

# STRONGHOLD GLOBAL FINANCE

## ESG REPORT 2022

# ESG Report

Stronghold Global Finance provides financial services that support sustainable developments of a society. Given its management vision and promotional initiatives to achieve the Sustainable Development Goals (SDGs) and the poise to contribute to economic and sustainable social development, its overall aim is to contribute to the growth of global financial markets.

Our management vision is to achieve sustainable growth by helping societies and nations to resolve environmental, social and governance issues. It is our mission to help create a genuinely enriched society via our financial expertise advisory roles in capital markets. We believe that our high corporate values can be richly linked to the sustainable development of any society.

As a financial institution, we recognize the important role we have in resolving environmental and social issues such as the climate change and widening social inequalities. We believe that our role is to help build a sustainable world through our businesses. We constantly strive for growth and we aim to strengthen our capabilities to solve social and financial issues through continued partnership with our clients - a wide range of stakeholders as well as institutional investors.

## Our focus to build a solid ESG operating platform



### Underwriting of ESG loans

We assist clients raise capital through structuring and underwriting of ESG loans



### Bringing in ESG investment

Our teams are actively originating ESG transactions and bringing in ESG investments across sectors and jurisdictions



### Guide for a commitment to sustainability

We provide ESG related advisory and research in order to assist clients with their transition process through identifying key KPIs in their business model.

## Our dialogue with Clients and Stakeholders

We dialogue with stakeholders to understand their expectations and to reflect ESG required standards in business activities. We believe that this dialogue with stakeholders is very important. And through constant communication with stakeholders, from clients to shareholders, the community, and employees, we are able to satisfy the needs of customers both in developed and emerging economies.

## Advisory and Financing

We relieve our client's burden by helping them to analyse and select vital investment opportunities. We ensure, on their behalf, and given our sophistry and sound asset management advisory we aim to deliver smooth, effortless and effective transactions.

We aim to achieve continuous liquidity supply and provide, regularly, financial products even from private operators in the market. We work to provide optimal funding and solutions for business continuity and growth, offering as well, advice on improving enterprise values, which in turn, drives investment performance and long term asset building. Most importantly, we aim to promote a sustainable and prosperous society by helping clients perform.

## Sustainable Finance

### Sustainability-Linked Loans

Sustainability-Linked Loans are lending facilities which incentivise the achievement of pre-determined sustainability performance targets (SPTs). Facilities typically include an ESG margin ratchet structure that ties financial benefits to a sustainability performance.

### Infrastructure and Renewable Energy Loans

With expertise in financing sectors from solar to onshore/offshore wind, health, education, transport and social housing we are delivering solutions and empower customers to accelerate the transition to a lower carbon economy.

## Sustainability Research and Market Outlook

We are conducting research in the field of sustainability, and contributing to the realization of a sustainable society through financial and capital markets. We are monitoring closely the prospects of ESG related policy developments in 2022 which concludes to the ESG outlook below:

### 1. The Financing Market Outlook

ESG has become a mega-trend in the fixed income market and will further entrench itself into global investment-grade bond markets, driven by the growth of social and sustainability-linked loans/bonds, and diversify to high-yield loan/bond markets.

ESG relevance has grown to the extent that it has begun to impact regular capital flow to companies' that investors perceive to carry greater ESG related risk. Most notably, the financing market including green, social and sustainable or sustainability linked bonds, has grown more than 900% volume of issuance over the last 5 years. (Source: Bloomberg)

This unprecedented growth is expected to persist and will be driven by these three factors:



Diversification of ESG financing to emerging markets and new markets, particularly high yield debt;



Growth of sustainability-linked bonds, particularly in light of the ECB accepting these as collateral;



Increase in demand for social bonds that saw a 75-fold increase in 2020 due to the impact of the pandemic (Bloomberg)

## 2. Investment strategies post Covid-19

Covid-19 has made clear to capital providers the material impact of non-financial risks. Since, there is an increased focus on managing the material financial risks from ESG factors, particularly climate change. We expect to see more financial institutions and institutional investors commit to aligning their portfolios and capital with the goals of the Paris Agreement and EU taxonomy by prioritising two investment strategies:

ESG integration, where capital providers assess companies on specific ESG factors and how they impact their enterprise value;

ESG engagement, where capital providers engage with companies to actually influence their response and understanding of ESG risks.

## 3. Transition towards net zero

Capital providers are looking to identify companies that demonstrate credible transition strategies and assess the ability to deliver commitments. As a result, companies have pressure to align their business models to a decarbonisation pathway in line with the Paris Agreement. Investors expect corporate transition strategies to be externally verified, to rely on reduction of the company's biggest emission source rather than offsetting and to demonstrate progress against commitments and track record of execution.

## 4. Global consistency in ESG data reporting is a challenge however ratings will become increasingly relevant

Implementation of a single ESG reporting method to drive capital allocation is challenging in the short-term. Reporting standards at the moment are fragmented and inconsistent. Some of the main private requirement setters are: the Sustainability Accounting Standards Board (SASB), the Global reporting Initiative (GRI), and the International Integrated Reporting Council (IIRC).

However, we expect to see ESG ratings increase in relevance to investors, and investors to firmly link their assessment of an issuer's green bond/loan to its corporate sustainability strategy.

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