSR strategy;
- The issuer can use the proceeds of the issuance freely, with no constraints on allocating the funding to a specific project (a different rationale than for use-of-proceeds bonds, such as Green Bonds);
- SLB are tailored to the across-the-board inclusion of ESG issues in the fund management industry.

The series of interviews conducted with French and international investors of varying size and type confirmed their keen interest in this product, and pinpointed their issues and concerns about the proposed structures, notably in terms of comparability of the structuring and indicators used, step-up allocation, and greenium.

The full report is available to Crédit Mutuel Alliance Fédérale's corporate clients. It was realised by CIC Market Solutions' Debt Corporate Market (DCM) team and CIC Corporate's Sustainable Finance Structuring team.

CIC Market Solutions warmly thanks these teams for their commitment and involvement.

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About CIC Market Solutions

CIC Market Solutions is the business unit of Crédit Industriel et Commercial (CIC) in charge of market activities for clients of Crédit Mutuel Alliance Fédérale. It offers investment and risk management solutions, along with asset servicing solutions for corporates, and financial institutions. CIC is a subsidiary of Crédit Mutuel Alliance Fédérale, one of Europe's main banking groups with shareholder's equity of €53.2bn as at 31 December 2021.



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