

## The European Leveraged Finance Association and the International Capital Market Association publish Practical Recommendations for High Yield Sustainability Linked Bonds

**London, 22nd May 2023:** The European Leveraged Finance Association (ELFA) and the International Capital Market Association (ICMA) partnered to create a set of recommendations for the high yield bond market in line with ICMA's Sustainability-Linked Bond Principles (SLBP). The Practical Recommendations for High Yield Sustainability Linked Bonds will be published today.

There has been a steady increase in issuance of sustainability-linked bonds (SLBs) by borrowers rated sub-investment grade (high yield). Issuing an SLB makes issuers accountable for their sustainability targets and trajectories and allows issuers to demonstrate a commitment to sustainability. However, market participants are cognisant of the importance of enhancing integrity through the choice and target observation date of KPIs and/or the ambition of the Sustainable Performance Targets, how meaningful any stated incentives are, and the need to promote strong standards and transparency for these debt instruments.

The practical guide lays out 10 recommendations addressing specific characteristics of high yield bonds such as redemption provisions, covenant provisions, generally shorter tenor and higher representation of private companies (not publicly listed), which has implications for disclosure and reporting.

The resource notes that high yield SLBs are not an asset class of their own, but rather are high yield bonds to which the SLB label has been applied, as per the ICMA's SLBP. This document is designed to address the specific needs of the sub-investment grade bond market in respect of these core components where bond characteristics or market practice depart from the investment grade bond market. As such, it should be read alongside the SLBP, and high yield SLBs should be aligned with the five core components of the SLBP.

**Sabrina Fox, Chief Executive Officer of the European Leveraged Finance Association, commented:** "High yield bonds as an asset class contain unique features warranting independent consideration and market guidance. Whilst the Sustainability-Linked Bond Principles should be applied to the asset class, this resource has been developed to provide recommendations to enhance the impact and effectiveness of high yield SLBs. We were delighted to collaborate with ICMA to support strong principles for sustainability-linked instruments."

**Nicholas Pfaff, Deputy CEO and Head of Sustainable Finance, International Capital Market Association added:** "Sustainability-Linked Bonds have always aimed to further develop the key role that debt markets can play in funding and encouraging companies that contribute to sustainability. ICMA is therefore delighted to work in partnership with ELFA to create these practical recommendations for the issuance of high yield Sustainability-Linked bonds. Integrity is at the heart of what we do, and these recommendations aligned with the Sustainability-Linked Bond principles will help drive accountability and consistency in this growing segment of issuance."

**End**

### About ELFA

ELFA is a trade association comprised of European leveraged finance investors from over 60 institutional fixed income managers, including investment advisers, insurance companies, and pension funds. ELFA seeks to support the growth and resilience of the leveraged finance market while acting as the voice of its investor community by promoting transparency and facilitating engagement among European leveraged finance market participants. For more information, please visit ELFA's website: [www.elfainvestors.com](http://www.elfainvestors.com).

### About the International Capital Market Association:

International Capital Market Association (ICMA) ICMA promotes well-functioning cross-border capital markets, which are essential to fund sustainable economic growth. It is a not-for-profit membership association with offices in Zurich, London, Paris, Brussels, and Hong Kong, serving over 600 members in 66 jurisdictions globally. Its members include private and public sector issuers, banks and securities dealers, asset and fund managers, insurance companies, law firms, capital market infrastructure providers and central banks. ICMA provides industry-driven standards and recommendations, prioritising three core fixed income market areas: primary, secondary and repo and collateral, with cross-cutting themes of sustainable finance and FinTech and digitalisation. ICMA works with regulatory and governmental authorities, helping to ensure that financial regulation supports stable and efficient capital markets.

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