pillsbury

POISED FOR A BOOM: FINANCING A MORE SUSTAINABLE FUTURE

Between the threat of climate change and efforts to battle the COVID-19 pandemic, companies and governments are increasingly utilizing **sustainable finance tools** to finance recoveries and low-carbon transitions.

Established products:

- Green bonds
- Social bonds

In 2020: Global green bond issuance reached $269.5bn and is predicted to hit $400-$450bn in 2021.

$269.5bn 2020

$400-$450bn (estimated) 2021

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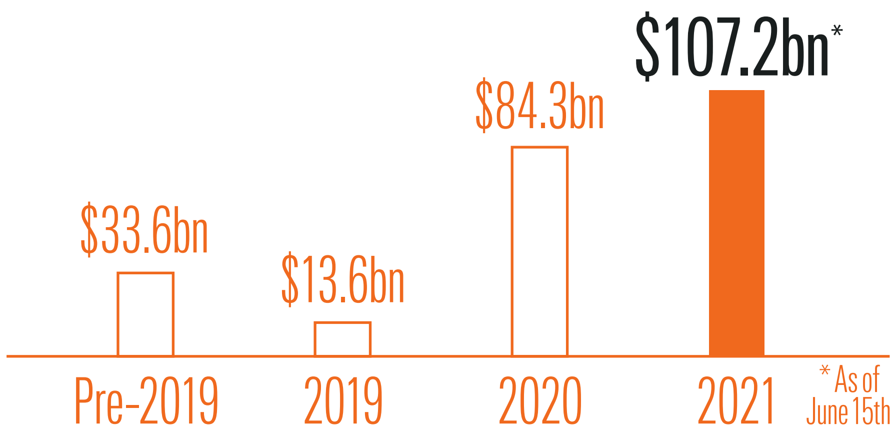
New applications:

- Special-purpose acquisition companies (SPACs)
- Concessional lending by non-banks

In the first six weeks of 2021, SPACs, an innovative way to raise capital fast, raised $33bn—roughly equal to the total of all SPACs before 2020.



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Emerging products:

- Sustainability-linked bonds
- Transition bonds
- Asset exit bonds

Progress has been made to set standards:

EU Taxonomy for Sustainable Activities

- Adaptation
- Mitigation
- Circularity
- Pollution control
- Water resources
- Biodiversity

ICMA "Principles" on green, social, sustainability bonds

- Climate finance
- Green finance
- Impact finance
- Social finance

But challenges remain:

Green and other bonds are just a fragment of total bond market

*As of 2019

3.5%*

Lack of agreed global definitions of sustainable finance tools

Risk of "greenwashing" and a "green bubble"

More standardization, disclosure and leadership could increase use, effectiveness and commerciality of these tools in the near term, paving the way for companies to make good on their commitments.

- Mandatory disclosures
- Standardization of ESG accounting and reporting
- New tax credits and carbon pricing

Produced by The Economist Intelligence Unit