

# An Introduction to the Sustainability Coordinator Role



This guidance is intended as an overview and is not intended to be comprehensive. Whilst every care has been taken in its preparation, no representation or warranty is given by the LMA as to the accuracy or completeness of the contents of this guidance. Most importantly, this guidance is not designed to provide legal or other advice on any matter whatsoever.

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## Overview

A sustainability coordinator may be appointed on a syndicated loan transaction where the parties intend to structure the transaction (or part of it) as a green, social and/or sustainability-linked loan (a **GSS Loan**), intend to convert an existing loan into a GSS Loan, or are entering into a loan which the parties consider may be converted into a GSS Loan at a future date.

It should be noted that a sustainability coordinator need not always be appointed to help structure a GSS Loan, but often will be for syndicated GSS Loan transactions in Europe, Middle East and Africa (**EMEA**).

This introductory note is intended to provide an insight into some of the current market practices in relation to the appointment of a sustainability coordinator on GSS Loans, including the process for appointment; the role and responsibilities of the sustainability coordinator; and points for consideration in relation to documentation where a sustainability coordinator is to be appointed.

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## Terminology

A sustainability coordinator may be variously referred to as a “sustainability structuring agent”, an “ESG structuring agent”, a “sustainability agent”, a “sustainability arranger”, a “green loan coordinator” (in relation to a green loan), a “social loan coordinator” (in relation to a social loan) and/or a “sustainability-linked loan coordinator” (in relation to a sustainability-linked loan). These titles are often used interchangeably and there is currently no definitive market standard as to the responsibilities which are associated with each of these respective labels.

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## Who carries out the role of sustainability coordinator?

The sustainability coordinator role will typically, but not always, be undertaken by one of the leading lenders on the relevant GSS Loan transaction. The sustainability coordinator function may sit with a dedicated sustainability team at the lending institution, with the wider loan team and/or another part of the relevant lending institution.

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## Reliance and liability

The sustainability coordinator will typically be appointed on a non-reliance basis and, as such, the borrower/obligors and the lender group will usually be excluded from relying on the sustainability coordinator for confirmation that the relevant GSS Loan meets their own requirements, the requirements of the wider syndicate/investors, and/or any external standards/benchmarks, subject to a few limited carve-outs.

As with other finance parties, such as the arranger, the sustainability coordinator may be exposed to potential liabilities to the borrower and the finance parties, and protections will often need to be included in the relevant documentation. The extent of these protections will vary depending on the role and responsibilities of the sustainability coordinator but may include arranger- or agent- style protections.

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## Role and responsibilities

Whilst market practice has evolved rapidly over recent years, there is still often significant variation in terms of the role and responsibilities of a sustainability coordinator from transaction to transaction and across different institutions. Nonetheless, a sustainability coordinator can play a key role in assisting parties looking to align a GSS Loan transaction to good market practice.

### A. Pre-signing

Pre-signing, on a sustainability-linked loan transaction, the sustainability coordinator will generally assist the borrower and the lenders in negotiating the relevant key performance indicators (**KPIs**) and the related sustainability performance targets (**SPTs**) for the transaction. On a green or social loan transaction, the sustainability coordinator may assist the borrower and the lenders in identifying the relevant green/social project(s) to be financed under the relevant use of proceeds instrument.

The sustainability coordinator may also be required to liaise with external reviewers in relation to the choice of the KPIs and the calibration of the SPTs or project selection (as applicable), as well as dealing with the preparation of materials for presentation of the sustainability-linked structure to the syndicate, and managing related dialogue between the borrower and the syndicate. Due care and consideration must be given to any conflicts of interest, or potential conflicts of interest, that the sustainability coordinator may have. The sustainability coordinator may consider and, where appropriate, assist the parties with ensuring that the transaction is aligned to relevant market standards, such as the Green, Social or Sustainability-Linked Loan Principles.

## B. Post-signing

Whilst the role of the sustainability coordinator is typically fulfilled pre-signing, there may be occasions where not all of the KPIs/SPTs can be agreed pre-signing and the loan is to be converted into a sustainability-linked loan post-origination, or where the KPIs/SPTs need to be recalibrated during the life of the loan. In these circumstances, it is possible that the sustainability coordinator may be involved in the transaction post-signing to (re)negotiate the KPIs and (re)calibrate the related SPTs.

Where there is an ongoing obligation for the borrower and/or obligors to deliver sustainability information through the life of the loan, this information will typically be collected by the agent and, where applicable, verified by an independent and external third party

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## Process for appointment

The sustainability coordinator will usually be appointed pre-signing, at the outset of the relevant GSS Loan transaction, and the sustainability coordinator's appointment typically runs up until signing of the relevant facility agreement. Where KPIs and SPTs are to be set post-signing (and the loan converted to a GSS Loan at this stage), the sustainability coordinator's appointment may extend beyond signing or may even take place post-signing.

A mandate letter may be, but will not always be, signed by the sustainability coordinator and the borrower and, where entered into, may be entered into at the same time the term sheet is agreed to evidence the appointment of the sustainability coordinator. Where the sustainability coordinator also acts as arranger or agent, a mandate letter may be used to cover both appointments.

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## Documentation – points for consideration

As noted above, the role and responsibilities of the sustainability coordinator may vary significantly from transaction to transaction. Market practice is still developing in terms of how the sustainability coordinator role is documented.

Parties may, however, wish to consider the following non-exhaustive list of questions (in addition to any usual boilerplate wording and any internal requirements) when drafting documentary provisions relating to the appointment and role of the sustainability coordinator:

- What will the role and responsibilities of the sustainability coordinator be in relation to the GSS Loan transaction?
- Will the sustainability coordinator's role be limited to a pre-signing role, or will it continue to be involved in the GSS Loan post-signing? If the sustainability coordinator is to play no ongoing role post-signing, should this be expressly stated?
- What level of cooperation is required from the other parties for the sustainability coordinator to carry out its role and responsibilities effectively?
- Will any fees and/or expenses be payable by the borrower to the sustainability coordinator and, if so, what level will these be set at and when will they be payable?
- What protections (for example, limitations on liability, indemnities, arranger/agent-style protections, disclaimers, disclosure, termination provisions, confidentiality provisions etc) does the sustainability coordinator require?
- Should the sustainability coordinator be included as a "Finance Party"?
- Should the borrower be required to give any representations and warranties to the sustainability coordinator (for example, in relation to the accuracy of any information provided to the sustainability coordinator)?
- What reliance (if any) should the parties be able to place on the sustainability coordinator in relation to, for example, the selection of KPIs and calibration of SPTs?
- Are any restrictions required in relation to the marketing of the loan as a GSS Loan?
- Could the sustainability coordinator be subject to a conflict of interest and, if so, how is this to be dealt with?