

The Governance Framework of the Principles

5 May 2020

1 THE PRINCIPLES

The Green Bond Principles (“GBP”), have been developed and published as voluntary guidance to bond market participants for the issuance of Green Bonds. The initial version of the GBP was issued on January 13, 2014.

The Social Bond Principles (“SBP”) have been developed as voluntary guidance to bond market participants for the issuance of Social Bonds. The initial version of the SBP was issued at the time of the 2017 GBP AGM.

The Sustainability Bond Guidelines (“SBG”) have been developed as voluntary guidance to bond market participants for the issuance of Sustainability Bonds. The initial version of the SBG was published at the time of the 2017 GBP AGM.

ICMA currently provides the Secretariat for the Principles following its appointment by the Executive Committee in April 2014.

Additional Principles or Guidelines may be developed from time to time at the initiative of the Executive Committee for bonds or other debt capital instruments that facilitate and support environmentally and socially sustainable activities.

The Green Bond Principles, the Social Bond Principles, the Sustainability Bond Guidelines and any subsequent Principles or Guidelines to be published are hereafter together referred to as “the Principles”.

2 VISION & MISSION

The Principles champion global Green, Social and Sustainability Bond (and related) markets to finance progress towards environmental and social sustainability.

Through global guidelines and recommendations that promote transparency and disclosure, they outline best practices that ensure integrity when issuing bonds serving social or environmental purposes.

The Principles also raise awareness on the importance of environmental and social impact literacy among financial market participants, which ultimately helps to attract more capital to support sustainable development. They aim to support issuers in transitioning their business models towards achieving a sustainable and carbon-neutral economy, protecting natural resources and the environment as well as achieving greater social benefits.

While Green, Social and Sustainability Bonds focus on the four core components of: use of proceeds, process for evaluation and selection, management of the proceeds, reporting with where feasible impact assessment; other approaches for embedding social or environmental features can be provided, while ensuring the credibility of the market.



3 GOVERNANCE PURPOSE

This document (“the Governance”) sets out the organization and decision-making process with respect to: 1) updates to the Principles; 2) oversight of a Principles Secretariat (“Secretariat”); and, 3) other matters that may arise in the Governance.

4 GOVERNANCE STRUCTURE

The Governance is comprised of four components: 1) Members and Observers; 2) an Executive Committee; 3) a Steering Committee; and, 4) a Secretariat.

4.1 MEMBERS

Members shall be organizations that have issued, underwritten or placed, or invested in a Green Bond, a Social Bond, a Sustainability Bond or other debt capital market instruments aligned with the Principles that facilitate and support environmentally and socially sustainable activities. To be admitted as a Member, an organization applies in writing to the Secretariat and is approved by the Secretariat. No new Members shall be admitted between the date of the notice of an ordinary General Meeting in accordance with section 6.1, para. 4 of the Governance and the date of the ordinary General Meeting concerned.

A Member may resign from membership by giving notice in writing to the Secretariat.

The Members elect the Executive Committee, decide on changes to the Governance in accordance with section 7 below, provide input to updates to the Principles, may be invited by the Executive Committee to join working groups or advisory bodies, and resolve on such items as may be brought before them by the Executive Committee.

4.2 OBSERVERS

Observers can be organizations which are active in the field of green, social and/or sustainability finance but do not qualify as Members pursuant to section 4.1, para. 1 above, such as but not limited to, NGOs, universities, auditors, consultants and service providers. To be admitted as an Observer, an organization applies in writing to the Secretariat and is approved by the Secretariat.

An Observer may resign by giving notice in writing to the Secretariat.

Observers provide input to updates to the Principles and may be invited by the Executive Committee to join working groups or advisory bodies.

Observers are invited to attend the General Meeting but shall have no right to vote or to take part in elections or decisions and shall not be entitled to form part of the Executive Committee or the Steering Committee.

4.3 EXECUTIVE COMMITTEE

4.3.1 CONSTITUTION OF THE EXECUTIVE COMMITTEE

The Executive Committee (“EC”) is formed with 24 organisations comprising an equal distribution between investors, issuers and underwriter with 8 representatives from each category. These organisations are elected by the Members for a 2-year mandate under the terms and conditions as set out below.

At each ordinary General Meeting, one-half of the total number of EC members shall retire by rotation by reference to those who have been longest in office since their last election or reelection. These members and all other Members will be asked whether they wish to put themselves forward as candidates for election (or reelection) for a term of approximately two years. Details of such candidates will be circulated to the membership not later than 21 days before the date of the ordinary General Meeting. At the ordinary General Meeting members can vote for their preferences by issuer, investor



and intermediary category and the 12 candidates with most votes (4 from each category) will join the EC restoring its total composition to 24 members. Elections shall be held by ballot at the ordinary General Meeting. Alternatively, if the EC so decides, the elections shall be held by a ballot by mail (electronic or postal) organized by the Secretariat and to be closed not later than 5 days before the date of the ordinary General Meeting. In the event of a ballot by mail, voting by proxy shall not be permitted, and the vote of each Member shall be cast by that Member individually. Each Member shall have one vote, but no Member shall have more than one vote.

Candidates shall be elected in the order of relative majority. If two or more candidates obtain the same number of votes and if there are no corresponding vacancies, the remaining place(s) available shall be filled by drawing lots from those candidates who obtained the same number of votes.

In the event of there being an insufficient number of candidates in any year to complete the EC, the existing EC is empowered to appoint a willing institution (or institutions) of the appropriate category to join the EC for a term of approximately two years.

In the case of any ad hoc vacancies created by the resignation of a member of the EC during its term of office, the EC is empowered to appoint a willing institution of the same category to replace the resigning member and complete its term of office.

In the case of persistent lack of participation of an EC Member to EC meetings, the EC is entitled to issue a first warning to the Member involved. If the Member remains delinquent, the EC can instruct the Secretariat to issue a final warning which, in the absence of remedial action by the Member, can be followed by a termination notice issued by the Secretariat at the request of the EC to the delinquent Member. Subsequently, the EC can appoint a willing institution of the same category to replace the Member and complete its term of office considering, among other, the latest voting available for EC candidates and criteria such as geographic diversity and market share.

Each member of the EC shall designate a permanent representative and an alternate representative. Designations of representatives (permanent and alternate) may only be made in respect of persons who are employed by an EC Member.

4.3.2 ROLE OF THE EXECUTIVE COMMITTEE

The EC has the authority to address all matters relating to the Principles, except those expressly reserved to the Members. Specifically, the EC 1) appoints and oversees the Secretariat; 2) approves formal Principles communications; 3) approves amendments and additions to the Principles; 4) proposes and validates issue-specific working groups and advisory bodies including Members and Observers, 5) makes recommendation to amend the governance pursuant to section 7 below, and 6) sets the overall strategy of the Principles in accordance with the Vision & Mission referred to in section 2 above.

4.4 STEERING COMMITTEE

The Steering Committee (SC) consists of the EC Chair and Deputy Chairs elected under section 6.2 and is supported by the Secretariat. Chair and Deputy chairs should be from one membership category respectively so that issuers, underwriters and investors are all represented.

The SC with the support of the Secretariat 1) prepares the agenda of the EC meetings; 2) reviews Member and Observer input to updates to the Principles; 3) provides the EC with recommendations for changes to the Principles; 4) provides a revised draft for approval by the EC; 5) drafts guidance documents for approval by the EC; and, 6) performs other coordination functions in support of work of the EC and the governance of the Principles.



4.5 SECRETARIAT

An outside Secretariat shall be appointed by the EC. Secretariat functions are determined and carried out in accordance with a scope of work prepared by the Secretariat and approved by the EC and includes 1) host the Principles; 2) receive and approve Member and Observer applications; 3) maintain a web-page with the list of Members, Observers, the EC, the SC, and key communication elements regarding the Principles; 4) organize and run general meetings of the Members and Observers; 5) manage other meetings and calls, including maintaining minutes; 6) advise on governance and other issues; and, 7) handle other administrative matters. The Secretariat shall not be a regulatory body for the Principles.

5 RECURRING ISSUES

5.1 PRINCIPLES UPDATES

The Principles are updated through Secretariat-led solicitation of Member and Observer input, and drafting by the EC. Each enacted version of the Principles shall be identified by the year promulgated, and remain in effect until replaced by a subsequent version is approved by the EC. Supplementary Guidance Documents can be issued by the EC. The EC will seek to achieve coherence and compatibility between the Principles within a common framework and process for use of proceeds bonds as well as other debt capital instruments as determined by the EC.

6 MEETINGS

6.1 GENERAL MEETINGS

The Members and Observers shall have an ordinary General Meeting during the first six months of every calendar year (or in case of exceptional circumstances as determined by the EC, as soon as reasonably practicable) on a date and at a time to be determined and announced by the EC. This meeting serves as an informational update, provides an opportunity to have a report on activities by the EC and conducts any necessary business in the running of the Principles.

In addition, the EC may call such extraordinary General Meetings of the Members and Observers as it deems necessary. The EC shall also call extraordinary General Meetings of the Members and Observers on the receipt of a request of at least one-third of the Members.

All General Meetings of the Members and Observers shall be chaired by the Chair of the EC or in the case of the Chair's inability, by one of the Deputy Chairs, if any, or by an EC member appointed ad-hoc by the EC for the particular meeting.

The notice of a General Meeting containing the full agenda and all relevant material shall be made available to all Members and Observers (by publication on the relevant section on the Secretariat's website or) in such manner as the EC thinks appropriate, not later than 21 days before the date of any such General Meeting.

The quorum necessary for the transaction of business at a General Meeting of the Members and Observers shall be the presence of not less than one half of the Members from time to time. Unless otherwise stated in this Governance, decisions by the Members shall require the concurrence of a simple majority of the votes present (i.e. the Members present, and the Members represented by proxy).

If at the scheduled date and time for a General Meeting of the Members and Observers a quorum is not present, notice may be given to all Members that a further General Meeting of the Members and Observers will be held within 30 days of the first General Meeting and that such later General Meeting may then transact business irrespective of the number of Members present.

In any vote, each Member shall have one vote, but no Member shall have more than one vote.



Members may be represented at General Meetings of the Members (i) by one person from within their organization (a "Voting Delegate"), (ii) by a person not from within their organization provided that such person is a Voting Delegate of a Member which is a duly authorized proxy of the Member in question, or (iii) by the Secretariat provided the Secretariat is a duly authorized proxy of the Member in question. A Member may give a proxy in writing (by email, fax or letter) to another Member or the Secretariat to represent it at a General Meeting. A Member may not be appointed as the proxy for more than five Members. The Secretariat must be notified in writing by any Member giving a proxy to any other Member(s).

Voting Delegates shall attend the General Meeting in person or, if determined by the EC, on a virtual basis only or both in person as well as on a virtual basis.

6.2 EXECUTIVE COMMITTEE MEETINGS

The EC will regularly schedule meetings with the support of the Secretariat. Meetings of the EC shall be called by the Chair of the EC or by at least one-third of its members. At the EC meeting following each ordinary General Meeting, the EC shall call for candidates for election from amongst its members for the Chair and two Deputy Chairs, who shall serve until the end of the next ordinary General Meeting and shall be drawn from each of the 3 membership categories so that issuers, underwriters and investors are all represented. Elections for the EC Chair and Deputy Chairs shall be held as soon as possible following the ordinary General Meeting.

The quorum necessary for the transaction of business at meetings of the EC shall be the presence of at least half of its members. Unless otherwise stated in the Governance, resolutions by the EC shall require the concurrence of a simple majority of the votes present (i.e. the EC members present, and the EC members represented by proxy). In no event shall the Chair of the EC or the Deputy Chair of the EC chairing, or any other EC member appointed ad-hoc by the EC to chair, an EC meeting in the Chair's inability, have a casting vote.

An EC member shall be deemed to be present at a meeting if its representative (permanent or alternate) is able (directly or by telecommunication) to speak to and be heard by all those present or deemed to be present simultaneously. An EC member so deemed to be present shall be entitled to vote and be counted in the quorum accordingly. Such a meeting is deemed to take place where it is convened to be held or (if no EC member is present in that place) where the largest group of those participating is assembled, or, if there is no such group, where the EC member chairing the meeting is.

Any EC member may give a proxy in writing (by email, fax or letter) to another EC member to represent it at a specified EC meeting. An EC member may not be appointed as the proxy for more than one other EC member. The Secretariat must be notified in writing by any Member giving a proxy to any other Member(s).

In addition to passing resolutions or making decisions at EC meetings, the EC may pass resolutions or make decisions in writing (which may be by mail, telefax or e-mail) provided that no EC member requests oral discussion. Such a resolution or decision in writing shall require the concurrence of a simple majority of the number of members of the EC in writing (which may be by mail, telefax or e-mail).

7. AMENDING THE GOVERNANCE

The Governance may be amended upon recommendation by the EC by a qualified majority of 60% of Members (and if 60% results in a fraction, the next whole number exceeding 60%) present at a General Meeting represented by their own delegate or by proxy given to another Member (whereby a Member may not be appointed as proxy for more than five Members) or to the Secretariat.



Alternatively, the EC may at any time propose a resolution for an amendment of the Governance to all Members by e-mail. If within 30 days of the EC's e-mail, (i) no Member requests oral discussion among Members, (ii) not less than half of the Members respond by e-mail and (iii) at least 60% of the responding Members approve the proposed resolution, the amendment of the Governance shall be deemed approved.