

Sustainability

MAS Green and Sustainability-Linked Loan Grant Scheme for Corporates and Banks Available from 1 January 2021

Introduction

With effect from 1 January 2021, corporates which plan to obtain green and sustainable financing may apply under the Green and Sustainability-Linked Loan Grant Scheme ("**GSLs**") for a grant to defray the expenses of engaging independent service providers to validate the green and sustainability credentials of the loan. In addition, banks which plan to develop green and sustainability-linked loan frameworks may apply under the GSLs for co-funding of specified expenses of such frameworks.

Launched on 24 November 2020, the GSLs is the first of its kind globally that seeks to support the aim of the Monetary Authority of Singapore ("**MAS**") to develop green and sustainable financial markets and products to aid Asia's transition to a low-carbon future. The GSLs comprises two tracks to:

- Support corporates of all sizes in obtaining green and sustainability-linked loans; and
- Incentivise banks to develop green and sustainability-linked loan frameworks.

This Update provides a summary of the key features and eligibility criteria for the green and sustainability-linked loans track for corporates and the green and sustainability-linked loan frameworks track for banks under the GSLs.

Green and Sustainability-Linked Loans Track

The GSLs will enhance corporates' ability to obtain green and sustainability-linked loans by offering a grant that will defray specified expenses incurred by the corporates to validate the green and sustainability credentials of the loans.

Amount and specified expenses covered

The GSLs will cover up to S\$100,000 per loan over a three-year period from an applicant's first claim for costs of engaging sustainability advisory and assessment service providers to undertake the following activities:

- Developing green loan framework;

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- Setting sustainability performance targets ("**SPTs**") for sustainability-linked loans;
- Obtaining external reviews (including costs for a second party opinion, verification, certification or rating during the pre-origination stage, and costs for assurance or rating during the post-origination stage); and
- Reporting on use of proceeds, impact of projects or SPTs.

Eligible applicants

All companies (including international organisations such as the World Bank, but excluding sovereigns) and financial institutions based onshore or offshore may apply for a grant under the GSLS for any green and sustainability-linked loans that fit the criteria set out below.

Eligibility criteria of green and sustainability-linked loans

The GSLS applies to a green and sustainability-linked loan that meets the following criteria:

- Minimum loan amount of S\$20 million with a minimum loan tenure of three years;
- More than 50% of gross value from the loan must be attributable to a Financial Sector Incentive company and the assessment work of the green or sustainability-linked aspects of the loan must be performed in Singapore;
- More than 50% of gross revenue from the sustainability assessment and advisory work must be attributable to Singapore-based providers; and
- There have been independent external reviews of the loan in the following aspects:
 - **In respect of a green loan:** External review to demonstrate alignment of the loan with internationally recognised green loan principles during the pre-origination stage; and
 - **In respect of a sustainability-linked loan:**
 - (1) During the pre-origination stage, (a) external review to demonstrate alignment of the loan with internationally recognised sustainability-linked loan principles and at least two of the total SPTs in the loan contribute to environmental objectives; or (b) external review of its environment, social and governance ("**ESG**") rating, and
 - (2) During the post-origination stage, external review on an annual basis to verify the attainment of SPTs.

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Green and Sustainability-Linked Loan Frameworks Track

The GSLS aims to encourage banks to develop frameworks for green and sustainability-linked loans.

Two funding tiers

Two funding tiers are provided under the GSLS:

- **Green and Sustainability-Linked Loan Frameworks for Small Medium Enterprises ("SMEs") and Individuals:** MAS will co-fund 90% of the total specified expenses of green and sustainability-linked loan frameworks that satisfy the following requirements (capped at S\$180,000 over a three-year period from an applicant's first claim):
 - Loans are offered to individuals or SMEs with an annual revenue of not more than S\$100 million; and
 - Loans offered to the above persons are less than S\$20 million.
- **Other Green and Sustainability-Linked Loan Frameworks:** MAS will co-fund 60% of the total specified expenses of other green and sustainability-linked loan frameworks that fall outside of the scope of the above Frameworks for SMEs and individuals, but capped at S\$120,000 over a three-year period from an applicant's first claim.

Specified expenses covered

The GSLS will cover costs of engaging sustainability advisory and assessment service providers to undertake the following activities:

- Developing loan framework;
- Obtaining external reviews (including costs for a second party opinion, verification or certification during the pre-issuance stage, and costs for assurance during the post-issuance stage); and
- Reporting on framework and impact of loans.

Eligible applicants

All Financial Sector Incentive companies may apply under the GSLS for any green and sustainability-linked loan frameworks that fit the criteria set out below.

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Eligibility criteria of green and sustainability-linked loan frameworks

The GSLS applies to a green and sustainability-linked loan framework that meets the following criteria:

- The assessment work of the green or sustainability-linked aspects of the loans originated from the framework must be performed in Singapore;
- The design and conceptualisation of the framework must be performed in Singapore;
- More than 50% of gross revenue from the sustainability assessment and advisory work must be attributable to Singapore-based providers; and
- There have been independent external reviews of the framework in the following aspects:
 - During the pre-origination stage, (1) external review to demonstrate alignment of the framework with internationally recognised green or sustainability-linked loan principles; or (2) the framework is co-created with sustainability advisory and assessment service providers; and
 - During the post-origination stage, external review on an annual basis to demonstrate continued alignment of the framework with internationally recognised green or sustainability-linked loan principles.

For more information about the GSLS, please click [here](#) for the MAS press release titled "*MAS Launches World's First Grant Scheme to Support Green and Sustainability-Linked Loans*" dated 24 November 2020.

Concluding Words

The GSLS aims to channel more financing towards green and sustainable projects and enhance corporates sustainability practices. Sustainability is an increasingly important issue as climate change continues to affect our lives and our planet. The initiatives launched by MAS under its Green Finance Action Plan, including the GSLS, which aim to develop green and sustainable financial markets and products to support Asia's transition to a low-carbon future are both timely and progressive.

In full support of the Singapore Government's efforts to champion green and sustainability practices in Singapore and the region, Rajah & Tann Singapore has established the Sustainability Practice which comprises multi-disciplinary specialist teams who can advise you on the adaptation of your business to take into account sustainability and ESG issues.

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If you have any further queries on the topic discussed in this Update, please feel free to contact our team below who are part of the Rajah & Tann Singapore Sustainability Practice.

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