

Sustainability-linked finance

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In September 2020 Novartis issued a sustainability-linked bond of EUR 1.85 billion, which it described as the first such bond in the healthcare sector. The coupon was linked to targets for patient access to medicines in low- and middle-income countries, measured by the number of patients reached through specified programmes. If Novartis failed to meet the targets by the end of 2025, the coupon would increase. The instrument followed the Sustainability-Linked Bond Principles of the International Capital Market Association, which had been published a few months earlier. It attracted considerable attention as a test case for linking corporate financing to social objectives.¹

The Novartis bond showed how the techniques of sustainable finance, which Part E and Part F have discussed in other contexts, can be applied to a pharmaceutical company whose environmental footprint is relatively modest and whose main social contribution lies in access to medicines. Novartis later also arranged a sustainability-linked revolving credit facility. Other pharmaceutical companies have followed with similar instruments, although the market for sustainability-linked bonds has since faced criticism over the ambition of targets and the size of coupon adjustments. For Basel, the bond reinforced the link between the pharmaceutical industry and the international debate on sustainable finance.²

1 Notes

1. On the sustainability-linked bond of Novartis of September 2020 (EUR 1.85 billion), the patient access targets and the coupon step-up mechanism, see the Novartis press release of 17 September 2020 and the Novartis sustainability-linked financing framework. On the Sustainability-Linked Bond Principles of the International Capital Market Association (June 2020), see the ICMA publications. To be

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verified. Whether the targets were met is a matter to be verified. Status to be verified. ↩

2. On the sustainability-linked revolving credit facility of Novartis and the subsequent development and criticism of the sustainability-linked bond market, see the Novartis annual reports and the analyses of the International Capital Market Association and market participants. To be verified. ↩

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