



Debtholder rights and bond markets

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2 Corporate bond issuance

3 Listed and unlisted issuers

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G20/OECD Principles of Corporate Governance

The revised ***G20/OECD Principles of Corporate Governance*** reflect recent evolutions in capital markets and corporate governance policies and practices.

They recommend to address the **increasing importance of corporate debt** and **bondholders** in markets, their rights, and their impacts.



The exercise of the rights of bondholders of publicly traded companies should be facilitated.

The extended and substantial rise in the use of bond financing by publicly traded companies and their subsidiaries warrants greater attention to the role and rights of bondholders in corporate governance, as well as its importance for the **resilience of companies**.

Subprinciple VI.D.6

and to **promote disclosure** of material information on debt contracts, including the risk of non-compliance with covenants:

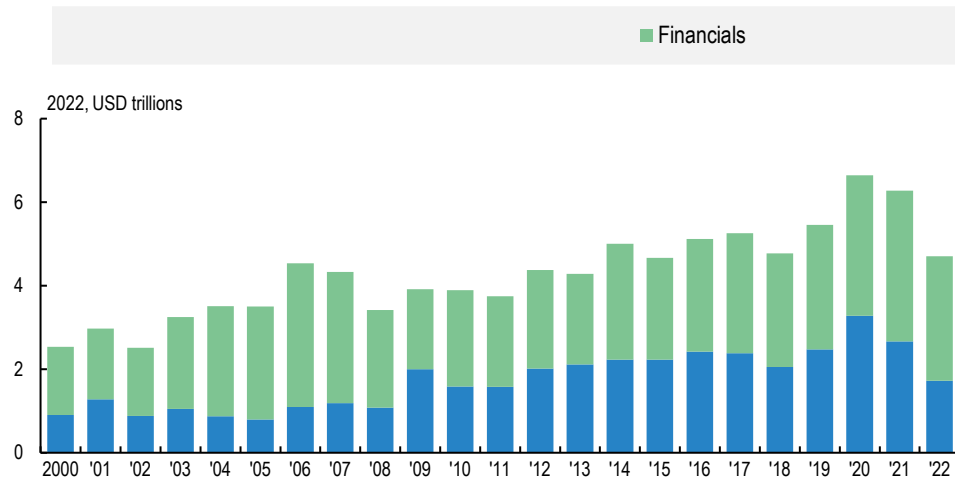
Disclosure should include, but not be limited to, **material information on [...] debt contracts**, including the risk of non-compliance with covenants.

The **timely disclosure of material information on debt contracts**, including the impact of material risks related to a covenant breach and the likelihood of their occurrence, in accordance with applicable standards, is necessary for investors to **understand a company's business risks**.

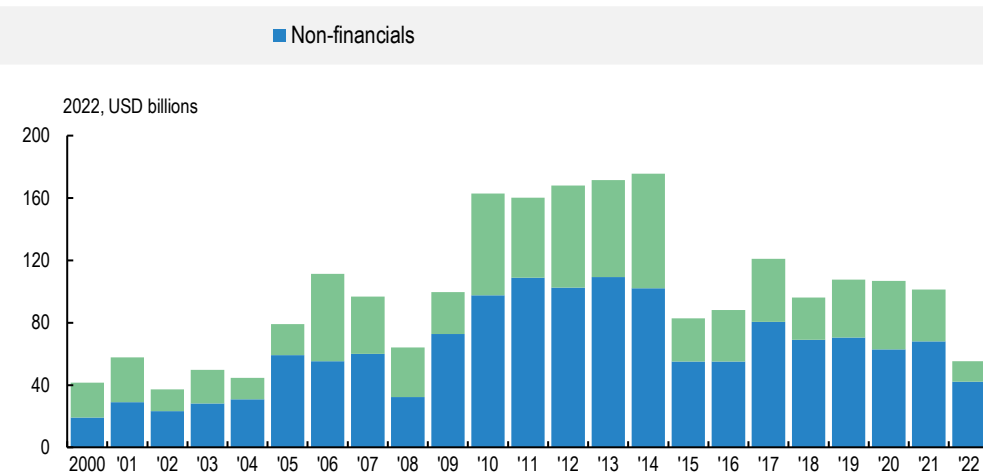
Subprinciple IV.A.10

Corporate bond issuance

REGIONAL DISTRIBUTION



LATIN AMERICA



Source: OECD Capital Market Series Dataset, LSEG.

▶ **Globally**, annual corporate **bond issuance** by **non-financial** companies **doubled** from an average of USD 1 trillion between 2000 and 2007 to an average of USD 2.1 trillion between 2008 and 2022.

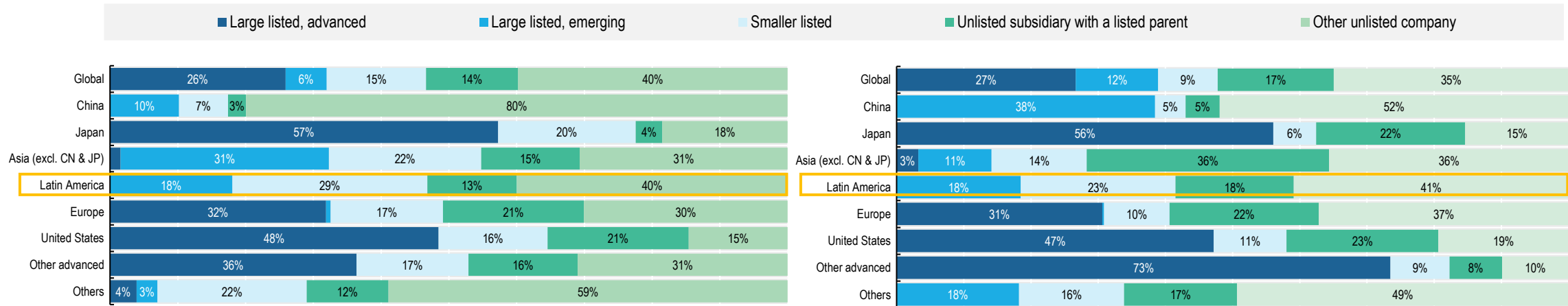
▶ In **Latin America**, the **issuance** of corporate bonds by **non-financial companies** has been predominant over the past 20 years.

▶ Between **2010 and 2014**, the region registered large amounts of issuances, but since then **annual corporate bond issuance decreased**, reaching USD 55.4 billion in 2022.

Listed and unlisted issuers

NON-FINANCIAL COMPANIES

FINANCIAL COMPANIES



Source: OECD Capital Market Series dataset, LSEG, MSCI.

- ▶ In 2021 and 2022, Latin American **unlisted companies** issued **53%** of the amount raised by the **non-financial** corporate sector and **59%** of the amount raised by the **financial** sector in bonds.
- ▶ Within the amount issued by unlisted companies, **13%** was raised by **companies with a listed parent** in the **non-financial** sector, and **18%** in the **financial** sector.

“Use of proceeds bonds” (GSS bonds)

- ▶ Whose proceeds should be used to partially or fully finance or re-finance new or existing eligible green, social or sustainable projects.

“Sustainability-linked bonds” (SLBs)

- ▶ For which the issuer’s financing costs can vary depending on whether the issuer meets specific sustainability performance targets within a timeline.

Sustainable bond market (ii)

SUSTAINABLE BONDS ISSUANCE BY TYPE

GLOBAL

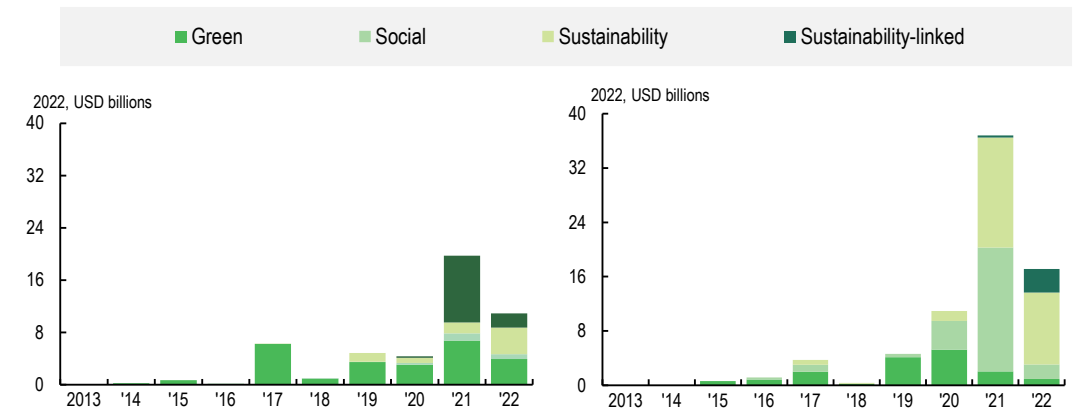
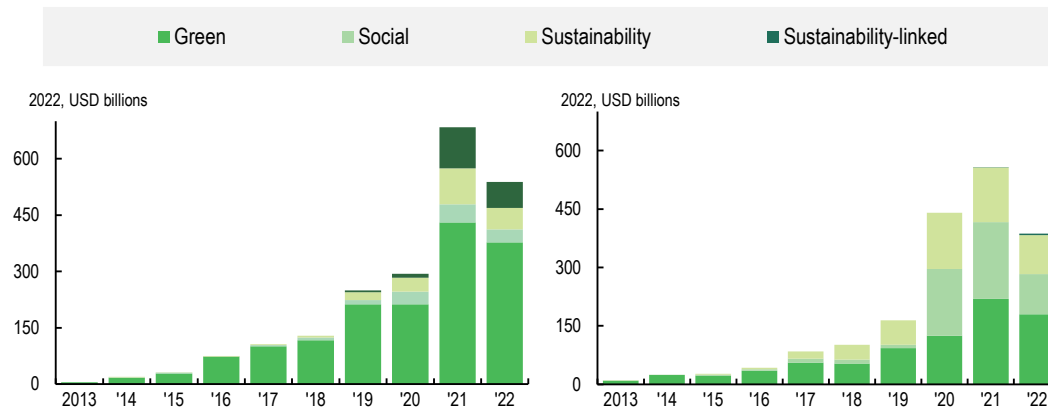
CORPORATE SECTOR

OFFICIAL SECTOR

LATIN AMERICA

CORPORATE SECTOR

OFFICIAL SECTOR



Source: OECD Corporate Sustainability dataset, LSEG.

▶ The issuance of **sustainable** bonds by **non-financial companies** (USD 274 billion) represented **16% of all bonds** issued by the non-financial corporate sector, while the issuance by **financial companies** (USD 265 billion) represented **9% of all bonds** issued by the financial corporate sector.

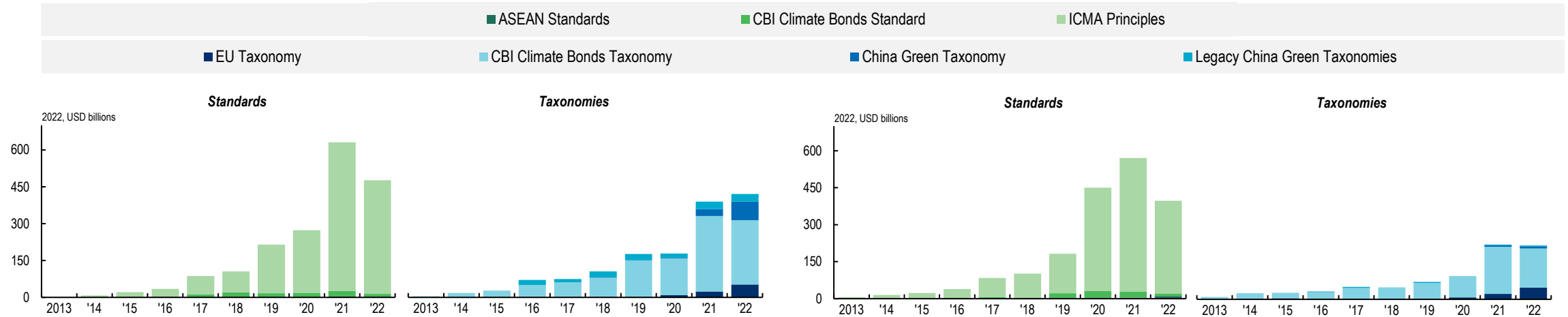
▶ In **Latin America's** corporate sector, **green bond** issuances predominate, while **social and sustainability bonds** play an important role in the official sector. Almost all bond types in both sectors registered record amounts issued in **2021**.

Sustainable bond market (iii)

STANDARDS AND TAXONOMIES

CORPORATE SECTOR

OFFICIAL SECTOR



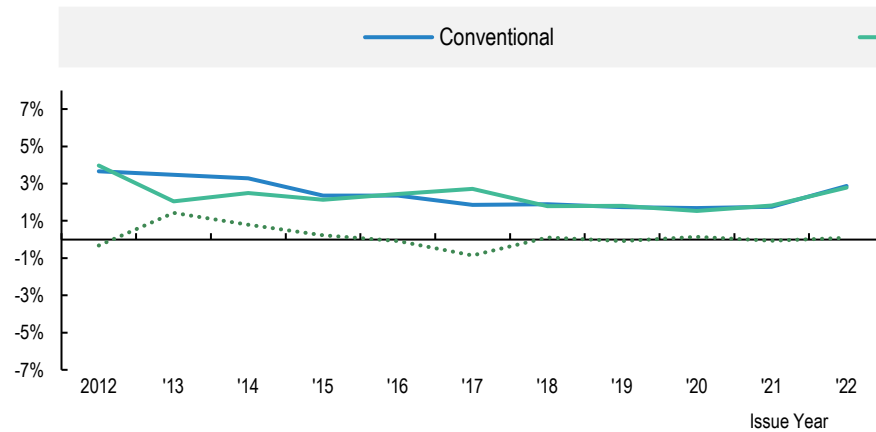
Source: OECD Corporate Sustainability dataset, LSEG.

- ▶ The **standards** developed by the International Capital Market Association (ICMA) were used to classify bonds as sustainable in issuances representing 91% of the total sustainable bond issuance in 2022.
- ▶ The most-often used **taxonomies** in 2022 were the ones from the Climate Bonds Initiative (66%), the European Union (16%), and China's central bank and securities regulator (13%).

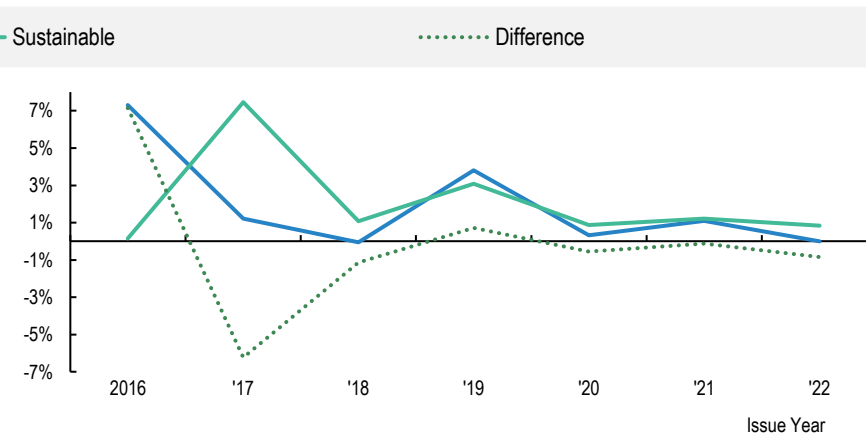
Sustainable bond market (iv)

PREMIUM FOR SUSTAINABLE BONDS

TREND FOR CORPORATE BONDS



TREND FOR OFFICIAL SECTOR BONDS



Source: OECD Corporate Sustainability dataset, LSEG.

Sample: **62** matched bonds for the official sector and **1 372** matched bonds for corporates.

Result: there is **no statistically significant evidence** that entities in either the corporate or the official sector benefit from a **premium for issuing a sustainable bond**.

BOND PROSPECTUSES

GREEN SOCIAL SUSTAINABILITY BONDS

In a sample of 37 GSS bonds issued between 2018 and 2022:

- ▶ **Half** of the prospectuses mention that the **refinancing** of existing eligible projects with the proceeds **is allowed**.
- ▶ **No** prospectus refers to the **existence of a contractual penalty** in case the issuer does not use all proceeds to finance or refinance eligible projects.

SUSTAINABILITY-LINKED BONDS

In a sample of 26 SLBs issued between 2018 and 2022:

- ▶ **All but three** issuers face the **same consequence** if they do not meet the sustainability performance target(s) set in the SLB contract – an increase in the annual coupon (most often 25 basis point).
- ▶ In nearly **two-thirds** of the **corporate** SLBs in the sample and in **half** of **official sector** SLBs, a report on the performance against the Key Performance Indicators (**KPIs**) relevant to the targets would be **provided annually to investors**.



Thank you for your attention!

