

Q4 2025

# ESG Finance Report

*European Sustainable Finance*

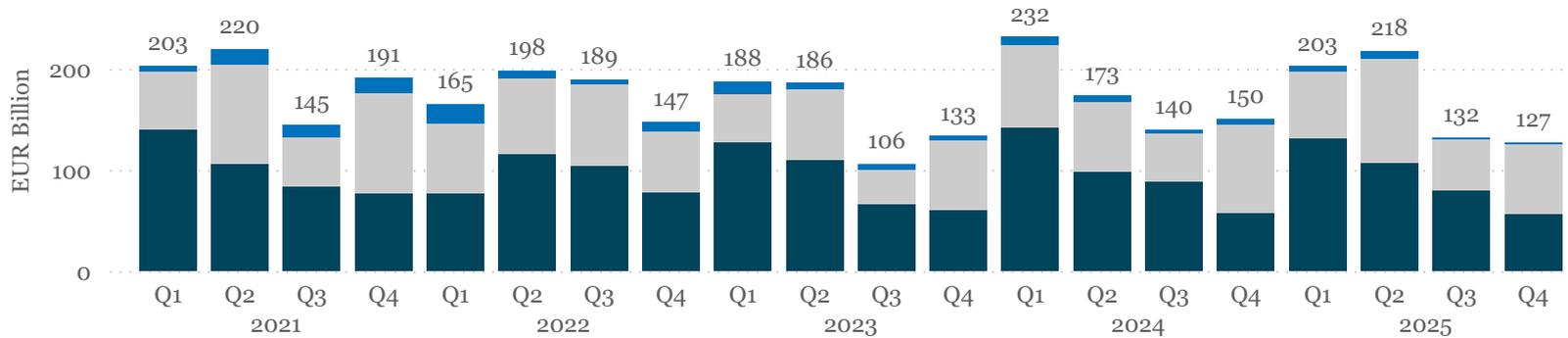
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# afme / Key findings

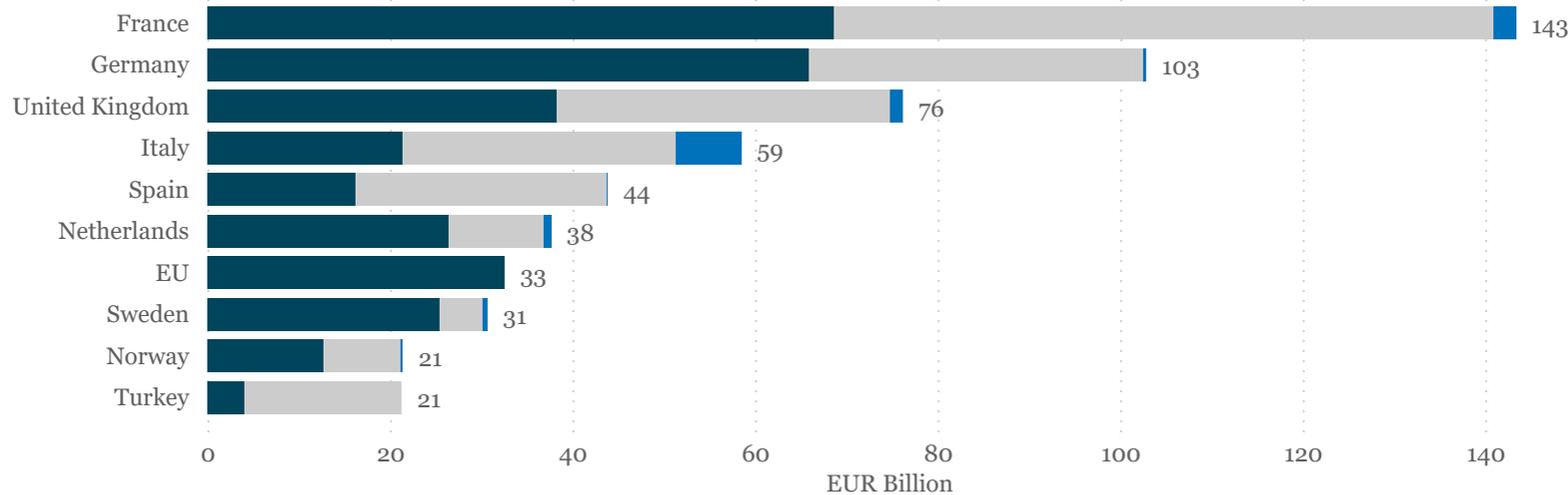
## 1.1 European ESG Bond and Loan Issuance 2021 - 2025FY

● ESG Bonds ● Sustainability-linked and Green Loans ● Sustainability-linked and Transition Bonds



## 1.2 European ESG Bond and Loan Issuance by Country (top 10 - 2025FY)

● ESG Bonds ● Sustainability-linked and Green Loans ● Sustainability-linked and Transition Bonds



Source: Dealogic

## Annual decline in ESG bond and loan issuance in 2025

European ESG bond and loan issuance totalled €679.4bn in 2025, a 2.3% decline from €695.3bn issued in 2024.

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

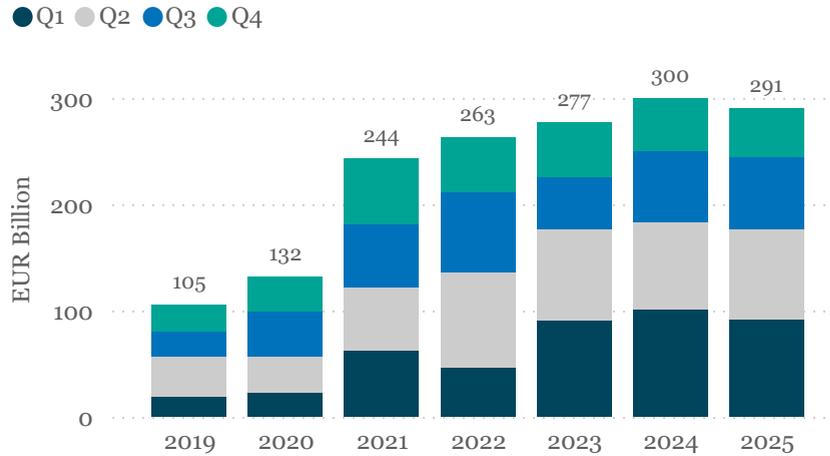
The last quarter of 2025 was particularly low, with €127bn in issued amount, the lowest quarterly amount since Q3 2023 and the lowest Q4 since 2019.

In 2025, French issuers led in total loan and bond origination with €143bn, followed by German issuers with €103bn. Notably, Italy was the largest contributor to sustainability-linked and transition bonds, originating 44% of the total (€7.2bn).

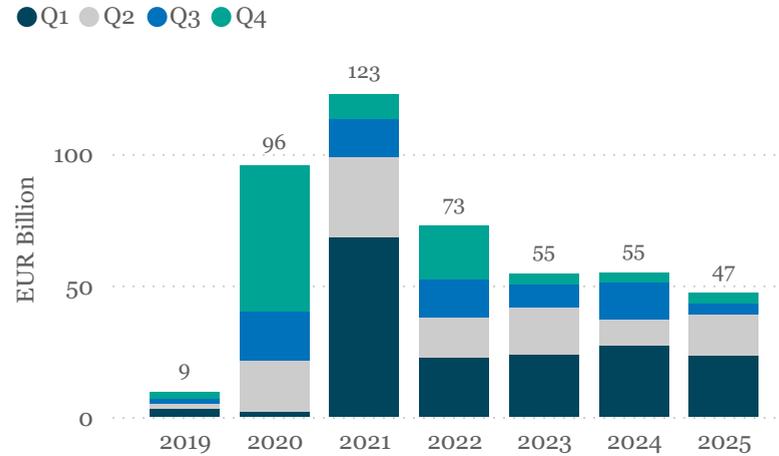
Securitised ESG product totalled €1.6bn in 2025, a decline from €5.5bn in 2024.

# afme / Key findings

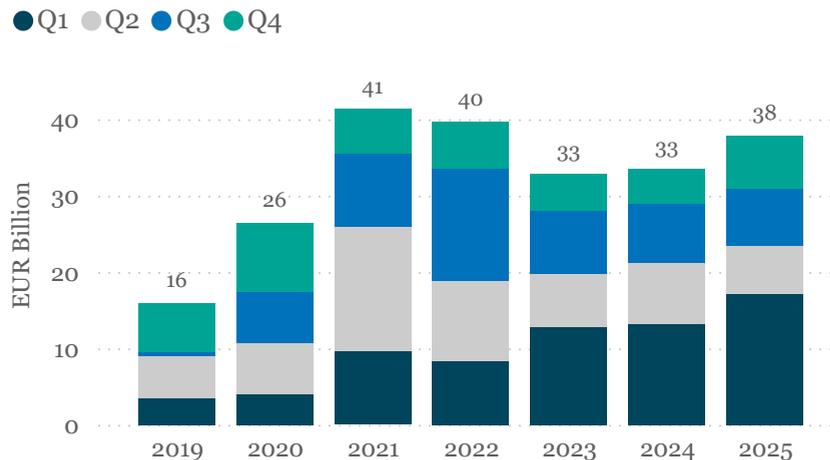
## 1.3 European Green Bond Issuance



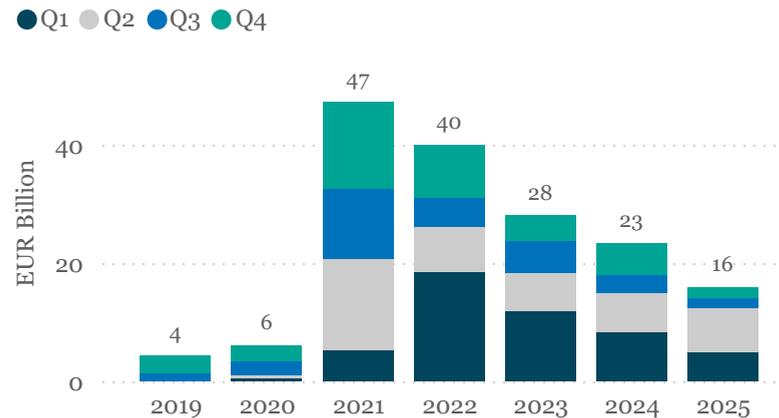
## 1.4 European Social Bond Issuance



## 1.5 European Sustainable Bond Issuance



## 1.6 European Sustainability-linked and Transition Bond Issuance



## European green bond issuance falls in 2025

In 2025, European green bond, sustainability-linked and transition bond, and social bond issuances declined compared to the previous year.

Green bond issuance totalled €291bn in 2025, a marginal decline from €300bn in 2024 but the first annual decline we have seen in our records.

Social bond issuance accumulated €47bn in proceeds in 2025, the lowest annual issued amount since 2019.

Sustainability-linked bond issuance also reached the lowest annual amount observed since 2019, with €16bn in proceeds.

Sustainable bond issuance was the only ESG bond category that exhibited an annual increase in 2025, accumulating €38bn in proceeds from €33bn in 2024. Sustainable bonds are dual-purpose bonds whose proceeds are allocated to projects that satisfy both social and environmental (green) objectives.

## Top Single ESG Bond Issues by Amount in 2025 FY

Green	Amount EUR (bn)	Maturity Date	ISIN
Italy	5.19	30/10/37	IT0005596470
United Kingdom	5.12	07/03/30	GB00BM8Z2S21
European Investment Bank - EIB	4.98	18/06/35	EU000A4ECKZ8
European Investment Bank - EIB	4.98	17/02/31	EU000A4EG781
Italy	4.97	30/04/46	IT0005631608

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

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
Flemish Region	1.49	22/06/50	BE0390257260
North Rhine Westphalia	1.24	10/07/30	DE000NRW0P57

## 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.

By the end of 2025, the Government of Italy had issued the largest single green bond of the year, accumulating €5.19bn. Italy was followed by the United Kingdom that issued a bond of €5.12bn in proceeds.

The French Caisse d'Amortissement de la Dette Sociale (CADES) maintains its position as a market leader for social bonds, with two of the largest Social bonds issued in 2025.

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), followed by the EIB's '28 issuance of €1.8bn.

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

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
EDP	Portugal	0.99	02/12/55	PTEDP6OM0007
SNAM SpA	Italy	0.99	01/07/32	XS3096163160
Denmark	Denmark	0.91	15/11/35	DK0009925182
ABN AMRO Bank	Netherlands	0.85	08/11/30	XS3248241971
ABN AMRO Bank	Netherlands	0.75	25/02/31	XS3009603831
Iberdrola Finanzas SAU	Spain	0.75	16/05/35	XS3072230744
TERNA	Italy	0.75	22/07/31	XS3128477521
ABN AMRO Bank	Netherlands	0.75	22/09/32	XS3185662676

\* EU includes the EIB

## EU GBS-compliant market uptake 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.

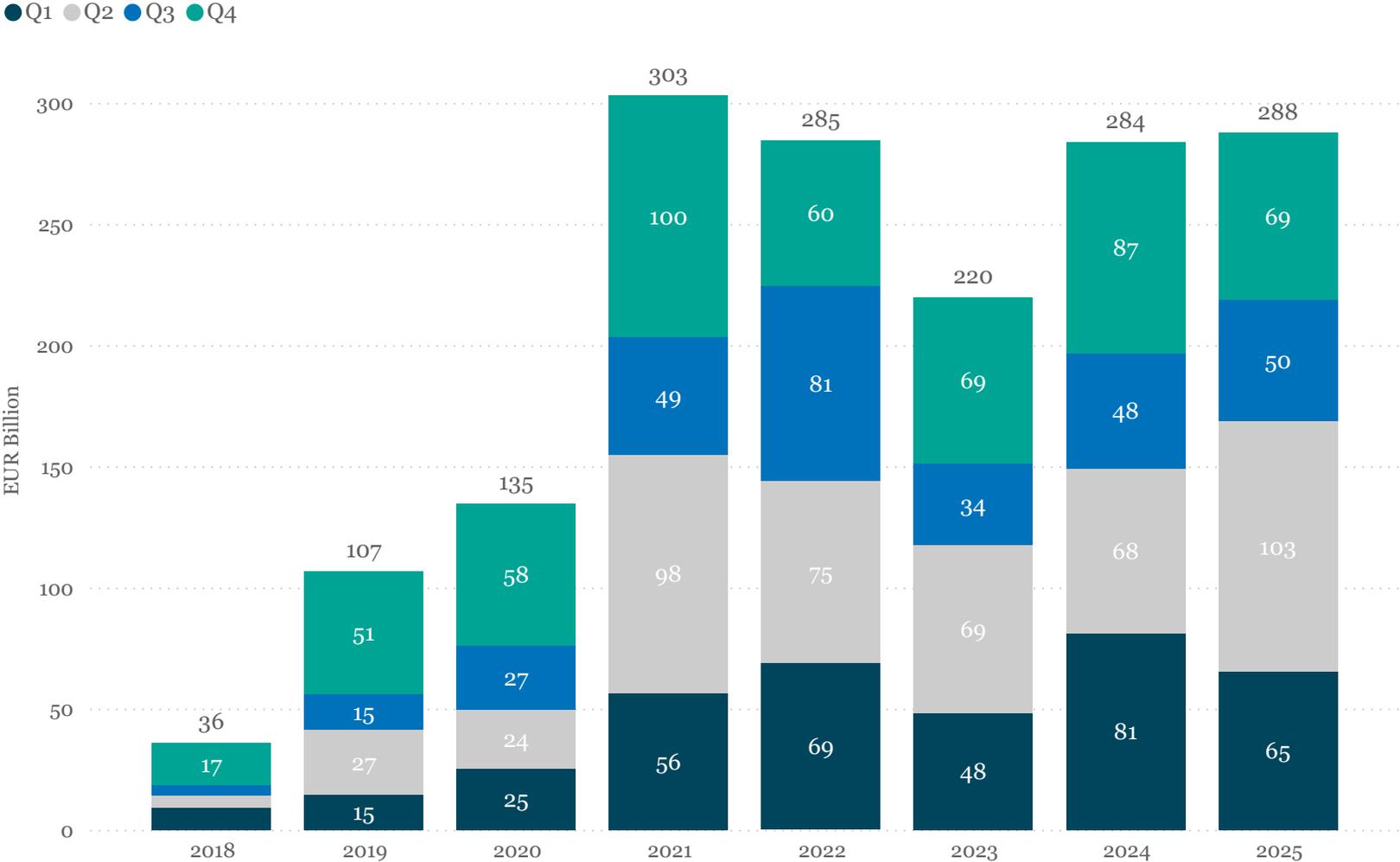
In 2025, a total of 26 (€19.2bn) European Green Bonds (EuGB) compliant with EU GBS were issued, representing 7.8% of the total green bonds issued in the EU (€246.3bn).

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

As of December 2025, Dutch issuers led in total GBS-compliant issues (€3.85bn), followed by Italian issuers (€3.24bn) and EU issuers\* (€2.99bn).

Most recently in 2026, Deutsche Bank issued its first EuGB in January 2026, raising €0.5bn and becoming the first G-SIB to issue an EuGB.

## 1.7 European Sustainability-linked and Green Loan Issuance 2018 - 2025FY



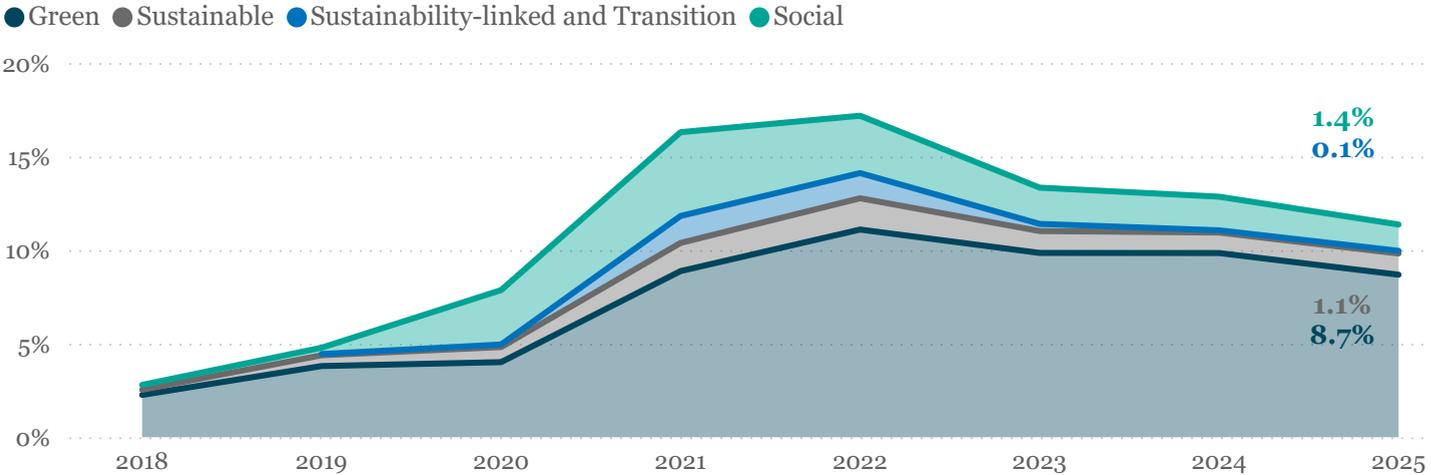
### European Sustainability-linked and Green Loan Issuance increased in Q4 2025

In 2025, European sustainability-linked and green loans origination reached €288bn, of which €69bn were issued in Q4. This represented a 38% increase QoQ and a 21% decline from Q4 2024.

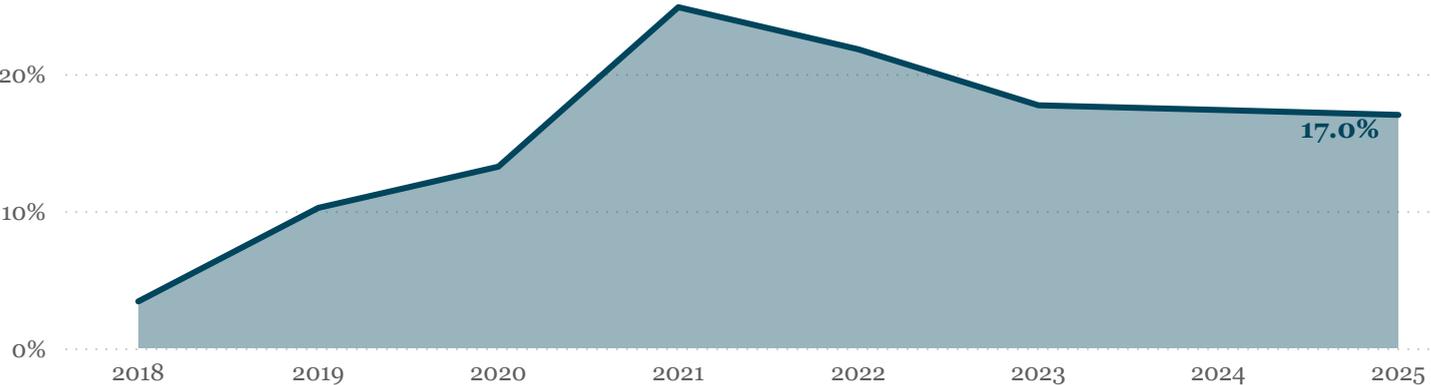
Source: Dealogic

# afme / Key findings

## 1.8 European ESG Bond Issuance as % of Total Bond Issuance



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

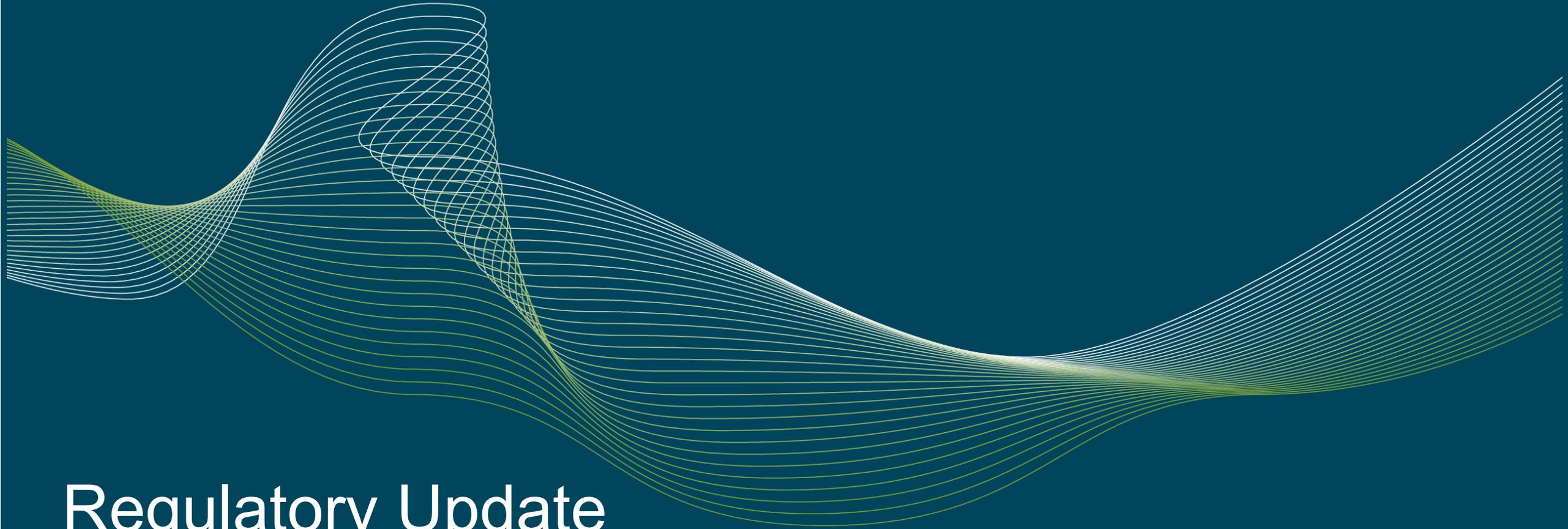


ESG includes Environmental, Social and Sustainable

## Decrease in the share of ESG bonds in total bond issuance in Europe

ESG Bond Issuance represented 11.3% of total European bond issuance during 2025, including 8.7% green bonds, 1.4% social bonds, 1.1% sustainable bonds, and 0.1% sustainability-linked and transition bonds. This represented a decrease from 12.9% in 2024.

Sustainability-linked and Green Loan Issuance represented 17.0% of total European syndicated loan origination during 2025, a small decrease from the value recorded in 2024 (17.4%).



# Regulatory Update

2026

Q1

- Sustainability 'Omnibus I' Directive amending the CSRD and CSDDD published in the OJEU
- EU Taxonomy Delegated Regulation amending the Taxonomy Delegated Acts published in the OJEU
- EC to consult on review of Taxonomy Disclosures Delegated Act (tbc)
- New mandate of the EU Platform on Sustainable Finance commences
- Entry into application of EBA Guidelines on ESG risk management
- European Supervisory Authorities (ESAs) publish final Joint Guidelines on ESG stress testing
- EC to publish draft Delegated Acts amending the EU Taxonomy Climate and Environmental Delegated Acts
- EC launches call for evidence and consultation on the competitiveness of the EU banking sector, including elements on climate finance and risk
- EBA to publish final Pillar 3 ESG ITS (tbc)
- EBA launches consultation on Guidelines on appropriate subsets of exposures for the systematic risk buffer to cover climate risks
- UK Government publishes final UK Sustainability Reporting Standards (UK SRS) for voluntary use and FCA launches consultation on amendments to the UK Listing Rules to refer to UK SRS

**2026**

**Q2**

- EC to consult on revised and simplified ESRS and adopt Delegated Act (tbc)
- EC to consult on Voluntary ESRS for companies outside the CSRD scope and adopt Delegated Act (tbc)
- External reviewers of European Green Bonds to register with ESMA following the end of the transitional regime under the EU Green Bond Regulation

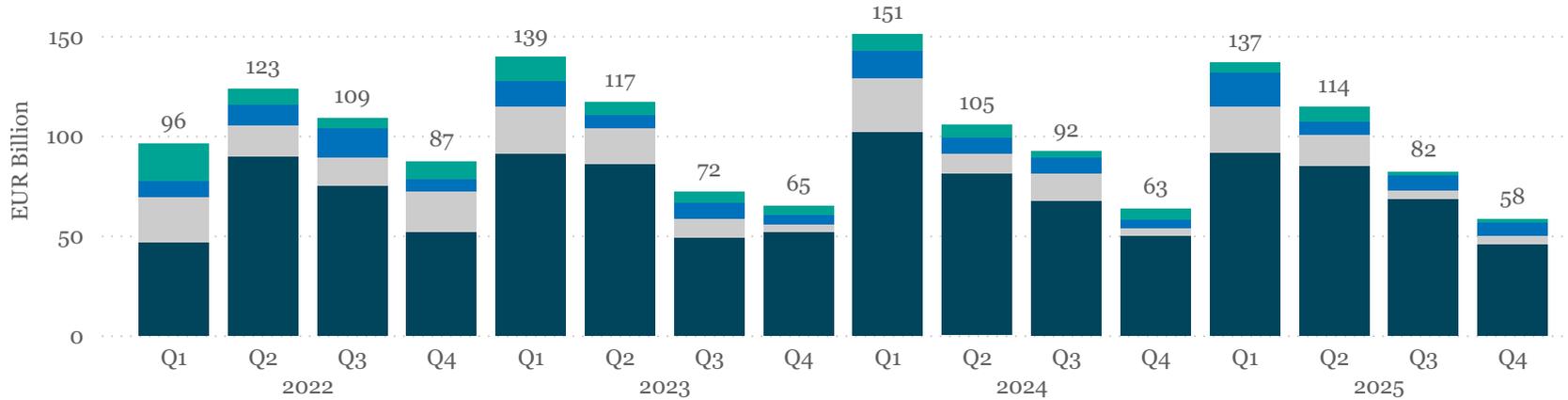
\*Please note that the above is a selective list of initiatives and timelines are indicative and may be subject to change.

# ESG Bond and Loan Issuance

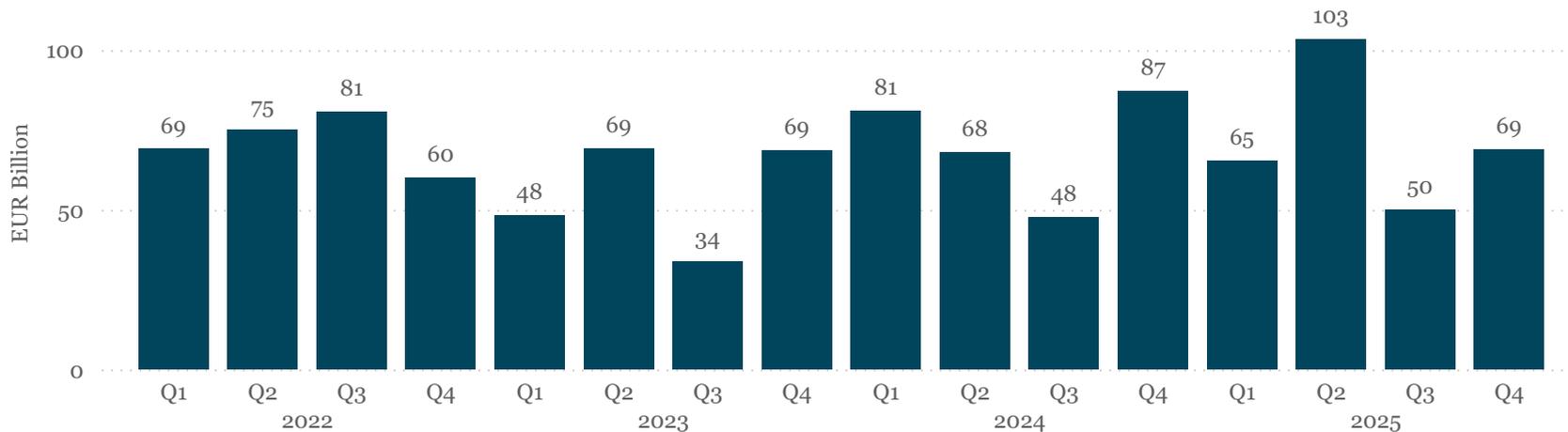
# afme / ESG Bond and Loans Issuance

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

● Green ● Social ● Sustainability ● Sustainability-linked and Transition Bond



## 2.2 European Sustainability-linked and Green Loan Issuance



### Decline in ESG bond issuance in Q4 2025 beyond seasonal factors

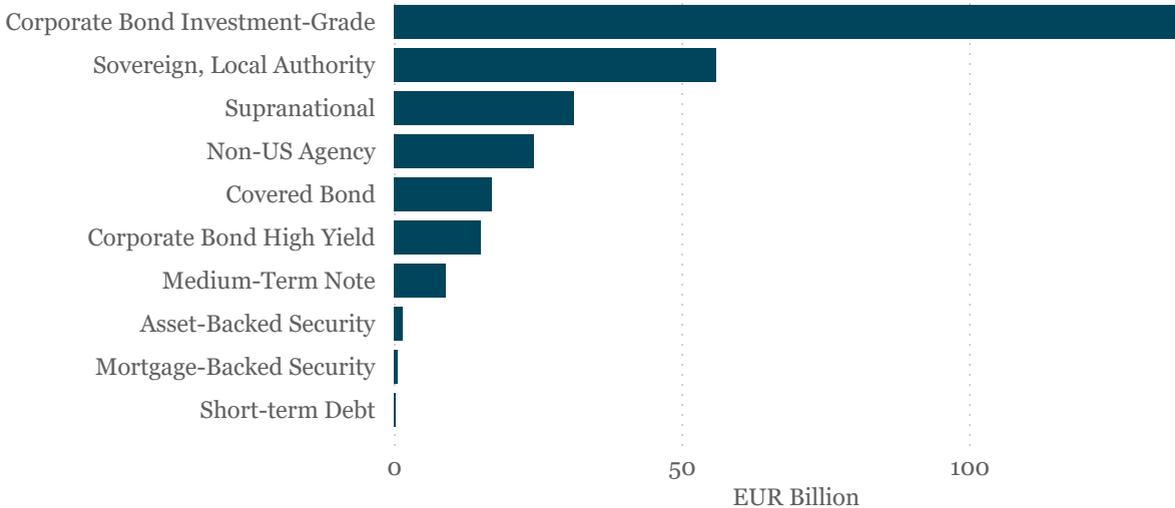
Proceeds from ESG, Sustainability-linked and Transition Bonds accounted for €391bn in 2025, of which €58bn was issued in the last quarter, an 8% decline from €82bn in Q4 2024.

Sustainability-linked and Green Loan origination increased by 38% QoQ and fell by 21% YoY, totalling €69bn in proceeds in Q4 2025 and €288bn in 2025FY.

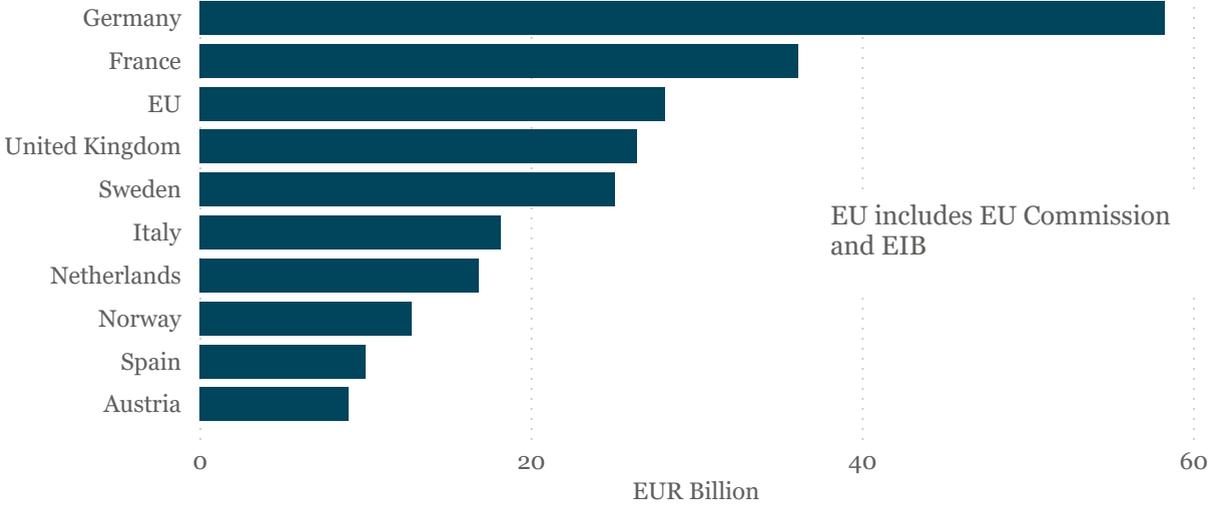
In 2025, investment-grade corporate issuers accounted for 46.8% of the total proceeds from green bonds, while non-US agencies dominated social bond issuance (41.3% of the total).

Globally, the European Union continues to be the primary region for green and social bond issuance, as well as for sustainability-linked and green loan origination. Whereas US issuers continues as the lead region for sustainable bond issuance. [See pages 15-20]

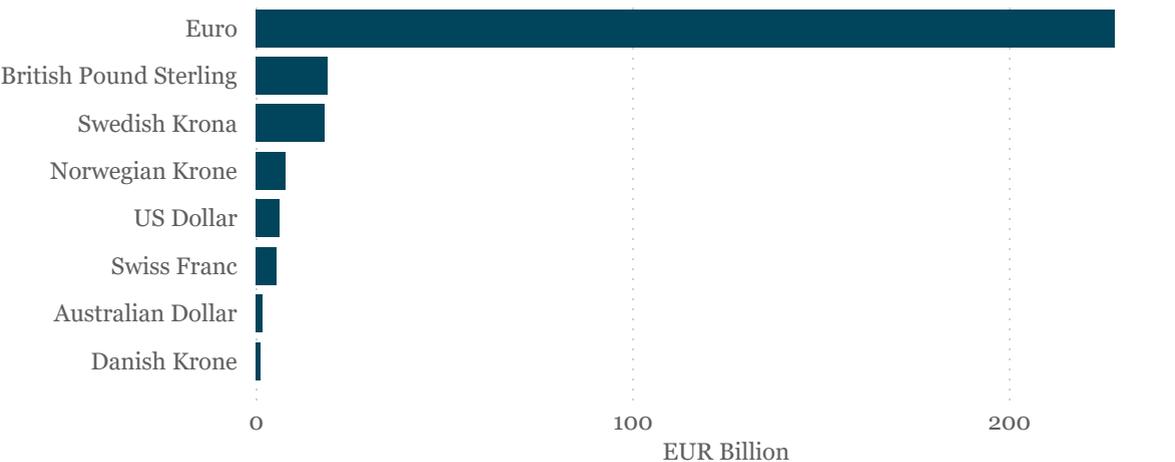
### 2.3 Green Bond Issuance by Deal Type: 2025FY



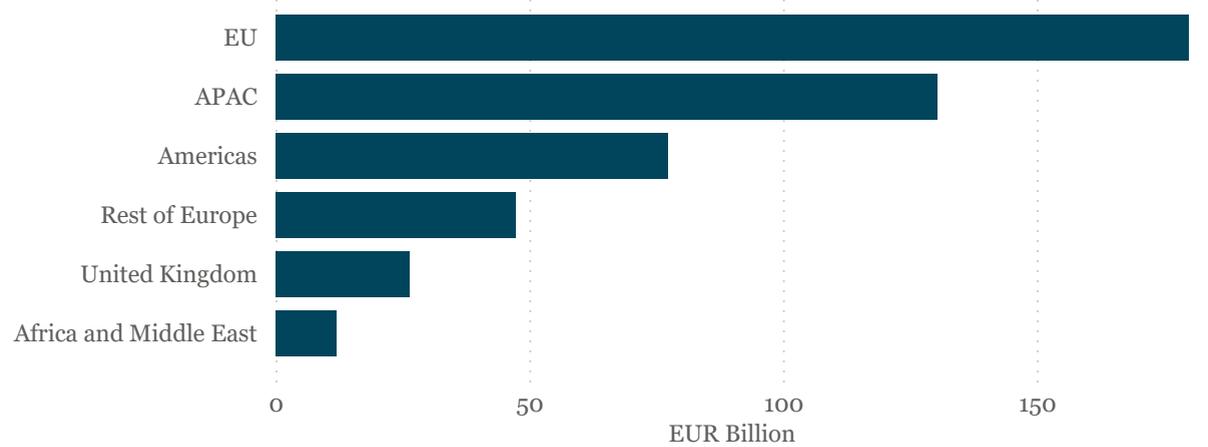
### 2.4 Green Bond Issuance by Country (top 10): 2025FY



### 2.5 Green Bond Issuance by Currency (top 8): 2025FY



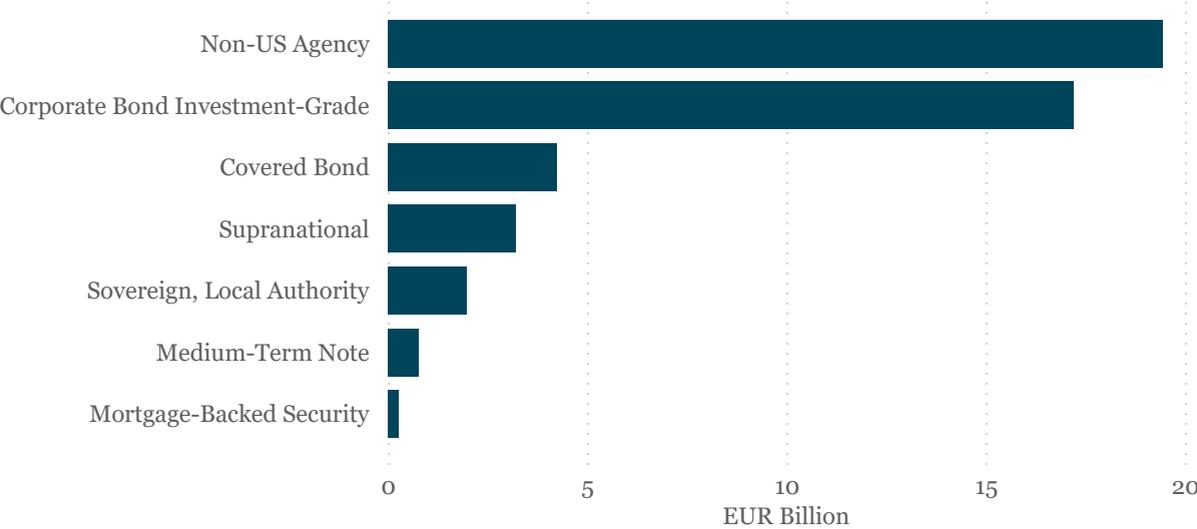
### 2.6 Green Bond Issuance Global Comparison: 2025FY



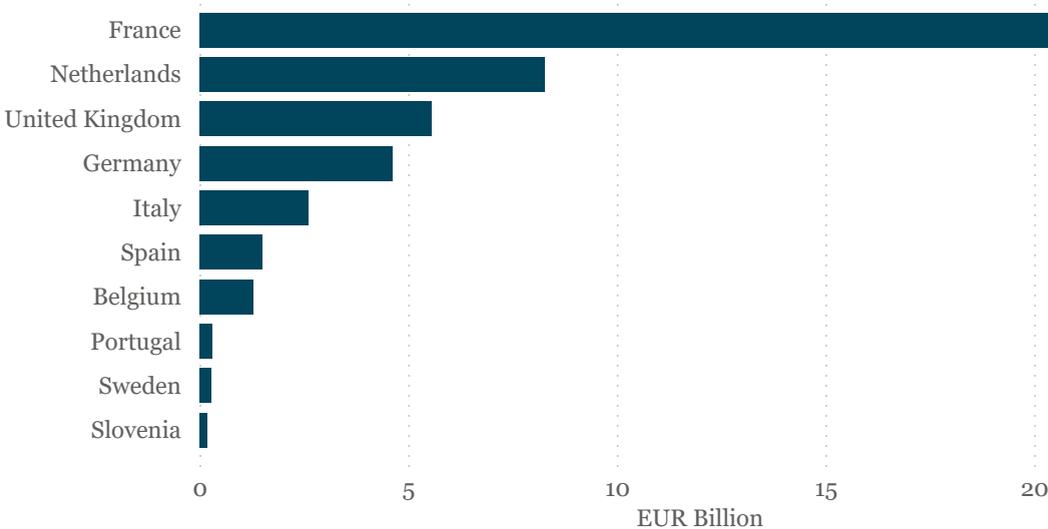
Source: Dealogic

# afme / Social Bond Issuance

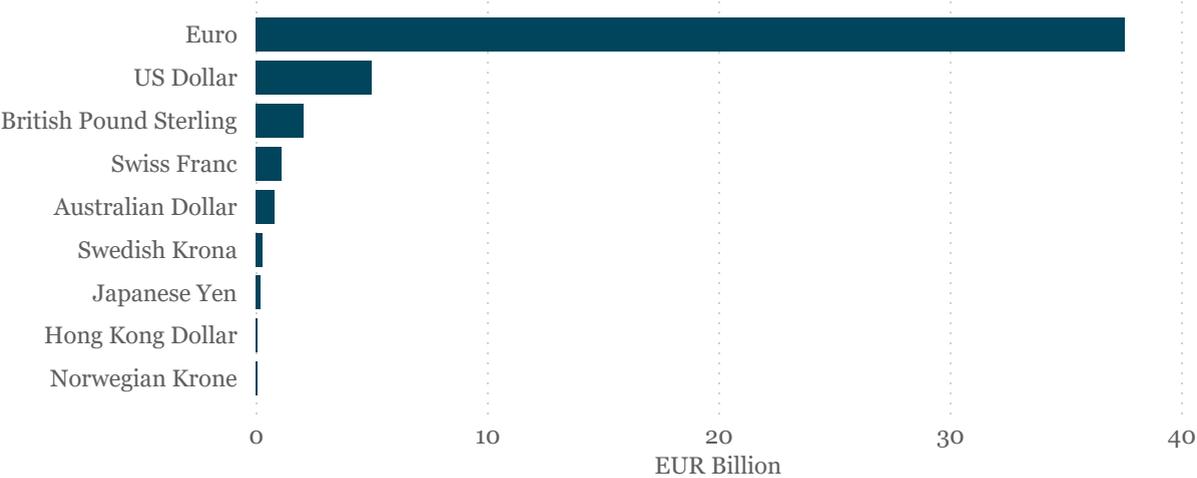
2.7 Social Bond Issuance by Deal Type: 2025FY



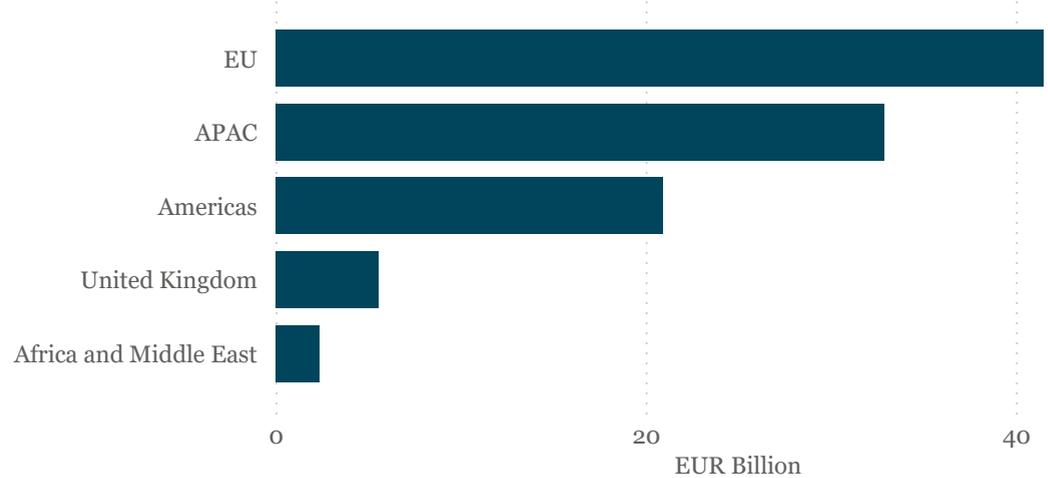
2.8 Social Bond Issuance by Country (top 10): 2025FY



2.9 Social Bond Issuance by Currency: 2025FY



2.10 Social Bond Issuance Global Comparison: 2025FY

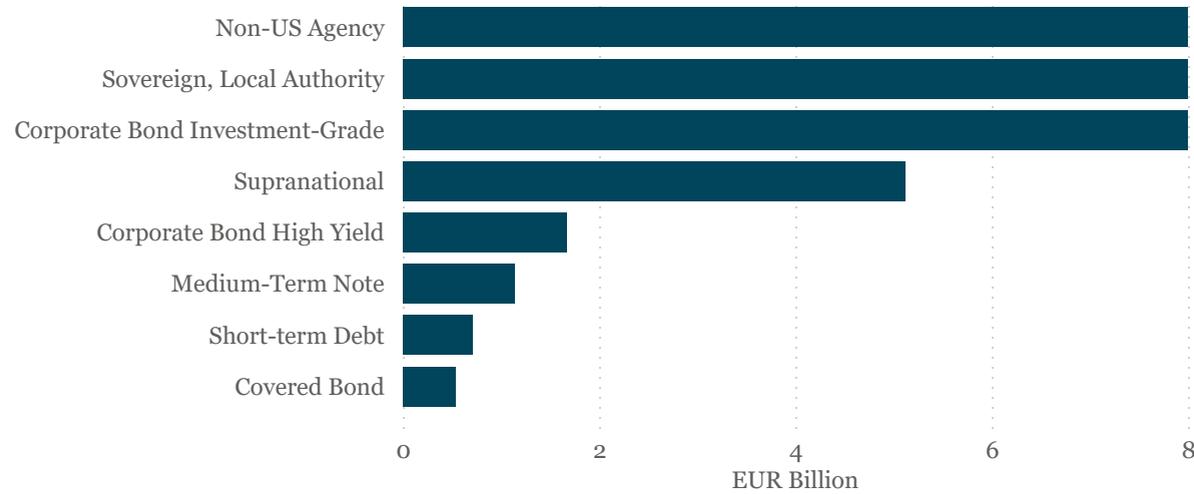


Source: Dealogic

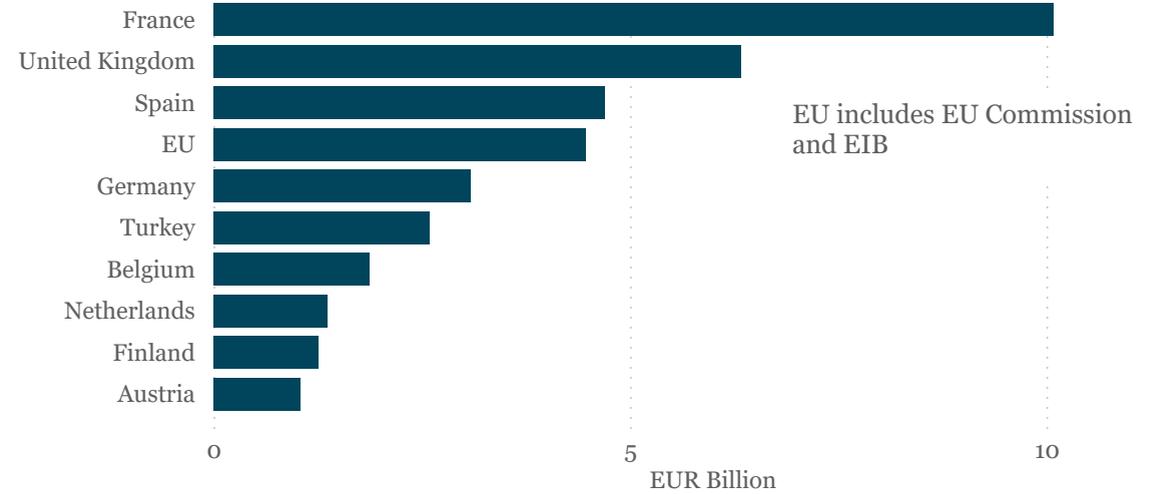
# afme / Sustainable Bond Issuance

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

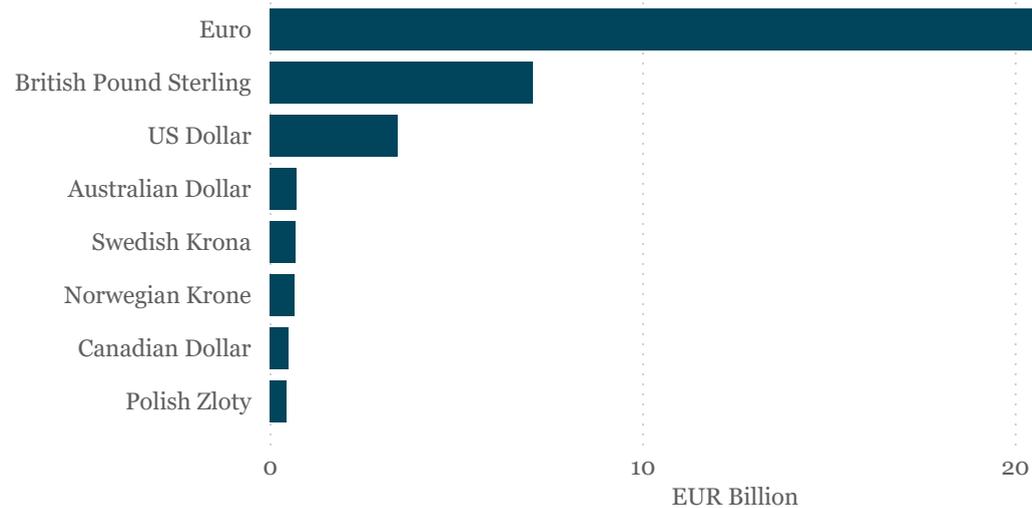
## 2.11 Sustainable Bond Issuance by Deal Type: 2025FY



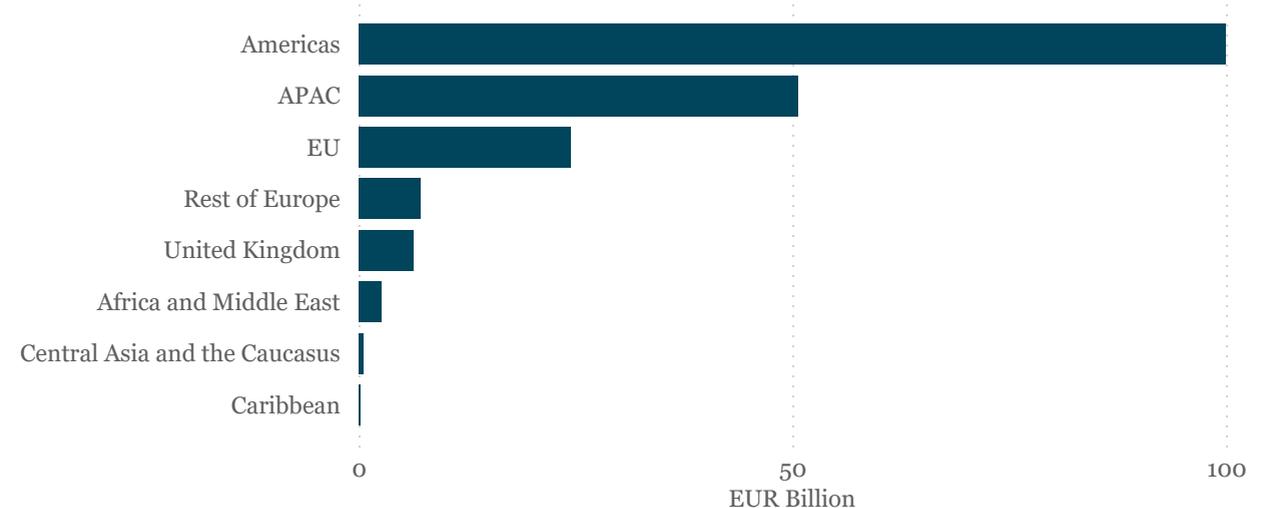
## 2.12 Sustainable Bond Issuance by Country (top 10): 2025FY



## 2.13 Sustainable Bond Issuance by Currency (top 8): 2025FY



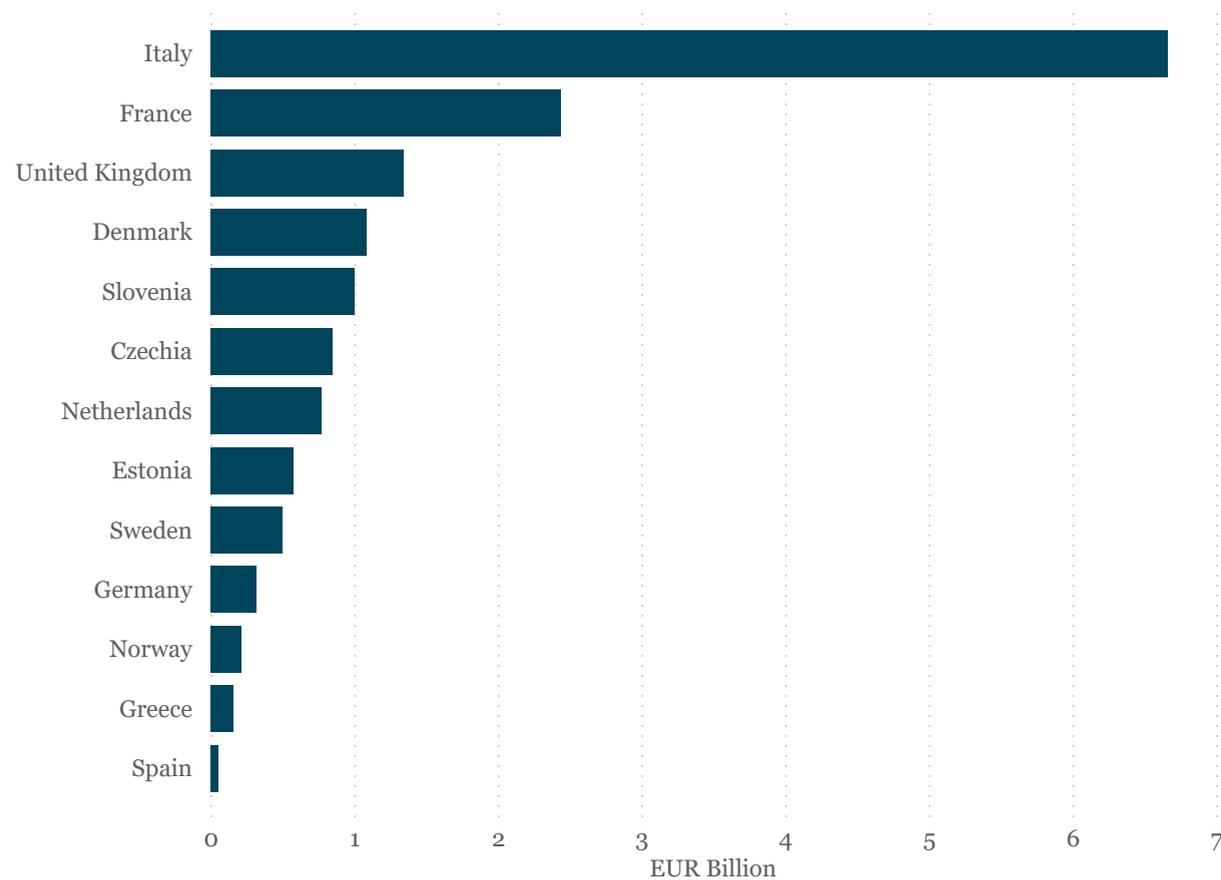
## 2.14 Sustainable Bond Issuance Global Comparison: 2025FY



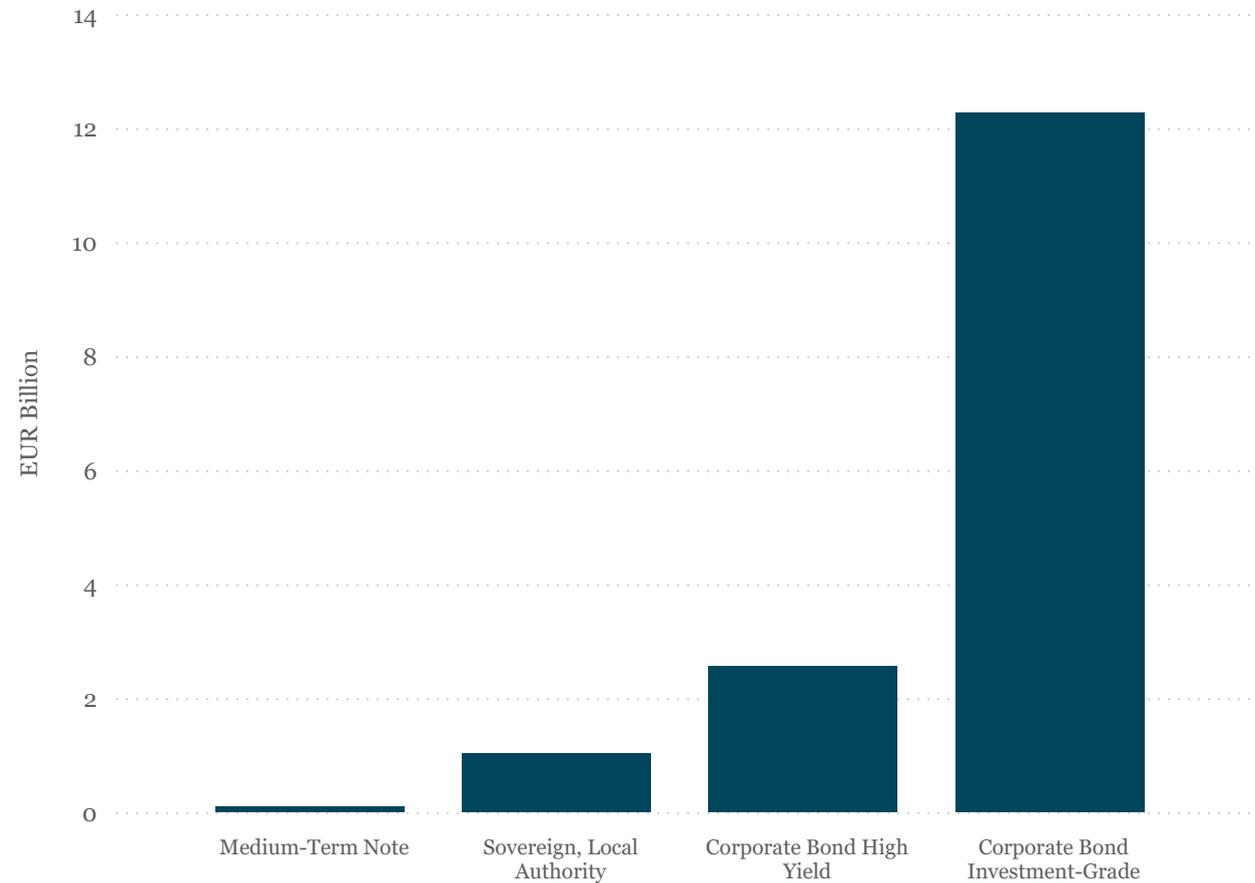
# afme / Sustainability-linked Bond Issuance

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: 2025FY**

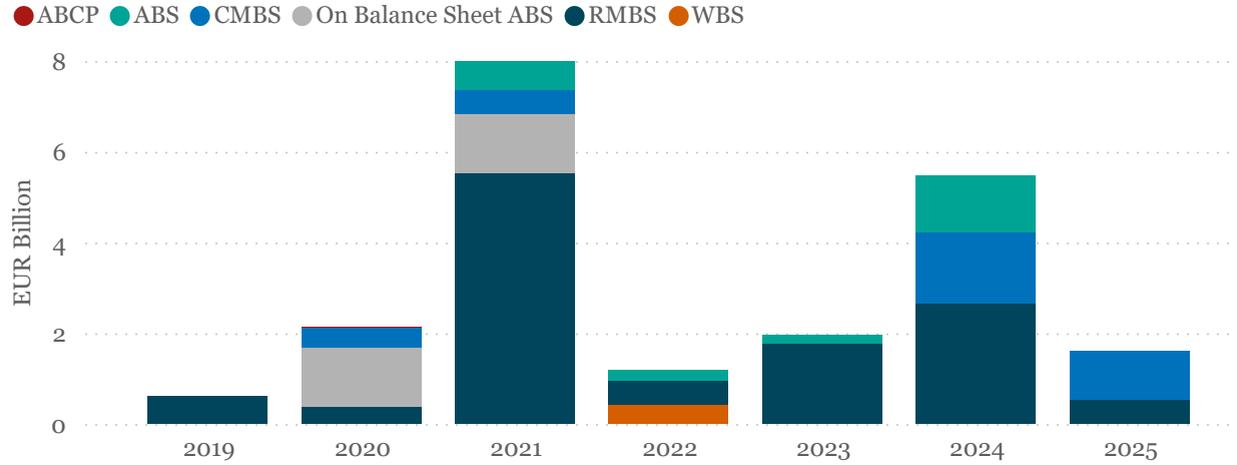


**2.16 European Sustainability-linked Bond Issuance by Deal Type: 2025FY**

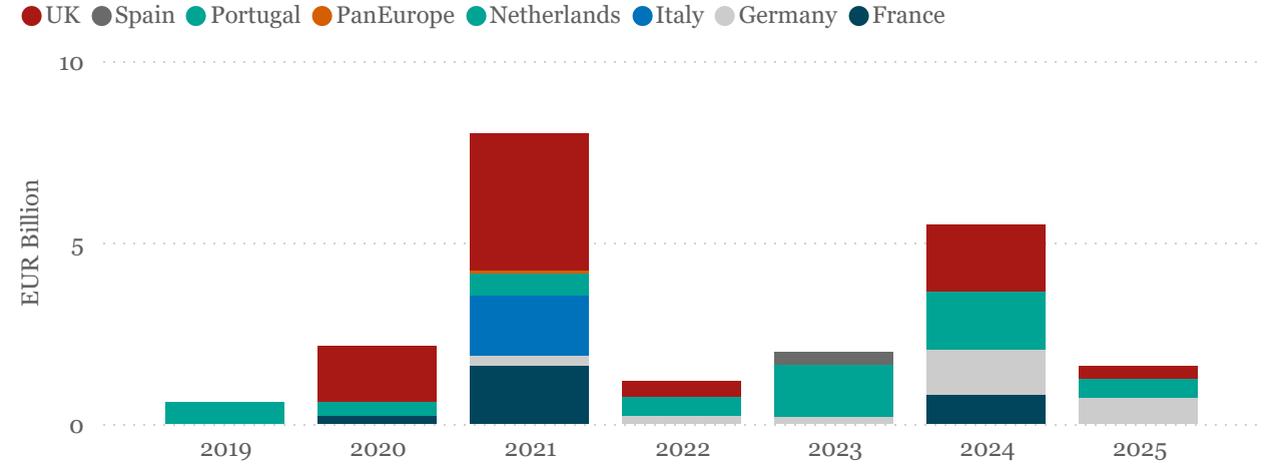


# afme / ESG Securitisation Issuance

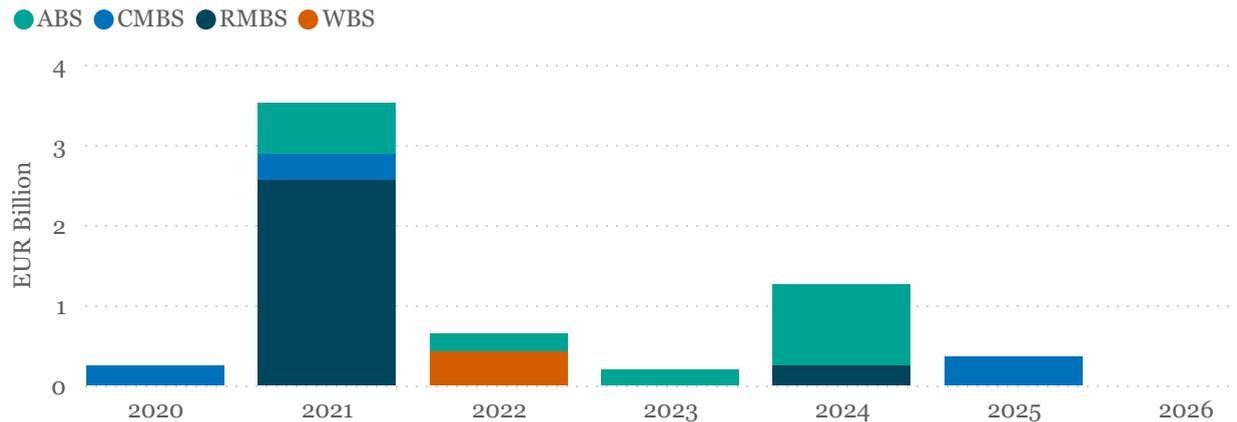
## 2.17 European ESG Securitisation Issuance by Asset Class



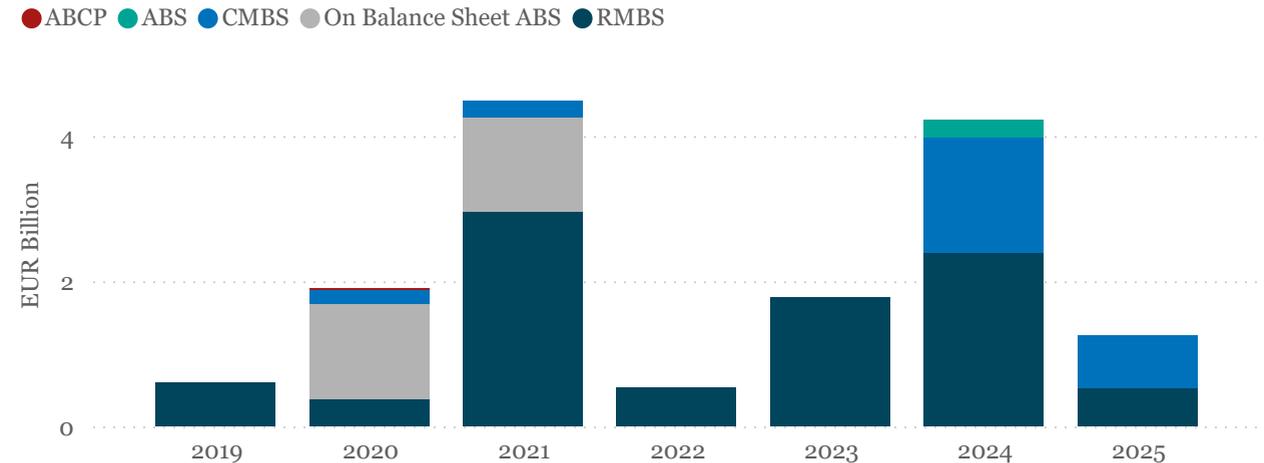
## 2.18 European ESG Securitisation Issuance by Country of Asset



## 2.19 European Social and Sustainable Securitisation Issuance by Asset Class



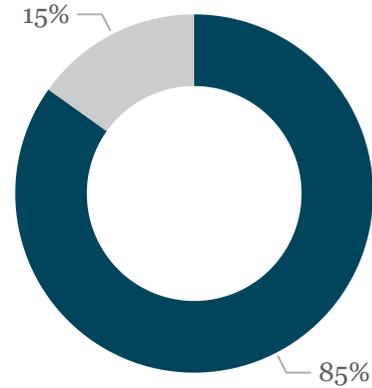
## 2.20 European Green Securitisation Issuance by Asset Class



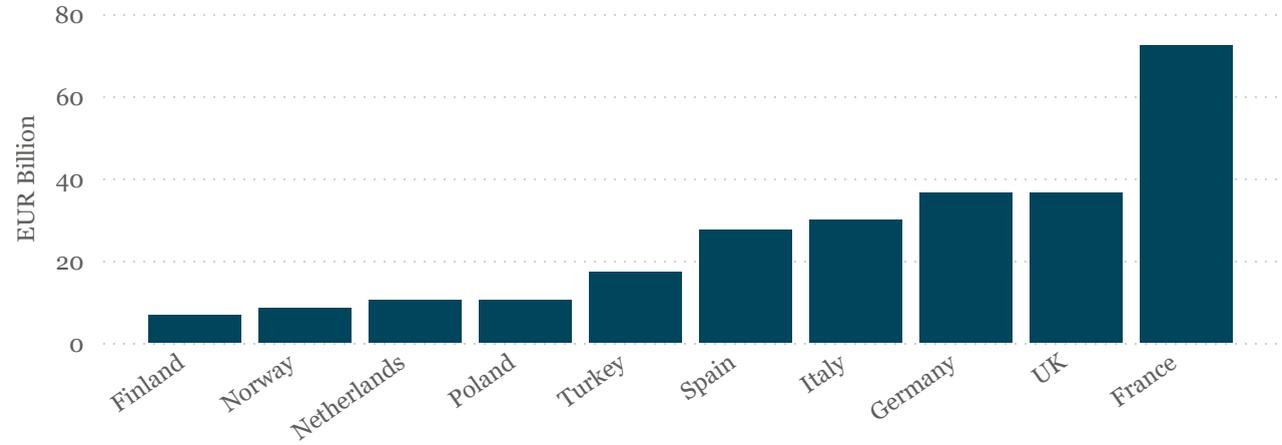
# afme / Sustainability linked and Green Loan Issuance

**2.21 Sustainability-linked and Green Loan Issuance by Deal Type: 2025FY**

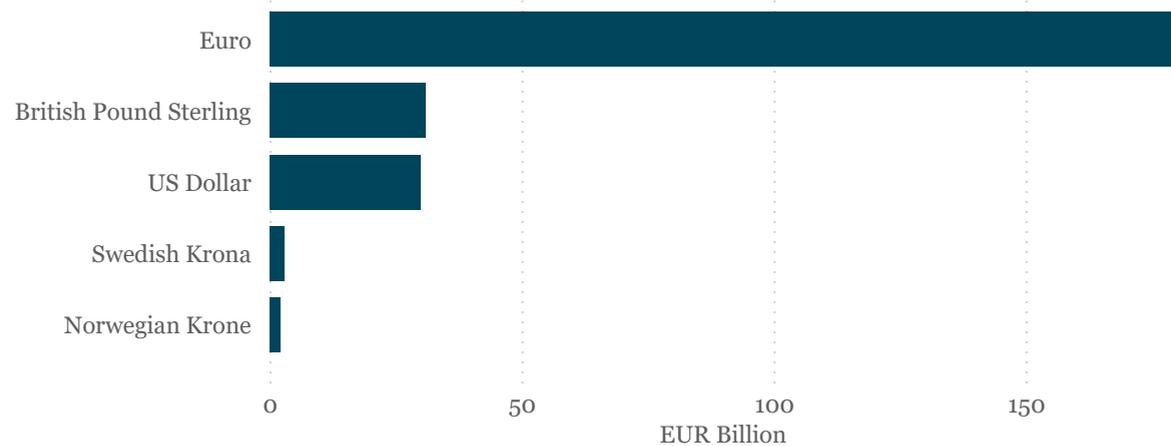
● Investment Grade  
● Leveraged



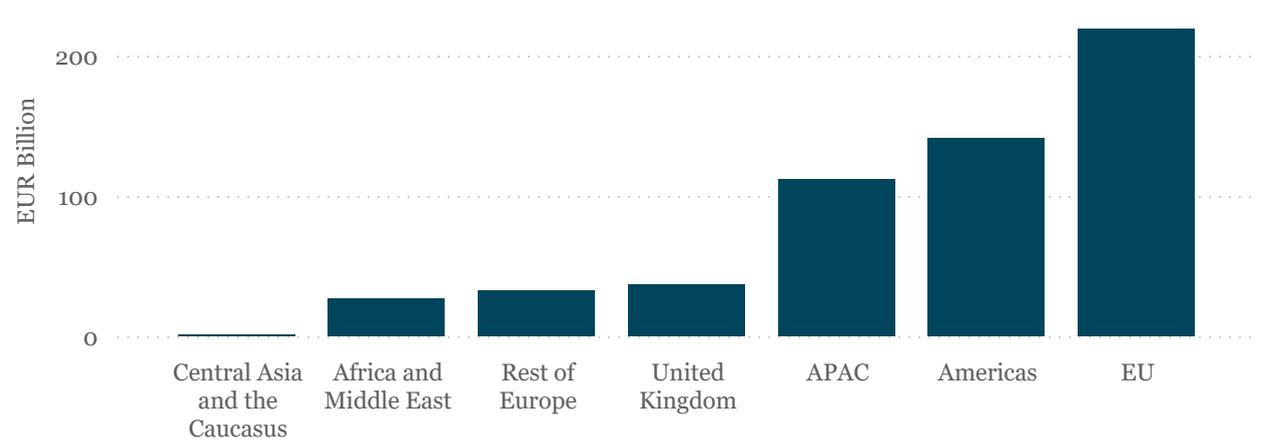
**2.22 Sustainability-linked and Green Loan Issuance by Country (top 10): 2025FY**

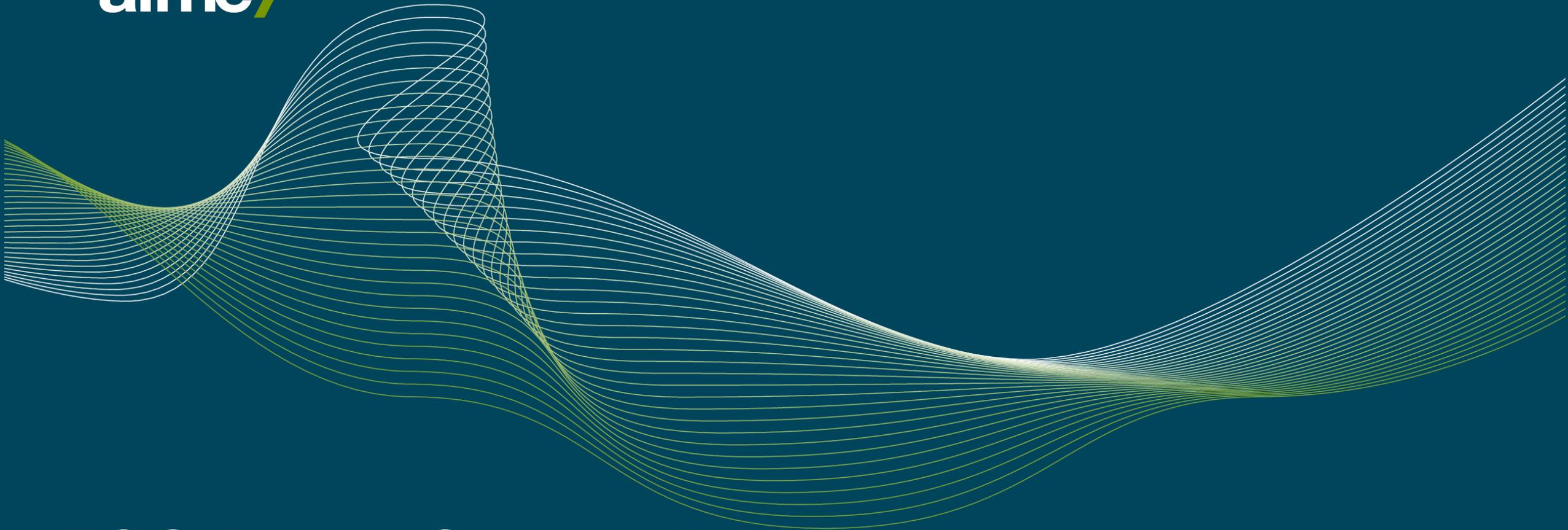


**2.23 Sustainability-linked and Green Loan Issuance by Currency (top 5): 2025FY**



**2.24 Sustainability-linked and Green Loan Issuance Global Comparison: 2025FY**

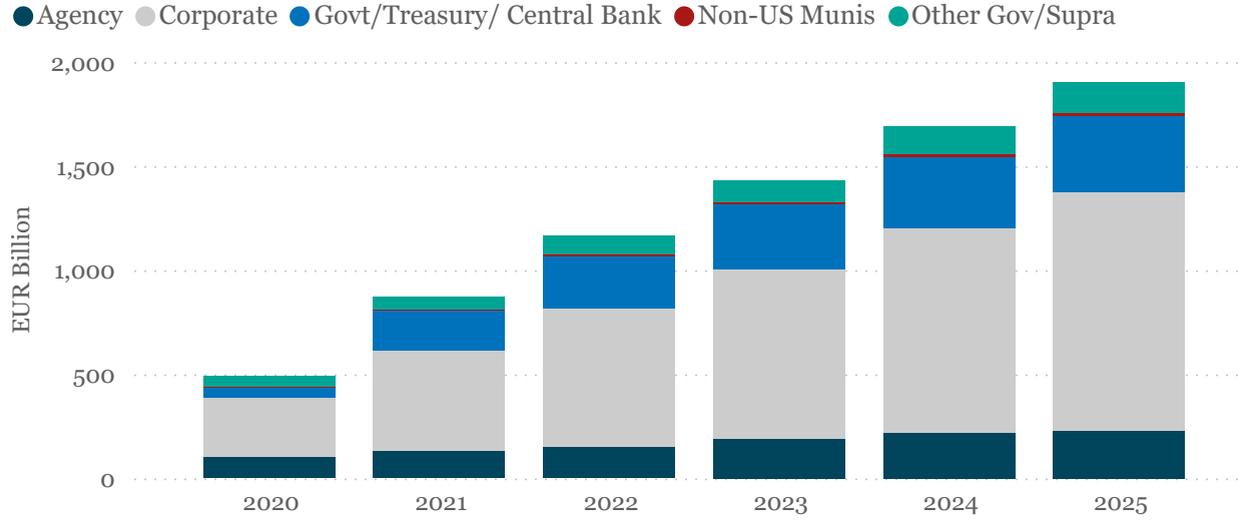




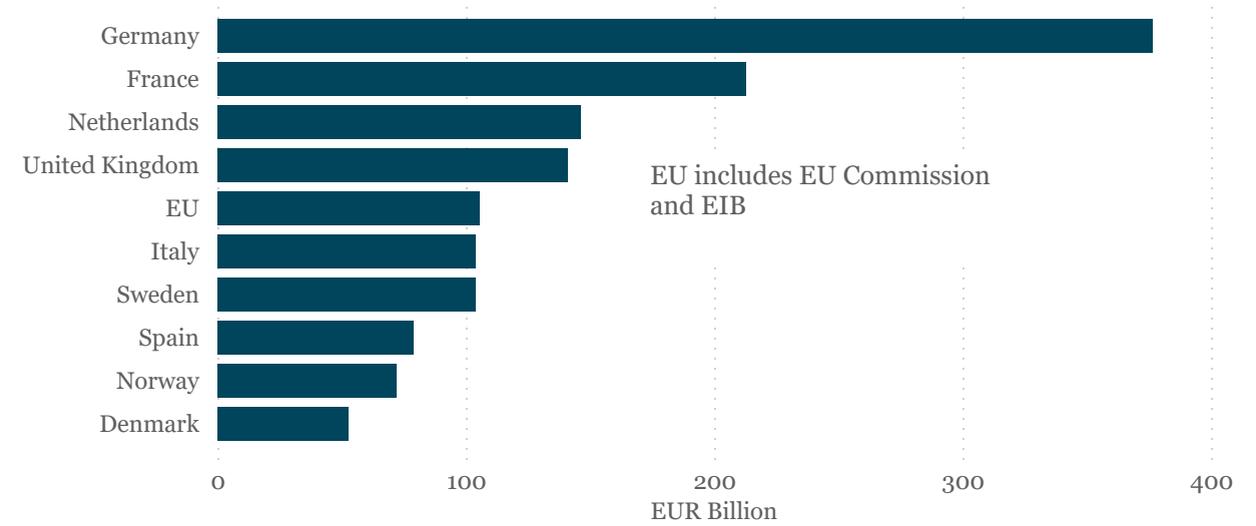
# ESG Bonds Outstanding

# afme / Green Bonds Outstanding

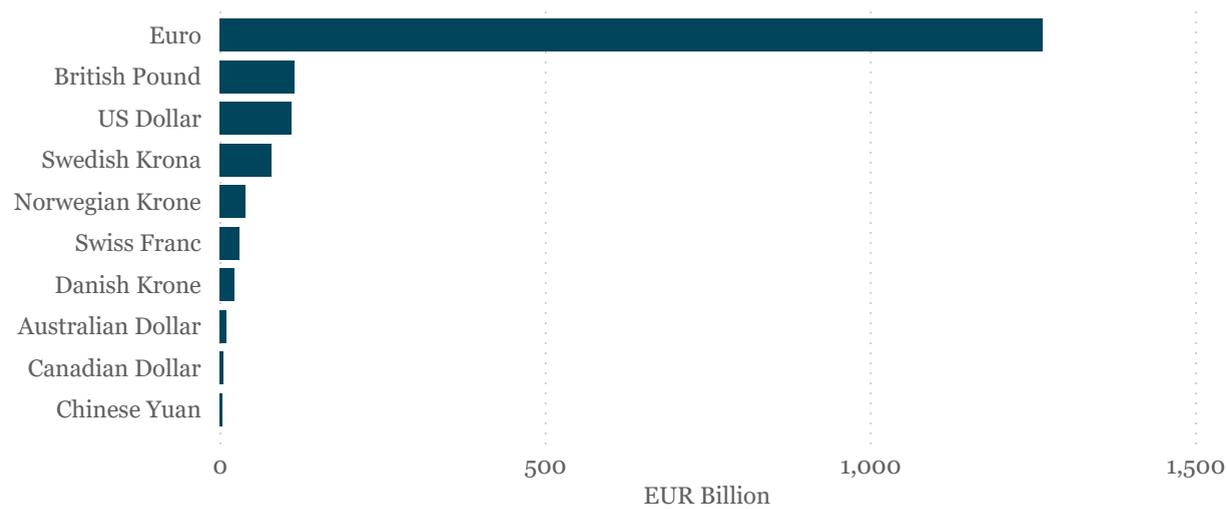
## 3.1 Evolution of European Green Bonds Outstanding



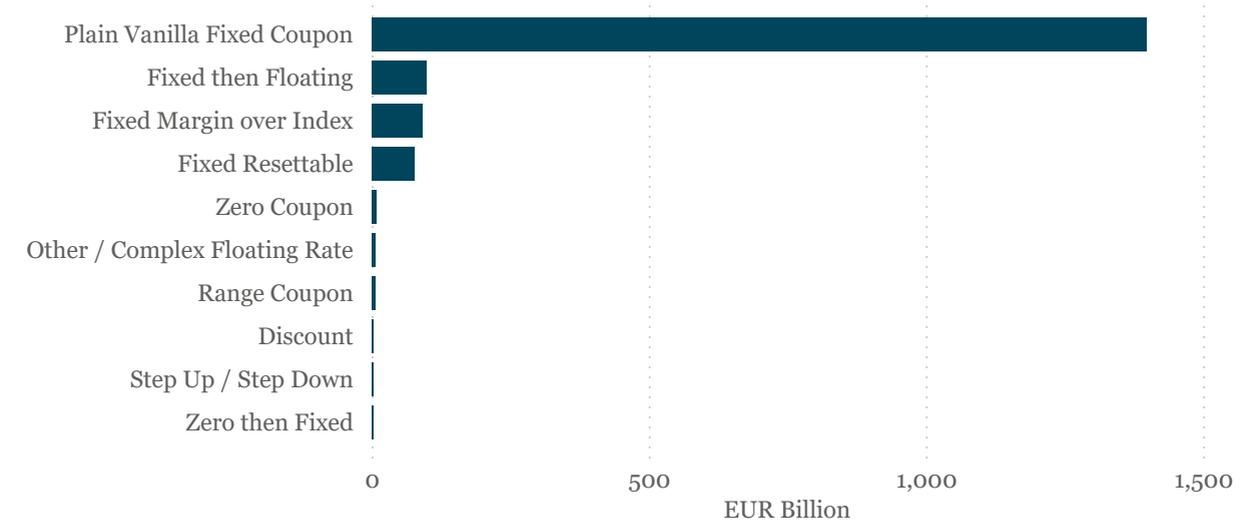
## 3.2 Green Bonds Outstanding by Country (top 10)



## 3.3 Green Bonds Outstanding by Currency (top 10)

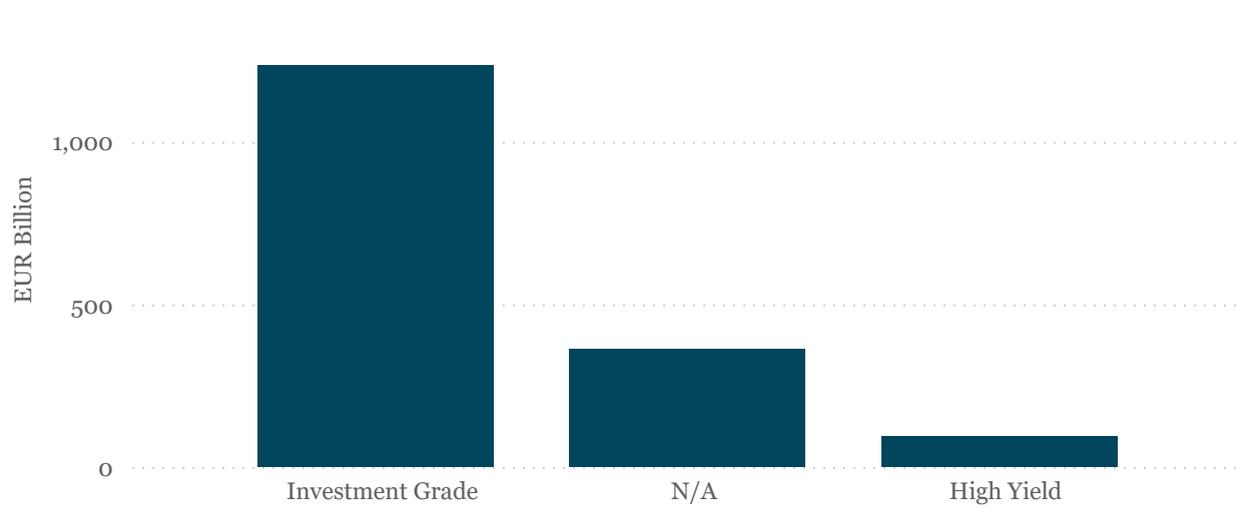


## 3.4 Green Bonds Outstanding by Coupon Type (top 10)

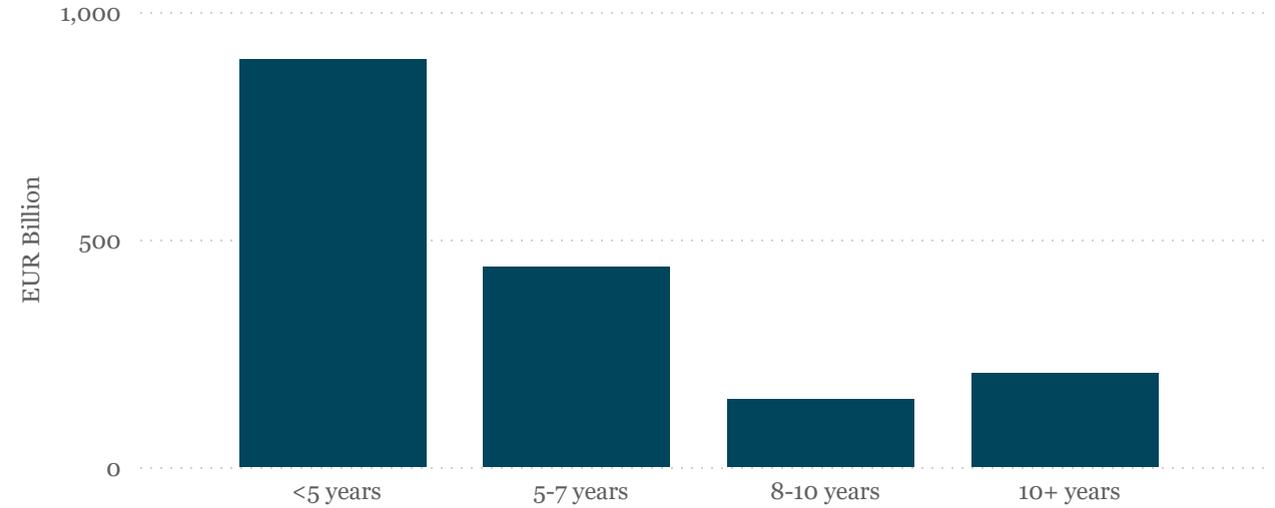


# afme / Green Bonds Outstanding

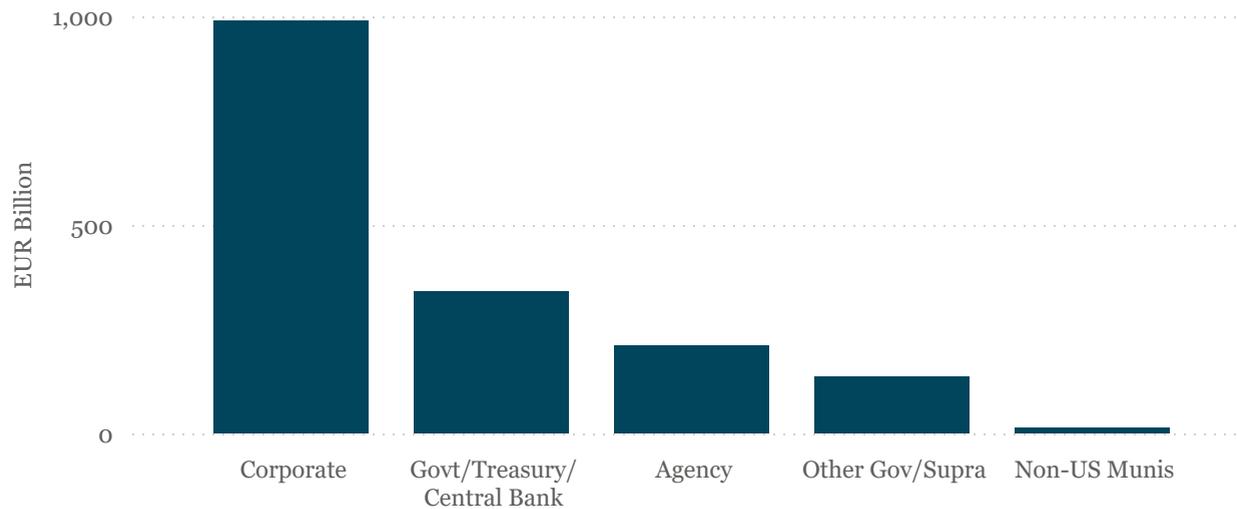
### 3.5 Green Bonds Outstanding by Bond Grade



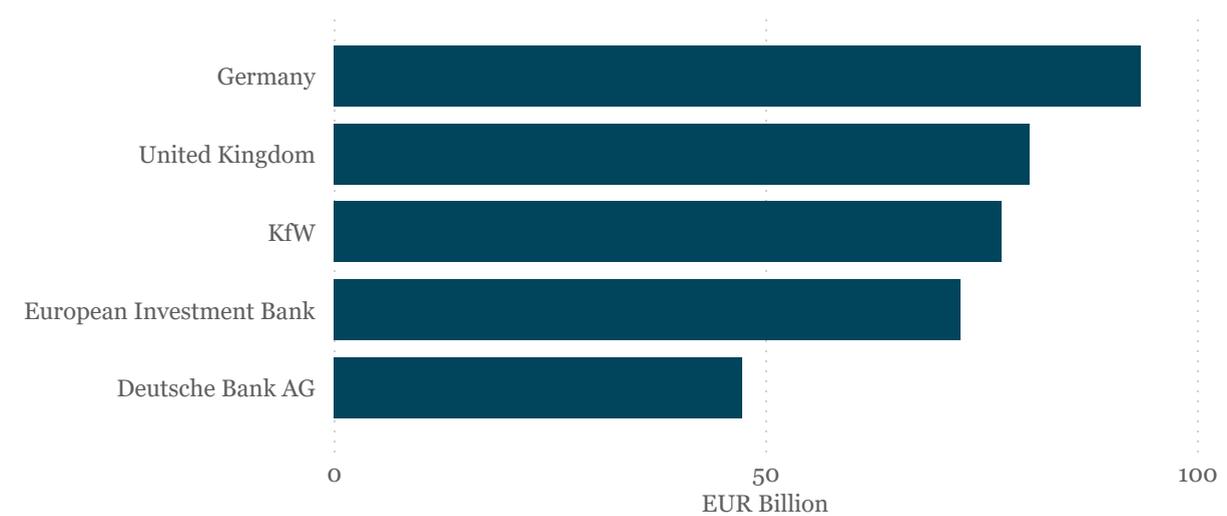
### 3.6 Green Bonds Outstanding by Years to Maturity



### 3.7 Green Bonds Outstanding by Asset Class

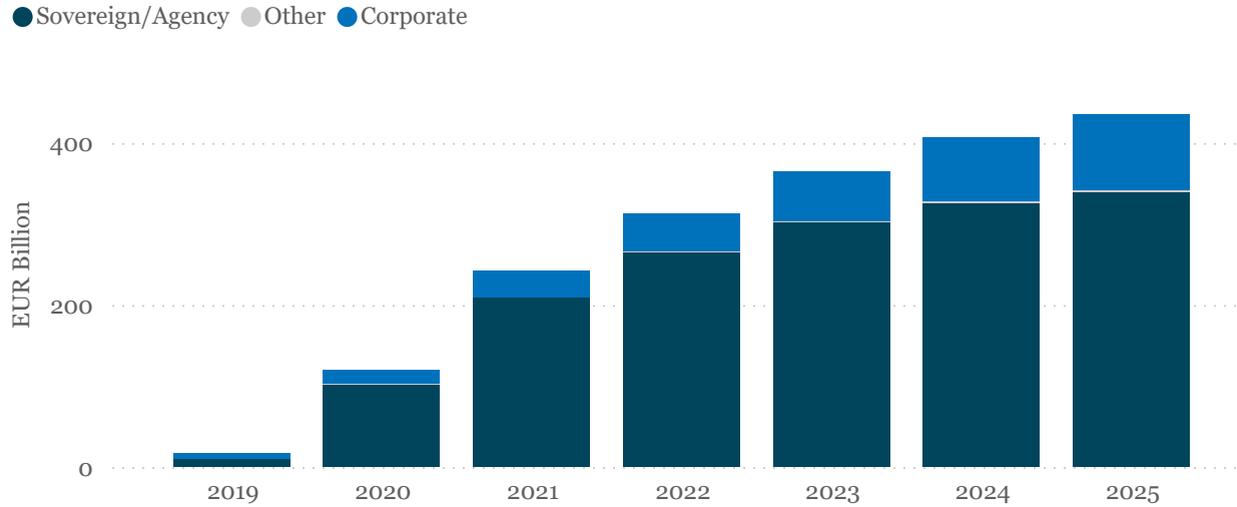


### 3.8 Green Bonds Outstanding by Single Issuers (top 5)

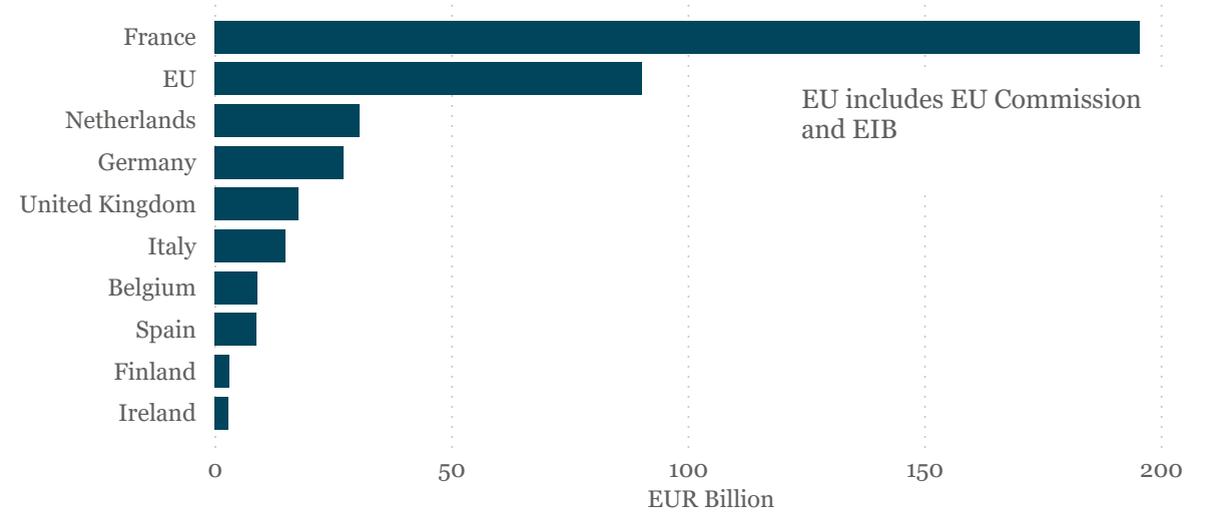


# afme / Social Bonds Outstanding

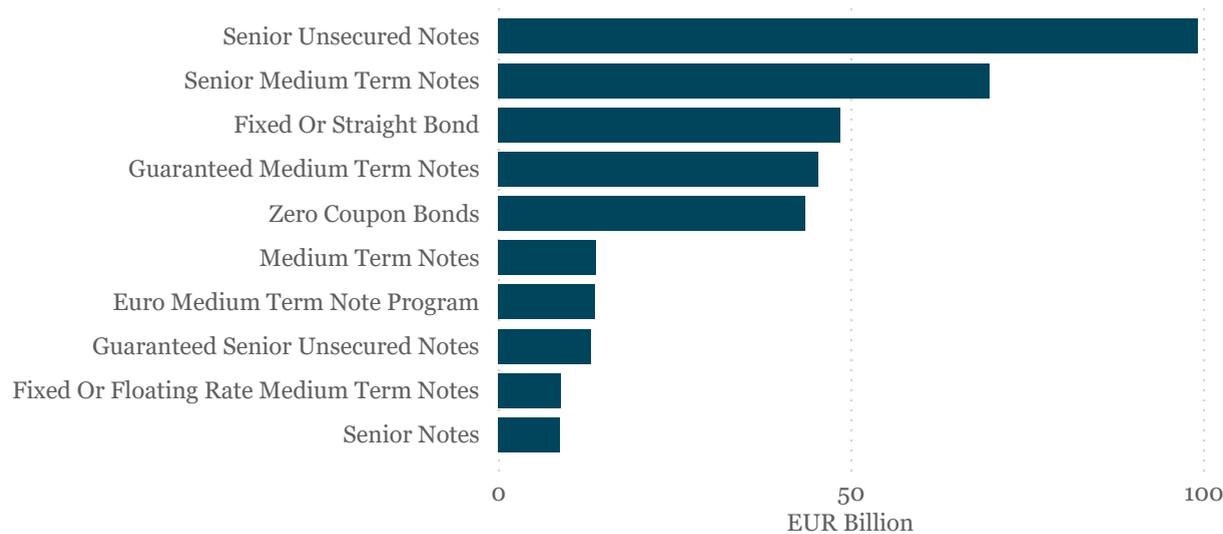
## 3.9 Evolution of Social Bonds Outstanding



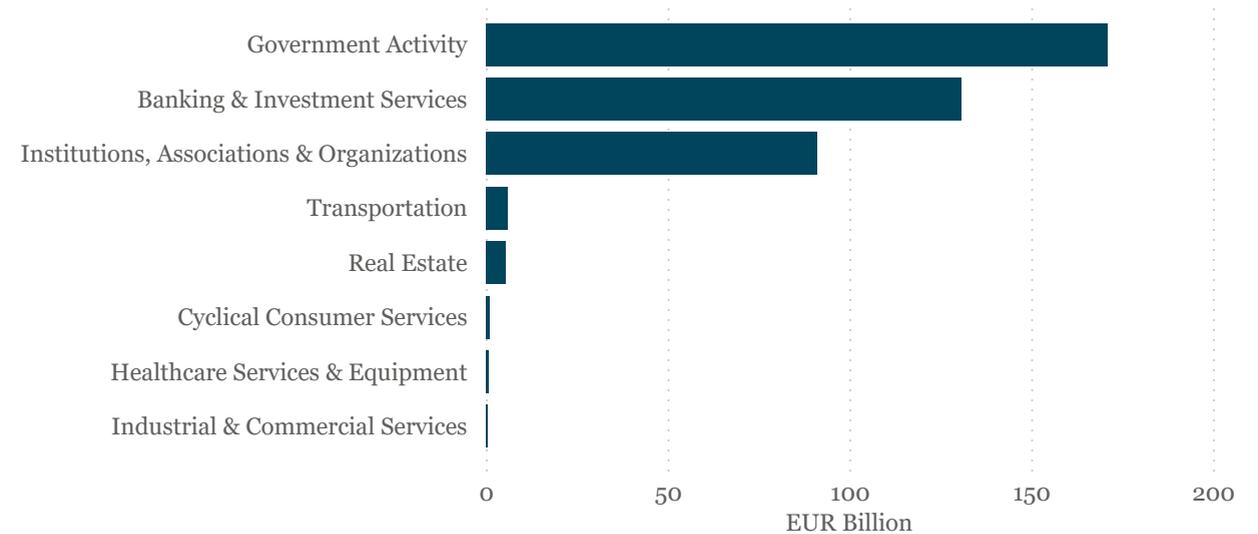
## 3.10 Social Bonds Outstanding by Country (top 10)



## 3.11 Social Bonds Outstanding by Security Type (top 10)



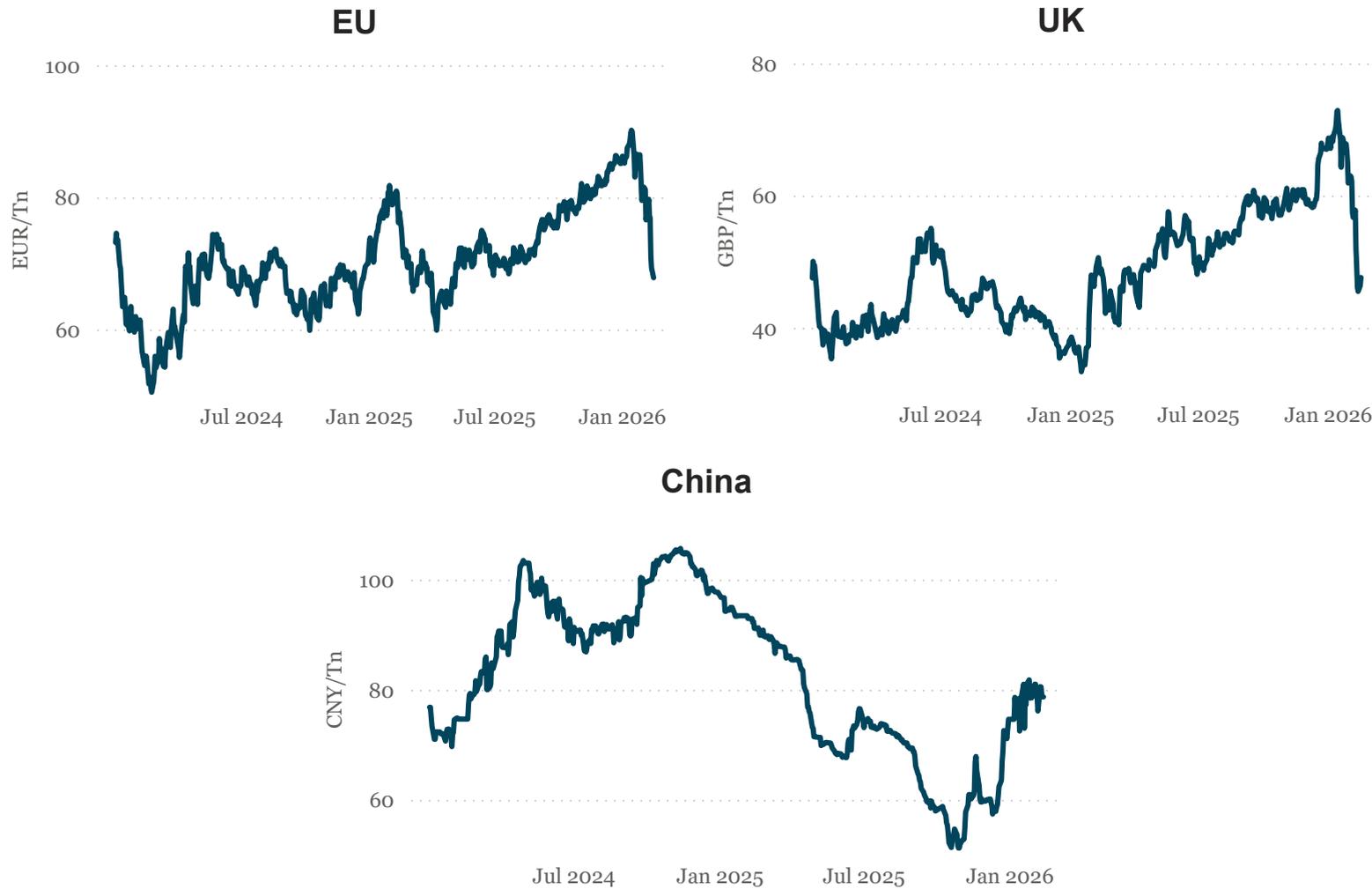
## 3.12 Social Bonds Outstanding by Economic Sector



# 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)

### ETS carbon prices sharp decline in the EU and UK in early 2026

Carbon prices in both the EU and in the UK rose during the course of 2025. In the EU, prices rose from EUR 70/Tn in December 2024 to EUR 85/Tn by year-end, while in the UK prices rose by GBP 50 per tonne from GBP 37/Tn in December 2024 to GBP 87/Tn in December 2025.

In mid-February, however, EU prices fell by 24.8% from a mid-January 2026 peak of EUR 90/Tn. Similarly, UK prices peaked at GBP 70.9/Tn in mid-January and fell by 37.5% to GBP 45.5/Tn in mid-February.

Several concurrent factors may explain the decline.

The European Commission and the UK Government announced the intention to link the EU and UK carbon ETS last year, and in mid-January 2026 it was confirmed that negotiations were scheduled to start. Meanwhile, in February, some EU leaders (see [here](#) and [here](#)) raised concerns about the wider impact of ETS on EU industrial competitiveness and commented on the need to revise the functioning of the EU ETS market.

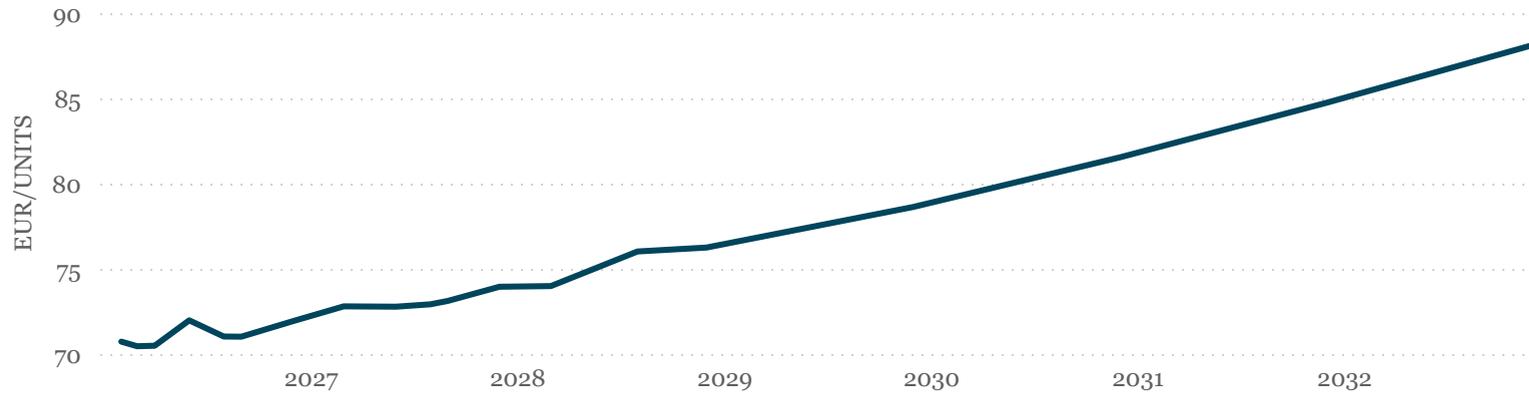
Separately, carbon prices in China, the largest global ETS system, steadily increased in the last quarter of the year, from CNY 53/Tn in October 2025, ending the year at CNY 74.6/Tn.

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

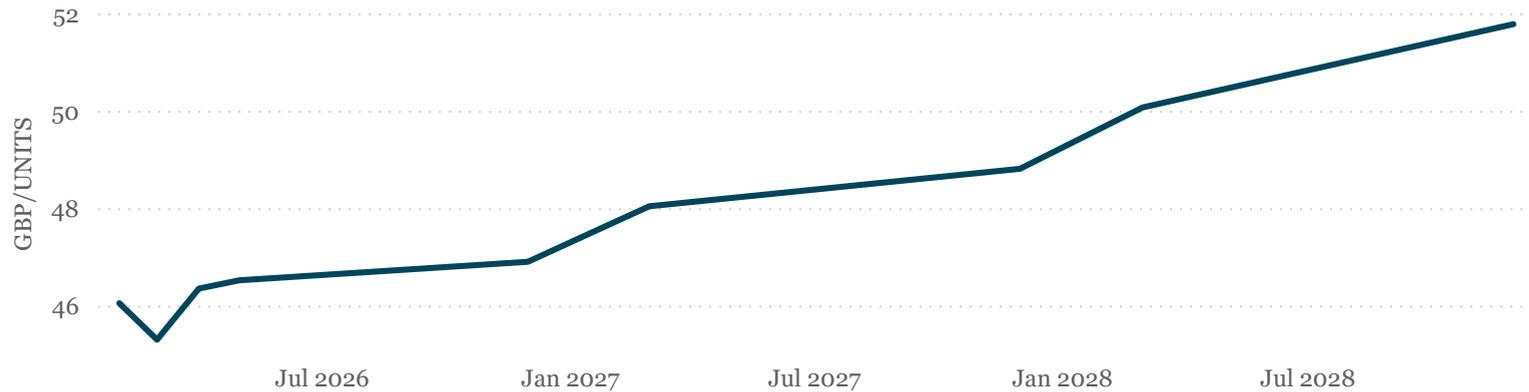
# afme / Carbon Market Future Prices

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

EU



UK

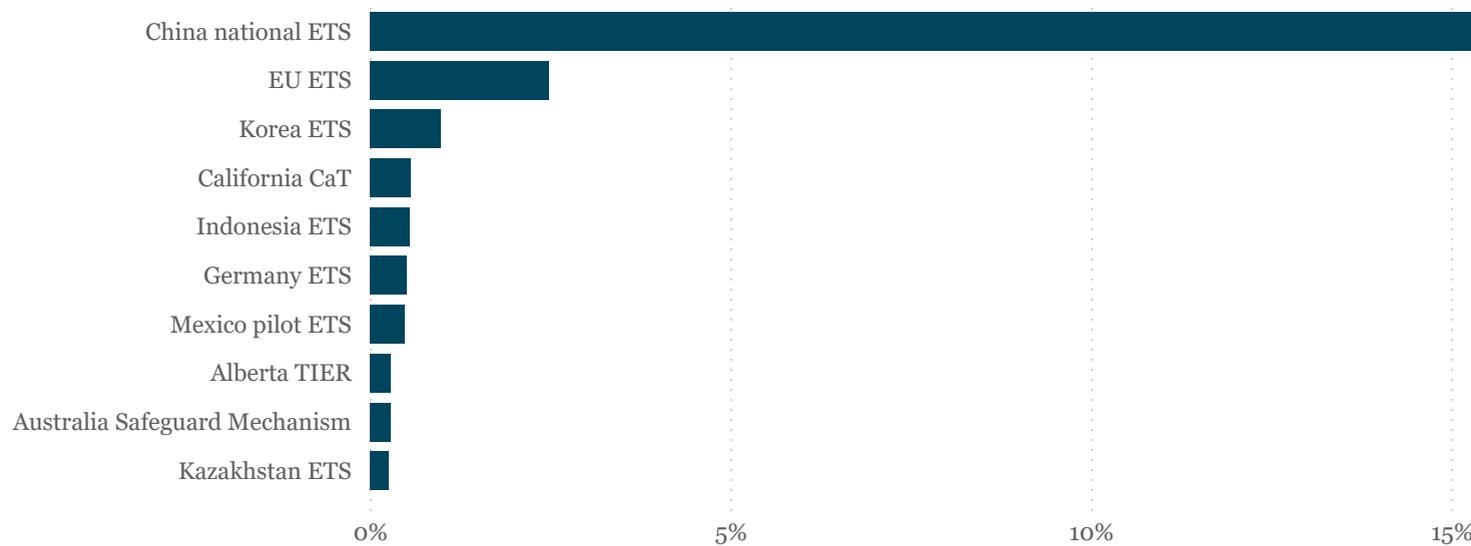


EU : Market curve observed mid February 2026  
UK : Market curve observed mid February 2026

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

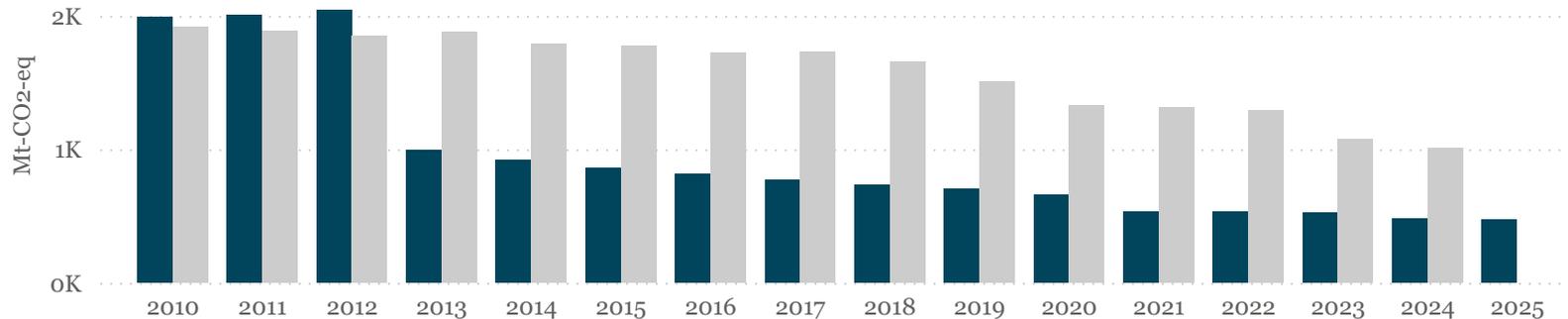
# afme / Carbon Emissions coverage

## 4.3 Share of Annual Covered Global GHG Emissions



## 4.4 EU + UK Allowance vs Verified Emissions

● Freely allocated allowances ● 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.

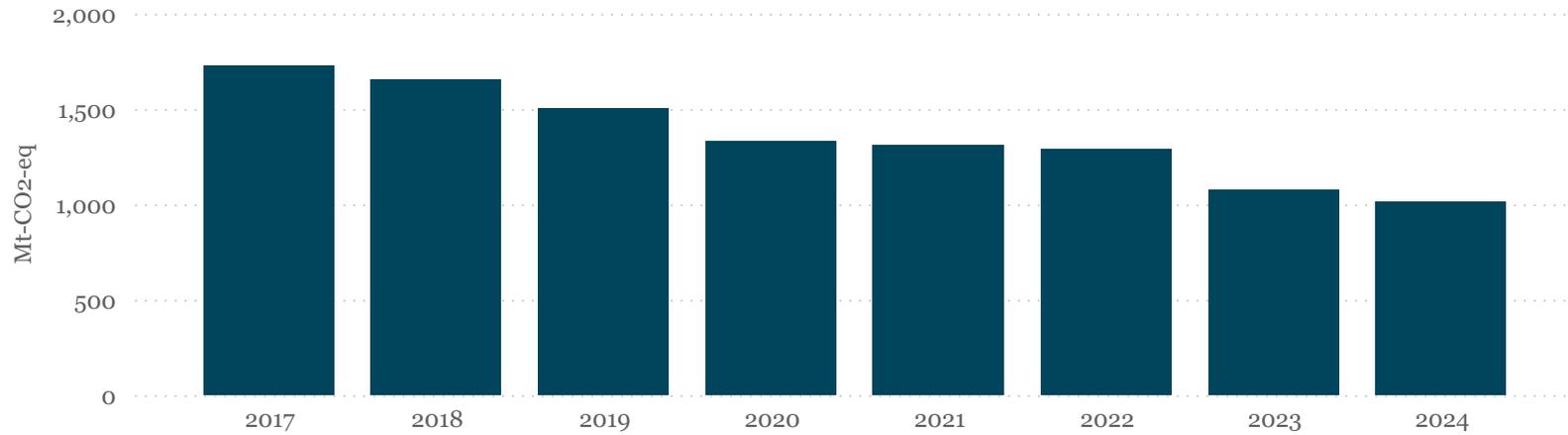
Korea ranks third, with an ETS constituting 1% of the global total.

Combining every instruments while accounting for overlap of coverage brings us to 23.3% of the global GHG emissions that are covered either by an ETS or a carbon tax.

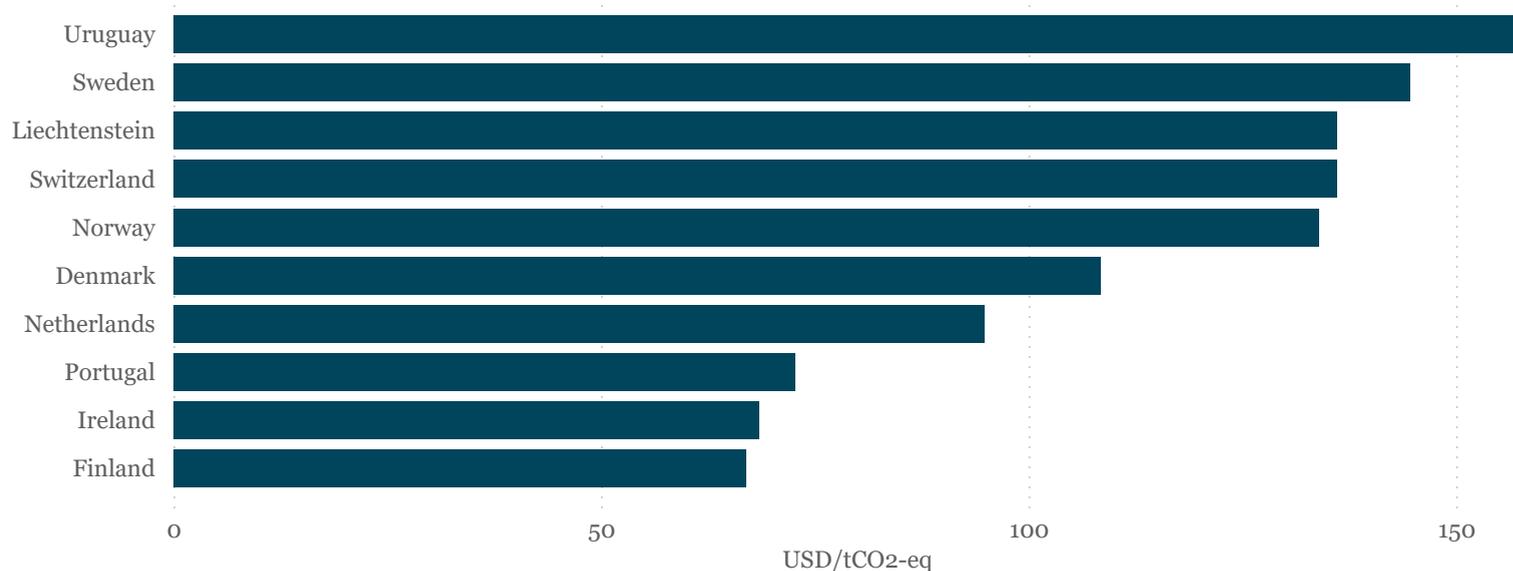
In the EU + UK area, aggregate freely allocated allowances and verified emissions have seen a consistent decrease since 2013. Notably, in 2013, allocated allowances experienced a significant reduction, falling below the levels of verified emissions for the first time.

# afme / Carbon Pricing - Allowance and Tax

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



## 4.6 Carbon Tax by Country (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 of the last data available in April 2025, total allocated allowances (EUA and EUAA) decreased from 1728 MtCO<sub>2</sub>-eq in 2017 to 1011 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).

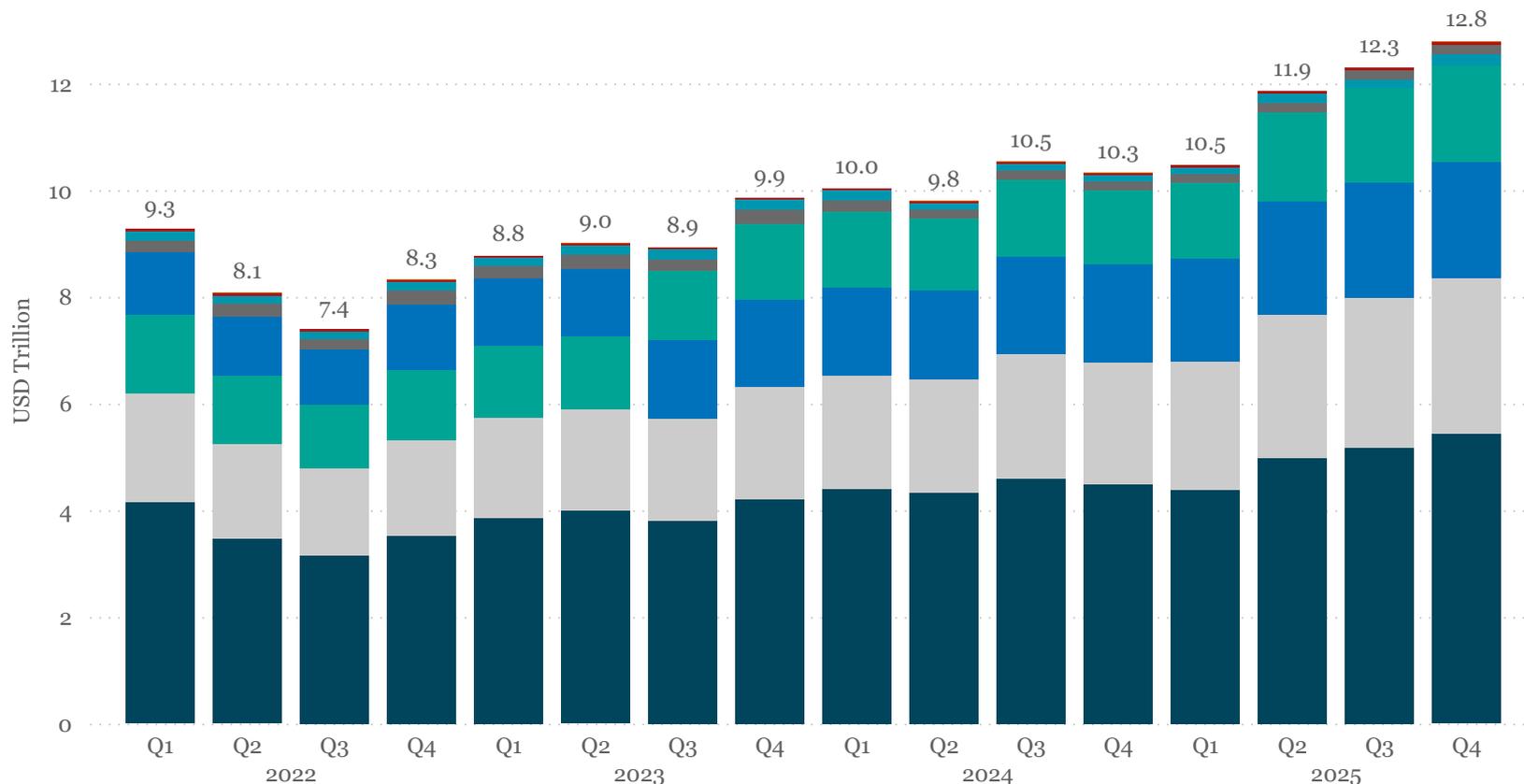


# Fund Management

# afme / Global ESG Funds

## 5.1 Global ESG Funds by Asset Class

● Real Estate ● Other ● Money Market ● Mixed Assets ● Equity ● Commodity ● Bond ● Alternatives



### New record high for ESG assets under management in Q4 2025

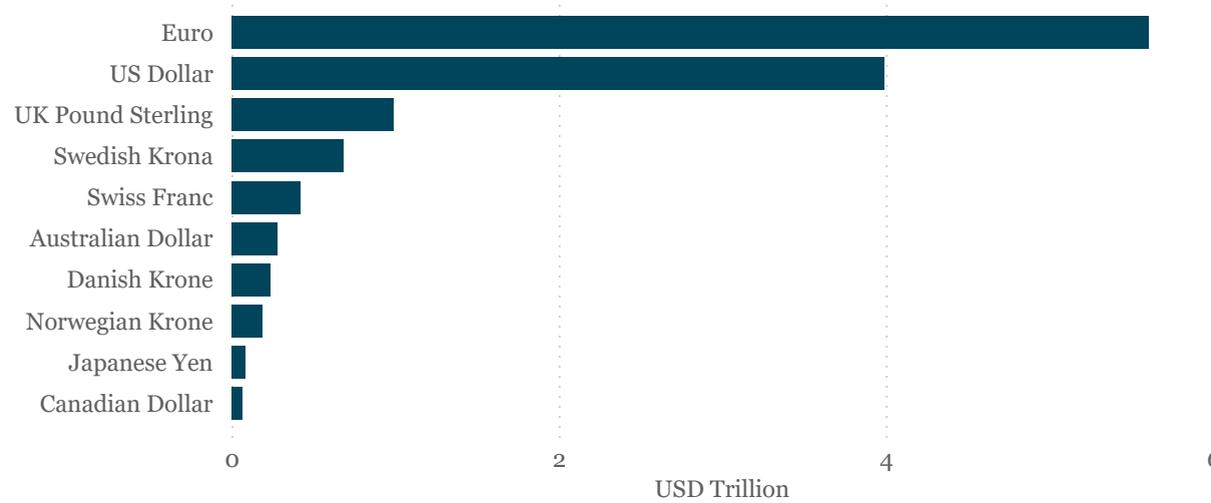
Global funds with an ESG mandate (including Mutual Funds and ETFs) reached USD 12.8tn in Q4 2025, representing a 4% increase from the previous quarter (USD 12.3tn) and a 24.3% increase from Q4 2024 (USD 10.3tn).

The Year-on-Year rise was primarily driven by increased allocations to equity and bond funds, which together made up over 65% of the fund's assets.

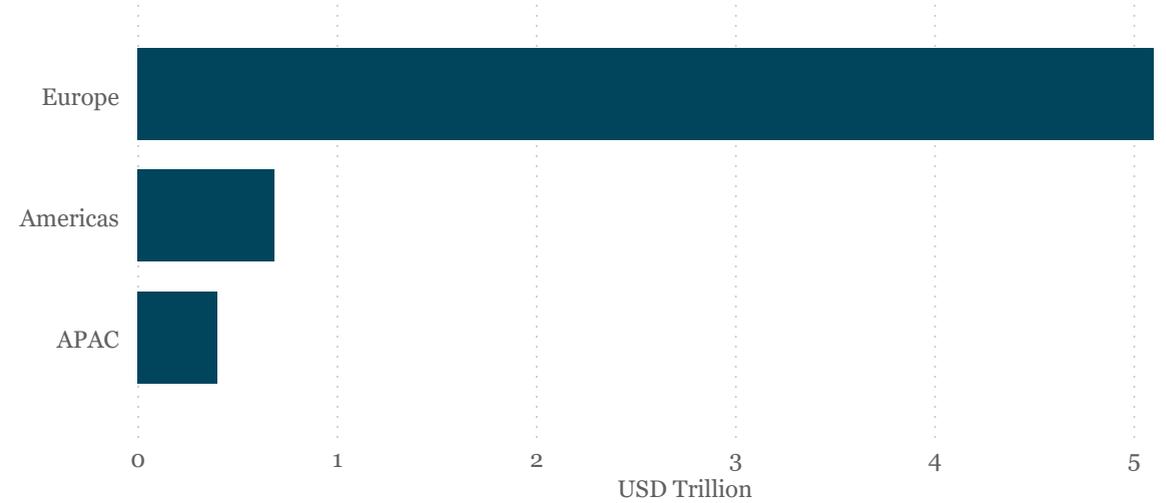
In 2025, Global ESG funds saw inflows reaching USD 333bn, largely driven by European funds, while Americas ESG funds recorded USD 4.7bn in outflows.

# afme / Size of Global ESG Funds

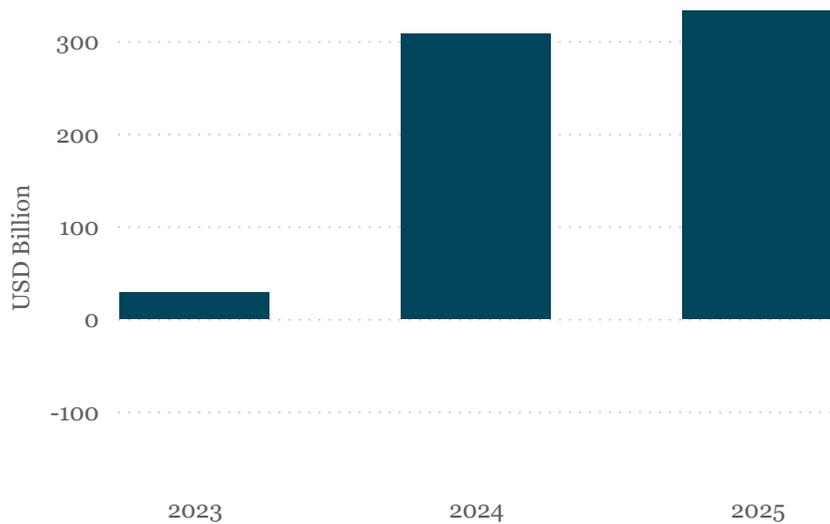
## 5.2 Global ESG Funds by Currency Base (top 10)



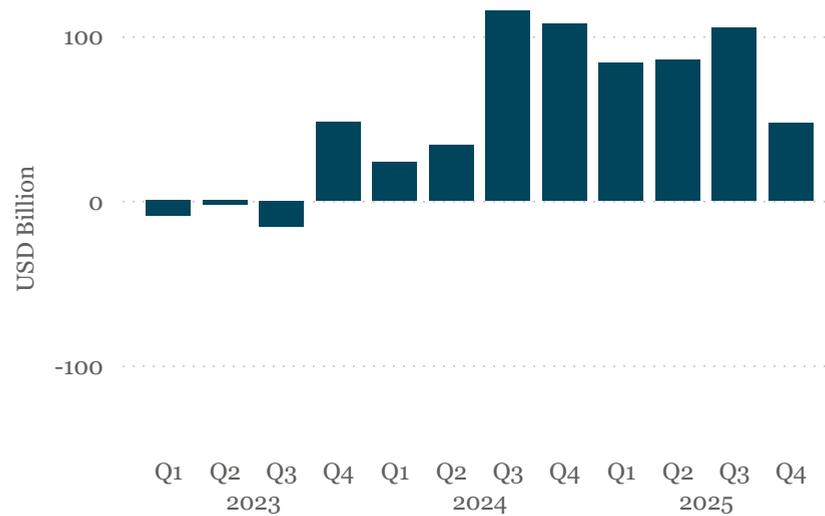
## 5.3 Global ESG Funds by Geographical Location



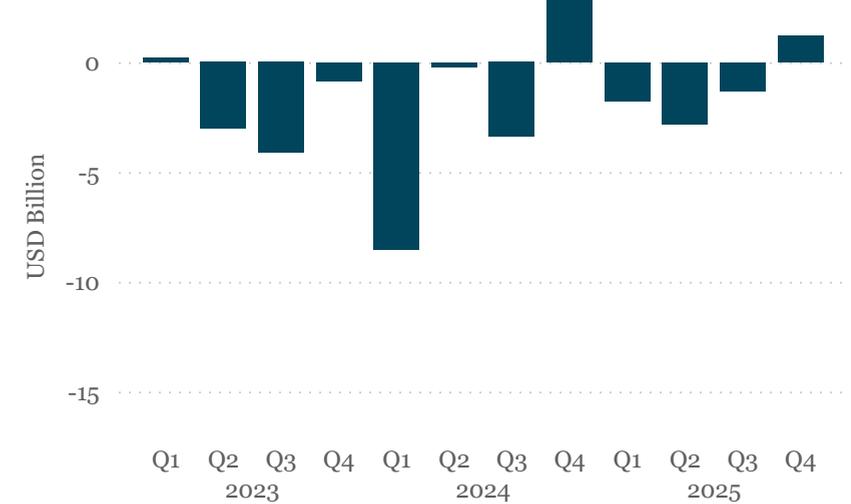
## 5.4 Global ESG Fund Flows



## 5.5 European ESG Fund Flows



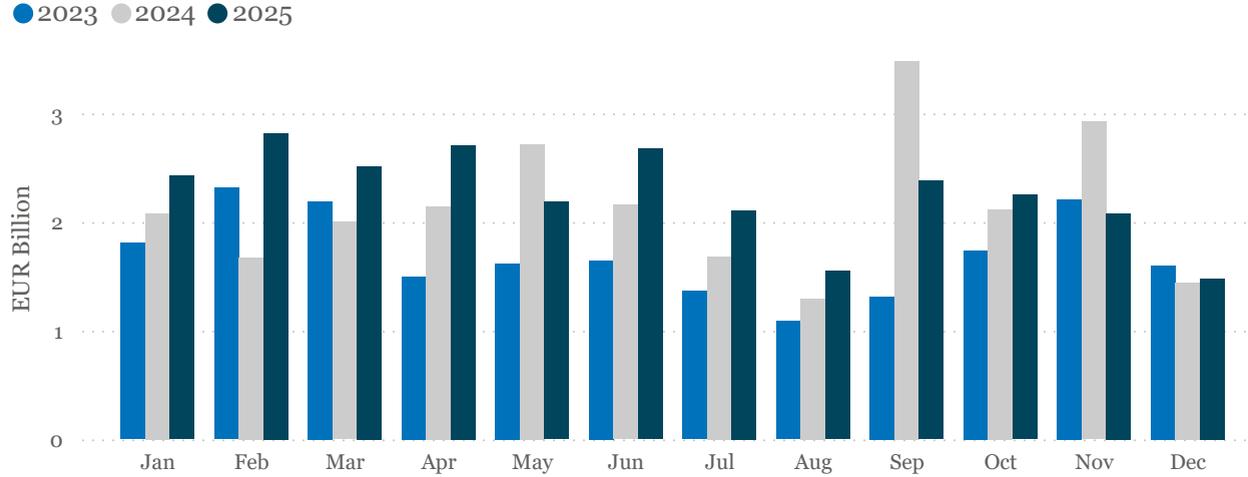
## 5.6 Americas ESG Fund Flows



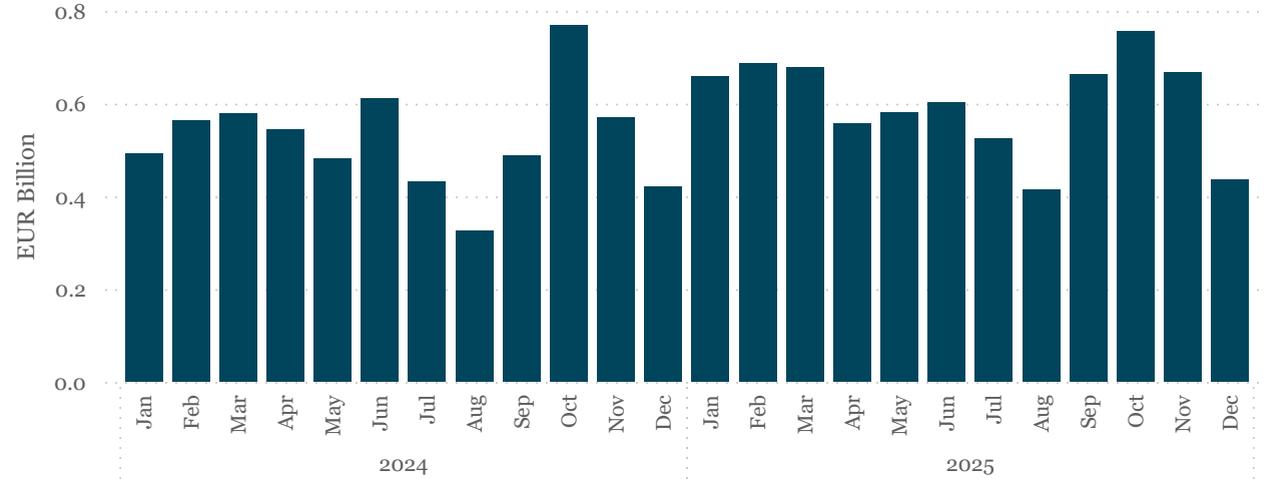
# ESG Bond Trading

# afme / ESG Bond Trading Volumes

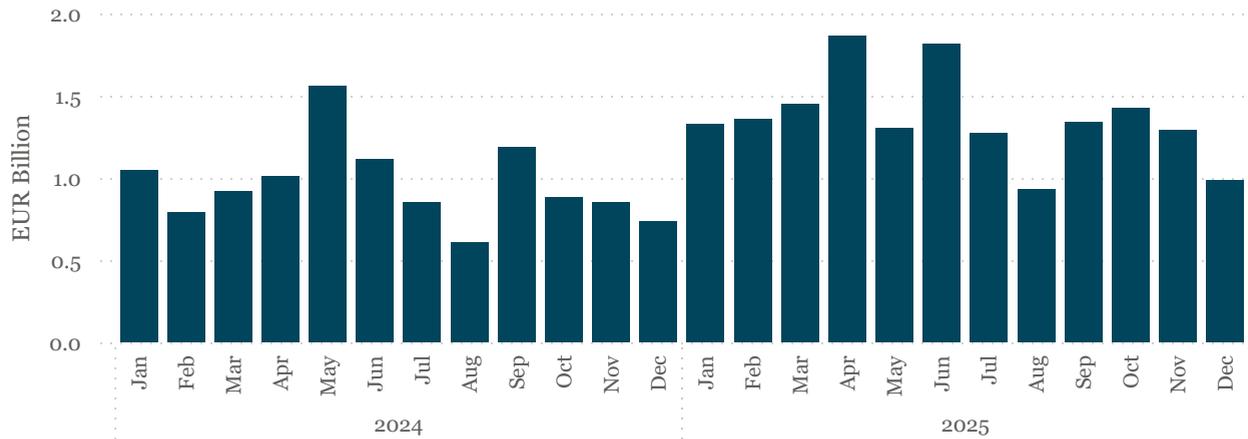
6.1 European ESG Bond Average Daily Trading Volumes (all issuers)



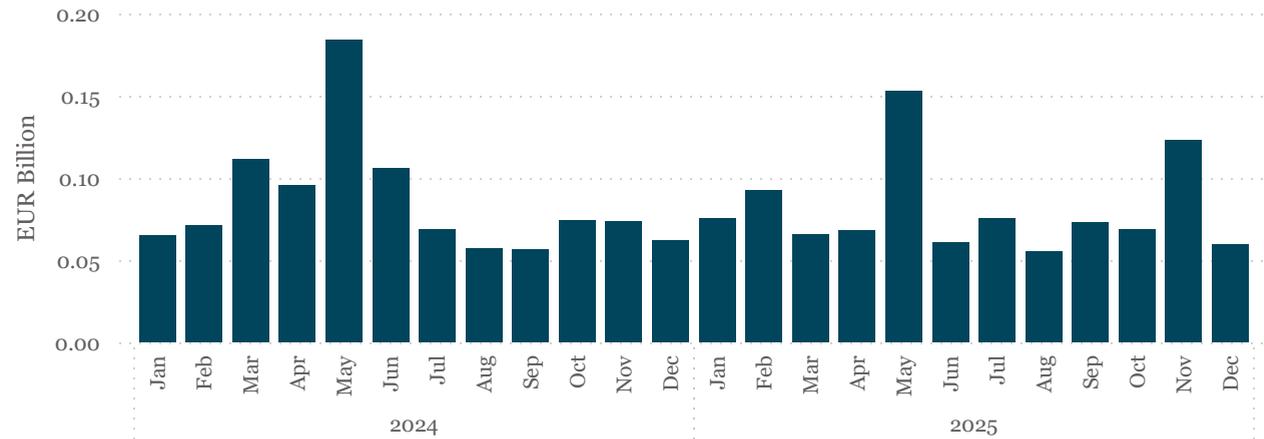
6.2 Average Daily Trading Volumes: European ESG Corporate Bonds



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

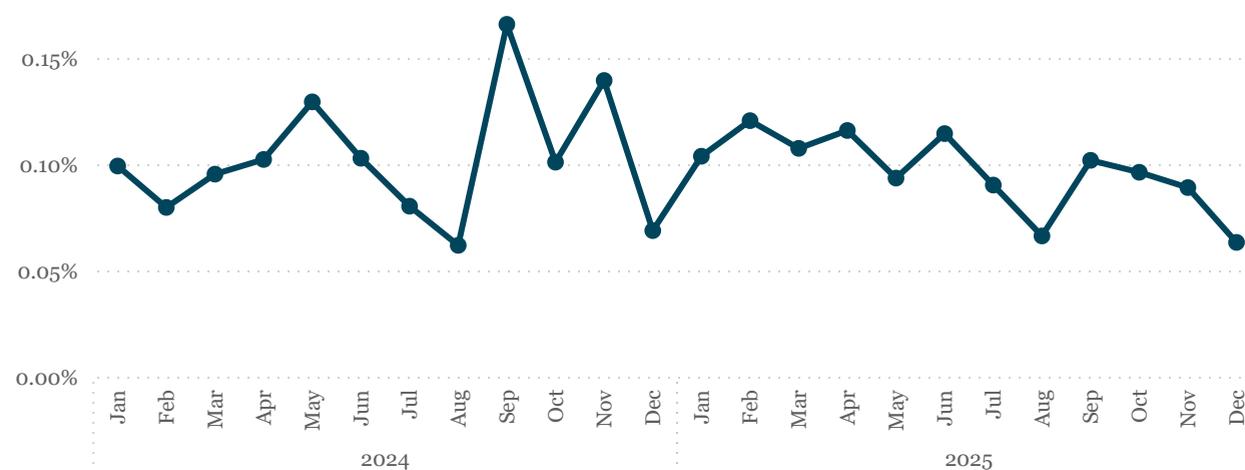


6.4 Average Daily Trading Volumes: European ESG ABS and Covered Bonds

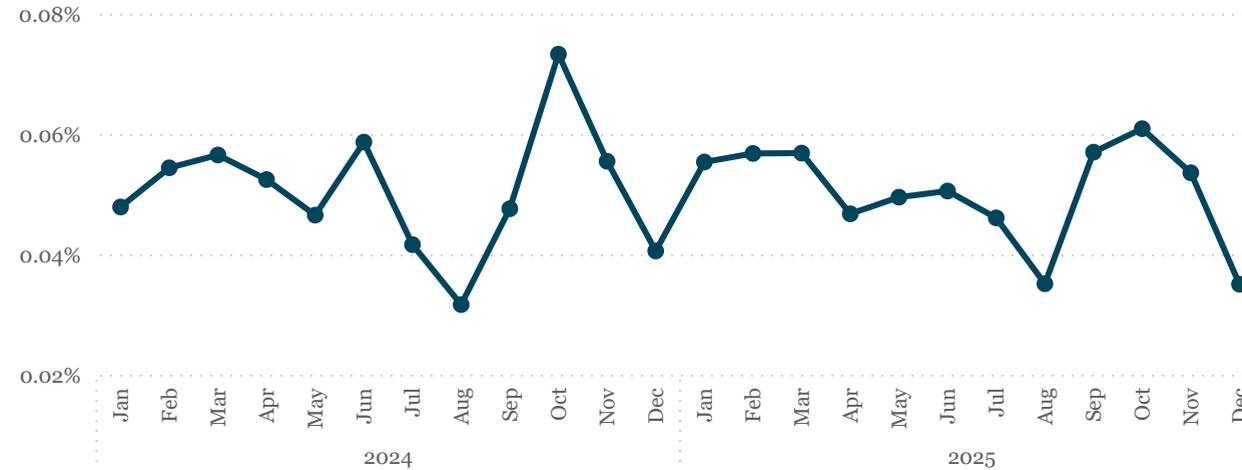


# afme / ESG Bond Turnover Ratios

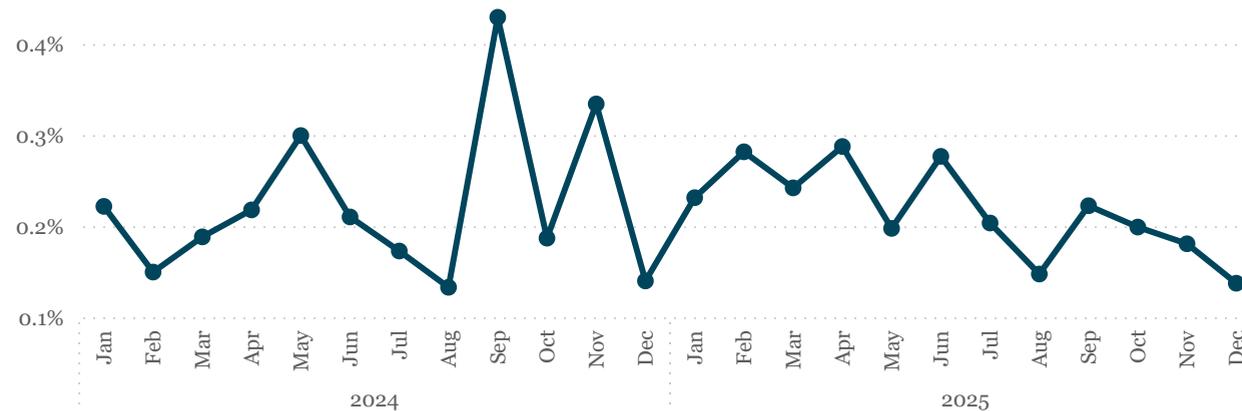
6.5 European ESG Bond Turnover Ratio (all issuers)



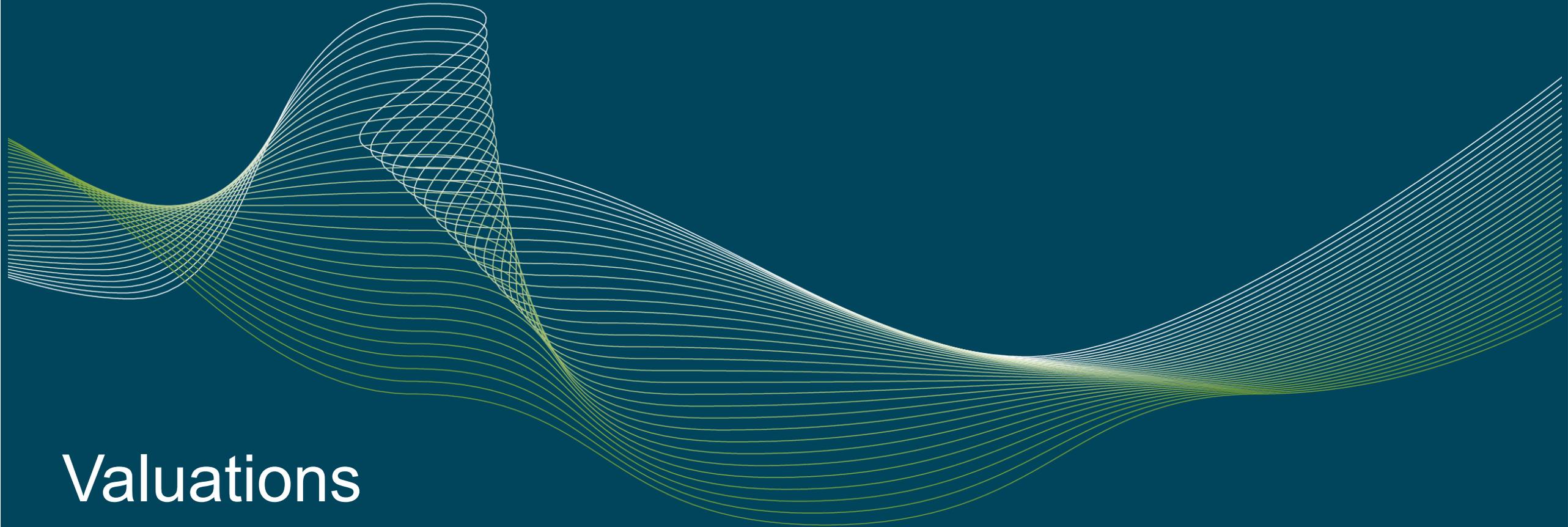
6.6 Turnover Ratio: European ESG Corporate Bonds



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

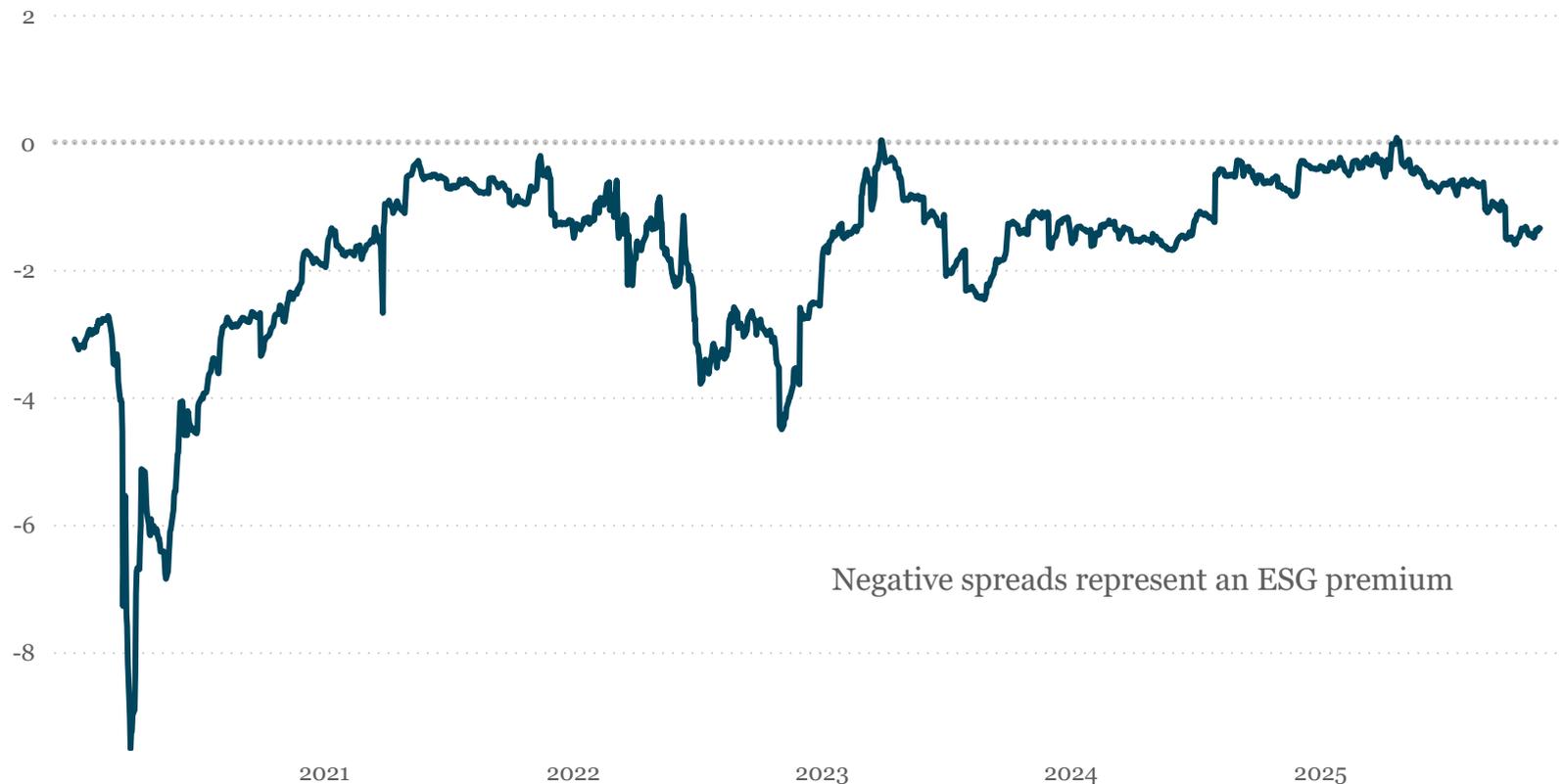


The turnover ratio is an aggregate liquidity measure calculated by dividing the average daily value by the outstanding amount of bonds.



# 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

\*\* Latest data available as of 20 November 2025

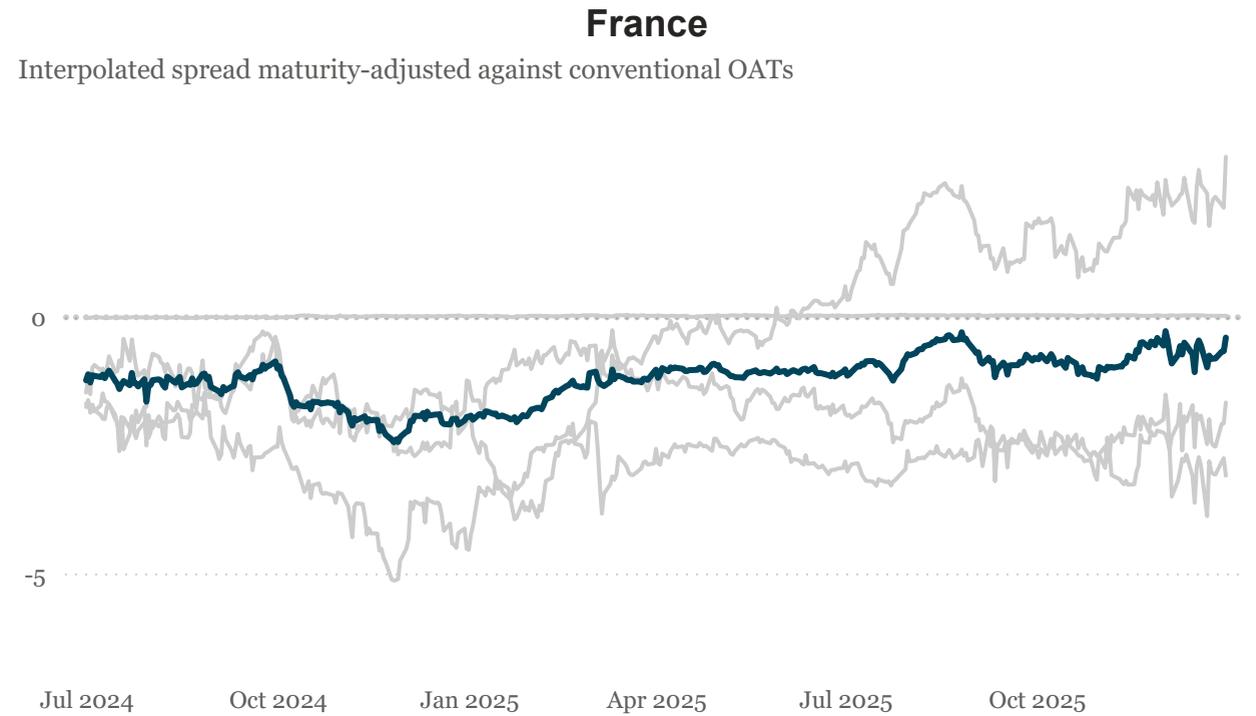
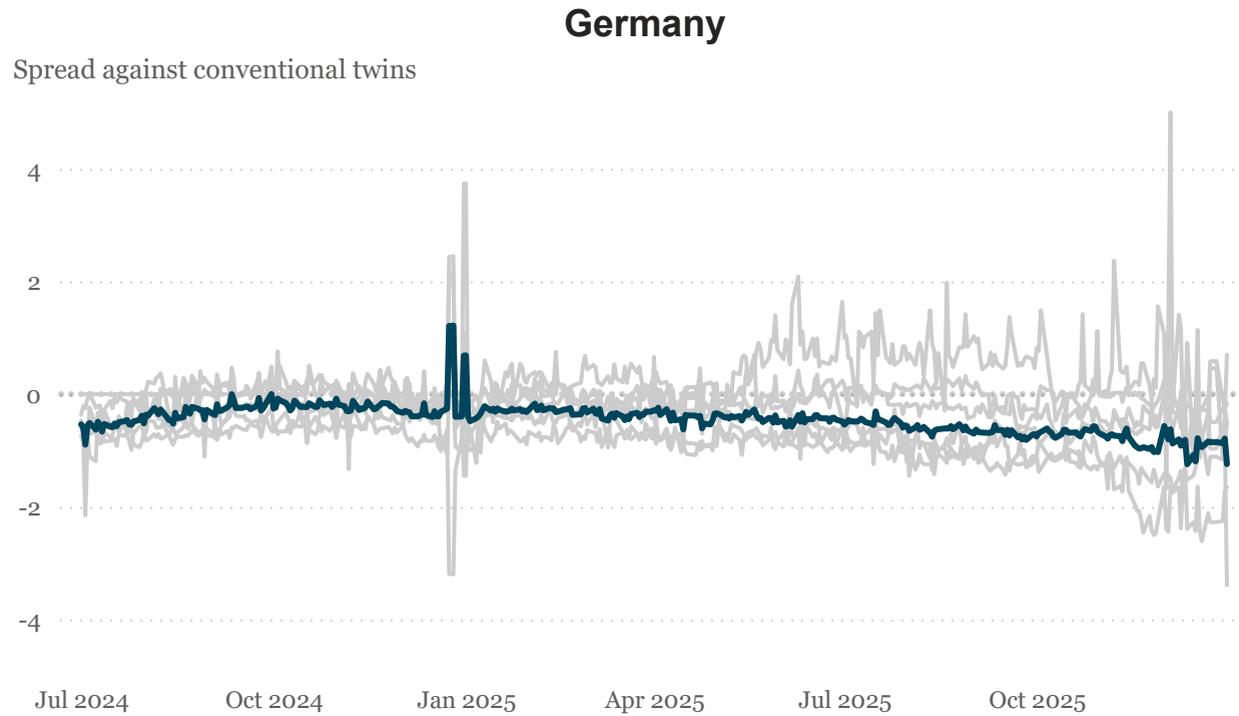
### Widened ESG premia in Q4 2025

The spread between corporate ESG bonds and non-sustainable benchmarks widened further in Q4 2025, from 0.65 basis points in early July to 1.01 basis points by November, reflecting an increasing ESG premium.

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.

# afme / Sovereign Green Premia

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



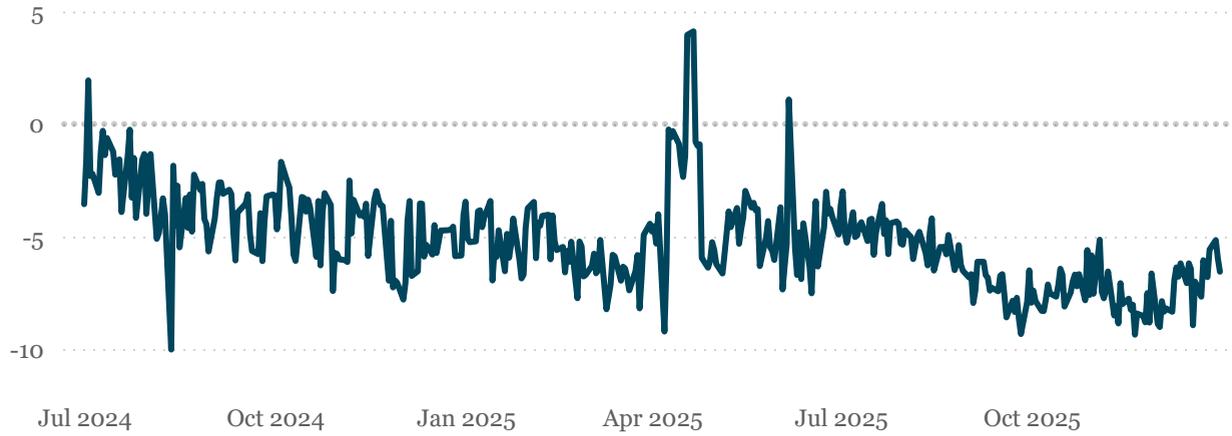
\*Negative spreads represent a green premium

# afme / Sovereign Green Premia

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

### Sweden

Maturity-adjusted interpolated spread against conventional Swedish sovereigns



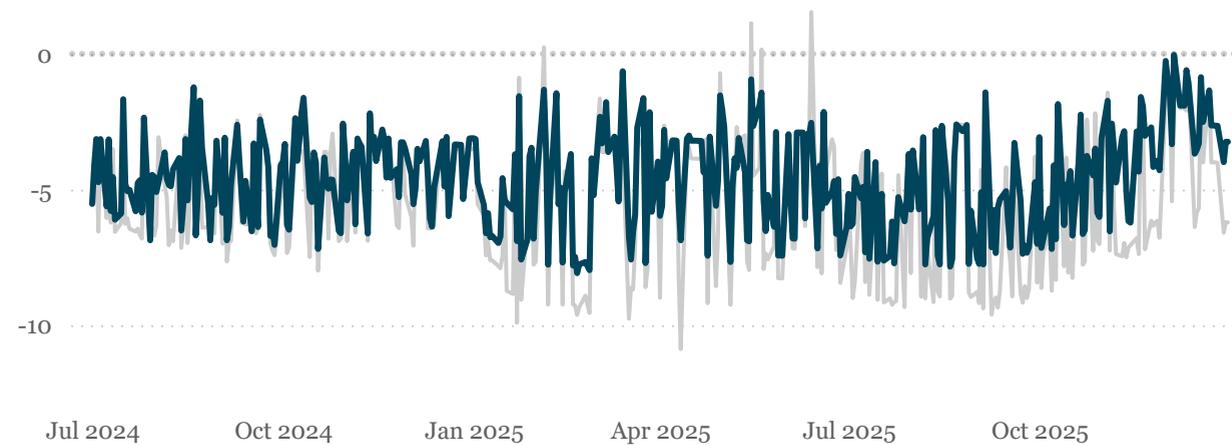
### Netherlands

Maturity-adjusted interpolated spread against conventional Dutch sovereigns



### Denmark

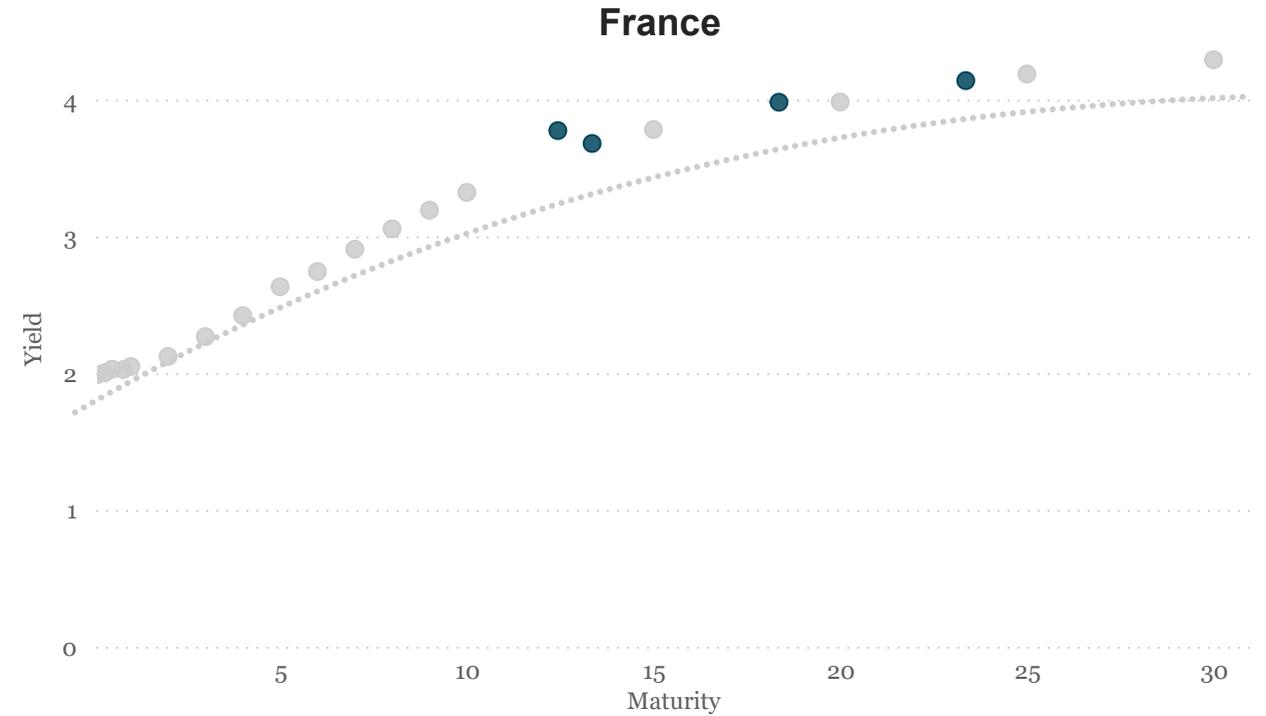
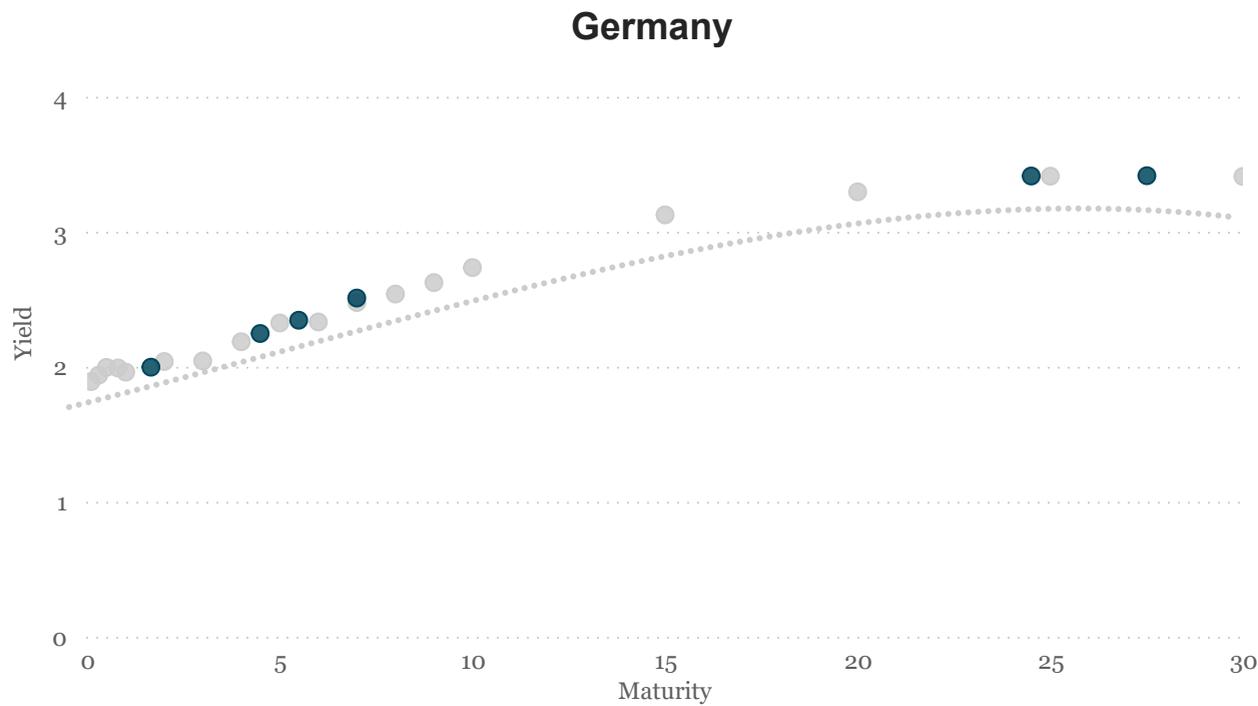
Spread against conventional twins



\*Negative spreads represent a green premium

# afme / Sovereign green premia

## 7.4 Sovereign Yield Curves and Yields for Selected Green Sovereign Bonds



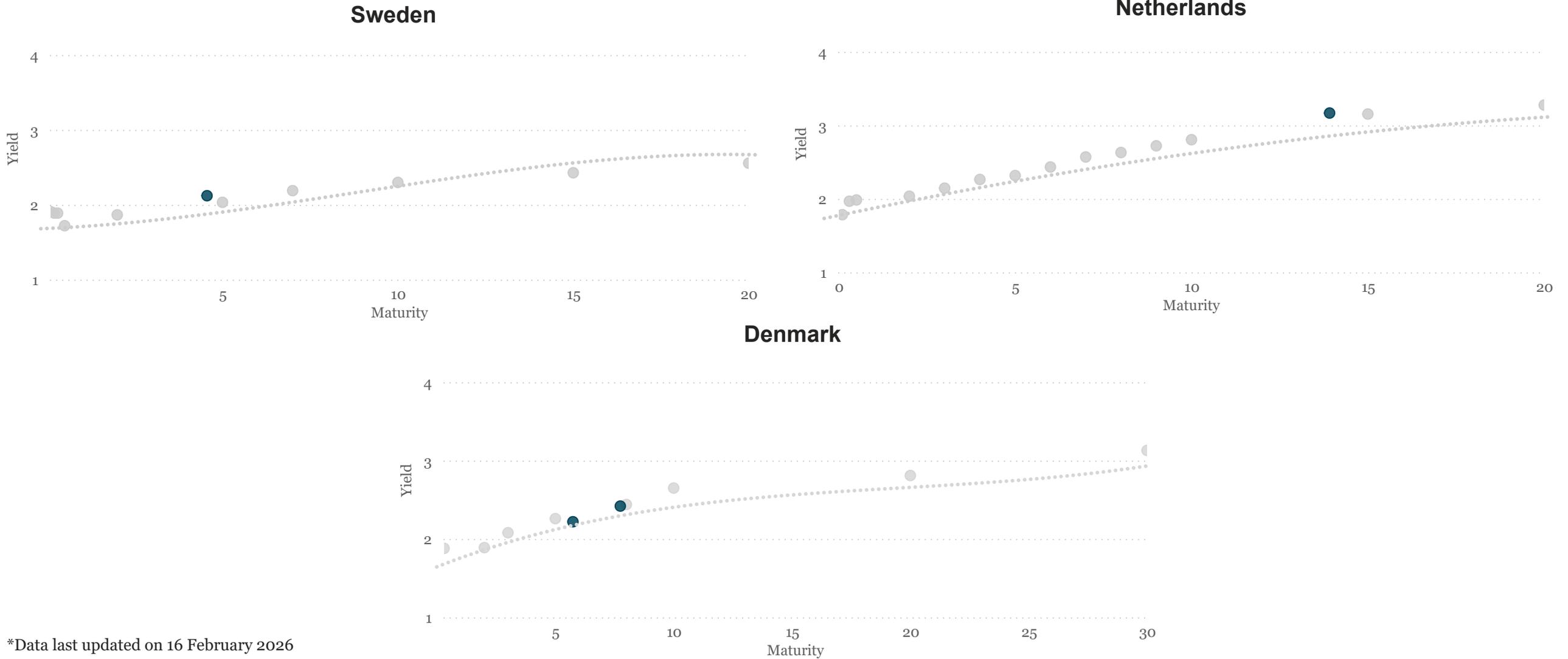
\*Green Bonds inflation-linked instruments are excluded from the charts

\*\*Data last updated on 16 February 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 December 2025 and December 2024 index values (latest available data).

# afme / Sovereign green premia

## 7.5 Sovereign Yield Curves and Yields for Selected Green Sovereign Bonds

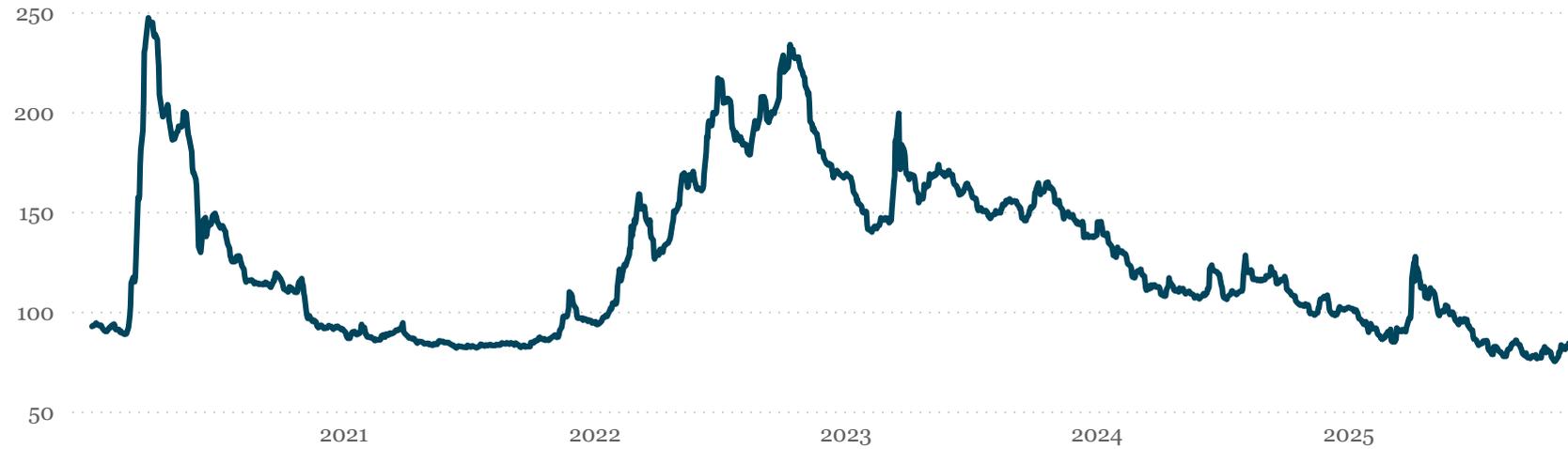


\*Data last updated on 16 February 2026

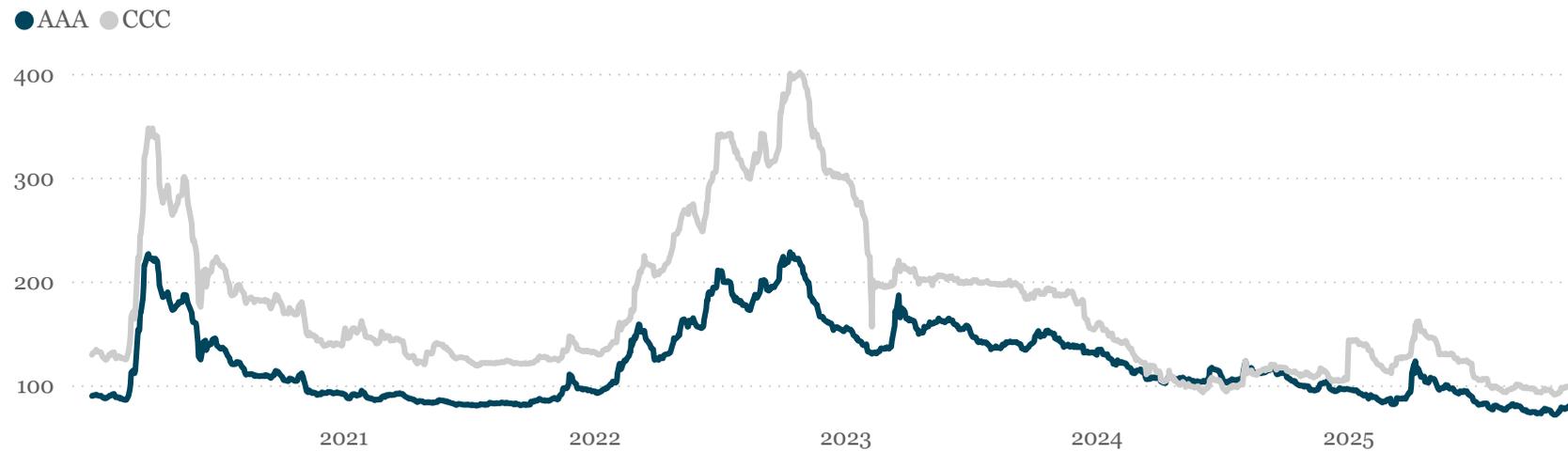
Source: LSEG. Selected green references highlighted in blue

# afme / ESG Bond Spreads

## 7.6 ESG EUR Corporate Spreads (OAS, bps)



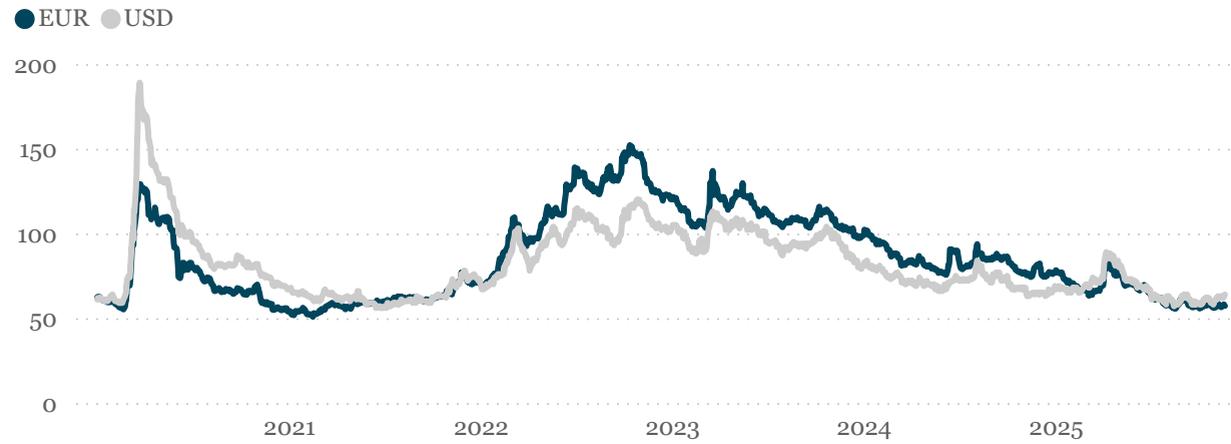
## 7.7 EUR Corporate Spreads by ESG Rating (OAS, bps)



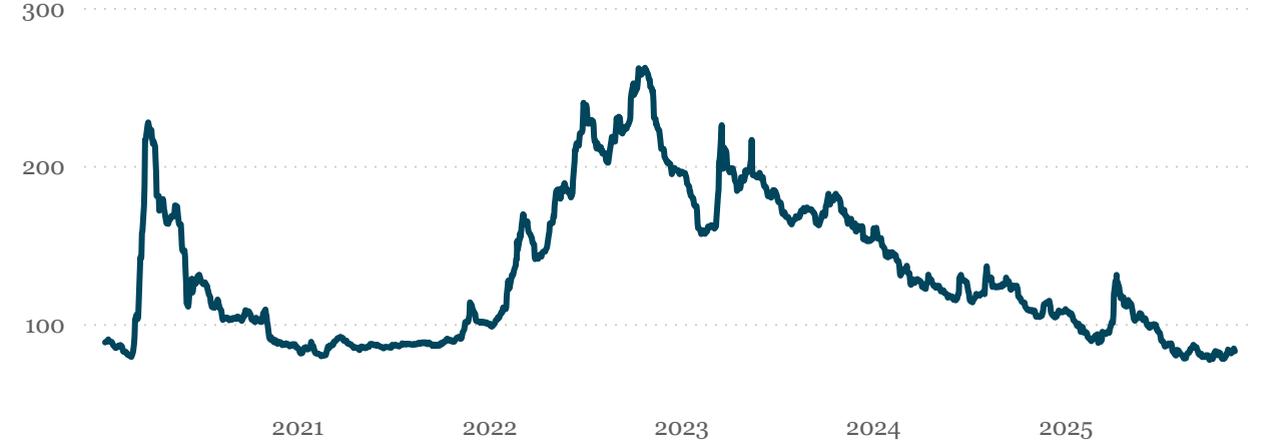
\*Latest data available as of 20 November 2025

# afme / ESG Bond Spreads

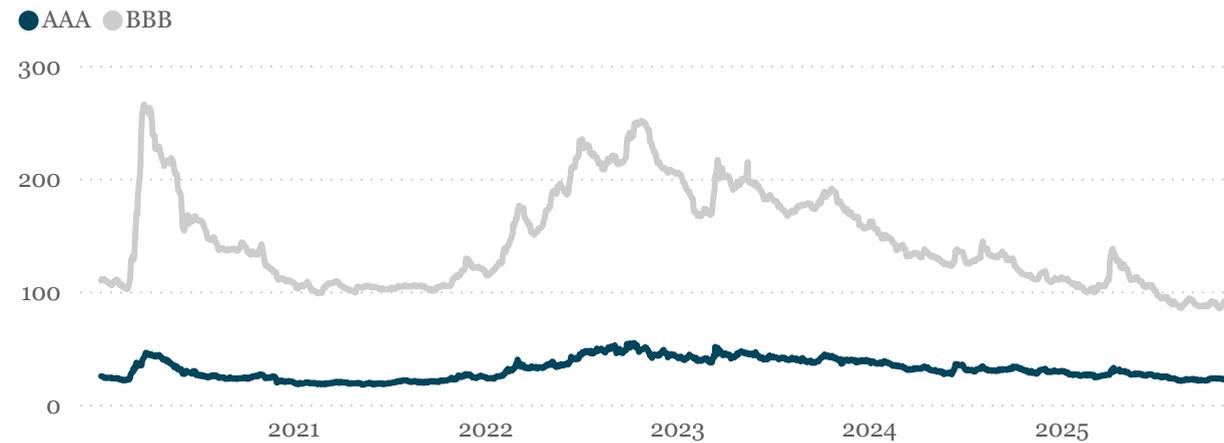
### 7.8 Green Bond Spreads by Currency (OAS, bps)



### 7.9 EUR Corporate Green Bond Spread (OAS, bps)

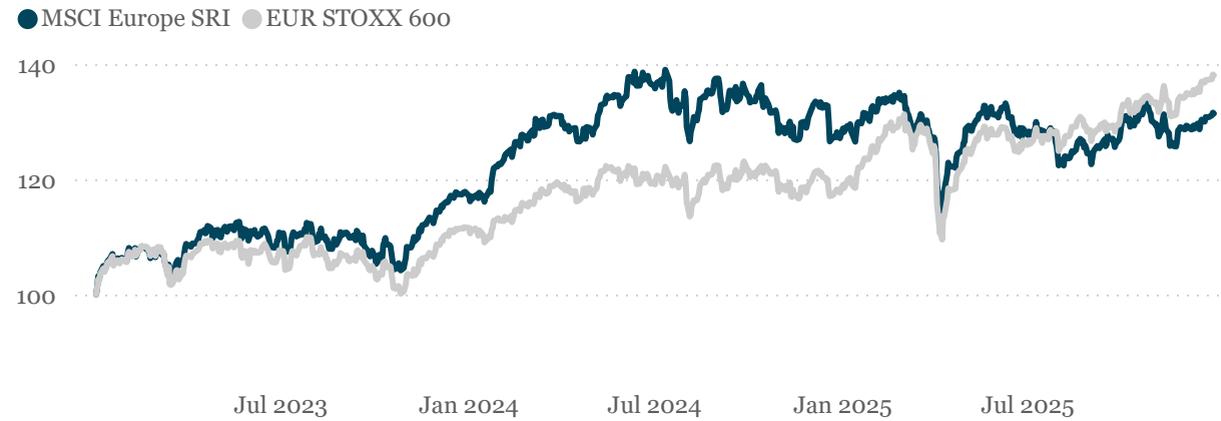


### 7.10 Global Green Bond Spreads by Credit Rating (bps)

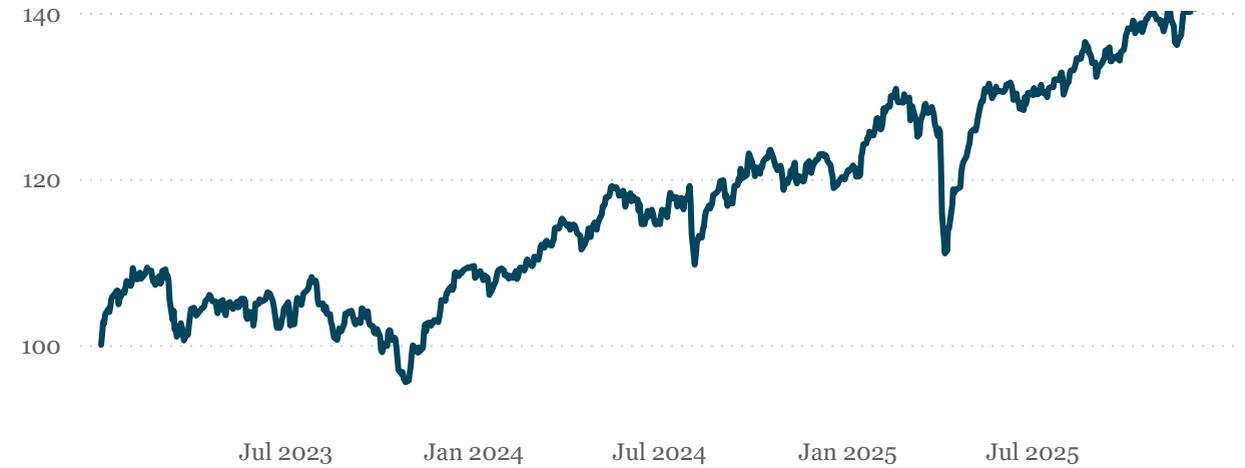


# afme / ESG Bond Spreads

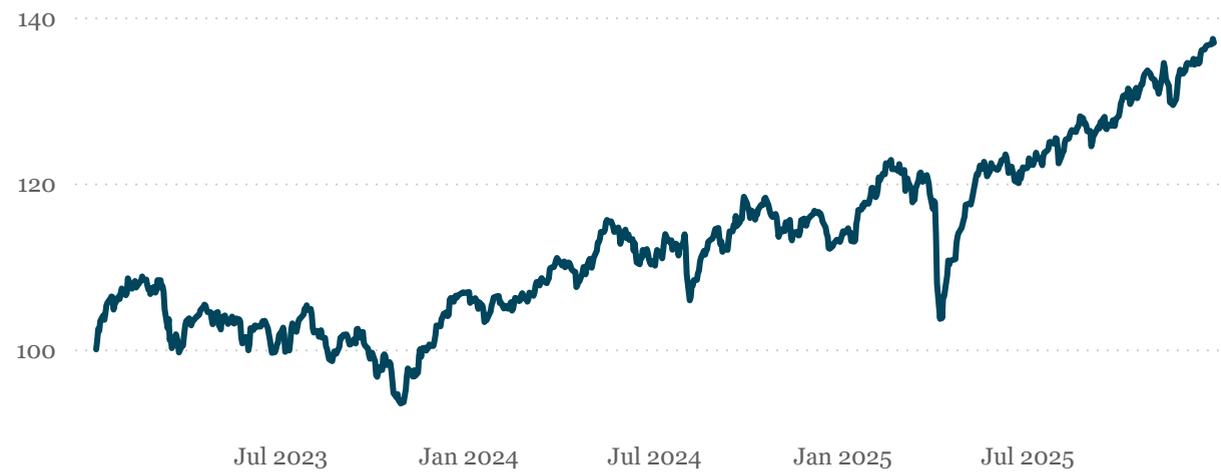
7.11 MSCI Europe SRI Net Index EUR and EUR STOXX 600 (1 Jan 2023 = 100)



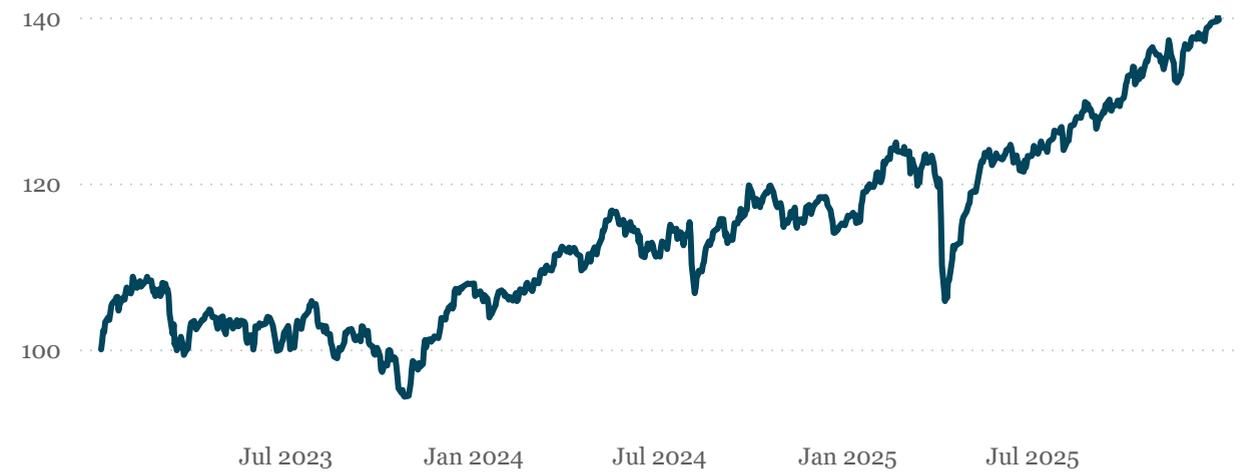
7.12 STOXX Global ESG Environmental Leaders



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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