

Social loans

Overview of the key features in Ireland



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The social loan principles were jointly published by the Loan Market Association, the Loan Syndications and Trading Association and the Asia Pacific Loan Market Association (the "**Social Loan Principles**"). In this briefing, we highlight some of the key aspects and qualifying criteria of the Social Loan Principles which are voluntary guidelines for social loans.

Social Loans	
What is a social loan?	A social loan is any type of loan instrument made available exclusively to finance or refinance a new or existing social project.



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What are the core components of a social loan?	To satisfy the Social Loan Principles, social loans must comply with the following four components:
	<p>1. Use of Proceeds: A key component of a social loan is the utilisation of the loan for a social project. A social loan may take the form of one or more tranches of a loan facility and may be made by way of a term loan or revolving credit facility.</p> <p>The Social Loan Principles set out an indicative non-exhaustive list of categories of social projects including affordable housing, employment programmes and access to education and training. Eligible social projects include the following:</p> <ul style="list-style-type: none">a. affordable basic infrastructure such as clean drinking water, sanitation and transport;b. access to essential services such as education, vocational training and healthcare;c. affordable housing;d. employment programs;e. food security and sustainable food systems; andf. socioeconomic advancement and empowerment.
	<p>2. Process for Project Evaluation of Selection: A social project should be consistent with the sustainability strategy of a borrower. A borrower should clearly communicate the following to its lender:</p> <ul style="list-style-type: none">a. its social objectives;b. how the borrower determines that its project is a social project; andc. the related eligibility criteria.
	<p>3. Management of Proceeds: The proceeds of a social loan should be credited to a dedicated account or tracked by a borrower in an appropriate manner.</p>
	<p>4. Reporting: A borrower should maintain records of the use of proceeds, including:</p> <ul style="list-style-type: none">a. a list of the social projects to which the proceeds have been allocated and the basis on which they have been designated as a social project;b. a brief description of the social project;a. the amount allocated; andb. the expected impact of the social project.

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Is an external review required to verify a borrower's social loan or associated framework align with the core components of the Social Loan Principles?	Where appropriate, an external review of a borrower's social loan or associated framework is recommended. Such external reviews might include the following: <ul style="list-style-type: none">a. Consultants Review (advice from consultants and/or institutions with recognised expertise in the area);b. Verification (verification by qualified parties, such as auditors or independent ESG rating providers);c. Certification (certification against an external assessment standard); andd. Rating and scoring (rating by qualified third parties, such as specialised research providers or rating agencies).
Can a borrower self-certify that its social loan or associated framework is in compliance with the core components of the Social Loan Principles?	Self-certification by a borrower who has demonstrated that it has developed the requisite internal expertise to confirm its social loan or associated framework aligns with the core components of the Social Loan Principles maybe sufficient. It is recommended that a borrower documents its internal expertise and processes. Where appropriate a borrower is encouraged to make such documentation publically available via their website.
Should any additional representations and warranties be included in the facility agreement?	A borrower should be under an obligation to represent the accuracy of any reporting.
Should any additional information undertakings/covenants be included in the facility agreement?	Information undertakings/covenants relevant to the social project should be clearly identifiable in the facility agreement.
Should any additional events of default be included in the facility agreement?	A borrower and a lender should consider whether or not a failure to apply the proceeds of a social loan towards a social project will trigger an event of default under a facility agreement.

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