



KPI linked financing

KPI-Linked Loan-Highlights:

- › KPI linked financings provide a **financial incentive** to **companies** keen to **improve their ESG performance**, hence **reducing overall debt costs**.
- › A **key feature** of this product is a mechanism **linking discounts or premiums applied to financing rates to a borrower's KPI performance**.
- › Financing terms tied to KPIs impact borrowers' overall cost of capital; **if the company's KPIs performance reaches a certain threshold**, the **financing margin** will be reduced or **vice versa**.
- › Since the **pricing depends** on the achievement of **certain KPIs** as opposed to a defined use of proceeds, the **borrower** gets **maximum flexibility** in **utilizing the funds**.

A KPI-linked loan, bond or Schuldschein is a financing instrument that incentivizes the borrower to achieve agreed upon sustainability performance objectives, such as improved **Key Performance Indicators (KPIs)**. The lender and the borrower work together to set the KPIs and the terms for the financing instrument. KPIs should be meaningful to the business and related to borrower's overall **Environment, Social and Governance (ESG) goals**. Examples are the amount of CO₂ reduction, waste reduction, water saving or the share of recycled material. The financing terms (primarily margin) are tied to the borrower's performance on the agreed KPIs. If the borrower meets or surpasses the agreed KPI thresholds, the margin decreases or vice versa. Hereby the KPI thresholds are usually reviewed annually. For KPI linked financing instruments the use of funds generated are not tied to a specific product or use of proceeds and can be tailored to a range of corporate needs.

Who is eligible?

- › All corporates
- › Public companies
- › Federal- or regional governments and municipalities

Good to know:

- › The KPIs can be identified and chosen in cooperation between the bank and the borrower. For loans and SSD no second party opinion or ESG rating is required
- › The monitoring of the KPI(s) during the lifetime of the financing is ideally undertaken by an external party, either an ESG agency or an external auditor
- › The borrower of sustainability linked debt products should clearly communicate to its lenders its overall sustainability objectives and strategy

Which information do we need for a first KPI check?

- › Name and seat of the borrower
- › Required financing, volume, tenor, currency
- › Does the company have a sustainability report and an improvement outlook for its core sustainability strategy so that relevant KPIs can be selected

ESG Rating linked financing

A ESG rating-linked loan, bond or Schuldschein is a financing instrument that has its margin tied to an improved Environmental Social and Governance (ESG) rating. If the ESG rating improves, the margin may improve or vice versa. The ESG rating linked finance products are characterized by the use of an external ESG rating. If there is no ESG rating yet, it can take up to 8 weeks to be rated by an ESG agency and to receive the necessary score. Customers financed by ESG rating linked financing products benefit from a flexible financing structure without being tied to a specific financing target and impact.

RBI is here for you!

RBI has a strong stance for sustainability and advises and supports its customers in respect of KPI linked financing by extracting relevant and material KPIs from the sustainability report in cooperation with the customer.

RBI offers a variety of financial products that can be aligned with KPIs such as loans, export finance, Schuldscheine and Eurobonds. The **KPI Linked Finance Products** are characterized by the use of the company's internal ESG strategy and KPIs and are currently the preferred and most widely used Sustainability Linked Financing product.

Key benefits

Customers financed by KPI Linked Financing Products benefit from a flexible financing structure without being tied to a specific financing target and impact.

Being a promoter of such financing, you demonstrate that your activities are future-oriented and that you are contributing to a beneficial climate strategy or support other social and sustainable improvements. Furthermore, RBI is ready to provide **in-depth insight** on the current and future state of **sustainability disclosure requirements**.

Contact us for more details!

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