

# THE GREEN BOND PRINCIPLES

## What are Green Bonds?

Green Bonds are instruments in which the proceeds will be exclusively applied (either by specifying Use of Proceeds, Direct Project Exposure, or Securitization) towards new and existing Green Projects – defined here as projects and activities that promote climate or other environmental sustainability purposes.

There are currently four types of Green Bonds recognised by the Green Bond Principles (additional types may emerge as the market develops and these will be incorporated in annual GBP updates):

- Green Use of Proceeds Bond: a standard recourse-to-the-issuer debt obligation for which the proceeds shall be moved to a sub-portfolio or otherwise tracked by the issuer and attested to by a formal internal process that will be linked to the issuer's lending and investment operations for projects. Pending such investment, it is recommended that the issuer make known to investors the intended types of eligible investments for the balance of unallocated proceeds.
- Green Project Bond: a project bond for a single or multiple Green Project(s) for which the investor has direct exposure to the risk of the project(s) with or without potential recourse to the issuer.
- Green Securitised Bond: a bond collateralized by one or more specific projects, including but not limited to covered bonds, ABS, and other structures. The first source of repayment is generally the cash flows of the assets. This type of bond covers, for example, asset-backed securitizations of rooftop solar PV and/or energy efficiency assets.
- Green Use of Proceeds Revenue Bond: a non-recourse-to-the-issuer debt obligation in which the credit exposure in the bond is to the pledged cash flows of the revenue streams, fees, taxes etc., and the Use of Proceeds of the bond goes to related or unrelated Green Project(s). The proceeds shall be moved to a sub-portfolio or otherwise tracked by the issuer and attested to by a formal internal process that will be linked to the issuer's lending and investment operations for projects. Pending such investment, it is recommended that the issuer make known to investors the intended types of eligible investments for the balance of unallocated proceeds.



## What are the Green Bond Principles?

The Green Bond Principles (GBP) are voluntary process guidelines that recommend transparency and disclosure; and promote integrity in the development of the Green Bond (GB) market by clarifying the issuance process. The transparency and disclosure recommended by the Principles are also intended to provide the informational basis for the market to increase capital allocation to environmentally beneficial purposes without any single authority or gate keeper.

The GBP are intended for broad use by the market. They provide definitions of the recognized types of GBs. They give issuers guidance on the key components involved in launching a credible GB, and specifically with respect to use of proceeds; process for project evaluation and selection; management of proceeds; and reporting. They also include information on the availability and type of third party assurance to evaluate the environmental impact of their related green investments and projects.

Generally, the Principles assist all participants by moving the market towards standard disclosures and reporting which will facilitate transactions.

The Green Bond Principles are available at:  
[www.icmagroup.org/greenbonds](http://www.icmagroup.org/greenbonds)

## Who supports the Green Bond Principles?

In excess of 55 institutions representing all participants in the GB market have now joined the GBP as members. Membership is open to institutions that have issued, underwritten or placed, or invested in a Green Bond. Members elect the Executive Committee, decide on changes to GBP governance, and provide input to updates to the Principles

Observer status is designed to welcome organizations that are not yet in the market and/or are active in the field of green finance such as but not limited to NGOs, universities, auditors, and service providers. Observers are informed of GBP developments and are included on consultations regarding updates to the Principles. As of end-July 2014, 18 organizations have received GBP observer status.

Lists of current members and observers are available at: [www.icmagroup.org/greenbonds](http://www.icmagroup.org/greenbonds)

## What is the Governance framework for the Principles?

The Governance framework for the Green Bond Principles was established to clarify the decision making process with respect to updates to the Principles and oversight of a Green Bonds Principles Secretariat. It was published in April 2014 and is available from: [www.icmagroup.org/greenbonds](http://www.icmagroup.org/greenbonds)

Under the framework an Executive Committee was established at the end of June 2014 with representatives from 18 organisations, comprising a balanced distribution of leading Green Bond investors, issuers and underwriters.

The composition of the Initial Executive Committee confirms the broad support that the Principles enjoy and provides a solid basis for their governance.

## GBP Initial Executive Committee as of August 2014

### Investors

- Blackrock, Inc.
- California State Teachers' Retirement System (CalSTRS)
- Natixis Asset Management / Mirova
- Standish Mellon Asset Management Company LLC
- TIAA-CREF
- Zurich Insurance Group

### Issuers

- EDF S.A.
- European Investment Bank (EIB)
- GDF SUEZ
- International Finance Corporation (IFC)
- Unilever
- World Bank

### Underwriters

- Bank of America Merrill Lynch
- Citi
- Credit Agricole CIB
- HSBC
- JPMorgan Chase & Co.
- Skandinaviska Enskilda Banken AB (SEB)

## Secretariat

The International Capital Market Association (ICMA) serves as Secretariat providing guidance for the governance of the Green Bond Principles and other issues. The Secretariat's duties include facilitating information exchange with issuers, investors, underwriters, and other stakeholders, as well as gathering input for the annual update of the Green Bond Principles; and providing administrative support.

## Contact

For information, or to find out how to participate in the Green Bond Principles, please contact the GBP Secretariat at [greenbonds@icmagroup.org](mailto:greenbonds@icmagroup.org)