

Sustainable Deals Classification

Tagmydeals/Acre sustainable classification methodology

About the Sustainability Classification

Acre is proud to partner with Tagmydeals, in our mutual commitment to bring increased focus towards the financing of the SDGs in the Export Credit Agency (ECA) market. We believe that the ECA market is already active in the financing of projects that contribute positively to the SDGs and has the potential to significantly scale its contribution towards financing projects that deliver environmental and social benefits. As such, Acre is collaborating with Tagmydeals to establish a methodology to identify “Sustainable” transactions, in order to size and track the development of the “Sustainable” ECA market.

Methodology

The methodology used by Acre/Tagmydeals to identify Green, Social and Sustainable transactions is closely aligned with ICMA's (International Capital Markets Association) Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainable Bond Guidelines (SBG). These principles and guidelines are the most widely accepted set of voluntary governance structures that bring a level of transparency and disclosure into this fast-evolving space. These governance structures are underpinned by four main pillars: (i) use of proceeds, (ii) project selection, (iii) management of proceeds and (iv) impact reporting. We have classified transactions in the Tagmydeals database as being Green, Social or Sustainable where the “Use of Proceeds” can be clearly identified as such as per ICMA's GBP, SBP or SBG. For simplicity, we have classified as ‘sustainable’ any transaction that fits the above categories.

As the data available for such a market sizing exercise is self-submitted by market participants, the choice of classification methodology was largely driven by the need to drive a common approach across the ECA industry. A large number of Arranging Banks active in the ECA market are already Green Bond issuers and, in some cases, Social and Sustainability Bonds issuers. In addition, ECAs such as EDC and the Exim-Import Bank of Korea (KEXIM) are also Green Bond issuers. As issuers, these institutions have in place the expertise and governance mechanisms to classify ECA transactions as Green, Social or Sustainable in line with the Principles and Guidelines. Likewise, it is hoped that as more ECA assets are earmarked against Green, Social or Sustainable bonds, it will encourage institutions to increase sustainable bond issuance, thus creating a virtuous cycle which will increase the size of sustainable debt capital markets.

The Sustainability League Tables have been developed using a methodology which is consistent with market practice in the Sustainable Finance universe. We believe this approach will help harmonize sustainability classifications across various sustainability products/markets within banking and finance.

Methodological caveats

The classification of transactions as Green, Social or Sustainable was largely driven by the information available in the Tagmydeals database. Acre/Tagmydeals looks forward to engaging with the industry to improve the quality and accuracy of these league tables. Tagmydeals will be updating its database to include new fields that allow market participants to self-certify transactions as Green, Social or Sustainable. Submitters are also encouraged to provide more detailed information on the use of proceeds to justify the classification.

Evolving the sustainability league tables

Acre/Tagmydeals recognises that as the sustainable finance market matures further and taxonomies are refined and updated, these guidelines and principles may evolve over time. Acre/Tagmydeals will closely follow these developments and ensure that the league tables reflect the latest taxonomies and market consensus.