

Regulatory incentive to promote sustainable finance

# Green & Sustainability-Linked Loan Grant Scheme (GSLs)

**L** launched on 24 November 2020, the GSLs is an initiative under MAS' Green Finance Action Plan, and seeks to accelerate green and sustainability-linked lending in Singapore.

The first of its kind globally, the GSLs supports corporates of all sizes in obtaining green and sustainability-linked loans. The grant further incentivises banks to develop green and sustainability-linked loan frameworks to make such financing more accessible to small and medium-sized enterprises (SMEs).



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With the G20 presidency coming to India and the push to sustainability at all forums including budget makes sustainable finance one of the main action items on the agenda of the government. However, the regulatory steps still lack the incentives required for development of a robust sustainable financial market in India. In this article, we bring an innovative instrument used by Monetary Authority of Singapore (MAS) to create the regulatory environment for all stakeholders for developing sustainable financial market.

GSLs is an innovative scheme launched by MAS to incentivise adoption of green and sustainable loan frameworks by various stakeholders. It provides for Costs of engaging sustainability advisory and assessment service providers for companies, financial institutions, SMEs and individuals.

The GSLs comprises two tracks:

## **Track A: Green & Sustainability-Linked Loans**

Up to S\$100,000 per loan over a 3-year period

### **Eligible Expenses:**

Costs of engaging sustainability advisory and assessment service providers to undertake the following activities:

**Pre-origination:** Develop green loan framework; Set Sustainability Performance Targets (SPTs) for SLLs; External Review (SPO, verification, certification, rating)

**Post-origination:** External Review (Assurance, rating); Reporting on use of proceeds, impact of projects, or SPTs

### **External Review:**

**Green Loan:**

**Pre-origination:** External review to demonstrate alignment of the loan with internationally recognised green loan principles

**Sustainability-Linked Loan:**

**Pre-origination:** External review to demonstrate a) Alignment of the loan with internationally recognised sustainability-linked loan principles b) Minimally 2 of total SPTs in SLL contribute to environmental objectives

OR ESG Rating

**Post-origination:** External review on an annual basis to verify the attainment of SPTs

**Track B: Green & Sustainability-Linked Loan Frameworks**

The grant supports the development of green and sustainability-linked loan frameworks, with two funding tiers:

**Tier 1: Green & Sustainability-Linked Loan Frameworks for SMEs & individuals**

90% co-funding of total costs, capped at S\$180,000 over a period of 3 years

Frameworks targeted at (i) individuals or firms with annual revenue up to S\$100 million<sup>3</sup> and (ii) for loan sizes less than S\$20 million

**Tier 2: Other Green & Sustainability-Linked Loan Frameworks**

60% co-funding of total costs, capped at S\$120,000 over a period of 3 years

**Eligible Expenses:** Costs of engaging sustainability assessment and advisory service providers to undertake the following activities:

**Pre-issuance:** Develop loan framework; External Review (SPO, verification, certification)

**Post-issuance:** External review (assurance); Reporting on framework and impact of loans

**External Review Requirements:**

**Pre-origination:** External review to demonstrate alignment with internationally recognised green or sustainability-linked loan principles OR co-creation of the framework with sustainability assessment and advisory service providers

**Post Origination:** External review on an annual basis to demonstrate continued alignment of the framework with internationally recognised green or sustainability-linked loan principles