



# Guidance Handbook

June 2019



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# Introduction

Since the original publication of the Green Bond Principles (GBP) in 2014, and the subsequent releases of the Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG), market participants have sought additional information on how to interpret this guidance especially for its practical application for transactions, as well as in the context of market developments and complementary initiatives.

The responses provided by the GBP SBP Executive Committee have been made available online and have grown into an important body of knowledge and best practices that had been translated in 2018 in 19 languages.

In order to further enhance the accessibility and user-friendliness of this information, the Executive Committee with the support of the Secretariat is now publishing this up-to-date edited compendium of the Q&A in a “Guidance Handbook” organised thematically with a table of content covering 5 sections: Fundamentals, Governance & Membership, Core Components of the GBP/SBP, Market and Technical Issues and Other Market and Official Sector Initiatives. New responses agreed in 2019 are also being made available in this document.

Our objective is that this publication be widely circulated and used by in the Green, Social and Sustainability Bond market. It is designed to support its continuing development and to underpin its integrity. We hope that it will prove useful to all participants and stakeholders.

# 1. Fundamentals

## 1.1 Is there a definition of Green, Social and Sustainability Bonds?

Green, Social and Sustainability Bonds are any type of bond instrument where the proceeds will be exclusively applied to eligible environmental and social projects or a combination of both:

- a. Green Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance projects with clear environmental benefits and which are aligned with the four core components of the GBP. Eligible Green projects include renewable energy, energy efficiency, pollution prevention and control, eco-efficient and/or circular economy adapted products, production technologies and processes, Green buildings, terrestrial and aquatic biodiversity conservation, clean transportation etc<sup>1</sup>.
- b. Social Bonds finance projects that directly aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes, especially but not exclusively for a target population(s). Social Project categories include providing and/or promoting: affordable basic infrastructure, access to essential services, affordable housing, employment generation, food security, or socioeconomic advancement and empowerment.<sup>2</sup>
- c. Sustainability Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance a combination of Green and Social Projects and which are aligned with the four core components of the GBP and/or SBP.

Green, Social and Sustainability Bonds are regulated instruments subject to the same capital market and financial regulation as other listed fixed income securities.

## 1.2 Who can issue a Green, Social or Sustainability Bond?

Subject to any applicable law or regulation, all types of issuers in the debt capital markets can issue a Green, Social or Sustainability Bond as long as it is aligned with the four core components of the GBP/SBP.

## 1.3 Is there an official list of each Green, Social or Sustainability Bond issued?

The [Principles Resource Centre](#) hosts a non-exhaustive list of issuers that have released their external review report and that have completed a market information template that enables Green, Social and Sustainability bond issuers to publicly confirm their alignment with the GBP/SBP. Apart from this, there are several lists, databases or indices that exchanges, market data providers, the Climate Bond Initiative (CBI) or the external opinion providers are updating, based on their own criteria. The GBP's Database and Index Working Group has also published summaries of Green Bond database and indices providers that are available online on the [Principles Resource Centre](#).

## 1.4 Do the GBP provide clear standards for defining what projects or activities qualify as Green? Are the GBP project categories comprehensive?

The GBP only provide broad suggested Green categories but also note that issuers can reference existing standards and taxonomies (such as labels and accreditations for a specific sector) and/or develop their own framework. Projects may also refer to several categories or fall into categories that are not explicitly listed by the GBP. Issuers are encouraged to provide the thought process by which the issuer when including additional eligible Green Project Categories.

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<sup>1</sup> Refer to [Green Bond Principles 2018](#)

<sup>2</sup> [Social Bond Principles 2018](#)

## 1.5 What are the advantages of issuing a Green bond?

Issuers signal with a Green bond their commitment to addressing Green and environmental issues both externally and internally by financing projects with clear environmental benefits. They can also achieve greater diversification of their investor base resulting in potential increased demand and related advantages. It is also important to underline that subsidies, regulatory and/or fiscal incentives may also be available in certain jurisdictions.

## 1.6 What is an external review and is it required?

The GBP and SBP recommend that issuers use an external review to confirm, among other things, the alignment of their issuance with the key features of the GBP or SBP. There are different types of external review as detailed within the GBP and SBP. Dependent on the type, External reviews can occur pre and post bond issuance. In 2018, the GBP and SBP have released "[Guidelines for External Reviews](#)" which provide expectations for professional and ethical standards for External Reviewers and include guidance related to organization, content and disclosure for their reports.

## 1.7 Can Green, Social or Sustainability Bonds “default” by not following the GBP/SBP/SBG recommendations anymore?

Alignment with the GBP/SBP/SBG guidelines is voluntary. Issuers should, however, address in their reporting whether their Green, Social or Sustainability Bond(s) remain aligned with the GBP/SBP/SBG recommendations, and will be exposed to significant reputational risk if their Green, Social or Sustainability Bond(s) do not meet their environmental or social undertakings and cease to be aligned with the GBP/SBP.

## 1.8 Can a Green Bond be issued by an issuer that has low ESG ratings, exposure to controversial issues or controversial sectors/technologies (such as fossil fuels or nuclear energy)?

The focus of Green Bonds is on the eligible projects rather than on the issuer itself. It should nonetheless be noted that the GBP recommend that issuers clearly communicate to investors their environmental sustainability objectives overall, and how they will identify and manage potential environmental and social risks associated with the selected projects. Many investors consider the issuer's profile and take into consideration the quality of the issuer's overall profile and performance regarding environmental sustainability. In the presence of controversial issues, such as fossil fuel, extractive or nuclear based activities, or limited overall sustainability credentials, investors, stock exchanges, index providers and other market participants may also require additional transparency from the issuer, particularly around the strategic importance of sustainability for the business, demonstration of the issuer's transition and/or sustainability benefits from the underlying projects that go beyond established sector norms and business as usual.

## 1.9 Can ‘pure play’ companies issue Green Bonds? Are all bonds from pure play companies automatically Green Bonds?

Bonds issued by companies whose business activities are exclusively focused on the green economy (pure play) are only considered as Green Bonds if they are explicitly aligned with the GBP (see definition of Green Bond above). The GBP, however, recognizes that there is a wider universe of climate and/or environmentally themed bonds of which pure play bonds (that are not explicitly aligned with the GBP) may be considered a part.

## 1.10 What is the difference between Green Bonds, climate bonds, environmental bonds, social bonds, sustainability bonds and ESG bonds?

As defined by the GBP, Green Bonds encompass climate and environmental bonds as long as they are aligned with the four core components of the GBP. The Social Bond Principles (SBP) provide a definition for Social Bonds, while the Sustainability Bond Guidelines (SBG) provide one for Sustainability Bonds. The common feature of Green, Social and Sustainability Bonds is their predetermined use of proceeds and voluntary alignment with a common set of criteria. Issuers are encouraged to use the Green, Social or Sustainability Bond designations, as appropriate, whenever their issuance is aligned with the four core components of the GBP and SBP.

Sustainable bonds and SDG bonds aim to promote wide sustainability criteria and/or the United Nations Sustainable Development Goals (SDGs) to which the GBP/SBP's environmental objectives can also contribute (see [High-Level Mapping to the Sustainable Development Goals](#)). They can however only be considered as Green, Social or Sustainability Bonds if they align with the GBP, SBP or SBG.

Environmental Social and Governance (ESG) bonds also integrate governance criteria which are not featured in the GBP, SBP or SBG; and may refer to an issuer's overall sustainability credentials rather than a specific use of proceeds. They can therefore only be considered as Green, Social or Sustainability Bonds if they align with the GBP, SBP or SBG.

### **1.11 Is there a difference between a Social Bond and a social impact bond?**

Social impact bonds, also referred to as pay-for-performance instruments, typically refer to public-private partnerships in which the cash flows of the transactions are dependent on the achievement of pre-defined non-financial performance metrics and which do not generally share the typical characteristics of a bond. In contrast, social bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance in part or in full new and/or existing projects with positive social benefits and which are aligned with the 4 components of the Social Bond Principles.



## 2. Governance and Membership

### 2.1 How can I become a Member or Observer of the GBP and SBP, and enter into active dialogue with the community?

Organizations that are involved in the Green, Social or Sustainability Bond market or more generally in green and social finance are invited to apply to join the GBP/SBP either as Members or Observers. For more details, please [visit our webpage](#).

An annual voluntary contribution of €10,000 is sought from all registered Members and Observers of the Principles who are not fee-paying members of the International Capital Market Association (ICMA) to assist in covering the costs incurred in the management, administration and development of the Principles, in addition to providing enhanced services. This financial contribution is not applicable to non-profit organisations, such as NGOs.

### 2.2 How is the Executive Committee elected?

The Executive Committee is formed by 24 organizations comprising an equal distribution between investors, issuers and underwriter with 8 representatives from each category. Every year, half of the seats of the Executive Committee are renewed by a vote of the Members before the AGM in line with the [governance framework](#).

### 2.3 Are the GBP/SBP a regulatory institution?

No, the GBP and SBP are voluntary guidelines as opposed to a mandatory framework. The GBP and SBP are typically updated annually on the basis of a consultation of Members and Observers by its Executive Committee, which is comprised of 24 market participants elected by the GBP/SBP Members.

## 3. Core Components of the GBP/SBP

### 3.1 Use of Proceeds

#### 3.1.1 How do GBP eligible Green Project Categories differ from other publicly available taxonomies?

The GBP provide high-level project categories. These categories can be complemented by taxonomies such as those provided for example by the Climate Bonds Initiative and Multilateral Development Banks. Links to these taxonomies can be found on the [Principles Resource Centre](#).

#### 3.1.2 How can issuers be transparent about the age of refinanced Projects?

The GBP recommend that issuers clarify which Projects are to be refinanced and disclose, to the extent relevant, the expected look-back period (i.e. the number of previous years that the issuer will look back to) for these refinanced Projects.

#### 3.1.3 Is it possible to buy back Green, Social or Sustainability Bonds with proceeds of a new Green, Social or Sustainability Bond?

Market operations, such as buybacks are an essential part of the capital markets. The Executive Committee of The Principles wants to ensure flexibility for our issuers regarding these exercises. It welcomes issuers considering these transactions, who will buy back conventional, Green, Social or Sustainability Bonds to ensure that any new transactions that will be Green, Social or Sustainability Bonds follow the four components of the GBP, SBP or SBG for the new issuance. Similarly, an issuer may use part of the proceeds of the money raised by a Green, Social or Sustainability Bond to buy back Green, Social or Sustainability Bonds in the context of the issuer's market operations and/or in the case of a shortfall of Eligible Projects.

#### 3.1.4 Do all Green Bonds have to be climate related?

No, the GBP explicitly recognise several broad categories of eligibility for Green Projects, which contribute to environmental objectives such as: climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control. The list of Eligible Green Project categories can be found in the GBP in the Use of Proceeds section.

#### 3.1.5 Are all hydropower projects eligible for a Green bond, regardless of size?

The GBP indicate that renewable energy projects, such as hydropower, are potentially eligible to be financed by a Green Bond, regardless of their size. Furthermore, the GBP recommend that issuers should clearly communicate to investors their environmental sustainability objectives overall, and how they will identify and manage potential environmental and social risks associated with the projects selected to be financed by a Green Bond. It is also recommended that issuers use an external review to advise on the environmental sustainability and expected impact of the projects to be financed. It should be noted that investors, stock exchanges, index providers and other market participants consider Green Bonds against their own environmental assessment standards and investment criteria, including broader ESG requirements.

#### 3.1.6 Would a project be eligible for inclusion in a Green Bond if it were to improve energy efficiency on projects associated with fossil fuel production or industrial processes linked to fossil fuel production?

They are potentially eligible, as long as the bond funding such projects is aligned with the four core components of the GBP. The GBP recommend that issuers should clearly communicate to investors their environmental sustainability objectives, and how they will identify and manage potential environmental and social risks associated with projects. It is also recommended that issuers use an external review to advise on the environmental sustainability and expected impact of the projects to be financed. Investors, stock exchanges, index providers and other market participants also consider Green Bonds against their own environmental assessment standards and investment criteria that may set target thresholds for energy efficiency improvements and include broader ESG requirements. Some of these market participants and stakeholders exclude bonds funding fossil fuel-related

projects, while others may, for instance, include energy efficiency investments that do not facilitate a long-term lock-in of high carbon infrastructure. Several organizations, including Multilateral Development Banks, Development Finance Institutions and the CBI have developed standards for energy efficiency in the fossil fuel sector that market participants are encouraged to reference.

### **3.1.7 Are intangible assets (such as education, monitoring, R&D, tax credits) or expenditures also eligible for Green, Social or Sustainability Bonds? How can investors assess their eligibility?**

The proceeds from a Green, Social or Sustainability Bond may be used to finance or refinance other expenditures related to or in support of eligible Green or Social Projects, as long as those are associated with clear environmental or Social benefits. The GBP/SBP recommend that issuers use an external review to help investors assess the bond's alignment with the four core components of the GBP/SBP, including the environmental or social benefits of projects to be financed.

### **3.1.8 When a bond finances projects that have both social and environmental benefits, such as sustainable social housing, sustainable public transport and access to clean water, can the issuer freely choose the designation of the bond as either Green, Social or Sustainability Bond?**

Yes, as long as the bond is aligned with the four core components of the GBP or SBP. The issuer should determine the designation depending on the primacy of the intended objectives of underlying projects. Where the issuer's prime focus is on the intended environmental objectives of the project, they should label the bond a Green bond. Where the issuer's prime focus is on the intended societal objectives of the project, they should label the bond a Social bond. The Sustainability Bond Guidelines have been developed for bonds that include both Social and Green Projects. An issue should fall under just one of the aforementioned three categories, and issuers should therefore refrain from using multiple designations for the same transaction, notwithstanding the fact that Green Projects may have social benefits and, conversely, Social Projects may have environmental benefits.

### **3.1.9 Can an issuer issue a Green, Social, or a Sustainability Bond where not all the proceeds are directed towards Green and/or Social Projects?**

No. Green, Social or Sustainability Bonds must have 100% of proceeds dedicated towards Green and Social Projects. As projects may disburse over time, there may be temporarily unallocated bond proceeds, and issuers should explicitly state how unallocated proceeds will be/are temporarily invested. Where an eligible asset has matured, been prepaid or no longer qualifies under the issuer's eligibility criteria, the issuer should disclose the temporary use of the relevant proceeds pending allocation to eligible projects.

### **3.1.10 Can the proceeds of a Green, Social, Sustainability Bond issue be used to invest in Green, Social, Sustainability Bonds?**

Green, Social or Sustainability Bonds should not typically qualify as use of proceeds for a Green, Social or Sustainability Bond other than for temporary management of proceeds' purposes prior to allocation to eligible projects. This reflects a concern that the impact of the same underlying project(s) may be reported both by the original Green Bond issuer and by the issuer of the subsequent Green Bond ("double-counting").

In the case of structured and securitized green bond instruments, or Green Bonds issued to support the growth and development of Green Bonds in emerging capital markets, the nature of the instrument including the relationship between the instrument and any underlying or derivative Green Bonds, as well as the impact reporting, should be transparently communicated with the market to avoid potential "double counting" complications.

A bond issued in the context of a liability management transaction, in which an existing Green, Social or Sustainability Bond is bought back and refinanced, may qualify as a Green, Social or Sustainability Bond if it is aligned with the four core components of the GBP/SBP, recognising that such refinancing can be a routine process by which issuers optimise their access to markets.

### **3.1.11 Can eligible assets be refinanced before the original borrowing has matured?**

Yes. In addition to providing clarity on the assets to be refinanced, the issuer should make clear when the original financing is due to mature. As the proceeds of any Green, Social or Sustainability Bond should not be used contemporaneously against the same asset more than once, in the overlapping period, the issuer should ensure that the proceeds raised from the new financing will not be used for any purposes that would damage the integrity of the Green, Social and Sustainability Bond market.

### **3.1.12 Can long-dated green, social or sustainability assets be (re)financed by (multiple) consecutive Green, Social or Sustainability Bonds?**

Long-dated green assets, including their maintenance and/or upgrade costs, may be (re)financed by issuance of multiple consecutive Green, Social or Sustainability Bonds provided that: the age and remaining useful life of the asset, as well as (re)financed amounts are transparently disclosed by the issuer; and the continuing environmental benefits are (re)evaluated and confirmed by the issuer, and as appropriate by an external review. This information should be communicated to the market at the time of issuance and be made publicly available on the issuer's website as part of the overall information on the related Green, Social or Sustainability Bond.

### **3.1.13 Can existing assets that are pledged as collateral against another borrowing be refinanced through a Green, Social or Sustainability Bond?**

Yes, unless the eligible assets are included in the use of proceeds of an outstanding Green, Social or Sustainability Bond or another green, social or sustainability financial instrument. The issuer should make clear that the assets are pledged as collateral, as well as conforming to all core requirements of the GBP/SBP. The refinancing should be done within the useable lifetime of the green, social or sustainability asset - *see also 3.1.13 above*.

### **3.1.14 Can eligible assets that are funded through a Green, Social or Sustainability Bond be used as collateral in other financing deals?**

Yes. In addition to making it clear in their reporting on the use of proceeds and/or in their Green, Social or Sustainability Bond Framework that the eligible assets have been or may be pledged as collateral in financing transactions, the issuer should clarify that the new financing raised will not be used for any purposes that would damage the integrity of the Green, Social or Sustainability Bond.

## 3.2 Management of proceeds

### 3.2.1 How long does an issuer have to allocate funds to projects and how will funds be used in the meantime?

It is understood that disbursement of funds to projects can in some cases take time. It is recommended that the funds raised from a Green Bond, Social or Sustainability Bond should be applied to Green or Social Projects as soon as possible. Investors routinely check progress on the allocation of funds when annual reports are received. They may decide to divest if they believe progress is disappointing.

In the cases where bond proceeds are placed temporarily before allocation, there is a strong investor preference that issuers use and disclose liquid temporary investments pending allocation of proceeds to projects. Additionally, some investors have a strong preference that liquid temporary investments should be ESG / green products as much as possible.

### 3.2.2 Can an issuer raise Green, Social and Sustainability Bond proceeds in one currency and utilize them for projects in another currency without having to do an FX swap or intercompany loan?

The GBP/SBP guidance is that net proceeds of a Green, Social or Sustainability Bond, or an amount equal to these net proceeds, should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner. The reference to “an amount equal to these net proceeds” allows for the use of different currencies to finance Eligible Projects without necessarily using FX swaps or intercompany loans.

## 3.3 Reporting

### 3.3.1 How are metrics chosen to report on the environmental impact or efficiency of Projects? Who is in charge of this choice?

To aid harmonized metrics across Green Bond issuers, the Green Bond Principles Impact Reporting Working Group (“IRWG”) has offered suggestions for best practice in the impact reporting metrics for certain eligible Green Bond Project categories. The broad membership of the IRWG, which includes International Financial Institutions, environmental NGO’s, investors and Green Bond issuers, have contributed to the suggested metrics. The IRWG will work steadily towards proposed metrics for impact reporting on projects in the other eligible Green Project categories. The proposed metrics are, however, only suggestions that issuers may adopt, adapt or ignore in favour of alternative metrics, as they see fit.

### 3.3.2 Do the GBP provide any recommendation on these metrics and on their definition / choice and control?

The GBP offer suggestions for best practice in impact reporting for Green Bond proceeds based on the input from several industry working groups focused on the topic. The GBP welcome and encourage continued collaboration and feedback on the proposed metrics.

### 3.3.3 Is there a standard methodology for reporting on the impact of the bond proceeds?

The GBP seek to encourage a harmonized template for impact reporting with clear and consistent guidelines for certain eligible Green Projects. These suggested metrics are available under the [Resource Centre](#). As of June 2019, the categories with suggested impact metrics include renewable energy, energy efficiency, sustainable water and wastewater management, waste management and resource efficiency projects, clean transportation and green buildings.

### 3.3.4 Do the GBP provide guidance to help investors to select Projects aligned with a 2° scenario?

While many of the projects funded by the Green Bond market support mitigation efforts toward a low carbon transition, Green Bond eligible categories are not solely limited to climate focused projects. Green Bond investors can take guidance from issuers on the type of projects they are funding and the corresponding expected impact reporting, especially around avoided emissions, to determine their contribution to the 2-degree transition.

### 3.3.5 How often and for how long is an Issuer expected to report on Green, Social or Sustainability Bonds?

Issuers should make and keep readily available up to date information on the disbursement of funds, to be renewed annually until full allocation, and as necessary thereafter in the event of material developments.

Communicating the expected impact of projects is also particularly appreciated by investors. The GBP and SBP recommend the use where feasible, of quantitative performance measures of expected impact and issuers with the ability to report achieved impacts are encouraged to include those also in their regular impact reporting.

Issuers are welcomed to report throughout the life of the bond and are encouraged to make available the latest report either on their website or in another publicly available space, with the date also that it was prepared. Such dated impact reports should be available for the lifetime of the bond. It is recommended that issuers clearly communicate the location on their website of their dated impact reports, of their Green bond framework and/or the [Market Information Template](#)<sup>3</sup>.

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<sup>3</sup> The Information Template enables Green, Social and Sustainability Bond issuers to publicly confirm their alignment with the GBP/SBP. The template can be downloaded from the [Resource Centre](#).

## 4. Market and Technical Issues

### 4.1 Is there any statistical research now available to prove that Green, Social or Sustainability Bonds perform better than conventional bonds?

There is research now available on this topic that market participants and other stakeholders can procure directly from underwriters. Green, Social and Sustainability Bonds price “at market”. Some transactions have demonstrated pricing benefits while others have not.

### 4.2 How can investors recognize the eligibility of a bond as a Green, Social or Sustainability Bond when the issuer doesn't refer to the GBP/SBP?

It is up to the issuer to confirm alignment with the GBP/SBP. Certain financial information providers and indices, such as Bloomberg and MSCI, provide wider and complementary definitions for which links can be found in the [Resource Centre](#).

### 4.3 Are there any additional requirements for Green sukuk?

In alignment with the four core GBP components, every Green Bond should contribute to environmental objectives by exclusively applying the proceeds to finance or re-finance eligible Green Projects (including other related and supporting expenditures). The issuer should therefore make clear how their Green sukuk is consistent with these requirements.

### 4.4 Are there any additional requirements for Green perpetual (callable) bonds?

In alignment with the four core GBP components, every Green Bond should contribute to environmental objectives by exclusively applying the proceeds to finance or re-finance eligible Green Projects (including other related and supporting expenditures). The issuer should therefore make clear how their green perpetual (callable) bond is consistent with these requirements and especially with respect to use of proceeds and reporting.

### 4.5 Can a project bond be a Green Bond?

Yes, a project bond can be a Green Bond if it qualifies as green and is aligned with the GBP's four core components.

### 4.6 Are Green Bonds becoming a separate asset class?

Since the overall risk and return characteristics of Green Bonds do not differ from those of non-green bonds, they do not meet all the criteria that are generally considered necessary to qualify as a separate asset class. However, some investors disagree, and a growing number adjust investment processes or allocations to seek exposure to Green Bonds in an attempt to actively contribute to the positive impact associated with Green Bonds.

## 4.7 Guidance on fungibility considerations

Green, Social and Sustainability Bonds are not considered fungible with bonds that are not aligned with the four core components of the GBP/SBP. More specifically, taps of Green, Social or Sustainability Bonds must respect the original documentation of the Green, Social or Sustainability Bonds, including the Use of Proceeds.

It is noteworthy that coupon and maturity dates of a Green, Social and Sustainability Bond may be the same as for other bonds of the same issuer because they would be separate transactions (separate ISIN codes and separate documents i.e. prospectuses).

## 4.8 Can an issuer launch a Green Bond Framework without having an MTN program?

In principle yes. The Green Bond Framework need not specify which legal platform is used for issuance and could apply for different types of issuance programme. The GBP do not specify either.



## 5. Other Market and Official Sector initiatives

### 5.1 Why are there regional green bond standards, such as the ASEAN GBS? Does GBP/SBP Executive Committee support the development of these regional standards?

When requested, the GBP/SBP Executive Committee provides input into the development of regional/national green bond standards that complement the GBP/SBP to support such efforts towards transparency, disclosure and accountability. All regional/national green bond standards developed to date (as of July 2018), are largely aligned to the four pillars of the GBP, which are recognized globally by market participants as market best practice.

### 5.2 What is the GBP/SBP Executive Committee's position on the differences between the GBP and regional standards?

There are a few instances where regional/national green bond standards do slightly differ from the four pillars of the GBP, but regional/national green bond standards have generally furthered the recommendations and requirements of the four Pillars of the GBP. The GBP/SBP Executive Committee encourages any regional/national guidance to align with the four pillars of the GBP and welcomes any additional recommendations that are relevant in their specific regions to help progress the global development of this market.

### 5.3 How do the GBP align with international climate change related initiatives, such as the Paris Agreement, or the Sustainable Development Goals (SDGs)?

The GBP are voluntary guidelines drafted by the private sector to promote best practices in terms of transparency and disclosure in the Green Bond market. The Paris Agreement is an international convention under the aegis of the United Nations. The SDGs are part of the United Nations agenda on sustainable development. Though well aligned with the goals of these initiatives, the GBP remain separate and independent as a market-driven initiative.

While the eligible project categories in the GBP encompass climate change related interventions, they also include projects that address broader environmental concerns. Green, Social and Sustainability Bonds generally lend themselves to finance activities that are carried out in order to comply with Nationally Determined Contributions (NDCs) and SDGs. Since the SDGs were launched in 2015, they have been increasingly accepted and applied in the financial markets as ESG and impact investing are becoming mainstream.

In response to this growing momentum, the GBP/SBP have guidance in 2018 for public and private sector issuers and investors to review their Green, Social and Sustainability Bond issuances and investments against the SDGs. This mapping exercise complements the GBP, SBP and the SBG in promoting the increase of bond financing that contributes to the mitigation of climate change and other environmental objectives, and to addressing social challenges globally. Thus far, 15 of the SDGs have been identified as being relevant to the GBP and/or the SBP.

It is important to note that alignment with the SDGs does not automatically ensure alignment with the GBP, SBP, or SBG.



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