Q2 2026

ESG Finance Report

European Sustainable Finance

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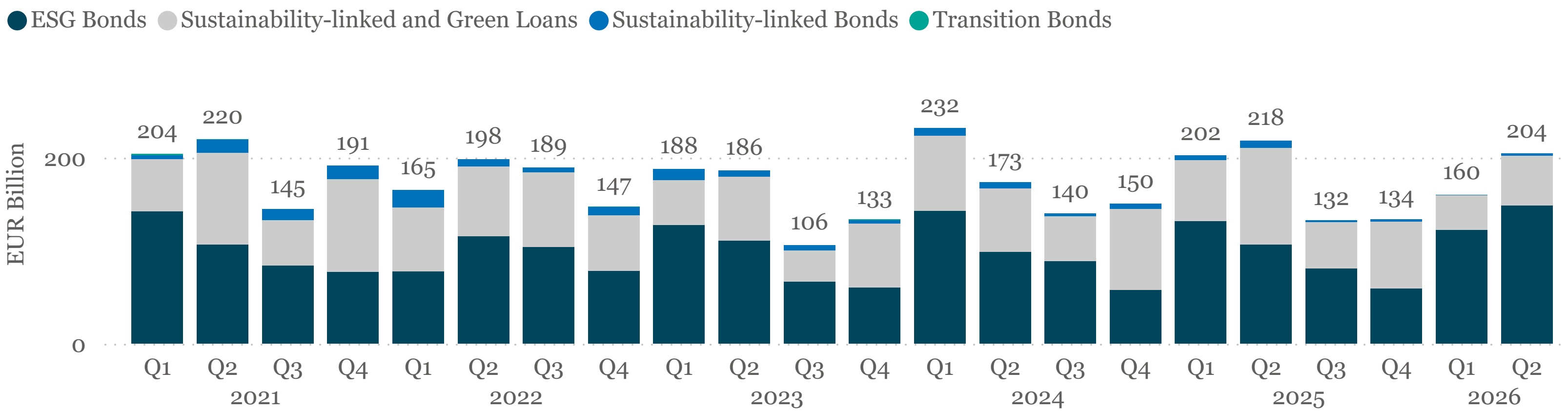
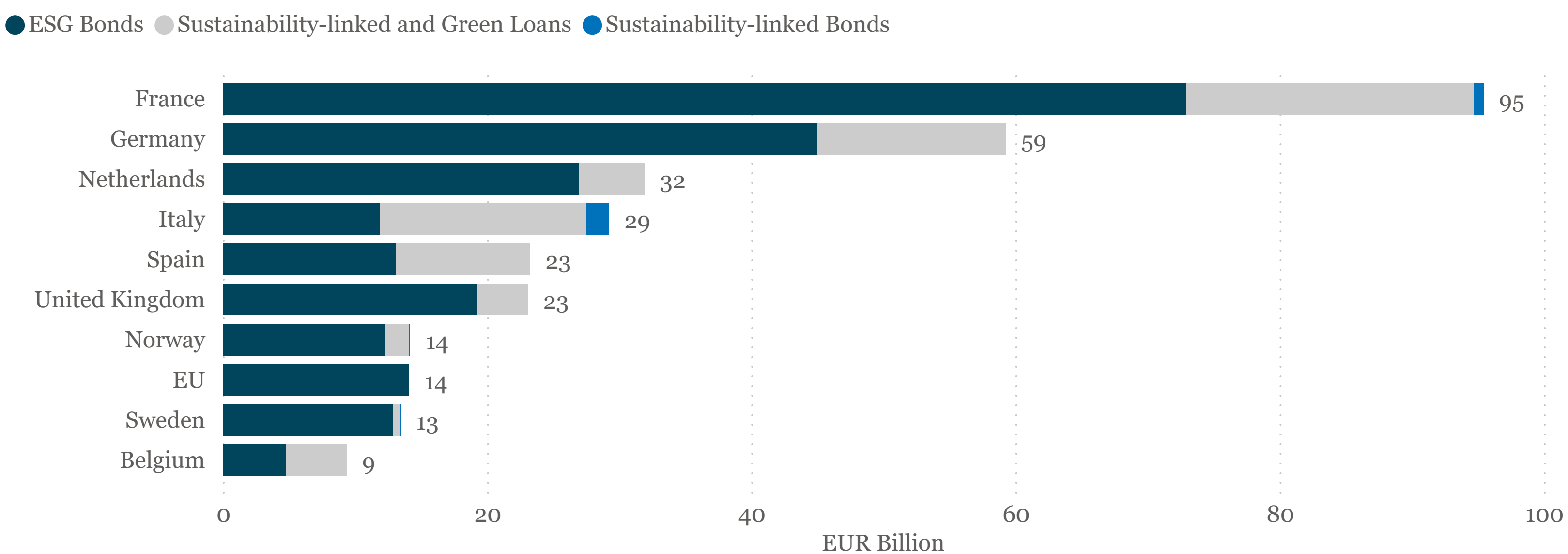
Key findings

1.1 European ESG Bond and Loan Issuance 2021 - 2026YtD (Q2)



1.2 European ESG Bond and Loan Issuance by Country (top 10 - 2026YtD (Q2))



Source: Dealogic

Year-on-year increase in ESG bond issuance and decrease in ESG loan issuance in Q2 2026

In Q2 2026, European ESG bond and loan issuance totalled €204bn, an increase of 28% from Q1 2026 and a decline of 6% from Q2 2025. The YoY decrease was primarily driven by lower sustainability-linked and green loan issuance, which decreased by almost 49%.

ESG bonds and loans include ESG-labelled bonds (proceeds-based), sustainability-linked bonds, transition bonds, green loans and sustainability-linked loans.

ESG Bond issuance increased by 39% YoY, accumulating €148.5bn in proceeds in Q2 2026. sustainability-linked bonds totalled c.€2.2bn, down almost 71% from Q2 2025.

During the first half of 2026, French issuers led in total loan and bond origination with €95bn, followed by German issuers with €59bn. Italian issuers led the issuance of sustainability-linked and transition bonds, with 66% of the primary flow originating from Italy.

ESG securitisation saw a significant increase following a slow 2025, with €3.1bn issued in Q1 2026 on 5 deals from €1.8bn in 2025FY on 4 deals.

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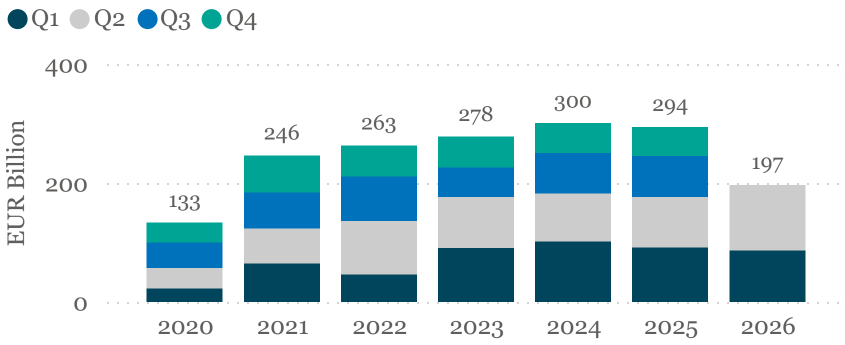
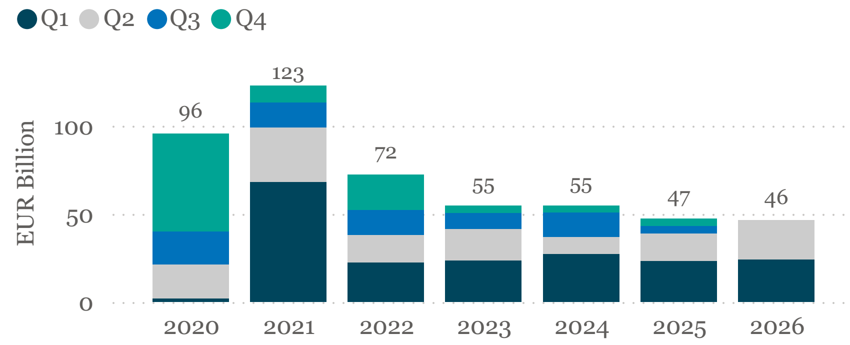
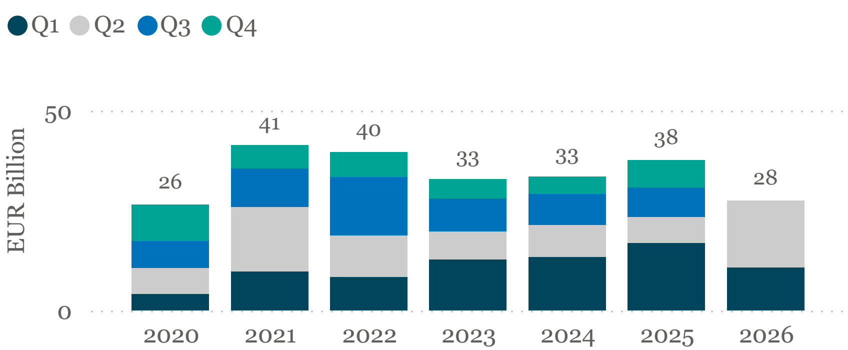
1.3 European Green Bond Issuance



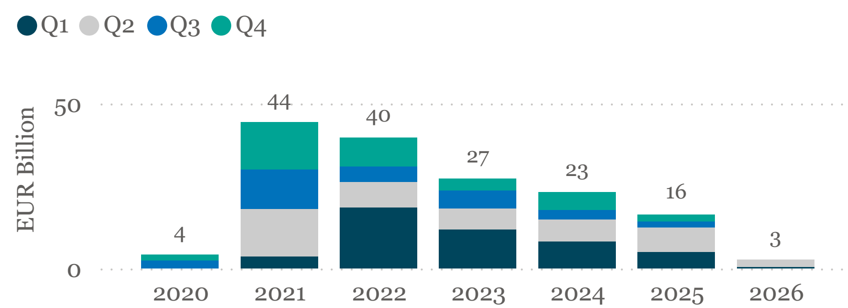
1.4 European Social Bond Issuance



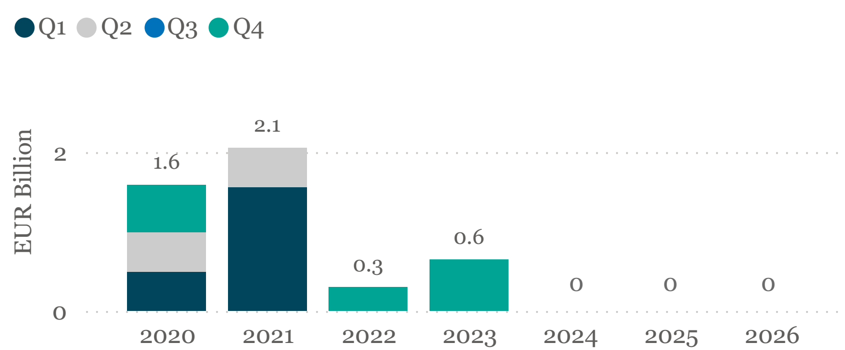
1.5 European Sustainable Bond Issuance



1.6 European Sustainability-linked Bond Issuance



1.7 European Transition Bond Issuance



Source: Dealogic

**The analysis follows current Dealogic classifications; some bonds previously identified as transition bonds have since been reclassified as ESG.*

European ESG bond issuance increased YoY

Sustainable bond issuance experienced the strongest increase YoY, reaching €16.7bn (+161%). The increase was primarily driven by three issuers, AFD, EIB, and North Rhine Westphalia, which together issued nearly €9bn in bonds.

Green and social bond issuance increased by 29% YoY and 42% YoY, respectively. Green bond issuance continues to be the largest ESG category, with €109.6bn in proceeds in the second quarter.

Sustainability-linked bond issuance was the only ESG bond category that exhibited an annual decrease compared to Q2 2025 (-71%).

Notably, no transition bonds were issued in 2026.

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Top Single ESG Bond Issues by Amount in 2026 YtD (Q2)

Green	Amount EUR (bn)	Maturity Date	ISIN
United Kingdom	7.22	07/03/37	GB00BVP99905
Republic of Italy	4.99	30/04/46	IT0005631608
KfW	4.99	01/04/33	XS3292846030
Amprion GmbH	1.00	15/01/38	DE000A460EY8
Green Lion 2026-1 BV	1.00	23/01/62	XS3248359112

Social	Amount EUR (bn)	Maturity date	ISIN
UNEDIC	3.50	25/11/36	FR00140173A6
CADES	3.39	12/02/31	US12802D2T21
UNEDIC	2.99	25/05/32	FR0014017VS6
CADES	2.95	03/03/33	US12802D2U93
CADES	2.55	21/08/29	US12802D2V76

Sustainability	Amount EUR (bn)	Maturity date	ISIN
North Rhine Westphalia	2.24	06/05/36	DE000NRW0QM7
Agence Francaise de Developpement - AFD	1.99	15/09/33	FR0014018LQ9
Agence Francaise de Developpement - AFD	1.98	28/01/36	FR0014015RA6
European Investment Bank - EIB	1.72	27/04/32	EU000A4ETDC6
Agence Francaise de Developpement - AFD	1.72	04/06/29	FR0014018VR6

Source: Dealogic

Government-related entities originated the largest ESG single issues

Sovereign and supranational entities continue to significantly contribute to the growth of green and sustainable primary markets.

As of Q2 2026, the Government of the United Kingdom issued the largest single green bond of £6bn (€7.22bn), with the proceeds intended for nuclear inclusion. Italy issued the second largest green bond with €5bn in proceeds.

The French Union Nationale interprofessionnelle pour l'Emploi dans l'Industrie et le Commerce (UNEDIC) issued the largest social bond (€3.5bn) while Caisse d'Amortissement de la Dette Sociale (CADES) maintained its position as a market leader for social bonds, with three of the largest social bonds issuances in the first half of the year.

Sustainability bonds were issued in smaller tranches than other ESG instruments. The largest issue of the quarter amounted at €2.24bn and was originated by North Rhine Westphalia, followed by Agence Francaise de Developpement (AFD), which issued €1.99bn in Q1.

afme/ Key findings

Top 10 European Green Bond Standard (EU GBS)-compliant issues by Amount in 2026 YtD (Q2)

EuGB Issue	Nationality	Amount EUR (bn)	Maturity date	ISIN
European Investment Bank - EIB	EU	3.96	15/03/34	EU000A4EQ756
BPCE SFH	France	1.49	10/01/33	FR0014018XB6
NRW Bank	Germany	1.49	27/05/33	DE000NWB0B16
ABN AMRO Bank	Netherlands	1.25	09/04/30	XS3311914850
ABN AMRO Bank	Netherlands	0.86	27/05/31	XS3388145263
Argenta Spaarbank NV	Belgium	0.75	17/06/32	BE6374825824
EDP Servicios Financieros Espana SAU	Portugal	0.75	01/03/33	XS3391835629
EDP Servicios Financieros Espana SAU	Portugal	0.65	04/02/32	XS3286252963
ABN AMRO Bank	Netherlands	0.57	21/12/32	XS3351011039
Argenta Spaarbank NV	Belgium	0.55	02/02/34	BE6371398502

* EU includes the EIB

Source: Dealogic

EU GBS-compliant market uptake strengthens in Q2 2026

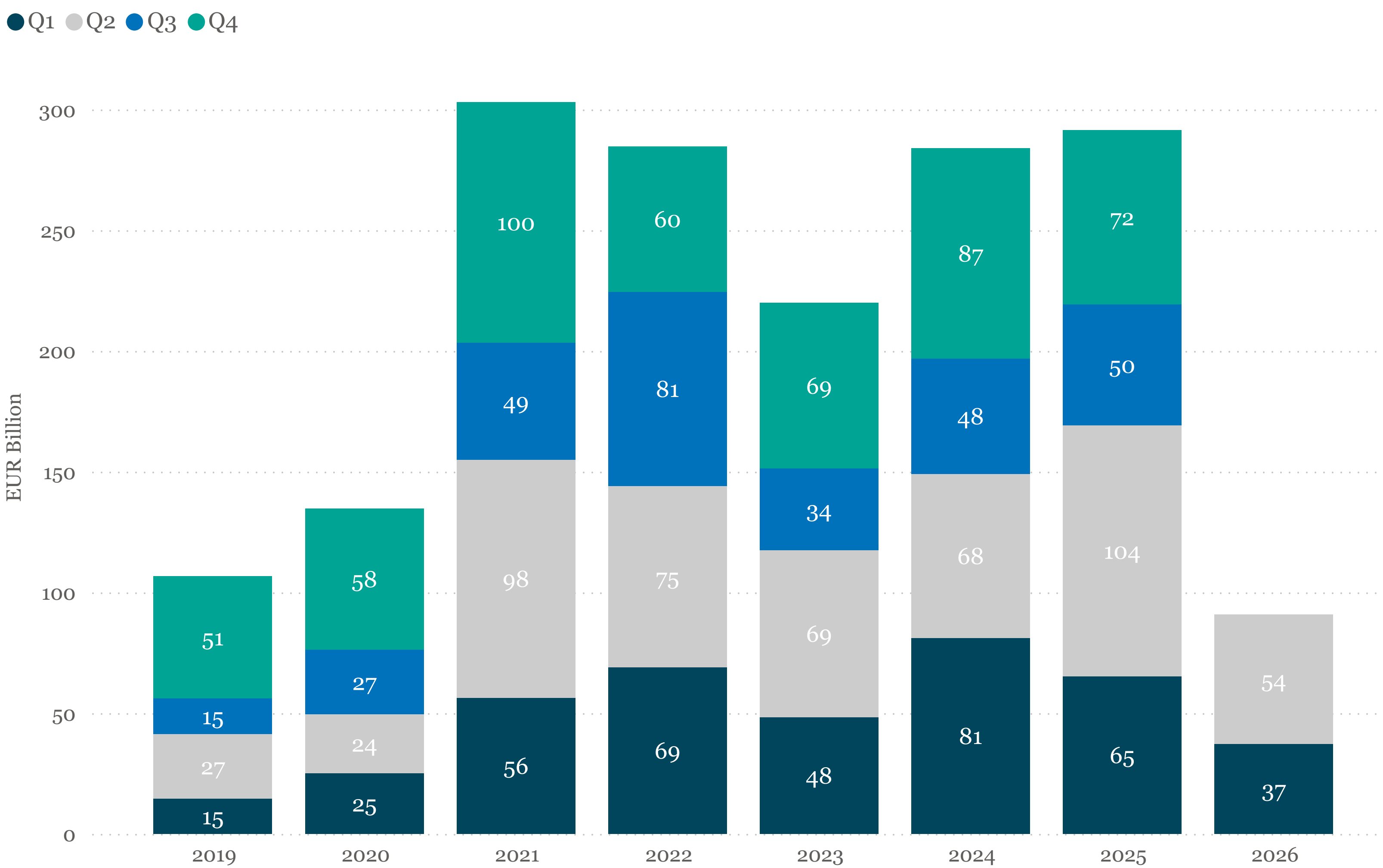
The new European Green Bond Standard (EU GBS), which came into force in December 2024, establishes criteria for green bonds, including enhanced transparency and oversight of pre- and post-issuance reviews.

In H1 2026, a total of 29 (€21.7bn) European Green Bonds compliant with the EU Green Bond Standard (EU GBS) were issued, representing 11% of the H1 2026 EU green bond issued amount (€196.8bn).

In the first half of the year, the EIB issued the largest EU GBS-compliant bond, raising €3.96bn, followed by BPCE and NRW Bank (€1.49bn each). After Deutsche Bank's issuance in January, BPCE became the second G-SIB to issue an EuGB.

Key findings

1.8 European Sustainability-linked and Green Loan Issuance 2019 - 2026YtD (Q2)



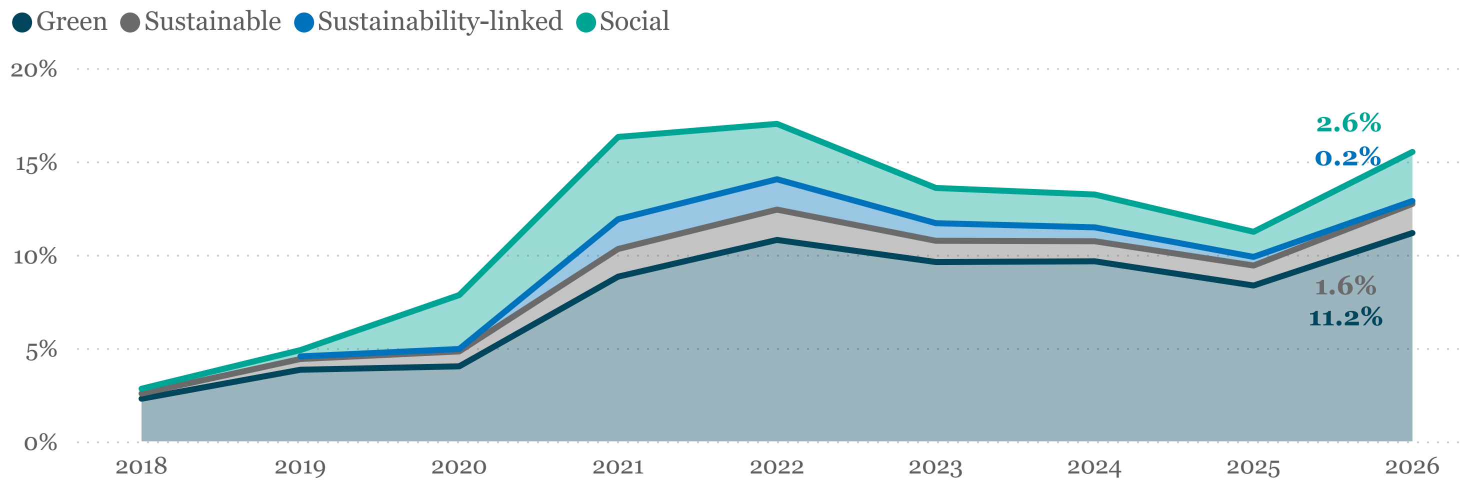
Source: Dealogic

European sustainability-linked and green loan issuance decreased YoY in Q2 2026

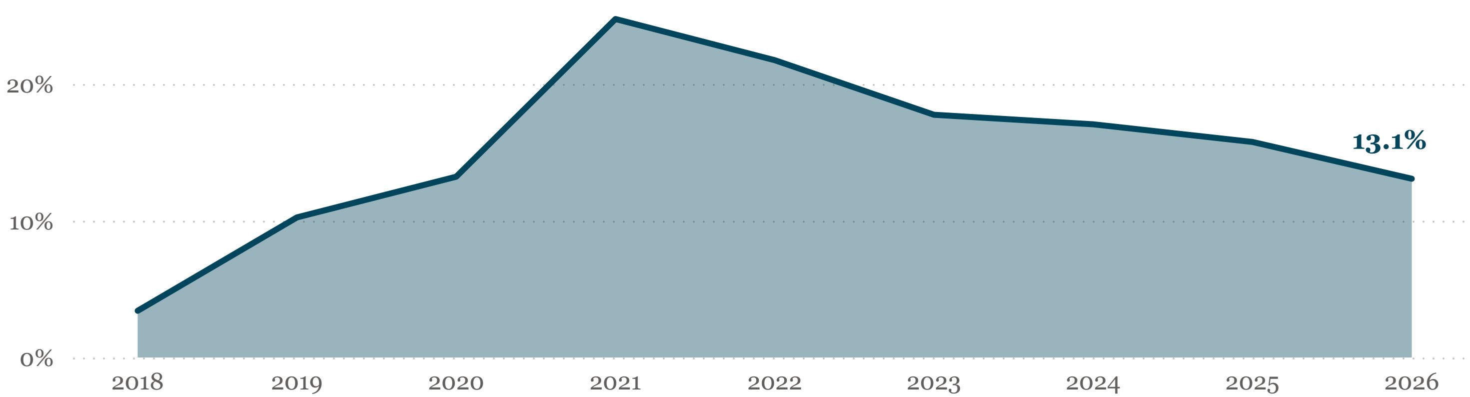
In Q2 2026, European sustainability-linked and green loans origination totalled €54bn, decreasing 48% YoY and increasing 46% QoQ.

afme/ Key findings

1.9 European ESG Bond Issuance as % of Total Bond Issuance



1.10 European Sustainability-linked and Green Loan Issuance as % of Syndicated Loan Origination



ESG includes Environmental, Social and Sustainable

Source: Dealogic

Increase in the share of ESG bonds in total bond issuance in Europe

ESG bond issuance represented 15.6% of total European bond issuance during Q2 2026, including 11.2% green bonds, 2.6% social bonds, 1.6% sustainable bonds and 0.2% sustainability-linked bonds. This represented an increase from 10.8% in 2025.

Sustainability-linked and green loan issuance represented 13.1% of total European syndicated loan origination during Q1 2026, a decrease from the market share observed in 2025 (15.8%).

Regulatory Update

Regulatory/Supervisory Snapshot – Sustainable Finance*

2026

Q3

- European Commission adopts revised European Sustainability Reporting Standards (ESRS) and voluntary reporting standard for smaller companies as Delegated Acts
- EFRAG issues Exposure Draft of ESRS for certain non-EU Undertakings (ESRS-40a) for public consultation
- European Commission adopts ETS Review proposal
- European Commission adopts Report on Banking Sector Competitiveness
- European Supervisory Authorities (ESAs) launch public consultations on the review of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation
- European Commission consults stakeholders on the development of guidelines under CSDDD
- SFDR 2.0: European Parliament to adopt its position for interinstitutional negotiations

*Please note that the above is a selective list of initiatives and timelines are indicative and may be subject to change.

Regulatory/Supervisory Snapshot – Sustainable Finance*

2026

Q4

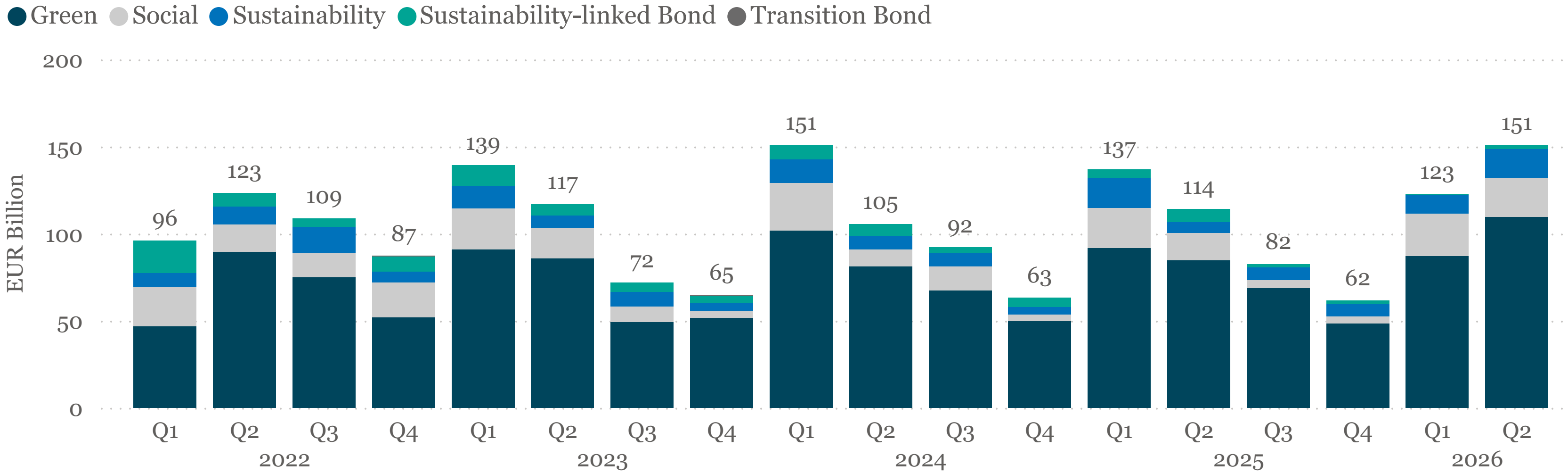
- European Commission to adopt finalised Delegated Acts reviewing the Taxonomy Environmental and Climate Delegated Acts, including Taxonomy Technical Screening Criteria review (tbc)
- European Commission to adopt proposal for a European climate resilience and risk management integrated framework
- ESAs and EU Platform on Sustainable Finance to finalise their advice to the Commission on the review of the Taxonomy Article 8 Disclosures Delegated Act
- Simplified ESRS and Voluntary Standard: End of scrutiny period in the European Parliament and Council (tbc)
- SFDR 2.0: Interinstitutional negotiations, possible political agreement (tbc)
- FCA to publish Policy Statement on the introduction of requirements for UK listed companies to report against UK Sustainability Reporting Standards (SRS)
- FCA to publish Policy Statement with final rules on regulation of ESG rating providers
- FCA to finalise simplified climate reporting rules for investment products
- International Sustainability Standards Board (ISSB) to issue Nature-related Disclosures Exposure Draft

*Please note that the above is a selective list of initiatives and timelines are indicative and may be subject to change.

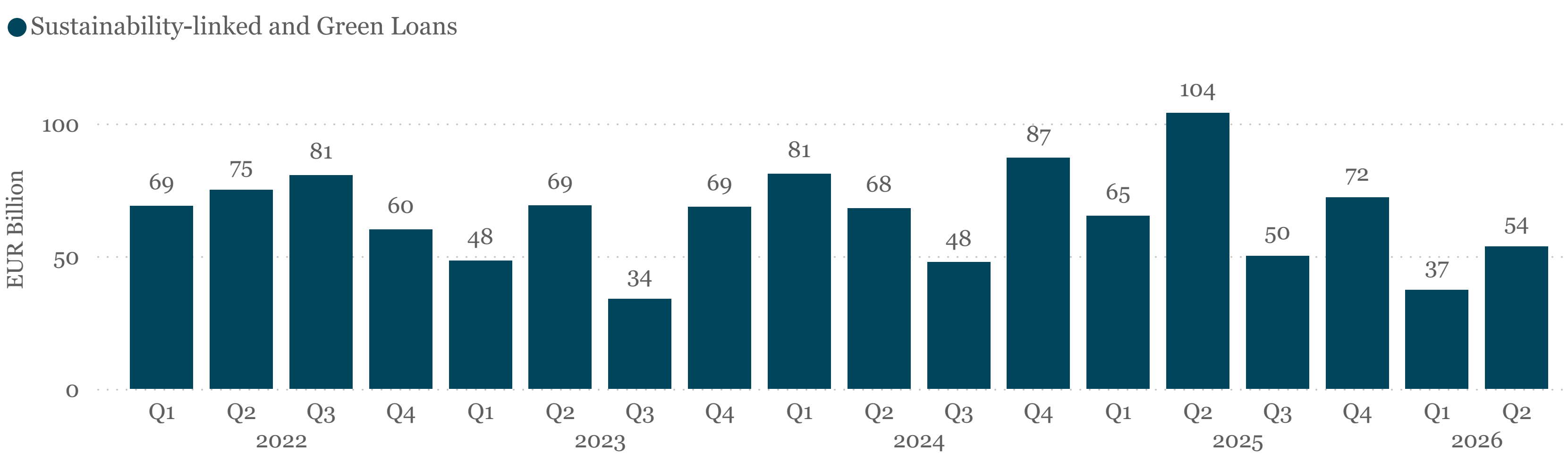
ESG Bond and Loan Issuance

ESG Bond and Loans Issuance

2.1 European ESG, Sustainability-linked and Transition Bond Issuance



2.2 European Sustainability-linked and Green Loan Issuance



Source: Dealogic

Increase in ESG bond issuance in Q2 2026

Proceeds from ESG, sustainability-linked and transition bonds totalled €151bn in Q2 2026, an increase of 32% from €114bn in Q2 2025.

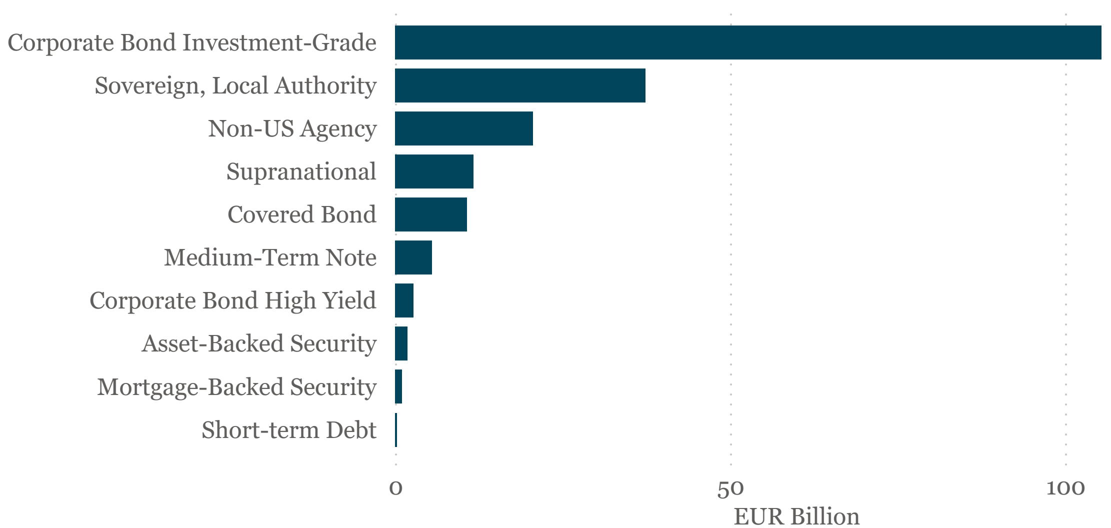
Sustainability-linked and green loan origination increased by 46% QoQ and dropped by 48% YoY, totalling €54bn in proceeds in the second quarter of 2026.

As of H1 2026, investment-grade corporate issuers accounted for 54% of the total proceeds from green bonds, while non-US agencies dominated social bond issuance (63% of the total).

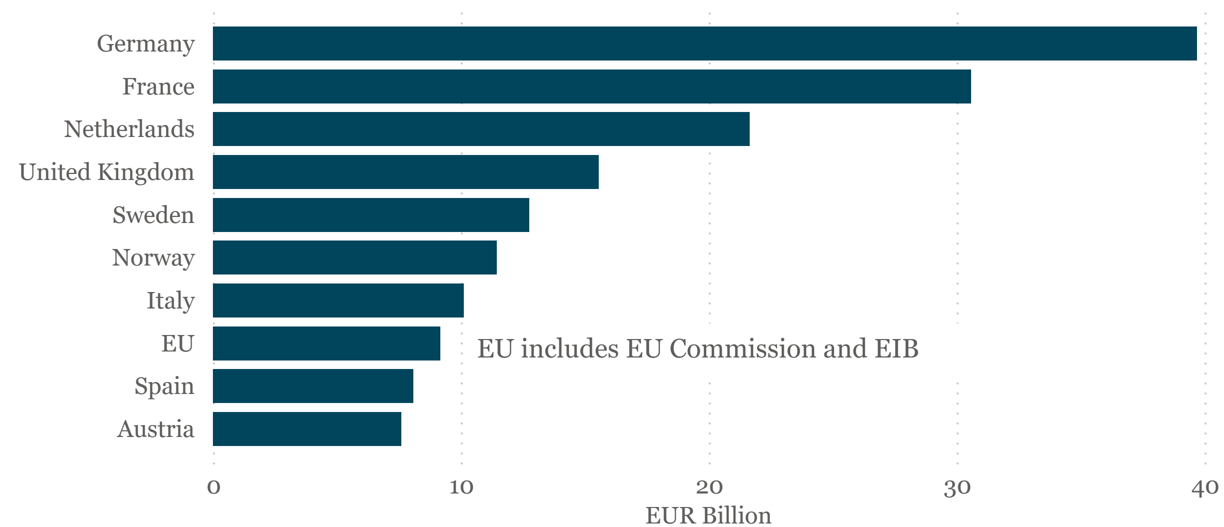
Globally, the European Union continues to be the primary region for green and social bond issuance, as wells as for sustainability-linked and green loan origination. Whereas APAC issuers led the quarter in sustainable bond issuance. [See pages 14-19]

Green Bond Issuance

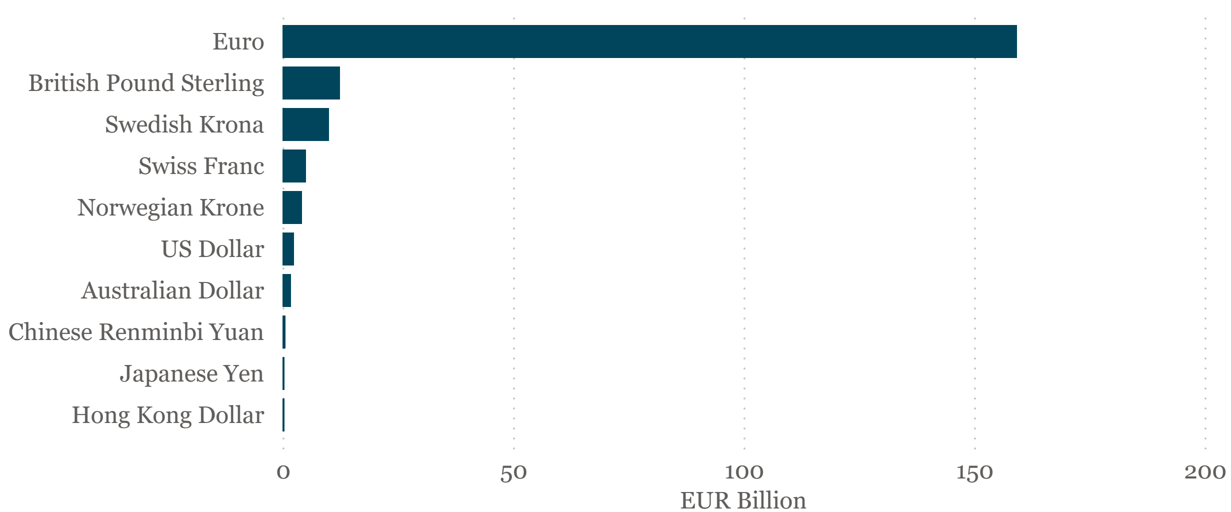
2.3 Green Bond Issuance by Deal Type: 2026YtD (Q2)



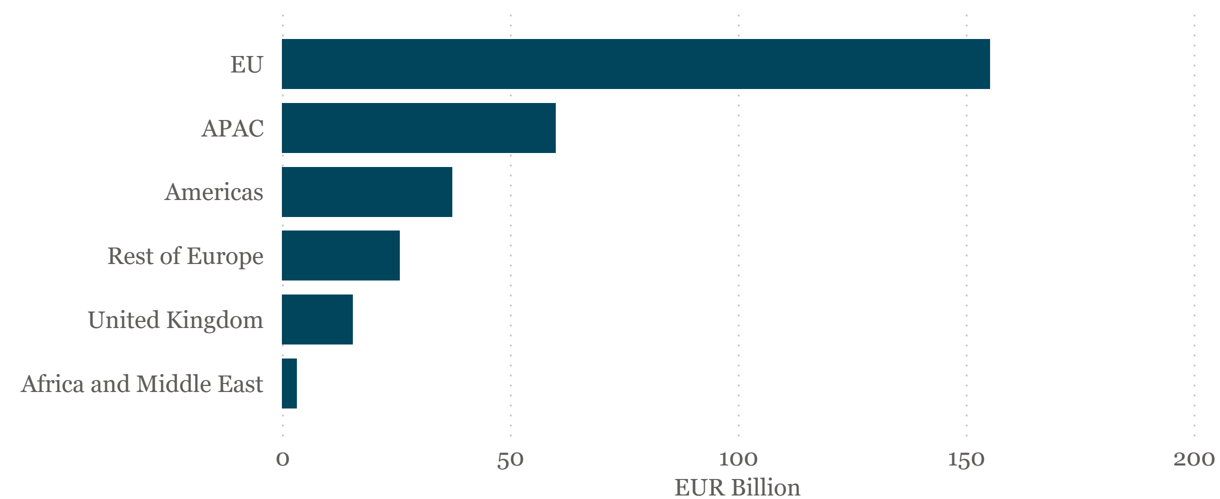
2.4 Green Bond Issuance by Country (top 10): 2026YtD (Q2)



2.5 Green Bond Issuance by Currency (top 10): 2026YtD (Q2)



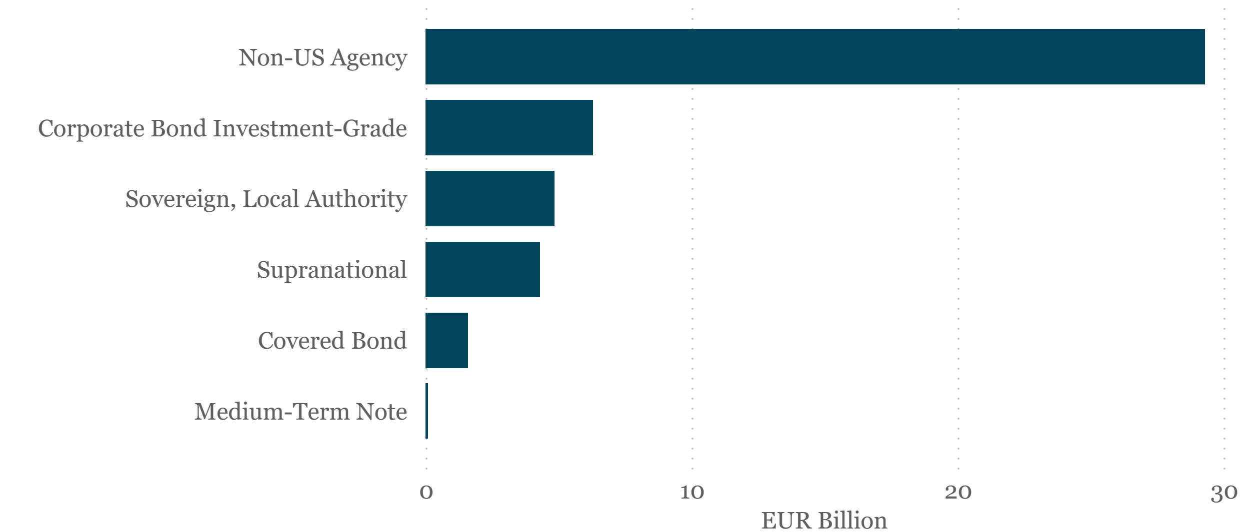
2.6 Green Bond Issuance Global Comparison: 2026YtD (Q2)



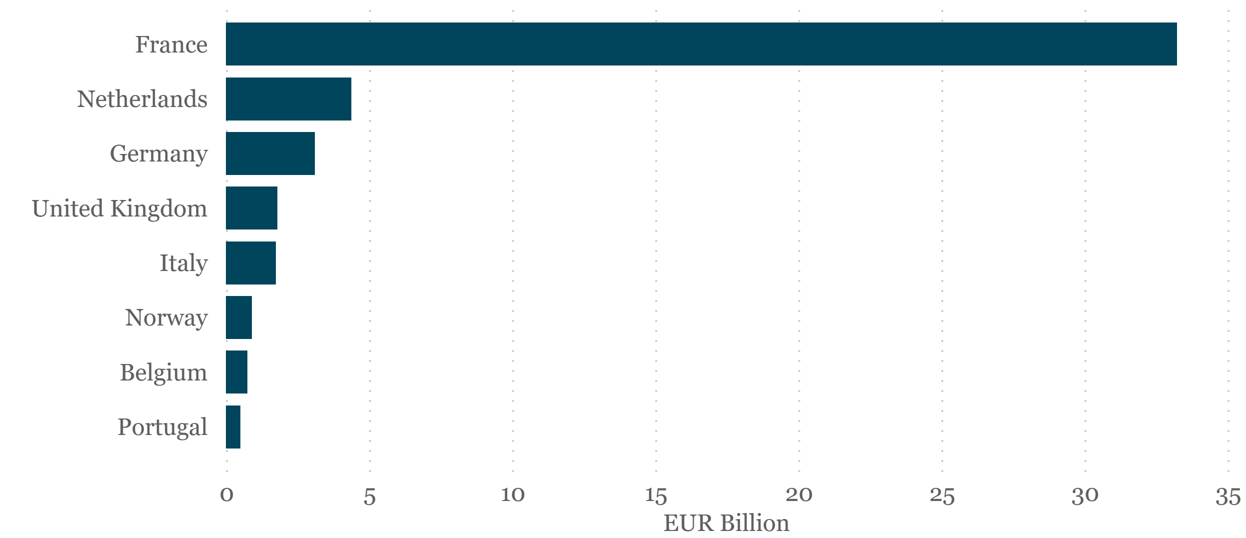
Source: Dealogic

Social Bond Issuance

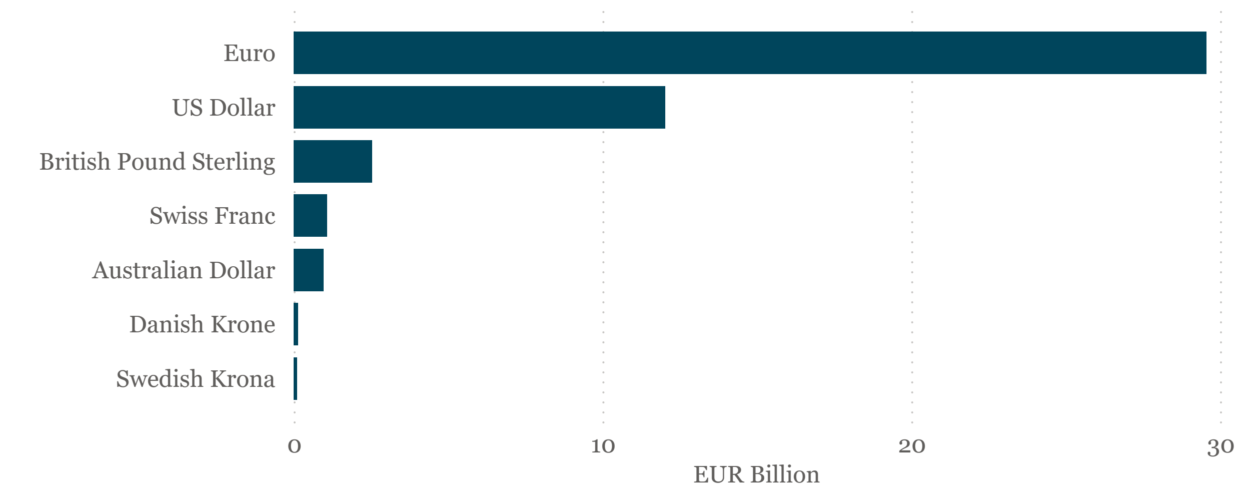
2.7 Social Bond Issuance by Deal Type: 2026YtD (Q2)



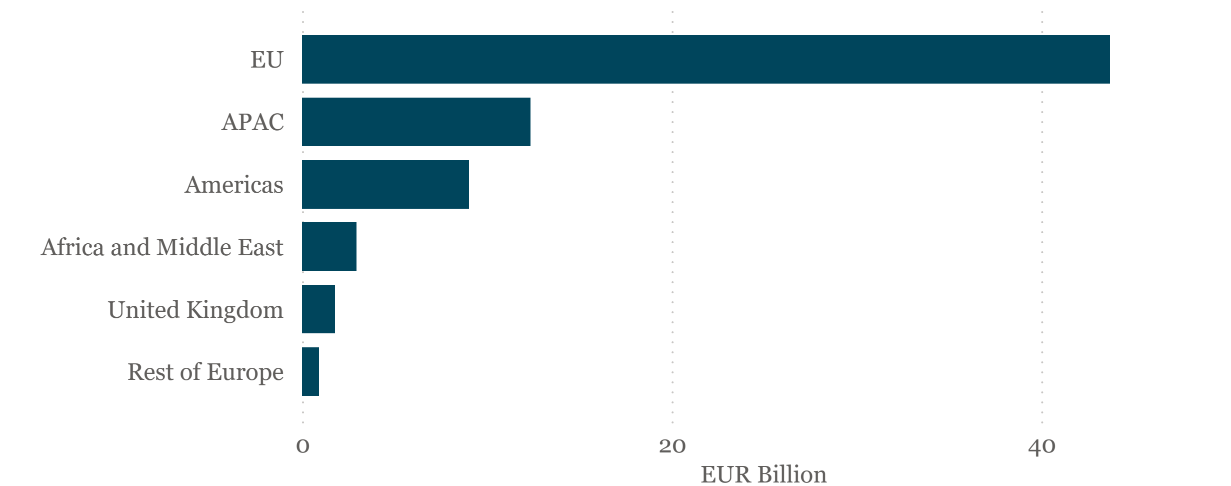
2.8 Social Bond Issuance by Country: 2026YtD (Q2)



2.9 Social Bond Issuance by Currency: 2026YtD (Q2)



2.10 Social Bond Issuance Global Comparison: 2026YtD (Q2)

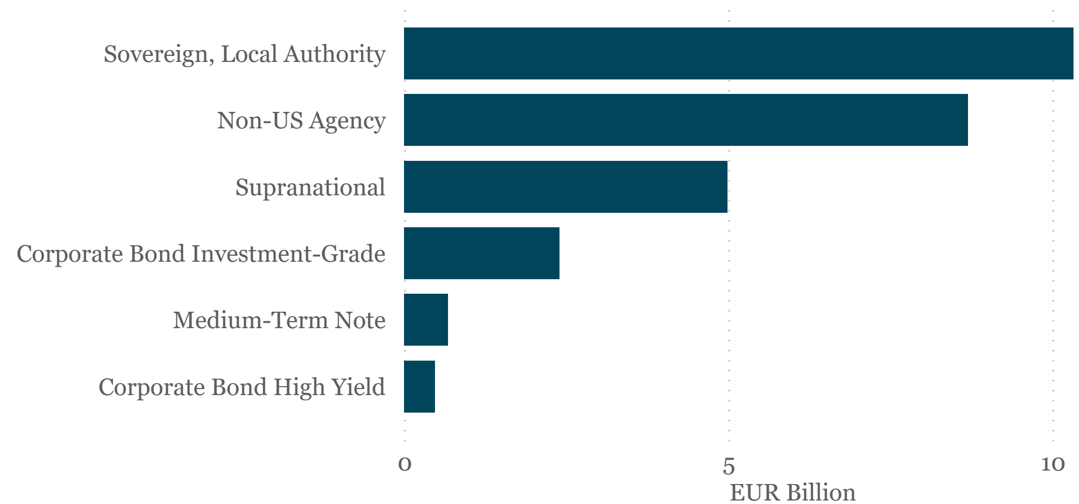


Source: Dealogic

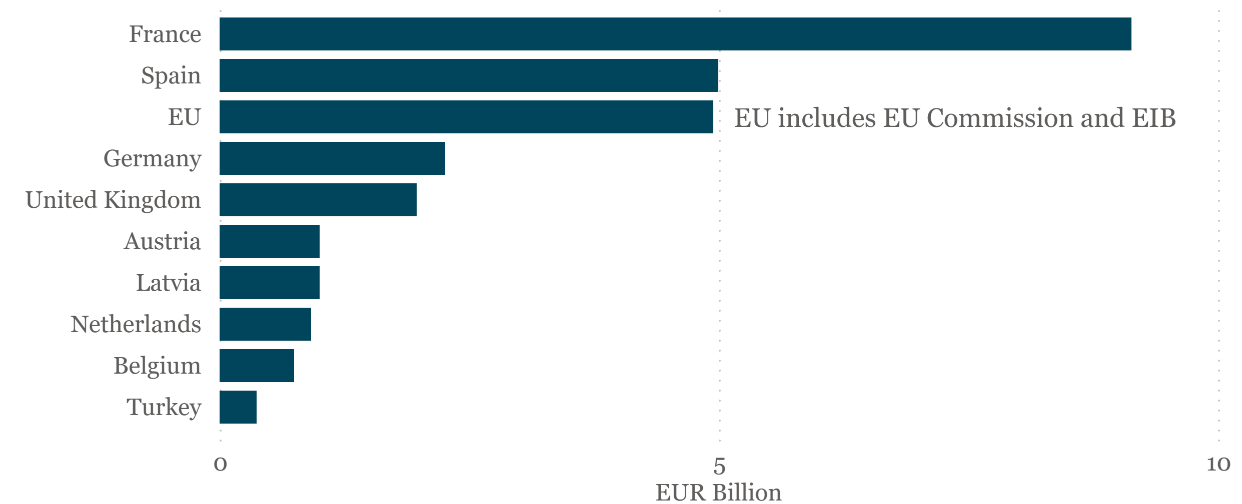
Sustainable Bond Issuance

Proceeds of Sustainable Bonds are allocated between green projects and social projects

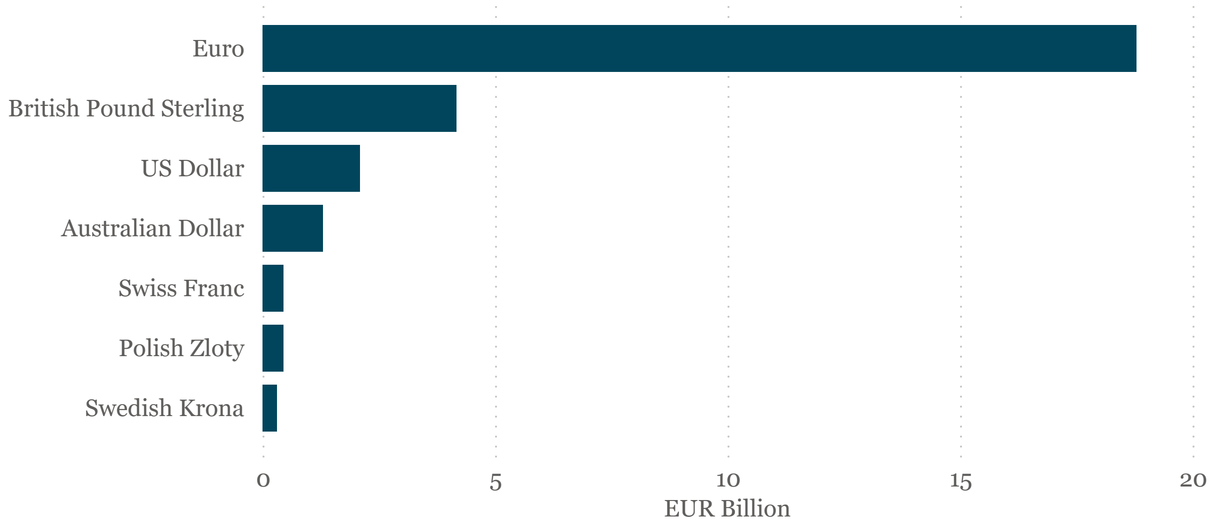
2.11 Sustainable Bond Issuance by Deal Type: 2026YtD (Q2)



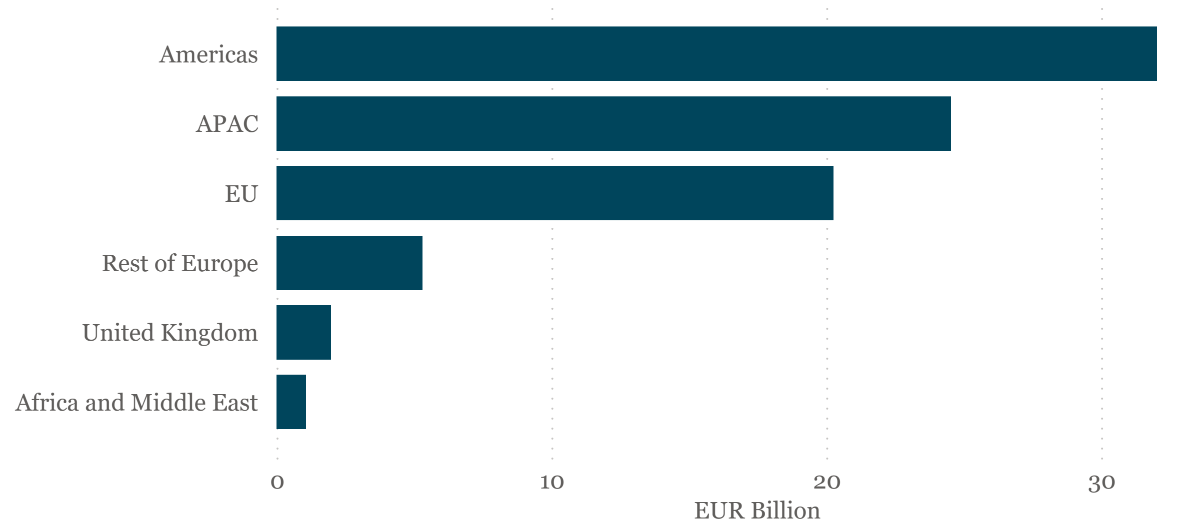
2.12 Sustainable Bond Issuance by Country (top 10): 2026YtD (Q2)



2.13 Sustainable Bond Issuance by Currency: 2026YtD (Q2)



2.14 Sustainable Bond Issuance Global Comparison: 2026YtD (Q2)

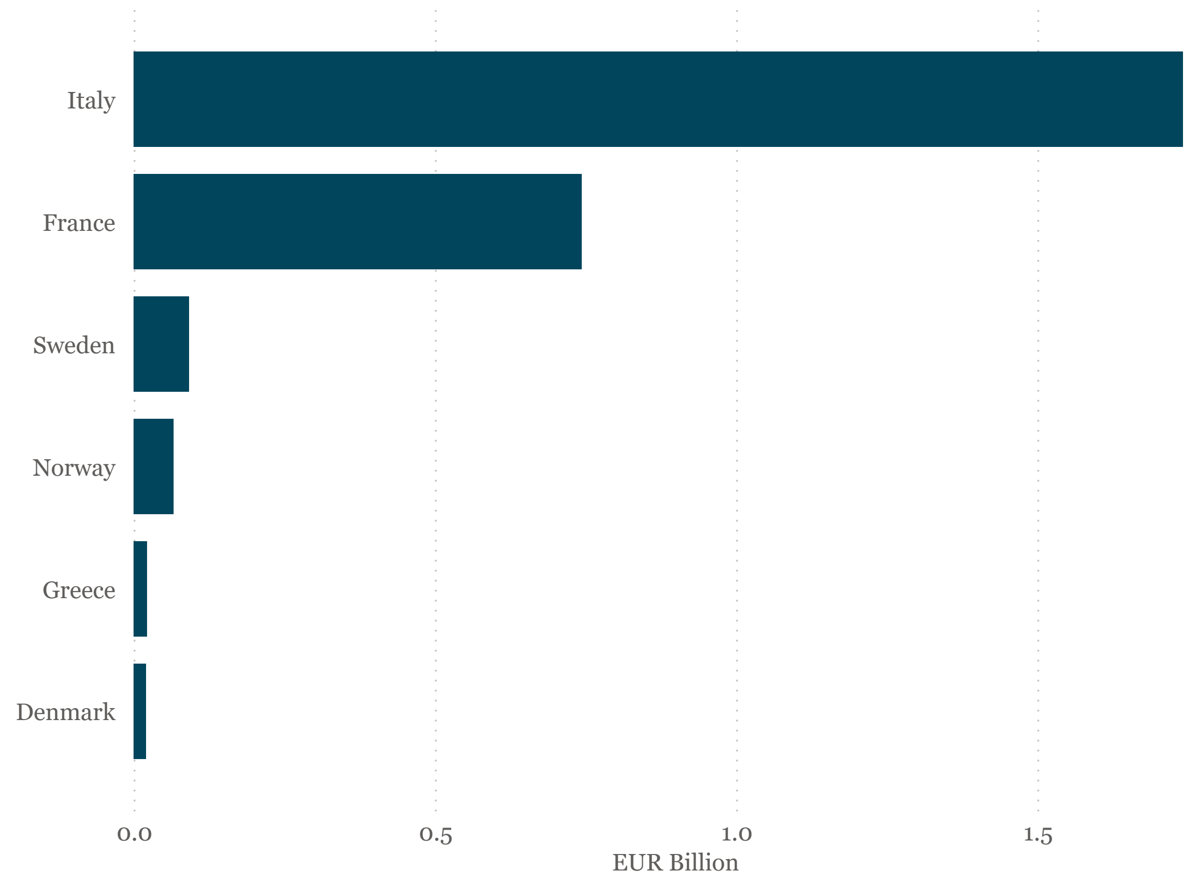


Source: Dealogic

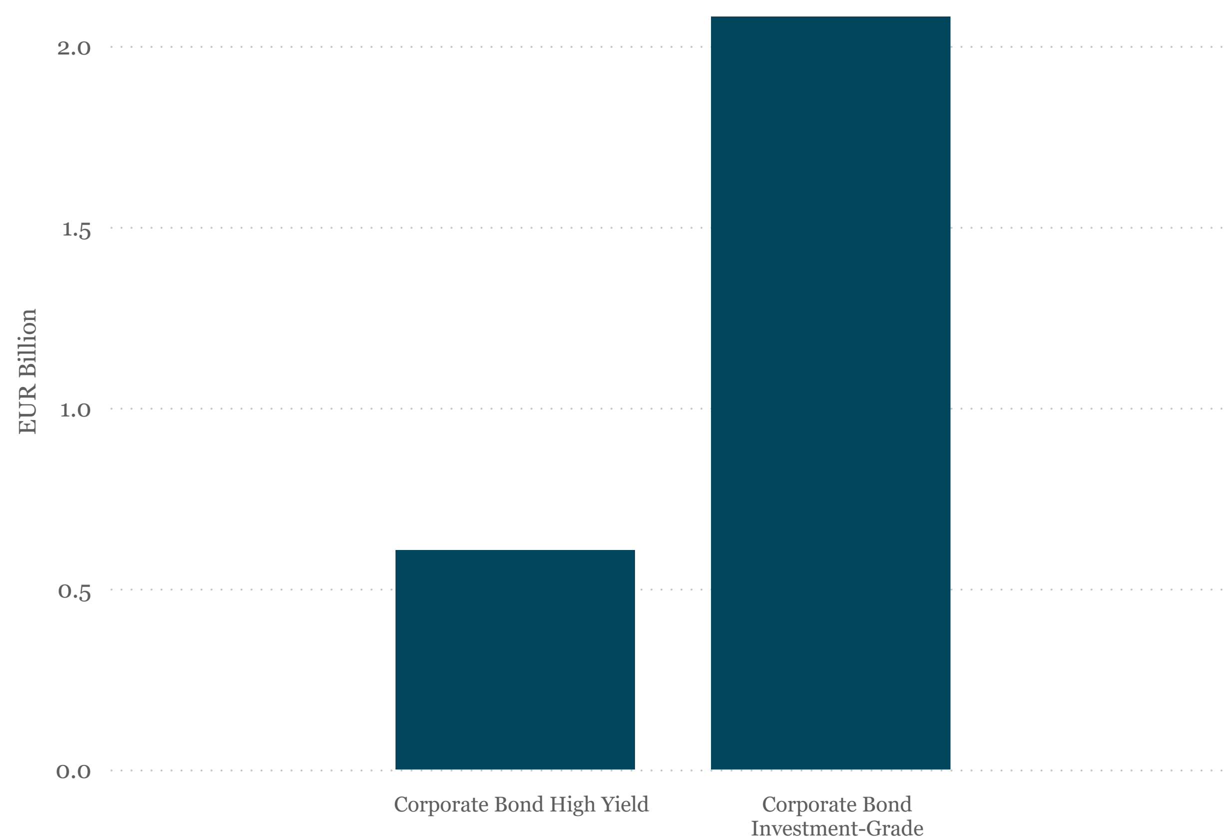
Sustainability-linked Bond Issuance

Sustainability-linked bonds are performance-based bonds where payment is contingent on pre-determined KPIs which are aligned with sustainability strategies. Transition bonds are bonds issued with a “transition” label indicating use of proceeds to improve environmental performance but not yet reaching “green” categorisation.

2.15 European Sustainability-linked Bond Issuance by Country: 2026YtD (Q2)



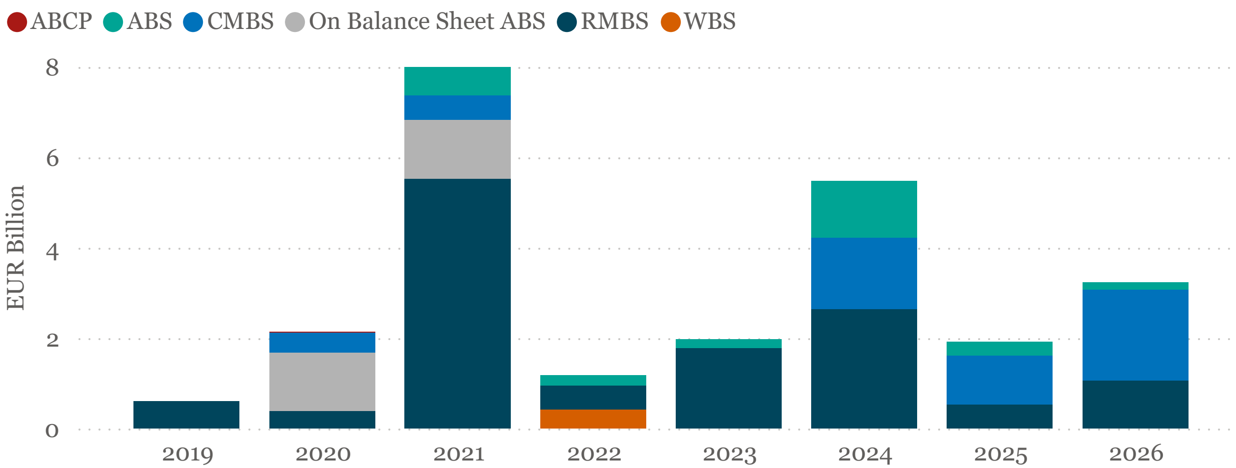
2.16 European Sustainability-linked Bond Issuance by Deal Type: 2026YtD (Q2)



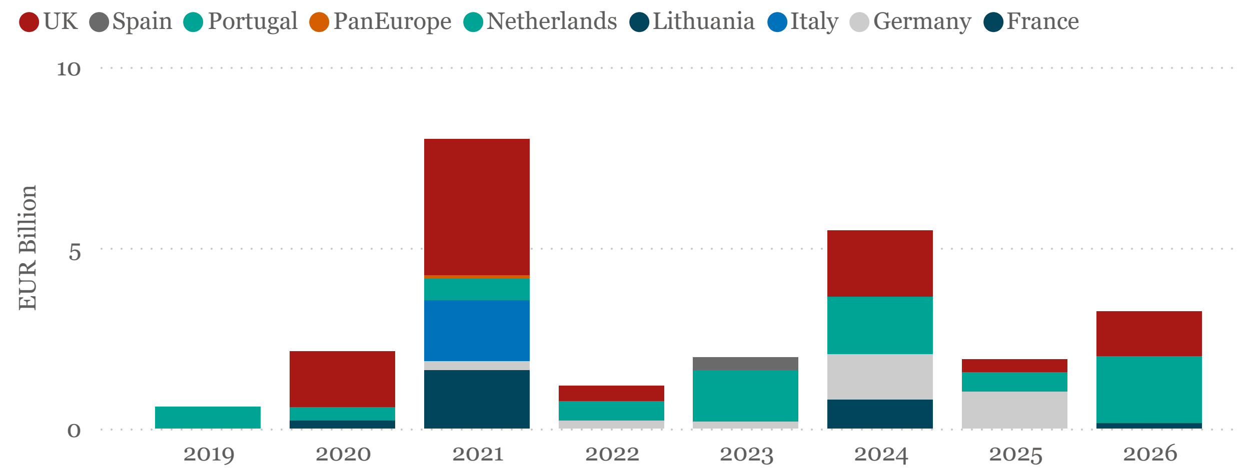
Source: Dealogic

ESG Securitisation Issuance

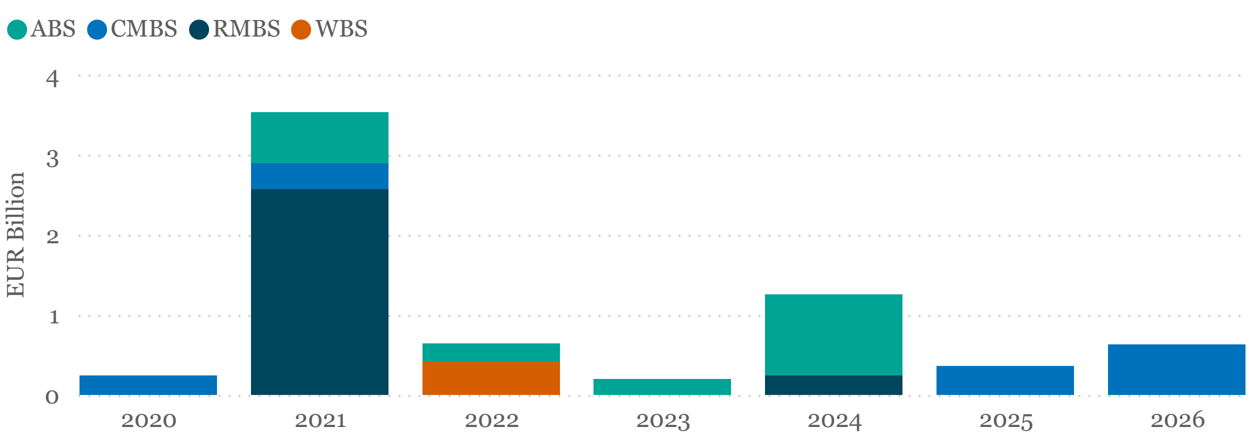
2.17 European ESG Securitisation Issuance by Asset Class



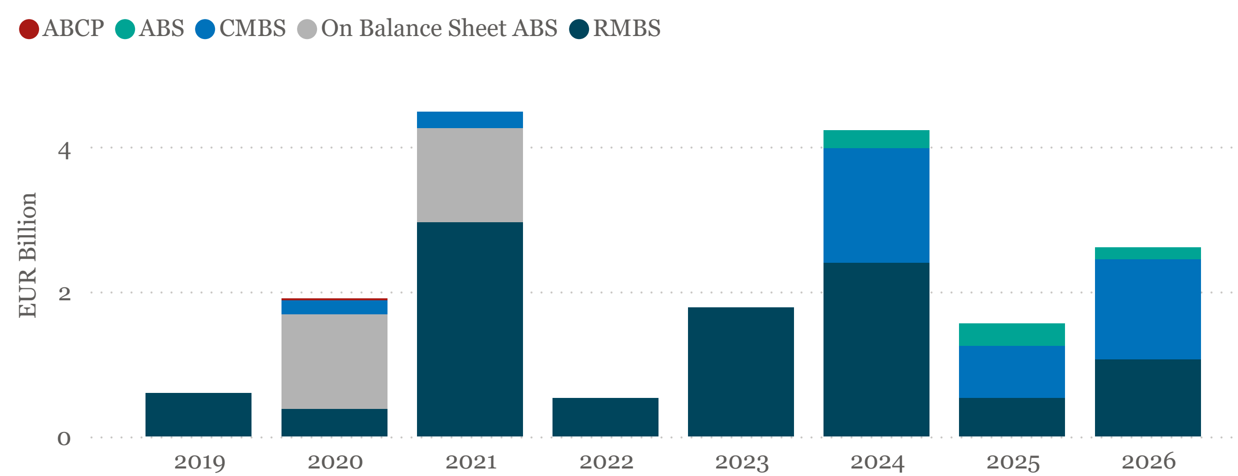
2.18 European ESG Securitisation Issuance by Country of Asset



2.19 European Social and Sustainable Securitisation Issuance by Asset Class



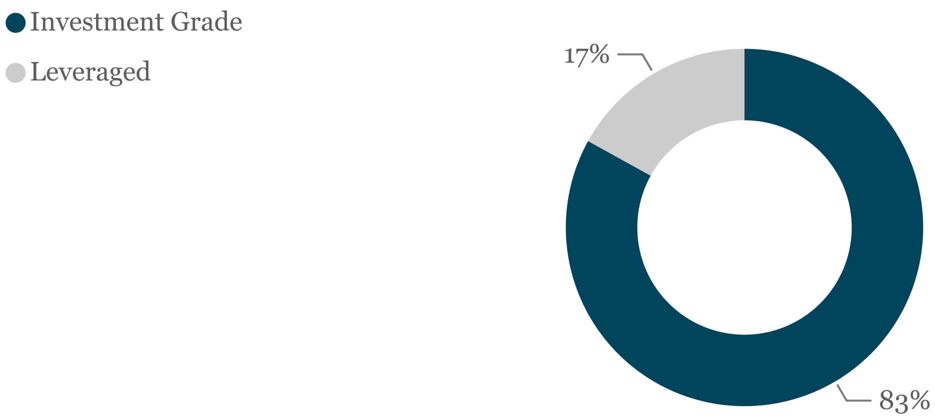
2.20 European Green Securitisation Issuance by Asset Class



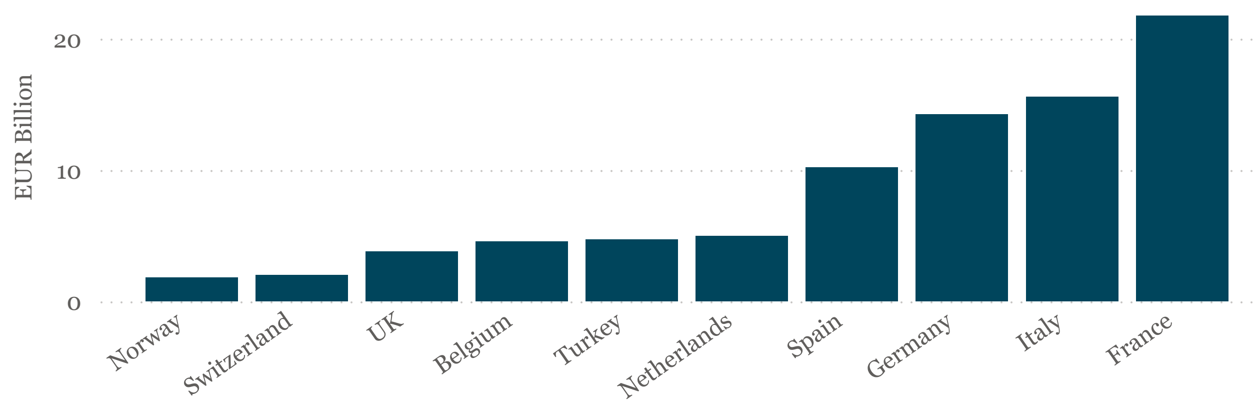
Source: AFME, Climate Bond Initiative, Credit Agricole, S&P, and European Data Warehouse

Sustainability linked and Green Loan Issuance

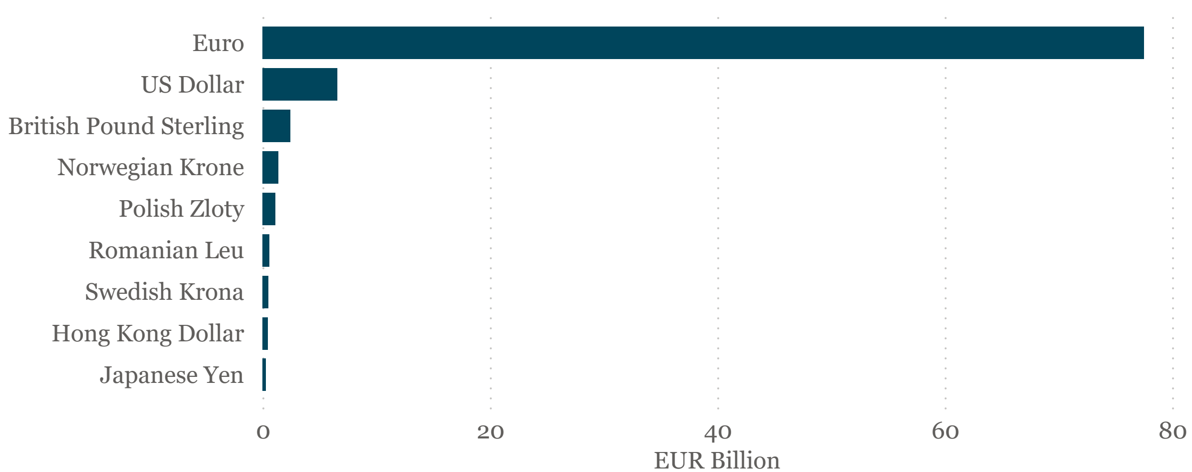
2.21 Sustainability-linked and Green Loan Issuance by Deal Type: 2026YtD (Q2)



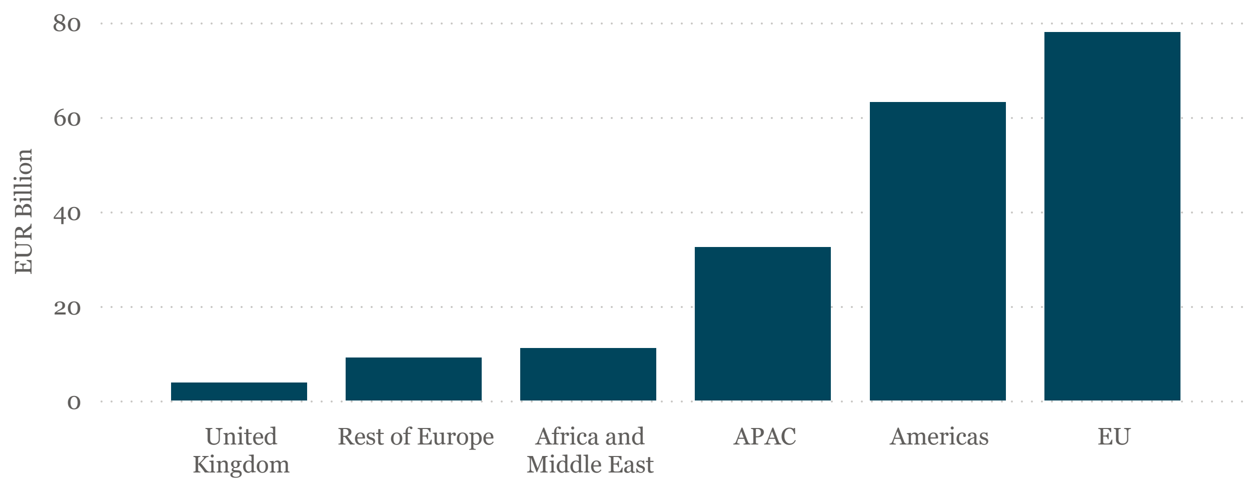
2.22 Sustainability-linked and Green Loan Issuance by Country (top 10): 2026YtD (Q2)



2.23 Sustainability-linked and Green Loan Issuance by Currency: 2026YtD (Q2)



2.24 Sustainability-linked and Green Loan Issuance Global Comparison: 2026YtD (Q2)

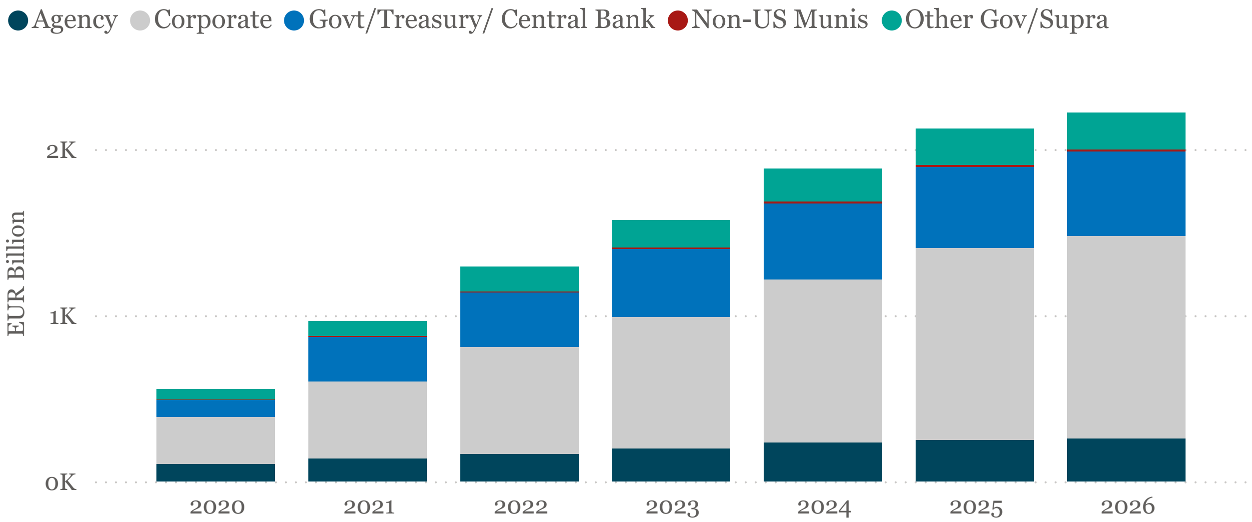


Source: Dealogic

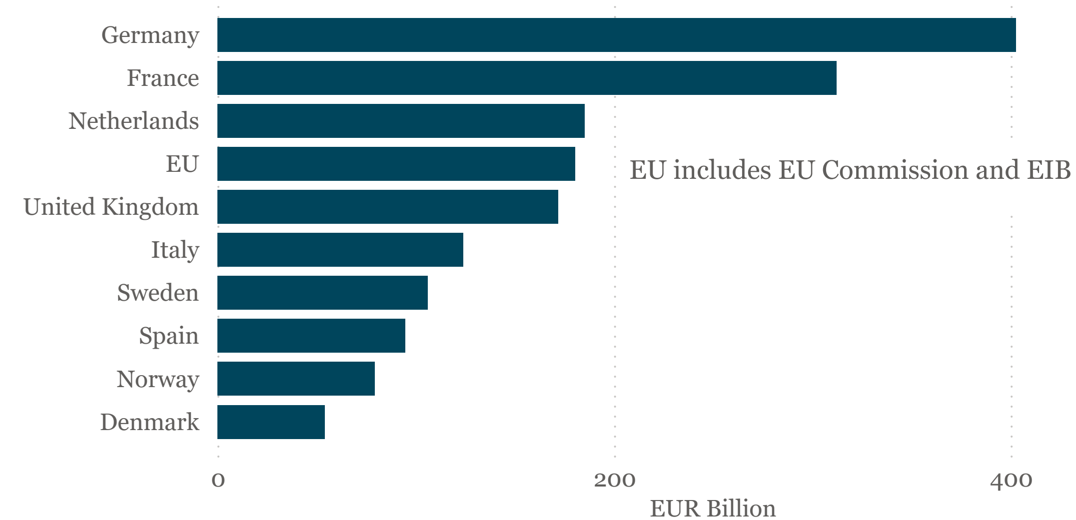
ESG Bonds Outstanding

Green Bonds Outstanding

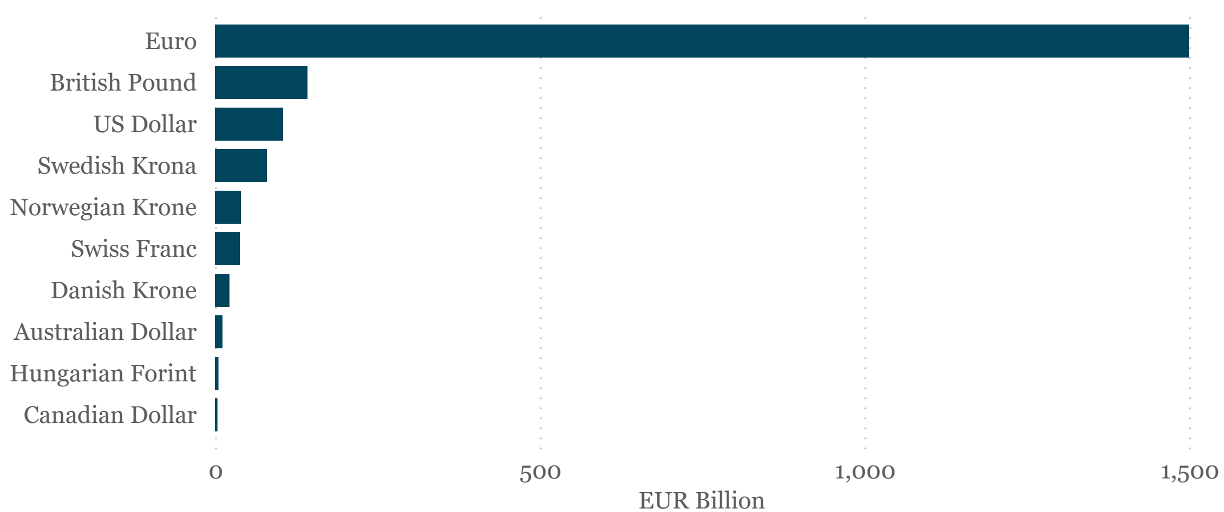
3.1 Evolution of European Green Bonds Outstanding



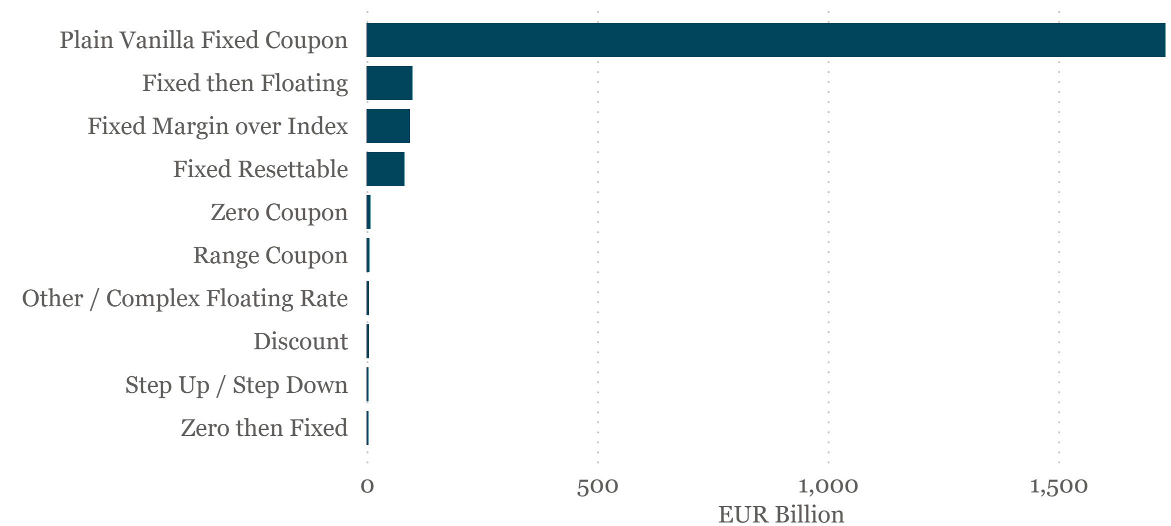
3.2 Green Bonds Outstanding by Country (top 10)



3.3 Green Bonds Outstanding by Currency (top 10)



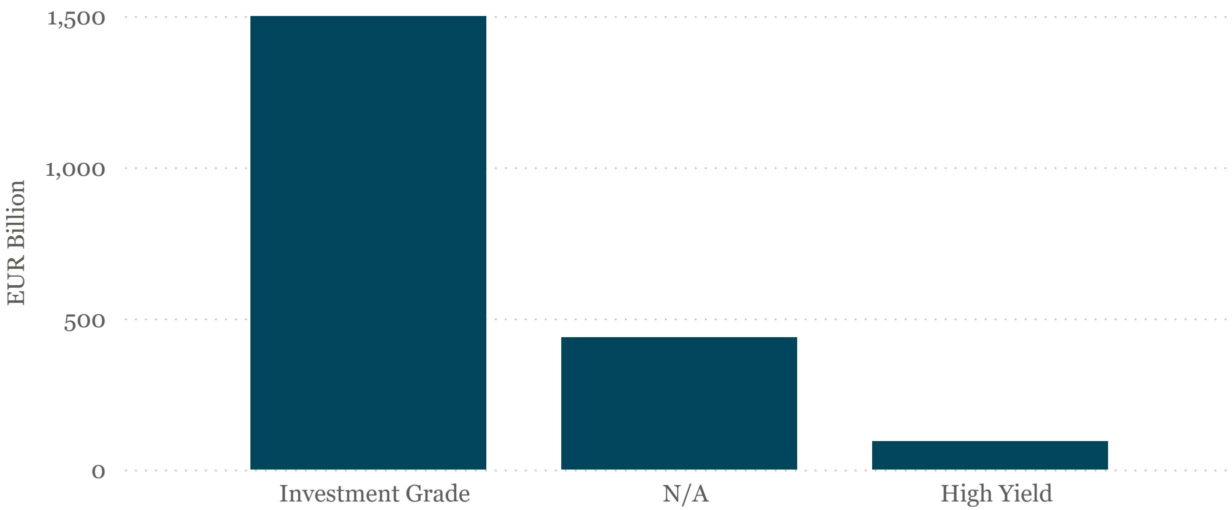
3.4 Green Bonds Outstanding by Coupon Type (top 10)



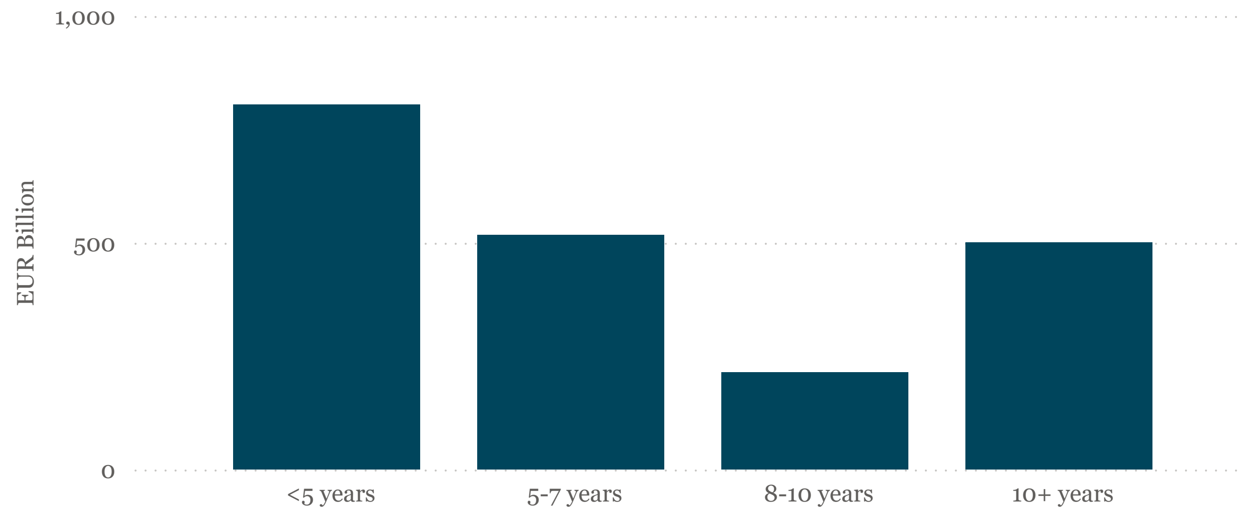
Source: LSEG

Green Bonds Outstanding

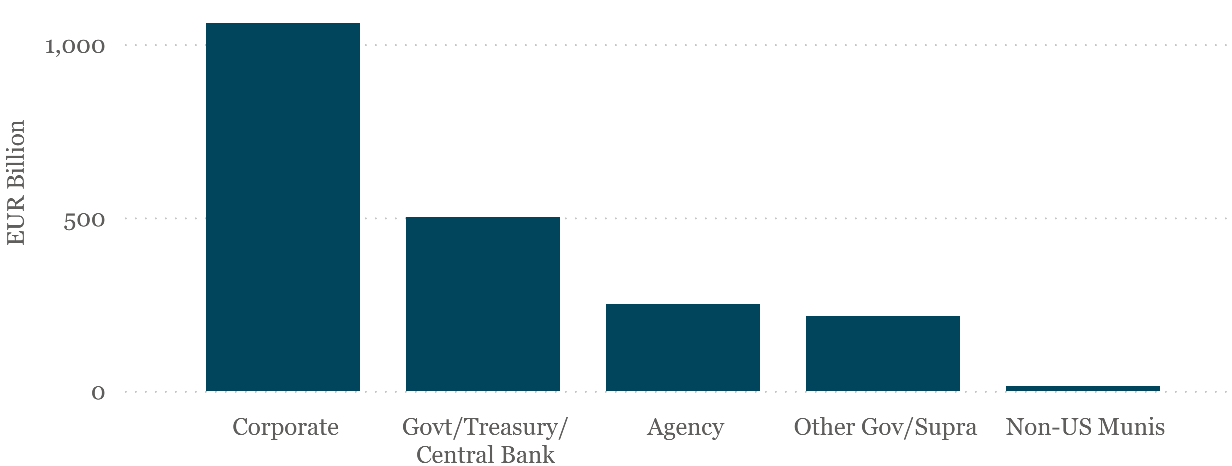
3.5 Green Bonds Outstanding by Bond Grade



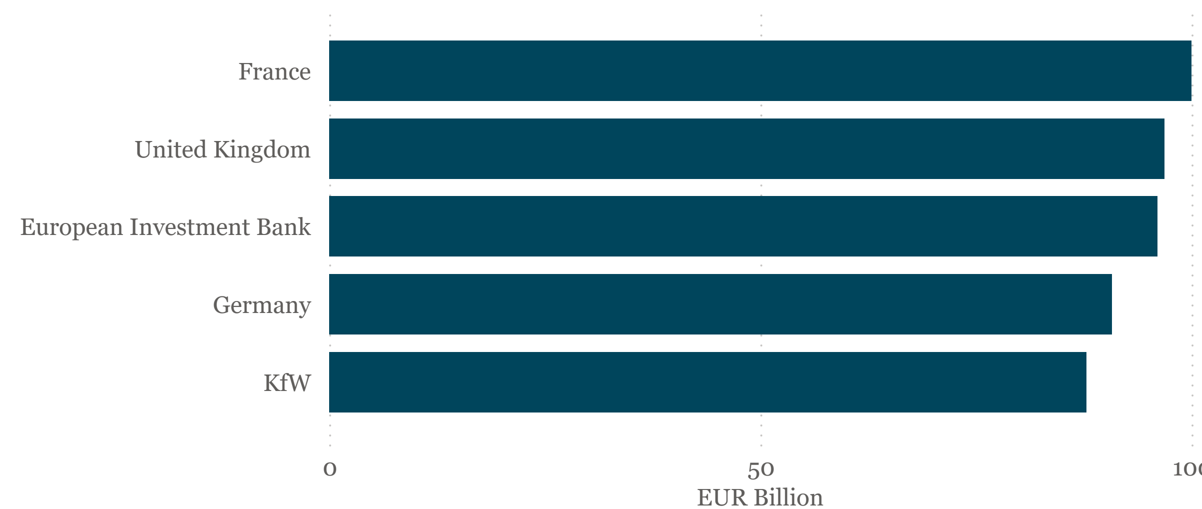
3.6 Green Bonds Outstanding by Years to Maturity



3.7 Green Bonds Outstanding by Asset Class



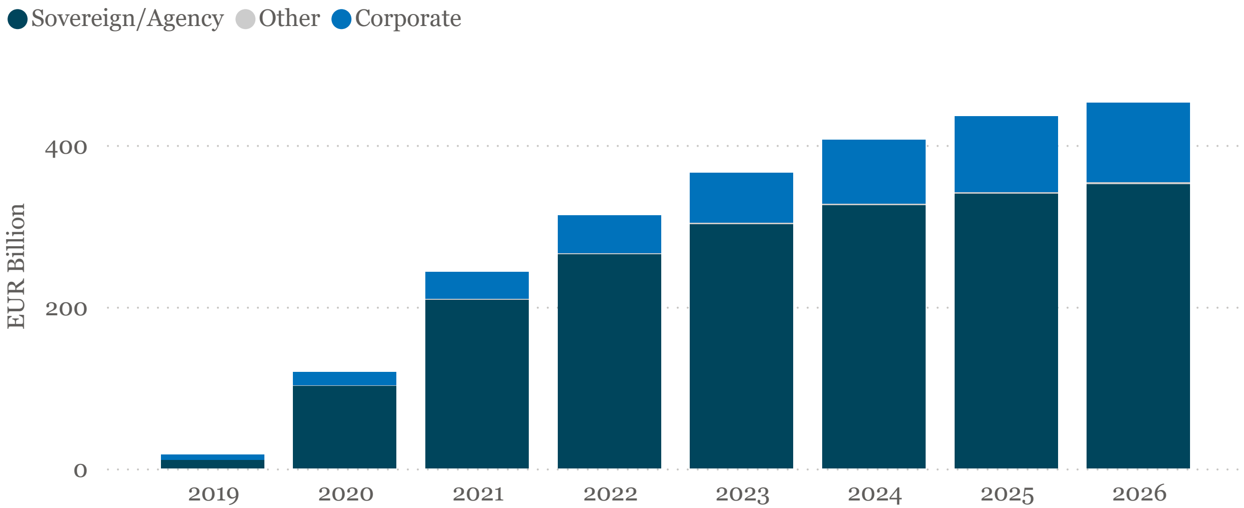
3.8 Green Bonds Outstanding by Single Issuers (top 5)



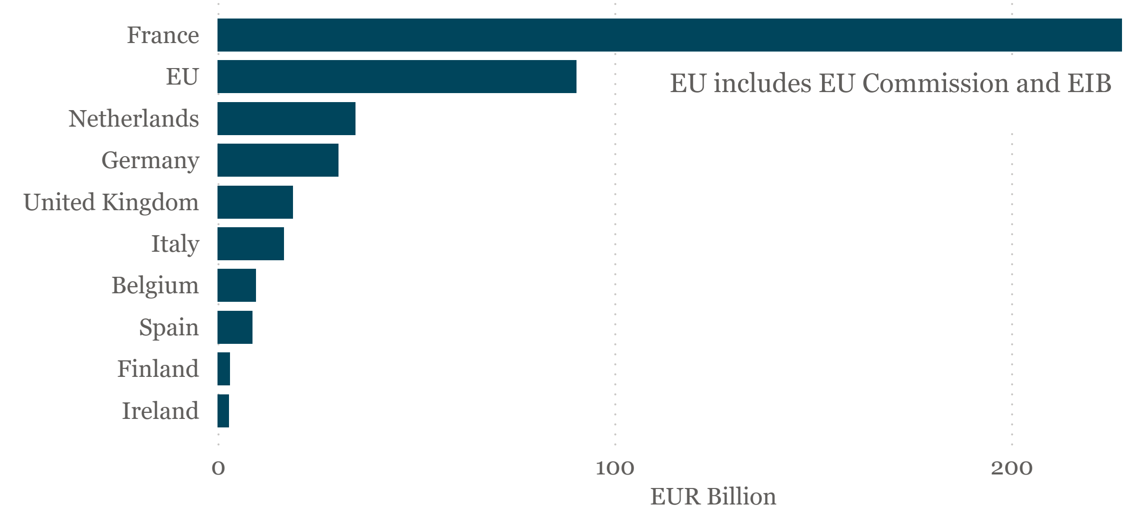
Source: LSEG

afme/ Social Bonds Outstanding

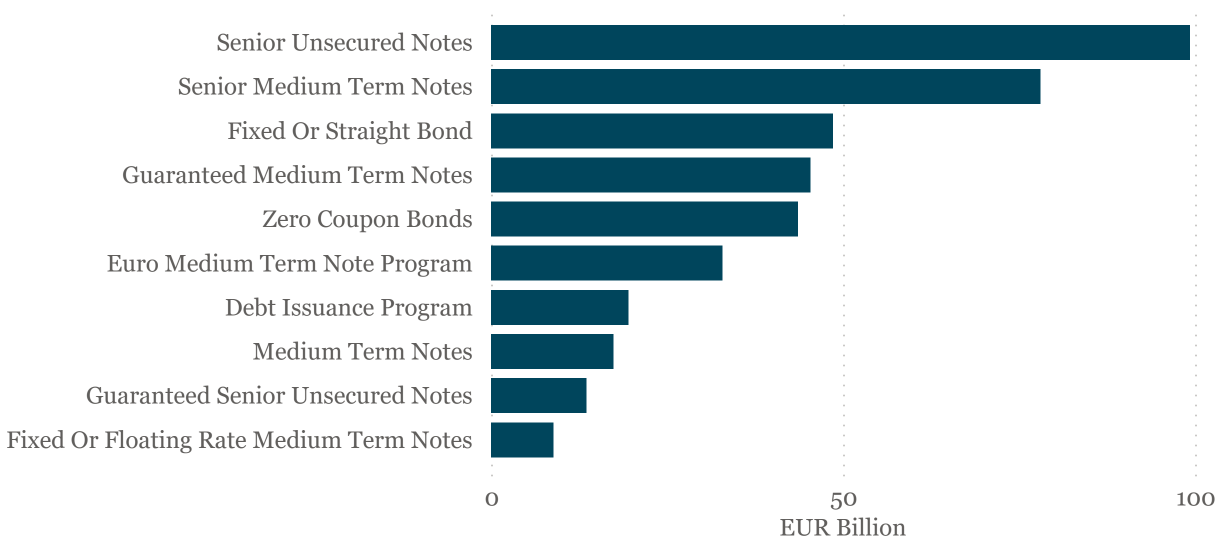
3.9 Evolution of Social Bonds Outstanding



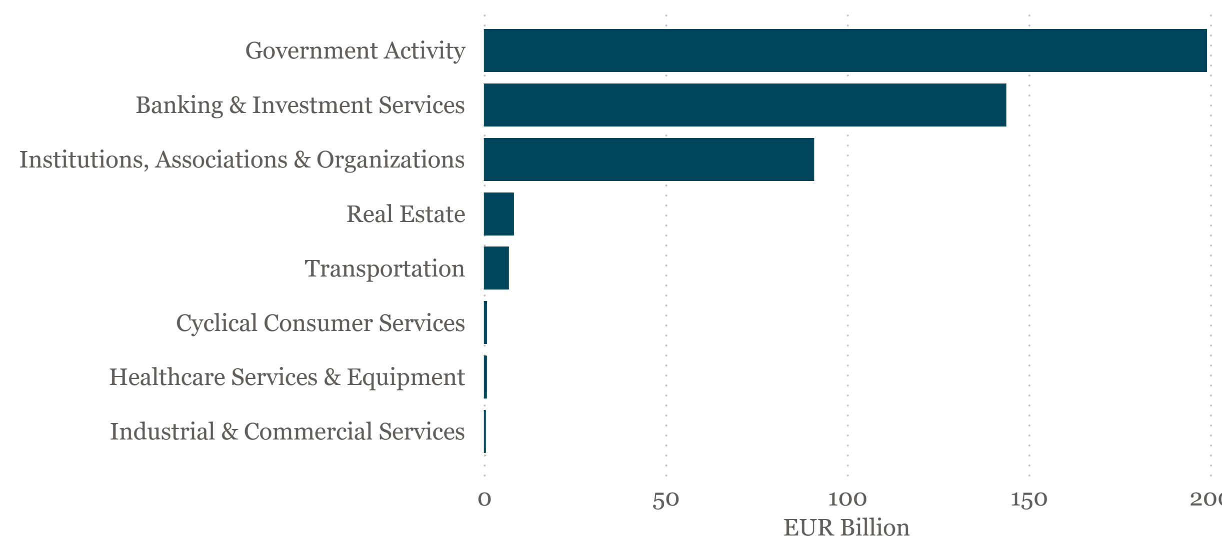
3.10 Social Bonds Outstanding by Country (top 10)



3.11 Social Bonds Outstanding by Security Type (top 10)



3.12 Social Bonds Outstanding by Economic Sector

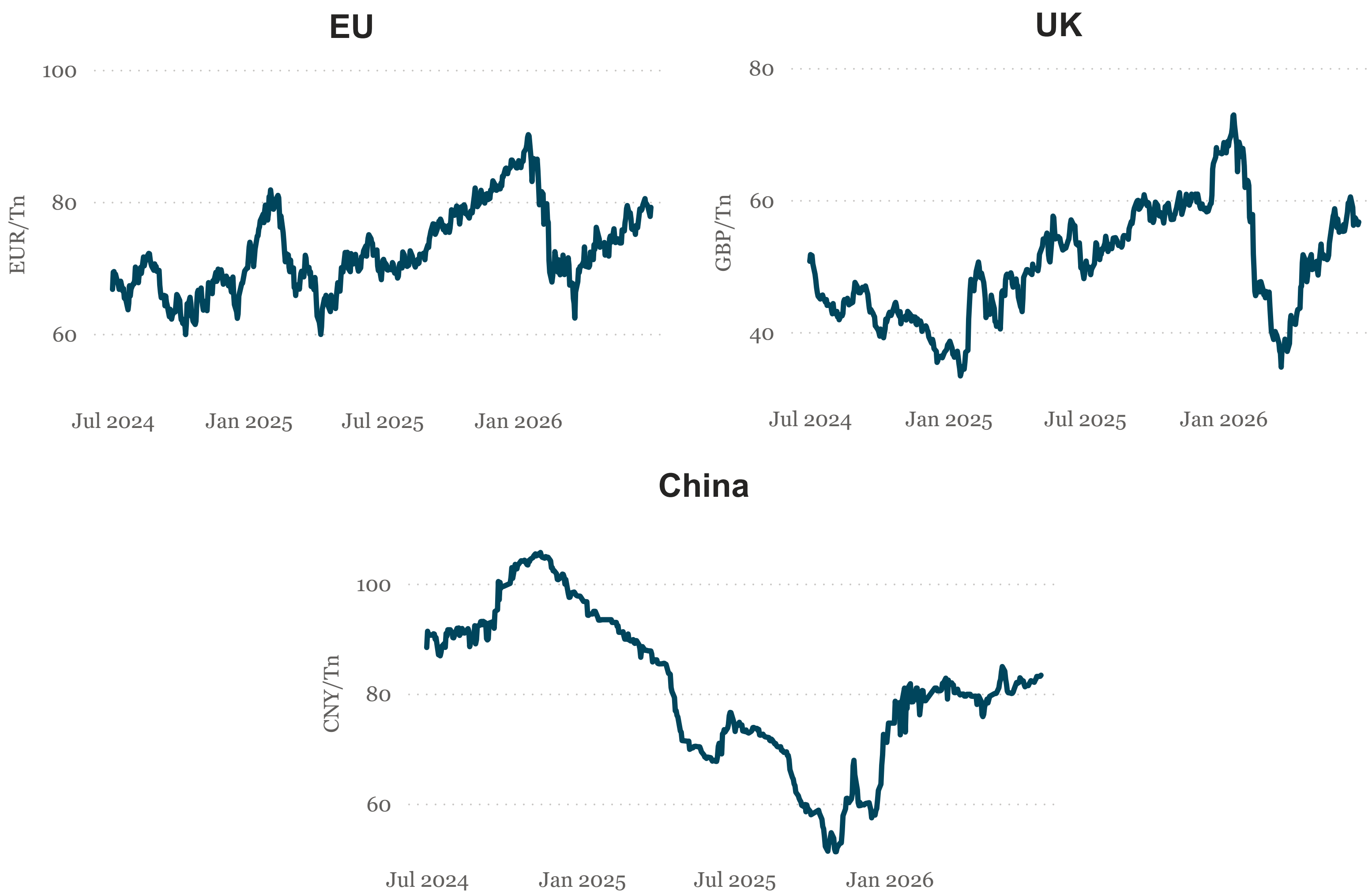


Source: LSEG

Carbon Pricing, Emissions and Trading

afme/ Carbon Market Prices

4.1 Comparison of Global ETS Allowance Prices



* China's ETS includes exclusively the Shanghai ETS. Does not include other pilot programmes (Shenzen, Beijing, Guangong, Tianjin, Hubei, Chongqing or Fujian)

Source: LSEG

ETS carbon prices slowly recover after sharp decline in the EU and UK in early 2026

EU prices peaked in mid-January 2026 at EUR 90/Tn, before dropping by almost 31% to EUR 62.3/Tn by 19 March. Similarly, UK prices fell by 52% over the same period, reaching GBP 34.7/Tn.

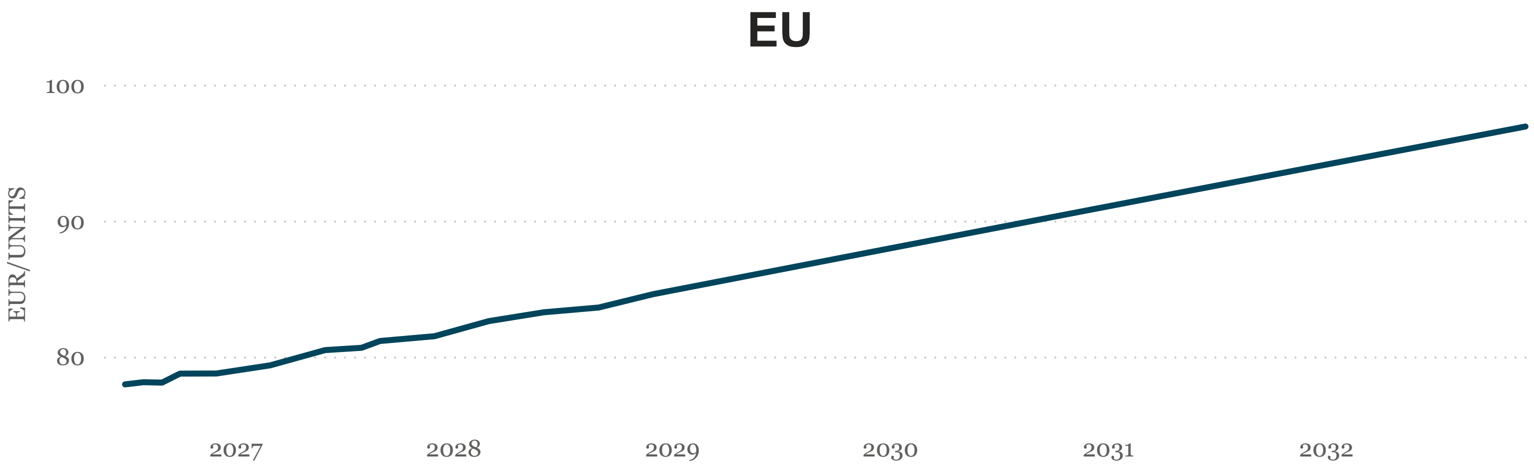
Following the lows reached in March, prices in both the EU and UK have only partially recovered.

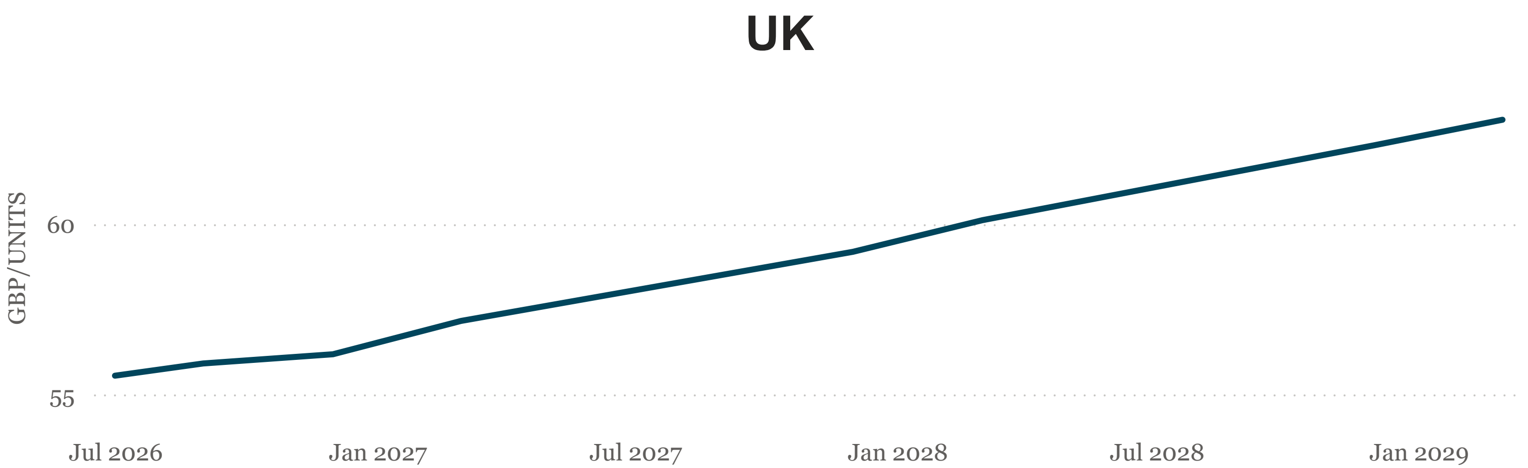
Separately, carbon prices in China, the largest global ETS system, continued their upward trend, closing Q2 2026 at CNY 83.3/Tn, following a strong increase in Q4 2025.

Carbon prices may not be directly comparable across systems and vary greatly, given different institutional settings and differences in ETS design.

Carbon Market Future Prices

4.2 Forward Curve: European Union Allowance (EUA) and UK Electronic Energy Future Chain Contract





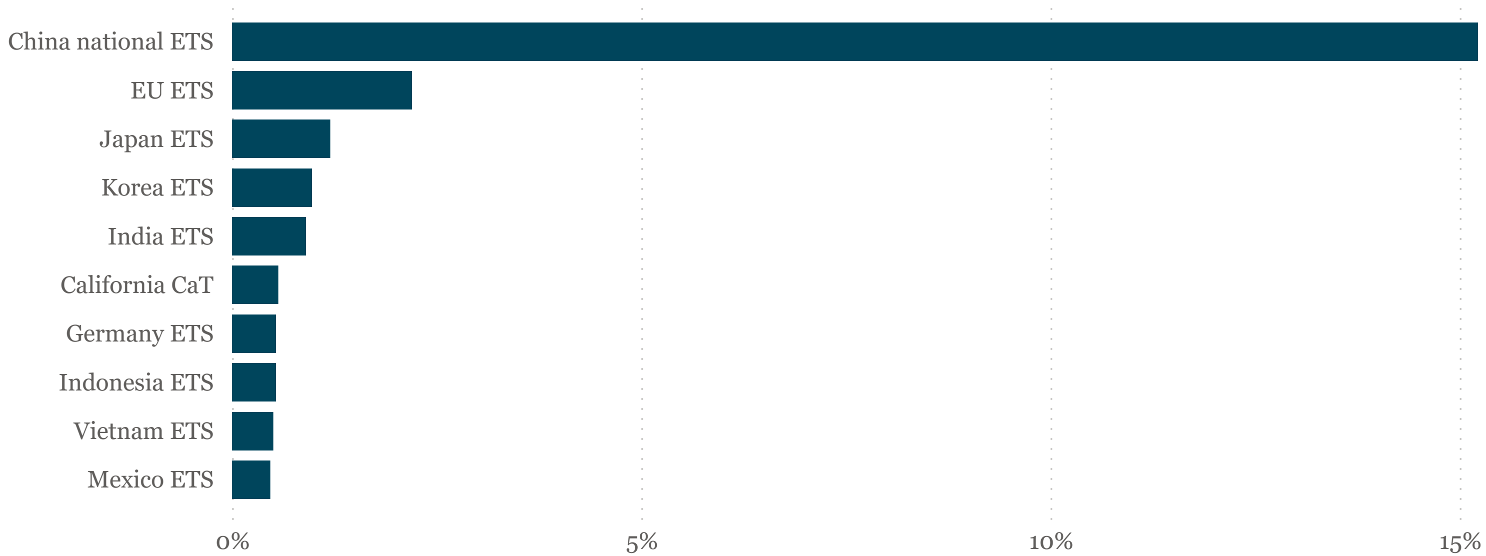
EU : Market curve observed early July 2026
UK : Market curve observed early July 2026

Source: LSEG

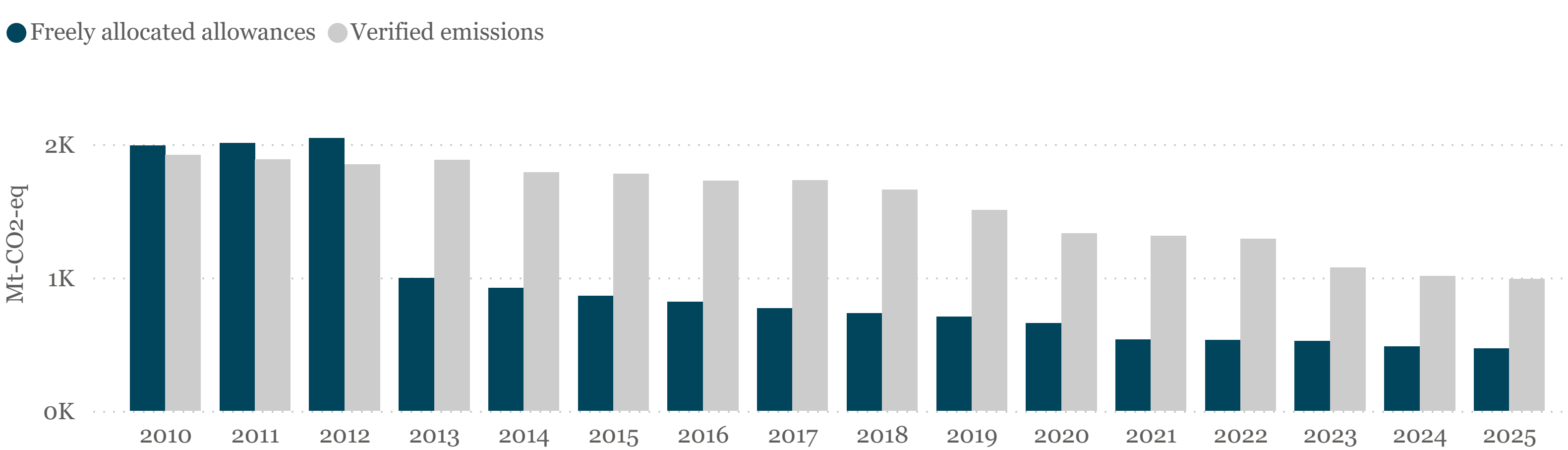
EU and UK forward curves anticipate higher carbon prices for the medium- long-term future.

afme/ Carbon Emissions coverage

4.3 Share of Annual Covered Global GHG Emissions



4.4 EU + UK Allowance vs Verified Emissions



Source: The World Bank (data as of April 2026), European Environment Agency

As of April 2026, China stood out as the largest ETS market, covering over 15.2% of global GHG emissions.

The EU continued as the second largest market in emission trading, covering for 2.2% of global GHG emissions. Note that this does not account for national instruments.

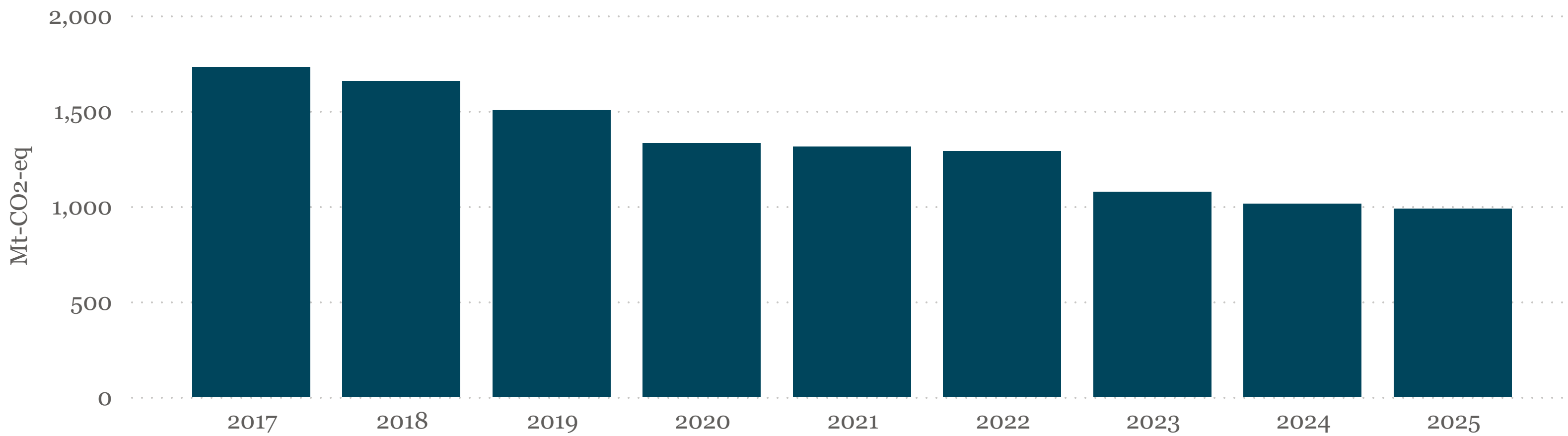
Japan ranks third, with an ETS constituting 1.2% of the global total.

Combining every instruments while accounting for overlap of coverage brings us to 27.3% of the global GHG emissions that are covered either by an ETS or a carbon tax.

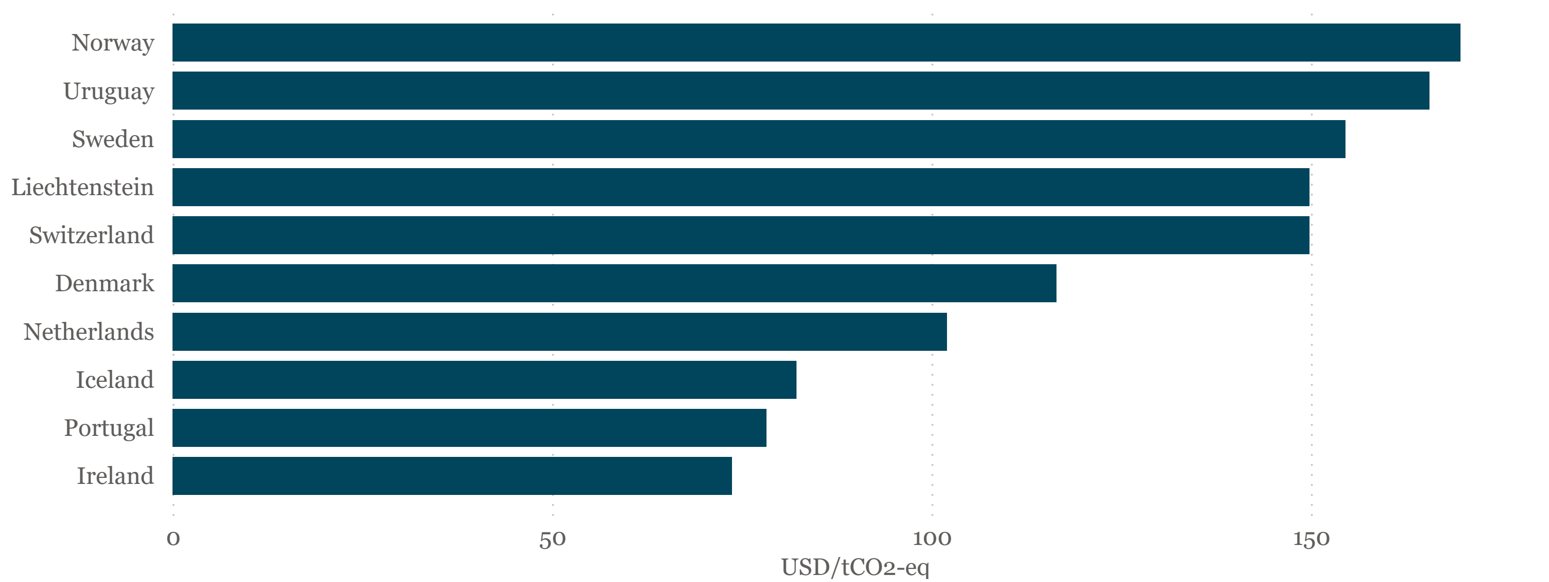
In the EU + UK area, aggregate freely allocated allowances and verified emissions have seen a consistent decrease since 2013. Notably, in 2013, allocated allowances experienced a significant reduction, falling below the levels of verified emissions for the first time.

afme/ Carbon Pricing - Allowance and Tax

4.5 Allowances Auctioned or Sold (EUAs and EUAAs)



4.6 Carbon Tax by Country (2026)



Some countries have multiple instruments. Only the main rate is shown for these countries.

Source: European Environment Agency, The World Bank (data as of April 2026)

The EU ETS operates on a "cap-and-trade" principle, where a cap is set on the total amount of certain greenhouse gases that can be emitted by installations covered by the system. The cap is reduced over time so that total emissions fall.

Within this cap, companies receive or purchase emission allowances, which they can trade with one another as needed. Each allowance gives the holder the right to emit one tonne of CO2 or the equivalent amount of another greenhouse gas.

Companies must hold enough allowances to cover all of their emissions. If a company emits less than it is allowed to, it can keep the spare allowances to cover its future needs, or sell them to companies in need. Companies that are not compliant with this system face significant fines.

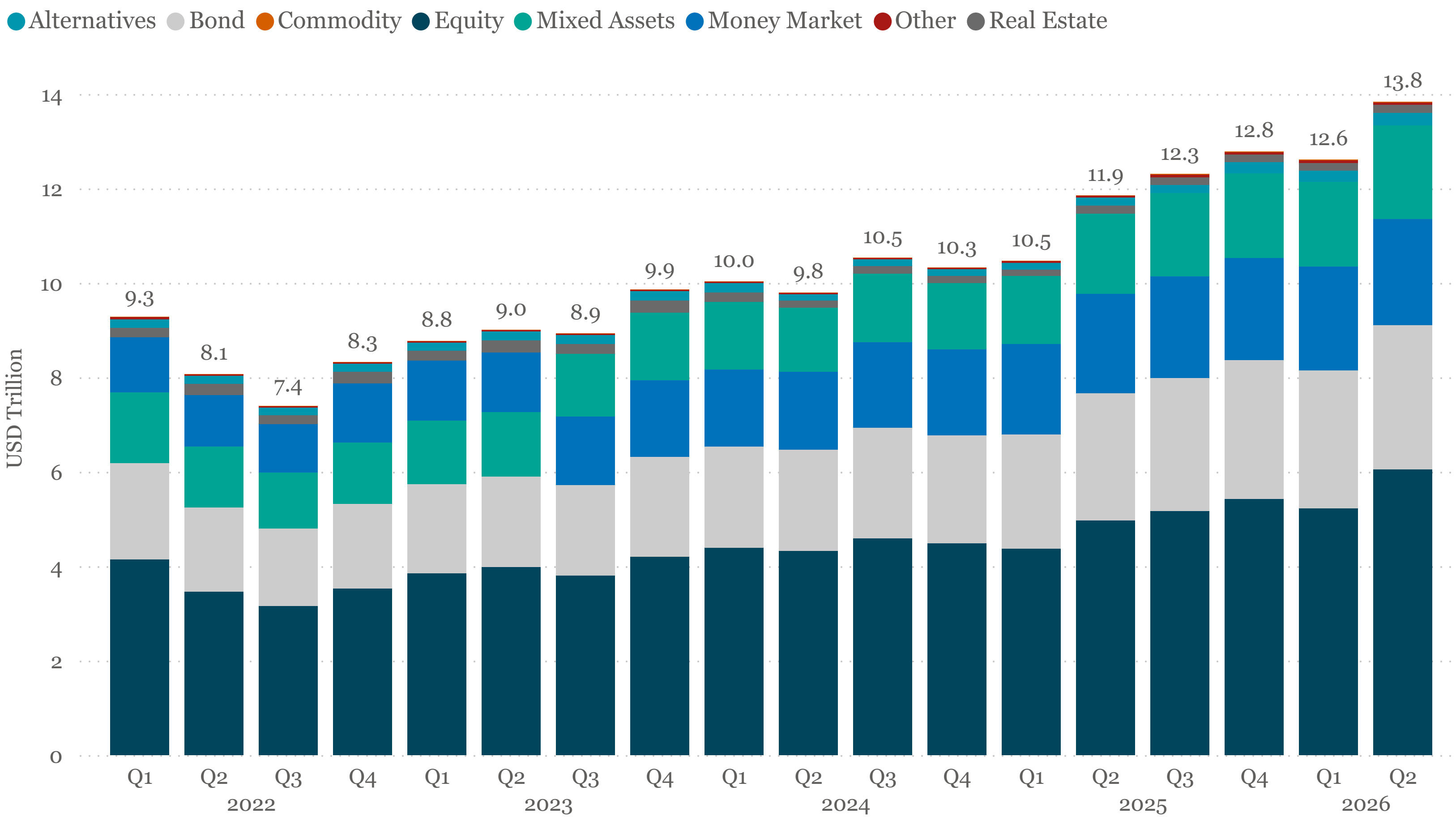
Total allocated allowances (EUA and EUAA) decreased from 1728 MtCO2-eq in 2017 to 940 MtCO2-eq in 2025.

Carbon Taxes are another method of carbon pricing. As of April 2026, Norway implements the highest carbon tax (169.7 USD/tCO2e), followed by Uruguay (165.6 USD/tCO2e) and Sweden (154.6 USD/tCO2e).

Fund Management

afme/ Global ESG Funds

5.1 Global ESG Funds by Asset Class



Source: LSEG

Increase in ESG assets under management in Q2 2026

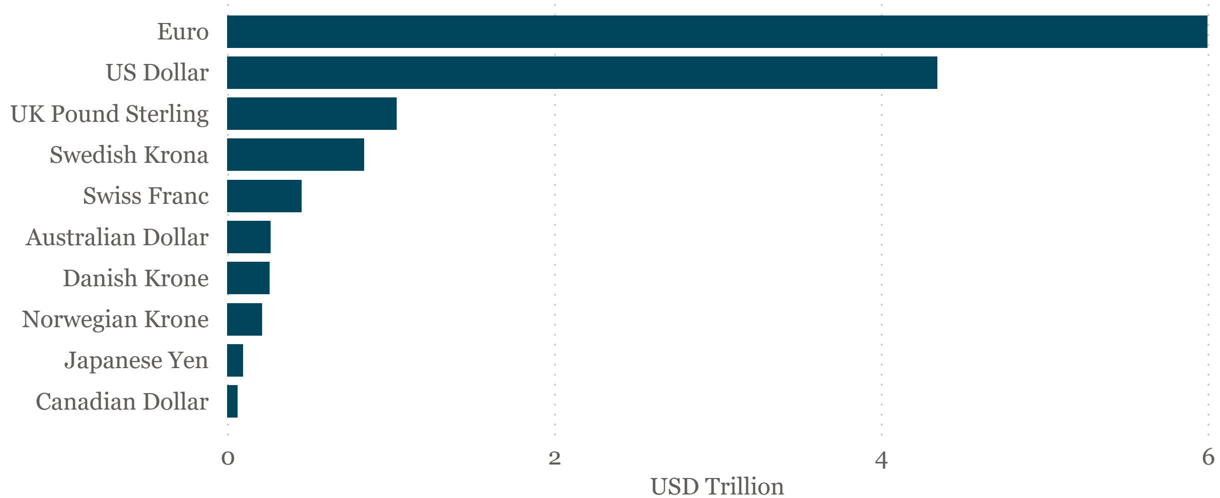
Global funds with an ESG mandate (including Mutual Funds and ETFs) reached USD 13.8tn in Q2 2026, representing a 9.5% increase from the previous quarter (USD 12.6tn) and a 16% increase from Q2 2025 (USD 11.9tn).

The Year-on-Year rise was primarily driven by increased allocations to equity and mixed assets funds. Equity and bond funds together made up almost 66% of the fund's assets.

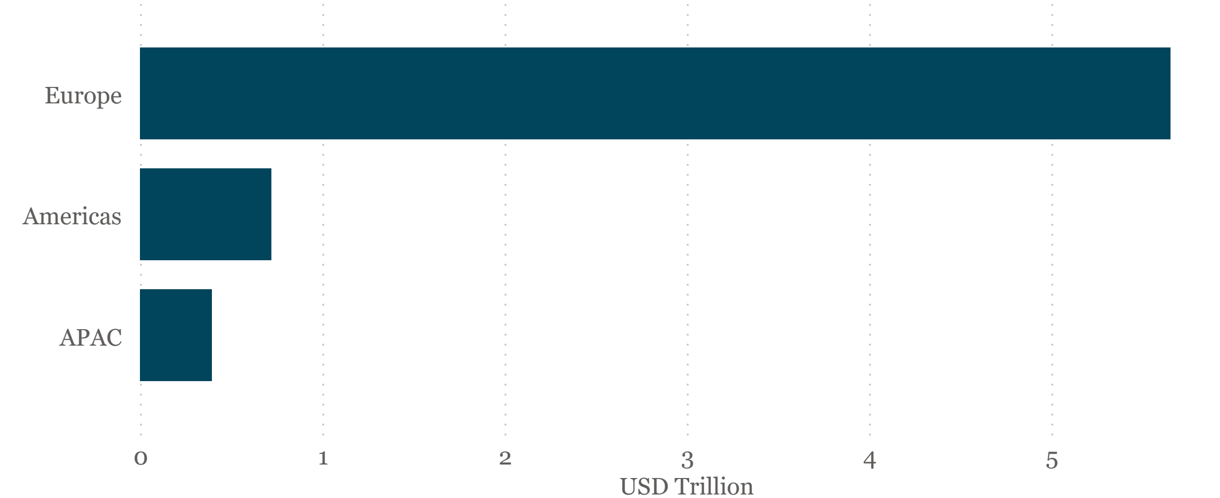
In 2026 YtD, Global ESG funds saw inflows reaching USD 207bn, largely driven by European funds. Notably, in the Americas fund flows saw a visible recovery, rising to $10.1bn in Q1 2026, compared to $1.2bn in Q4 2025 and a sequence of net outflows in Q1-Q3 2025. However, momentum weakened in Q2 2026, when the region experienced net outflows of around USD 1bn.

Size of Global ESG Funds

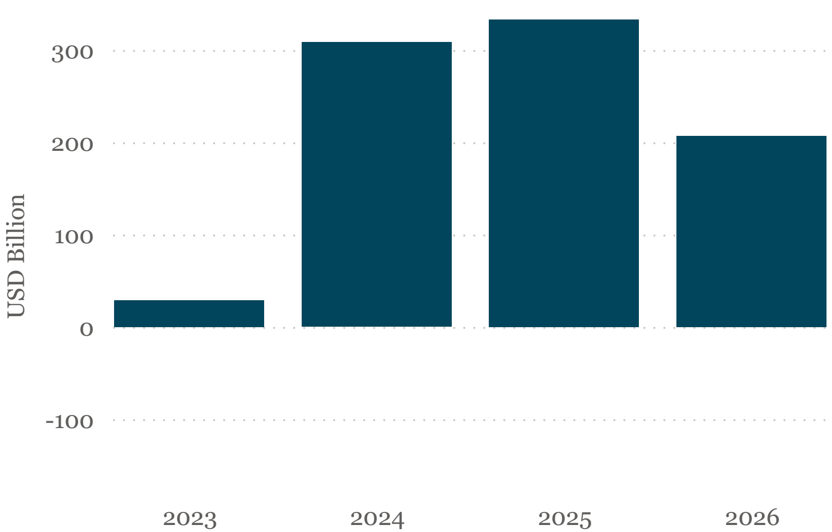
5.2 Global ESG Funds by Currency Base (top 10)



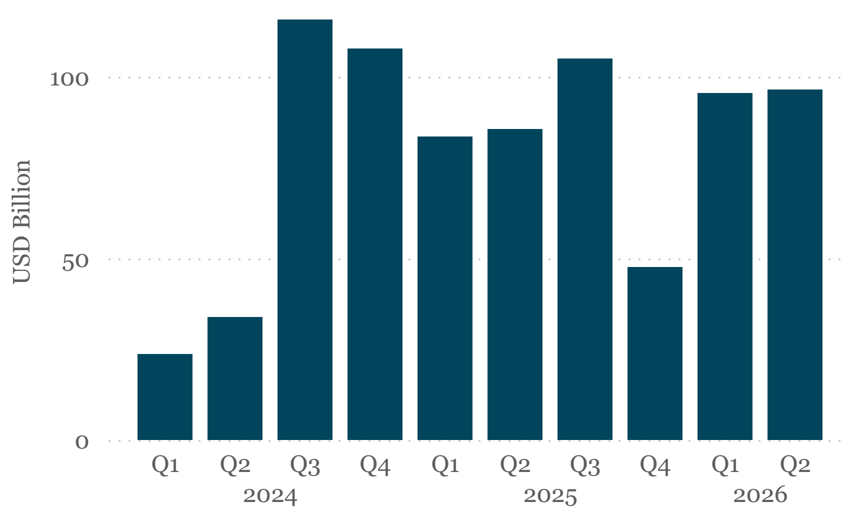
5.3 Global ESG Funds by Geographical Location



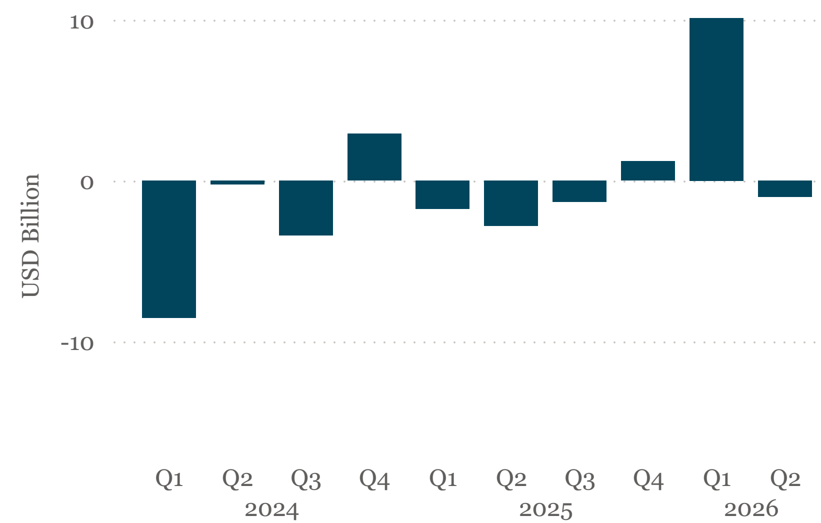
5.4 Global ESG Fund Flows



5.5 European ESG Fund Flows



5.6 Americas ESG Fund Flows

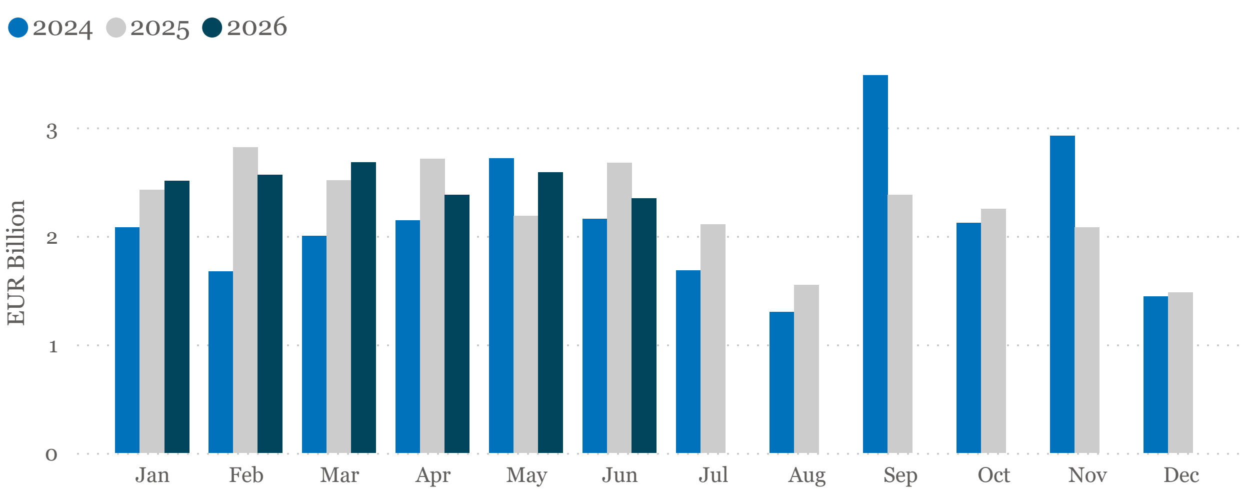


Source: LSEG

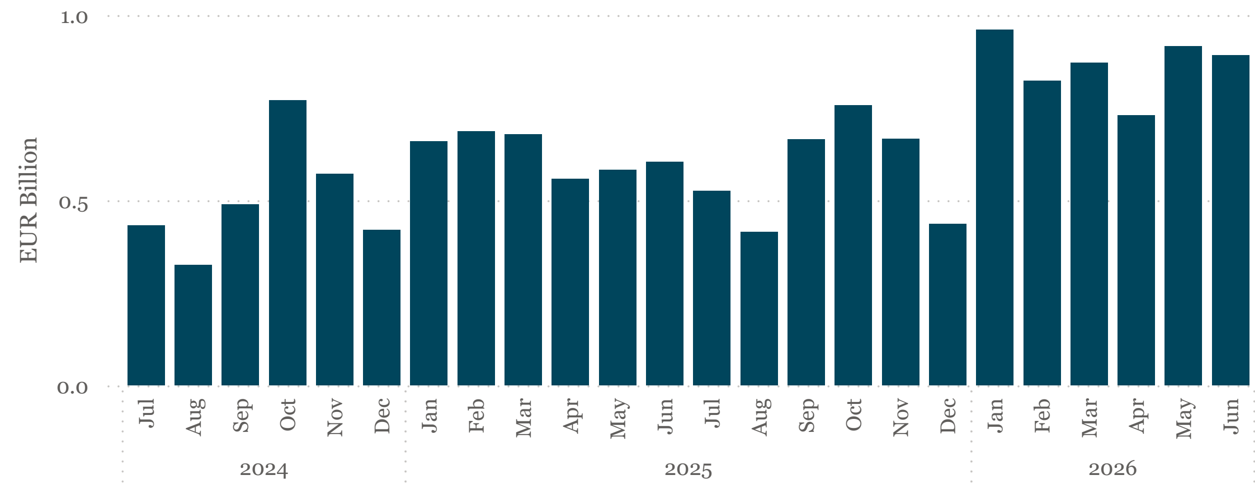
ESG Bond Trading

afme/ ESG Bond Trading Volumes

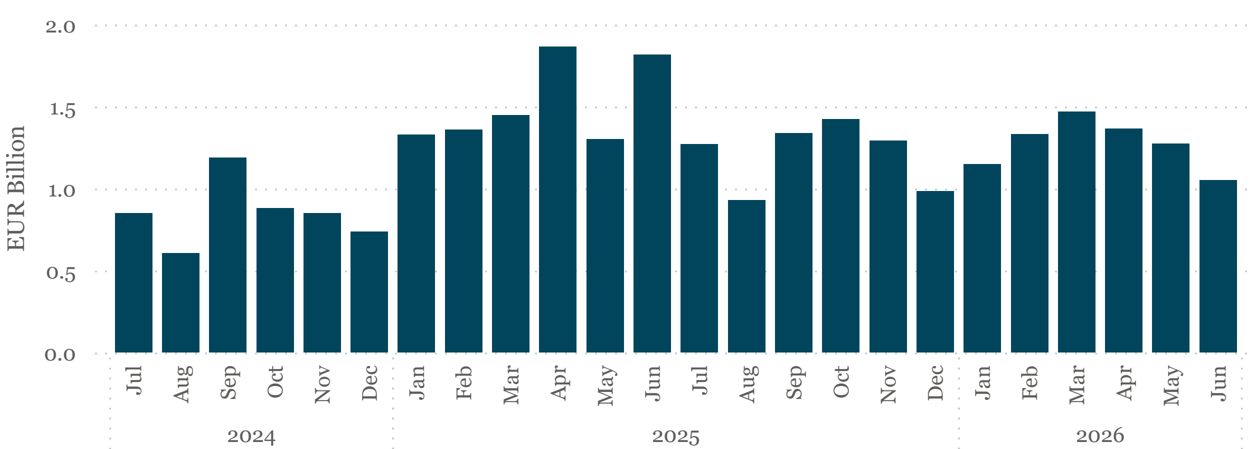
6.1 European ESG Bond Average Daily Trading Volumes (all issuers)



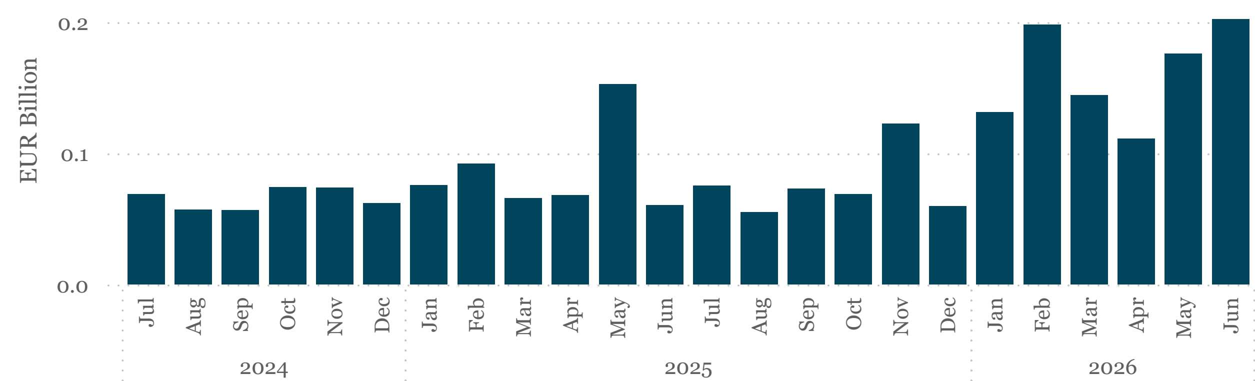
6.2 Average Daily Trading Volumes: European ESG Corporate Bonds



6.3 Average Daily Trading Volumes: European ESG Government, Agency, Supranational and Sovereign Bonds



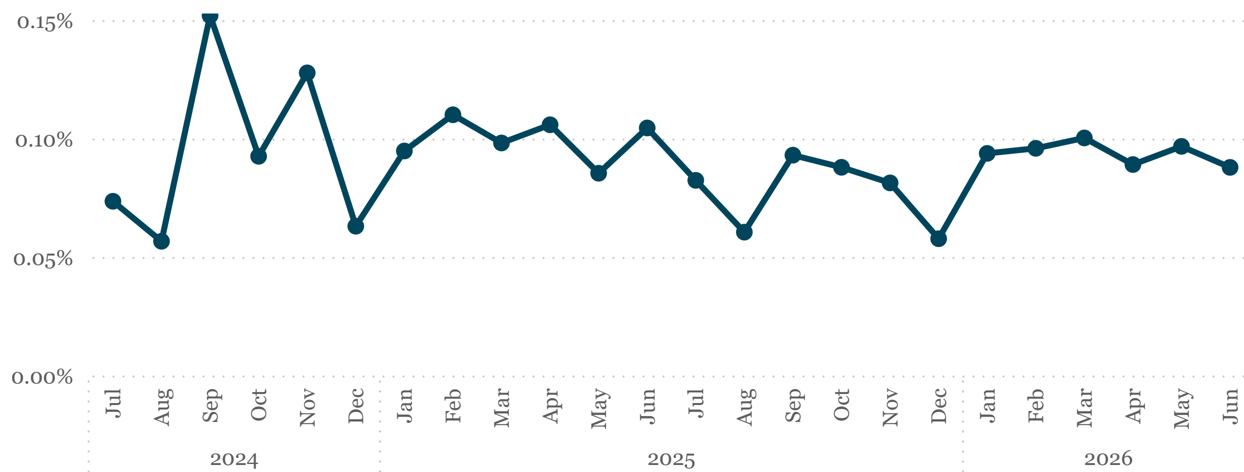
6.4 Average Daily Trading Volumes: European ESG ABS and Covered Bonds



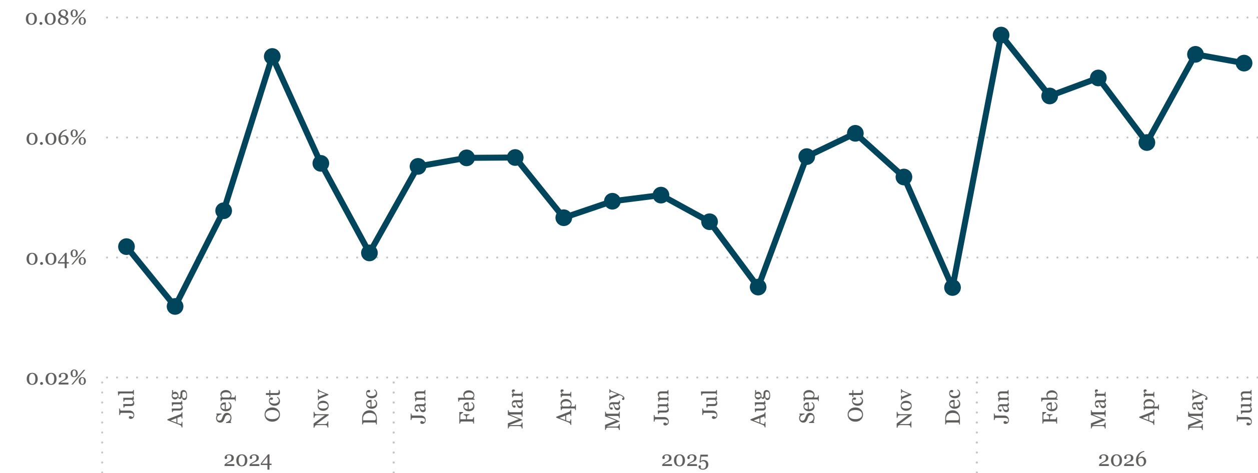
Source: MarketAxess TraX

ESG Bond Turnover Ratios

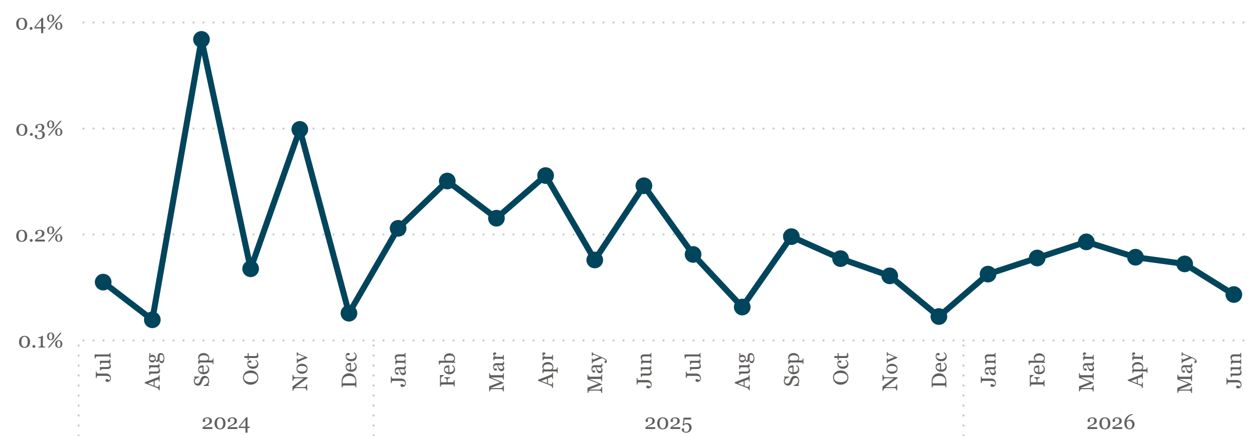
6.5 European ESG Bond Turnover Ratio (all issuers)



6.6 Turnover Ratio: European ESG Corporate Bonds



6.7 Turnover Ratio: European ESG Government, Agency, Supranational, and Sovereign bonds

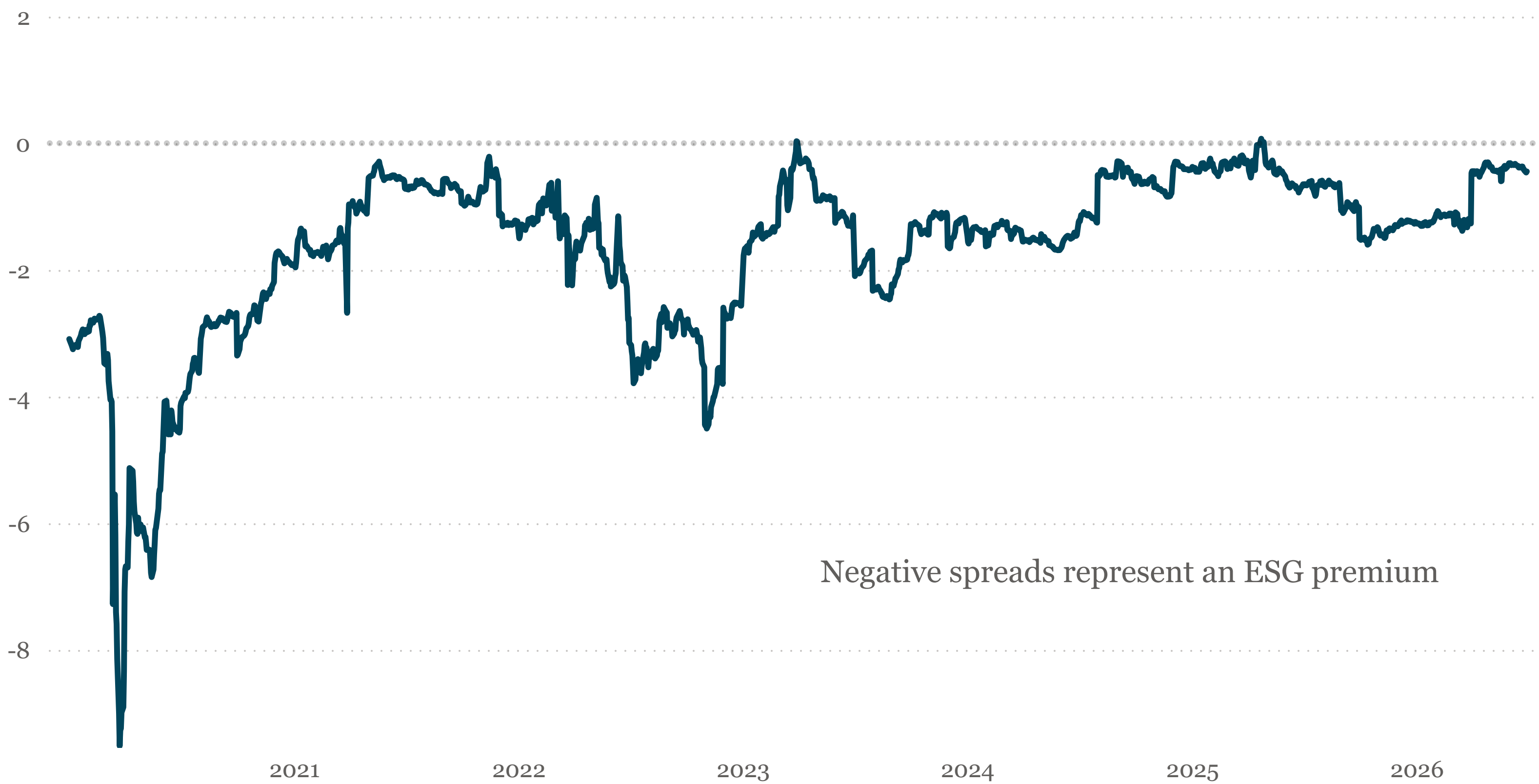


The turnover ratio is an aggregate liquidity measure calculated by dividing the average daily value by the outstanding amount of bonds.

Source: AFME from MarketAxess TraX and LSEG

Valuations

7.1 Spreads (OAS) of EUR-denominated Corporate ESG bonds against non-ESG Corporate Benchmarks (bps)



* Spread between EUR-denominated ESG corporate bonds and EUR corporate bonds

Source: AFME with Barclays and Bloomberg data.

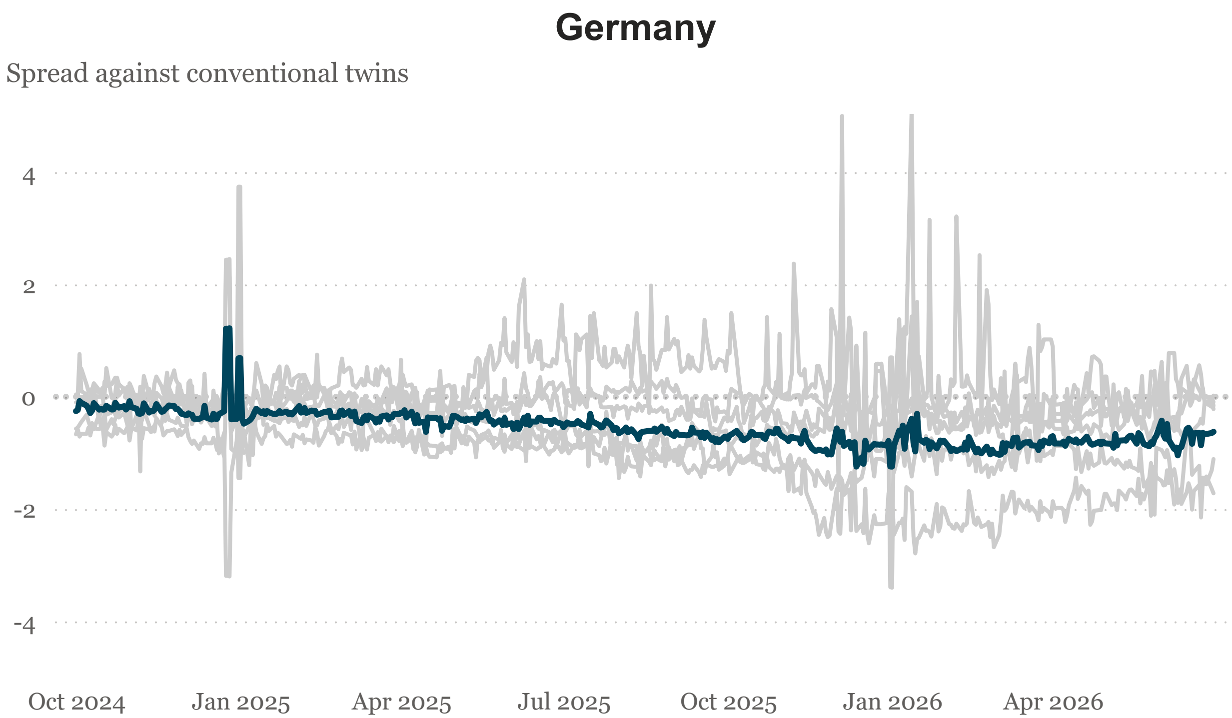
Tightened ESG premia in Q2 2026

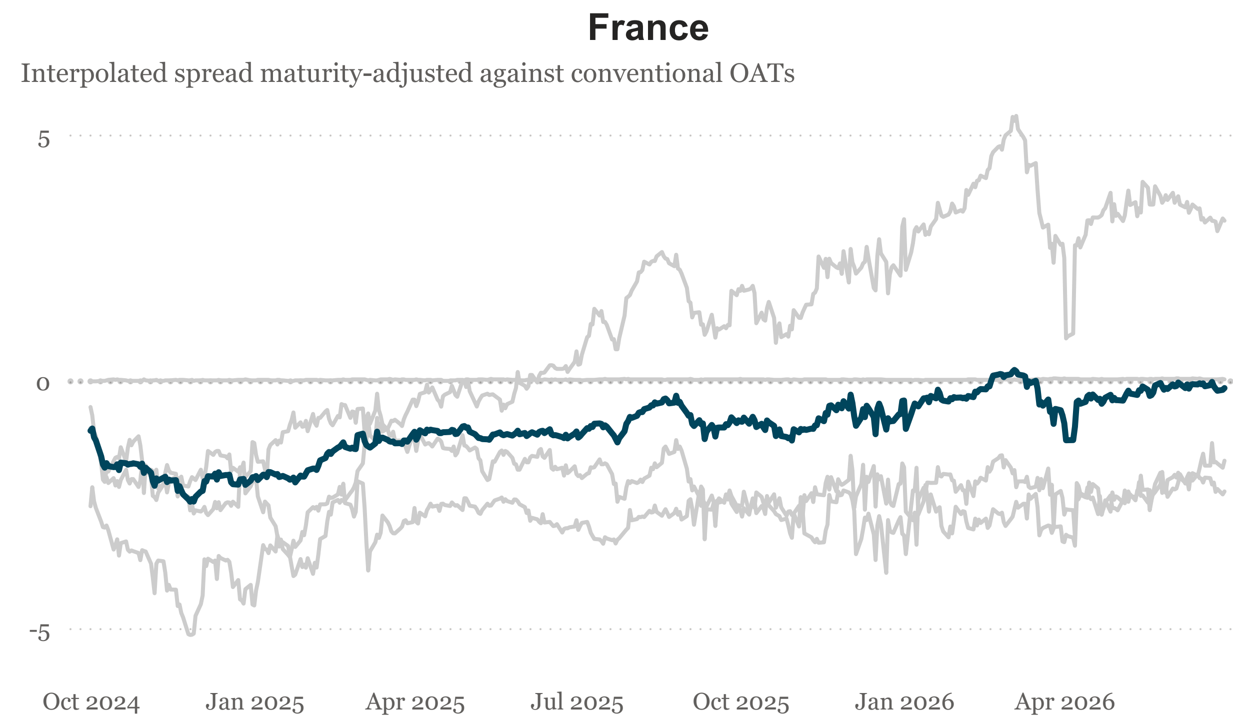
The spread between corporate ESG bonds and non-sustainable benchmarks tightened during Q2 2026, going from 1.27 basis points at the end of March 2026 to 0.44 basis points by the end of June 2026.

Pages 37-38 illustrate green premiums across various sovereign issuers. The difference in green premiums suggests that these premiums are influenced by more than just sustainability features. Factors such as liquidity also have a relevant influence on spreads.

Sovereign Green Premia

7.2 Spreads of Sovereign Green Bonds Against Conventional Reference (bps)





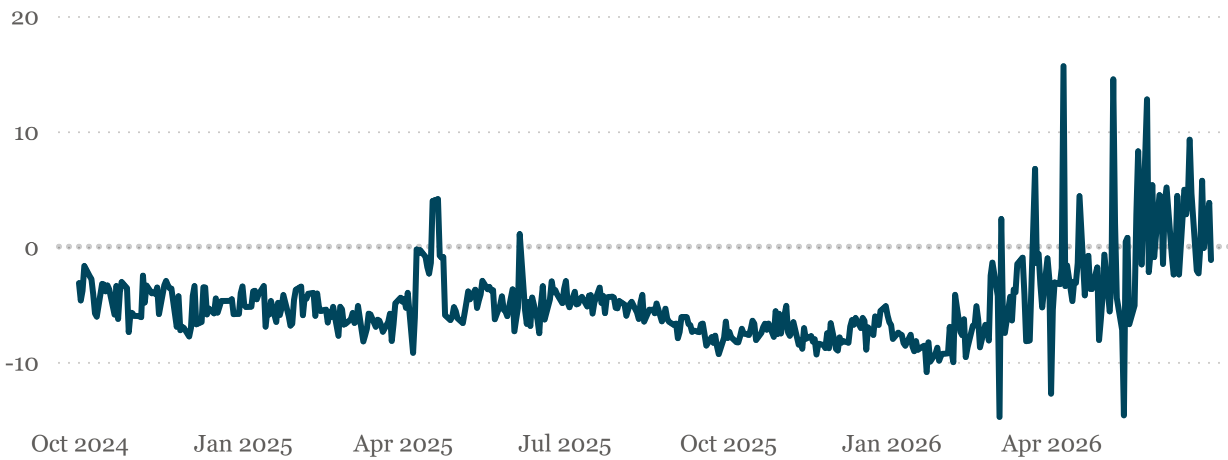
*Negative spreads represent a green premium

Source: LSEG

7.3 Spreads of Sovereign Green Bonds Against Conventional Reference (bps)

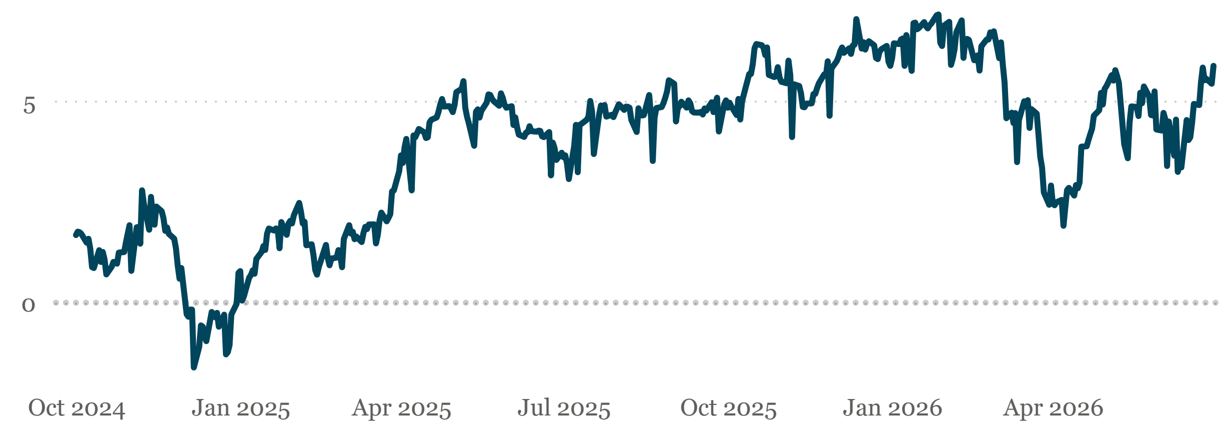
Sweden

Maturity-adjusted interpolated spread against conventional Swedish sovereigns



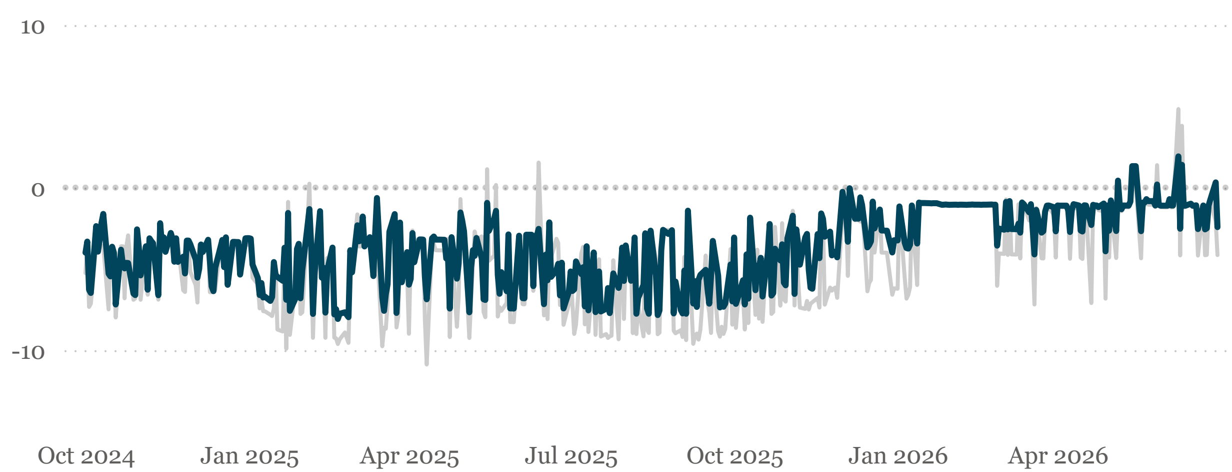
Netherlands

Maturity-adjusted interpolated spread against conventional Dutch sovereigns



Denmark

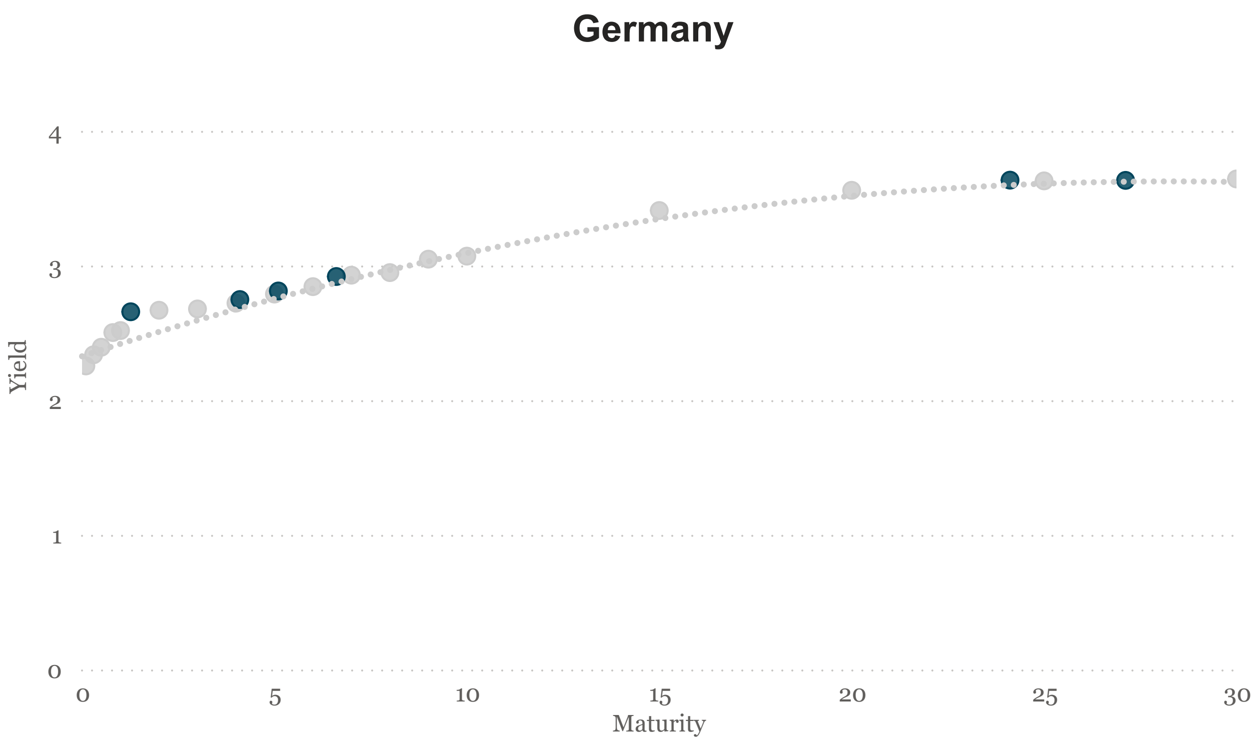
Spread against conventional twins

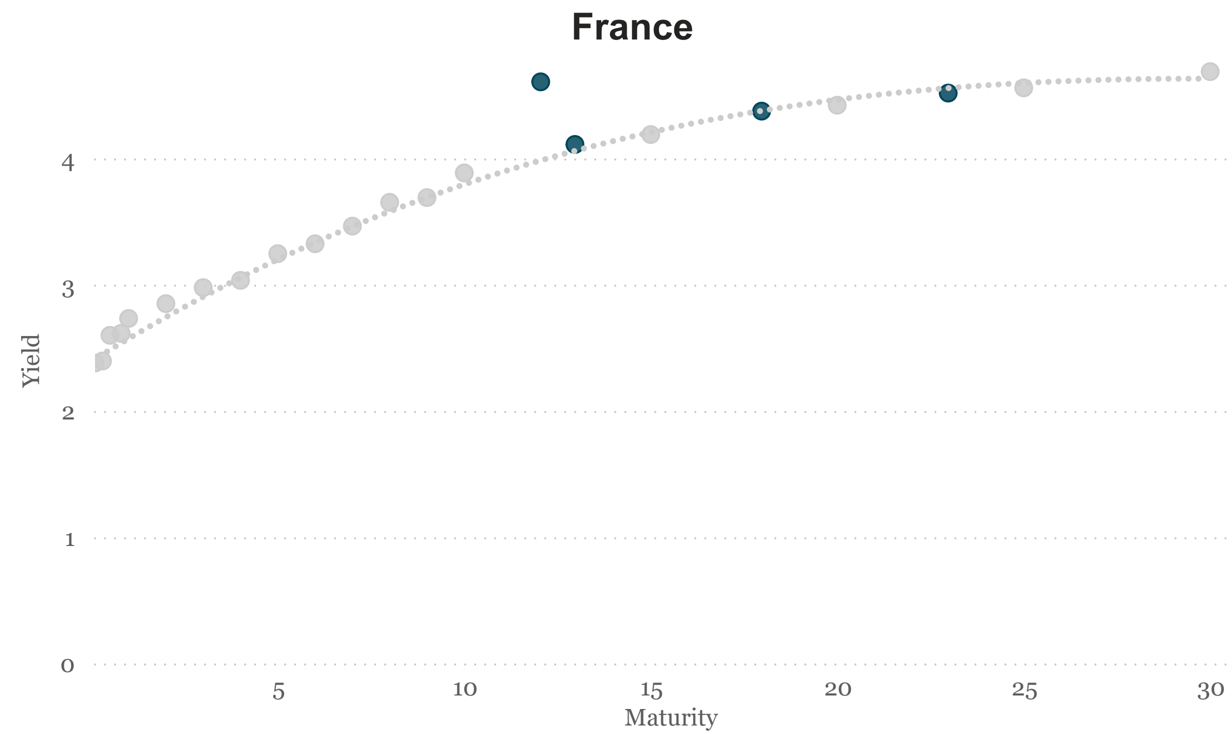


*Negative spreads represent a green premium

Source: LSEG

7.4 Sovereign Yield Curves and Yields for Selected Green Sovereign Bonds





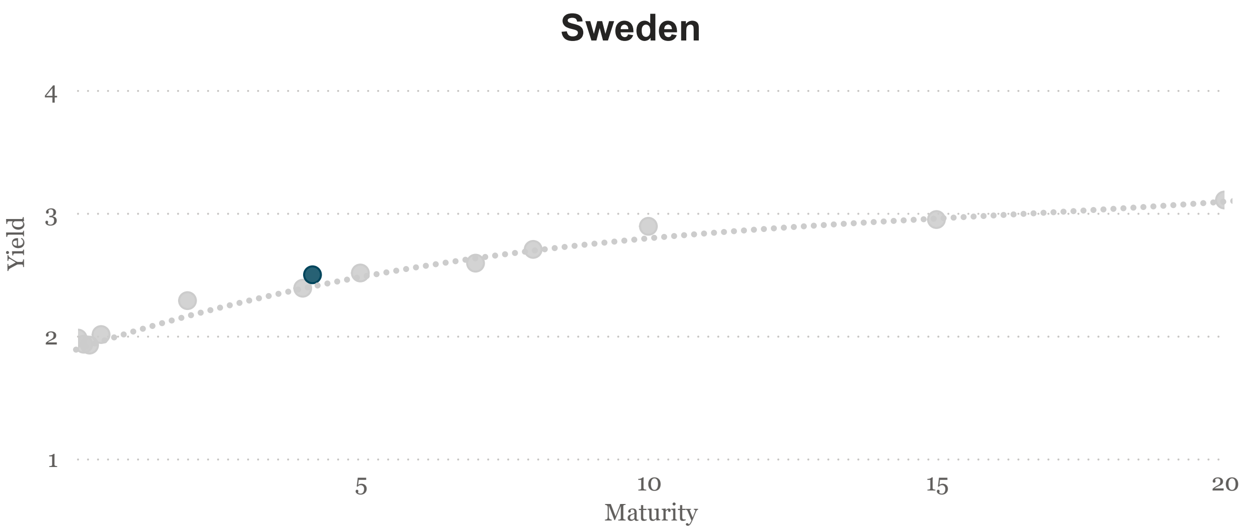
*Green Bonds inflation-linked instruments are excluded from the charts

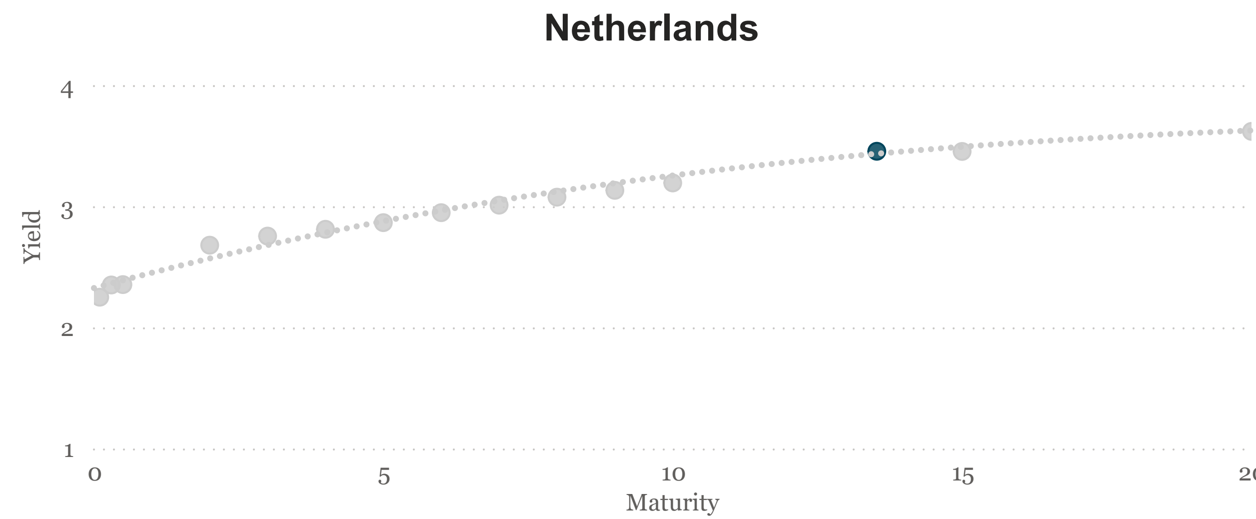
**Data last updated on 9 July 2026

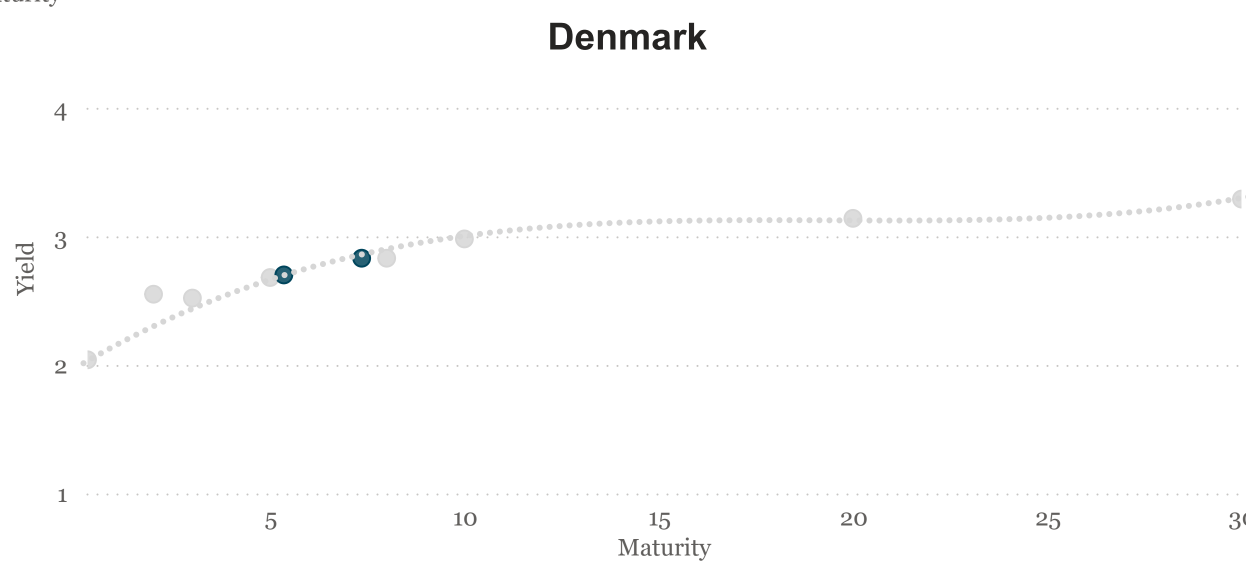
*For the first green bond, which is inflation-linked, the nominal yield was calculated by adding the euro HICP (excluding tobacco) inflation rate, based on the percentage change between the June 2026 and June 2025 index values (latest available data).

*Source: LSEG. Selected green references highlighted in **blue***

7.5 Sovereign Yield Curves and Yields for Selected Green Sovereign Bonds







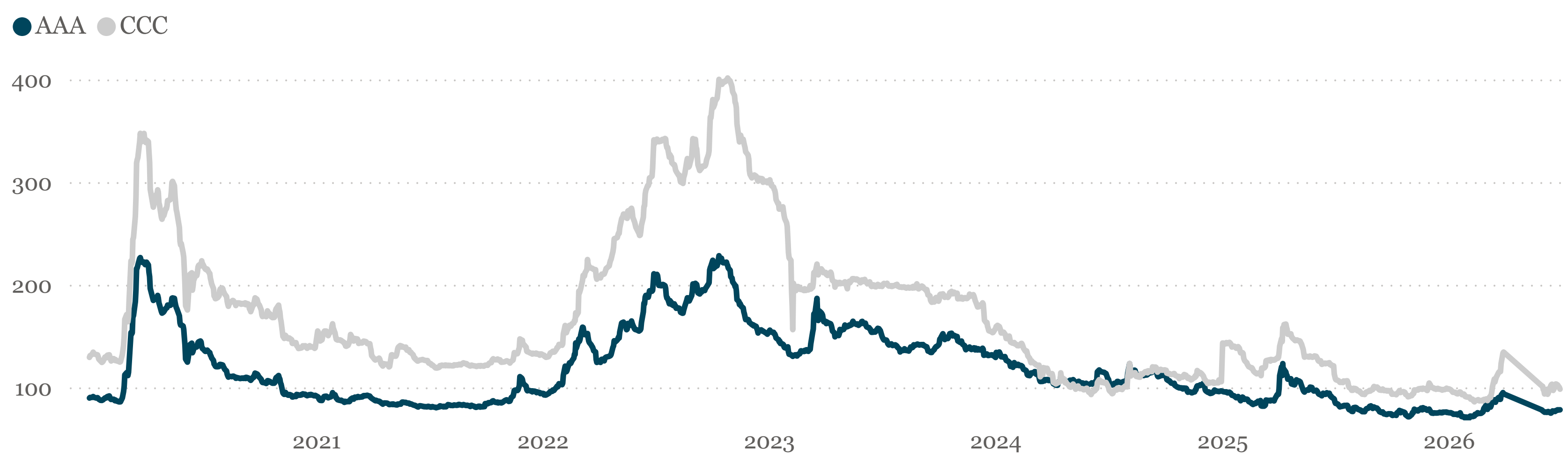
*Data last updated on 5 May 2026

*Source: LSEG. Selected green references highlighted in **blue***

ESG Bond Spreads

7.6 ESG EUR Corporate Spreads (OAS, bps)

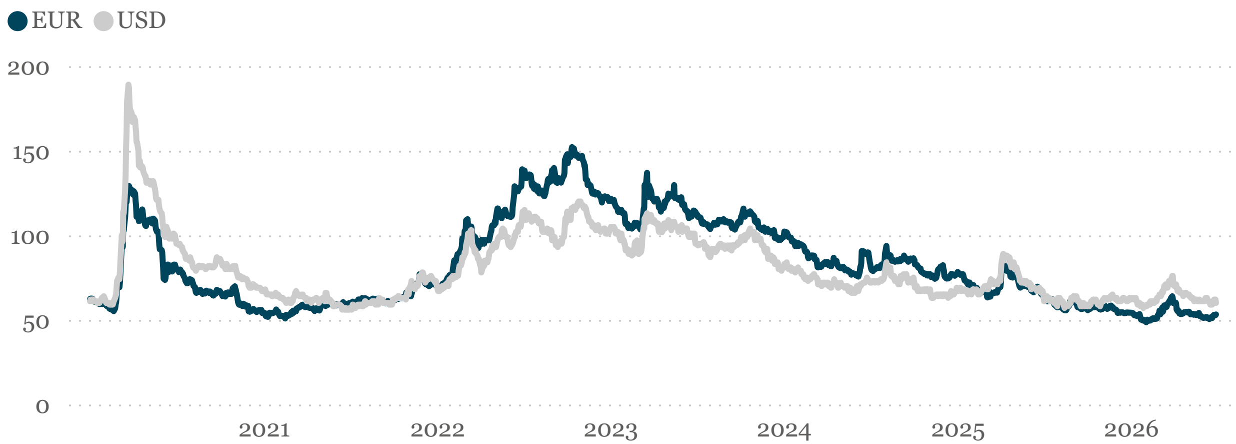
7.7 EUR Corporate Spreads by ESG Rating (OAS, bps)



Source: Barclays and Bloomberg

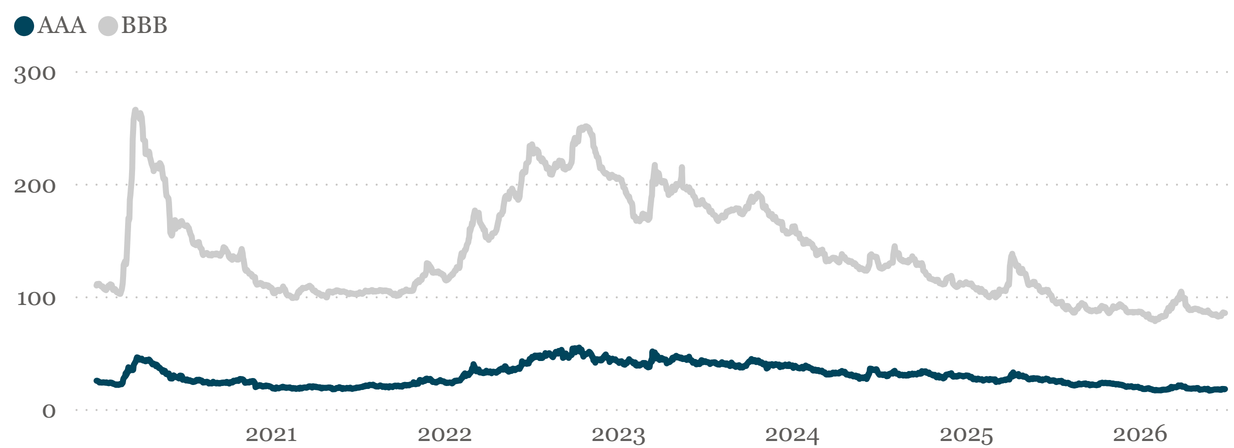
afme/ ESG Bond Spreads

7.8 Green Bond Spreads by Currency (OAS, bps)



7.9 EUR Corporate Green Bond Spread (OAS, bps)

7.10 Global Green Bond Spreads by Credit Rating (bps)



Source: Barclays and Bloomberg

7.11 MSCI Europe SRI Net Index EUR and EUR STOXX 600 (1 Jan 2023 = 100)

7.12 STOXX Global ESG Environmental Leaders

7.13 STOXX Global ESG Governance Leaders

7.14 STOXX Global ESG Social Leaders

Source: LSEG

afme/ Methodology and Criteria

Green Bonds: Green bonds fund projects that have positive environmental and/or climate benefits. Proceeds from these bonds are earmarked for green projects but are backed by the issuer's entire balance sheet. The Green Bond Principles (GBP) are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market.

Green loans: The Green Loan Principles (GLP) apply to loans where the fundamental determinant is the utilisation of the loan proceeds for Green Projects.

Carbon Pricing: Carbon pricing is an instrument that captures the external costs of greenhouse gas (GHG) emissions—the costs of emissions that the public pays for, such as damage to crops, health care costs from heat waves and droughts, and loss of property from flooding and sea level rise—and ties them to their sources through a price, usually in the form of a price on the carbon dioxide (CO_2) emitted. Carbon pricing can take the form of a carbon tax or fee, or a cap-and-trade system that depends on government allotments or permits.

ESG: ESG stands for Environmental Social and Governance. It refers to the three key factors when measuring the sustainability and ethical impact of an investment in a business or company.

ETS: Emissions trading system is a market-based approach to controlling pollution by providing economic incentives for reducing the emissions of pollutants. The EU emissions trading system (EU ETS) is a cornerstone of the European Union's policy to combat climate change and its key tool for reducing industrial greenhouse gas emissions cost-effectively.

EUA: A European Union allowance (EUA) is the official name for Europe's emission allowances, which in 2008 was defined as the official Kyoto allowance for countries in the EU. One EUA entitles the holder to emit one ton of carbon dioxide or carbon-equivalent greenhouse gas.

Europe: Countries included: EU27 Member States, Norway, Switzerland, Turkey, and United Kingdom.

Social Bonds: Bonds whose proceeds are used to raise funds for new and existing projects that tackle a specific social issue and/or seek to achieve positive social outcomes. The reference framework for issuance of Social Bonds is the Social Bond Principles (SBP). The SBP promote integrity in the Social Bond market through guidelines that recommend transparency, disclosure and reporting. Social objectives may include, but are not limited to affordable housing, affordable basic infrastructure, employment generation and sustainable food systems.

SRI: Socially responsible investing or SRI, is a strategy that emphasizes not only the financial gains from an investment but also ethical or social change.

Sustainable Bonds: Proceeds of Sustainable Bonds are split between green projects and social projects.

Sustainability-linked bonds: Bond instrument for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined Sustainability objectives. Issuers are thereby committing explicitly (including in the bond documentation) to future improvements in sustainability outcome(s) within a predefined timeline. SLBs are a forward-looking performance-based instrument.

Sustainability-linked loans: Loans which incentivise the borrower's achievement of predetermined sustainability performance objectives. The borrower's sustainability performance is measured using sustainability performance targets (SPTs), which include KPIs, external ratings and or equivalent metrics and which measure improvements in the borrower's sustainability profile. The Sustainability Linked Loan Principles (SLLP) are voluntary recommended guidelines, to be applied by market participants on a deal-by-deal basis.

Transition bonds: Bonds issued with a "transition" label indicating use of proceeds to improve environmental performance but not yet reaching "green" categorisation.

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