ESG in Trade and Export Finance

"Progressing from ambition to impact"

Presentation by Mark Norris, Partner

Thursday, 27 May 2021

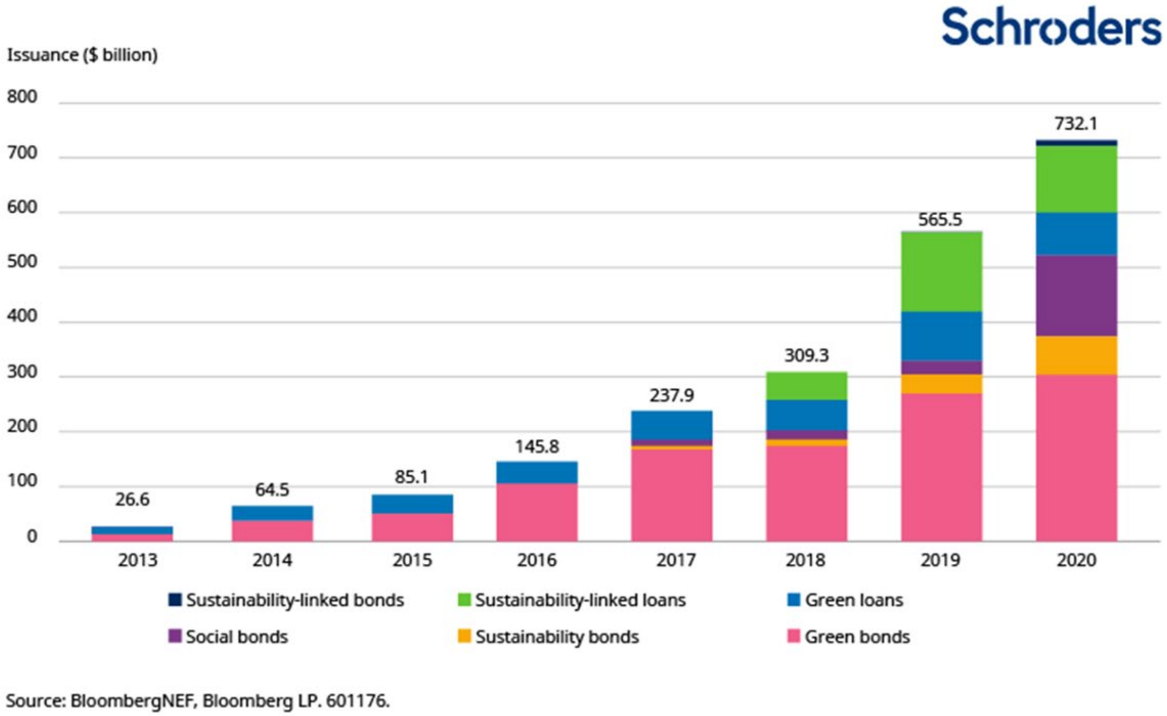
Sullivan

SULLIVAN & WORCESTER

ESG the “new normal”

- “Deutsche Bank brings forward its target date for 200 billion euros of sustainable finance by two years to 2023”
- “*We have to progress as quickly as possible from ambition to impact*”
- “*Our ambition is to make ESG the new normal at Deutsche Bank*”
- Deutsche Bank CEO Christian Sewing
- Media Release May 20, 2021

Growth in ESG Lending



UKEF doubles support for sustainable projects to £2.4 billion in 2020

- *"UK Export Finance (UKEF) provided over £2.4 billion of financial support to sustainable projects in 2020 helping UK businesses to build new hospitals, bring clean energy and develop critical infrastructure in developing countries. …*
- *The projects UKEF backed in 2020 include:*
- *Over £430 million for major new healthcare projects in Africa including two hospitals in Ghana and 108 rural healthcare clinics and a hospital in Zambia*
- *Over £1.9 billion for major transportation projects including backing for Egypt's new electric monorail line and emergency road repairs in Gabon, Ghana and Benin, crucial to infrastructure in the region*
- *£27 million for a solar-powered clean water project in Ghana that will deliver 5 litres of water a day for less than a quarter of a penny …"*

Media Release 20 April 2021

UKEF Clean Growth Direct Lending Facility

- UK Export Finance provides direct loans within an overall limit of £8 billion to overseas buyers
- £2 billion has been allocated to support clean growth projects
- UKEF has aligned its definition of “clean growth” with the Green Bond Principles
- These are direct loans for “green” projects

UKEF Clean Growth Direct Lending Facility

Potentially eligible “green” projects for the clean growth direct lending facility include:

- Renewable energy
- Energy efficiency
- Pollution prevention and control
- Environmentally sustainable management of living natural resources and land use
- Terrestrial and aquatic biodiversity conservation
- Clean transportation
- Sustainable water and wastewater management
- Climate change adaptation
- Eco-efficient and/or circular economy adapted products, production technologies and processes
- Green buildings

ESG Categories

One, Two (Three? Four? Five? …) categories:

- “Green Projects”
- “Social Projects”
- “Green Loans”
- “Sustainability Linked Loans”/“ESG linked loans”/“Sustainability Improvement Loans”/“KPI loans”/“SDG linked loans”
- “Blue Loans” - loans that align with the UN Sustainable Blue Economy Finance Principles and promote the implementation of SDG 14 (Life Below Water)
- “Social Loans”
- Hybrid sustainability linked green/blue/social loans
- “Light Green Loans”, “Brown Projects”, “Transition Loans”…

Terminology

- Green/Blue/Social Loans – loan proceeds **must** be used to finance or refinance specific eligible projects
- Sustainability-Linked Loans - loan proceeds are **not** designated for specific projects and may be used for general corporate purposes
- Sustainability-Linked Loans similar to general corporate loan facilities **but** pricing (typically) linked to meeting/failing to meet specified Sustainability Performance Targets (**SPT**s)
- SPTs are measured by reference to specified Key Performance Indicators (**KPI**s)
- “Greenwashing” - a borrower or project is held out to have Green credentials but these claims are misleading, inaccurate or inflated
- “Light green”
- Sustainability Co-Ordinator/Sustainability Structuring Agent

Navigation

Matrix of different principles

- Green Loan Principles
- Social Loan Principles
- Sustainability Linked Loan Principles
- UN Sustainable Blue Economy Finance Principles
- Equator principles
- IFC Performance Standards

What are “Green Loans”?

- Green Loans are made available exclusively to finance or re-finance, in whole or in part, new and/or existing eligible Green Projects
- “Use of proceeds” loan
- Green Projects address areas of environmental concern such as:
  - climate change
  - natural resources depletion
  - loss of biodiversity
  - air, water and soil pollution
- To be a “Green Loan” the Loan must meet the requirements of the Green Loan Principles

Non-exhaustive list of Green Projects that can be financed/re-financed by Green Loans (Source: GLP)

- Renewable energy
- Clean transportation
- Energy efficiency
- Sustainable water and wastewater management
- Pollution prevention and control
- Climate change adaptation
- Environmentally sustainable management of living natural resources and land use
- Eco-efficient and/or circular economy adapted products, production technologies and processes
- Terrestrial and aquatic biodiversity conservation
- Green buildings which meet regional, national or internationally recognised standards or certifications

What are the “Green Loan Principles”?

- The Green Loan Principles (**GLP**) are voluntary guidelines developed by a working group of leading financial institutions in the syndicated loan market
- Aim: *“to promote integrity in the development of the green loan market by clarifying the instances in which a loan may be **categorised** as “green””*
- The GLP build on and refer to the Green Bond Principles (**GBP**) of the International Capital Market Association (**ICMA**)
- GLP are voluntary issuance guidelines
- What they don’t do – they don’t specify what is (or what is not) a “Green Project” or “Green Industry”
- What they do – they seek to promote:
  - consistency across financial markets
  - transparency, disclosure and reporting in the green loan market

What are “Social Loans”?

- “Social Loans” made available to finance “Social Projects”
- “Use of proceeds” loan
- Used to finance Social Projects:
  - Affordable basic infrastructure - clean water, sewers, sanitation, transport, energy
  - Access to essential services health, education, healthcare, financing/financial services
  - Affordable housing
  - Employment generation including through the potential effect of SME financing
  - Food security
  - Socioeconomic advancement and empowerment
- To be a “Social Loan” the Loan must meet the requirements of the Social Loan Principles

Non-exhaustive categories of Eligibility for Social Projects that can be financed/ re-financed by Social Loans (source: SLP)

- Affordable basic infrastructure
- Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of small and medium enterprise financing and microfinance
- Access to essential services
- Food security and sustainable food systems
- Affordable housing
- Socioeconomic advancement and empowerment

What are the “Social Loan Principles”?

- The Social Loan Principles (**SLP**) are voluntary recommended guidelines, to be applied by market participants on a deal-by-deal basis
- Aim: *“to facilitate and support economic activity which mitigates social issues and challenges, and/or achieves positive social outcomes.”*
- The SLP build on and refer to the (**SBP**) administered by the **ICMA**
- What they don’t do – they don’t specify what is (or what is not) a “Social Project” or “Social Industry”
- What they do - promote consistency and transparency, particularly around the tracking of proceeds, (minimum) levels of information to be provided
- A “base-line”

How do the GLP and SLP work?

- The Green Loan Principles and Social Loan Principles do not provide a definition or criteria that need be fulfilled for a "project" to qualify as a Green or Social Project
- Both principles provide non-exhaustive lists of example projects that may qualify
- If a borrower wished to finance a Green or Social Project using a loan, for the loan to qualify as a Green or Social Loan, 4 core components must be satisfied:
    1. Use of Proceeds
    2. Process for Project Evaluation and Selection
    3. Management of Proceeds
    4. Reporting

GLP/SLP - Use of Proceeds

- The main feature of a Green Loan is the use of the proceeds for Green Projects and for a Social Loan, the use of the proceeds for Social Projects.
- The use of proceeds should be appropriately described in the finance documents
- All designated Green Projects should provide clear environmental benefits and all designated Social Projects should provide clear benefits of a social nature
- The benefits, where feasible, will be assessed, quantified, measured and reported by the borrower

GLP/SLP - Process for Project Evaluation and Selection

- The borrower of a Green or Social Loan should communicate to its lenders:
  - its environmental sustainability or social objectives
  - the process by which the borrower determines how its projects fit within the eligible categories of Green Projects/Social Project categories
  - the related eligibility criteria, including, if applicable, exclusion criteria or any other process applied to identify and manage potentially material environmental risks associated with the proposed projects
- Borrowers are encouraged to provide this information in their overarching objectives, strategy, policy and/or processes relating to environmental sustainability
- Borrowers should also disclose any green/social certificates or standards they are seeking to meet

GLP/SLP - Management of Proceeds

- The proceeds of a Green or Social Loan should be credited to a dedicated account or otherwise tracked by the borrower to maintain transparency and promote the integrity of the product
- Where a Green or Social Loan takes the form of one or more tranches of a loan facility, each Green or Social tranche(s) must be clearly designated
- The proceeds of the Green/Social tranche(s) must be credited to a separate account or tracked by the borrower in an appropriate manner
- Borrowers are encouraged to establish an internal governance process through which they can track the allocation of funds towards Green or Social Projects

GLP/SLP - Reporting

- Borrowers should produce readily available up to date information on the use of proceeds to be renewed annually until fully drawn, and as necessary thereafter in the event of material developments
- This information should include:
  - a list and brief description of the Green/Social Projects to which the Green/Social Loan proceeds have been allocated
  - the amounts allocated
  - their expected impact
- The GLP and SLP recommend the use of **qualitative performance indicators** and, where feasible, **quantitative performance measures** and disclosure of the underlying methodology used in the quantitative determination
- Borrowers with the ability to monitor achieved impacts are encouraged to include those in regular reports

What are "Sustainability Linked Loans"?

- SSLs are defined by the Sustainability Linked Loan Principles (**SLLP**) as loan facilities that incentivise the borrower's achievement of **<u>ambitious</u>**, predetermined sustainability performance objectives
- Unlike Green and Social Loans that are determined by the use of proceeds, SSLs are concerned with a borrower's sustainability profile by aligning loan terms to the borrower's performance against the relevant predetermined sustainability performance targets (**SPT**s) (negotiated between the borrower and the lender for each transaction)
- The borrower's sustainability performance is measured using sustainability performance targets (**SPTs**)
- SSLs must align with these four components of the Sustainability Linked Loan Principles:
  1. Relationship to Borrower's Overall Sustainability Strategy
  2. Target Setting – Measuring the Sustainability of the Borrower
  3. Reporting
  4. Review

What are the "Sustainability Linked Loan Principles"?

- The Sustainability Linked Loan Principles are voluntary guidelines, to be applied by market participants on a deal-by-deal basis
- The SLLP set out a framework to allow market participants to understand the characteristics of a sustainability linked loan
- Aim: *"to facilitate and support environmentally and socially sustainable economic activity and growth."*

Accessing Sustainability Linked Loans (“SLLs”)

- Differ from Green/Blue/Social Loan which require that the loan proceeds be used to finance or re-finance “eligible projects”
- SLLs can be utilized by borrowers who are not financing a specific green project
- Borrowers will need to have “ambitious, predetermined sustainability performance objectives”
- The Borrower will need to have a defined, integrated ESG strategy with clear, measurable targets
- Borrowers will therefore need to structure themselves so that they can meet the requirements of sustainability linked financings

Examples of Sustainability Performance Targets

There may be more than one SPT

- Energy efficiency
- Greenhouse gas emissions
- Renewable energy
- Water consumption
- Affordable housing
- Sustainable sourcing
- Circular economy
- Sustainable farming and food
- Biodiversity
- Global ESG assessment

Examples of KPIs

- Improvements in the energy efficiency rating of buildings and/or machinery owned or leased by the borrower
- Reductions in greenhouse gas emissions in relation to products manufactured or sold by the borrower or to the production or manufacturing cycle
- Increases in the amount of renewable energy generated or used by the borrower
- Water savings made by the borrower
- Increases in the number of affordable housing units developed by the borrower
- Increases in the use of verified sustainable raw materials/supplies
- Increases in recycling rates or use of recycled raw materials/supplies
- Improvements in sourcing/producing sustainable products and/or quality products (using appropriate labels or certifications)
- Improvements in conservation and protection of biodiversity
- Improvements in the borrower's ESG rating and/or achievement of a recognised ESG certification

UN Sustainable Development Goals

UN Sustainable Development Goals

- “17 Goals for People, for Planet”
- “A universal call to action to end poverty, protect the planet and improve the lives and prospects of everyone, everywhere”
- The 17 SDGs were adopted by all Member States of the UN in 2015
- “… They stress everything from zero poverty, zero hunger, good health, quality education, gender equality, clean water and sanitation,
- to affordable clean energy, to decent work and economic growth, innovation, reduced inequalities, sustainable cities, responsible consumption, climate action, unpolluted oceans and land, and partnerships …”
- Each SDG has an underlying set of Targets
- Each Target has an underlying set of Indicators
- 17 SDGs and 169 Targets

IFC Performance Standards

PS1: Assessment and Management of E&S Risks and Impacts

PS2: Labor and Working Conditions

PS3: Resource Efficiency and Pollution Prevention

PS4: Community Health, Safety, and Security

PS5: Land Acquisition and Involuntary Resettlement

PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

PS7: Indigenous Peoples

PS8: Cultural Heritage

SDG 3 - Ensure healthy lives and promote well-being for all at all ages – 2030 Targets

- 3.1 Reduce the global maternal mortality ratio to less than 70 per 100,000 live births
- 3.2 End preventable deaths of newborns and children under 5 years of age
- 3.3 End the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases
- 3.4 Reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being
- 3.5 Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol
- 3.6 Halve the number of global deaths and injuries from road traffic accidents
- 3.7 Ensure universal access to sexual and reproductive health-care services

SDG 3 - Ensure healthy lives and promote well-being for all at all ages – 2030 Targets

- 3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
- 3.9 Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination
- 3.a Strengthen the implementation of the WHO Framework Convention on Tobacco Control
- 3.b Support the research and development of vaccines and medicines for the communicable and non-communicable diseases that primarily affect developing countries, provide access to affordable essential medicines and vaccines
- 3.c Substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries
- 3.d Strengthen the capacity of all countries, in particular developing countries, for early warning, risk reduction and management of national and global health risks

SDG – Indicators

- 3.6 Halve the number of global deaths and injuries from road traffic accidents
  - Indicators
  - 3.6.1 Death rate due to road traffic injuries
- 3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
  - Indicators
  - 3.8.1 Coverage of essential health services (defined as the average coverage of essential services based on tracer interventions that include reproductive, maternal, newborn and child health, infectious diseases, non-communicable diseases and service capacity and access, among the general and the most disadvantaged population)
  - 3.8.2 Proportion of population with large household expenditures on health as a share of total household expenditure or income

Sustainability Linked Loan Principles

1. Relationship to Borrower's Overall Sustainability Strategy

- The borrower of a sustainability linked loan should **clearly communicate** to its lenders its sustainability objectives, as set out in its CSR strategy, and how these align with its proposed SPTs.
- Borrowers are encouraged to position this information within the context of their overarching objectives, strategy, policy and/or processes relating to sustainability. Borrowers are also encouraged to disclose any sustainability standards or certifications to which they are seeking to conform.

Sustainability Linked Loan Principles

2. Target Setting – Measuring the Sustainability of the Borrower

- Appropriate SPTs should be negotiated and set between the borrower and lender group for each transaction.

- SPTs should be **ambitious and meaningful** to the borrower's business and should be tied to a sustainability improvement in relation to a predetermined performance target benchmark. Market participants recognise that any targets should be based on recent performance levels (often data from the previous 6-12 months). They should also apply over the life of the loan to encourage **ambitious, positive change through incentives**

- SLLs align loan terms to the borrower's performance against pre-determined SPT benchmarks. For example, the margin under the relevant loan agreement may be reduced where the borrower satisfies a pre-determined SPT threshold or vice versa.

- Borrowers may be encouraged to seek a third party opinion as to the appropriateness of their SPTs as a condition precedent to the relevant sustainability linked loan product being made available.

Sustainability Linked Loan Principles

3. Reporting

- Borrowers should, where possible, make and keep readily available up to date information relating to their SPTs and provide that information to institutions participating in the loan at annually.
- As **transparency** is important in this market, borrowers should be **encouraged to publicly report information** relating to their SPTs and this information will often be included in a borrower's annual report or its CSR report.
- In cases where this is not appropriate, a borrower may choose to share this information privately with the lenders rather than making this publicly available.
- Borrowers are also encouraged to provide details of any underlying methodology and/or assumptions.

Sustainability Linked Loan Principles

4. Review

- The need for external review is to be negotiated and agreed between the borrower and lenders on a transaction-by-transaction basis
- For loans where information relating to SPTs is not made publicly available or otherwise accompanied by an audit/ assurance statement, it is strongly recommended that a borrower should seek external review of its performance against its SPTs
- In transactions where a borrower seeks independent verification, the borrower should have its performance against its SPTs independently verified by a qualified external reviewer, at least once a year. It is also recommended that external reviews be made publicly available where appropriate
- In cases where no external review is sought, the borrower should demonstrate or develop the internal expertise to validate the calculation of its performance against its SPTs. Borrowers are recommended to thoroughly document any expertise and communicate the information to all lenders participating in the loan

The role of the Sustainability Co-Ordinator/Sustainability Structuring Agent

- Responsible for the negotiation of the KPIs and SPTs on behalf of the syndicate
- Assists with the selection and hiring of sustainability consultants
- Determines any price adjustment mechanism based on the ESG score or KPI metrics
- Acts as a point of contact on questions about sustainability/KPIs/SPTs during the arranging/documentation process
- Work with external law firms to oversee the drafting of the sustainability provisions in the loan documentation

Documenting Sustainability Linked Loans

What needs to be documented:

- Source and baseline of SPTs should be clearly set out
- Mechanism for measuring performance against SPT
- Whether independent verification of the data used to measure performance against the SPT is required
- Effect of meeting/failing to meet SPTs
- Consequences of breaching ancillary provisions – provision of information, certification
- Method for re-calibrating SPTs (if required)

Drafting – Where to start?

- There is currently no “market standard” LMA wording for ESG/sustainability linked or green loans
- Likewise there is currently no “market standard” wording for green supply contracts

The Chancery Lane Project

- TCLP is a pro bono initiative
- TCLP is independent of any professional body or practice and is politically neutral
- Brings together legal professionals to collaborate and rewrite contracts in order to support communities and businesses address climate change and achieve net zero carbon emissions
- Has published 71 clauses
- Clauses are freely available to law firms, corporations and governments globally
- The Chancery Lane draft clauses have been downloaded more than 55,000 times across 73 countries
- Part of the ESG arsenal – used alongside “governance” clauses addressing the prevention of bribery and corruption, the prevention of the facilitation of tax evasion and modern slavery

Examples of TCLP Clauses

- Guide and checklist for issuance of Sustainability-Linked Loans
- Cooler-Plate Clauses (Climate Aligned Boilerplate)
- Choice of Green Governing Law Clause
- Green Supply Agreement
- Supply Chain Emissions Scorecard
- Green Loan Starter Pack

“Green Supplier” Contract

This could require that:

- the Supplier/Contractor will sign up to the Carbon Trust Standard for Supply Chain
- delivery of Goods will be done using electric vehicles or low carbon delivery systems
- the Supplier/Contractor undertakes to reduce its Carbon Footprint by a set amount over a set period
- the Supplier/Contractor will implement Green Working Practices
- the goods supplied meet internationally recognised sustainability standards – Sustainable Shipment Letters of Credit (LCs)

ABC – Green Questionnaires

For export credit agency transactions questionnaires/compliance certificates in respect of anti-bribery/corrupt activity, anti-money laundering/terrorist financing and modern slavery are usual

These can be expanded to cover whether a company/supplier:

- has a sustainability/environmental/climate policy statement
- publishes a Corporate Social Responsibility (CSR)/Sustainability report
- monitors and tracks energy consumption
- has goals or targets to reduce greenhouse gas emissions and/or energy use

Drafting for supply contracts

- Green Transport Obligations
  - “The Carrier shall use Green HGVs for at least [set percentage]% of the Service Journeys”
  - “The Carrier shall [use all commercially reasonable efforts to] reduce its greenhouse gas emissions (“GHG”) Emissions attributable to Service Journeys by continuously improving operations and through the appropriate renewal of its HGV fleet”

- “*Cooler-Plate*” Clauses - climate aligned boilerplate
  - Green Dispute Management
  - Green Governing Law Clause - requiring that the governing law is interpreted in a manner

Sustainable Shipment Letters of Credit

- The Sustainable shipment letter of credit (**SSLC**) is a green financing product developed specifically for trade finance. The concept was launched in 2014 by the IFC and the Banking Environment Initiative at the World Economic Forum
- SSLCs aim to integrate internationally recognised sustainability standards associated with individual commodities into Letters of Credit (**LCs**) that support the international trade of commodities
- The standards are agreed independently by a multi-stakeholder, non-profit organisation which also runs its own audit and verification process
- SSLCs are used where a buyer requests commodities produced to a pre-existing and internationally recognised sustainability standard from its supplier
- The buyer can then instruct its bank (the issuing bank) to issue an SSLC in favour of the supplier including this condition
- To qualify as an SSLC, evidence of the appropriate sustainability stamp must be included as part of the letter of credit documents
- The first use of SSLCs was Palm oil with an RSPO (Roundtable on Sustainable Palm Oil) certificate, which is designed to ensure the product is not made to the detriment of any forests, people or communities

Sustainable Shipment Letters of Credit

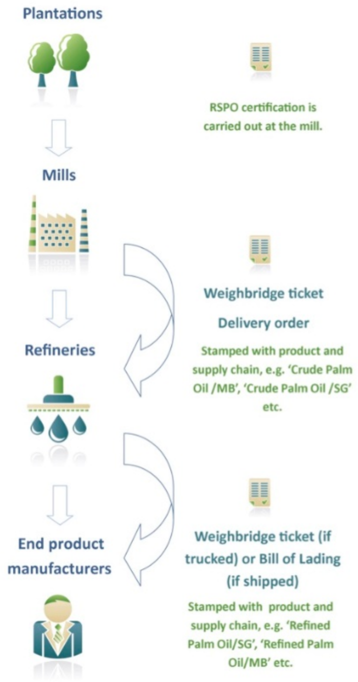


Figure 6: Supply chain documentation, with additions for certified palm oil in green.

The Banking Environment Initiative's Sustainable Shipment Letters of Credit (The University of Cambridge, January 2014)
https://www.cisl.cam.ac.uk/resources/publication-pdfs/the-banking-environment-initiative-sustainable-shi.pdf

Greenhouse Gas Emissions

- Greenhouse gas emissions are categorised into three groups or 'Scopes' by the Greenhouse Gas (GHG) Protocol
- Scope 1 covers direct emissions from in-house owned or controlled sources
- Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company
- Scope 3 includes all other indirect emissions that occur in a company’s value chain
  - Purchased goods and services
  - Business travel
  - Employee commuting
  - Transportation and distribution (up- and downstream)

Sustainability Criteria of the 2020 Chanel Sustainability Linked Bond Issue

1. The selection of key performance indicators ("KPIs")

The Chanel Group selected three KPIs to measure future sustainability improvements of Chanel

- KPI 1: Carbon Footprint Emissions - Scope 1 and 2 Emissions Amount
- KPI 2: Value Chain Emissions - Scope 3 Emissions Amount
- KPI 3: Percentage of Renewable Electricity in Operations (measured as a percentage of total electricity used)

Sustainability Criteria of the 2020 Chanel Sustainability Linked Bond Issue

2. The calibration of sustainability performance targets ("SPTs")

- SPT1: To decrease the absolute Scope 1 and 2 Emissions Amount by 50% by 2030 at Chanel's own sites (i.e. manufacturing sites, boutiques and offices)
- SPT2: To decrease the Scope 3 Emissions Amount by 10% by 2030
- SPT3: To shift to 100% renewable electricity in Chanel's own operations by 2025

Sustainability Criteria of the 2020 Chanel Sustainability Linked Bond Issue

3. Characteristics of the Notes

- **2026 Notes (SPT3):** An external auditor will verify the percentage of renewable electricity used in Chanel's operations as of 31 December 2025, the Premium Trigger Reference Date for the 2026 Notes
- **2031 Notes (SPT1 and SPT2):** An external auditor will verify the Emissions Amounts as of 31 December 2030, the Premium Trigger Reference Date for the 2031 Notes, and calculate the evolution of the emissions amount

Sustainability Criteria of the 2020 Chanel Sustainability Linked Bond Issue

4. Reporting

- The Scope 1 and 2 Emissions Amount (direct absolute greenhouse gas emissions) will be reported on an annual basis
- The Scope 3 Emissions Amount (absolute greenhouse gas emissions) reporting will be made available before 2025
- It will be integrated category-by-category into the Group's internal reporting for Chanel, starting with three of the most material categories:

  I. raw materials

  II. transportation and

  III. business travel in 2020 (to be reported on in 2021)

- The percentage of renewable electricity that Chanel uses in its electricity mix globally will be reported on an annual basis

Sustainability Criteria of the 2020 Chanel Sustainability Linked Bond Issue

5. Independent verification The Group's external auditor will verify KPI 1, KPI 2 and KPI 3 to a reasonable level of assurance prior to the relevant publication date of such KPI

Sustainability Criteria of the 2020 Chanel Sustainability Linked Bond Issue

- A **“Premium Trigger Event”** is defined as:
  a) A “**Renewable Electricity Event**” whereby Chanel fails to satisfy the Renewable Electricity Condition of 100 per cent usage of renewable electricity (e.g., derived from non-fossil fuel) in the operations of Chanel
  b) An “**Emissions Event**” whereby Chanel fails to satisfy the Emissions Condition of the direct absolute greenhouse gas emissions being at least 50 per cent lower than the base emission amount of 41,800 tCO_2e, or the absolute greenhouse gas emissions being at 10 percent lower than 829,000 tCO_2e

- If a Premium Trigger Event occurs, Chanel will pay a Premium Payment Amount of either EUR500 and will notify noteholders that such an event has occurred

Sustainability Criteria of the 2020 Novartis Sustainability Linked Bond Issue

- Through the sustainability linked note issue, the Novartis group intends to establish a direct link between its funding strategy and cost of capital and progress toward achieving its 2025 Patient Access Targets of:
  a) Flagship Programs Patient Reach of at least 22,604,224 patients during the year ending on 31 December 2025; and
  b) Strategic Innovative Therapies Patient Reach of at least 1,642,992 patients during the year ending on 31 December 2025.
- The 2025 Patient Access Targets align with the UN Sustainable Development Goals (SDGs), particularly **SDG 3 – Ensure healthy lives and promote well-being for all at all ages.**
- The Targets are tailored to the Novartis group's business, operations and capabilities in order to reach achieve its Strategic Innovative Therapies Patient Reach and its Flagship Programs Patient Reach.

Sustainability Criteria of the 2020 Novartis Sustainability Linked Bond Issue (2)

Consequence of a poor sustainability outcome

- A **“Trigger Event”** is defined as the failure by the Guarantor and its consolidated subsidiaries to achieve one or both of the 2025 Patient Access Targets.
- If a Trigger Event occurs from the first Interest Payment Date after 31 December and for each subsequent Interest Payment date the interest payable increases
- If a Trigger Event has occurred, Novartis shall give notice to the Noteholders of the Trigger Event and related increase in the Rate of Interest

What's next? The "EU Taxonomy Regulation" …

- The EU Taxonomy Regulation ((EU) 2020/852) was put in place to meet the EU's climate and energy targets for 2030 and reach the objectives of the European Green Deal. It aims to define clear criteria for identifying environmentally sustainable economic activities.
- An economic activity is environmentally sustainable:
  - If it makes a "substantial contribution" to one of the following six environmental objectives:
    1. Climate change mitigation
    2. Climate change adaptation
    3. The sustainable use and protection of water and marine resources
    4. The transition to a circular economy
    5. Pollution prevention and control
    6. The protection and restoration of biodiversity and ecosystems;
  - If it does not significantly harm any of the environmental objectives (Do No Significant Harm Principle);
  - If it is carried out in compliance with the minimum safeguards set out in the Regulation; and
  - If it complies with the technical screening criteria

Final Word

- *“We have to progress as quickly as possible from ambition to impact”*
- Deutsche Bank CEO Christian Sewing

Mark Norris

Partner

Mark's practice covers cross border syndicated lending, structured export credit finance, structured trade and commodity finance, debt restructurings and asset finance. Mark is recognized in The Legal 500 UK as "excelling" in structured export credit transactions and is praised for his "commercial and user-friendly approach“.

Mark also advises on financial crime, modern slavery, bribery and corruption issues in connection with trade and export finance.

He has advised financial institutions, funds, corporate borrowers, agents and trustees, and national and supranational sovereign/quasi-sovereign organisations on award-winning finance transactions throughout Africa, Western, Central and Eastern Europe, Russia and the CIS and the Middle East.

Mark has extensive sector experience in infrastructure financing across Africa including off-grid power, health care, airports and roads.

Mark has lived and practised in the Czech Republic (Prague), England (London), Germany (Düsseldorf and Frankfurt) and Russia (Moscow).

Mark holds graduate (Social Policy (BSc Econ)) and post-graduate (Banking Law and Financial Regulation (LLM)) degrees with honors from the London School of Economics.

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Awards & Recognition

***Global Trade Review* “Law Firm of the Year” in the category “Leaders in Trade for Innovation”, 2021**

Global Trade Review (GTR) named Sullivan the “Best Trade Finance Law Firm” in the category “Leaders in Trade for Innovation” at the 2021 GTR Leaders in Trade Awards

***Global Trade Review* “Best Trade Finance Law Firm” 2020 and 2019**

Global Trade Review (GTR) named Sullivan “Best Trade Finance Law Firm” at their GTR Leaders in Trade Awards in 2020 and 2019

Trade Finance Magazine “Best Law Firm of the Year” 2019

Trade Finance Magazine named Sullivan “Best Law Firm of the Year” at its Awards for Excellence, 2019

Trade Finance Global “Best Trade Finance Law Firm” 2019

Sullivan was named “Best Trade Finance Law Firm” 2019 by *Trade Finance Global* at its International Trade Finance Awards, 2019

***The Legal 500 UK*, 2021**

Sullivan is ranked in Tier 1 for Trade Finance by *The Legal 500 UK, 2021* for the seventh year running
Partner Geoffrey Wynne included as Trade Finance Leading Individual in the “Hall of Fame”

Simon Cook and Mark Norris are both recognised as Leading Individuals and Hannah Fearn as a Rising Star

Sullivan is also ranked for Commercial Litigation - Mid-market by *The Legal 500 UK, 2021*

***Chambers UK*, 2021**

Chambers UK, 2021 ranks Sullivan in Commodities:Trade Finance (UK-wide)

Partners Geoffrey Wynne and Simon Cook are Ranked Lawyers in Tier 1 and Tier 2 respectively by *Chambers UK, 2021*

TFR Fellowship Award 2017

Trade & Forfaiting Review (TFR) honoured Geoffrey Wynne with the TFR Fellowship Award in its 2017 TFR Excellence Awards

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