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ESG and Sustainable Finance

Joseph Bevash, *Partner*, Hong Kong / Beijing / Seoul
Timothy Hia, *Partner*, Singapore

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Presenting today



Joseph Bevash

Partner, Hong Kong / Beijing / Seoul

T +852.2912.2522

E joseph.bevash@lw.com



Timothy Hia

Partner, Singapore

T +65.6437.5455

E timothy.hia@lw.com

Overview

ESG Principles

Applying ESG Principles to Sustainable Finance

Developments and Trends

Case Studies

Annex: Additional Resources and Credentials

A glass globe is the central focus, resting on a bed of vibrant green moss. The globe's surface is highly reflective, mirroring a lush forest scene with tall trees and a bright sky. The background is a soft-focus green, suggesting a natural outdoor setting. A horizontal yellow-green bar runs across the middle of the image, partially overlapping the globe and the text.

ESG Principles

ESG Principles

ESG (environmental, social, governance): A broad set of risks and opportunities with a broad range of features applicable to each business and industry



Environmental

- environmental emissions/quality
- climate change
- energy use/conservation
- resource depletion
- waste
- biodiversity
- deforestation



Social

- human rights
- modern slavery
- working conditions
- employee relations
- community health
- resettlement
- indigenous peoples
- cultural heritage



Governance

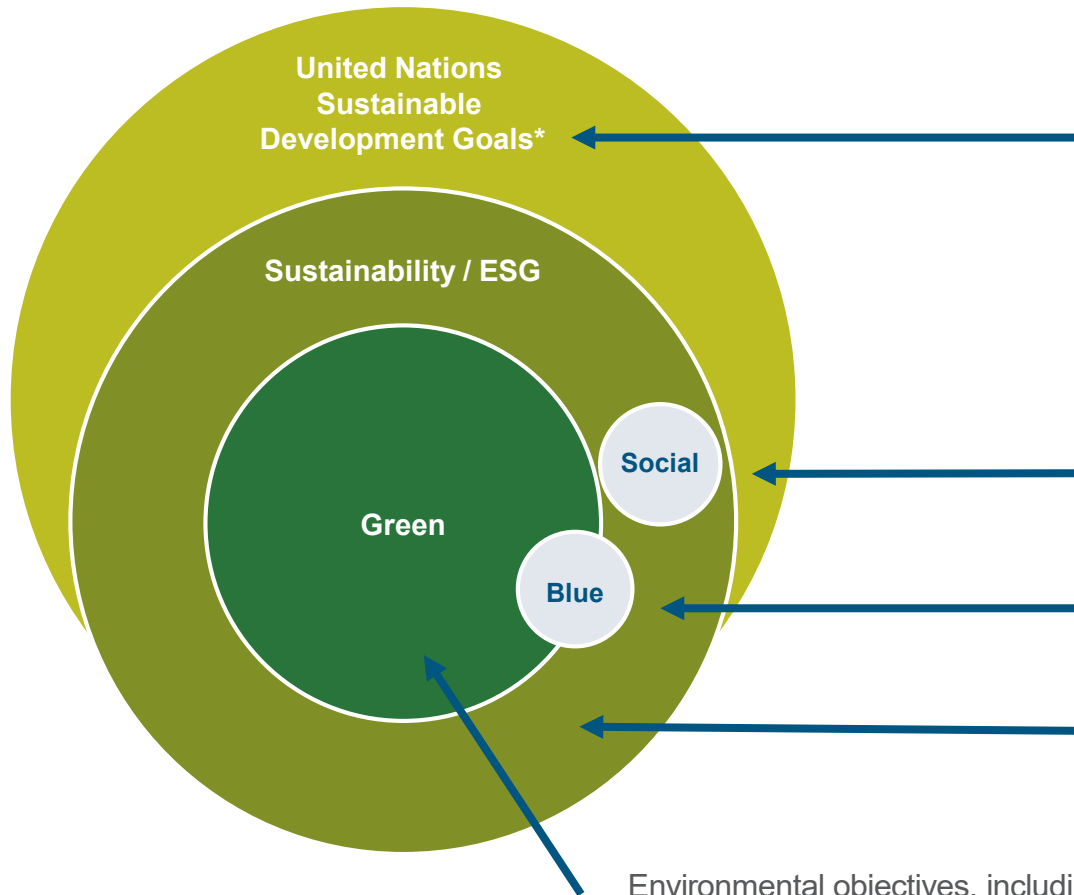
- accountability/transparency
- ethics/integrity
- bribery and corruption
- executive pay
- diversity
- political lobbying and donations
- tax strategy

Application



ESG Principles

“Sustainability” means more than just green



Benefitting target populations or contributing to social outcomes

Marine and ocean-based projects that have positive environmental, economic and climate benefits

Climate change mitigation and adaptation

Environmental objectives, including climate change adaptation and mitigation but also non-climate related categories such as biodiversity, recycling and pollution prevention

ESG Principles

- **UN 2030 Agenda and Sustainable Development Goals (2015)**: 17 sustainability objectives
- **Paris Climate Agreement (2016)**: Targets limiting global warming to well below 2° C above pre-industrial levels
- **UN Principles for Responsible Investments (2017)**: Key principles to help investors prioritise sustainability and incorporate ESG information into investment decisions
- **EU Action Plan on Sustainable Finance (2018)**: Seeks to (i) re-orient capital flows towards sustainable investments, (ii) mainstream sustainability into risk management, and (iii) foster transparency, long-term approach:
 - **European Green Deal (December 2019)**: Targets 50% greenhouse gas reduction by 2030 and no net greenhouse gas emissions by 2050 - Europe to be a climate neutral continent by 2050
 - **EU sustainability-related disclosure obligations for financial services (December 2019, applicable from March 2021)**: Harmonizes rules for how financial services firms and advisers report on how they consider sustainability risks
 - **European Green Deal Investment Plan (January 2020)**: Plan to mobilise €1 trillion from EU budget and other public and private sources over the next decade, and to prioritise sustainability in investment decisions across all sectors
 - **EU Climate Benchmarks (July 2020)**: Establish technical requirements and disclosures for climate benchmarks used by investors in order to increase transparency and comparability, and address the risk of “greenwashing”
 - **EU Taxonomy (July 2020)**: Classification tool to define what is “green” across a wide range of industries
 - **EU €750 million COVID-19 Recovery Plan (July 2020)**: Approximately 30% will target sustainability/carbon reduction
 - **EU Green Bond Standard (expected soon)**: Targeting consistent, transparent standards for what is a “green bond”

ESG Principles - continued

- [Singapore's Green Finance Action Plan, launched by the Monetary Authority of Singapore \(2019\)](#): with 4 key pillars of plan to: strengthen the financial sectors' resilience to environmental risks; to develop green financial and solutions for a sustainable economy; to harness technology to enable trusted and efficient sustainable finance flows; and build knowledge and capabilities in sustainable finance
- [Singapore's Updated Climate Pledge \(Nationally Determined Contribution under the United Nations Framework Convention on Climate Change\) \(March 2020\)](#): Singapore's updated pledge includes an absolute target to peak its emissions by 2030, and to halve the amount to 33 million tonnes by 2050
- [China Green Bond Endorsed Projects Catalogue \(June 2020\)](#): PBOC-led policies promoting sustainable finance, standards for China's green bond market, and evaluation of banks' performance in the green finance sector
- [Korea New Deal \(July 2020\)](#): Korea's Ministry of Economy and Finance (MOEF) plans to invest KRW160 trillion (approx. \$1.6 billion) to create 1.9mm jobs by 2025 under the Digital New Deal and the Green New Deal, supporting economic recovery from the pandemic
- [Partnership for Carbon Accounting Financials \(PCAF\) \(August 2020\)](#): A global, industry-led group formed in 2015 released the draft standard Global Carbon Accounting Standard for the Financial Industry, to establish consistent, transparent carbon accounting and disclosure of emissions financed by loans and investments
- [China's Carbon Neutrality Pledge \(September 2020\)](#): China to peak carbon emissions by 2030 and become carbon neutral by 2060
- [Japan's Carbon Neutrality Pledge \(October 2020\)](#): Japan has pledged to become carbon neutral by 2050
- [South Korea's Carbon Neutrality Pledge \(October 2020\)](#): South Korea has pledged to become carbon neutral by 2050
- [Singapore Green Plan 2030 \(February 2021\)](#): Comprehensive sustainability plan to fulfill Singapore's commitments under UN 2030 Sustainable Development Agenda

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Applying ESG Principles to Sustainable Finance

Sustainable Finance

Definition and Scope

- Financings that are expressly connected to a company's non-financial attributes (such as environmental, social or governance (ESG) factors)
- Broadly three groups of participants operating as lenders and borrowers:

**Multilaterals / Sovereigns /
supra-national / municipal
authorities**



**Banks and financial
institutions**



Corporates



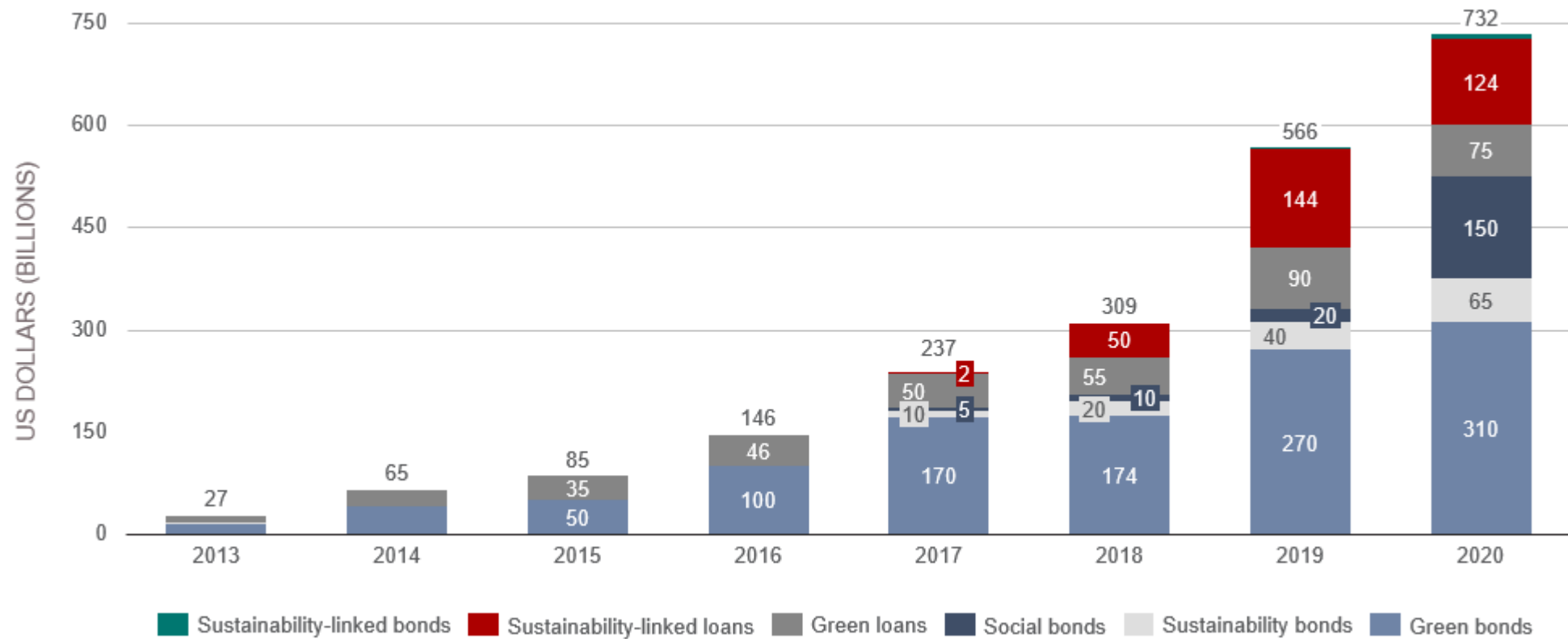
Sustainable Finance

Rationale and Relevance

- We are behind schedule to satisfy targets set under the Paris Climate Agreement, and there is general acknowledgement that huge investment will be required to effect necessary transitions
- With the world suffering from the economic and social impacts of COVID-19, the EU, China, Korea and other governments regard sustainable finance initiatives as key measures to stimulate the global economy
- Institutional investors have given commitments to support ESG principles and avoid/divest poor ESG performers
- Borrowers may well be shut out of the financial markets (ECM, DCM and bank lending) in the future, if they do not have a convincing ESG strategy
- The green bond market (and sustainable finance generally) is developing rapidly with strong support from investors, regulators, governments, supra-national organisations and NGOs
- Law firms are being evaluated on sustainability principles along with their clients

Sustainable Finance

Rapid Growth



*Data and charts from Bloomberg New Energy Finance

Sustainable Finance

Reasons to Participate

- **Finance ESG strategy.** Investors (e.g. Blackrock, PIMCO, etc.) with USD45trn of assets under management have made public commitments to climate and responsible investment. Creates opportunity to expand and diversify investor base and to finance green and sustainability-focused expenditures / activities / lending in order to execute defined ESG strategy.
- **Optimise pricing and cost of capital.** Excess demand for sustainable finance products drives over-subscription and pricing pressure; sustainability-linked products provide further opportunity to reduce coupon/interest rate.
- **Evidence ESG strategy.** Powerful articulation of a sustainability story – connecting financing with sustainability provides meaningful evidence to stakeholders (including regulators, employees, customers, suppliers and investors), which in turn are under pressure to be associated with organizations making a positive impact.
- Borrowers may well be **shut out of the financial markets** (ECM, DCM and bank lending) in the future without a convincing ESG strategy. See coal, Arctic O&G and other fossil fuel intensive sectors.

ESG Investments Outperform Indexes

S&P Index

Since inception, S&P 500 ESG Index has outperformed the S&P Index

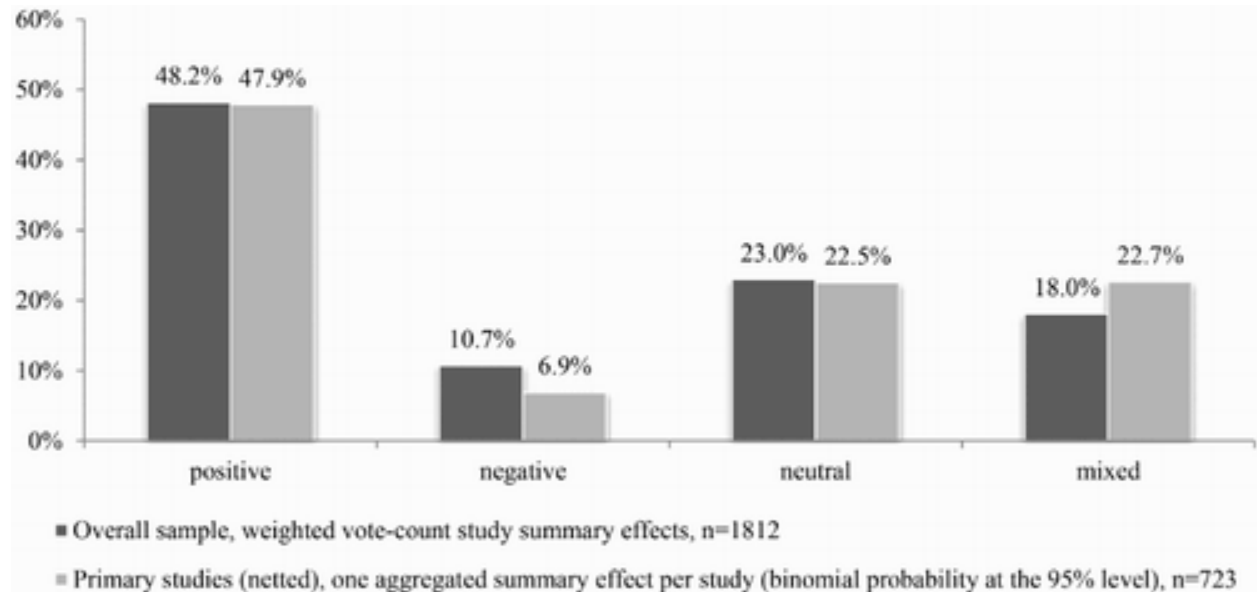
BlackRock

88% of a globally representative section of sustainable indices outperformed their non-sustainable peers in the same period

MSCI

MSCI Emerging Markets ESG Leaders Index has outperformed MSCI Emerging Markets Index

ESG and Financial Performance



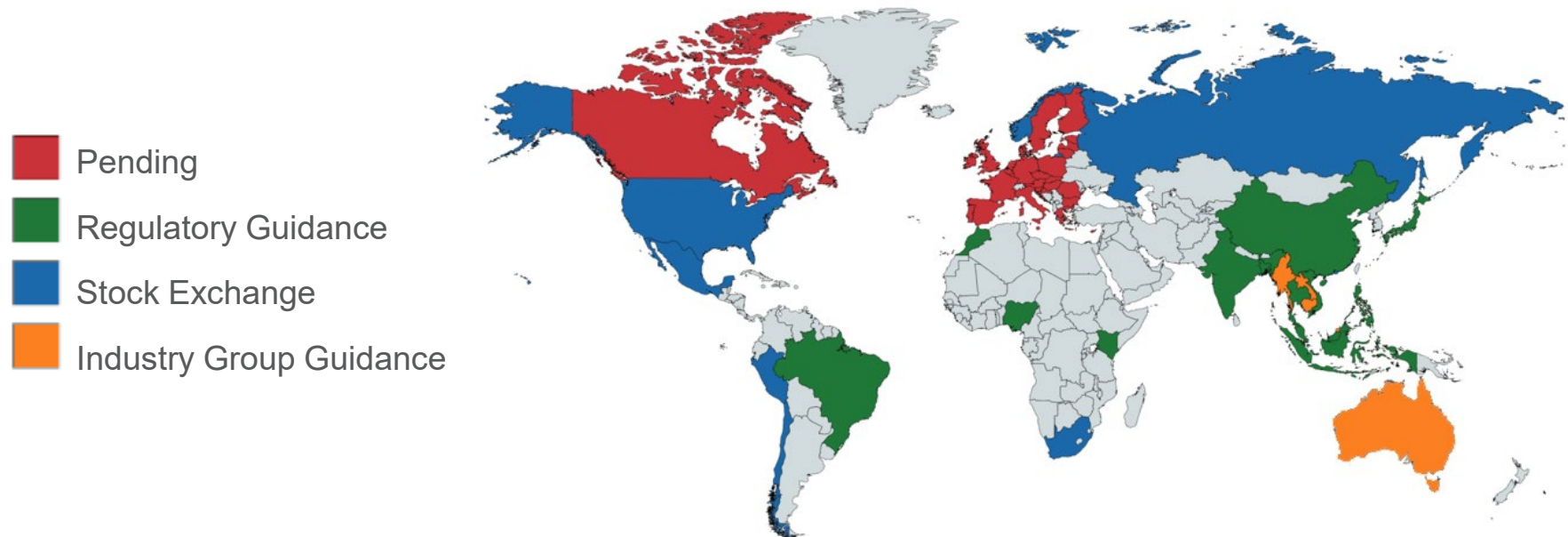
Source: Gunnar Friede, Timo Busch and Alexander Bassen, "ESG and Financial Performance: Aggregated Evidence from more than 2000 Empirical Studies" J. Sust. Fin & Inv., 5,4, 2015, 210-213

"Covid-19 will accelerate this trend [towards ESG] even further — creating a greater sense of urgency and responsibility toward everything from consumer behaviour to climate change, supply-chain practices and the future of work and mobility — and potentially alter the nature of the investment process as a result." Barclays Research, Fundamental ESG Research, 24 March 2020

Sustainable Finance

Regulatory Framework

- Patchwork of voluntary and binding standards proliferating (Green Bond Principles, Climate Bond Standards etc)
- General securities law considerations apply – no fraud / material misstatements
- “Greenwashing” allegations arise when active investors / commentators perceive an issuer to be attempting to gain an advantage without meeting baseline standards



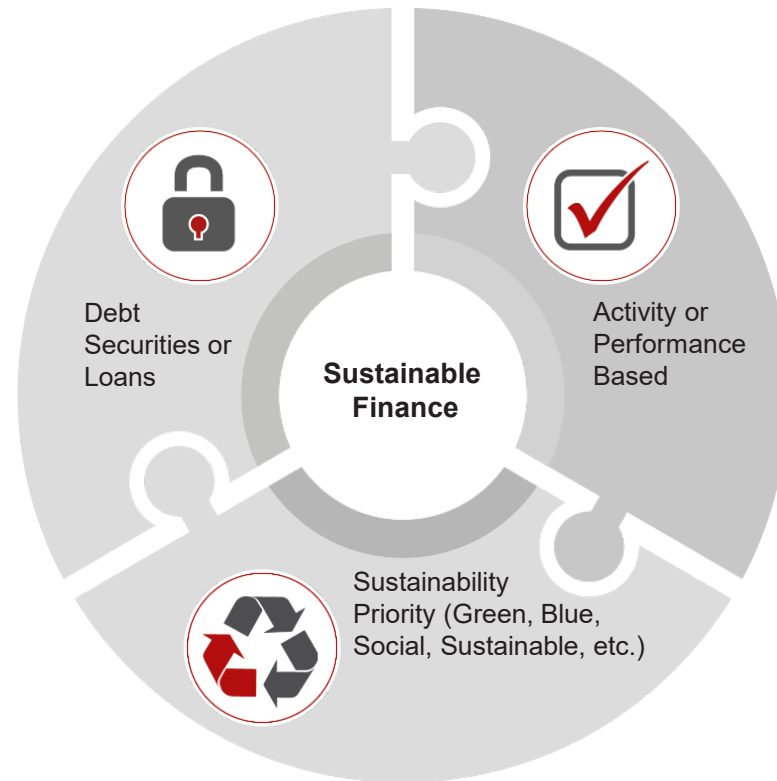
Sustainable Finance Instruments

- **Sustainable Development/Combating COVID-19 Bond**
 - June 2020: AIIB RMB 3 billion 2.4% Panda Bond due 2023 (nearly 3x oversubscribed)
 - Combating COVID-19 label approved by National Association of Financial Market Institutional Investors
- **Green Bonds**
 - November 2019: DTEK Renewables B.V. €325 million 8.5% notes due 2024
 - Green Bond Principles (ICMA)
 - See also green striped bonds
- **Green Loans**
 - Green Loan Principles (LMA)
- **Sustainability-linked Bonds**
 - February 2021: Surbana Jurong sustainability-linked S\$250 million notes due 2031
 - Potential 75 bp increase in redemption premium if Surbana misses two sustainability targets: (1) reduction of GHG emissions by 10% by 2029 and (2) net zero emissions for Surbana Jurong campus by 2030.
 - Sustainability-Linked Bond Principles (ICMA)
- **Sustainability linked Loan**
 - September 2019: Olam International US\$525 million revolving credit facility
 - Margin linked to achievement of KPIs. Magnitude is generally small: 5-20 basis points.
 - Sustainability-Linked Loan Principles (LMA)

Sustainable Finance – Key Characteristics

Varies across three aspects:

Financing – debt securities (including asset backed securities) and loan financings



Structure –

- Activity-based – tied to specific aspects of company's operations
- Performance-based – tied to KPIs or ESG ratings

Sustainability priority – ranging from environmentalism to social change

Connecting the Financing to Sustainability

- **Activity-Based** – Links the proceeds of the financing to business activities with sustainability attributes
 - Example – Green bond – Issuer states that it will allocate the net proceeds of the offering to eligible projects, defined as investments to reduce energy usage and carbon dioxide emissions
- **Performance-Based** – Proceeds can be used for general corporate purpose, but the interest rate adjusts depending on sustainability-related factors
 - Example – Sustainability-linked revolving credit facility – Lender agrees that the margin decreases by 5 basis points if the borrower reduces its water usage

Green Bonds

Climate Bonds Initiative (CBI) expects US\$360bn of new issuances in 2021 (US\$269.5bn in 2020; US\$258.9bn in 2019; US\$171.2bn in 2018)

- Essentially the same structure and securities laws considerations as for a conventional bond + additional “green” component
- Develop a Green Bond Framework (GBF) (document created by issuer setting forth proposed use of proceeds and identifying eligible categories of green bond principles (GBP))
- Obtain second party opinion of independent environmental consultant (SPO) (assessing “greenness”)
- Disclosure to investors will include four core components (Sustainable Finance Framework):
 - Use of proceeds;
 - Selection of projects;
 - Management of proceeds; and
 - Reporting
- Risk factors may include: SPO may be revoked; no market consensus as to what is “green”; may not satisfy sustainability targets of a particular investor; no EOD if non-compliance with the GBF; “greenwashing” risk

Green Striped Financing

- Pure “green” financing may not address all financing needs
- “Brown” development sectors may include cement, steel, transportation, infrastructure
- Green Striped Bonds, Transition Bonds, Sustainability-Linked Bonds, Sustainability-Linked Loans, Social Bonds etc. may be applicable
- Identify most relevant performance metrics and set appropriate targets
- Determine appropriate magnitude of coupon or other adjustments

A glass globe reflecting a forest scene, resting on a bed of moss. The globe is the central focus, showing a detailed reflection of a lush green forest with trees and a path. The background is a soft-focus green field, and the foreground is a close-up of vibrant green moss. A semi-transparent dark green horizontal band is overlaid across the middle of the image, containing the text.

Developments and Trends

Convergence of Reporting Standards

- We see significant efforts around convergence of standards, so that investors have access to comparable data
- The World Economic Forum is working to develop common reporting metrics and framework; standards include adopting recommendations of Task Force on Climate-related financial Disclosures (TCFD), Sustainability Accounting Standards Board (SASB) and Global Reporting Initiative (GRI)
- In September 2020, the Big 4 Accounting firms announced a joint reporting framework for ESG, through the World Economic Forum (WEF) International Business Council
- In September 2020, a group of standard-setters, including the Climate Disclosure Standards Board (CDSB), Global Reporting Initiative (GRI), CDP (formerly Carbon Disclosure Project), International Integrated Reporting Council (IIRC), and Sustainability Accounting Standards Board (SASB) issued a Statement of Intent to Work Together Towards Comprehensive Corporate Reporting, designed to align ESG reporting standards
- In October 2020, the International Financial Reporting Standards Foundation launched a consultation in an effort to assess demand for global ESG standards. The Foundation is considering establishing a Sustainability Standards Board, a new standard-setter that would work with existing initiatives





Case Studies

Case Study 1: ADB – Clean Technology Fund

- Sarulla Geothermal Project, a 330-MW geothermal power plant in North Sumatra, Indonesia
- Total project financing of US\$1.17 billion by ADB, JBIC and commercial banks, completed in 2014
- Clean Technology Fund and Canadian Climate Fund, working closely with ADB, provided loans of US\$80 million and US\$20 million, respectively, through a customized tranche of “semi-subordinated” debt that allowed the project to achieve financial close



Case Study 2: Sustainability-Linked Margin



- Single-tranche “sustainable” bond for institutional investors on the US and international markets totaling 1.5 billion US dollars
- First bond issuance to be linked to the achievement of a sustainable objective
- Linked to the Group’s ability to achieve, by December 31, 2021, a percentage of installed renewable generation capacity (on a consolidated basis) equal to or greater than 55% of total consolidated installed capacity. To ensure the transparency of the results, the achievement of that target (as of June 30, 2019, the figure was already equal to 45.9%) will be certified by a specific assurance report issued by the auditor engaged for this purpose.
- Revolving credit facility agreement with a margin linked to the company’s year-on-year sustainability performance improvement
- The agreement was entered into by a consortium of 16 international banks (led by ING, as Sustainability Coordinator) and provides for a commitment of €1 billion
- Royal Philips’ current sustainability performance was benchmarked by the environmental, social and governance rating agency Sustainalytics: if the sustainability rating increases, the interest rate decreases and vice versa



Conclusion

A glass globe reflecting a forest scene, resting on a bed of moss. The globe is the central focus, showing a detailed reflection of a lush green forest with tall trees and a path. The background is a soft-focus green, suggesting a natural setting. The text is overlaid on the right side of the globe.

Annex 1: Additional Information on Sustainable Finance Approaches and Regulations

Sustainable Finance Approaches

Differences in the two main approaches:

Sustainable Finance Approaches		
	Activity-Based	Performance-Based
Most Common Format (NB – Both approaches can be, and sometimes are, implemented under either format)	Bonds	Revolving Credit Facility
Varieties	<ul style="list-style-type: none"> • Green – Focusing on environmental or climate change related outcomes • Social – Focusing on desired social outcomes or benefitting target populations • Sustainability – Combining green and social outcomes • SDG – Relating to the United Nations Sustainable Development Goals • Blue – Focusing on marine economies and related industries • Transition – Relating to businesses seeking to transition to a more sustainable model 	<p>Interest rate adjustment linked to sustainability performance targets, such as carbon emissions, water usage, recycling rates, etc.</p> <p>Interest rate adjustment linked to external party rating</p>
How Documented	Offering disclosure – Generally no modifications to debt documentation	Contractual terms

Sustainable Finance Approaches

Differences in the two main approaches:

Sustainable Finance Approaches		
	Activity-Based	Performance-Based
Economics	<p>Interest rates generally the same as conventional ones, but green bonds are often over-subscribed and can lead to low or no new issue premium</p> <p>Impact investors may be willing to provide terms more favorable than the market</p>	<p>Margin typically adjusts up or down by a small amount (3-10 basis points) for RCFs</p> <p>But see recent sustainability linked bond with 25 basis point potential adjustment</p>
Performance	Anecdotal evidence that engaging in sustainable finance improves investor perception of company's leadership and can affect entire yield curve	
Taxes	In general, no tax differences from conventional financing (increased standardization by EU intended to create sufficiently robust categories to support incentives)	
Up-Front Cost	<p>Creating "green bond framework" or similar, and identifying existing or current projects to which proceeds will be "allocated" – company time</p> <p>Obtaining external review, most commonly a "second party opinion" - \$25,000-50,000 and two to three weeks</p>	Crafting sustainability performance targets; obtaining sustainability rating

Sustainable Finance Approaches

Differences in the two main approaches:

Sustainable Finance Approaches		
	Activity-Based	Performance-Based
Back-End Cost	<p>Reporting – typical to provide reports on how proceeds were allocated annually until full allocation of proceeds (typically once)</p> <p>Investors prefer, but do not require, impact reporting (e.g. environmental KPIs)</p>	<p>Reporting to lenders on performance against sustainability performance targets</p> <p>Annual costs for ratings (if applicable)</p>
Main Advantages v. Conventional	<p>Drive the narrative on the company’s sustainability impact</p> <p>Potential increase in demand from investors</p> <p>Diversify investor and lender base by attracting sustainability-focused funds and lenders</p>	<p>Margin reduction by meeting performance targets</p> <p>Increased and diversified lender support</p>
Corporate Identity	Strong signal to stakeholders of commitment to sustainability strategy	
Main Drawbacks v. Conventional	<p>Upfront costs to establish framework, identify projects and obtain second party opinion</p> <p>Requires sufficient eligible expenditures (approximately \$250 million for bonds)</p>	<p>Upfront costs to structure sustainability performance targets or obtain sustainability rating</p> <p>Potential margin increases</p>

EU Taxonomy

- Entered into force in July 2020 in response to the 2018 EU Action Plan on Sustainable Finance
- Introduces scientific/sustainability-based criteria for the classification of environmentally sustainable activities aligned to achieve no net emission by 2050 and 50% net emission reduction by 2030, as established by the Paris Agreement:
 1. the economic activity contributes substantially to one or more of the environmental objectives
 - climate change mitigation
 - climate change adaptation
 - sustainable use and protection of water and marine resources
 - transition to a circular economy
 - pollution prevention and control
 - protection and restoration of biodiversity and ecosystems
 2. the economic activity does not significantly harm any of the environmental objectives
 3. the economic activity is carried out in compliance with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights
 4. the economic activity complies with technical screening criteria
 - The Technical Annex sets out precise criteria and standards for a wide range of activities and industries (e.g. forestry, agriculture, manufacturing (cement, aluminium, iron and steel, fertilisers), electricity, gas, water, transportation, construction and real estate)

EU Green Bond Standards

- Standard not yet law – undergoing consultation based on the report prepared by the Technical Expert Group during 2018 - 2020 – anticipated in 2021
- Expected to be voluntary – at least initially. Likely to replace the Green Bond Principles over time, at least in Europe.
- Intended to support the green bond market and avoid concerns around “greenwashing”.
- Will be based on the EU Taxonomy
- Expected to require preparation of an EU Green Bond Framework and an Allocation Report, and appointment of an Accredited Verifier

A glass globe reflecting a forest scene, resting on a bed of moss. The globe is the central focus, showing a detailed reflection of a lush green forest with trees and foliage. The background is a soft-focus green, suggesting a natural setting. The globe is placed on a thick layer of vibrant green moss. The overall image has a green color palette and a soft, natural aesthetic.

Annex 2: Credentials and Additional Resources

Sustainable Finance Expertise

Latham & Watkins actively participates in the development and expansion of the market for sustainable and environmentally-friendly investment products. We are members of the World Business Council for Sustainable Development (WBCSD), the Green Bond Principles Advisory Council, and the Hong Kong Green Finance Association (HKGFA), and contribute frequently to the global conversation about the shape and future of this market.

A Cross-Disciplinary, Global Team

We combine our market-leading capital markets expertise with top-tier advice from dedicated environmental law practitioners and our leading project finance practice to assist our clients in solving not only the challenges of accessing international capital markets but also of crafting investment criteria true to the promise of sustainable and environmentally-friendly investment.

Innovative Expertise

We advise frequently on complex, first-of-their-kind transactions, such as the first sustainability-linked bond, first blue bond, high-yield green bond out of France and Masala bonds out of India. We invest extensively in our capabilities to stay on top of the latest developments across the globe, including the latest developments in Chinese green bond regulation, European Union guidance, and nongovernmental organization commentary. We maintain a robust network of connections to experts on socially responsible investment at investment banks, consultancies, and stock exchanges.

Top Adviser on Green Bonds

Citing several milestone global transactions in 2018, **Latham was named “Law Firm of the Year” at *Environmental Finance’s* 2019 Green, Social and Sustainability Bond Awards.** The awards honor organizations that innovate and contribute to the successful development of the sustainable finance market.

In *Dealogic’s* 2019 year-end league tables, **Latham ranked #1 for global sustainable bonds**, in both the “**Legal Advisor to the Company in Deal Value**” and “**Legal Advisor to the Bookrunners by Deal Value in USD Denominated Global Sustainable Bonds**” categories.

Green Bond Law Firm of the Year

Latham was recently named “Law Firm of the Year” at the *Environmental Finance* 2019 Bond Awards.

Environmental Finance: Bond Awards
2019

Social Bond of the Year (Sovereign) and Innovative Bond Structure (Social)

Environmental Finance: Bond Awards
2020

Innovative Bond Structure (Sustainability Bond)

Environmental Finance: Bond Awards
2020

1

Legal Advisor to the Company by Deal Value, Global Sustainable Bonds

Dealogic YE 2019

ESG, Sustainability and Responsible Investment



Top Ranked Firm for Environmental Law

Sources report: *“They use their international reach very well. They have true global presence and draw expertise from colleagues from other jurisdictions. Their input was very helpful.”*

All businesses face risks for failing to align their activities with leading corporate responsibility standards. The requirements of institutional investors, competitor activity and regulation, and a growing understanding of the impact of non-financial factors on value creation, have resulted in ESG, human rights and corporate integrity considerations receiving increasing attention at all levels. These risks and opportunities are not just reputational, but, increasingly, legal, political and financial.

Latham has a dedicated global team of international law, governance, investigations, litigation and environmental specialists focused on responsible investment, ESG, sustainability and corporate integrity issues and understand that these risks and opportunities are emerging at a fast pace. The UN Guiding Principles were adopted in 2011 and guidelines and investment criteria are being released at regular intervals.

Latham’s ESG, Sustainability and Responsible Investment lawyers have particular expertise in:

- Understanding the UN Guiding Principles, corporate responsibility standards and other mandatory and voluntary standards, non-financial reporting rules, and how these apply to sectors and businesses
- OECD complaints under the Guidelines involving environmental/human rights issues
- Mitigating emerging litigation risk arising from environmental and human rights impacts overseas (including NGO/claimant-bar activism): in particular, negligence and the UN Guiding Principles, actionable public statements and parent company liability and corporate separateness
- Developing robust risk mitigation strategies: litigation-proof policies, understanding and prioritising human rights impacts, systematic ESG and supply chain management, remediation of adverse impacts and the use technology to identify risk and assess and monitor ESG performance
- Drafting and implementing structured, systematic and precise internal control systems, including whistleblowing and corporate culture training

Tier **1**

**Top Ranked Corporate
Governance Practice**

The Legal 500 US 2017

Tier **1**

**Environment: Regulatory
Environment: Litigation**

The Legal 500 US 2019

ESG Financial Regulation

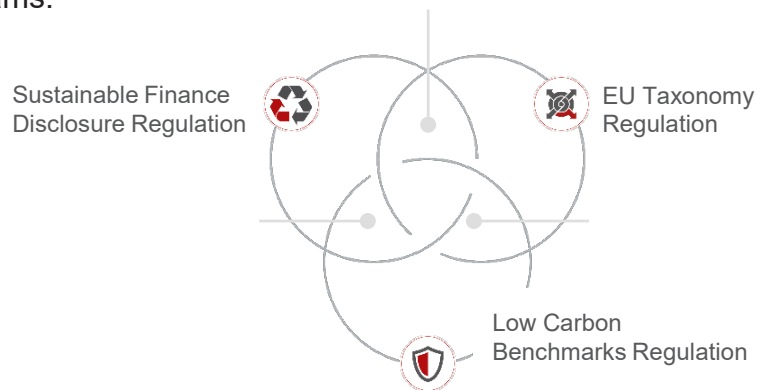
Our Financial Regulatory team are immersed in the financial ecosystem, locally and internationally, leveraging our global platform to address issues applicable to you and your business. Our clients range from traditional banks, to emerging fintech, asset managers, insurers, investment banks, corporates and more.

At the forefront of the latest regulatory, risk management and compliance developments, our lawyers keep on top of legal issues and how they impact our clients' day-to-day businesses and strategic paths. With specialists in diverse and high impact areas, we pride ourselves on understanding policies, the intention behind the rules, and our ability to produce pragmatic advice.

We offer a collaborative service to cater to your needs, your location, and your matter by working closely with colleagues in our Finance, M&A, Litigation, Employment, Tax, Data Privacy, Outsourcing and Technology Transaction teams.

We are available to provide technical advice on commercial viability, obtain necessary regulatory approvals, and report on the current and future potential regulatory risks to provide a holistic view.

Should you need it, our team includes contentious experts with deep substantive knowledge of the regulatory regimes governing financial services. From investigations to audits, to regulatory notification obligations, and proceedings, our lawyers are mindful of the rapid developments and changing environment for our financial services clients.



Clients say

"The regulatory team at Latham has broad and deep knowledge of UK regulation and gives both technically accurate and pragmatic advice in a prompt and client-focused way"

Legal 500 UK 2020











"We think they are a good fit for our firm. The lawyers there understand our business and what we are trying to achieve."

Chambers UK 2020










Select Thought Leadership Authored by L&W

- [ESG in 2021: 10 Things to Look Out For](#) (January 2021)
- [Green Bond Impact Reporting Under Securities Law](#) (*Bloomberg Law*, June 2020)
- [Green Bond Second Party Opinions: Legal and Practice Considerations](#) (*Bloomberg Law*, June 2020)
- [Key Risks for Green Bond Issues When Plans Change](#) (*Law360*, April 2020)
- [50 Shades of Green Finance](#) (*PE Views (Latham)*, December 2019)
- [Sustainability-Linked Bonds Complement and Bolster the Sustainable Finance Market](#) (*Environmental Finance*, November 2018)
- [Green, Social and Sustainability bonds](#) (*Practical Law Company*, June 2019)
- [Transition Bonds Guidelines May Expand Sustainable Finance](#) (*Latham Client Alert*, June 2019)
- [First Telco Green Bonds Set path for Connectivity Industry](#) (*Latham Client Alert*, February 2019)
- [Blue Bond, Out of the Blue](#) (*IFLR*, February 2019)
- [Thoughts on Green Bonds](#) (*Environmental Finance*, July 2018)
- [Why Green Bond Issuers and Underwriters Should Not be Deterred by US Securities Law](#) (March 2018)
- [The European Commission Signals a More Active Regulatory Role to Drive Green and Sustainable Investment](#) (March 2018)
- [Green Bonds: Financing a Sustainable Future](#) (*Practical Law Company*, July 2017)
- [How to Minimise the Legal Risks of Green Bonds](#) (*Environmental Finance*, May 2017)
- [China's Securities Regulator Issues New Green Bond Guidelines](#) (April 2017)
- [Green Bonds: Green Striping to Fuel China's Green Economy](#) (August 2016)
- [Is Green Striping the Future of Green Bonds?](#) (*IFLR*, August 2016)
- [China Sustains Green Bonds Momentum](#) (June 2016)
- [China Gives Green Light for Green Bonds](#) (April 2016)
- [Green Bonds Need a 'Big Tent' Approach](#) (*IFRE*, April 2016)
- [What is the Future of High-Yield Green Bonds?](#) (*Environmental Finance*, February 2015)












Select Sustainable Finance Experience

Issuer	Description	Amount	Date
 THE CARLYLE GROUP	Represented Carlyle in the largest ESG-linked credit facility to date in the United States, and the first to focus exclusively on advancing board diversity	US\$4,100,000,000	2021
 DIGITAL REALTY	Green Bond Senior Unsecured Notes due 2031	€1,000,000,000	2021
 nrg	Sustainability-Linked Senior Secured First Lien Notes due 2025 and Senior Secured First Lien Notes due 2027	Confidential	2020
 vodafone Zigo	Green Bond Senior Secured Notes due 2029	€700,000,000	2020
 vivint.Solar A sunrun COMPANY	Advised Vivint Solar on multiple project financings and refinancings in connection with residential solar projects located across the United States	Confidential	2020
 IIX	Impact Investment Exchange's <i>Women's Livelihood Bond 3</i> (WLB3) – the third bond in the award-winning Women's Livelihood Bond Series supporting underserved women and women entrepreneurs in the Asia-Pacific region	US\$27,000,000	2020
 الشركة السعودية للكهرباء Saudi Electricity Company	Global Sukuk Company Green Certificates	US\$1,300,000,000	2020
 DIGITAL REALTY	1% Guaranteed Notes due 2022	€750,000,000	2020
 globalworth φφφ	2.95% Notes due 2026	€400,000,000	2020
 Bloomenergy	2.5% Green Convertible Senior Notes due 2025	US\$230,000,000	2020






Select Sustainable Finance Experience

Issuer	Description	Amount	Date
 CALPINE®	Green Bonds due 2027	US\$1,100,000,000	2020
 maxeon	Green Convertible Senior Notes due 2025	US\$175,000,000	2020
 Atlantica Sustainable Infrastructure	Green Exchangeable Senior Notes due 2025	US\$100,000,000	2020
 Clearway Energy	Green Bonds Senior Notes due 2028	US\$250,000,000	2020
Republic of Ecuador	Advised the Inter-American Development Bank, as guarantor, in an offering of social bonds issued by the Republic of Ecuador, the first sovereign in the world to conduct a financing of this kind.	US\$400,000,000	2020
 ELLAKTOR	6.375% Senior Notes due 2024	€70,000,000	2020
 iix	Impact Investment Exchange's Women's Livelihood Bond 2 – the second multi-country gender bond in Asia to be listed on a stock exchange (the Singapore Exchange). Winner of <i>FT Asia-Pacific Innovative Lawyers Awards 2020</i> in the "Responsible Law Firm" category.	US\$12,000,000	2020
 RIGHT PEOPLE RENEWABLE ENERGY	Mini Green Bonds due 2024	US\$300,000	2020
 Clearway Energy	Tack-On Offering of 4.75% Senior Notes due 2028	US\$600,000,000	2019
 ELLAKTOR	6.375% Senior Notes due 2024	€600,000,000	2019





Select Sustainable Finance Experience

Issuer	Description	Amount	Date
	6.67% notes due 2024	US\$375,000,000	2019
	2.250% Notes due 2024	US\$2,500,000,000	2019
	6.25% Senior Secured Notes due 2024 – deal won “Green Bond Deal of the Year” award at the 2019 PFI Asia Awards	US\$500,000,000	2019
	US-denominated 5.65% Guaranteed Undated Notes issued by AC Energy Finance International Limited	US\$400,000,000	2019
	8.50% Senior Notes due 2024 issued as Green Bonds	€325,000,000	2019
	Senior Notes issued as Green Bonds	€2,000,000,000	2019
	3.375% Senior Notes due 2029 issued as Green Bonds	US\$650,000,000	2019
	2.65% Senior Sustainable Development Goal-Linked Notes due 2024	US\$1,500,000,000	2019
	Senior First Priority secured sustainability-linked revolving credit facility	US\$2,416,000,000	2019
	2.5% Guaranteed Notes due 2026	€850,000,000	2019
	Senior Notes due 2024	€500,000,000	2019

Select Sustainable Finance Experience

Issuer	Description	Amount	Date
 AC Energy <small>An Ayala Company</small>	4.75% notes due 2029 and US\$110 million 5.25% notes due 2029	US\$410,000,000	2019
Confidential	U.S. Euro-Denominated Sub-Investment Grade Offering of Senior Notes	Confidential	2019
 WORLD BANK GROUP	Advised the IBRD, as guarantor, of the first-of-its-kind “Blue Bond” financing, which consisted of the private placement of US\$15 million of notes issued by the Republic of Seychelles and partially guaranteed by the IBRD	US\$15,000,000	2018
 Star Energy <small>A Subsidiary of PT Banko Pacific Tbk.</small>	6.75% Senior Secured Notes due 2033. This transaction was awarded 'Best Green Bond (Indonesia)' by The Asset Asian Awards of the Year 2018.	US\$580,000,000	2018
 Henkel	Advised a consortium of financial institutions in respect of the first German corporate sustainability-linked green loan.	€1,500,000,000	2018
 MANN + HUMMEL	Issuance of a “Green Schuldschein” for €400 million and a Revolving Facility for €500 million with an option to increase it to €800 million.	€1,700,000,000	2018
 PAPREC GROUP	Private Placement of €575,000,000 4% Senior Secured Notes due 2025; and €225,000,000 Senior Secured Floating Rate Notes due 2025	€800,000,000	2018
 MidAmerican ENERGY	3.65% First Mortgage Bonds due 2048	US\$700,000,000	2018
 TTRT <small>TIANJIN RAIL TRANSIT 天津轨道交通</small>	1.625% Guaranteed Bonds due 2022	€400,000,000	2018
 KILROY REALTY CORPORATION	4.75% Senior Notes due 2028	US\$400,000,000	2018

Select Sustainable Finance Experience

Issuer	Description	Amount	Date
 ธนาคารกสิกรไทย KASIKORNBANK	US\$100,000,000 Floating Rate Notes due 2023 Issued Pursuant to its US\$2,500,000,000 Euro Medium Term Note Programme	US\$100,000,000	2018
AES Corporation – Mesa La Paz Financing	Project bond financing in connection with a 306-MW powered electric generation facility located in Llera de Canales, Tamaulipas, Mexico.	US\$376,716,600	2018
ENGIE, Marubeni, PT Supreme Energy, Tohoku Electric Power	Represented the Asian Development Bank and the Clean Technology Fund in their US\$50 million development loan to PT Supreme Energy Rantau Dedap for the Rantau Dedap Geothermal Power Project in South Sumatra, Indonesia – one of the pioneer new generation geothermal power projects being developed under Indonesia’s new geothermal regulations and the Fast Track 2 program. This transaction was named Geothermal Deal of the Year at the <i>IJGlobal Asia Pacific Awards</i> .	US\$701,000,000	2018
 Azure Power	5.5% Senior Notes due 2022. This transaction was awarded ‘Deal of the Year’ in the Asian-mena Counsel Deals of the Year 2017.	US\$500,000,000	2017
 ReNew POWER	6% Senior Secured Notes due 2022. This transaction was awarded India Deal of the Year: Best Green Bond by the 2017 Asset Country Awards and was Highly Commended by the Financial Times Asia-Pacific Innovative Lawyers Report.	US\$475,000,000	2017
 HANJIN	Guaranteed Floating Rate Notes due 2020, guaranteed by The Export-Import Bank of Korea.	US\$300,000,000	2017
Ormat International, Kyushu Electric Power, Itochu, PT Medco Power Indonesia	Represented the Asian Development Bank and the Canadian Climate Fund for the Private Sector in Asia in their financing for the Sarulla Geothermal Power Project, a 330-MW power plant in North Sumatra, Indonesia. This transaction was named Asia-Pacific Power Deal of the Year by <i>Project Finance International</i> and <i>IJGlobal</i> ; Project Finance Deal of the Year by <i>IFLR</i> ; and Energy and Natural Resources Deal of the Year by the <i>ALB Indonesia Law Awards</i> .	US\$1,170,000,000	2014

ESG Tools

The Book of Jargon® — Environmental, Social & Governance

An interactive glossary of more than 1,000 ESG terms developed for the business, academic, and legal community, prepared in coordination with the World Business Council for Sustainable Development. Covering everything from afforestation to zero waste, the user-friendly reference tool was designed to demystify ESG terminology, verbiage, and lingo for business and legal executives who work in the sector.

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AFME: Governance, conduct and compliance in the transition to sustainable finance

Written by Latham lawyers in conjunction with the AFME, this paper is intended as a suggested roadmap to assist in establishing and/or furthering corporate purpose and objectives in relation to sustainable finance.

It sets out 15 key principles that firms may wish to consider when developing their approach before raising some practical questions that aim to help implement and embed those principles into internal programmes in a systematic manner.

Available on request.

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RiskHorizon

RiskHorizon is a proprietary tool that Latham & Watkins have developed in conjunction with Anthesis (a boutique sustainability consultancy). RiskHorizon is an early stage ESG risk screening tool, to identify the key ESG risks associated with a company based on its sector(s) and geographic locations.

Key impacts and vulnerabilities for the Chemicals sector and Target's core sites*

Most material ESG risk factors	Chemicals sector evaluation	Target's core sites*				
		Algeria	Egypt	Kenya	Spain	United Kingdom
Environmental						
Air Quality ¹	● Issues of high concern	●	●	●	●	●
GHG Emissions ²	● Issues of high concern	●	●	●	●	●
Low Carbon Management ³	● Issues of high concern	●	●	●	●	●
Waste and Effluent ⁴	● Issues of moderate concern	●	●	●	●	●
Water Scarcity ⁵	● Issues of moderate concern	●	●	●	●	●
Geopolitical						
Corruption ⁶		●	●	●	●	●
Regulatory Quality ⁷	● De-prioritise	●	●	●	●	●
Social						
Health & Safety ⁸	● Issues of moderate concern	●	●	●	●	●
Modern Slavery Prevalence ⁹		●	●	●	●	●
Technological						
Innovation ¹⁰	● Issues of high concern	●	●	●	●	●

Key ● Very low ● Low ● Medium ● High ● Very high ● No data

Risk Factors featured likely to be material for assessment). Also features corruption and m



Questions?

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25 February 2021

ESG and Sustainable Finance

Joseph Bevash, *Partner*, Hong Kong / Beijing / Seoul
Timothy Hia, *Partner*, Singapore