



Navigating Sustainability Linked Loans

LGT PRIVATE DEBT

LGT Private Debt, an affiliate of LGT Capital Partners, enlisted BlueMark to conduct an independent assessment of the proposed terms of a Sustainability-Linked Loan (SLL) for three of their debt facilities. BlueMark conducted a pre-signing review of the terms' alignment with the [Sustainability Linked Loan Principles \(SLLP\)](#), a voluntary framework that provides clear guidance as to the core characteristics of SLLs.

SLLs are loans where the financial terms are tied to an organization's performance in relation to certain sustainability targets. SLLs aim to facilitate and support environmentally and socially sustainable economic activity and growth. BlueMark works with borrowers of SLLs to conduct upfront reviews of proposed KPIs and targets and offers an independent opinion to lenders about whether these are sufficiently material, ambitious, and measurable. BlueMark also works with borrowers to verify their reported performance against KPIs and eligibility for adjusted financial terms during the course of the loan.

“Engaging with BlueMark helped us confidently and clearly communicate the strength of our proposed Sustainability Linked Loan (SLL) terms to prospective lenders.”

Scrutiny of sustainability-linked loans has increased recently alongside general market concerns about green-washing. When setting proposed KPIs and targets for an SLL, leveraging trusted third-party verification providers, such as BlueMark, is considered best practice for borrowers. Additionally, the SLLP require independent and external verification of performance reported for KPIs in relation to potential financial adjustments to the loan.

Borrowers using SLLs need to be able to credibly communicate to lenders the basis for the selection of key performance indicators (KPIs) and the calibration of the sustainability performance targets (SPTs). The SLLP emphasizes the necessity for KPIs to be relevant, core and material to the borrower's overall business, and of high strategic significance to the borrower's current and future operations. The calibration of the SPTs for each KPI is also key to the structuring of SLLs, defining the level of ambition to which the borrower is committing. The SPTs must represent a meaningful improvement in the respective KPIs, exceeding a “business as usual” trajectory and required regulatory targets. Additionally, where possible, SPTs should be compared to external benchmarks.

As LGT Private Debt prepared to borrow capital in the form of an SLL for three of its capital call facilities, the team engaged BlueMark to conduct an independent review of the proposed terms. The

BlueMark team worked with LGT over the course of several weeks to form its opinion. This included reviewing documentation related to the firm’s sustainability strategy, the rationales for KPI and sustainability performance target (SPT) selection, and future plans for monitoring progress against SPTs. Additionally, BlueMark interviewed relevant LGT staff members to provide further context and clarify supporting evidence. The findings of BlueMark’s analyses were delivered to the team through a presentation documenting observations and recommendations related to LGT’s approach. The LGT team also used BlueMark’s independent verifier statement to confidently communicate the strength of the proposed SLL terms to prospective lenders—ultimately resulting in the lenders providing the facilities.