



Sustainable Bonds on SIX Swiss Exchange

Primary Markets
Origination

1. Sustainable Bonds are on the Rise

- 2. Greater Visibility with SIX Flags
- 3. Partnership with the Climate Bonds Initiative
- 4. Excursus: Sustainability-linked Bonds
- 5. Your Advantages at a Glance



Sustainability is Increasingly in the Spotlight

Sustainable Investments (SI)

SI are needed to **transform both the Swiss and global economy** to deliver on climate, environmental and social sustainability goals, including the **Paris Agreement** and more broadly the **UN Sustainable Development Goals**.

SI in Switzerland

The Swiss market for SI has grown significantly in previous years. In 2022, SI in Switzerland amounted to **CHF 1.7 trillion**¹. Both the public and private sector work on framework conditions² paving the way for Switzerland to become a **premier international hub** for sustainable finance, including sustainable bonds.

The Role of Bonds

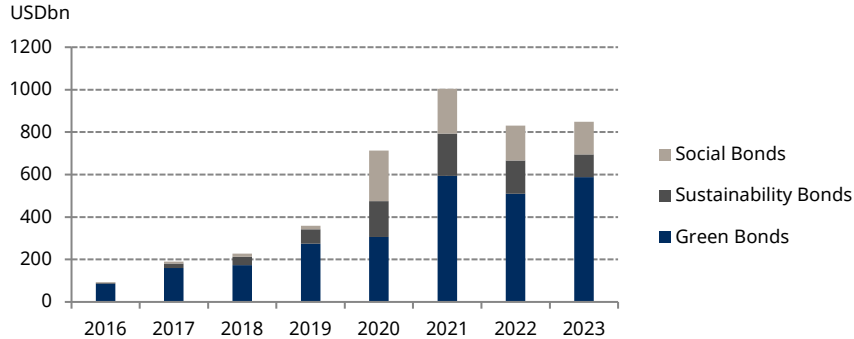
Bonds as a major asset class play an integral role and the market for sustainable bonds is growing rapidly both due to **bottom-up drivers** (i.e. investor demand) as well as **top-down pressure** (i.e. pressure from company boards and regulations like the EU taxonomy or the upcoming EU Green Bond Standard³).

1. The figure covers SI funds (CHF 353bn), sustainable mandates (CHF 610bn) and sustainable assets owned by asset owners (CHF 697bn); based on a market survey by Swiss Sustainable Finance in "Swiss Sustainable Investment Market Study 2024".
2. See e.g. the Federal Council report "Sustainability in Switzerland's financial sector" (Jun-20) or the Swiss Banking Association position paper "Sustainable Finance" (Jun-20).
3. The EU Green Bond Standard is part of the EU Commission action plan on financing sustainable growth that also includes the formulation of an EU taxonomy, a classification system for sustainable activities.

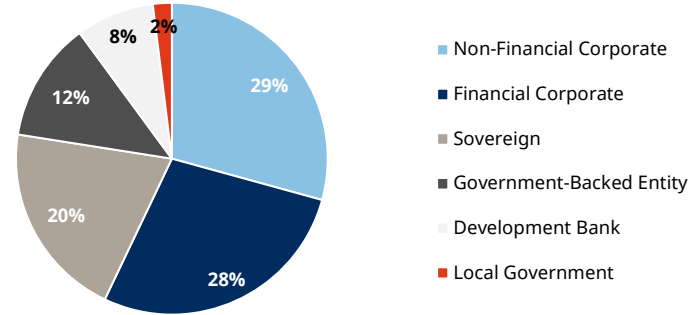
Sources: Swiss Sustainable Finance, Swiss Banking Association and European Commission

Sustainable Bonds Are Globally on the Rise

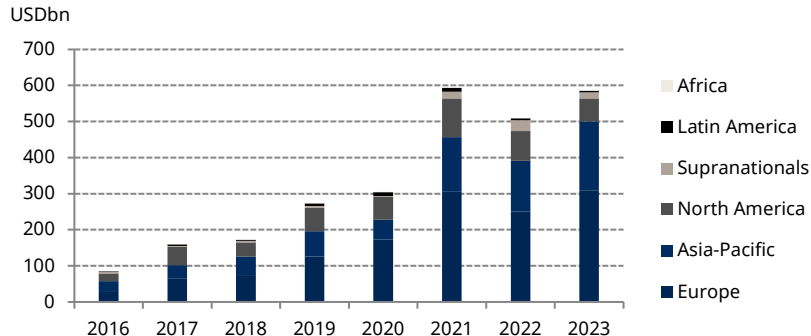
Issue volumes of Green¹, Social and Sustainability Bonds are taking off



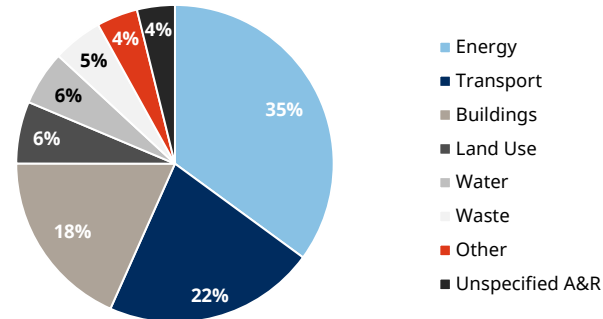
In 2023, most Green Bond¹ issuances originated from financial corporates...



European issuers are (still) leading in Green Bond¹ issuances



...and most proceeds were channelled into energy projects²



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Greater Visibility with the SIX Flag for Sustainable Bonds

- Status quo: **no global legal and binding definition** for green, social, sustainability or sustainability-linked bonds
- **The «Principles» by ICMA¹** have become the leading global & voluntary framework and include guidelines on project selection, use of proceeds, performance measurement and reporting
- **Sustainable bonds are flagged** and thus easier found in the SIX [bond explorer](#) and are published on a [dedicated website](#)



Use of proceeds

Projects with environmental benefits:

- Renewable energy
- Energy efficiency
- Clean transportation
- Circular economy...

Projects with positive social outcomes:

- Affordable housing
- Access to essential services
- SME financing & microfinance
- Food security...

- Social Projects with environmental co-benefits or green projects with social co-benefits
- Aligned with both the Green and Social Bond Principles

Forward-looking and performance-based bond where proceeds are intended to be used for general purposes (not use of proceeds, i.e. project/asset focused)

SIX flag

Bonds receive a **Green Bond Flag** if included in the Green Bond Database² by the Climate Bonds Initiative (CBI) and by adhering to the “Green Bond Principles”

Bonds receive a **Social Bond Flag** by “issuer commitment” and adhering to the “Social Bond Principles”

Bonds receive a **Sustainability Bond Flag** by “issuer commitment” and adhering to “The Sustainability Bond Guidelines”

Bonds receive a **Sustainability-linked Bond Flag** by “issuer commitment” and adhering to the “Sustainability-linked Bond Principles”

1. International Capital Market Association
 2. More information on the Green Bond Database can be found [here](#).
 Sources: CBI, ICMA and SIX

The World of Sustainable Bonds at SIX

Apple

- Size: USD 1.0bn
- Coupon: 3.000%
- Maturity: June 2027
- Use of proceeds: renewable energy sources, use of green materials and conserving precious resources
- Verifier: Sustainalytics

Kantons Basel-Stadt

- Size: CHF 100mn
- Coupon: 1.500%
- Maturity: July 2028
- Use of proceeds: social housing development
- Verifier: ISS-ESG

City of Gothenburg

- Size: SEK 500mn
- Coupon: 1.000%
- Maturity: November 2024
- Use of proceeds: energy efficient buildings, water management, clean transportation, renewable energy and climate adaption
- Verifier: CICERO



140+ sustainable bonds

equivalent to over CHF 32bn are currently traded at SIX



Currencies include **CHF, EUR, USD, SEK, CAD, AUD and NZD**



Over **90%** are **primary listed**, others are admitted to trading

NADB (North American Development Bank)

- Size: CHF 180mn
- Coupon: 0.200%
- Maturity: November 2028
- Use of proceeds: renewable energy (solar, wind), sustainable water management, energy efficiency and pollution prevention & control
- Verifier: Sustainalytics

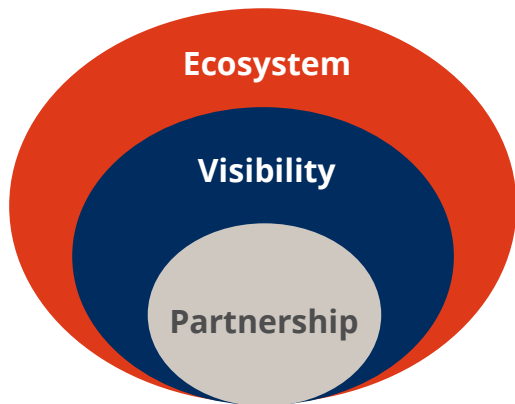
Korea Development Bank

- Size: CHF 225mn
- Coupon: 0.940%
- Maturity: April 2027
- Use of proceeds: renewable energy sources, clean transportation, energy efficiency, pollution prevention and control and water management
- Verifier: Sustainalytics

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Partnership with the Climate Bonds Initiative



Partnership

- SIX and the **Climate Bonds Initiative (CBI)** entered into partnership in 2018
- CBI is an international, investor-focused non-profit organization aiming to promote investment in **sustainable projects and assets**
- **CBI partners** include major banks, exchanges and countries, incl. Switzerland



Visibility

- The partnership allows SIX to give **green bonds** a **higher visibility**
- Bonds that are included in the Green Bond Database by CBI and are aligned with the “Green Bond Principles” by ICMA receive a **green bond flag**, facilitating the search for such bonds in the SIX [Bond Explorer](#)¹
- A [dedicated website](#) presents a list of all green bonds at SIX



Ecosystem

SIX promotes the development of a **robust sustainable bond market** by offering a **facilitated search** for flagged bonds, **reliable certification** by CBI as well as a **transparent and regulated market**

1. There is a “special flag” search functionality in the SIX Bond Explorer, facilitating the filtering for green bonds; Sources: SIX and CBI

The Climate Bonds Certification Scheme

Certification

Certification under the Climate Bonds Standard confirms full alignment with:

- **The Green Bond Principles** by ICMA
- **Mandatory requirements** for internal controls, use of proceeds, reporting and verification
- **The Paris Climate Agreement** and the 1.5-degree global warming target¹

Taxonomy

The Climate Bonds taxonomy identifies assets & projects needed to deliver a low carbon economy.

Currently, projects in the following sectors² can be certified:

- **Energy** (*solar, wind, geothermal, hydro-power, marine renewables, grids & storage*)
- **Transport** (*private/public transport, freight rail, shipping, biofuels*)
- **Water**
- **Buildings** (*residential/commercial*)
- **Land use & marine resources**
- **Industry**
- **Waste** (*recycling, waste to energy, etc.*)

Mutual Benefits



Issuers

1. **Investor demand** and diversification
2. Positive **reputational impact**
3. **Leadership** and early adopter

1. Lower costs on **due diligence**³
2. **Transparency** and consistency
3. **Deeper engagement** with the issuer

Investors



1. Companies or Sustainability-Linked Debt whose transition plans predict that they will be aligned with 1.5 degree pathways by 2030 receive the "transition" label

2. More certifiable projects and assets are under development.

3. The climate bond certification lowers due diligence costs by reducing the burden for investors having to make judgements on the green attributes of green-labelled investments.

Sources: CBI and ICMA

The Climate Bonds Certification Process

1

Prepare the bond

- **Identify assets** that meet the relevant sector criteria under the Climate Bonds taxonomy
- **Compile** supporting information
- **Create a Green Bond Framework**, specifying the use of proceeds

2

Engage a verifier

- **Engage an approved verifier** for pre- and post-issuance
- **Provide** relevant information
- **Receive the verifier's report** assuring that Climate Bonds Standard requirements are fulfilled

3

Get certified and issue bond

- **Submit verifier's report** and information form to the Climate Bonds Initiative
- **Receive a decision** on pre-issuance certification
- **Issue bond** and list on SIX and use the Certified Climate Bond mark

4

Confirm certification

- **Submit** verifier's **post-issuance report**
- **Receive notification** of post-issuance certification

5

Report annually

- **Prepare an annual report** for term of the bond
- **Provide it to bond holders** and Climate Bonds Initiative

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Sustainability-linked Bonds are Performance-based...

Overview



- Sustainability-linked bonds (SLBs) are **forward-looking performance-based debt instruments** where the issuer commits to achieve predefined Sustainability/ESG objectives within a given timeline
- **The proceeds are intended to be used for general purposes**, contrary to green/social/sustainability bonds that are use of proceeds focused
- In June 2020, ICMA has published the **Sustainability-linked Bond Principles**

Core elements



1. **Key performance targets (KPIs)** that are material to the issuer's core sustainability/business strategy that address key ESG challenges of the industry
2. **Sustainable performance targets (SPTs)** are derived from the KPIs and set the issuer's targets, expressing the level of ambition the issuer commits to
3. **Bond characteristics:** depending on whether the selected KPIs reach the predefined SPTs or not, the SLB will need to include a financial and/or structural impact involving a trigger event – a potential variation of the coupon is the most common example
4. **Reporting** (pre- and post-issuance) by the issuer with up-to-date information on the performance of the selected KPIs
5. **External and independent verification¹** of the issuer's performance against the SPTs for each KPI

...And Foster Transparency and Flexibility

Benefits



Sustainability-linked bonds (SLBs)

- Can be used to finance an issuer's **sustainability progress and transition**
- Enables a consistent, transparent and simplified **public communication** of the sustainable strategic direction
- Offers a **flexible sustainable financing solution** with potential financial benefits

Case Study



- Novartis issued the **first ever healthcare industry SLB** on SIX in September 2020, further embedding ESG targets into the core of its business operations and addressing key global health challenges
- The SLB is linked to the **2025 Patient Access Targets** by Novartis with the goal to increase patient reach in low- and middle-income countries with strategic innovative therapies by 200% and the Novartis Flagship Programs by 50%, resulting in a potential reach of over 24 million patients across therapy areas
- The EUR 1.85 billion zero coupon SLB contains a **coupon step-up**, i.e. the coupon increases by 25 basis points from 2026 onwards if Novartis fails to meet its targets

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Your Advantages at a Glance

SIX Swiss Exchange...



Reliable certification

SIX ensures a high standard, reliability and comparability of bonds by labelling them only if adhering to globally recognized frameworks such as the «Principles» by ICMA¹ or the Climate Bonds Standard by the Climate Bonds Initiative



High visibility

Sustainable bonds are flagged and thereby are easier found in the SIX [Bond Explorer](#) and are additionally published on a [dedicated website](#)



Regulated market

SIX offers a transparent and regulated trading platform for the fast-growing market of sustainable bonds



... as a Trusted Partner for



Issuers

SIX offers an efficient listing process as well as grants access to investors' capital and their high demand for investments in sustainable bonds



Investors

Investors benefit from the robust sustainable bond market by SIX, enhancing portfolio diversification in line with clients' growing demand for sustainable instruments

Appendix

Helpful links

- List of Sustainable Bonds at SIX: <https://www.six-group.com/en/products-services/the-swiss-stock-exchange/market-data/bonds/sustainable-bonds.html>
- Green Bond Database by Climate Bonds Initiative: <https://www.climatebonds.net/cbi/pub/data/bonds>
- Climate Bonds Standard and Certification Scheme: <https://www.climatebonds.net/standard>
- Climate Bonds Taxonomy: <https://www.climatebonds.net/standard/taxonomy>
- The «Principles» by ICMA: <https://www.icmagroup.org/green-social-and-sustainability-bonds/>

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