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For the first time, the AMF approves a bond prospectus that allows the listing of Sustainable Linked Bonds on Euronext Paris

Sustainable-Linked Bonds (SLB) are debt securities with a financial incentive for the issuer to commit to a more "sustainable" business model. SLB issuances are expected to increase over the next few years. The French legal framework allows the issue of these securities under French law.

On 11 May 2021, the AMF approved a prospectus allowing listing of French Sustainable Linked Bonds (SLB) on Euronext Paris. Unlike green bonds, where the funds raised are used to finance "green assets", coupon payments for SLBs increase automatically at a predefined date if the issuer has failed to meet the sustainability targets set at the time of issue. These quantified sustainability targets are set through key performance indicators (KPIs) defined in the prospectus.

A market set to grow

SLB issues have developed discreetly in recent months in Europe, mainly through private placements without publication of a prospectus. The AMF expects these issues to become more widespread and to expand to include bond transactions admitted to trading on regulated markets.

This new sustainable financing tool, which complements existing tools, is likely to be developed over the next few years. It will of course be up to issuers to convince investors of


the credibility of the parameters they have selected (KPIs, coupon enhancement, etc.). This development should enable the Paris financial centre to move towards a more sustainable business model that is compatible with the commitments made in this area.

As part of its review of the relevant prospectuses, the AMF will assist issuers of SLBs, which may be subject to French law. In particular, in their prospectus subject to French law, issuers may provide for methodological changes to the calculation of KPIs during the life of the SLB. These changes may be made either in prior consultation with the holders where required or unilaterally where such changes, relating to very specific points and within certain limits, are determined in the prospectus and do not have a material adverse effect on the interests of the holders.

Keywords

SUSTAINABLE FINANCE

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