

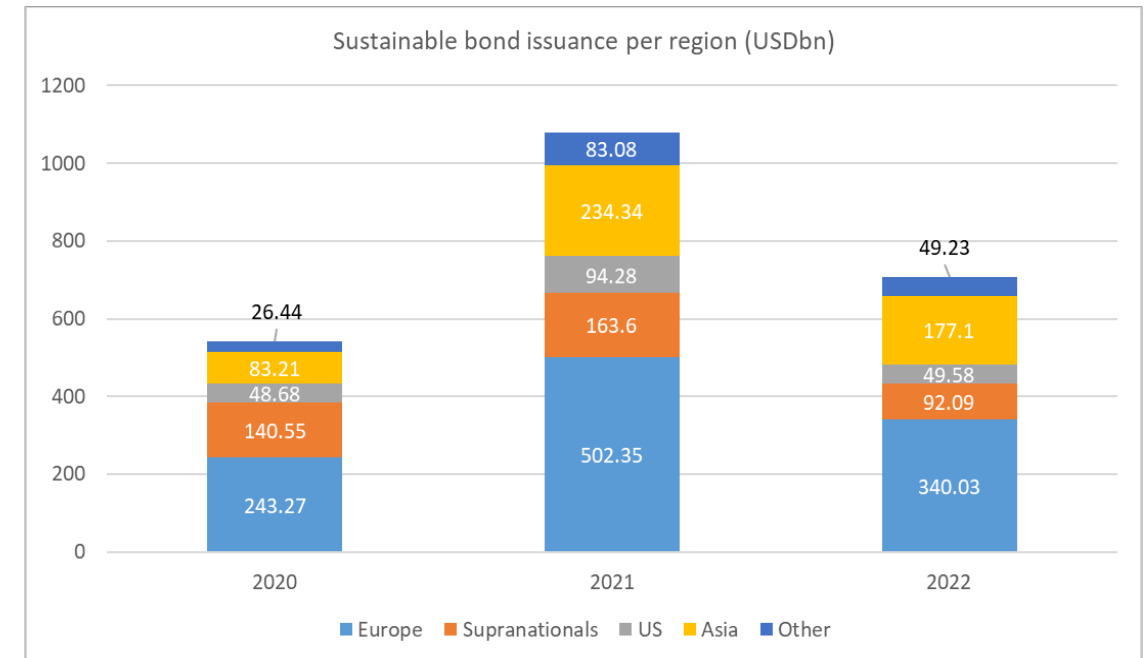
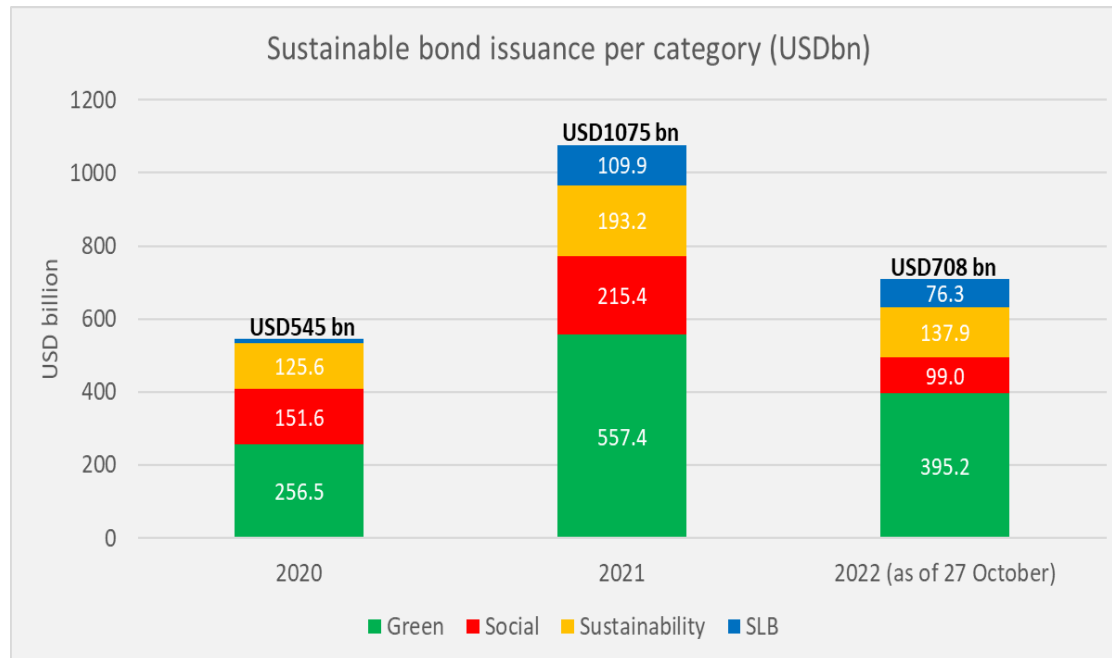
Update on Sustainable Bond market development and guidance

ICMA & JSDA Annual Sustainable Bond Conference

18 November 2022

Sustainable bond market developments

- Green and SLB issuance expected down by -15% and -17% respectively (annualised) mainly a result of the broader bond market issuance conditions (-18% y-o-y)
- Green bonds dominate the market with sustainability-linked bonds (SLBs) still an emerging product and increasingly favoured by corporates
- European issuers continue to lead the market with nearly 50% of the issuance volume consistently over the recent years



Global uptake of ICMA Standards

Sustainable bonds based on GBP, SBP, SBG and SLBP in 2021



ICMA supported standards underpin global sustainable bond market



Total sustainable bond issuance worldwide (ex-China):

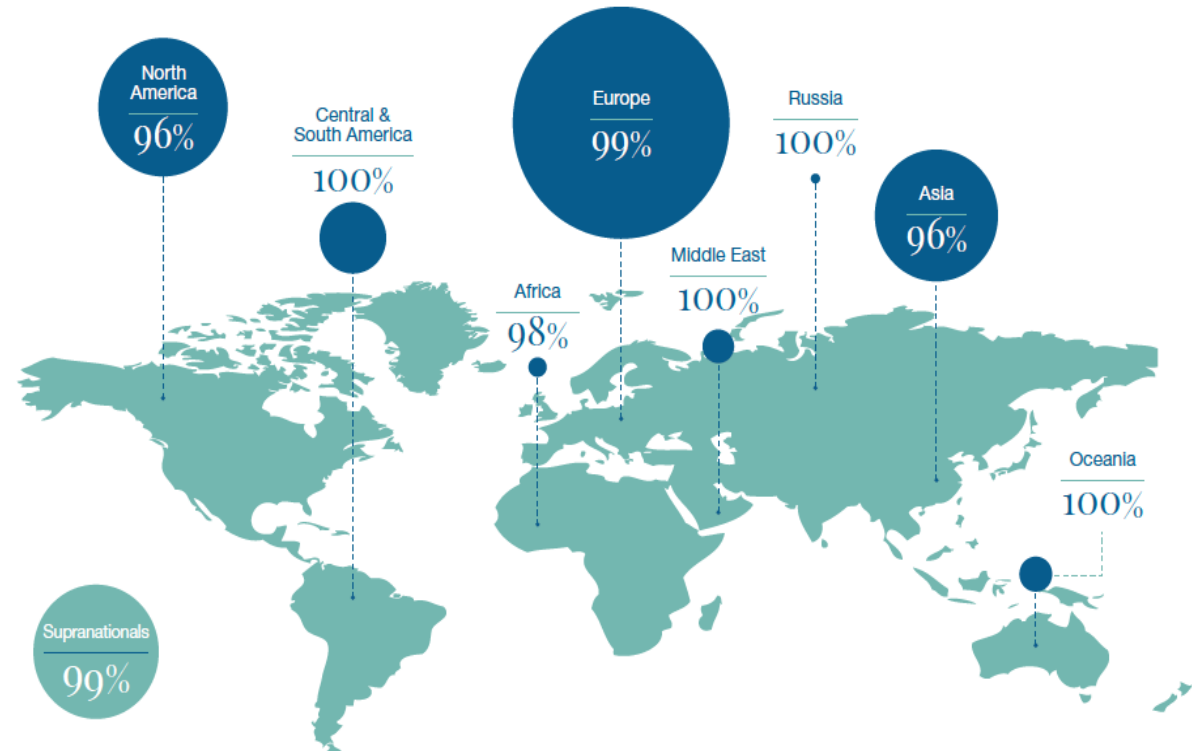
1,013 USDbn

Issuance volume aligned with ICMA supported standards:

998 USDbn

Percentage of sustainable bonds by region that were based on GBP, SBP, SBLP (excluding supras) in 2021:

Circle size is proportional to total sustainable bond issuance by region



ICMA analysis based on Environmental Finance Bond Data

Key 2022 guidance from the Principles

Securitisation

- New definitions for green securitisation (Secured Green Collateral Bond, Secured Green Standard Bond) clarifying market practice in relation to collateral
- Related Q&As (including: no double counting principles, reporting requirements, synthetic bonds, sustainability criteria relating to the collateral, specific classes or tranches, etc.)

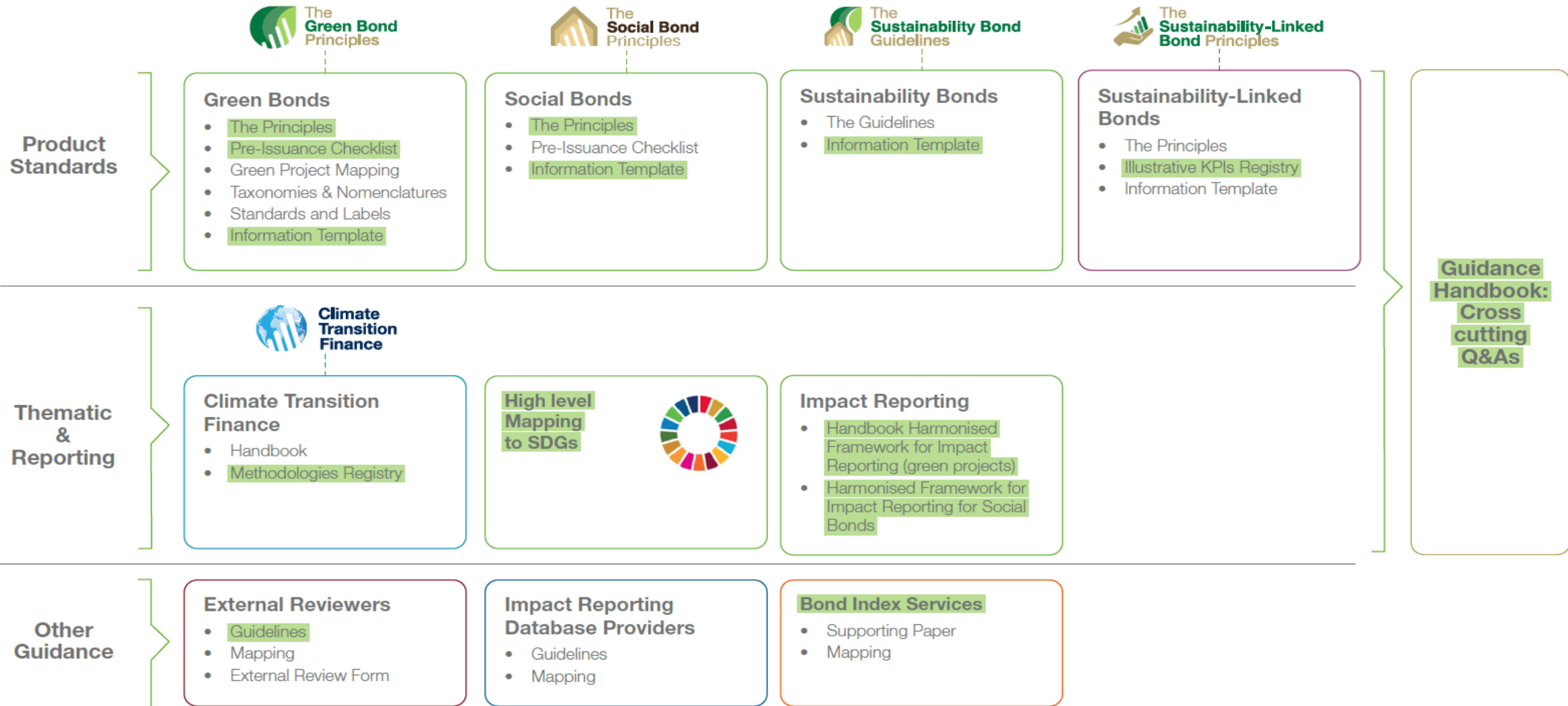
Sustainability-Linked Bonds

- Updated illustrative KPIs Registry (c. 300 KPIs classified by sector and categorised between core and secondary; also including a sector materiality matrix)
- Additional guidance including materiality of KPIs, target observation date, adjustment to the bond financial characteristics, amendment to the calculation of a KPI or change a SPT, multiple KPIs, etc.

Climate Transition Finance

- New CTF Methodologies Registry with list of tools to specifically help issuers, investors, or financial intermediaries validate that their emission reduction trajectories/pathways are "science-based"
- Guidelines for External Reviews updated for guidance in relation to alignment with the Climate Transition Finance Handbook (CTFH)

Overview of the Guidance and Toolkits provided by the Principles



Mapping to SDGs

- This High-Level Mapping to the Sustainable Development Goals aims to provide a broad frame of reference by which issuers, investors and bond market participants can evaluate the financing objectives of a given Green, Social or Sustainability Bond Programme against the Sustainable Development Goals (SDGs).
- The 2022 edition has been enriched to include additional example indicators and guidance that, where possible, issuers reference their methodology for alignment with the SDGs, where applicable incorporate this in their external review process, and text to encourage reporting on SDG-related indicators and any potential contradictory negative.
- In addition to Annex 1 that identifies some SDGs as particularly relevant for issuers who wish to map their coronavirus related social or sustainability bonds to SDGs, two complementary set of guidance have been added to the 2022 edition: Appendix 2 on SDG-linked externalities and Appendix 3 on Gender Lens Investing: An Approach to Advance ‘SDG 5 Gender Equality’.



Taxonomy initiatives

- What is a Taxonomy?:** classification system identifying activities, assets, and/or project categories that deliver on key climate, green, social or sustainable objectives with reference to identified thresholds and/or targets.
- Official sector taxonomies may be used for **financial product classification, information disclosures, and risk assessment** purposes.
- More than 20 jurisdictions** have either developed or are in the process of developing a Taxonomy, with the EU Taxonomy being one of the most sophisticated and influential.

