Introduction

The wholesale green loan market aims to facilitate and support environmentally sustainable economic activity. The Green Loan Principles (GLP) have been developed by an experienced working party, consisting of representatives from leading financial institutions active in the green loan market, with a view to promoting the development and integrity of the green loan product.

Their aim is to create a high-level framework of market standards and guidelines, providing a consistent methodology for use across the green loan market, whilst allowing the loan product to retain its flexibility, and preserving the integrity of the green loan market while it develops.

The GLP comprise voluntary recommended guidelines, to be applied by market participants on a deal-by-deal basis depending on the underlying characteristics of the transaction, that seek to promote integrity in the development of the green loan market by clarifying the instances in which a loan may be categorised as “green.”

The GLP build on and refer to the Green Bond Principles (GBP) of the International Capital Market Association, with a view to promoting consistency across financial markets. The GBP are the internationally recognised voluntary issuance guidelines that promote transparency, disclosure and reporting in the green bond market.

The GLP are intended for broad use by the market, providing a framework within which the flexibility of the loan product can be maintained, and will be reviewed on a regular basis, in light of the development and growth of the global green loan market.

Green Loan Definition

Green loans are any type of loan instrument made available exclusively to finance or re-finance, in whole or in part, new and/or existing eligible Green Projects. Green loans must align with the four core components of the GLP, as set out below.

Green loans should not be considered interchangeable with loans that are not aligned with the four core components of the GLP.

Green Loan Principles – Core Components

The GLP set out a clear framework, enabling all market participants to clearly understand the characteristics of a green loan, based around the following four core components:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

1. Being those projects falling within the non-exhaustive categories of eligibility set out in Appendix 1. Green Projects may relate to more than one category.
**4 Reporting**

Borrowers should make and keep readily available up to date information on the use of proceeds to be renewed annually until fully drawn, and as necessary thereafter in the event of material developments. This should include a list of the Green Projects to which the green loan proceeds have been allocated and a brief description of the projects and the amounts allocated and their expected impact. Where confidentiality agreements, competitive considerations, or a large number of underlying projects limit the amount of detail that can be made available, the GLP recommend that information is presented in generic terms or on an aggregated project portfolio basis. Information need only be provided to those institutions participating in the loan.

Transparency is of particular value in communicating the expected impact of projects. The GLP recommend the use of qualitative performance indicators and, where feasible, quantitative performance measures (for example, energy capacity, electricity generation, greenhouse gas emissions reduced/avoided, etc.) and disclosure of the key underlying methodology and/or assumptions used in the quantitative determination. Borrowers with the ability to monitor achieved impacts are encouraged to include those in regular reports.

Alternatively, given that the loan market is traditionally a relationship-driven market and therefore lenders are likely to have a broad working knowledge of the borrower and its activities, self-certification by a borrower, which has demonstrated or developed the internal expertise to confirm alignment of the green loan with the key features of the GLP, may be sufficient. Nonetheless, borrowers are recommended to thoroughly document such expertise, including the related internal processes and expertise of their staff. This documentation should be communicated to institutions participating in the loan on request. When appropriate, and taking into account confidentiality and competitive considerations, borrowers should make publicly available, via their website or otherwise, the parameters on which they assess Green Projects, and the internal expertise they have to assess such parameters.

**Appendix 1**

**Indicative categories of eligibility for Green Projects**

The categories, listed in no specific order, include, but are not limited to:

- renewable energy - including production, transmission, appliances and products;
- energy efficiency – such as in new and refurbished buildings, energy storage, district heating, smart grids, appliances and products;
- pollution prevention and control – including waste water treatment, reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy, value added products from waste and remanufacturing, and associated environmental monitoring;
- environmentally sustainable management of living natural resources and land use – including environmentally sustainable agriculture, environmentally sustainable animal husbandry; climate smart farm inputs such as biological crop protection or drip-irrigiation; environmentally sustainable fishery and aquaculture, environmentally-sustainable forestry, including afforestation and reforestation, and preservation or restoration of natural landscapes;
- terrestrial and aquatic biodiversity conservation - including the protection of coastal, marine and watershed environments;
- clean transportation – such as electric, hybrid, public, rail, non-motorised, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions;
- sustainable water and wastewater management – including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban draining systems and river training and other forms of flooding mitigation;
- climate change adaptation – including information support systems, such as climate observation and early warning systems;
- eco-efficient and/or circular economy adapted products, production technologies and processes – such as development and introduction of environmentally friendlier products, with an eco-label or environmental certification, resource-efficient packaging and distribution; and
- green buildings which meet regional, national or internationally recognised standards or certifications.

The list above is based on the categories provided in the GBP 2017 and reference should be made to any subsequent updates. The list is intended to be indicative and captures the most commonly used types of projects. There are several categories and sets of criteria defining Green Projects already in existence in the market that can be used as complementary guidance. Borrowers and other stakeholders can refer to examples through links listed on the ICMA webpages at [www.icmagroup.org/resourcecentre](http://www.icmagroup.org/resourcecentre).
The wholesale green loan market aims to facilitate and support environmentally sustainable economic activity.

The Green Loan Principles (GLP) have been developed by an experienced working party, consisting of representatives from leading financial institutions active in the green loan market, with a view to promoting the development and integrity of the green loan product.