
Press release

Unprecedented sustainability-linked financing and changing regulatory policy mean European High Yield market is fast-evolving

AFME publishes updated ESG due diligence questionnaire for European capital markets

15 December 2022

AFME has today published an updated set of ESG due diligence questions for use by European capital markets participants. The updated guidelines follow on from the [April 2020 release](#) of the first ever set of ESG guidelines for the European high yield market.

According to AFME research, the European high yield sustainability-linked bond market grew significantly during 2021 to €15.7bn on 42 deals. This compared to no European high yield sustainability-linked bonds issued in or before 2020. In 2022, and in line with general market conditions, such issuances fell significantly, but AFME expects that these kinds of bonds will remain an important part of the European high yield market.

In response to such large issuance volumes, regulatory policy and market practices are also evolving. The AFME due diligence questions have therefore been updated since 2020 to reflect these changes and are intended to provide a suggested framework for market participants' ESG due diligence.

Gary Simmons, Managing Director of AFME's High Yield Division, said: *"ESG finance is a fast-evolving market. We originally published our guidelines at a time when the ESG market was still developing. Over 2020 and 2021, we saw unprecedented growth in the market for green and sustainability-linked financings. The AFME High Yield Division's remit is to ensure that the European high yield markets are able to run as efficiently and effectively as possible, so it was important to reflect recent ESG best practices and provide the benefit of our learning over the last two years to everyone in the market."*

Cynthia Cheung, Vice-Chair of the AFME High Yield Division and Managing Director and Associate General Counsel at Bank of America, said: *"COP 27 caused a lot of us to pause and think again about the ways in which our markets can have a positive impact on the wider world, and it seemed the right time to look at our materials again. Like so much of AFME's work, we believe that these updated materials have immediate practical usefulness for market participants, and our work in this area will continue."*

Adam Farlow, member of the AFME High Yield Sustainable Finance Committee and Partner at Baker McKenzie, added: *"As shown at COP 27, commitment to net zero and the inherent significance of climate finance within that have never been stronger. It is vital that AFME continues to support issuers and market participants in their transitions and these revitalised ESG due diligence questions provide excellent parameters to guide production of full and cogent disclosure, accurately reflective of the rapidly evolving underlying current and lending legislation."*

The updated 2022 due diligence questions are available [here](#).

AFME is concurrently working on a full update to its ESG guidelines for release in early 2023

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About AFME:

AFME (Association for Financial Markets in Europe) advocates for deep and integrated European capital markets which serve the needs of companies and investors, supporting economic growth and benefiting society. AFME is the voice of all Europe's wholesale financial markets, providing expertise across a broad range of regulatory and capital markets issues. AFME aims to act as a bridge between market participants and policy makers across Europe, drawing on its strong and long-standing relationships, its technical knowledge and fact-based work. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website: www.afme.eu.

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