

Sustainable Finance Insights

The UniCredit view – Edition July 2020

Dear readers,

We are very pleased to share with you our first edition of the **Sustainable Finance Insights**, for corporate treasurers, investors and those who play a role in financing or investment decisions capturing the latest news and trends on sustainable finance, providing readers with perspectives and testimonials from our clients and highlighting a selection of recent deals.

When it comes to making commercial decisions, sustainability has fast become a key consideration for relevant stakeholders around the world:

- Investors
- Companies
- Sovereigns
- Supranationals and agencies



who are increasingly striving for sustainable growth and specialised sustainable financing advisory.



UniCredit is well positioned to play a vital role in facilitating the transition from “**brown**” to “**green**”, thereby contributing our share to a progressively sustainable economy.

We hope you will find the Sustainable Finance Insights inspiring and valuable and we very much welcome your feedback on this and future editions. Please click [here](#) (#SFI20) to share your view.

Thank you and please get in touch with your personal contacts in the bank for more information on the ESG topic.

Banking that matters.



THE VIEW FROM SUSTAINABLE FINANCE ADVISORY

The global COVID-19 outbreak threatens the well-being of the world's population with the elderly and those with underlying health problems likely to be the worst affected. On top of this, millions of people around the globe will suffer from the resulting economic downturn.




In the sustainable finance universe **social bonds** seem to provide an answer to the financial challenges that come with the pandemic, as they can be used to finance projects that address certain social issues and support specified target populations.



In this special situation, even issuers without a broad social or sustainability bond framework can use the instrument by clarifying in the offering document for a COVID-19 focused social bond how they will comply with the four components of the Social Bond Principles. The actual preparation of a suitable **social bond framework** can then be postponed to the post-issuance activities.

The amount of COVID-19 financing transactions has been soaring since the **International Finance Corporation (IFC)** issued the first such bond on 17 March 2020, which is expressly intended to support economic sectors directly impacted by the pandemic.

More recently, in May 2020 UniCredit acted as Joint Bookrunner for a COVID-19 bond issued by Spanish bank **Banco Bilbao Vizcaya Argentaria (BBVA)**. UniCredit also acted as Joint Bookrunner in the COVID-19 bond issuances by **Credit Mutuel Arkea** and **CaixaBank** in early June and early July respectively.

<p>BBVA</p>  <p>EUR 1,000,000,000 Social Covid-19 Senior Preferred due 2025 Joint Bookrunner Spain, May 2020</p>	<p>Arkea</p>  <p>EUR 750,000,000 Senior Non-Preferred 9NC8 due 2029 Joint Bookrunner France, June 2020</p>	<p>CaixaBank S.A.</p>  <p>EUR 1,000,000,000 Covid-19 Social 6NC5 Senior Preferred due 2026 Joint Bookrunner Spain, July 2020</p>
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What's more, in response to COVID-19, the **State of Bavaria** and the **Republic of Austria** both issued standard bonds in March 2020 with the proceeds intended for financing programmes and emergency aid funds respectively. UniCredit acted as Joint Bookrunner in both these transactions.

<p>Bayern</p>  <p>EUR 3,000,000,000 Landesschatzanweisung 0.01% due 2023 Joint Bookrunner Germany, Mar 2020</p>	<p>Republic of Austria</p>  <p>EUR 7,500,000,000 Dual Tranche 2023 and 2051 Joint Bookrunner Austria, Mar 2020</p>
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There have been critical voices too, saying that the market needs to be wary of issuers claiming that the proceeds are being spent to fight the impacts of COVID-19 when in reality they are being misused. However, a **rigorous due diligence, genuine advice from structuring banks and a high level of transparency** can help counter these risks. How well these ambitions are implemented will determine whether sustainable finance instruments legitimately intended for a good cause will continue to be accepted by the market and continue to thrive.

CLIENT'S PERSPECTIVE

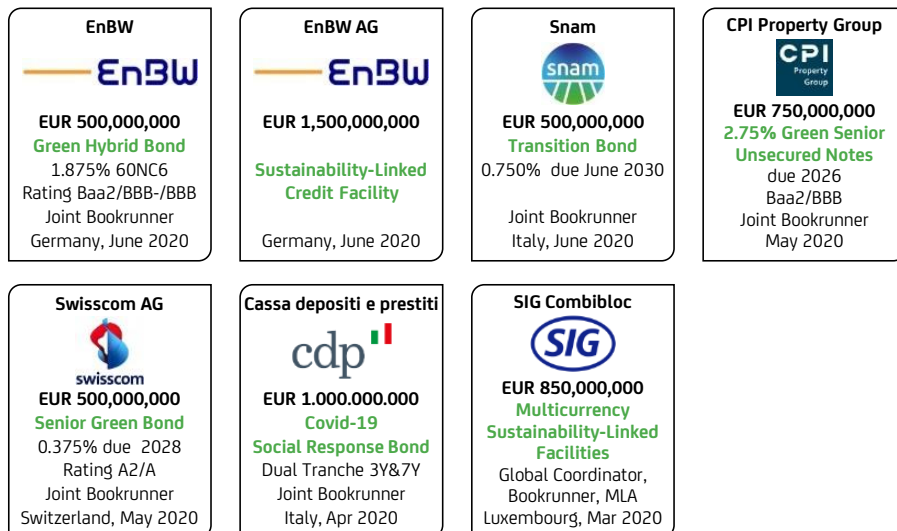
SNAM ISSUES FIRST EVER ITALIAN TRANSITION BOND EVER



"Snam recently issued the first Italian Transition Bond: it was a very successful transaction in particular among those investors who are notably sensitive to ESG topics, accounting for more than 70% of the overall orders. This bond further strengthens our ongoing commitment to sustainable finance and will allow us to support our growing investments in energy transition, namely in energy efficiency and carbon & emission reduction projects, together with investments in bio methane and hydrogen, the green gases which are key for a fully decarbonized world. Our effort on hydrogen is perfectly consistent with the recent European Union hydrogen strategy plan, which introduces a series of key objectives in the context of a net zero carbon future. The issuance, which is reserved to institutional investors, reached more than three times oversubscription by high quality and geographically diversified institutional investors. UniCredit, together with the other joint bookrunners, contributed to the great success of the initiative"

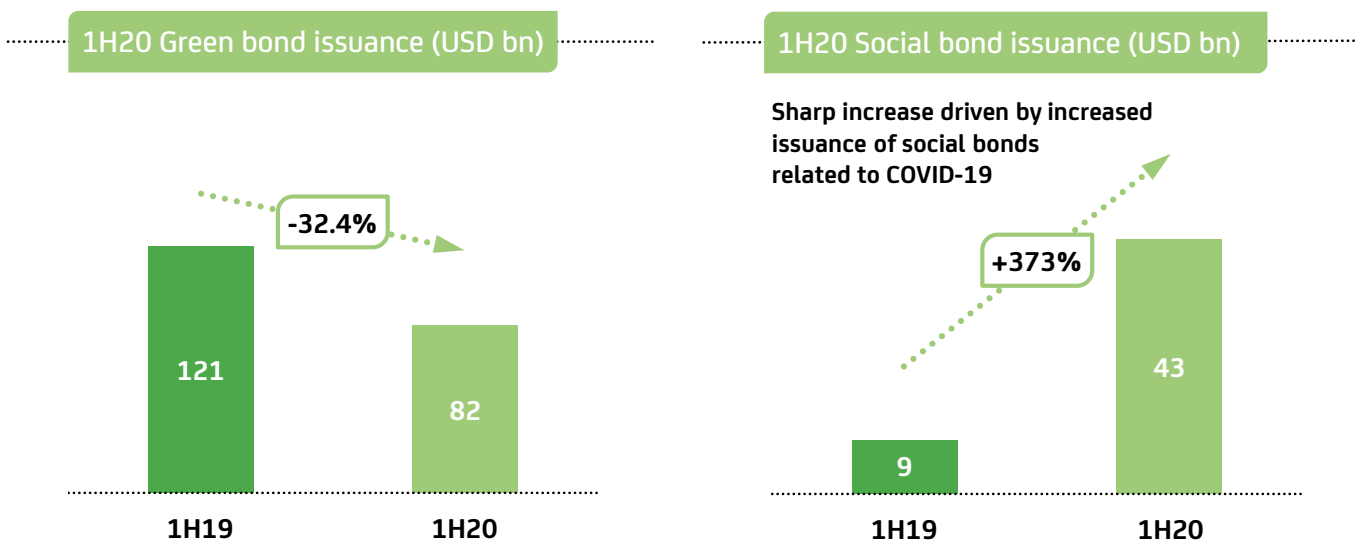
Alessandra Pasini, Chief Financial Officer and Chief International & Business Development Officer, Snam SpA.

FURTHER DEALS HIGHLIGHTS & CREDENTIALS



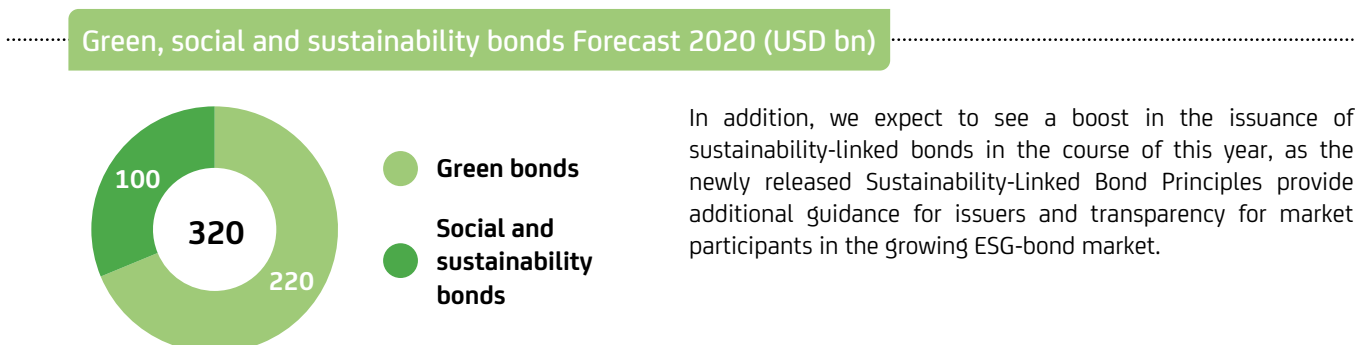
ESG & GREEN RESEARCH UPDATE

The first half of the year saw strong activity in the ESG bond market, driven by the move from green to social and sustainability bonds, which have both entered a new stage in the market. In the first half of 2020, the issuance of green, social and sustainability bonds amounted to USD 144 bn.



Source: Climate Bonds Initiative, Bloomberg, UniCredit Research

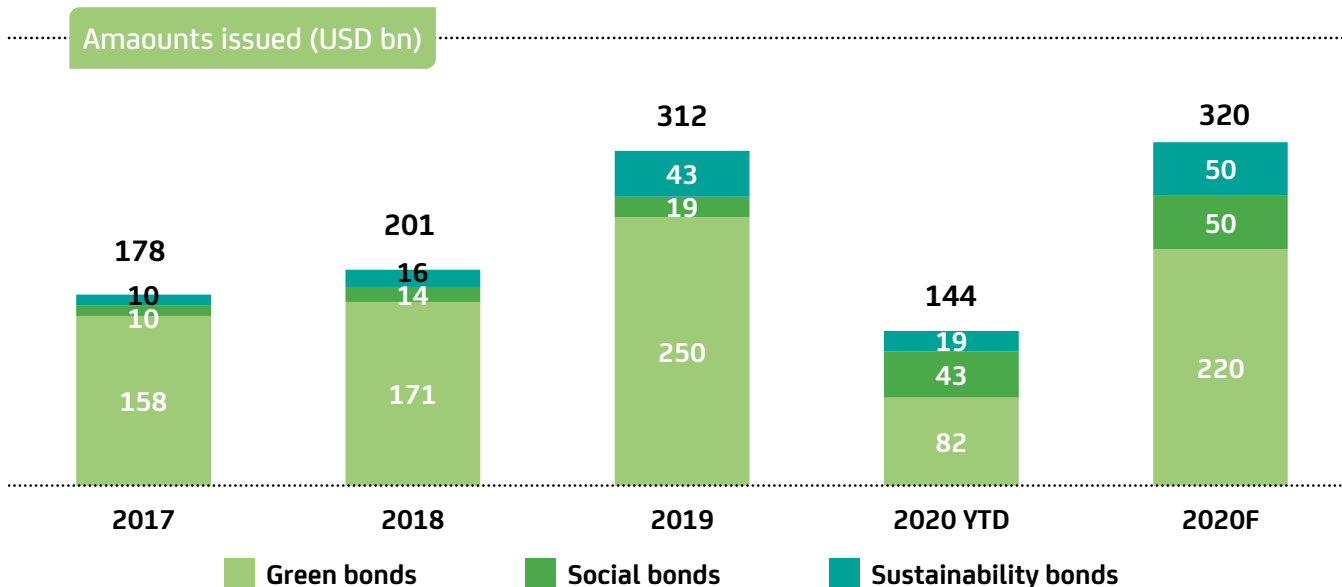
Supranational issuers and agencies were the first to issue COVID-19 related social bonds, followed by several banks. For the remainder of the year we expect the issuance of COVID-19 related social bonds to continue increasing.



Source: Climate Bonds Initiative, Bloomberg, UniCredit Research

In addition, we expect to see a boost in the issuance of sustainability-linked bonds in the course of this year, as the newly released Sustainability-Linked Bond Principles provide additional guidance for issuers and transparency for market participants in the growing ESG-bond market.

In the second half of the year, we expect Germany’s first issuance of a green sovereign bond – with plans to issue EUR 8 – 12 bn in green sovereign bonds across the year – will further boost the issuance of green bonds. Elsewhere, the German flagship agency Kreditanstalt für Wiederaufbau (KfW), one of the largest issuers of green bonds, recently stated that it will focus on green-bond activities in the second half of the year, with plans to issue EUR 8 bn in green bonds in 2020. The European Stability Mechanism (ESM) is also prepared to tap the market with its inaugural social bond and has published its social bond framework. This enables the ESM to fund any drawings of euro area member states under the Pandemic Crisis Support credit line through the issuance of social bonds, which might further boost activity in the social-bond market this year.



Source: Climate Bonds Initiative, Bloomberg, UniCredit Research

SUSTAINABLE FINANCE BROCHURE

UNICREDIT – YOUR PARTNER FOR SUSTAINABLE FINANCE

UniCredit’s Sustainable Finance Advisory team aims to deepen the dialogue with clients on ESG topics and facilitate their access to Europe’s sustainable finance market. Leveraging on UniCredit’s market expertise and product knowledge, we have also produced a sustainable finance brochure that delivers relevant information on the development of the market, while highlighting our credentials, advisory expertise and client offerings. You can read it [here](#).