

# LSTA and LMA Jointly Issue Guidance for Green, Social and Sustainability-Linked Loans External Reviews

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**PRACTICES** Fund Finance, Finance, Environmental, Social and Governance

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Following a surge of interest in environmental, social and governance (“**ESG**”) by the financial services industry in 2020, a multitude of factors continues to drive focus on ESG, including the implementation of regulatory requirements around disclosure and mitigation of climate risk. Additionally, consumers and investors increasingly consider ESG factors when deploying capital. Finance providers have, in turn, considered how ESG metrics can be built into finance products to engage with market participants while building out their own ESG strategies and policies. This has led to the evolution of several ESG- focused financial products, including the sustainability-linked loan (“**SLL**”), which incorporates pricing reductions upon the borrower meeting key sustainability performance targets in its operations, green loans (“**Green Loans**”), which require loan proceeds to be utilized for a specific green purpose, and social loans (“**Social Loans**”), which require loan proceeds to be utilized for a specific social purpose.

In response to the growing demand for SLLs, Green Loans and Social Loans, industry bodies, including the International Capital Market Association (“**ICMA**”), the Loan Market Association (“**LMA**”), the Loan Syndications and Trading Association (“**LSTA**”) and the Asia Pacific Loan Market Association (“**APLMA**”), joined together to produce guidance for financial products across the green and sustainable finance space. Recognizing that the incorporation of sustainability focused provisions into financial products was new to a large swath of market participants, these industry bodies and trade groups sought to provide key parameters and guidelines so as to maintain the integrity of the industry and preclude concerns over greenwashing, social washing or fraud. This has led to the publication of the Green Loan Principles by the LMA, LSTA and APLMA in 2018, supported by the ICMA, followed by the publication of the Sustainability-Linked Loan Principles (the “**SLLPs**”) in 2019 and the Social Loan Principles (the Green Loan Principles, the Social Loan Principles and the SLLPs, together being the “**Loan Principles**”) in 2021.

[Read the full article here.](#)