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# Prior Lending Relationships and the Effectiveness of Commitments in Sustainability-Linked Loans

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## Abstract

Using a global sample of sustainability-linked loans, we examine how prior relationships between borrowers and lead arranging banks-acting as sustainability agents-influence the structure of key performance indicators (KPIs) of these loans. We find that existing relationships are associated with fewer yet broader KPIs spanning multiple ESG dimensions. Moreover, when such relationships are present, greater KPI intensity leads to improved post-issuance ESG performance, particularly in the environmental domain. Our results are robust to a variety of checks, including instrumental variable and propensity score matching techniques, highlighting the significance of relationship lending in shaping effective sustainability incentives.

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