Moody's | ESG Solutions

SUSTAINABILITY IN FOCUS

# Sustainable Finance Market Update Q4 2021

**Moody's ESG Solutions**

27 October 2021

# Speakers

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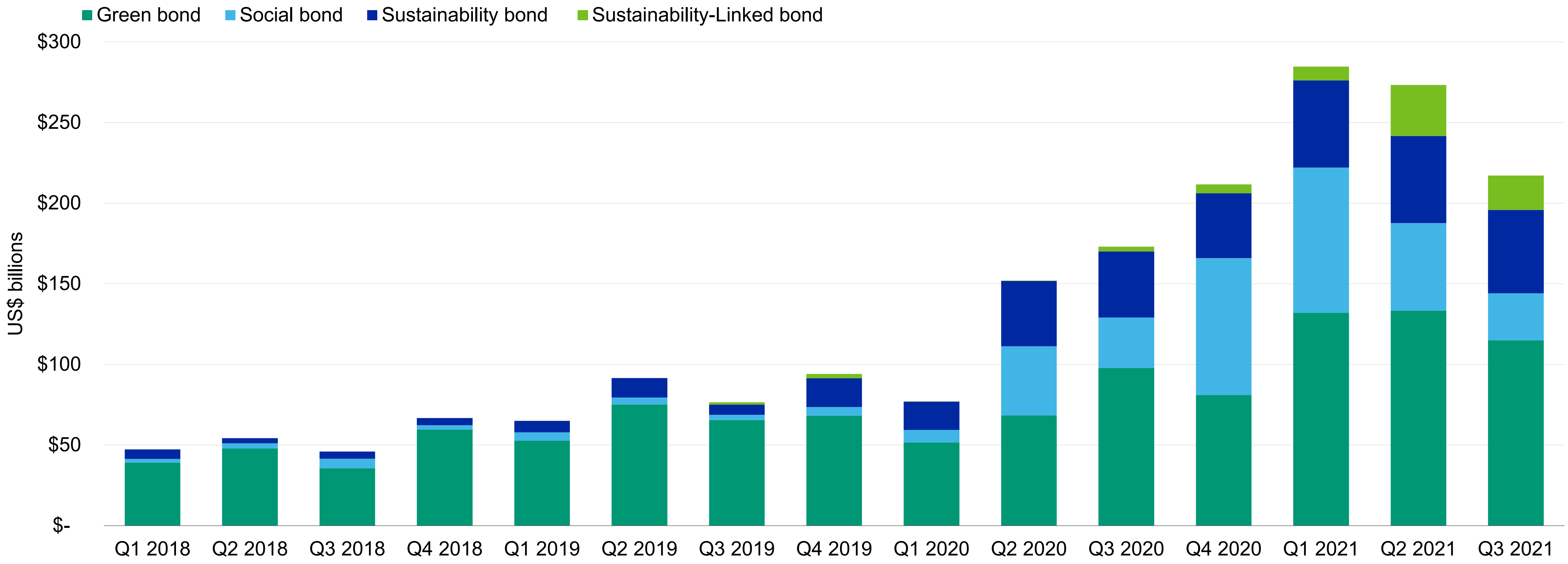
# Agenda

1. Latest trends in sustainable debt markets
2. Implications of COP26 for sustainable finance
3. Innovations in social financing

# 1

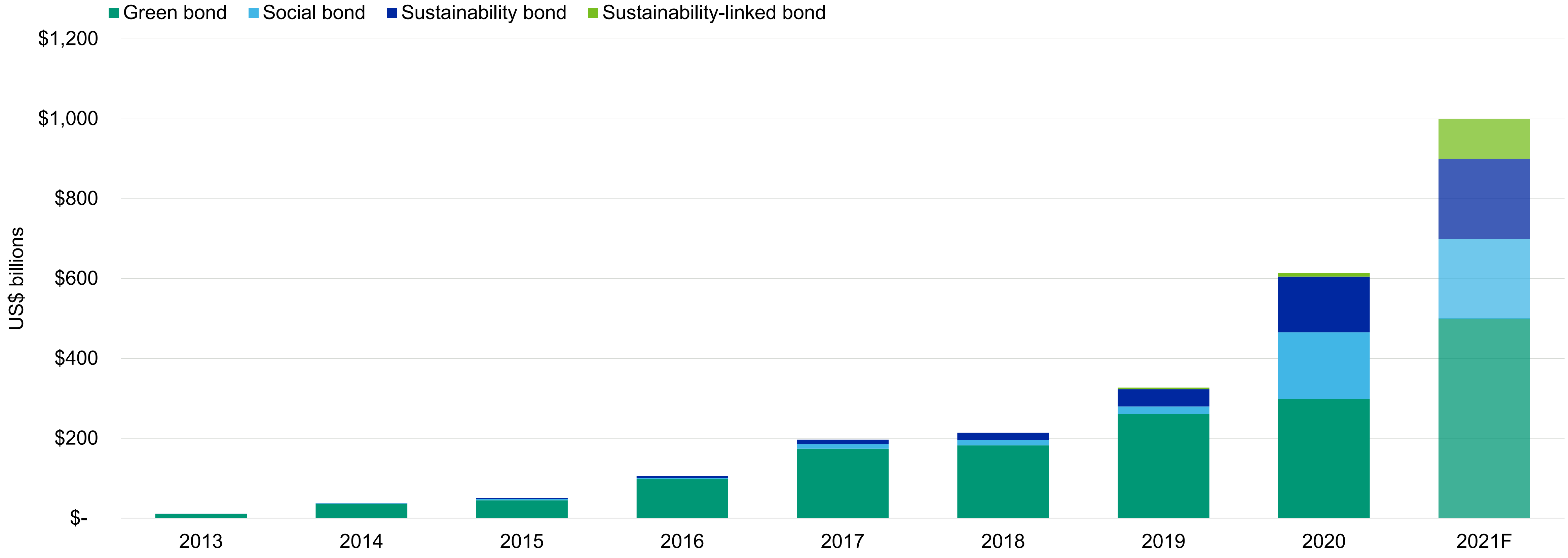
# Latest trends in sustainable debt markets

# Sustainable bond issuance hitting record highs in 2021 as market interest surges



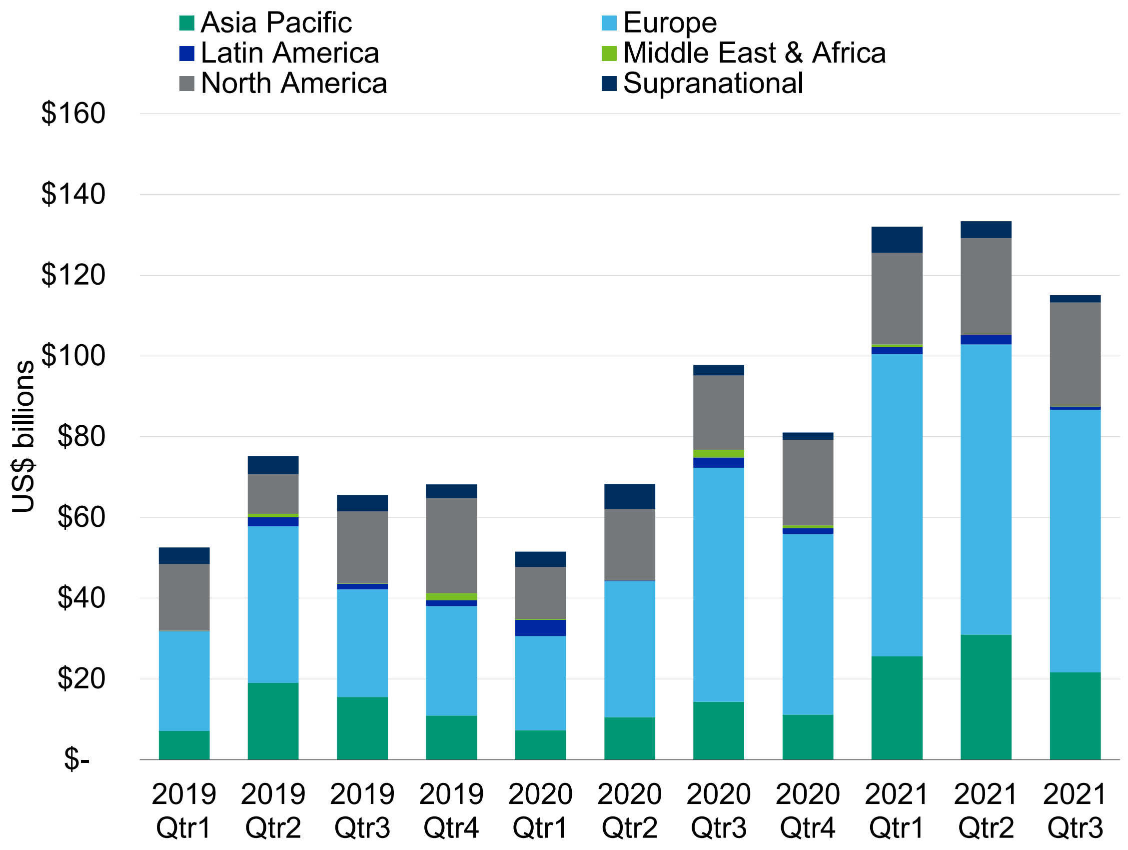

Sources: Moody's ESG Solutions and Environmental Finance Bond Database

# Annual sustainable bond volumes poised to top $1 trillion for the first time this year



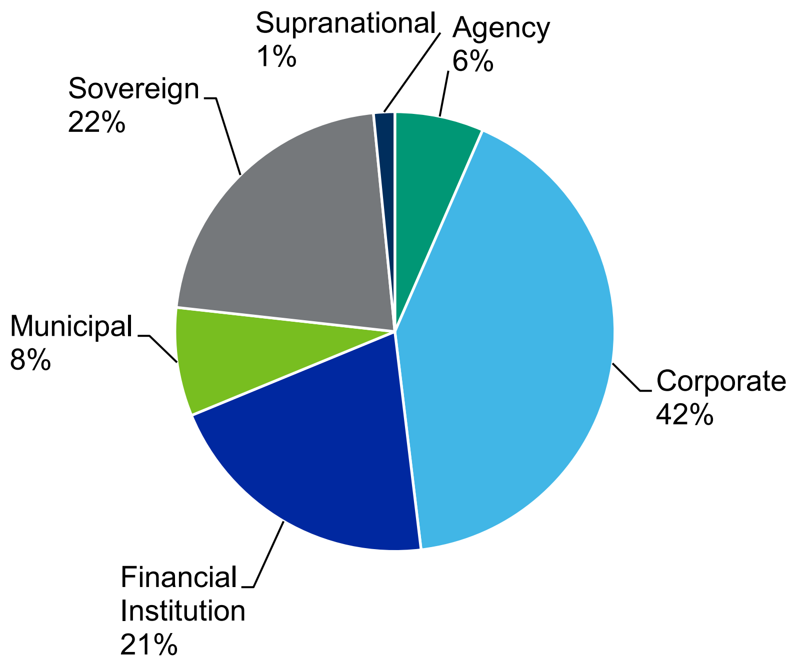

Sources: Moody's ESG Solutions and Environmental Finance Bond Database

# Green bond volumes at record levels this year amid heightened focus on climate mitigation

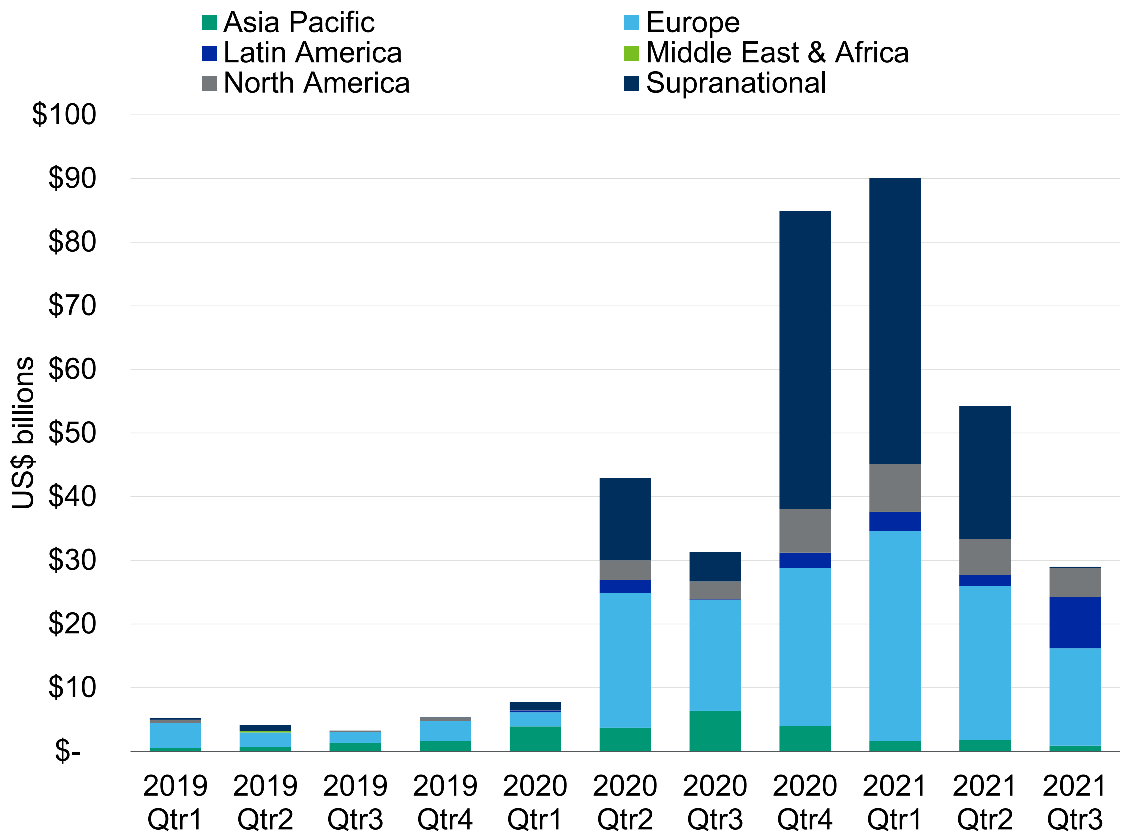



Sources: Moody's ESG Solutions and Environmental Finance Bond Database

## Percent of Q3 2021 global green bond issuance

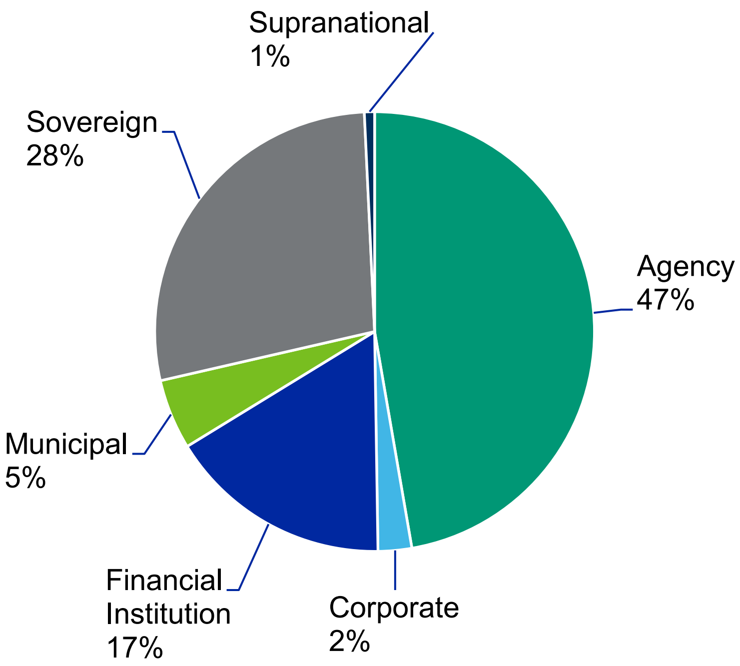


# Social bond volumes decline as largest issuers wind down pandemic-related supply

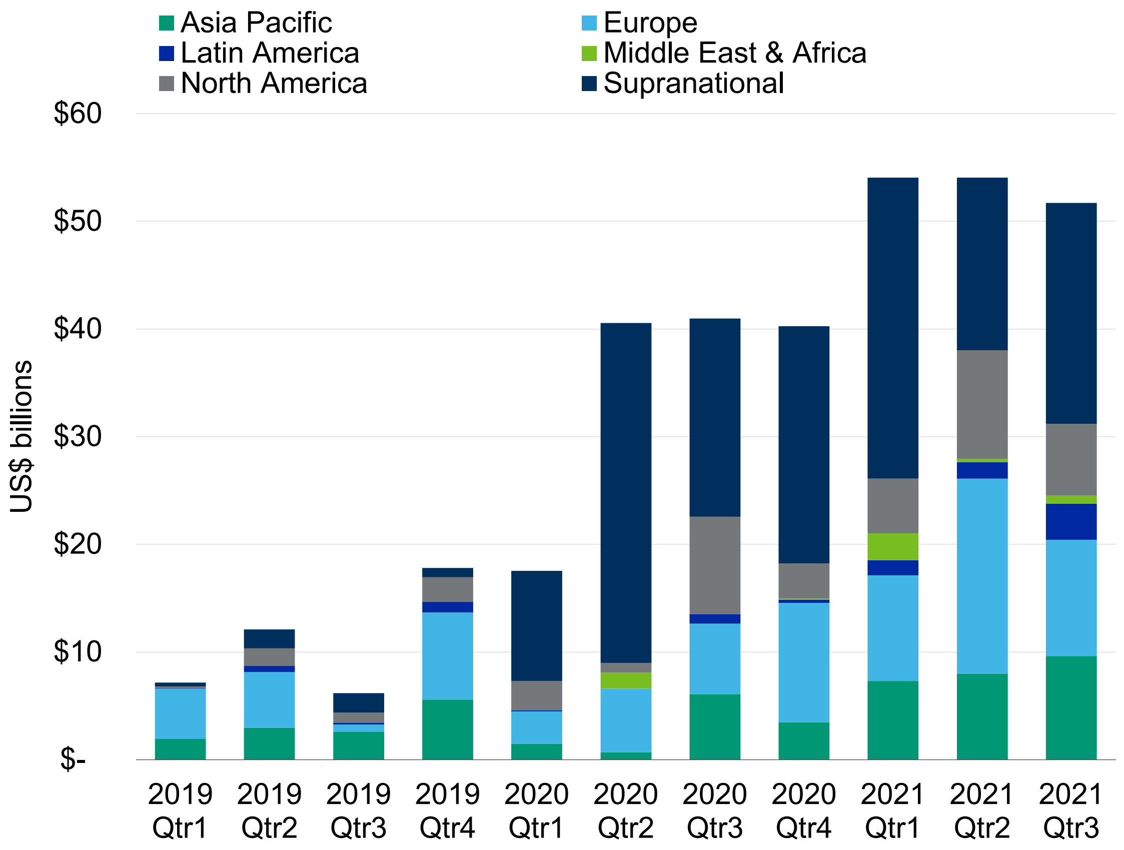



Sources: Moody's ESG Solutions and Environmental Finance Bond Database

## Percent of Q3 2021 global social bond issuance

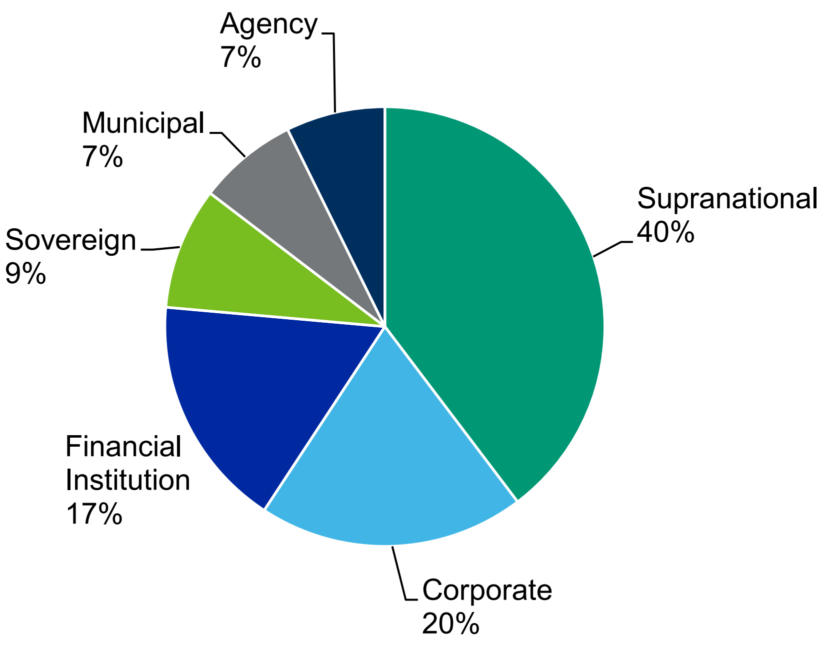


# Sustainability bond volumes continue strong 2021 market trend

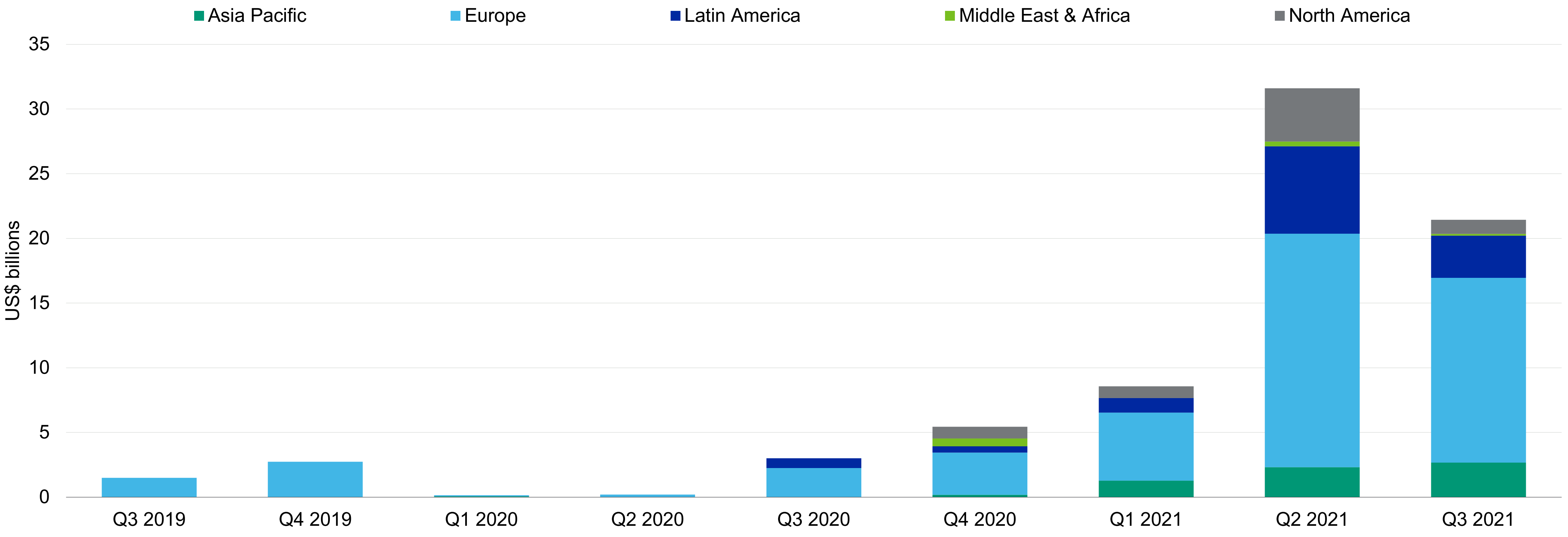



Sources: Moody's ESG Solutions and Environmental Finance Bond Database

## Percent of Q3 2021 global sustainability bond issuance

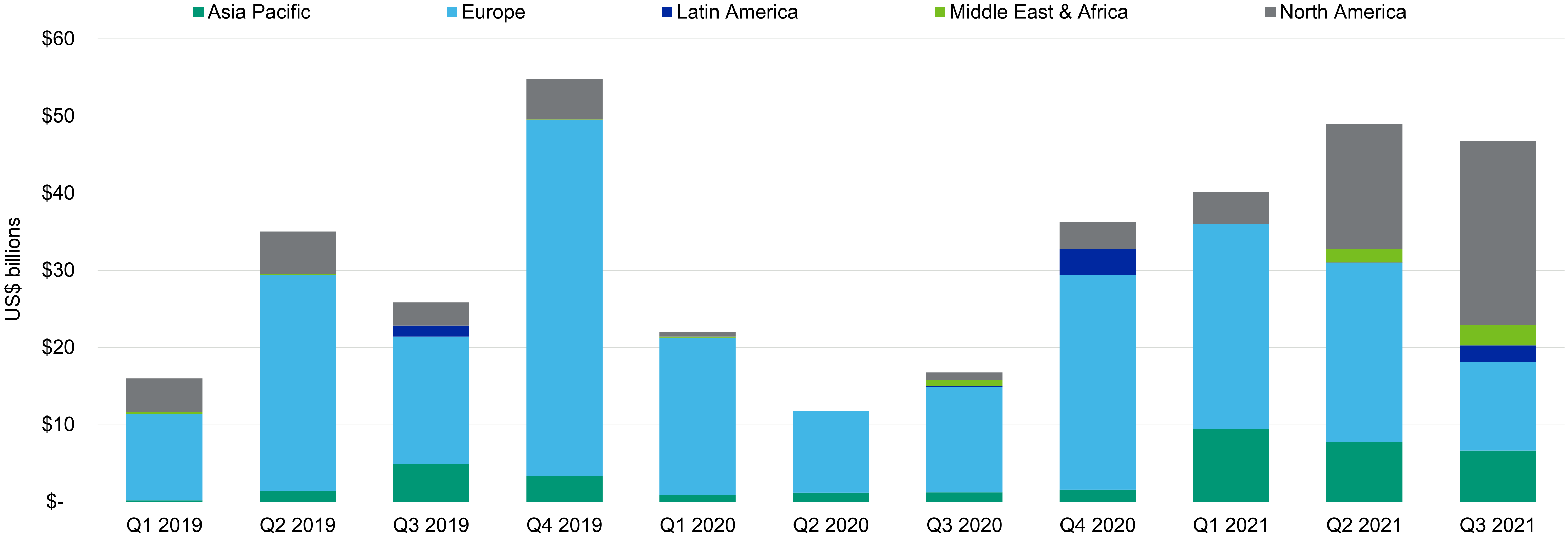


# Sustainability-linked bond volumes increasing with high market interest from




Sources: Moody's ESG Solutions and Environmental Finance Bond Database

# Sustainability-linked loan volumes continue steady 2021 trend




Sources: Moody’s ESG Solutions and Environmental Finance Bond Database

# 2

# Implications of COP26 for sustainable finance

# Climate commitments to spur sovereign issuance

| Sovereign issuer | Green/sustainability bond issuance, US$bn | Net zero target | Target year | Interim target? | % of global GHG Emissions |
|---|---|---|---|---|---|
| Benin | $0.6 | Yes | 2050 | | 0.0% |
| Chile | $6.6 | Yes | 2050 | Yes, 25% reduction of black carbon from 2016 baseline by 2030 | 0.3% |
| Egypt | $0.8 | No | | | 0.7% |
| European Union | $0.0 | Yes | | Yes, 55% reduction of GHG emissions from 1990 baseline by 2030 | 8.4% |
| France | $17.6 | Yes | 2050 | Yes, various reductions in GHG emissions by sectors from 2015 baseline | 0.9% |
| Germany | $25.1 | Yes | 2045 | Yes, 65% reduction of GHG emissions from 1990 baseline by 2030 | 2.1% |
| Hong Kong | $2.5 | yes | 2050 | Yes, 26-36% reduction of GHG emissions from 2005 baseline by 2030 | 0.0% |
| Hungary | $2.3 | Yes | 2050 | Yes, 40% reduction of GHG emissions from 1990 baseline by 2030 | 0.1% |
| Indonesia | $2.8 | Yes | 2060 | Yes, 29% reduction of GHG emissions below BAU scenario for 2030 | 1.7% |
| Isle of Man | $0.6 | Yes | 2050 | Yes, 75% renewable electricity generation by 2035 | 0.0% |
| Italy | $10.2 | Yes | 2050 | Yes, 55% reduction of GHG emissions from 1990 baseline by 2030 | 1.0% |
| Lithuania | $0.1 | Target under discussion | 2050 | | 0.0% |
| Luxembourg | $1.8 | Yes | 2050 | Yes, 55% reduction of GHG emissions from 1990 baseline by 2030 | 0.0% |
| Malaysia | $1.3 | Yes | 2050 | Yes, 45% reduction of GHG emissions from 2005 baseline by 2030 | 0.7% |
| Mexico | $2.4 | Target under discussion | 2050 | Yes, 22% reduction of GHG emissions below BAU scenario for 2030 | 1.4% |
| Netherlands | $2.9 | Target under discussion | 2050 | | 0.4% |
| Serbia | $1.2 | Yes | 2050 | | 0.1% |
| Slovenia | $1.2 | Yes | 2050 | | 0.0% |
| Spain | $6.5 | Yes | 2050 | Yes, 55% reduction of GHG emissions from 1990 baseline by 2030 | 0.8% |
| Sweden | $2.3 | Yes | 2045 | Yes, 70% reduction of domestic transport emission from 2010 baseline by 2030 | 0.1% |
| Thailand | $1.0 | Yes | 2065 to 2070 | Yes, 20% reduction of GHG emissions from 2010 baseline by 2030 | 0.8% |
| United Kingdom | $13.7 | Yes | 2050 | Yes, 78% reduction of GHG emissions from 1990 baseline by 2035 | 1.1% |
| Uzbekistan | $0.2 | Yes | 2050 | Yes, 10% reduction of GHG emissions from 2010 baseline by 2030 | 0.3% |
| **Grand Total** | **$103.6** | | | | **12.5%** |

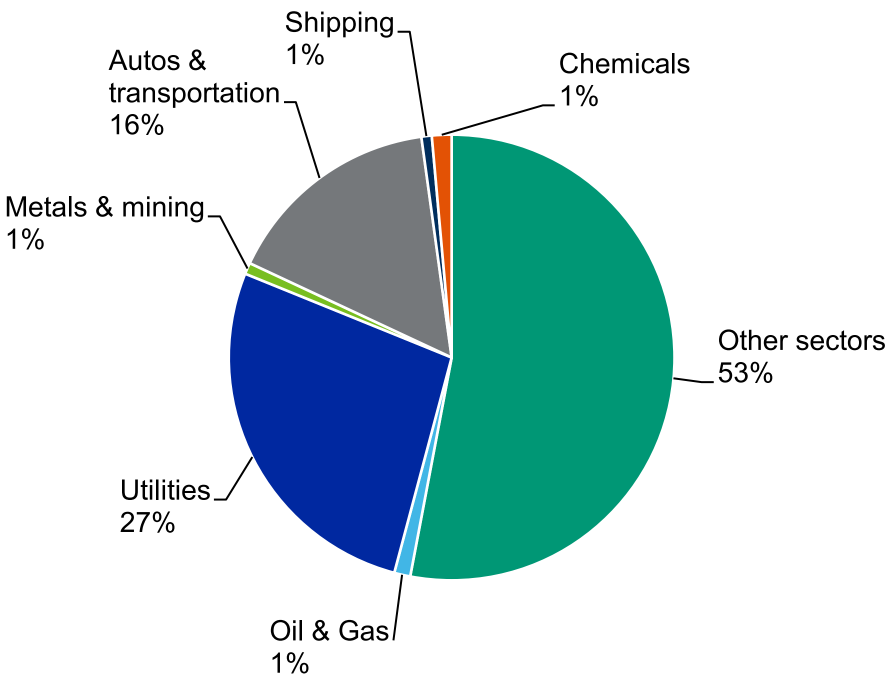
Sources: Moody's ESG Solutions, Environmental Finance Bond Database, World Bank Global Emissions, Energy & Climate Intelligence Unit, Climate Action Tracker, various national government sources

# Accelerating carbon transition risk to spur sustainable bonds from high-emitting sectors

**EU Emissions Trading System (ETS) Allowance price, € per tonne of CO2**

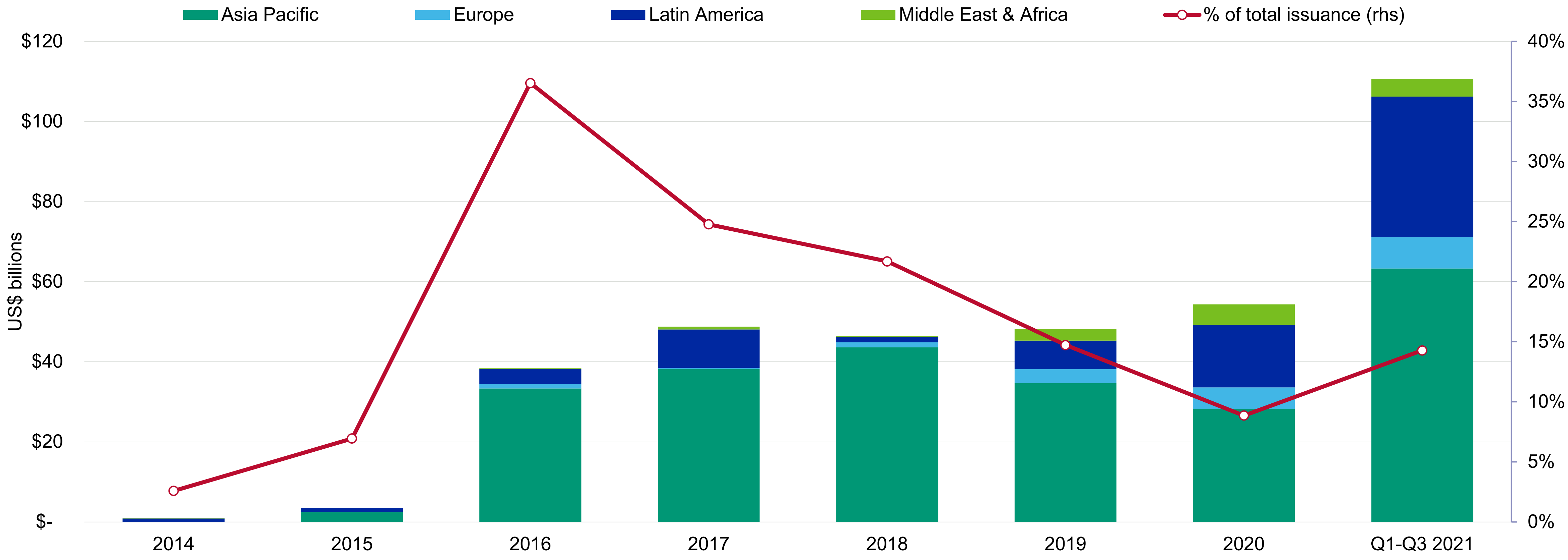

Sources: Moody's ESG Solutions and Factset

**Sustainable bond issuance from sectors with elevated carbon transition exposure**




Sources: Moody's ESG Solutions and Environmental Finance Bond Database

# EM sustainable bond issuance skyrockets in 2021 but remains a small part of global




Sources: Moody's ESG Solutions, Environmental Finance Bond Database

# 3

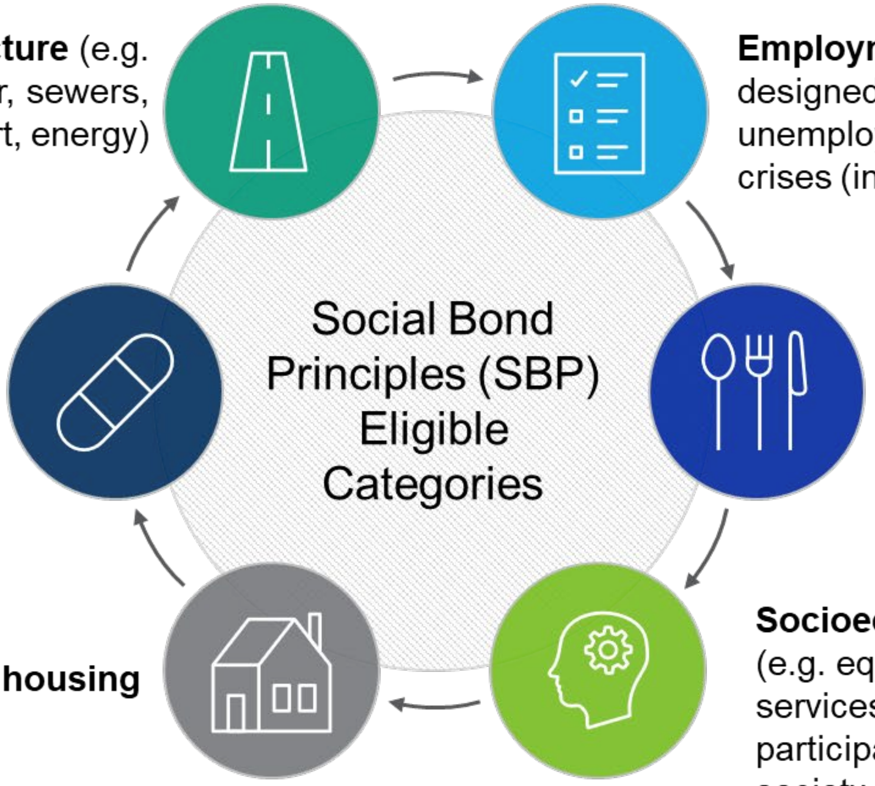
# Innovations in social financing

# Social bonds can have a diverse impact on social needs

## Eligible categories under the Social Bond Principles (SBP)

**Affordable basic infrastructure** (e.g. clean drinking water, sewers, sanitation, transport, energy)

**Employment generation**, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises (includes SME financing and microfinance)




**Access to essential services** (e.g. health, education and vocational training, healthcare, financing and financial services)

**Food security and sustainable food systems** (e.g. physical, social, and economic access to safe, nutritious, and sufficient food; resilient agricultural practices; reduction of food loss and waste, etc.)

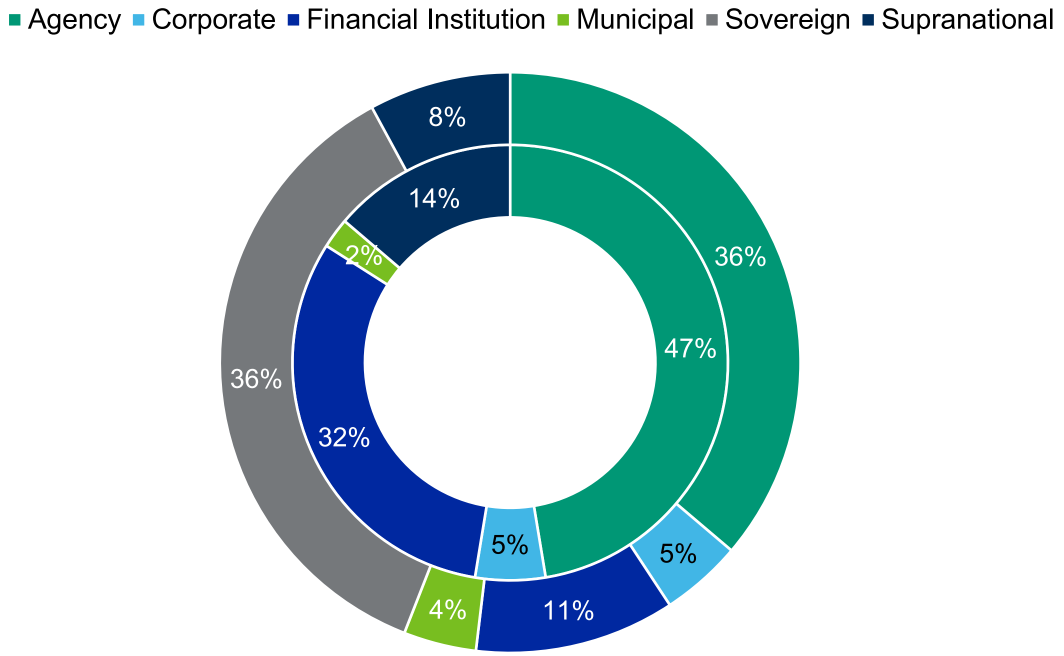
**Affordable housing**

**Socioeconomic advancement and empowerment** (e.g. equitable access to and control over assets, services, resources, and opportunities; equitable participation and integration into the market and society, including reduction of income inequality)

Sources: Moody's ESG Solutions and International Capital Markets Association

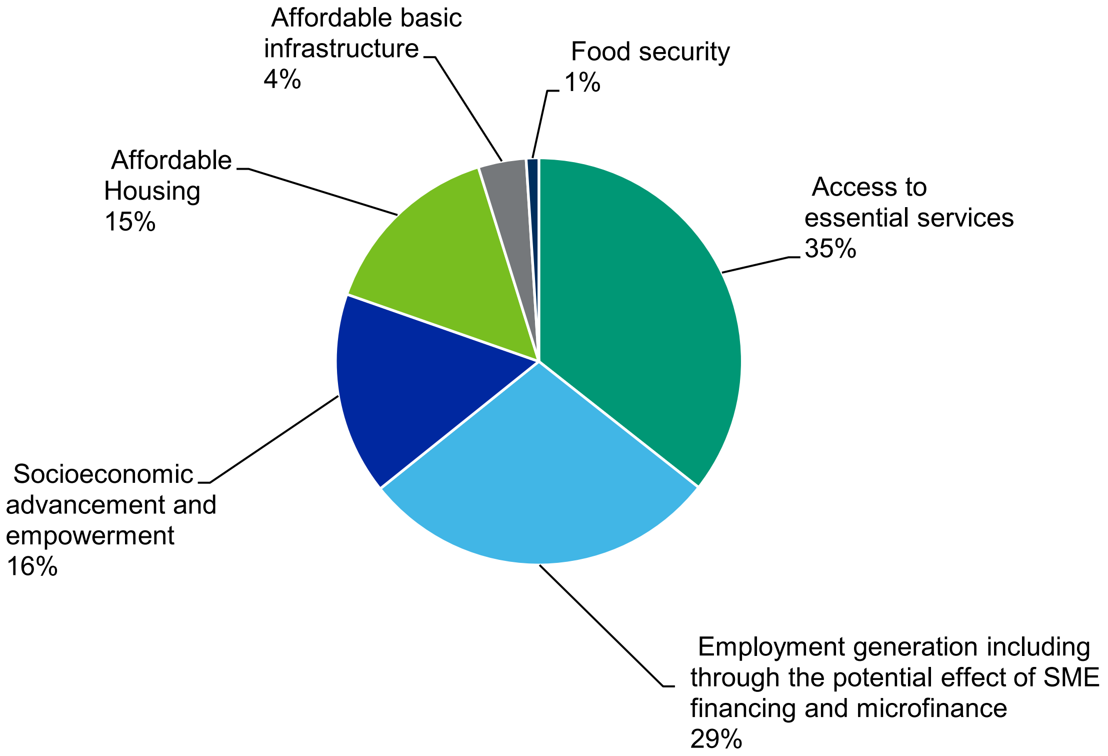
# Social financing catapulted to the forefront of sustainable debt markets following the pandemic

### % Issuance by issuer type, 2006-2019 (inner ring), 2020-Q3 2021 (outer ring)




Sources: Moody's ESG Solutions and Environmental Finance Bond Database

### Social bond issuance volume by Use of Proceeds category, 2006-Q3 2021




Sources: Moody's ESG Solutions and Environmental Finance Bond Database

# Since 1979

**$24 Billion Invested[1]**

**$69 Billion Leveraged**

### 436,320 Homes

**Affordable homes built and/or preserved including:**

- Multifamily rental
- Supportive housing for special populations such as chronically homeless, LGBTQ, seniors and veterans
- Affordable homeownership

We also emphasize sustainability through green, healthy housing and transit-oriented development.

### 74.4 Million Square Feet

**Square feet of commercial, retail and community space built and/or preserved, including:**

- Early childhood centers
- Schools
- Fields/recreational spaces
- Healthcare centers
- Grocery stores
- Financial Opportunity Centers

### Rated Public Debt Issuer

- LISC tapped the public bond market, with a $100 million issuance in 2017
- LISC has been a certified CDFI since 1996 and an ImpactAssets 50 Fund Manager for six consecutive years
- In 2020, LISC was named the Social Bond of the Year (corporate category) by Environmental Finance for its Impact Notes issuance

LISC

# Our Impact

**We create opportunities for people to thrive.**

**436,320** affordable homes for more than a million people

**480** schools and early childhood centers for **116,000+** students

**416** fields and recreational spaces for more than **750,000** kids

**120** financial opportunity centers serving **50,000+** people since 2016

**194** food and health-related projects serving thousands of families

Plus 100s of other retail, creative economy and community projects

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# Q&A

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