

Q2 2025

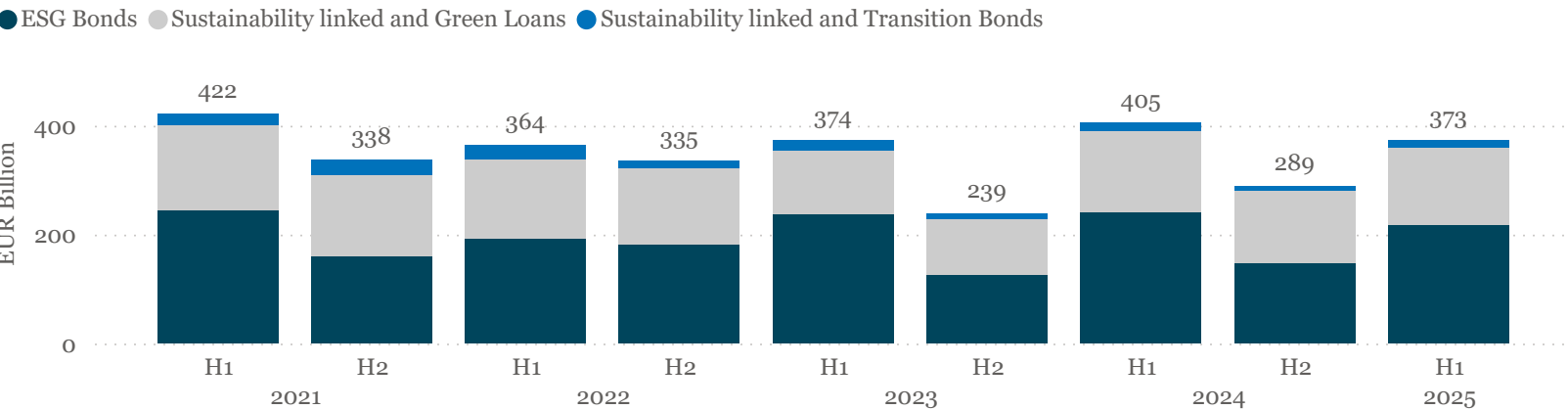
# ESG Finance Report

*European Sustainable Finance*

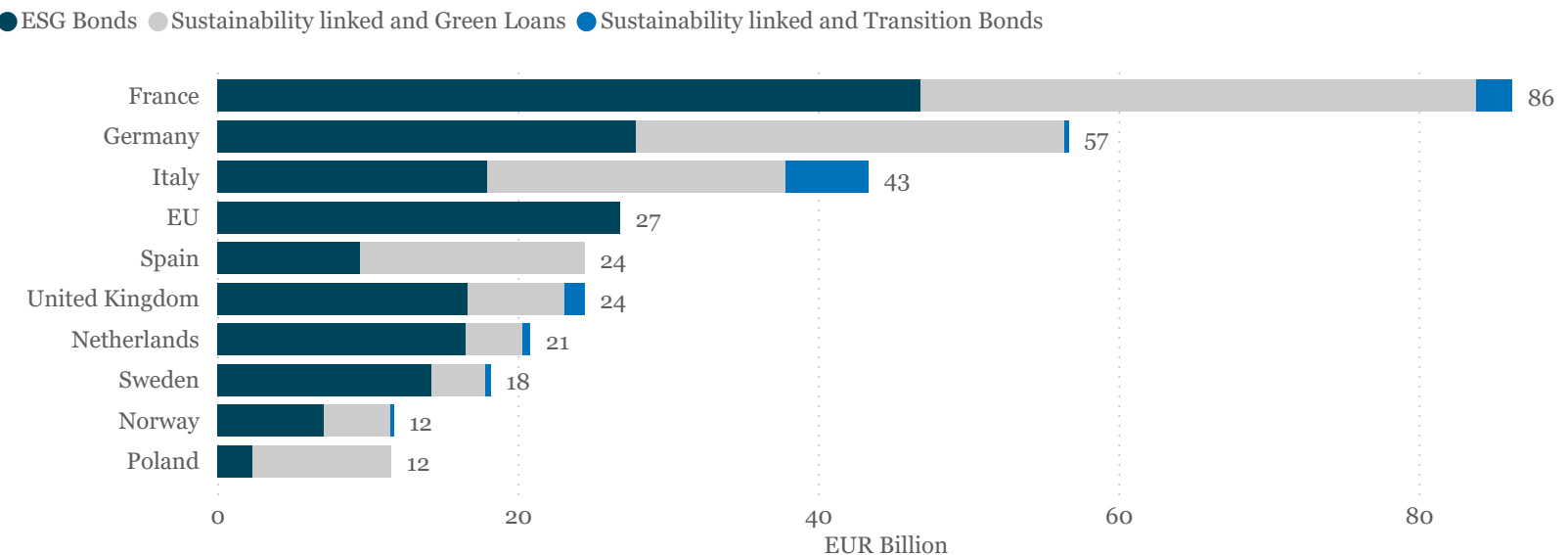
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1.1 European ESG Bond and Loan Issuance 2021 - 2025YtD (Q2)



1.2 European ESG Bond and Loan Issuance by Country (top 10 - 2025YtD (Q2))



Source: Dealogic

Moderate yearly decline in ESG Bond and Loan Issuance in H1 2025

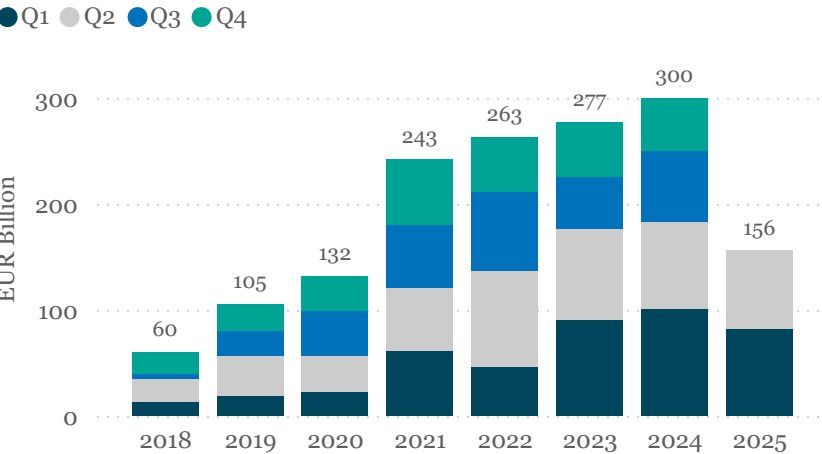
In H1 2025, ESG Bond and Loan Issuance totaled € 373bn, an 8 % decrease from H1 2024 (€ 405bn). This was primarily driven by a 10 % YoY decline in ESG Bonds.

ESG Bond issuance declined by 10 % YoY, accumulating € 218bn in proceeds in H1 2025. Sustainability linked and Transition Bonds totaled € 13bn, a 13 % decrease compared to H1 2024.

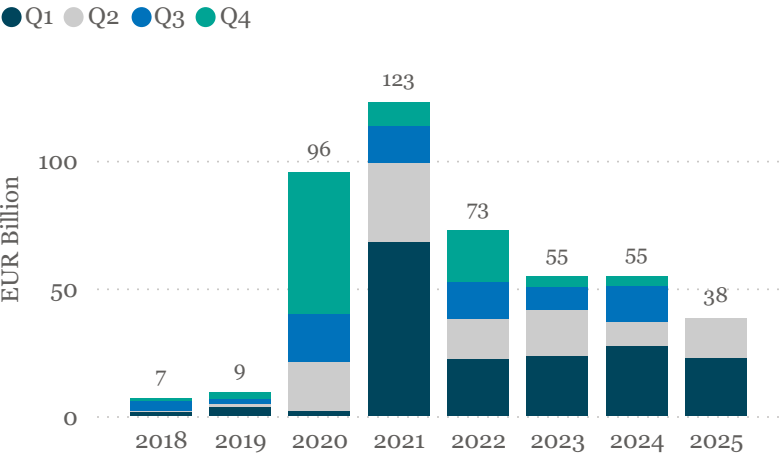
ESG Bonds and Loans include ESG-labelled bonds (proceeds-based), sustainability-linked bonds, transition bonds, green loans and sustainability-linked loans.

In Q2 2025, French issuers led in total loan and bond origination with €86bn, followed by German issuers with €57bn. Notably, Italy was the largest contributor to Sustainability linked and Transition Bonds, originating 52% of the total (€6bn).

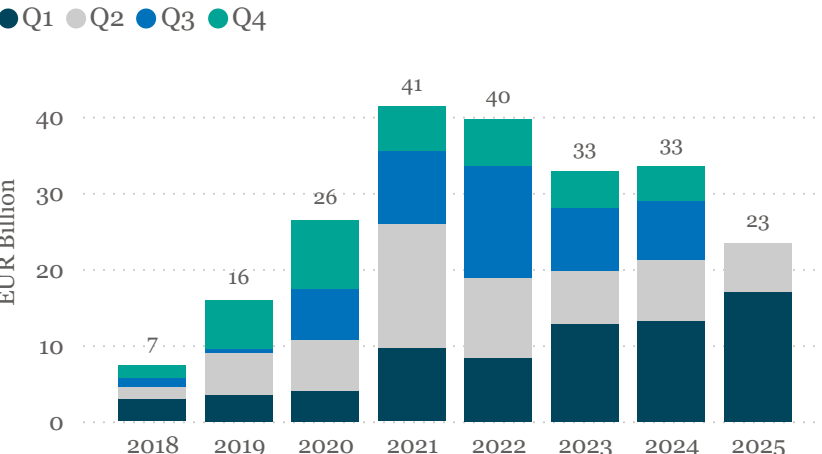
1.3 European Green Bond Issuance



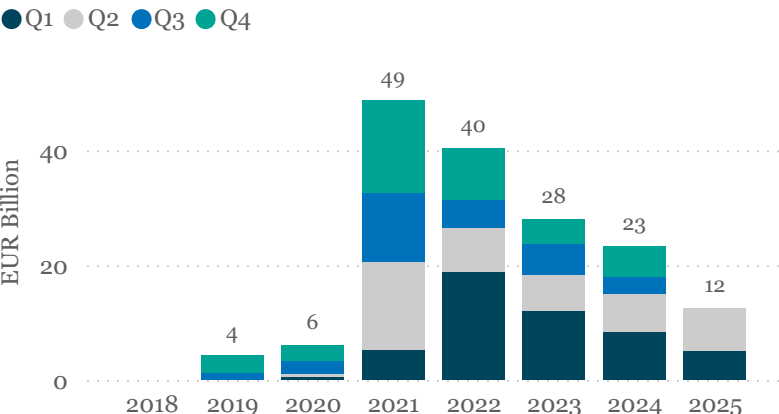
1.4 European Social Bond Issuance



1.5 European Sustainable Bond Issuance



1.6 European Sustainability linked and Transition Bond Issuance



Declining European Green Bond Issuance in the first half of 2025

On a year-to-date basis, Social and Sustainable bonds grew by 3 % and 10 %, respectively. Green bonds, on the contrary, declined by 15 % to € 156 bn, though remaining the largest category by volume.

Sustainability linked and transition bonds continued their downward trend, totaling €12bn, down 17 % YtD.

Top Single ESG Bond Issues by Amount in 2025 YtD (Q2)

Green	Amount EUR (bn) ▼	Maturity Date	ISIN
Italy	5.19	30/10/37	IT0005596470
European Investment Bank - EIB	4.98	18/06/35	EU000A4ECKZ8
Italy	4.97	30/04/46	IT0005631608
European Investment Bank - EIB	4.96	15/01/35	EU000A3L72Y4

Social	Amount EUR (bn) ▲	Maturity date	ISIN
CADES	2.49	24/09/28	FR001400ZPR8
BNG	2.45	01/02/30	US05591F2Y50
CADES	2.50	25/05/30	FR001400X6D7
UNEDIC	1.98	25/11/33	FR001400YA95
UNEDIC	1.99	25/05/35	FR001400ZAD0

Sustainability	Amount EUR (bn) ▼	Maturity date	ISIN
Agence Francaise de Developpement - AFD	1.99	20/01/35	FR001400WPS3
European Investment Bank - EIB	1.80	31/01/28	EU000A3L6Q00
Agence Francaise de Developpement - AFD	1.50	30/09/30	FR0014010J41
Autonomous Community of Madrid	1.00	30/04/35	ES00001010Q5
Ile-de-France	1.00	25/05/35	FR001400WR49

Government-Related entities rank as top ESG issuers

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

In 2025 YtD the Government of Italy had issued the largest single green bond, accumulating €5.19bn. Italy was followed by the European Investment Bank (EIB) that issued a bond of €4.98bn in proceeds.

The French Caisse d’Amortissement de la Dette Sociale (CADES) maintains its position as a market leader for social bonds.

Sustainability bonds were issued in smaller tranches than other ESG instruments. The largest issue of the quarter amounted at €1.99bn and was originated by the Agence Francaise de Developpement (AFD) in January, followed by the EIB's issue of €1.80bn.

Top European Green Bond Standard (EU GBS)-compliant issues by Amount in 2025 YtD (Q2)

EuGB Issue	Nationality	Amount EUR (bn)	Maturity date	ISIN
European Investment Bank - EIB	EU	2.99	15/05/37	EU000A3K4EG9
ABN AMRO Bank	Netherlands	1.00	04/06/29	XS3083189319
Ile-de-France Mobilites	France	0.99	25/05/45	FR001400X2F1
SNAM SpA	Italy	0.99	01/07/32	XS3096163160
ABN AMRO Bank	Netherlands	0.75	25/02/31	XS3009603831
Iberdrola Finanzas SAU	Spain	0.75	16/05/35	XS3072230744
Autonomous Community of Madrid	Spain	0.50	30/07/30	ES00001010R3
Norsk Hydro ASA	Norway	0.50	17/06/33	XS3092057820
A2A SpA	Italy	0.50	30/01/35	XS2986639701
Covivio Hotels SCA	France	0.49	17/06/34	FR0014010IN9

\* EU includes the EIB

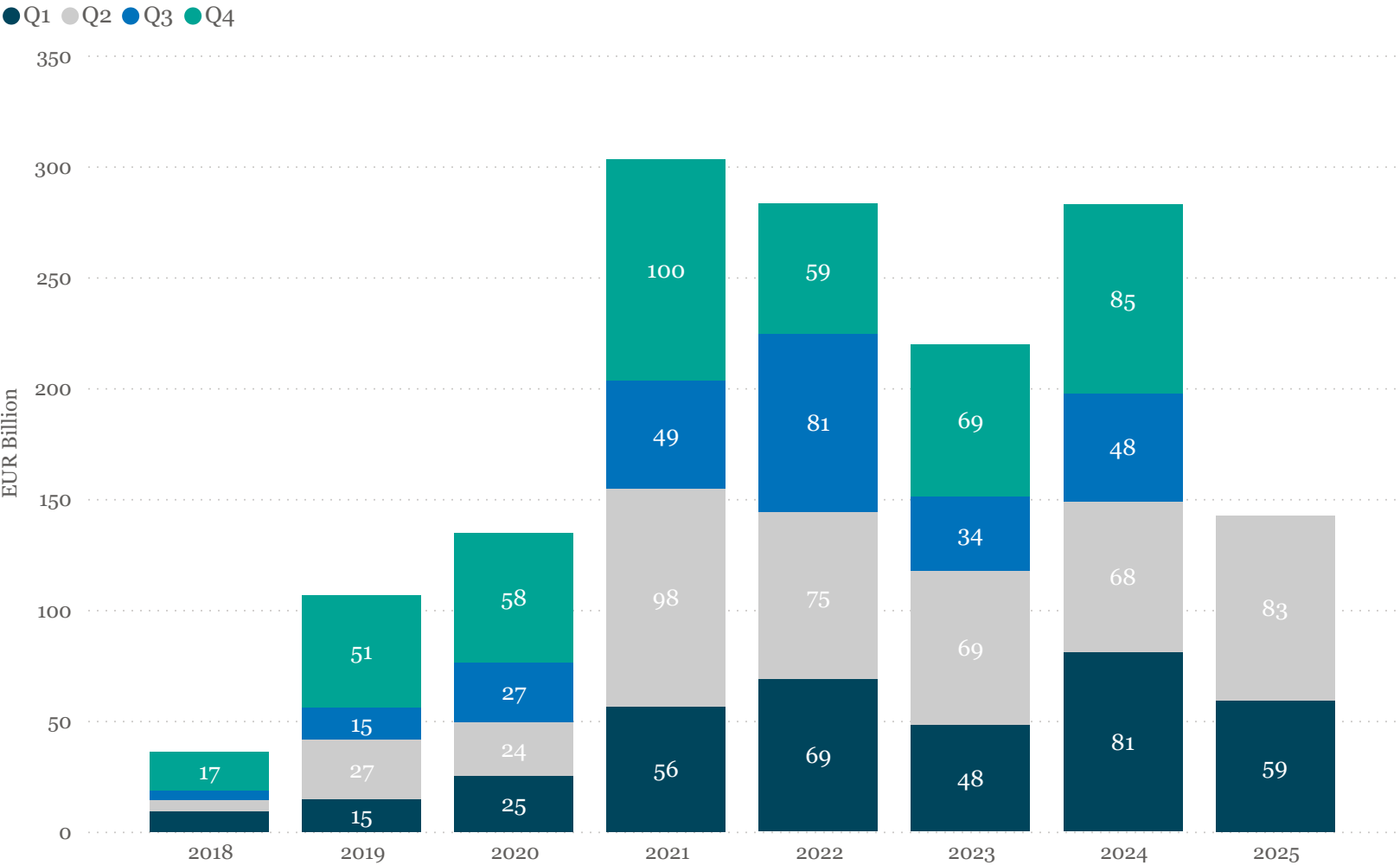
First EU GBS-compliant issues in 2025

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.

The EIB had issued the largest EU GBS-compliant issue in 2025 YtD, accumulating €2.99bn, followed by ABN AMRO Bank (€1bn).

As of June 2025, EU issuers\* led in total GBS-compliant issues (€2.99bn), followed by Dutch issuers (€1.75bn), and Italian and French issuers, with €1.49bn each.

1.7 European Sustainability linked and Green Loans Issuance 2018 - 2025YtD (Q2)



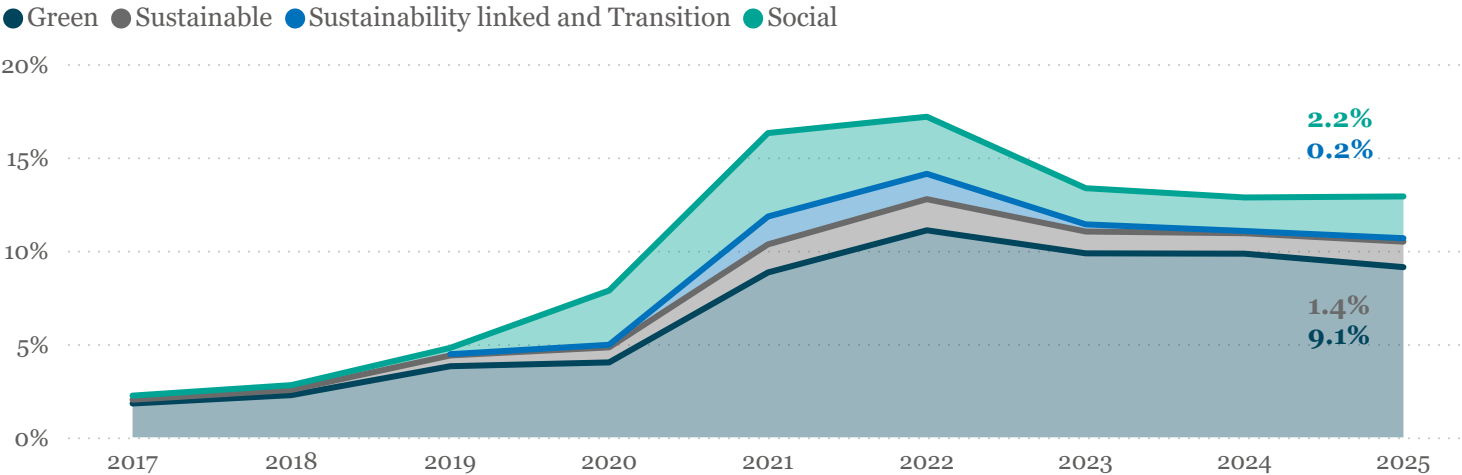
Source: Dealogic

After a slow first quarter, European Sustainability linked and Green Loans Issuance recovered in Q2 2025

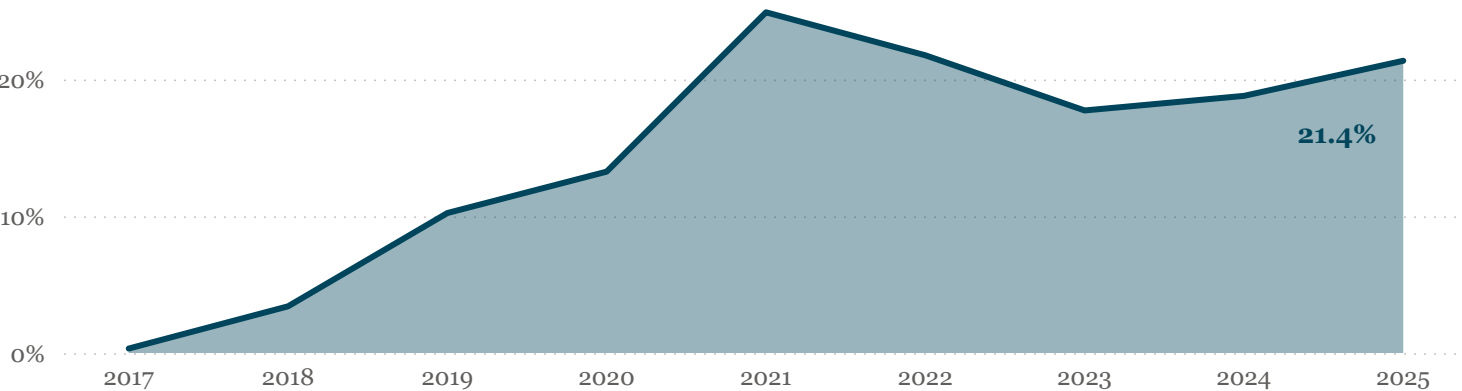
In H1 2025, European Sustainability linked and Green Loans originated proceeds for € 143bn, standing €7bn (or 4 %) below H1 2024 issuance.

Sustainability linked and Green Loans registered the highest Q2 issuance since 2021.

1.8 European ESG Bond Issuance as % of Total Bond Issuance



1.9 European Sustainability linked and Green Loans Issuance as % of Syndicated Loan Origination



ESG includes Environmental, Social and Sustainable

Moderate increase of the share of ESG bonds in total bond issuance in Europe

ESG Bond Issuance represented 12.91% of total European bond issuance during Q2 2025, including 9.1 % green bonds, 2.2 % social bonds, 1.4 % sustainable bonds, and 0.2 % of sustainability linked and transition bonds. This represented a moderate increase from 12.86% in 2024, but a decline from 13.35% in 2023.

Sustainability linked and Green Loans Issuance represented 21.4 % of total European syndicated loan origination during Q2 2025, the second highest value since the peak recorded in 2021 (25%).

# Regulatory Update

2025

Q2

- Official publication and entry into force of the EU’s “stop the clock” Directive postponing the dates of application of certain corporate sustainability reporting and due diligence requirements
- EU Member States agree common position on the Sustainability Omnibus Directive amending CSRD and CSDDD
- European Commission launches Call for Evidence on the review of SFDR
- European Commission launches Call for Evidence on the evaluation of the EU emission trading system (EU ETS) and Market Stability Reserve (MSR)
- EFRAG launches public call for input on the revision and simplification of the ESRS
- EBA consults on amendments to Pillar 3 ESG disclosure requirements
- ESMA consults on draft Regulatory Technical Standards (RTS) under the ESG Ratings Regulation - covering registration, safeguards on separation of business and methodological disclosures for ESG rating providers
- ESMA consults on remaining set of RTS under the European Green Bond (EuGB) Regulation
- ESAs launch consultation on how to integrate ESG risks in the financial stress tests for banks and insurers
- UK Government consults on high-integrity voluntary carbon and nature markets
- UK PRA consults on amendments to supervisory expectations for banks' and insurers' management of climate-related risks

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

# afme / Regulatory/Supervisory Snapshot – Sustainable Finance\*

2025

Q3

- European Commission adopts revised Delegated Regulation amending the Taxonomy Delegated Acts
- European Commission adopts "quick fix" amendments to the existing ESRS for companies already conducting corporate sustainability reporting
- European Commission launches call for applications for members of the next mandate of the EU Platform on Sustainable Finance
- European Commission adopts recommendation on voluntary sustainability reporting for SMEs
- EFRAG launches public consultation on Exposure Drafts of simplified ESRS
- EBA consults on the revision of product oversight and governance Guidelines for retail banking products to consider products with ESG features and greenwashing risks
- UK Government launches consultations on Climate-related transition plan requirements; UK Sustainability Reporting Standards (SRS); and Oversight regime for assurance of sustainability reporting
- European Commission adopts Recommendation to authorise the opening of negotiations between the EU and UK on linking their emissions trading systems

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

2025

Q4

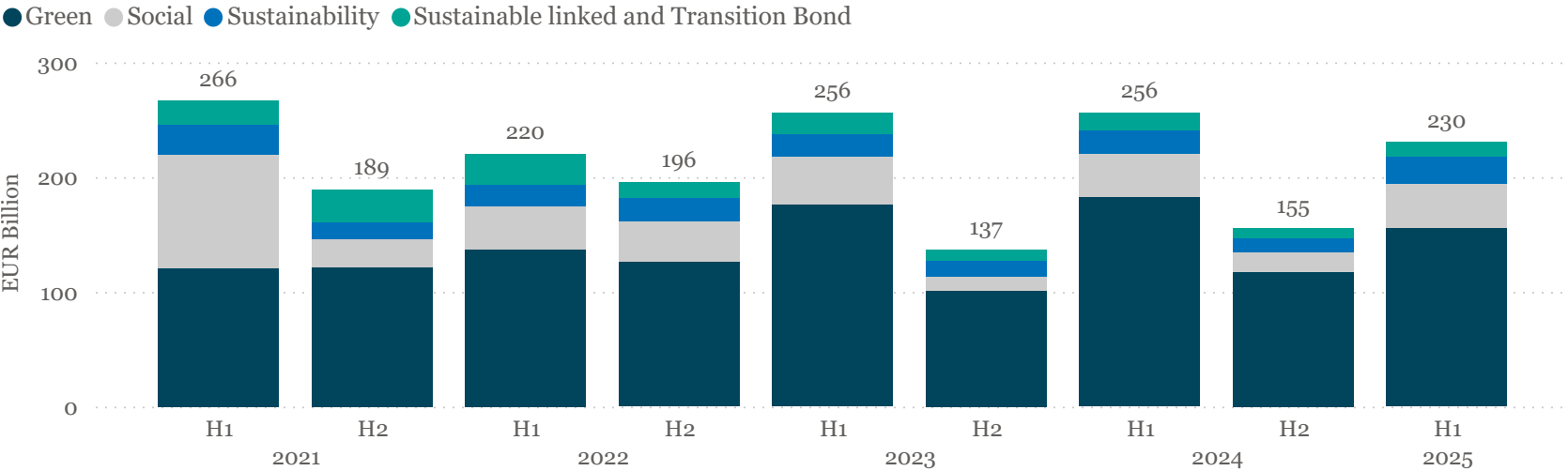
- Deadline for EU Member States' transposition of "stop the clock" Directive
- European Parliament to finalise its position on the Sustainability Omnibus Directive amending CSRD and CSDDD; start of interinstitutional ("trilogues") negotiations
- European Commission to adopt legislative proposal on the review of SFDR
- European Commission to adopt legislative proposal to simplify administrative burdens in environmental legislation
- EFRAG to deliver its final technical advice on the review and simplification of ESRS
- UK Government to finalise Statutory Instrument regulating ESG ratings providers (tbc)
- UK Government to publish UK SRS for voluntary use
- UK Government to consult on non-financial reporting to support integration of UK SRS
- UK FCA to consult on updating its listing rules to refer to UK SRS

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

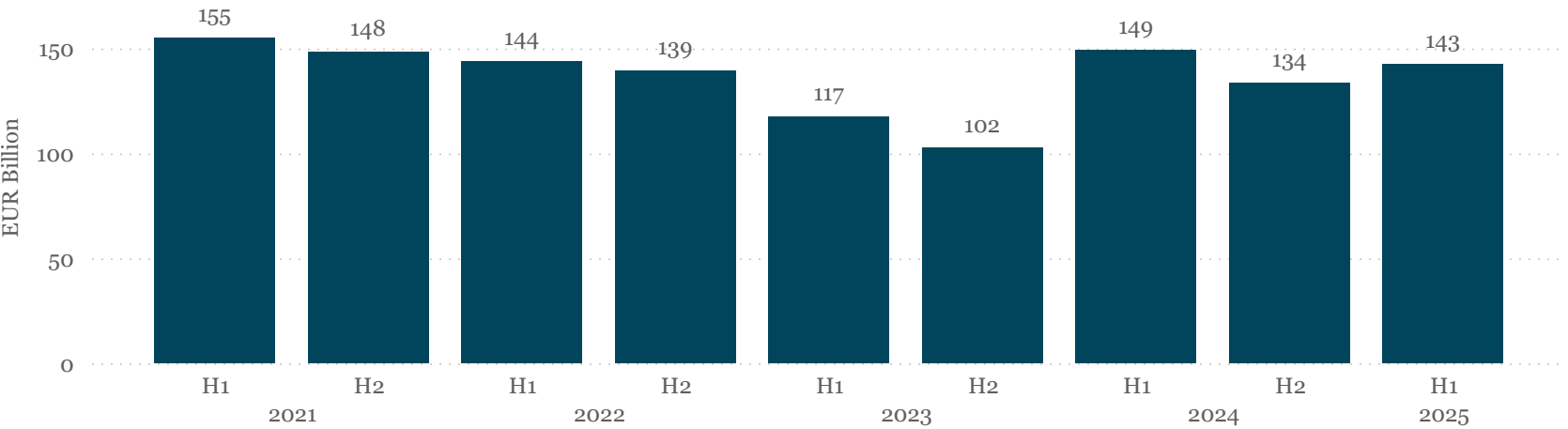
# ESG Bond and Loan Issuance

# afme/ ESG Bond and Loans Issuance

## 2.1 European ESG, Sustainability linked and Transition Bond Issuance



## 2.2 European Sustainability linked and Green Loans Issuance



### Lowest H1 issuance of ESG and Sustainability linked and Transition Bonds since 2022

Proceeds from ESG and Sustainability linked and Transition Bonds reached €230bn during H1 2025, a 10% decline from €256bn in H1 2024.

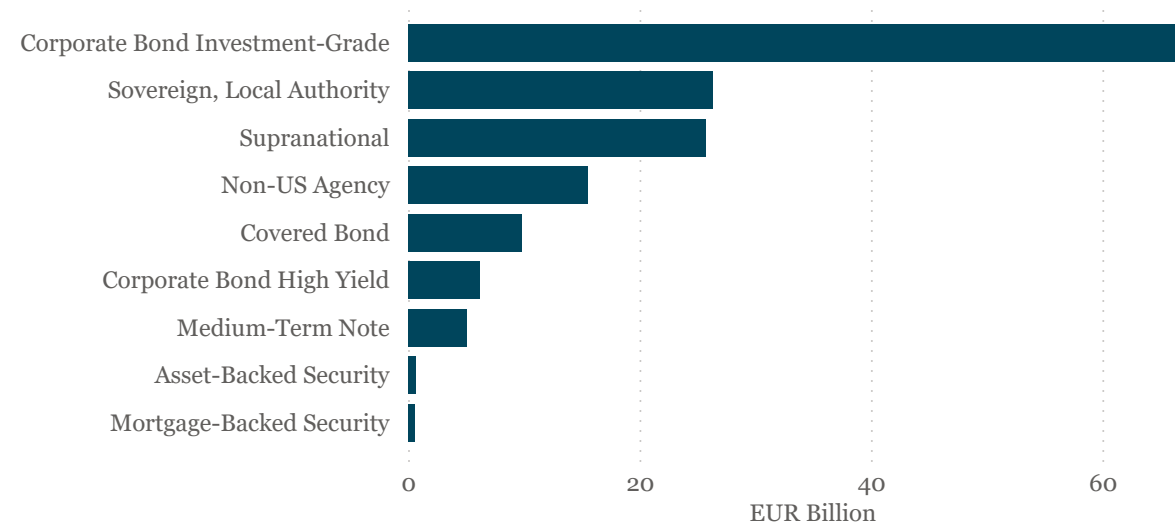
Sustainability linked and Green Loans origination declined by 4 % YoY, totaling € 143 bn in proceeds in H1 2025.

Investment-grade corporate issuers accounted for 42% of the total proceeds from green bonds, while European agencies led the issuance of social bonds (51% of the total).

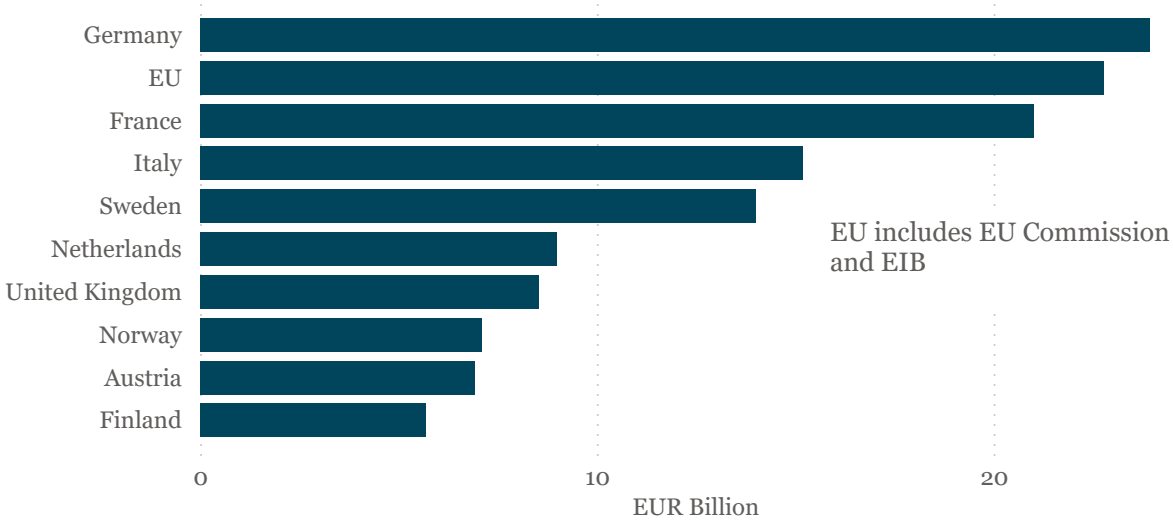
Globally, the European Union continues as the primary region for green and social bond issuance, and for sustainability linked and green loan origination. US issuers continued as the lead region for sustainable bond issuance. [See pages 15-18]

Source: Dealogic

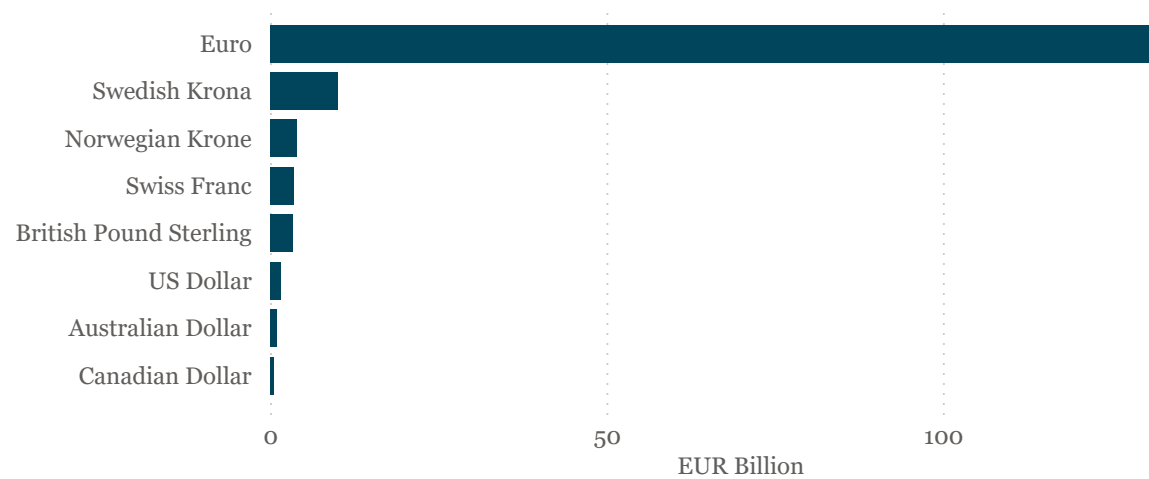
2.3 Green Bond Issuance by Deal Type: 2025YtD (Q2)



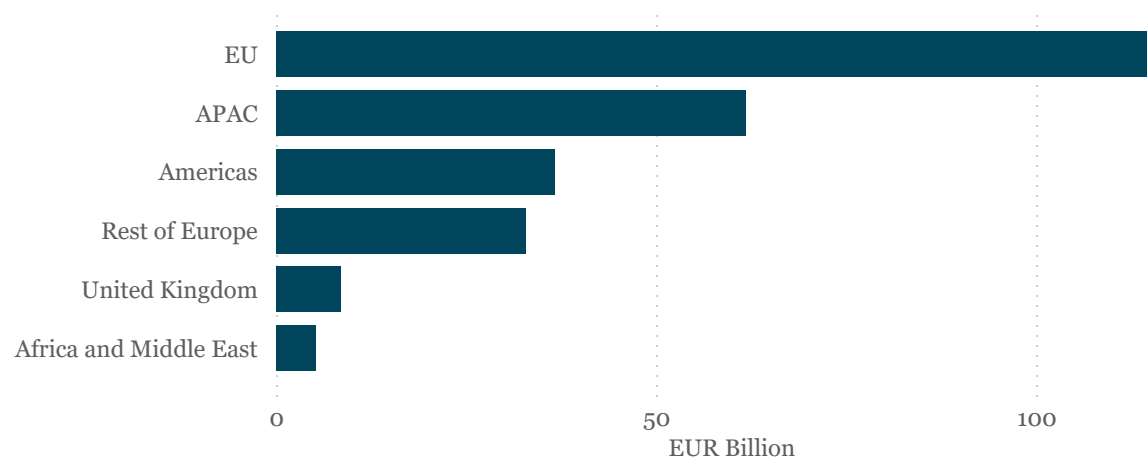
2.4 Green Bond Issuance by Country (top10): 2025YtD (Q2)



2.5 Green Bond Issuance by Currency (top 8): 2025YtD (Q2)

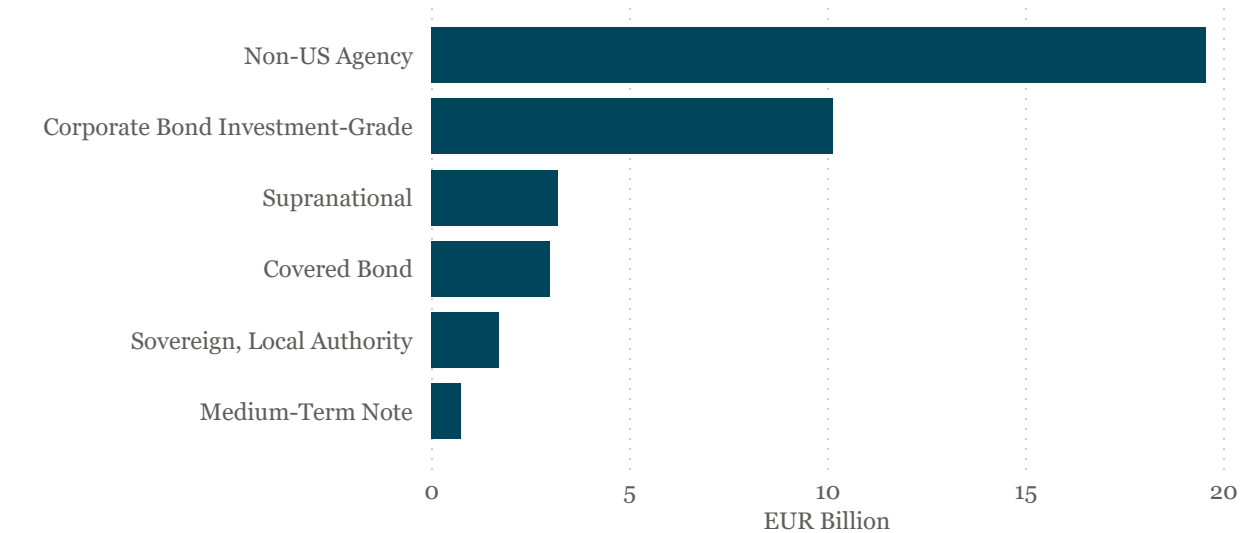


2.6 Green Bond Issuance Global Comparison: 2025YtD (Q2)

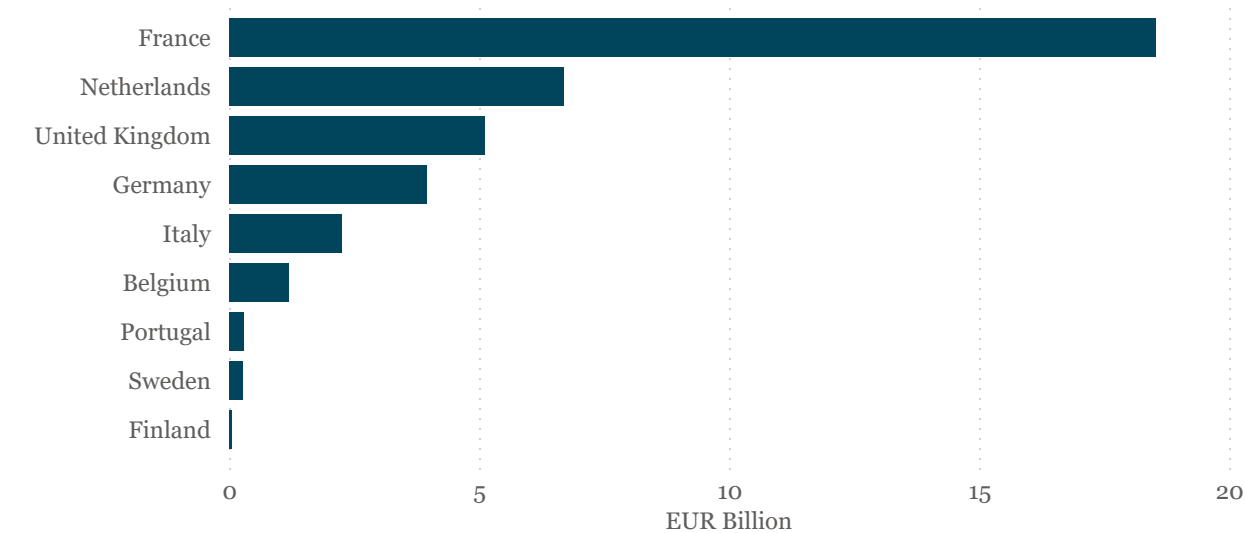


Source: Dealogic

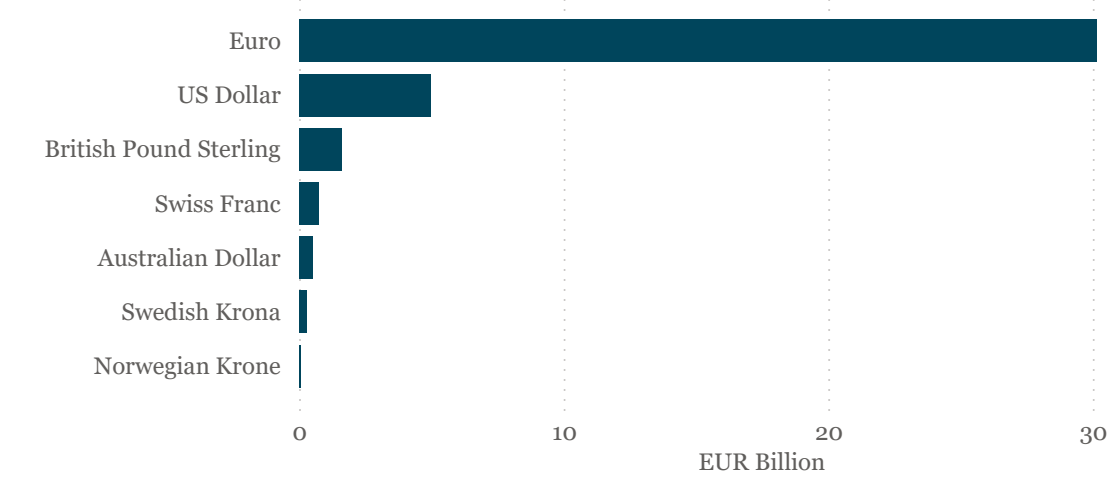
2.7 Social Bond Issuance by Deal Type: 2025YtD (Q2)



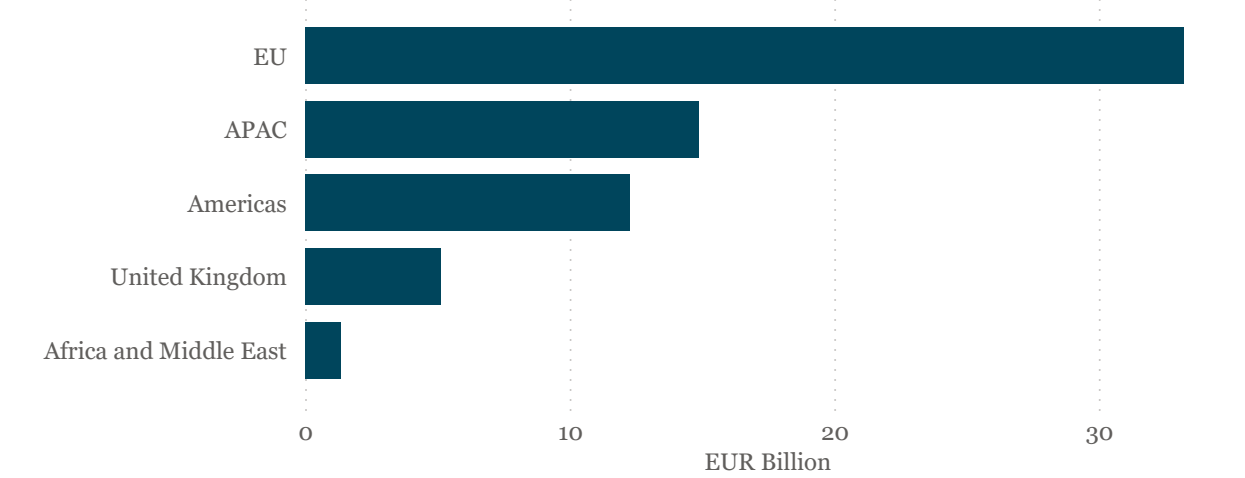
2.8 Social Bond Issuance by Country (top 10): 2025YtD (Q2)



2.9 Social Bond Issuance by Currency: 2025YtD (Q2)



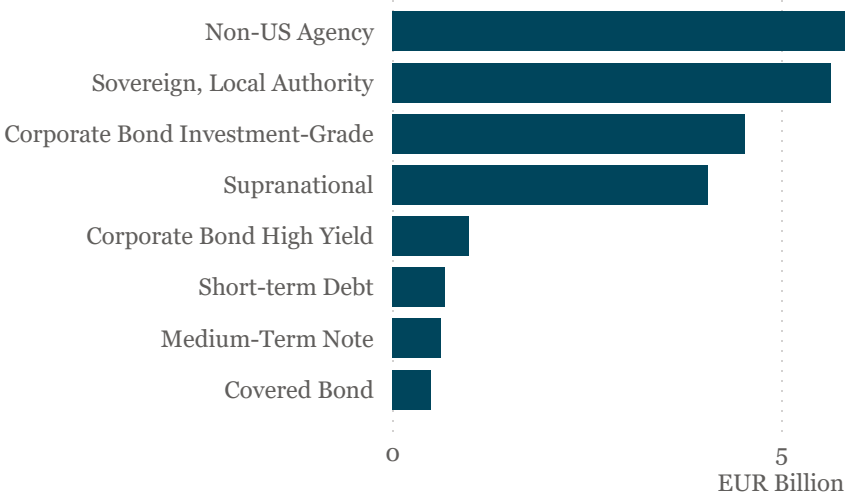
2.10 Social Bond Issuance Global Comparison: 2025YtD (Q2)



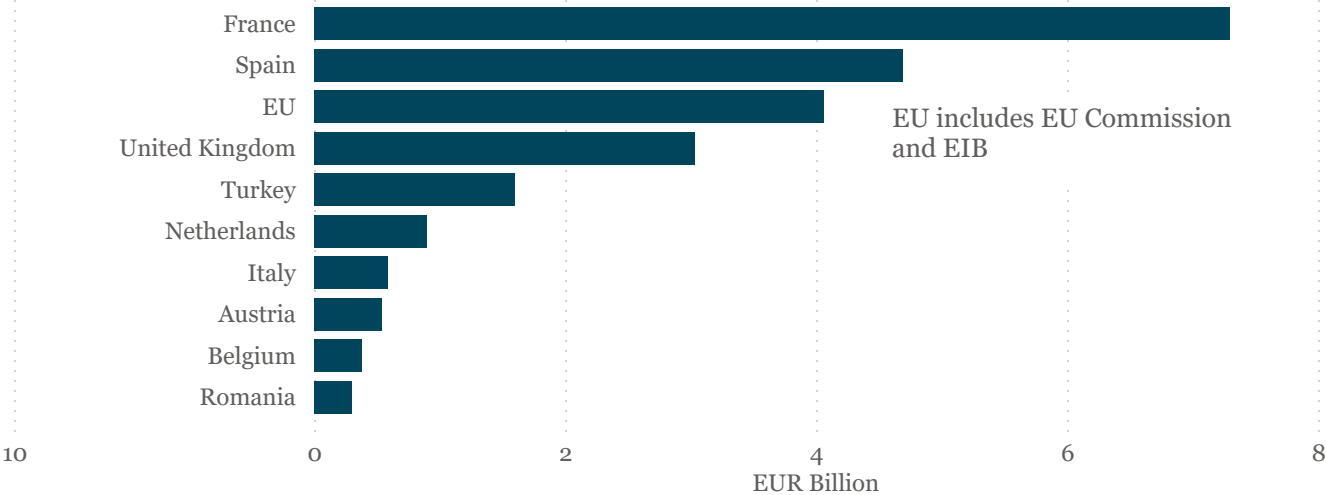
# afme/ Sustainable Bond Issuance

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

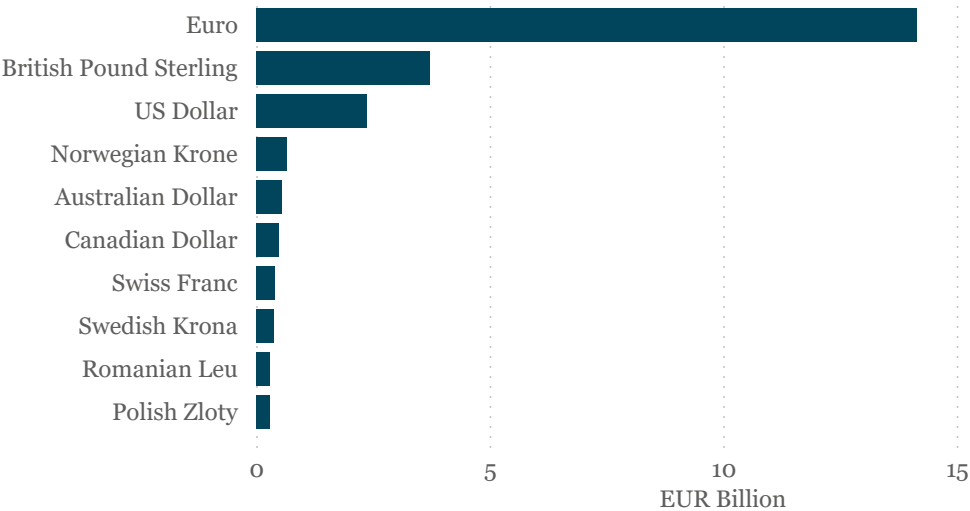
2.11 Sustainable Bond Issuance by Deal Type: 2025YtD (Q2)



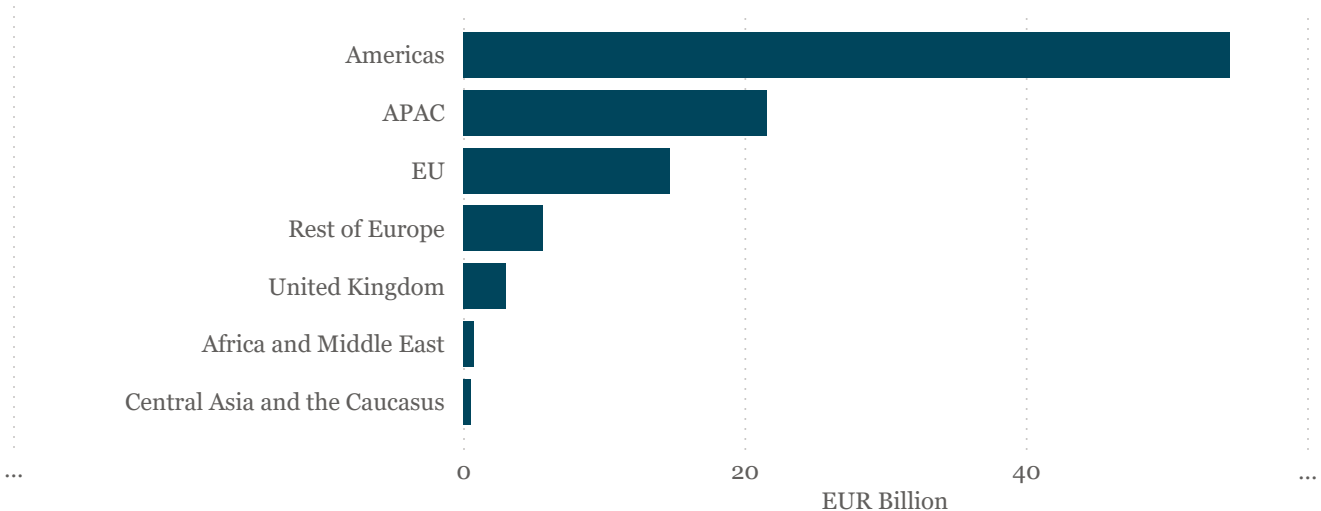
2.12 Sustainable Bond Issuance by Country (top 10): 2025YtD (Q2)



2.13 Sustainable Bond Issuance by Currency: 2025YtD (Q2)



2.14 Sustainable Bond Issuance Global Comparison: 2025YtD (Q2)

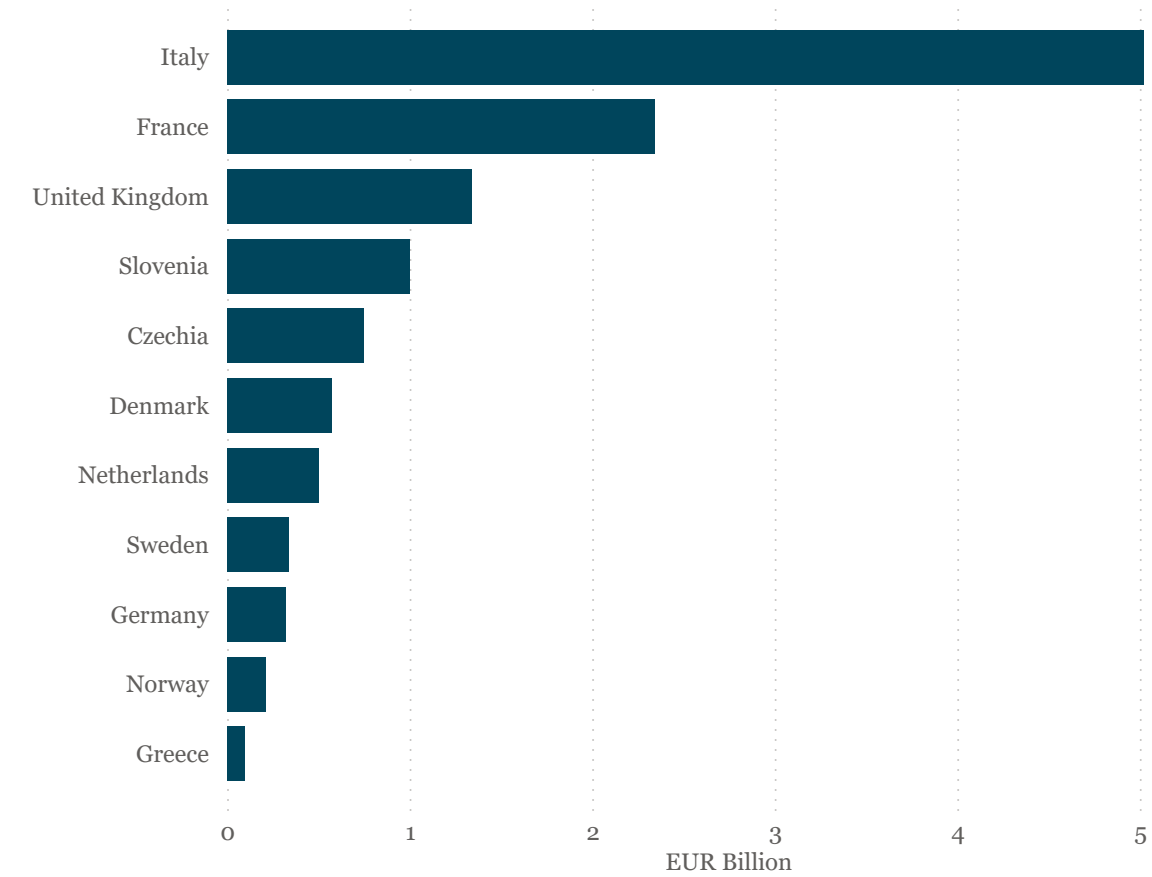


Source: Dealogic

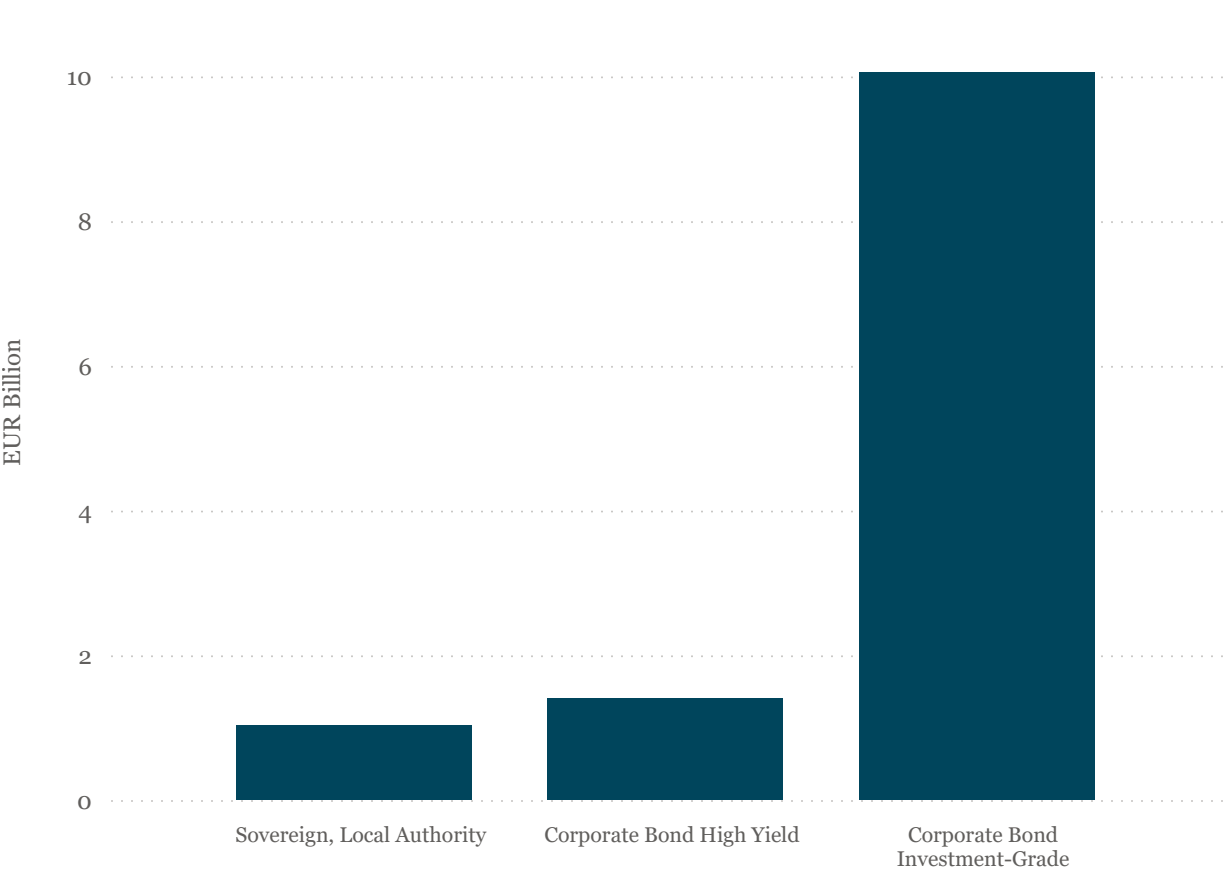
# afme/ Sustainability-linked Bond Issuance

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: 2025YtD (Q2)

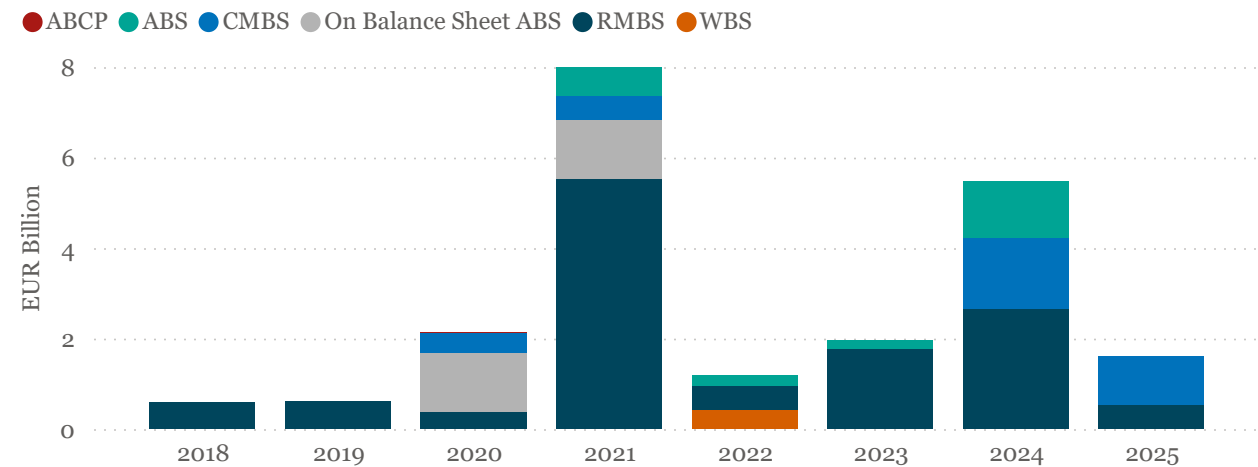


2.16 European Sustainability-linked Bond Issuance by Deal Type: 2025YtD (Q2)

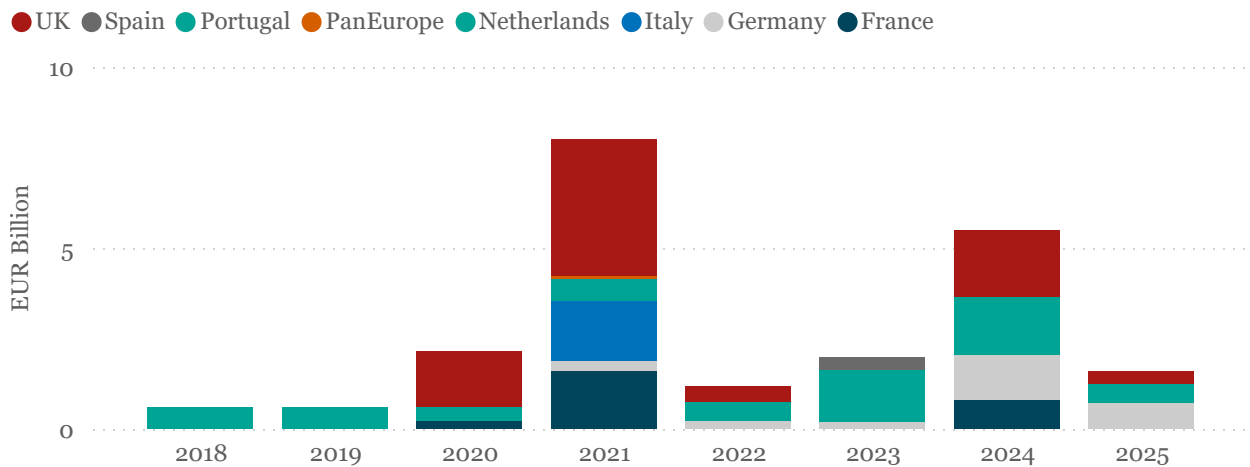


# afme/ ESG Securitisation Issuance

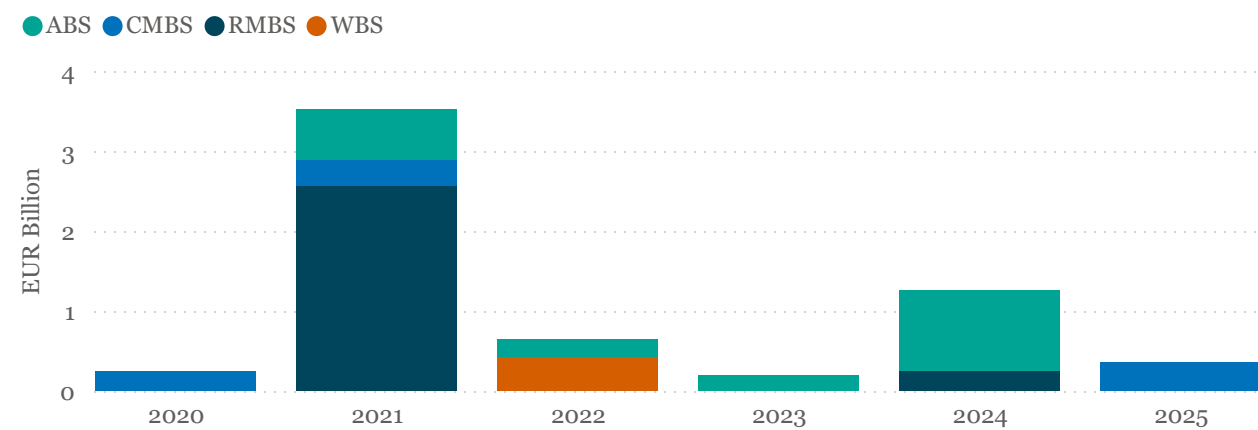
2.17 European ESG Securitisation Issuance by Asset Class



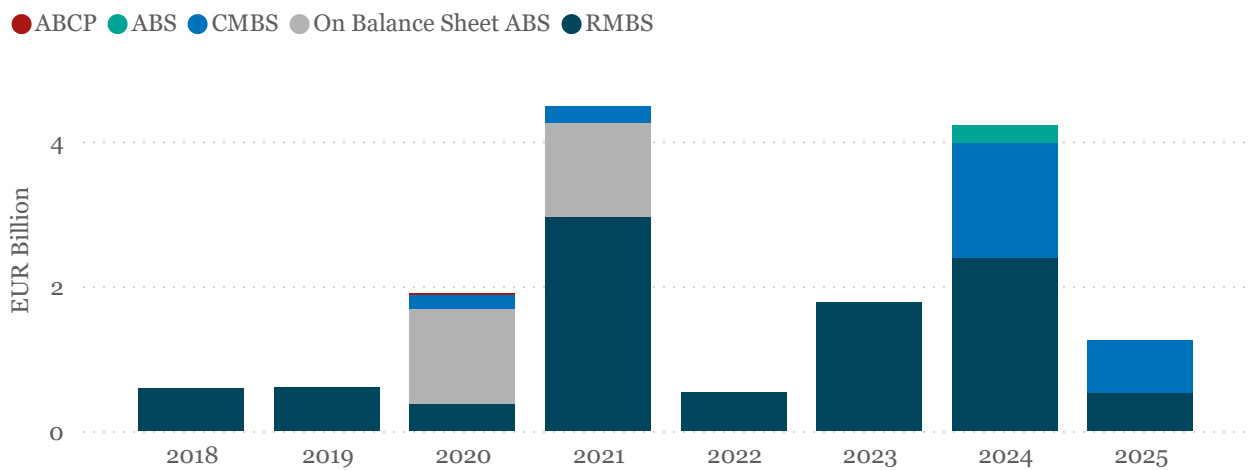
2.18 European ESG Securitisation Issuance by Country of Asset



2.19 European Social and Sustainable Securitisation Issuance by Asset Class



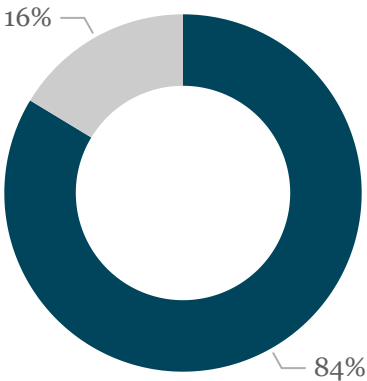
2.20 European Green Securitisation Issuance by Asset Class



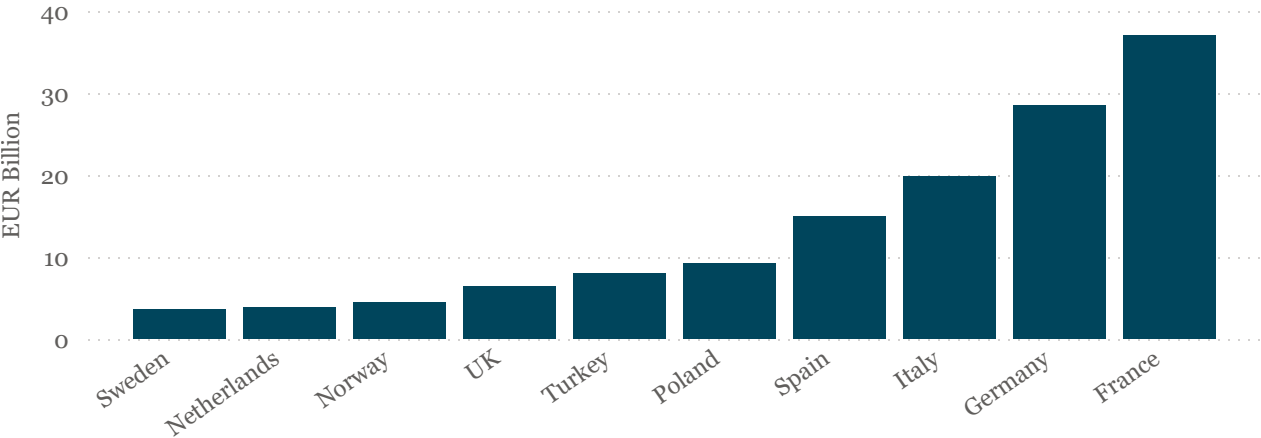
# afme/ Sustainability linked and Green Loan Issuance

2.21 Sustainability linked and Green Loan Issuance by Deal Type: 2025YtD (Q2)

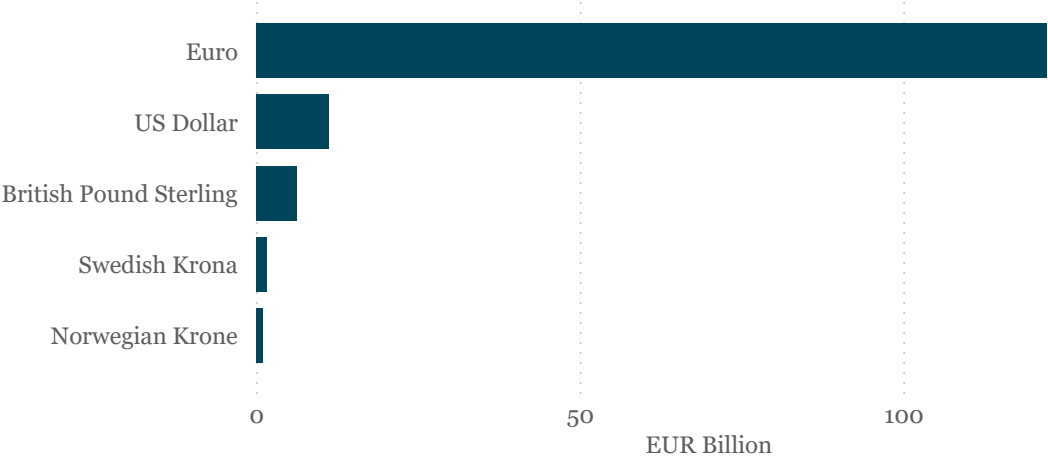
● Investment Grade  
● Leveraged



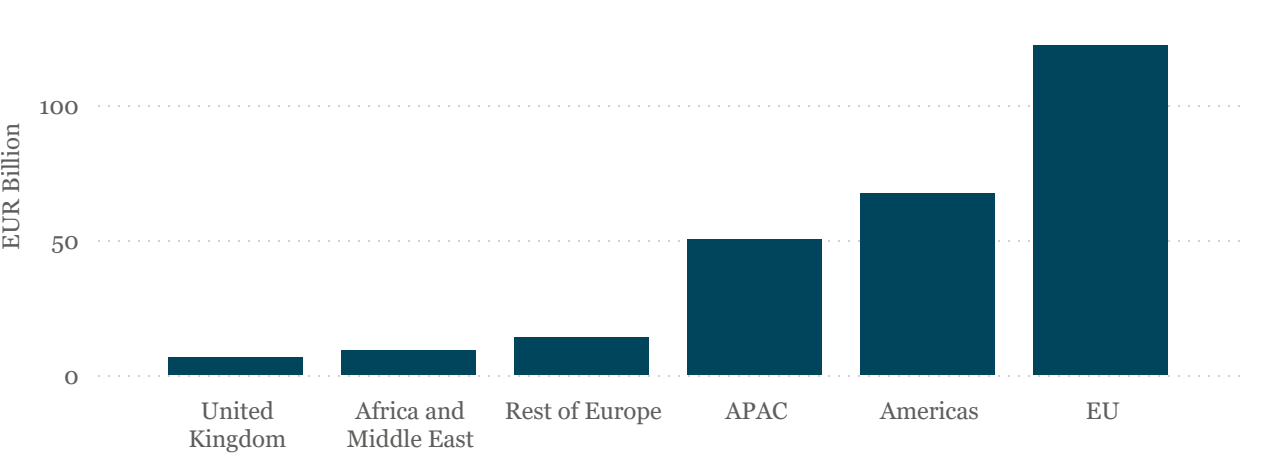
2.22 Sustainability linked and Green Loan Issuance by Country (top 10): 2025YtD (Q2)



2.23 Sustainability linked and Green Loan Issuance by Currency (top 5): 2025YtD (Q2)



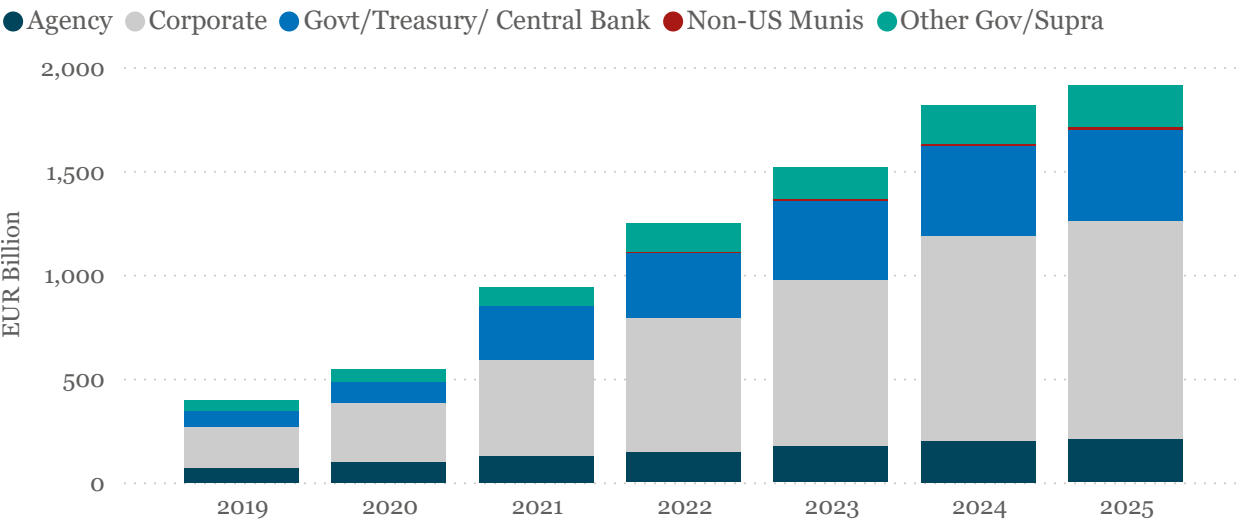
2.24 Sustainability linked and Green Loan Issuance Global Comparison: 2025YtD (Q2)



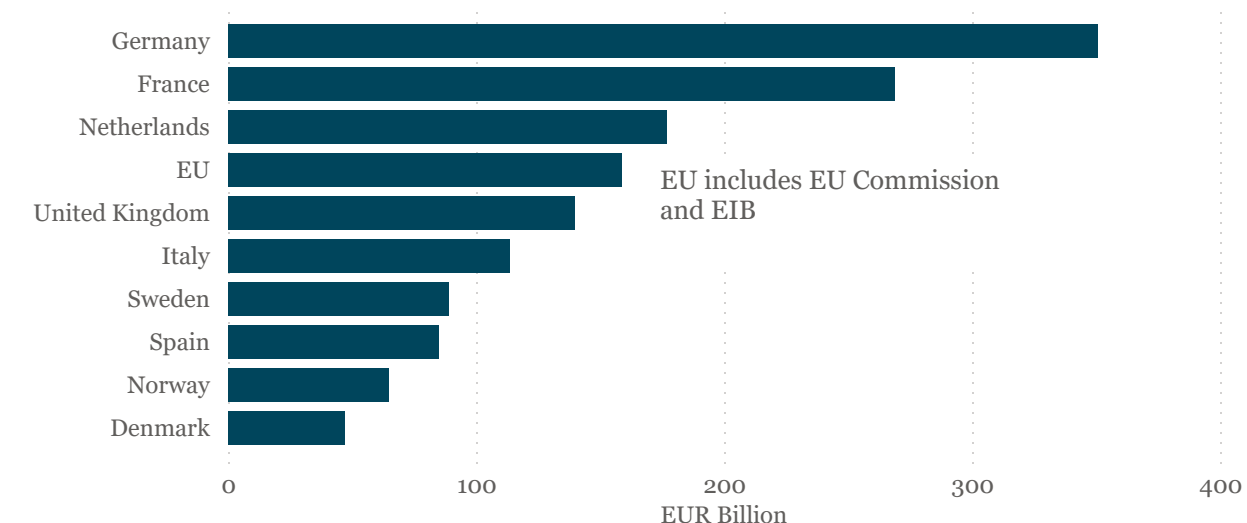
# ESG Bonds Outstanding

# afme/ Green Bonds Outstanding

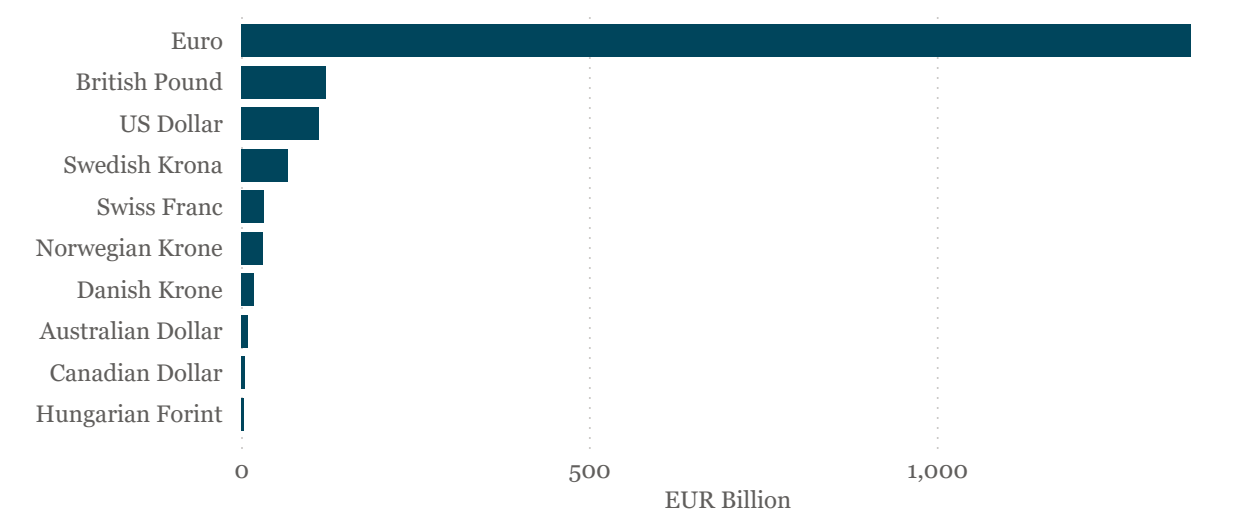
3.1 Evolution of European Green Bonds Outstanding



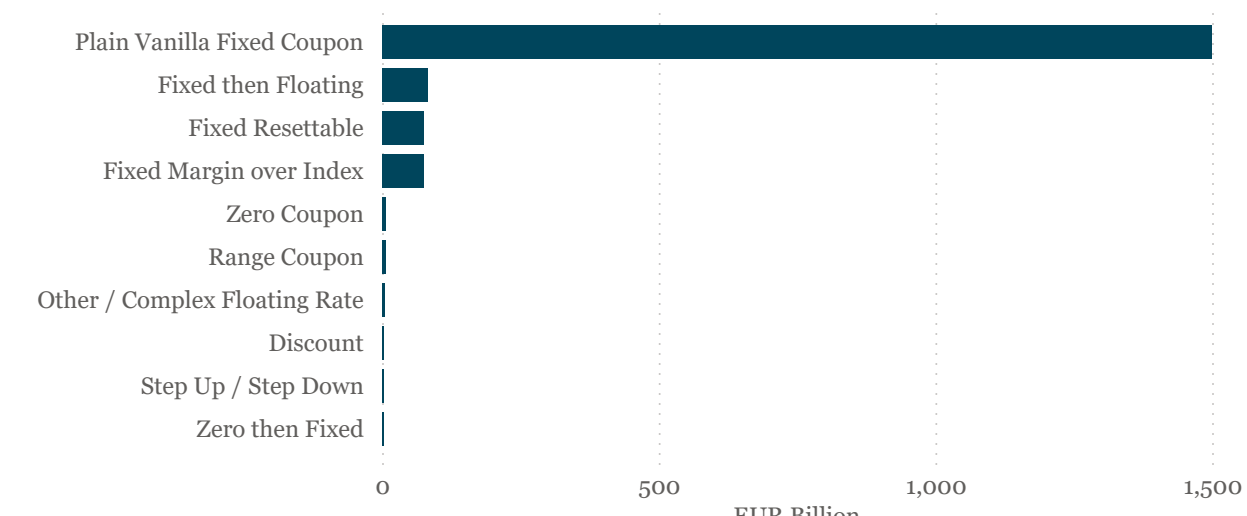
3.2 Green Bonds Outstanding by Country (top 10)



3.3 Green Bonds Outstanding by Currency (top 10)



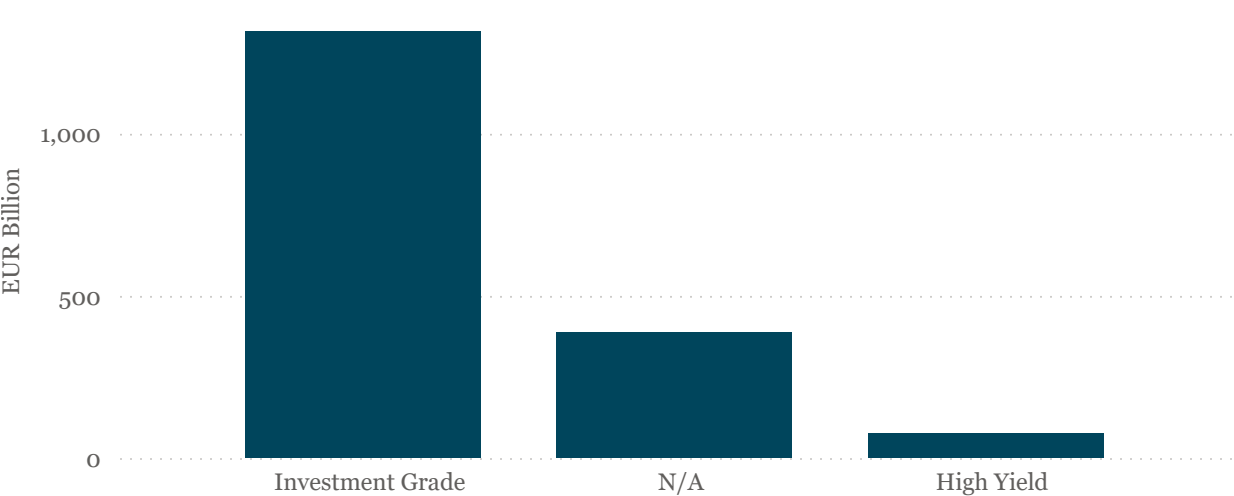
3.4 Green Bonds Outstanding by Coupon Type (top 10)



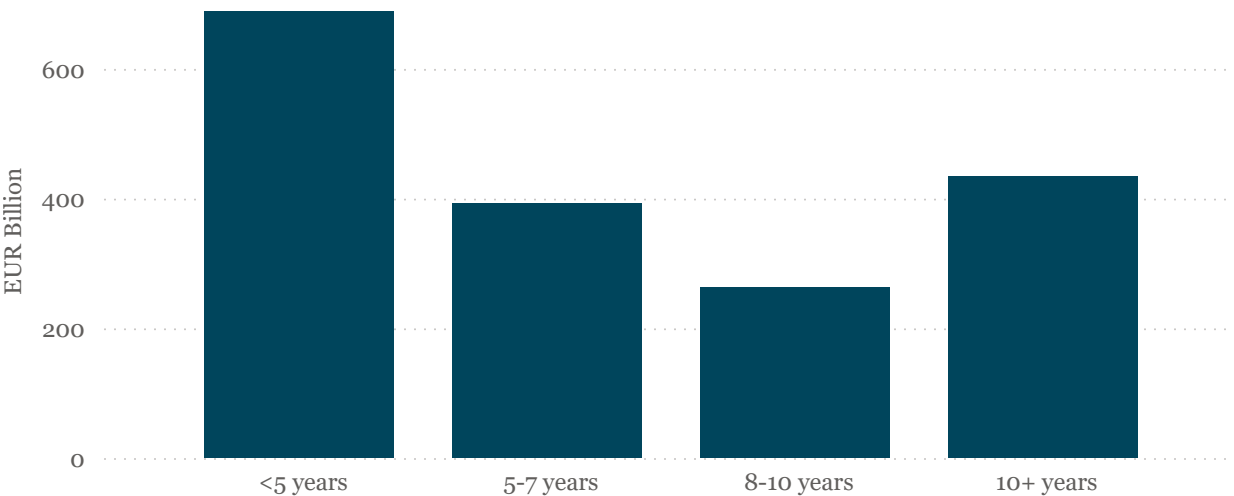
Source: Refinitiv Eikon

# afme/ Green Bonds Outstanding

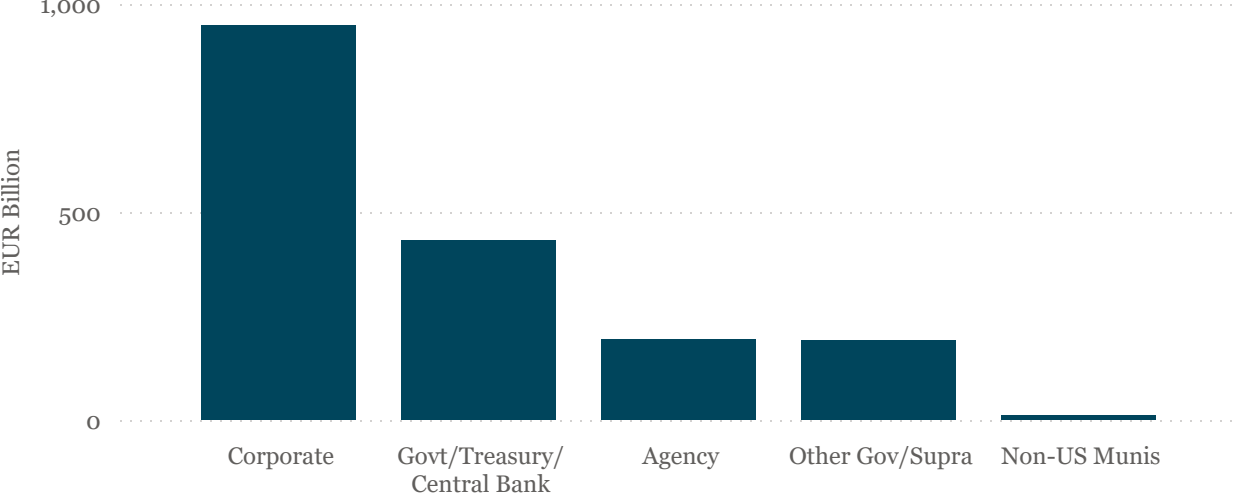
3.5 Green Bonds Outstanding by Bond Grade



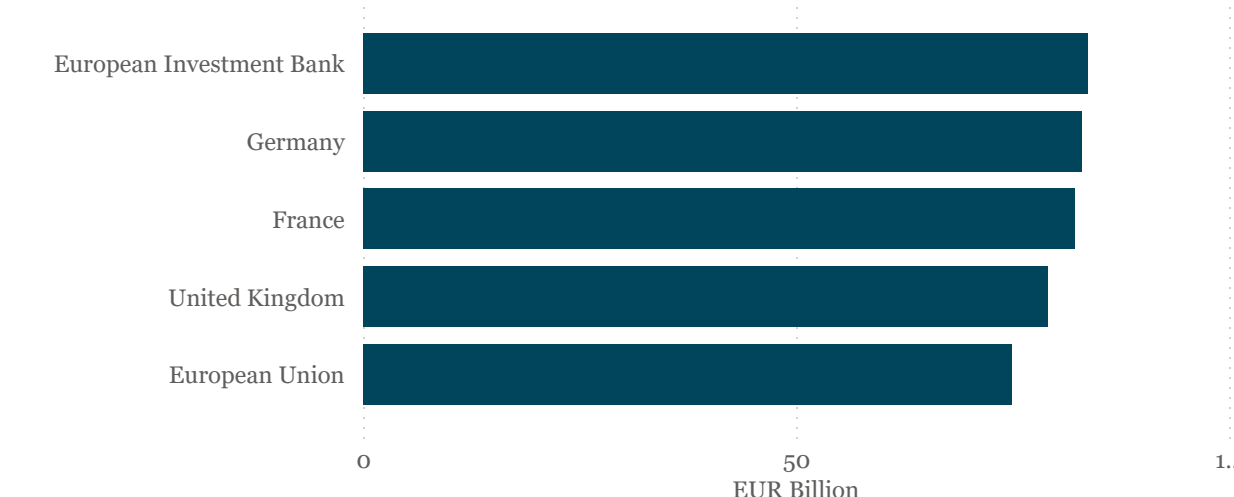
3.6 Green Bonds Outstanding by Years to Maturity



3.7 Green Bonds Outstanding by Asset Class

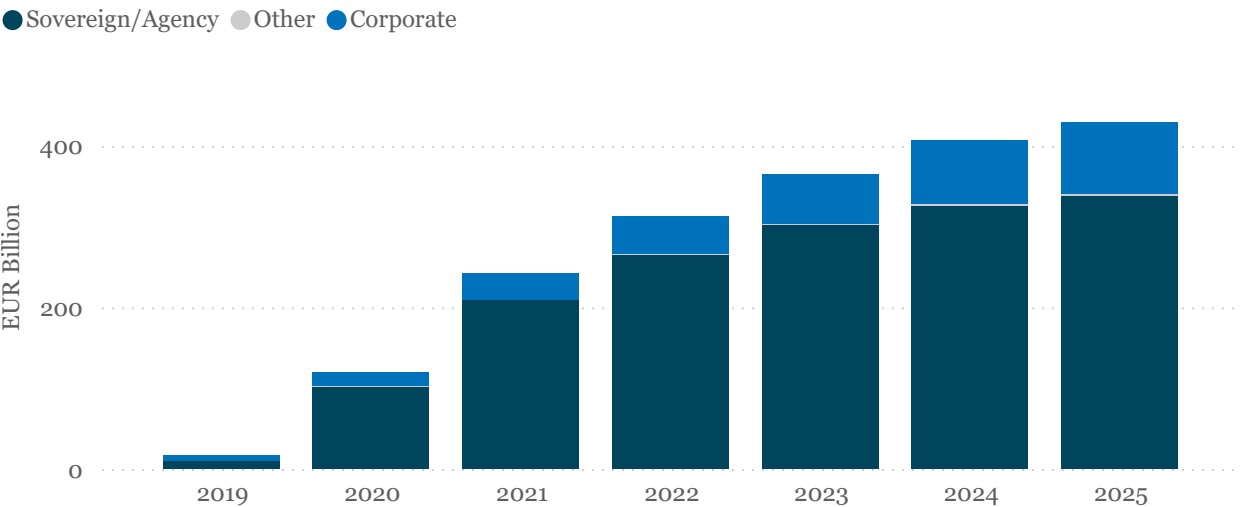


3.8 Green Bonds Outstanding by Single Issuers (top 5)

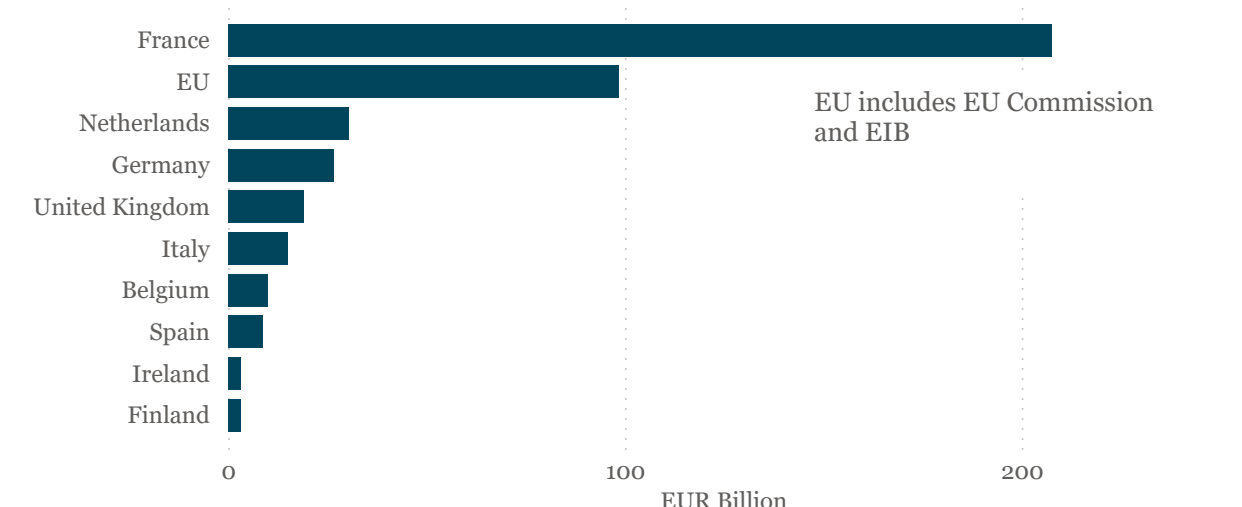


# afme / Social Bonds Outstanding

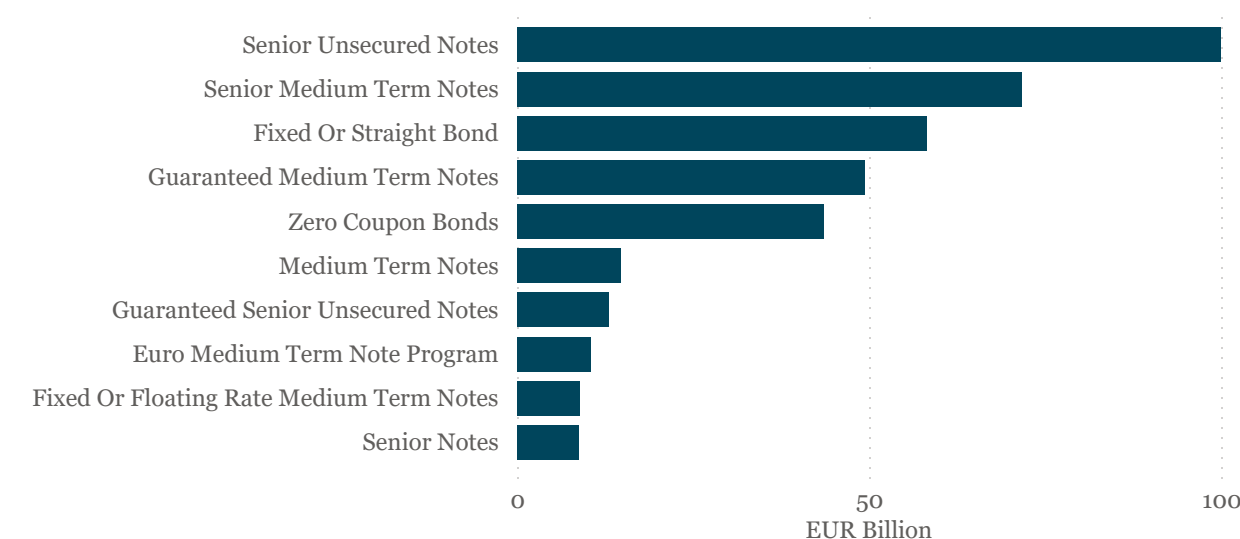
3.9 Evolution of Social Bonds Outstanding



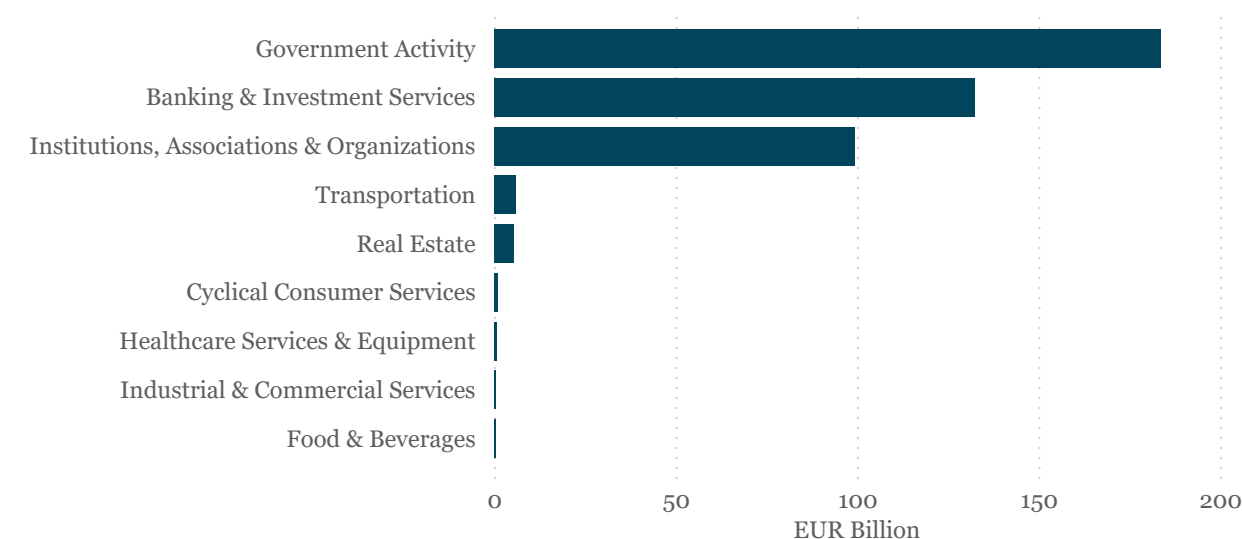
3.10 Social Bonds Outstanding by Country (top 10)



3.11 Social Bonds Outstanding by Security Type (top 10)



3.12 Social Bonds Outstanding by Economic Sector

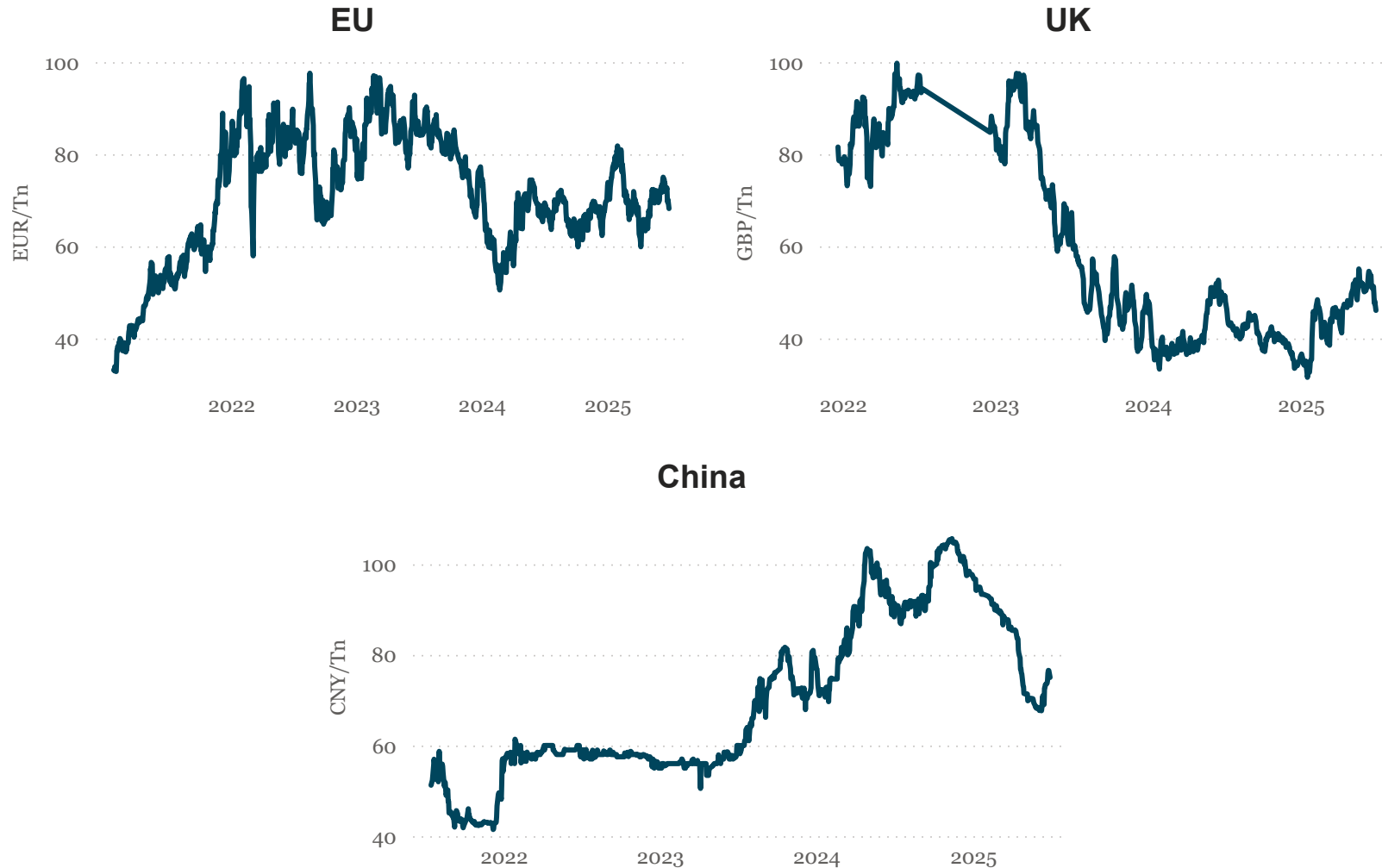


Source: Refinitiv Eikon

# 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 (Shenzhen, Beijing, Guangong, Tianjin, Hubei, Chongqing or Fujian)

**In Q2 2025, China's ETS Allowance Prices reached lowest value since August 2023**

In Q2 2025, UK carbon prices increased on average by 21 % QoQ, while the EU carbon prices and the Shanghai ETS (Emission Trading Scheme) declined by 6 % and 18 % QoQ, respectively.

Since its launch in 2021, Shanghai's ETS has experienced steady price growth, driven by stricter emissions thresholds, and the expansion of covered sectors to over 40% of the country's CO<sub>2</sub> emissions. As a result, Chinese carbon prices peaked in November 2024 (105 CNY/Tn), before declining in the first half of 2025.

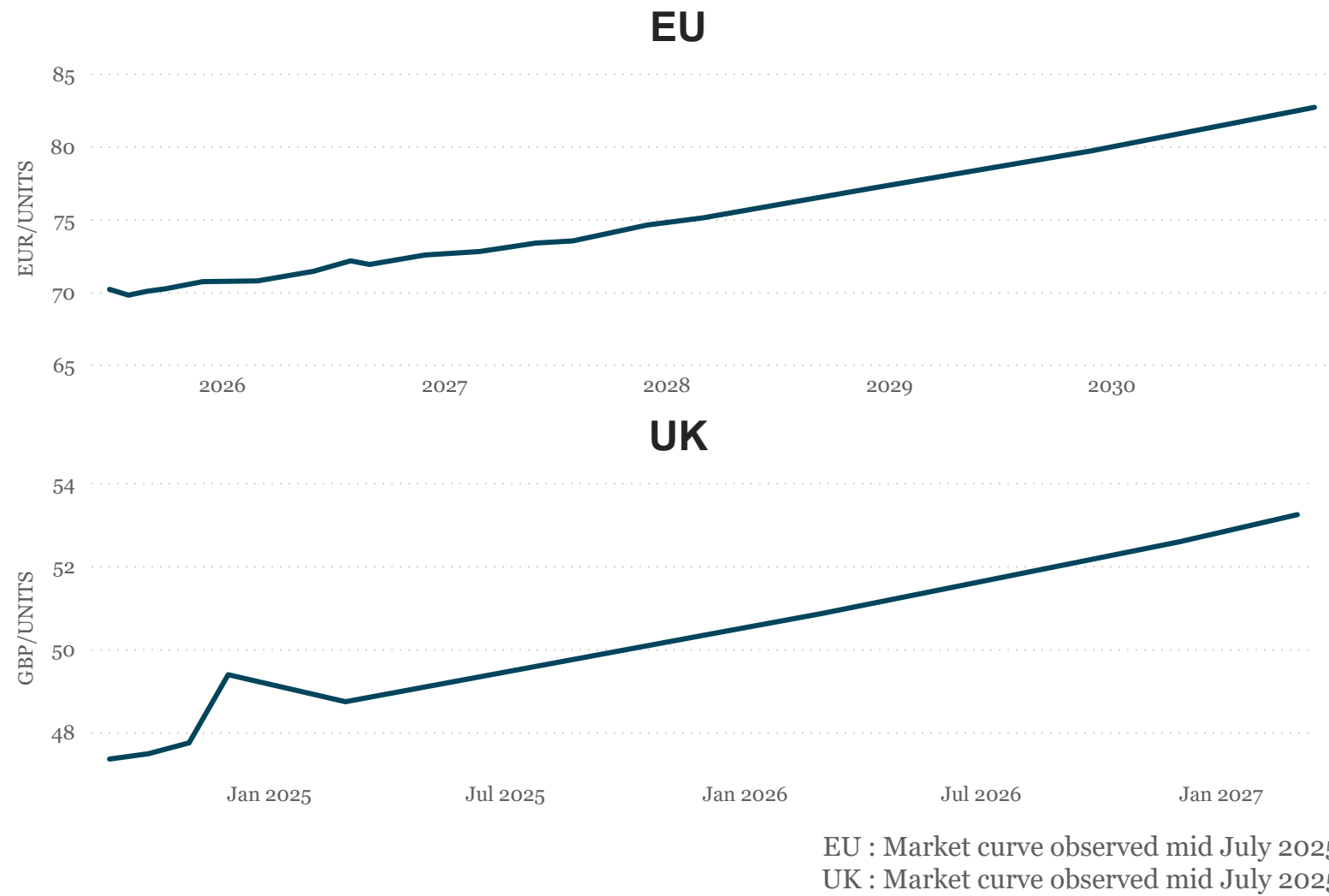
EU prices fell to 60 EUR/Tn at the beginning of April 2025, the lowest value since February 2024, before stabilising at 70 EUR/Tn by June 2025. UK prices hit a record low of 32 GBP/Tn in January 2025, though they stabilised at 49 GBP/Tn during Q2 2025.

Despite the growth of the Shanghai ETS, it remains the global ETS system with the lowest price, standing at 75 CNY/Tn (€8.9) as of June 2025.

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

# afme/ Carbon Market Future Prices

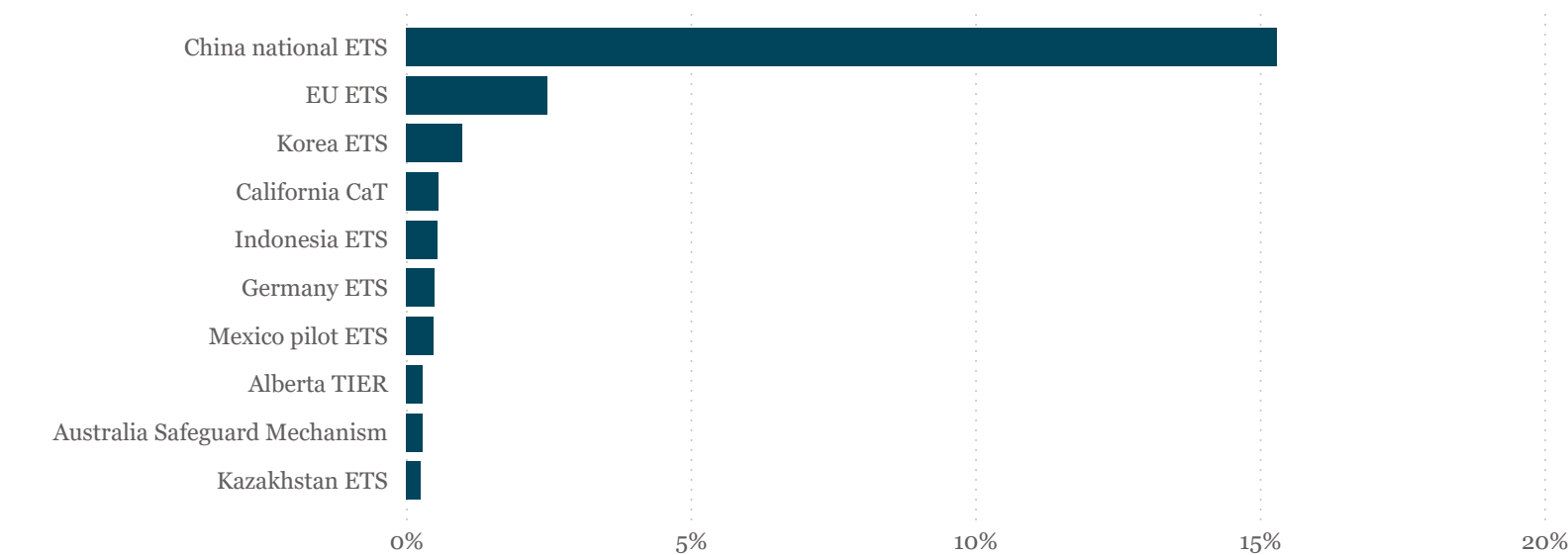
## 4.2 Forward Curve: European Union Allowance (EUA) and UK Electronic Energy Future Chain Contract



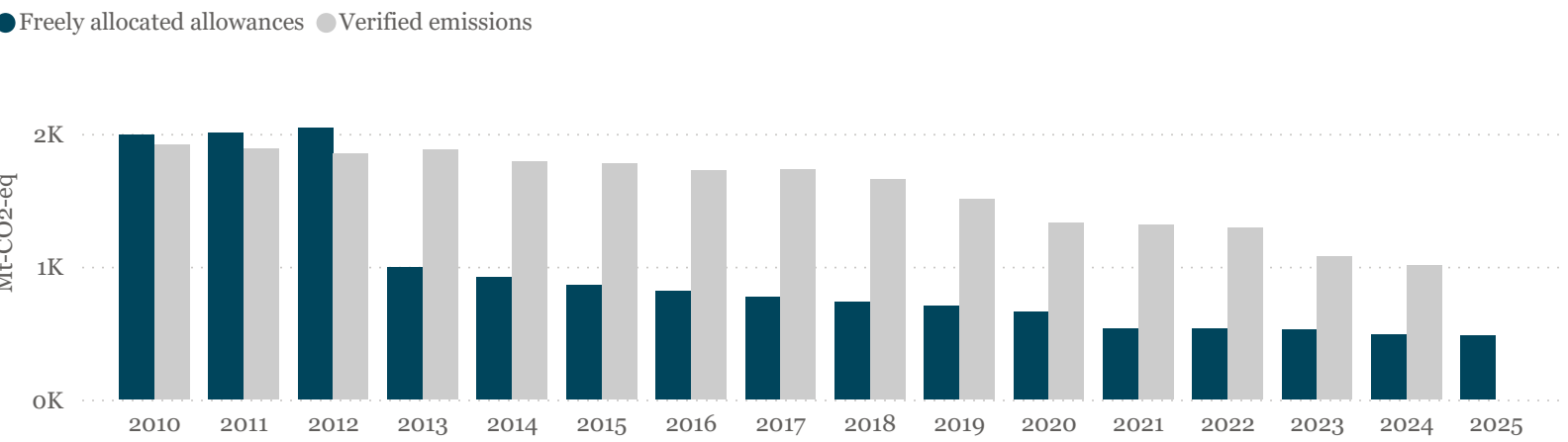
EU and UK forward curves anticipate higher carbon prices for the medium- long-term future.

# afme/ Carbon Emissions coverage

## 4.3 Share of Annual Covered Global GHG Emissions



## 4.4 EU + UK Allowance vs Verified Emissions



As of April 2025, China stood out as the ETS with the largest contribution, covering over 15% of global GHG emissions.

The EU continued as the second largest market in emission trading, covering for 2.5% of global GHG emissions. Note that this does not account for national instruments.

Korea ranks third, with an ETS constituting 1% of the global total.

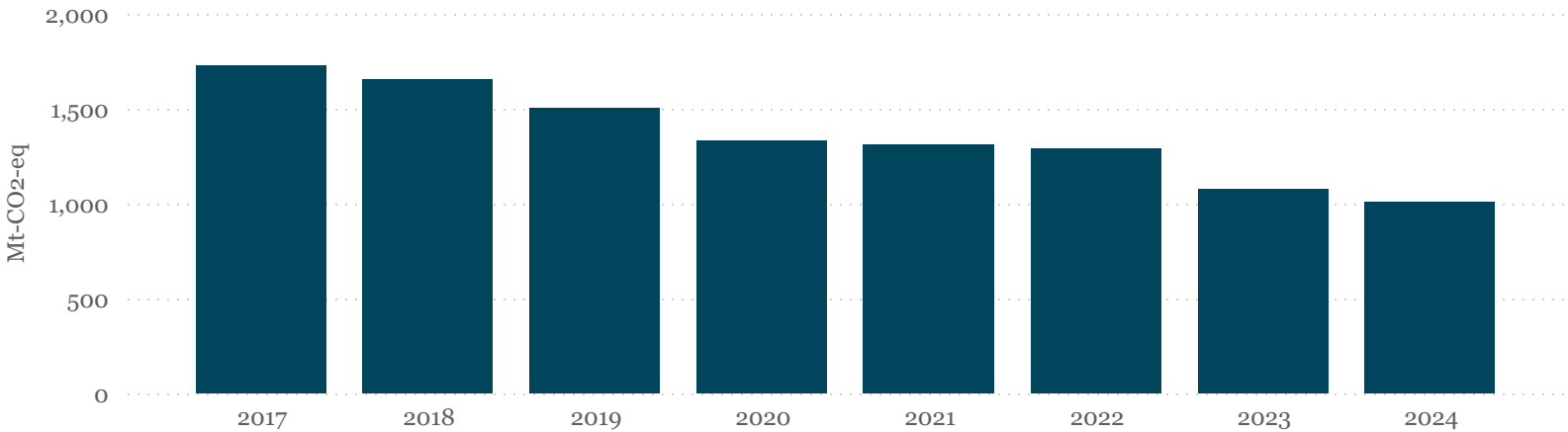
Combining every instruments while accounting for overlap of coverage brings us to 28% of the global GHG emissions that are covered either by an ETS or a carbon tax.

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.

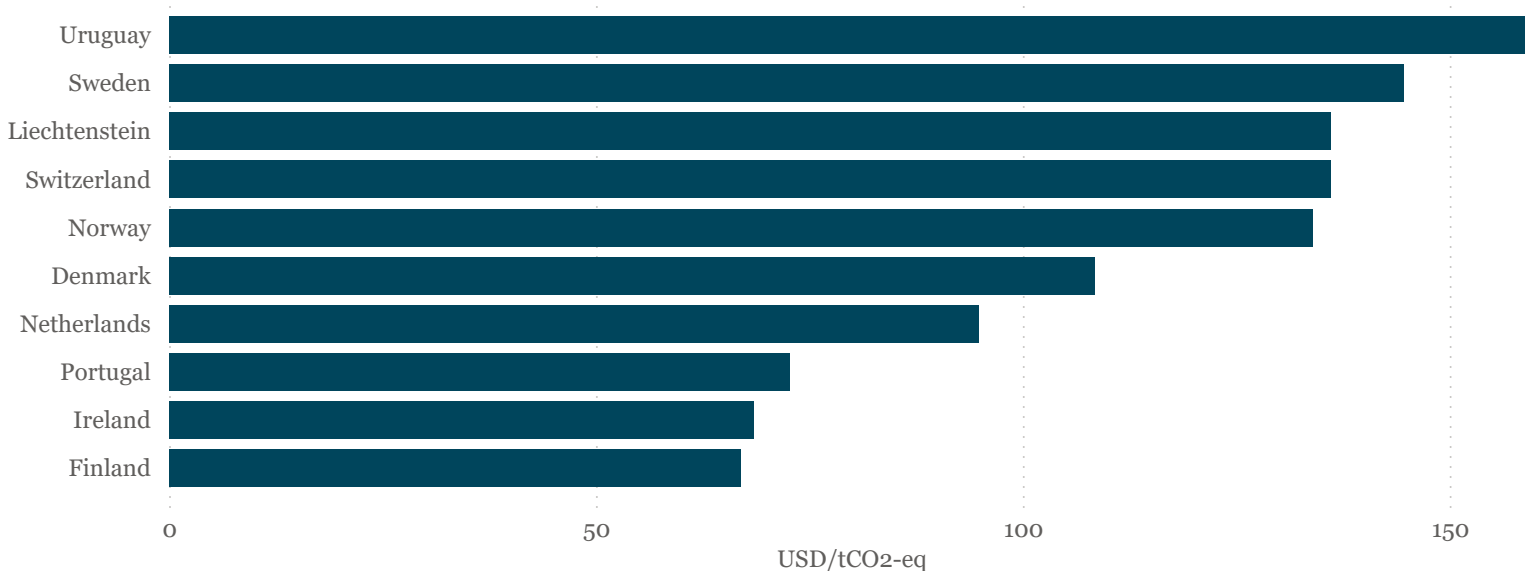
Source: European Environment Agency, The World Bank (data last updated April 1 2025)

# afme / Carbon Pricing - Allowance and Tax

## 4.5 Allowances Auctioned or Sold (EUAs and EUAAs)



## 4.6 Carbon Tax by Country (2025)



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

Source: European Environment Agency, The World Bank (data last updated April 1 2025)

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 CO<sub>2</sub> 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.

As last data updated as of April 2025, total allocated allowances (EUA and EUAA) decreased from 1728 MtCO<sub>2</sub>-eq in 2017 to 1007 MtCO<sub>2</sub>-eq in 2024.

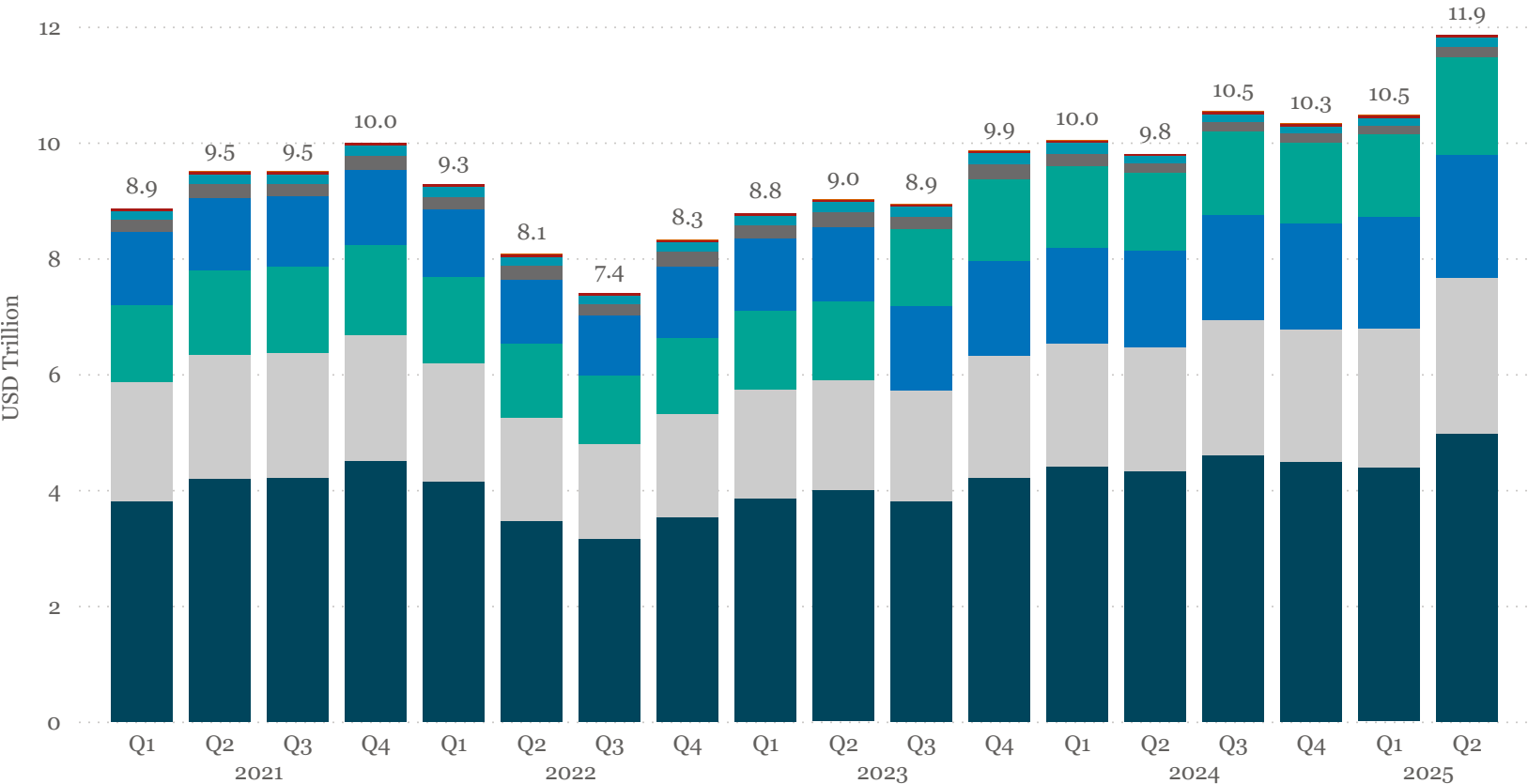
Carbon Taxes are another method of carbon pricing. Uruguay implements the highest carbon tax (158.8 USD/tCO<sub>2</sub>e), followed by Sweden (144.6 USD/tCO<sub>2</sub>e).



# Fund Management

## 5.1 Global ESG Funds by Asset Class

Real Estate Other Money Market Mixed Assets Equity Commodity Bond Alternatives



### Record high for ESG assets under management in Q2 2025

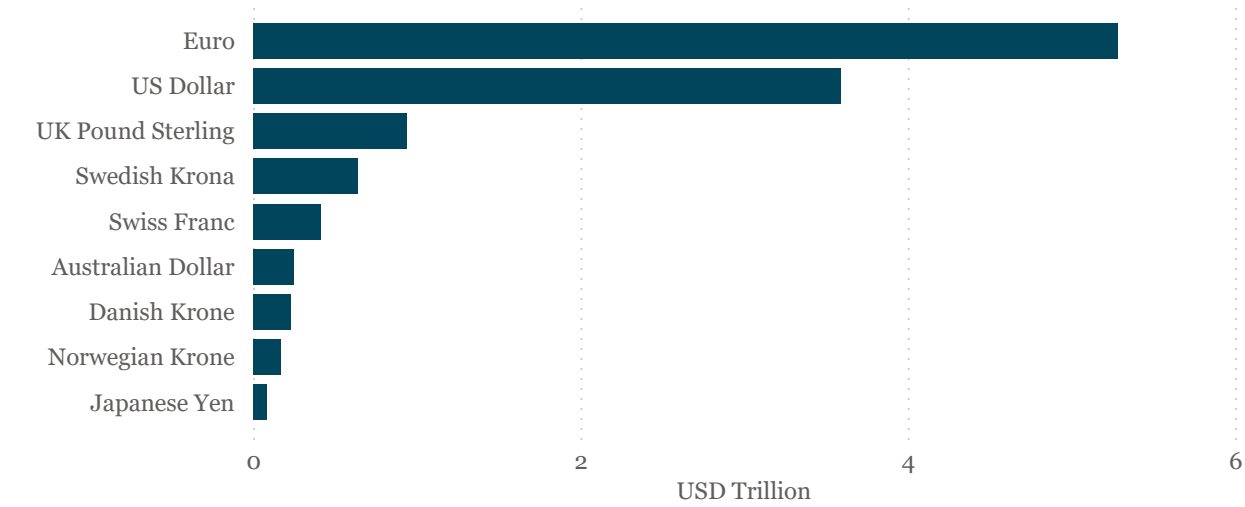
Global funds with an ESG mandate (including Mutual Funds and ETFs) reached USD 11.9tn in Q2 2025, representing a 21 % increase from Q2 2024 (USD 9.8tn).

The Year-on-Year rise was primarily driven by increased allocations to equity and bond funds, which together made up over 60% of the fund's assets.

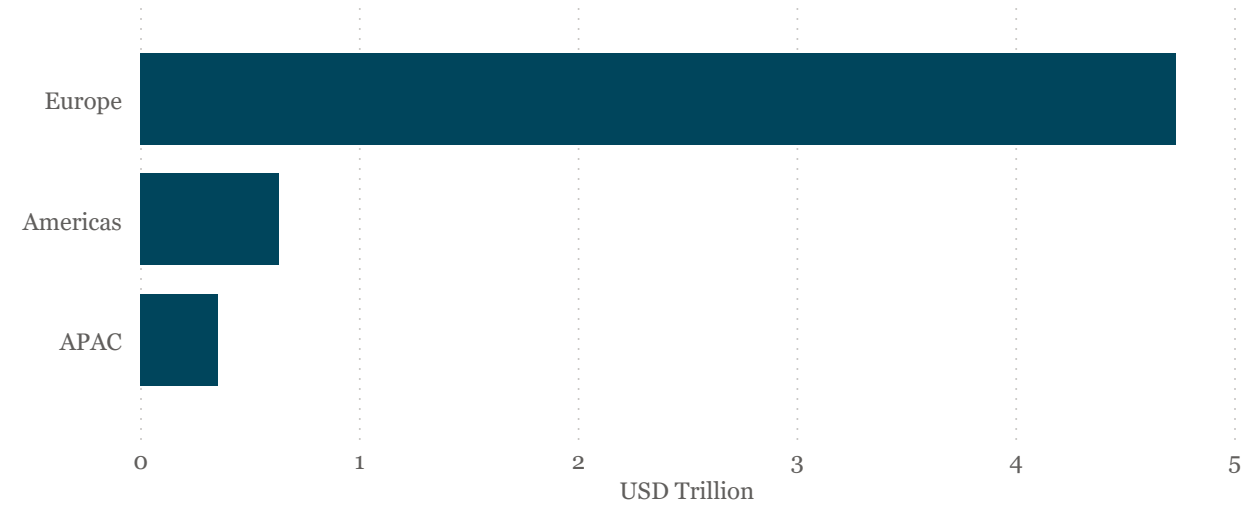
In 2025 YtD, Global ESG funds saw inflows reaching USD 170bn, largely driven by European funds, while Americas ESG funds recorded USD 5bn in outflows.

# afme / Size of Global ESG Funds

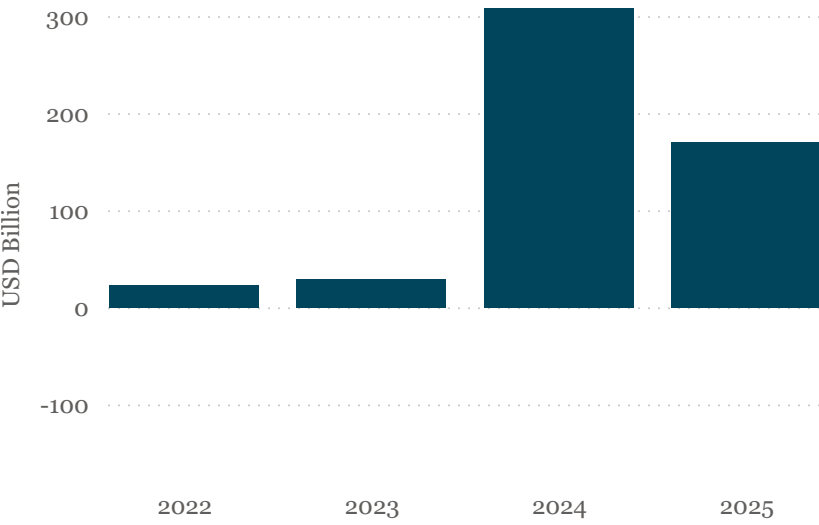
5.2 Global ESG Funds by Currency Base (top 10)



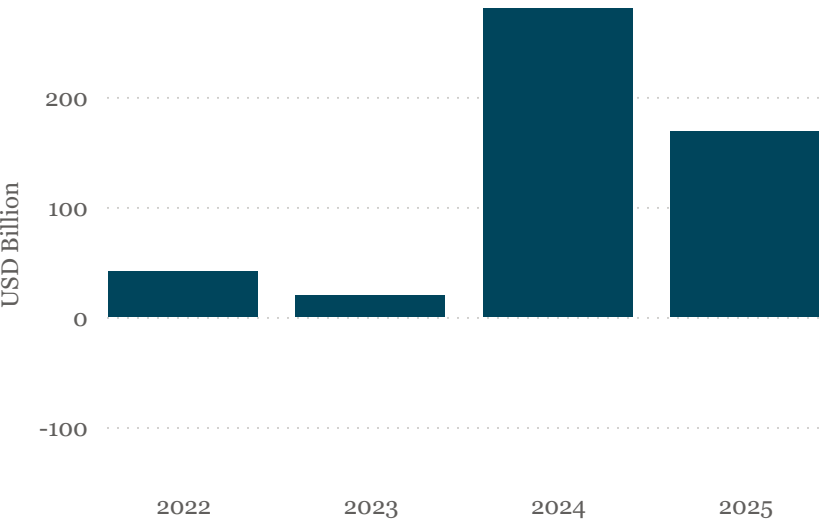
5.3 Global ESG Funds by Geographical Location



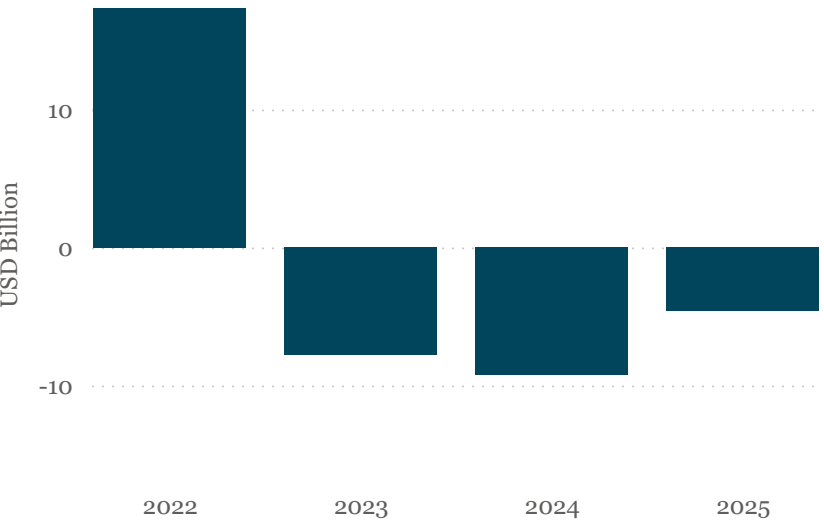
5.4 Global ESG Fund Flows



5.5 European ESG Fund Flows



5.6 Americas ESG Fund Flows

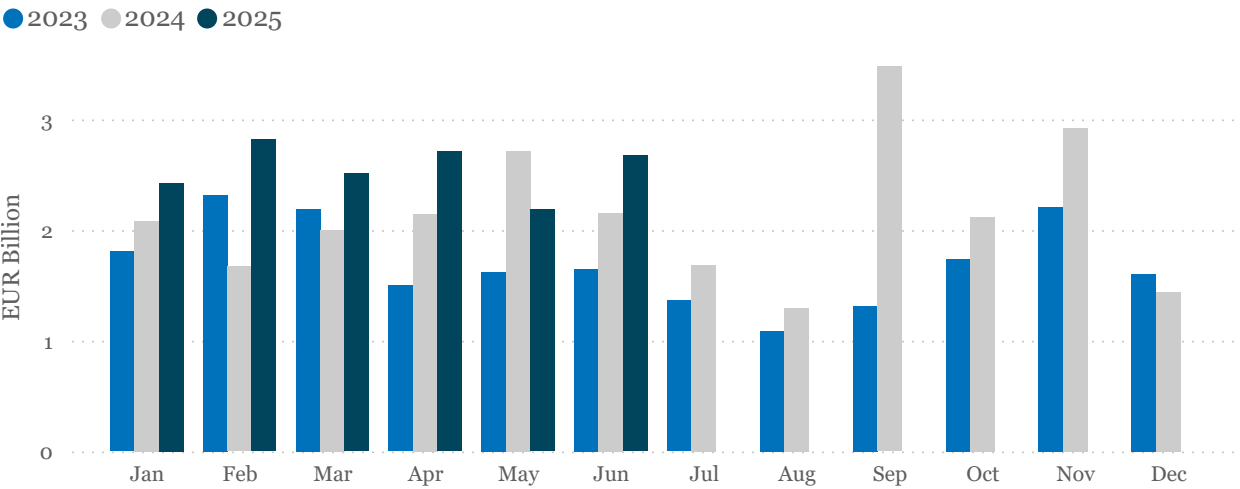


Source: Lipper, Refinitiv Eikon

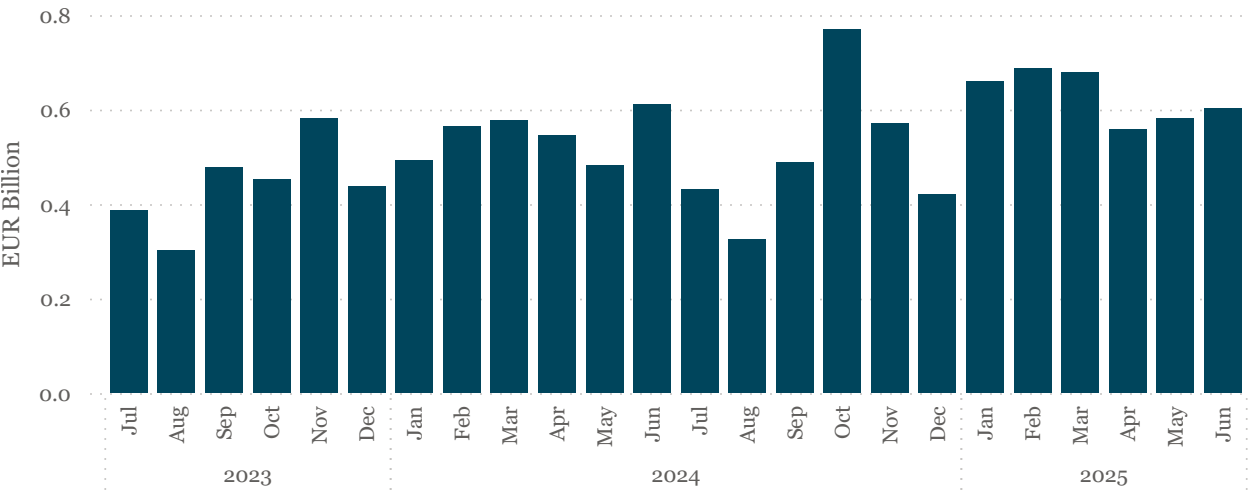
# ESG Bond Trading

# afme/ ESG Bond Trading Volumes

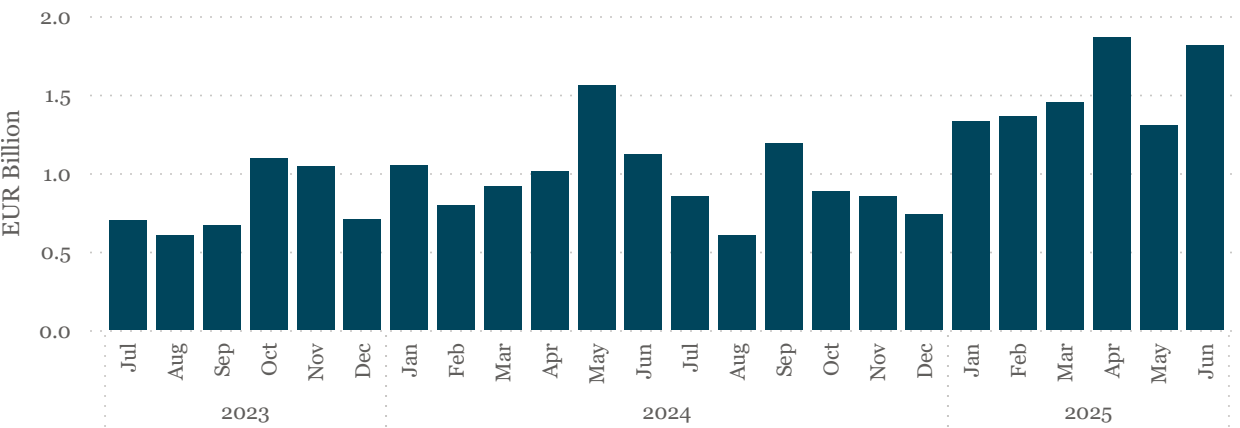
6.1 European ESG Bond Average Daily Trading Volumes (all issuers)



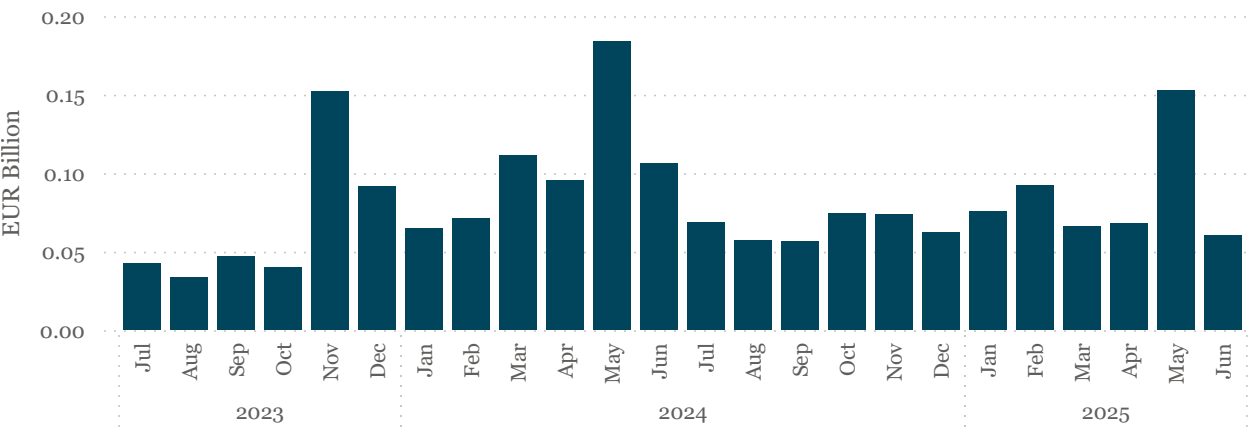
6.2 Average Daily Trading Volumes: European ESG Corporate Bonds



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

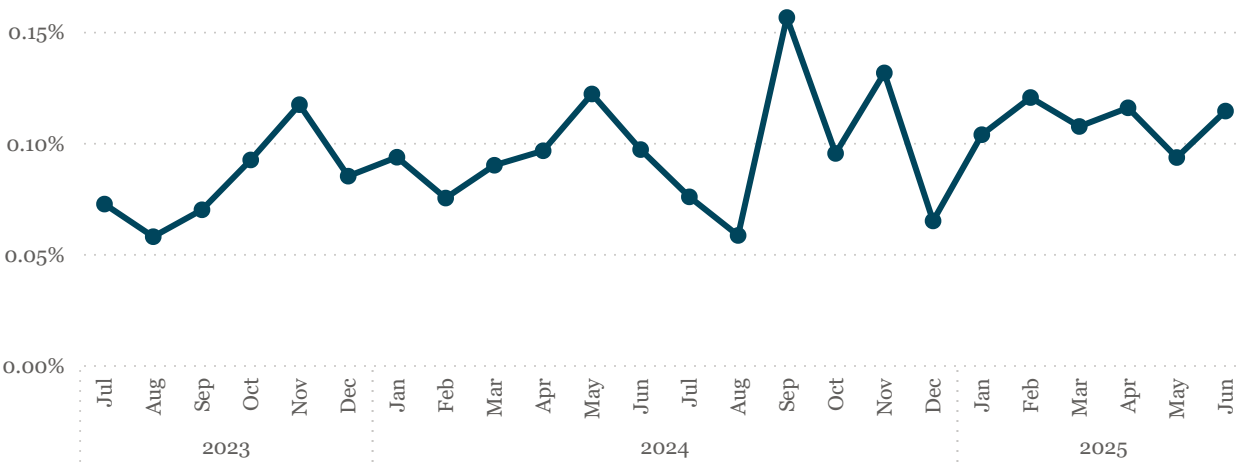


6.4 Average Daily Trading Volumes: European ESG ABS and Covered Bonds

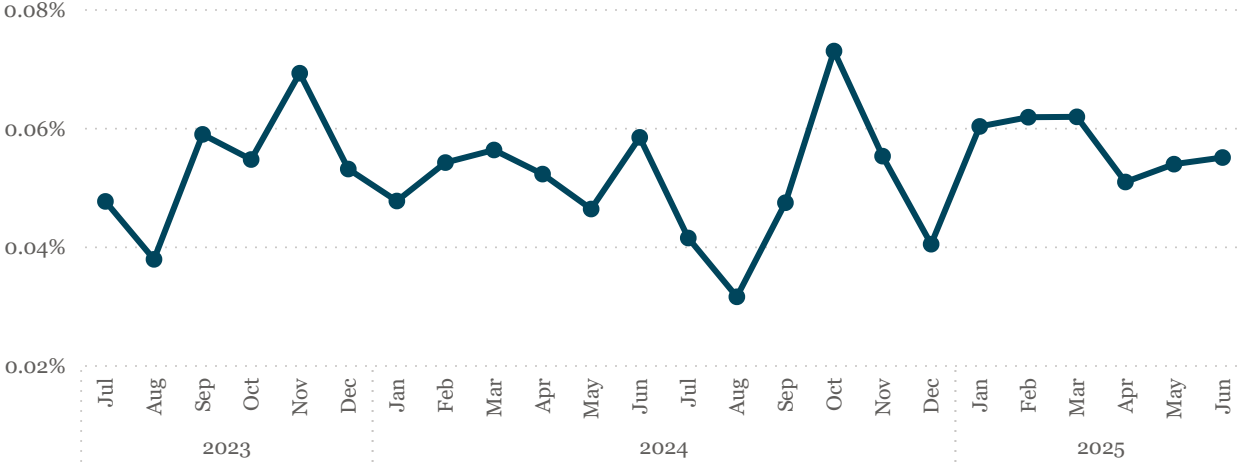


# afme/ ESG Bond Turnover Ratios

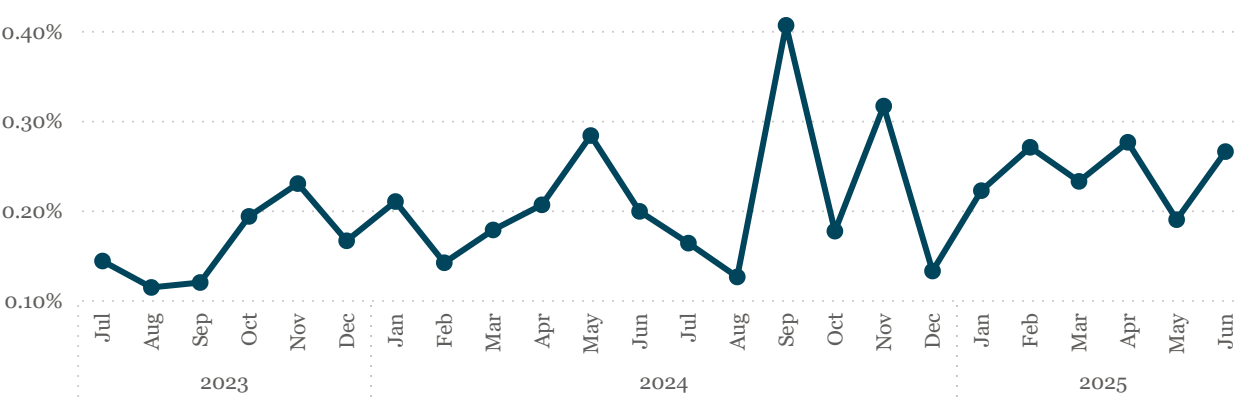
6.5 European ESG Bond Turnover Ratio (all issuers)



6.6 Turnover Ratio: European ESG Corporate Bonds



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



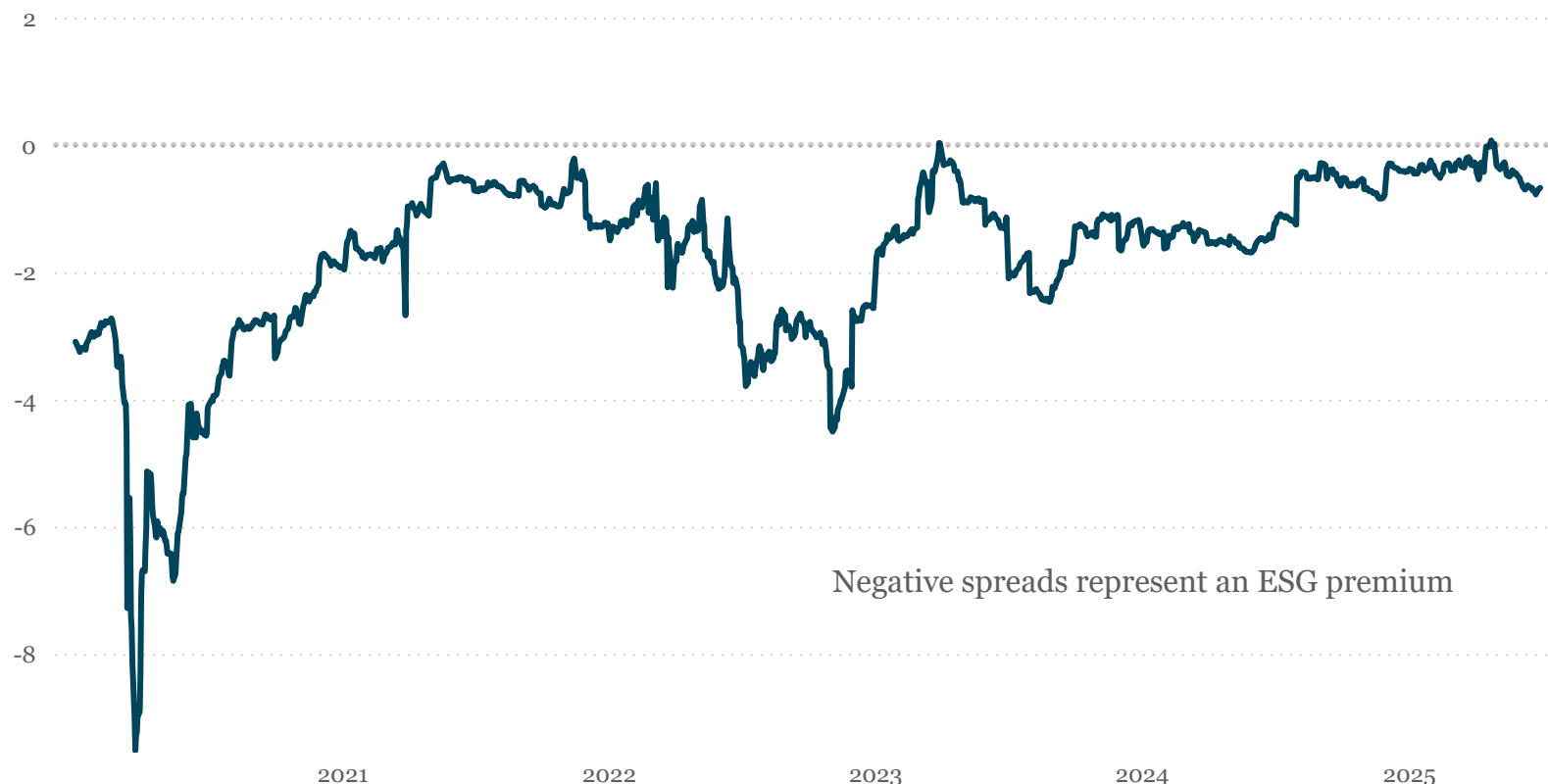
The turnover ratio is an aggregate liquidity measure calculated by dividing the average daily value by the outstanding amount of bonds.

Source: AFME from MarketAxess TraX and Refinitiv Eikon



# 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

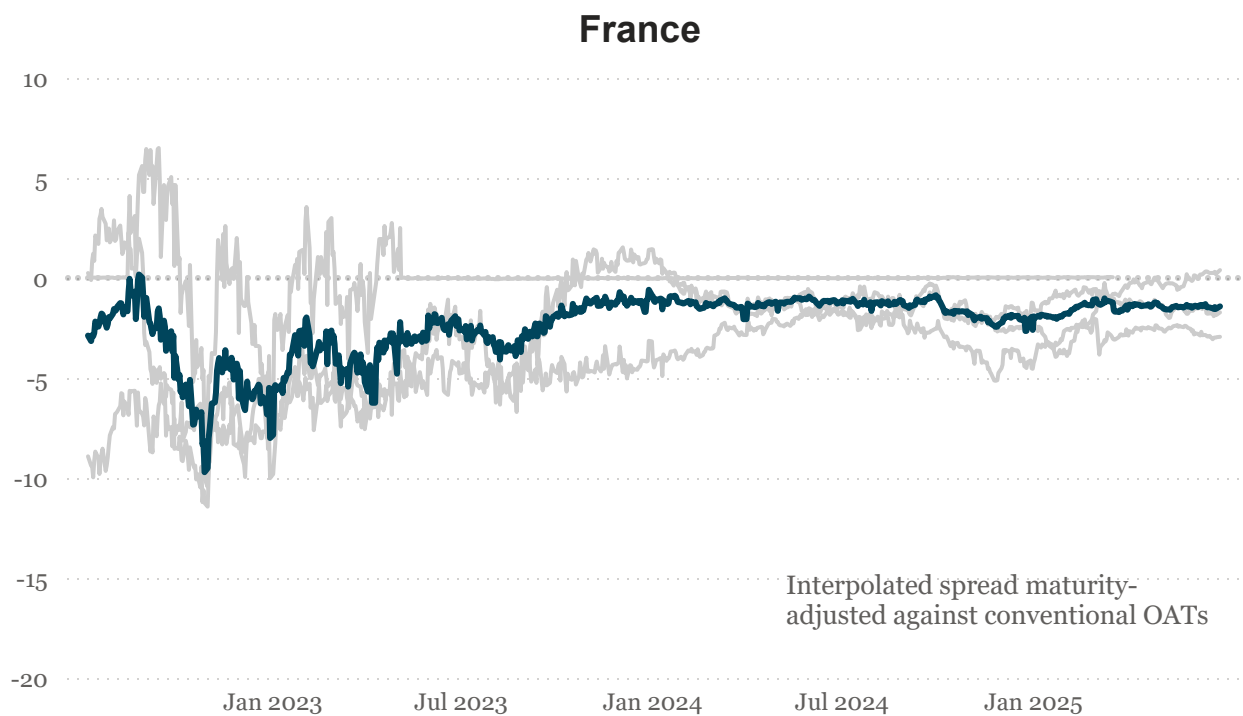
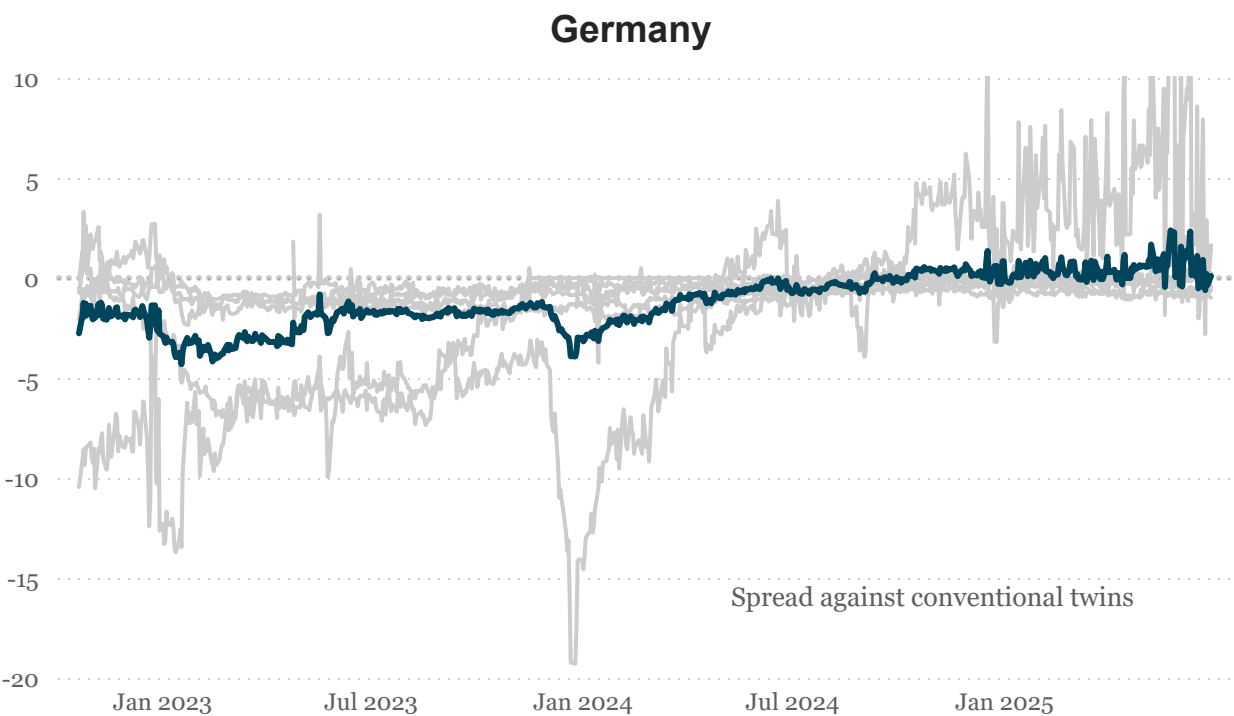
### Widened ESG premiums in Q2 2025

The spread between corporate ESG bonds and non-sustainable benchmarks widened in Q2 2025, from 0.32 basis points in March to 0.67 basis points by June.

Page 38 illustrates 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.

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

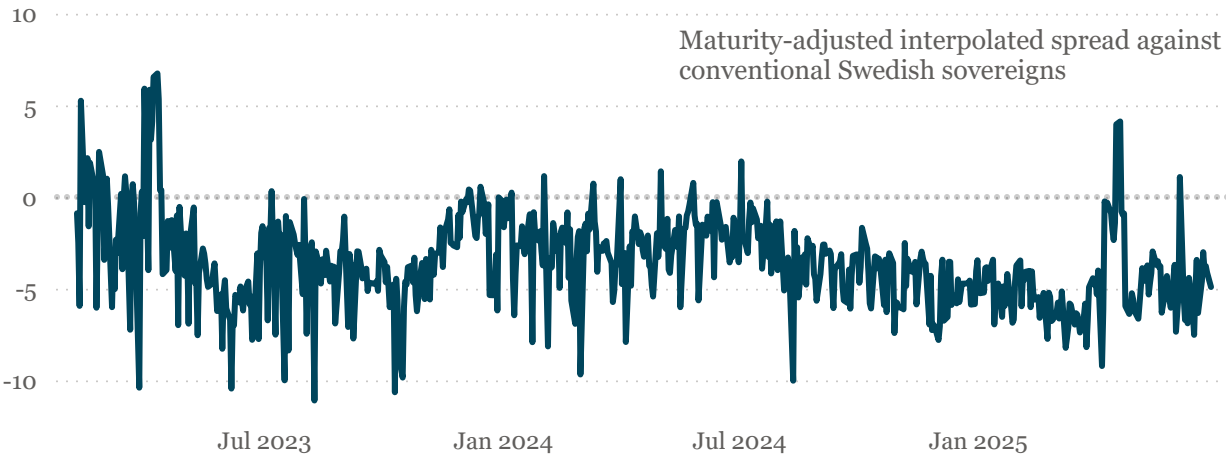
Negative spreads represent a green premium



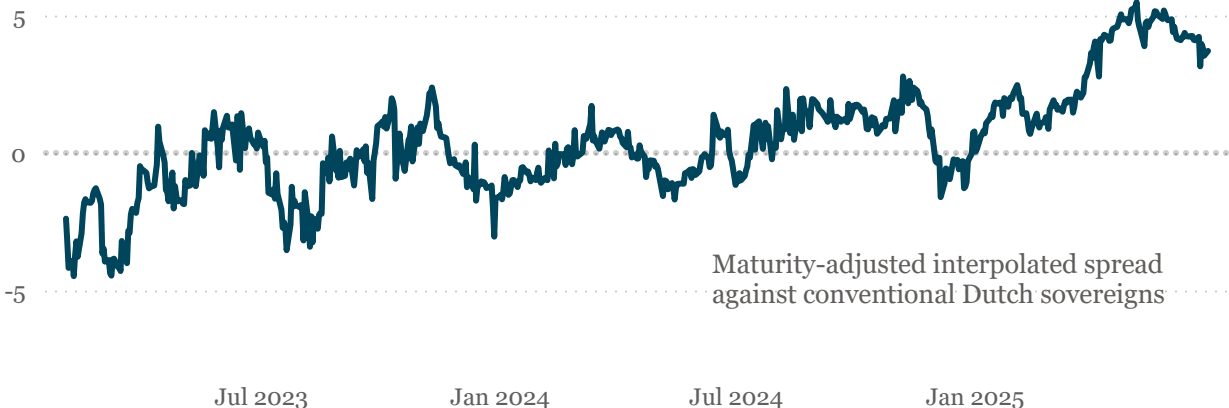
7.3 Spreads of Sovereign Green Bonds Against Conventional Reference (bps)

Negative spreads represent a green premium

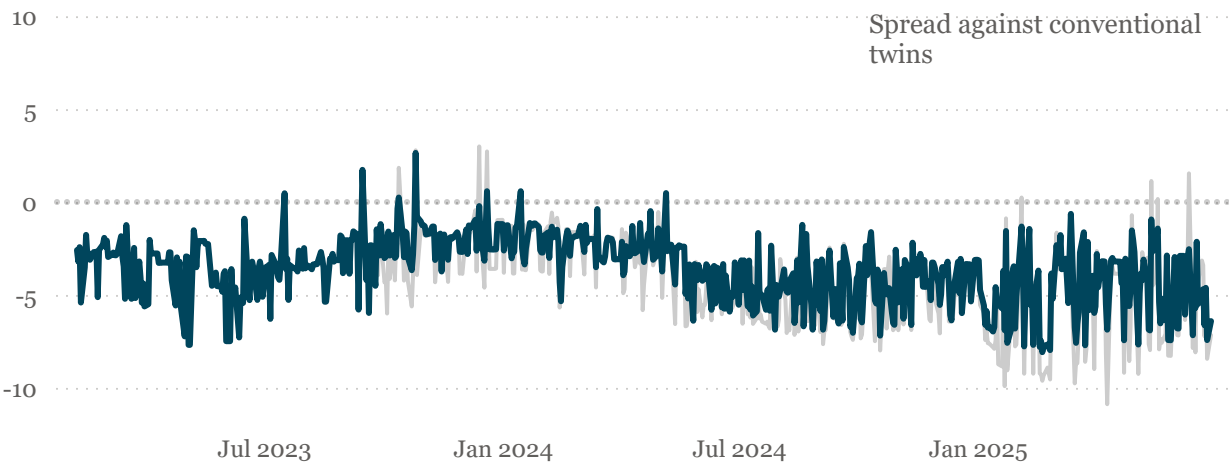
Sweden



Netherlands



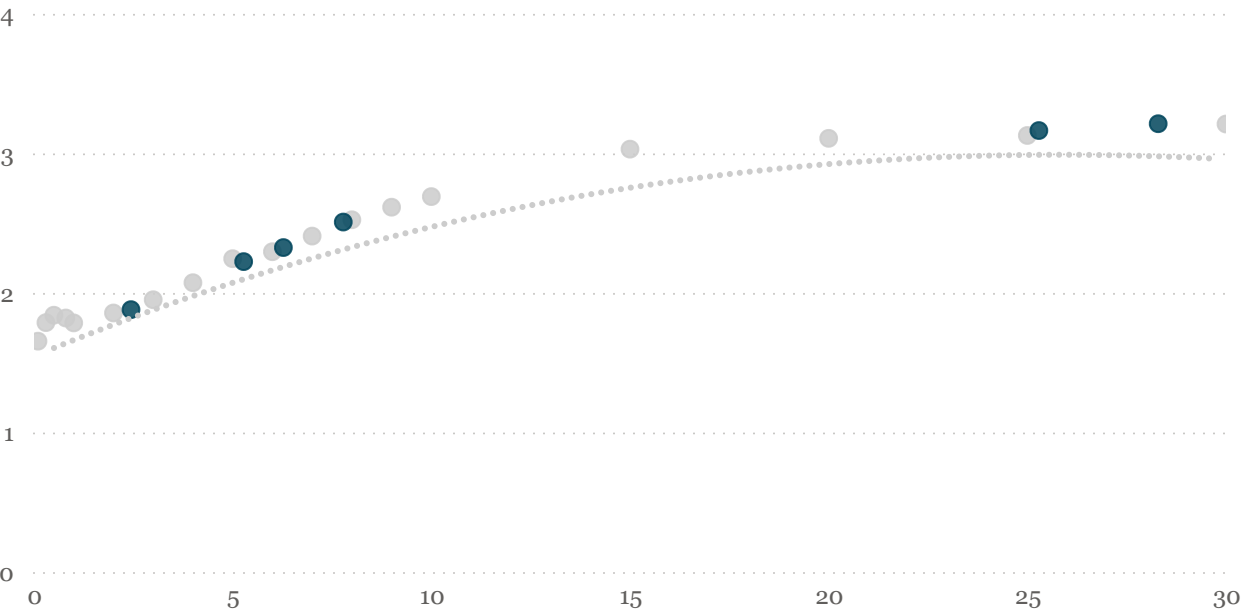
Denmark



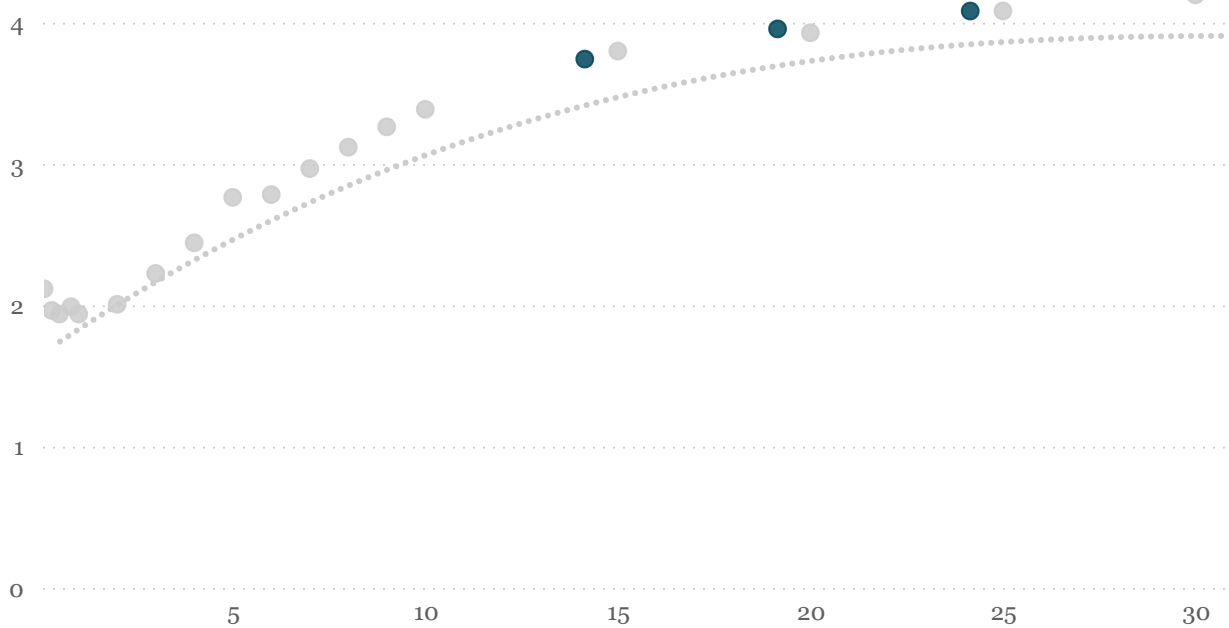
Source: Refinitiv Eikon and Datastream

## 7.4 Sovereign Yield Curves and Yields for Selected Green Sovereign Bonds. June 2025

Germany



France

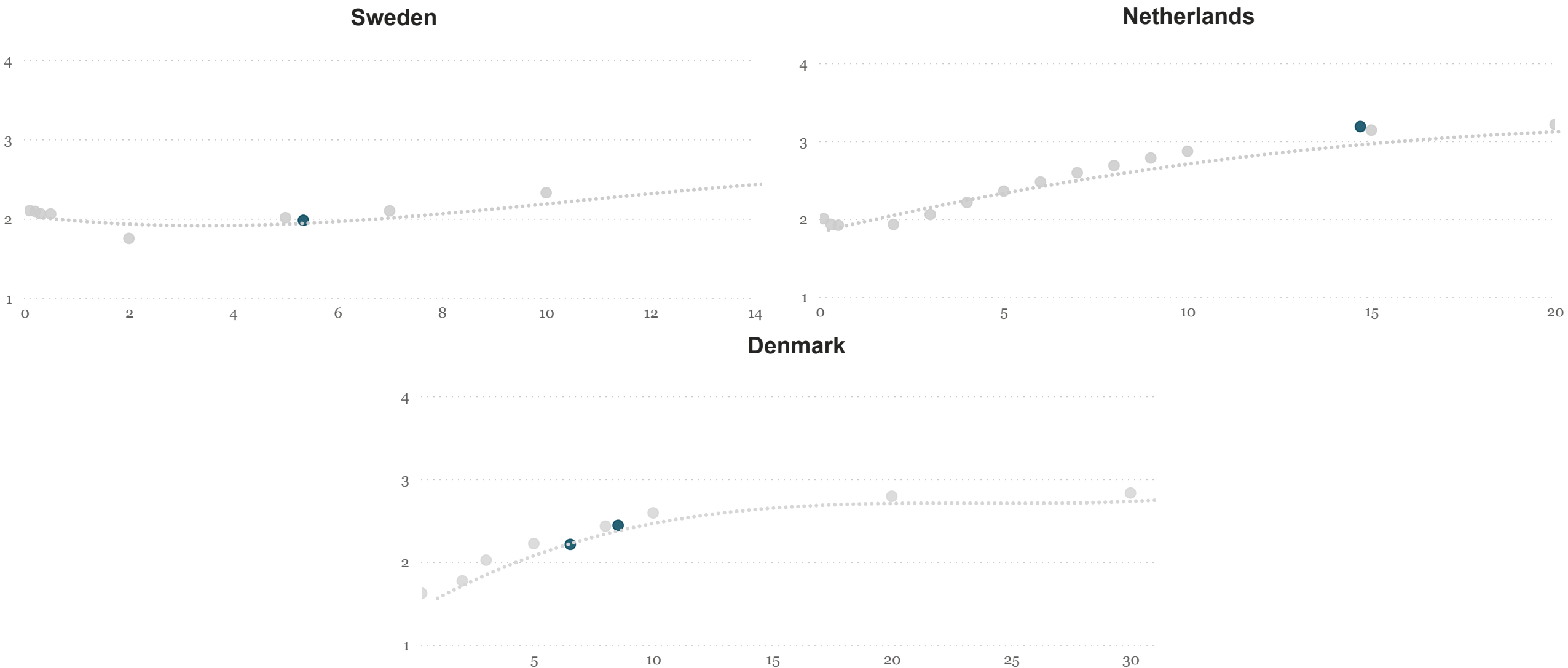


\*Green Bonds inflation linked instruments are excluded from the chart

Source: Refinitiv Eikon. Selected green references highlighted in blue

# afme/ Sovereign green premia

7.5 Sovereign Yield Curves and Yields for Selected Green Sovereign Bonds. June 2025



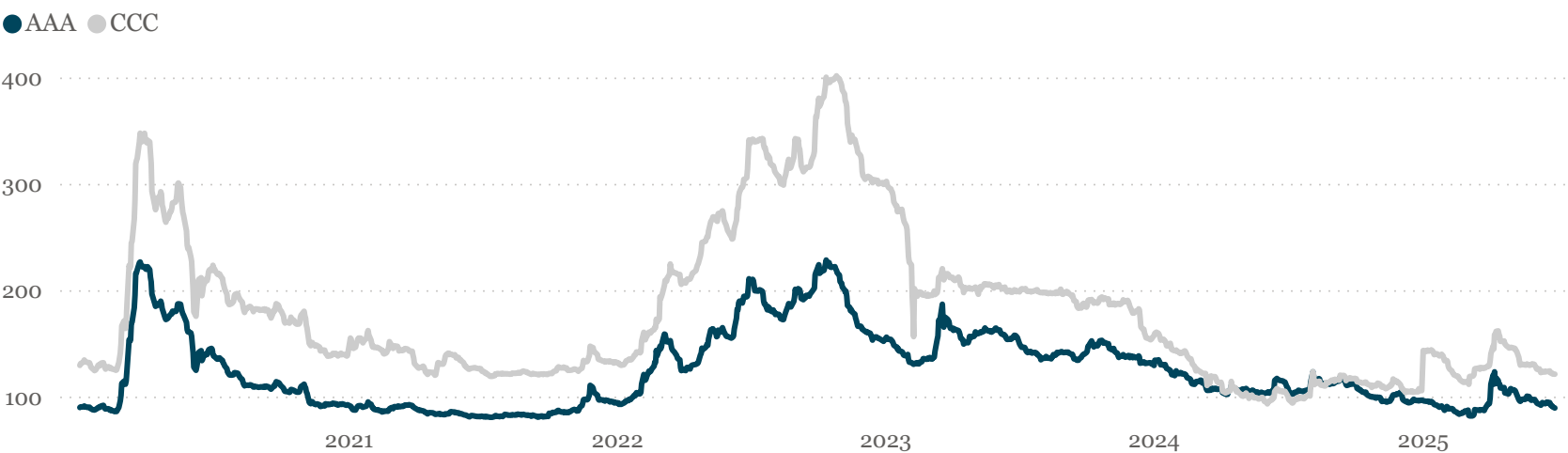
Source: Refinitiv Eikon. Selected green references highlighted in blue

# afme/ ESG Bond Spreads

7.6 ESG EUR Corporate Spreads (OAS, bps)

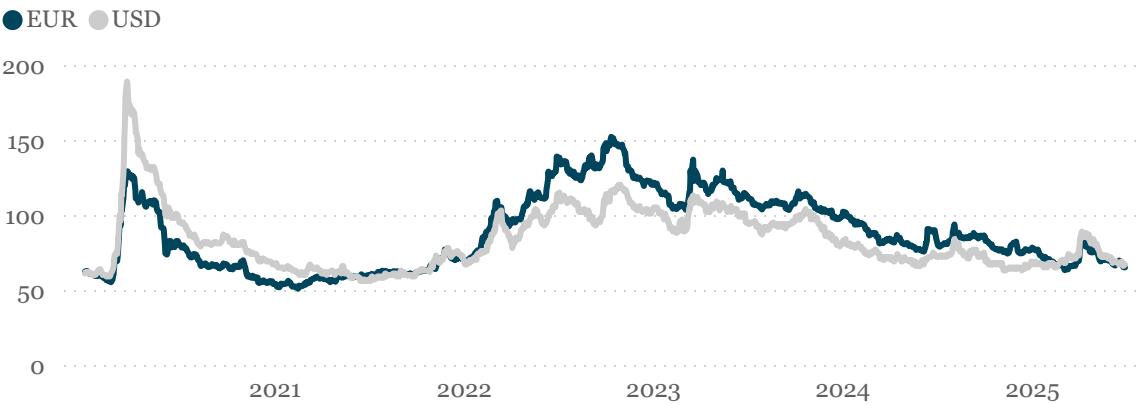


7.7 EUR Corporate Spreads by ESG Rating (OAS, bps)

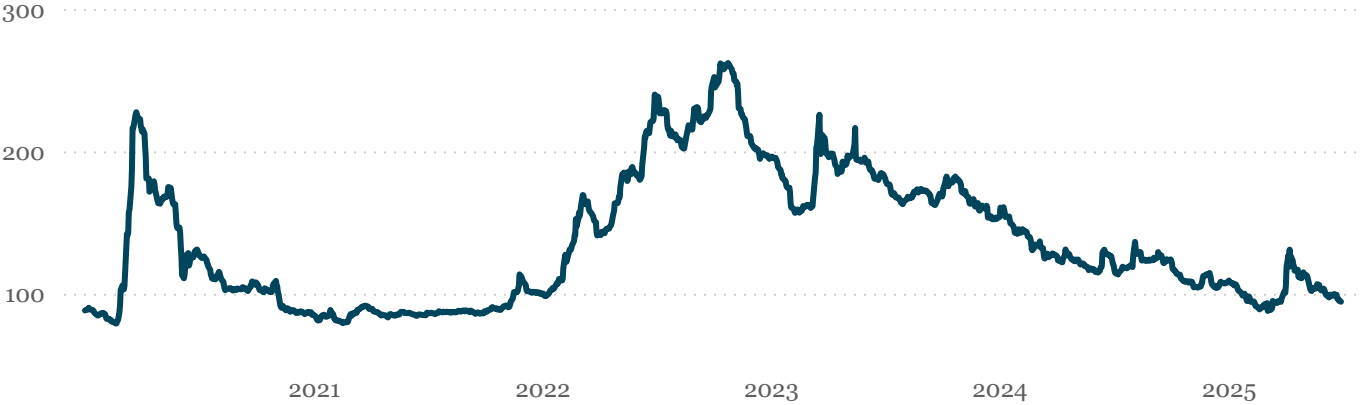


# afme / ESG Bond Spreads

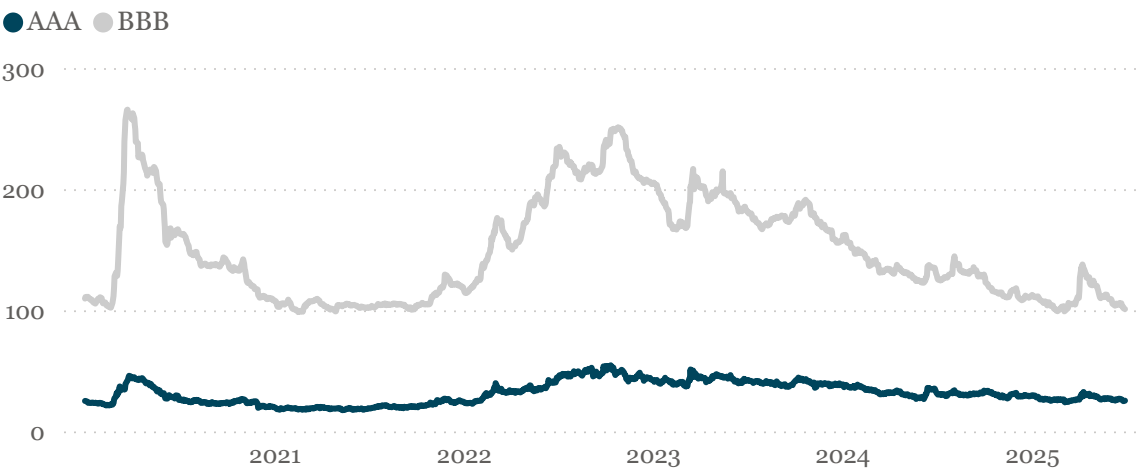
7.8 Green Bond Spreads by Currency (OAS, bps)



7.9 EUR Corporate Green Bond Spread (OAS, bps)

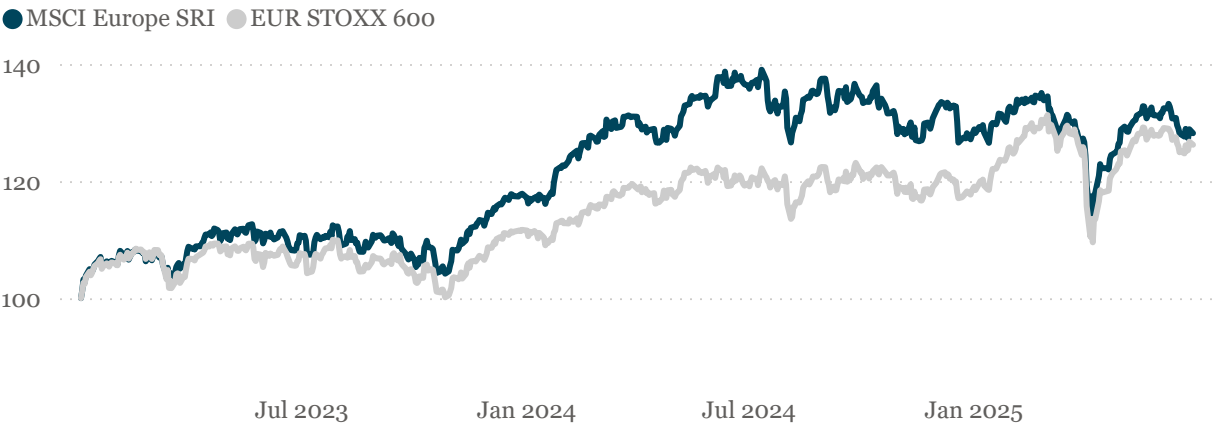


7.10 Global Green Bond Spreads by Credit Rating (bps)



# afme/ ESG Bond Spreads

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



# 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<sub>2</sub>) 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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