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## Sustainable Fitch: Bonds Use of Proceeds Could Focus More on New Projects, Best Practices

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**Related Content:** [ESG Ratings Insights: Bond Use of Proceeds](#)

Sustainable Fitch-Hong Kong/Toronto/Singapore-07 August 2023: Labelled bonds use of proceeds (UoP) have contributed positively to environmental and social activities, although they could further adhere to issuance guidelines and best practices, says Sustainable Fitch in its new report, “ESG Ratings Insights: Use of Proceeds in Instrument Ratings”.

Green, social, sustainability and sustainability-linked bond issuances rated by Sustainable Fitch generally receive UoP scores between ‘1’ and ‘2’, indicating close alignment with established screening criteria. Green bonds with UoP supporting clean transportation and renewable-energy projects scored the highest on average, while affordable housing and employment generation-related scored best across social bond UoPs.

However, we note a focus on refinancing existing rather than new projects, which reduces the overall impact of labelled bonds issuances and UoP scores. This is because financing new projects contributes more substantially to improving environmental and/or social outcomes. Over one-third of instruments targeted projects that were more than three years old or lacked information on the age of target projects.

We also observe a disproportionate focus on climate mitigation initiatives across instrument UoPs relative to climate adaptation, signalling a potential lack of preparedness or resilience to the physical effects of climate change.

The report “ESG Rating Insights: Bond Use of Proceeds” is available by clicking the link above or at [www.sustainablefitch.com](http://www.sustainablefitch.com).

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