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 Corporate Social Responsibility (CSR) goals. The financing terms (primarily margin) are tied to the borrower’s performance on the agreed KPIs. 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.

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.

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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 CSR 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 CSR strategy and KPIs and are currently the preferred and most widely used Sustainability Linked Financing product.

**Key benefits**
Customers financed by ESG 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 orientated 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 CSR disclosure requirements.

**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 external advice 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 CSR Report and a view how to improve its core sustainability strategy, so that relevant KPIs can be selected.

Contact us for more details!

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