

2025

Corporate Reporting Supervision (CRS)

Sustainability-linked financing



Vision

Public trust and confidence in quality auditing and accounting



Mission

Upholding quality corporate reporting and an accountable profession

Our Values



Excellence

Striving to be the best we can be



Independence

Regulating impartially and objectively



Integrity

Being trustworthy and respectful



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1. Executive Summary

1.1. Introduction and objective

Green and sustainability-linked financing is gaining traction among companies driven by global efforts to support climate-aligned activities. These instruments promote the achievement of sustainability targets by linking their pricing, i.e., interest rates or coupons, to the attainment of pre-defined environmental or social targets.

IAASA has performed a thematic desktop examination of sustainability-linked debt and the related disclosures presented in a sample of issuers' annual reports.

This Paper sets out IAASA's findings from that examination with the objective of informing stakeholders about the extent to which these issuers are financing activities through borrowing facilities instruments explicitly linked to sustainability objectives and targets [section 2.1]. This Paper also provides an insight into the type of targets associated with sustainability-linked debt [section 2.2]. Finally, this Paper includes an overview of the level at which remuneration is linked to sustainability performance [section 2.3].

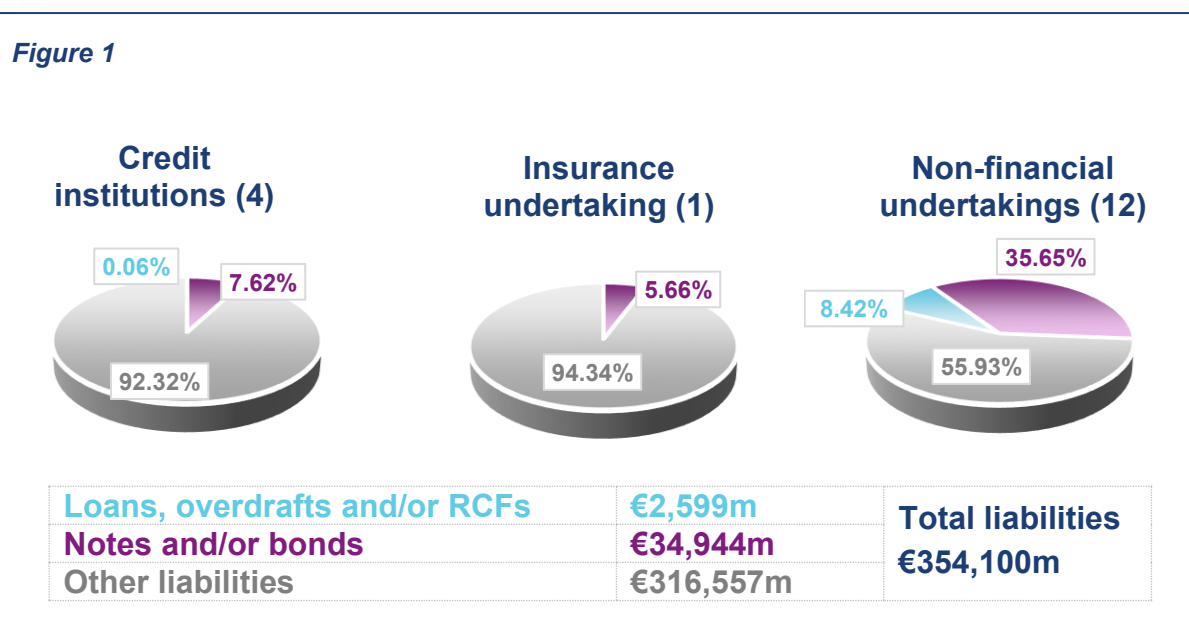
1.2. Scope of thematic desktop examination

IAASA conducted this thematic desktop examination on the annual reports of 17 equity issuers¹ listed on the main market of Euronext Dublin. Fifteen of these issuers have 31 December 2024 reporting dates and the remaining two have reporting dates ending in 2025. The sample selected includes credit institutions (4), insurance undertakings (1) and non-financial undertakings (12).

Figure 1 presents an overview of the liability composition for each category of issuer. The examination focused on:

- drawn down loans, overdrafts and/or revolving credit facilities (RCFs) (€2,599m), and
- notes and/or bonds (€34,944m)

The examination also focused on undrawn committed liabilities (€5,965m) available to non-financial undertakings².



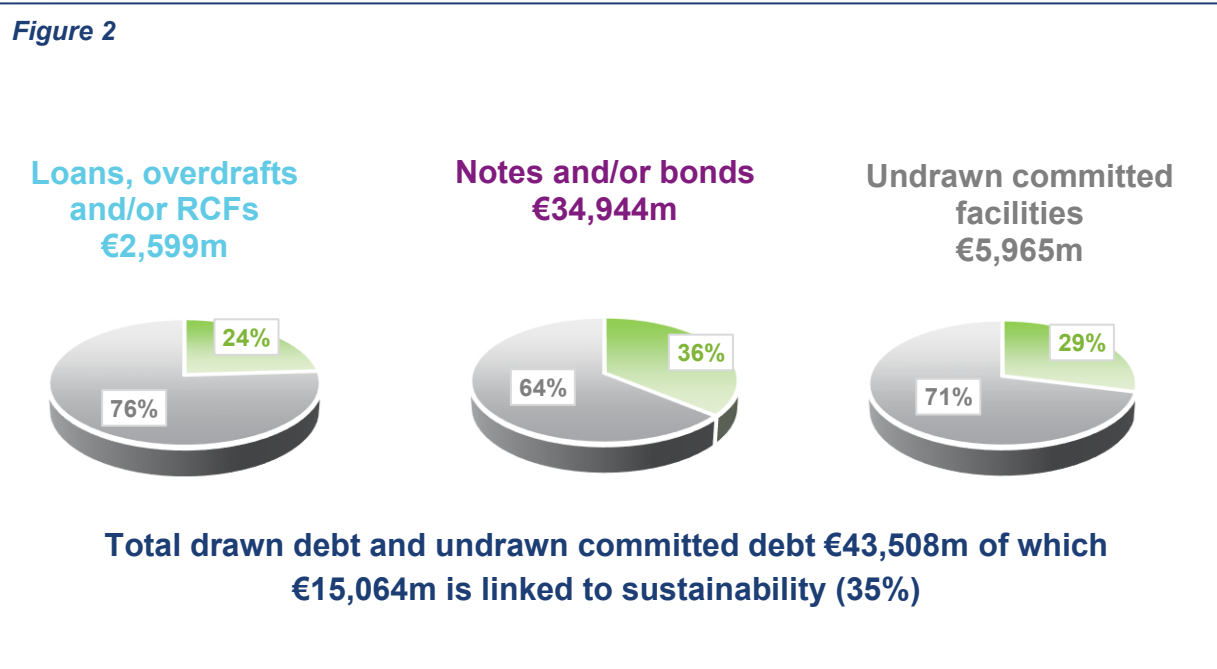
¹ The annual reports selected for inclusion in this thematic desktop examination are set out in Appendix I to this Paper

² Credit institutions and insurance undertakings included in the sample had zero undrawn committed liabilities

2. Findings

2.1. Scale of sustainability-linked debt

Figure 2 illustrates the proportion of debt and undrawn committed debt that is linked to sustainability.



The €2,599m loans, overdrafts and/or RCFs is spread across 11 issuers. Four of those 11 issuers secured sustainability-linked loans, overdrafts and/or RCFs of €636m.

Those four issuers had total drawn facilities of €974m, demonstrating that 65% was linked to sustainability. One issuer also holds notes and/or bonds that are linked to sustainability.



The €34,944m notes and/or bonds is spread across 13 issuers. Six of those 13 issuers secured sustainability-linked notes and/or bonds amounting to €12,680m

Those six issuers had total notes and/or bonds of €28,078m, demonstrating that 45% was linked to sustainability.



The €5,965m undrawn committed facilities is spread across 12 issuers. €1,747m of this is sustainability-linked finance secured by four of those 12 issuers

Those four issuers had total undrawn facilities of €2,133m, demonstrating that 82% was linked to sustainability.



One issuer in scope disclosed a contingent liability for an additional final year coupon payable where targets are not achieved. There was no disclosure as to how that contingent liability was assessed for either remoteness or for materiality.

In summary, figure 3 illustrates that 10 of the 17 issuers in scope are either fully or partly financing their activities through credit instruments explicitly linked to sustainability objectives and targets.

Figure 3

Issuer	Loans, overdraft and/or RCF	Sustainability linked	Notes and/or bonds	Sustainability linked	Undrawn facilities	Sustainability linked
Issuer 1	Yes	No	Yes	Partly		
Issuer 2			Yes	Partly		
Issuer 3			Yes	Partly		
Issuer 4			Yes	No		
Issuer 5			Yes	No		
Issuer 6	Yes	Yes	Yes	No	Yes	Yes
Issuer 7	Yes	Partly	Yes	Yes	Yes	No
Issuer 8	Yes	Partly	Yes	No	Yes	Partly
Issuer 9	Yes	Yes			Yes	Yes
Issuer 10			Yes	Partly	Yes	No
Issuer 11					Yes	No
Issuer 12	Yes	No			Yes	No
Issuer 13	Yes	No	Yes	No	Yes	No
Issuer 14	Yes	No			Yes	No
Issuer 15	Yes	No	Yes	Partly	Yes	No
Issuer 16	Yes	No	Yes	No	Yes	Yes
Issuer 17	Yes	No	Yes	No	Yes	No
Number	11	4	13	6	12	4
Value	€2,599m	€636m	€34,944m	€12,681m	€5,965m	€1,747m

2.2. Performance targets of sustainability-linked debt

2.2.1. Loans, overdrafts and/or revolving credit facilities

As illustrated in figure 3, five issuers have drawn or undrawn facilities that are fully or partly linked to sustainability. Figure 4 shows that while four of the five issuers disclosed that there are performance targets linked to the facilities, none of the issuers explicitly disclosed the targets in addition to other bank covenants.

Figure 4

Issuer	ESG targets?	Specific targets disclosed?	Notes and/or bonds
Issuer 6	Yes	No	<p>The facility is a syndicated facility comprising a 'Sustainability-linked term loan' and revolving credit facility</p> <p>The issuer disclosed that there are four sustainability performance targets underpinning the facility, directly linked to the issuer's strategy</p> <p>The targets linked to the facilities are not explicitly disclosed separate to other bank covenants</p>
Issuer 7	Unknown	No	<p>The facility is a 'Green term loan'</p> <p>There is no disclosure that there are any targets in place separate to other bank covenants</p>
Issuer 8	Yes	No	<p>The facility is a 'Sustainability Linked Loan'</p> <p>The issuer disclosed that the loan agreements now incorporate annual targets in relation to four separate environmental metrics: Emissions, Water usage, Packaging, and Waste throughout the remaining life of the facilities</p> <p>The targets linked to the facilities are not explicitly disclosed separate to other bank covenants</p>
Issuer 9	Yes	No	<p>The facility is a 'sustainability linked finance facility' comprising a term loan and a revolving credit facility</p> <p>The issuer disclosed that the debt facility interest rates are linked to the issuer meeting certain sustainability performance targets aligned to its sustainability strategy and that the sustainability performance targets are in respect of decarbonisation and the issuer's Equity, Diversity and Inclusion strategy</p> <p>The targets linked to the facilities are not explicitly disclosed separate to other bank covenants</p>
Issuer 16	Yes	No	<p>The facility is a 'Green revolving credit facility'</p> <p>There is no disclosure that there are any targets in place separate to other bank covenants</p>

2.2.2. Notes and/or bonds

As illustrated in figure 3, six issuers have notes and/or bonds that are fully or partly linked to sustainability targets. Figure 5 shows that while two of the six issuers disclosed that there are performance targets linked to the facilities, only one issuer explicitly disclosed the targets in addition to other bank covenants.

Figure 5

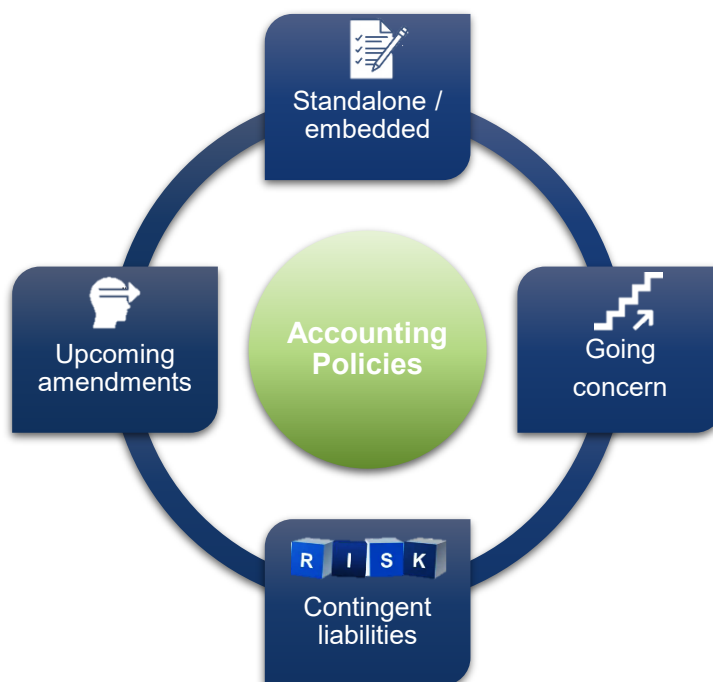
Issuer	ESG or targets?	Specific targets disclosed?	Notes and/or bonds
Issuer 1	No	N/A	The facilities are 'Green bonds' The issuer disclosed that while there are no sustainability targets related to bonds, the Group's ESG bond issuance has supported green and social collateral and the proceeds contributed to the financing of projects with clear environmental and climate action benefits
Issuer 2	Unknown	No	The facilities are 'Green bonds' There is no disclosure that there are any targets in place for the facilities
Issuer 3	Unknown	No	The facilities are green senior preferred notes, 'Green notes' The issuer discloses that the notes are subject to meeting 'certain conditions' but does not disclose what the conditions are or if they relate to sustainability
Issuer 7	No	No	The facilities are 'Green loan notes' There is no disclosure that there are any targets in place for the facilities
Issuer 10	Yes	No	The facilities are 'Sustainability-linked Eurobonds' The issuer disclosed that the bonds contain two emissions reduction targets. While the issuer refers the reader to a separate section of the annual report, it is unknown which ESG targets listed in that section are linked to the bonds The issuer disclosed that the bonds coupon may increase if ESG targets are not met and a contingent liability was accounted for
Issuer 15	Yes	Yes	The facilities are 'Sustainability-linked bond notes' The issuer disclosed that there are two targets linked to the bonds (1) a specified reduction in absolute scope 1 and 2 carbon emissions by a specified date and (2) a specified reduction in raw material wastage by a specified date The issuer disclosed that failure to meet the targets will result in a specified percentage increase in the final interest coupon

Issuers are reminded that bank covenants set minimum standards for a borrower's future conduct and performance and can accelerate the maturity of a loan or result in higher interest rates in the event of a breach. In this context, issuers should also consider the requirements of paragraph 135(a)(ii)³ of IAS 1 *Presentation of Financial Statements*.

³ "To comply with paragraph 134, the entity discloses the following: qualitative information about its objectives, policies and processes for managing capital, including when an entity is subject to externally imposed capital requirements, the nature of those requirements and how those requirements are incorporated into the management of capital."

2.3. Accounting policies

The accounting policies of the 17 equity issuers in scope were reviewed in the context of debt instruments linked to sustainability.



Of the five issuers with drawn or undrawn facilities that are fully or partly linked to sustainability targets, none of those issuers had a standalone accounting policy specifically addressing sustainability-linked facilities. However, relevant disclosures and practices are generally embedded within broader financial and sustainability sections such as policies on debt instruments and/or risk management.

One of the five issuers included information on sustainability-linked facilities available and the sustainability performance targets underpinning those facilities in their 'Basis of Preparation' note when discussing going concern.

Of the six issuers with notes and/or bonds that are fully or partly linked to sustainability targets, none of those issuers had a standalone accounting policy specifically titled or dedicated to sustainability-linked facilities. Again, disclosures are generally embedded elsewhere in the financial statements.

One of the six issuers disclosed upcoming amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instrument Disclosures* that will require (i) new disclosures for instruments with contractual terms linked to environmental, social or governance (ESG) targets and (ii) clarification on the recognition and derecognition dates for such instruments. It was disclosed that these changes are expected to affect future reporting from 1 January 2026 but were not yet adopted.

Accounting policies on contingent liabilities did not include any reference to sustainability-linked debt. Issuers are reminded that climate-related risks – such as regulatory changes, physical and financial risks – should be factored into strategic and financial planning, which may indirectly influence future provisions or contingent liabilities. Judgements and estimates in this area should also be carefully

considered in the context of IFRS compliance, in particular paragraphs 31⁴, 122⁵, 125⁶ and 129⁷ of IAS 1 *Presentation of Financial Statements*.

2.4. Remuneration linked to sustainability performance

Of the 17 issuers in scope, 14 of those issuers (82%) disclosed remuneration policies that include measures linked to sustainability.

Two of the remaining three issuers stated that, although not incorporated at the current time, that the Remuneration Committee did consider incorporating ESG targets into the remuneration structure and will continue to consider this in the future.



One issuer stated that they do not have a mechanism to directly link pay to sustainability outcomes as there is no variable pay scheme in place.

An example of targets integrated into remuneration schemes such as base pay, annual bonus plans, and short and long-term incentive plans include specified weightings on non-financial measures such as:



Customer and employee focused priorities: gender balance, customer satisfaction, employee engagement, diversity, inclusion, social impact initiatives, health and safety, thriving communities



An absolute reduction in scope 1 and 2 carbon emissions by a specified percentage to be attained by a specified date



The achievement of specified 'climate' ratings from an independent environmental reporting provider

Overall, all 17 issuers (100%) addressed whether or not remuneration was linked in any way to sustainability performance.

3. Conclusion

This Paper highlights the growing integration of sustainability objectives into corporate financing. Of the €43,508m in total committed debt assessed, €15,064 million (35%) is explicitly linked to sustainability targets. The analysis reveals significant variation in the transparency and specificity of disclosures, particularly regarding performance targets and accounting policies.

Only a subset of issuers disclosed the targets linked to sustainability debt, and none provided standalone accounting policies for these instruments. Furthermore, while 14 of the 17 issuers

⁴ "...An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material. ..."

⁵ "An entity shall disclose, along with material accounting policy information or other notes, the judgements, apart from those involving estimations (see paragraph 125), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements."

⁶ "An entity shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year."

⁷ "An entity presents the disclosures in paragraph 125 in a manner that helps users of financial statements to understand the judgements that management makes about the future and about other sources of estimation uncertainty."

incorporated sustainability metrics into remuneration structures, the depth and clarity of these linkages varied.

These findings suggest that while sustainability-linked debt is increasingly common, there remains scope for enhanced disclosure practices and standardisation. Issuers are encouraged to improve the clarity of target-setting, integrate sustainability considerations into accounting policies, and ensure that contingent liabilities and remuneration structures are transparently aligned with sustainability outcomes.

IAASA encourages issuers to adopt best practices that support the integrity and comparability of sustainability-linked financial reporting to enable stakeholders to assess its impact on the financial performance and position of the entity.

IAASA will continue to monitor developments in this area.

APPENDIX

Annual Reports selected for inclusion in this thematic desktop examination:

Issuer name	Reporting Date	Activity
Cairn Homes plc	31 December 2024	Non-financial undertaking
Dalata Hotel Group plc	31 December 2024	Non-financial undertaking
Glanbia plc	4 January 2025	Non-financial undertaking
Glenveagh Properties plc	31 December 2024	Non-financial undertaking
Hammerson plc	31 December 2024	Non-financial undertaking
Hostelworld Group plc	31 December 2024	Non-financial undertaking
Irish Continental Group plc	31 December 2024	Non-financial undertaking
Irish Residential Properties REIT plc	31 December 2024	Non-financial undertaking
Kenmare Resources plc	31 December 2024	Non-financial undertaking
Kerry Group plc	31 December 2024	Non-financial undertaking
Kingspan Group plc	31 December 2024	Non-financial undertaking
Ryanair Holdings plc	31 March 2025	Non-financial undertaking
AIB Group plc	31 December 2024	Credit institution
Bank of Cyprus Holdings plc	31 December 2024	Credit institution
Bank of Ireland Group plc	31 December 2024	Credit institution
Permanent TSB Group Holdings plc	31 December 2024	Credit institution
FBD Holdings plc	31 December 2024	Insurance undertaking

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