

2019/2020 Working Group Green Projects Eligibility

Terms of Reference

Sustainability is a journey and not a destination. The Green Bond Principles (GBP) intend to provide guidance for capital markets players who are on this journey. The green bond market is maturing and there is better understanding amongst market players that definitions of green projects vary per region and even change over time, as a result of social, regulatory and technological developments among other factors.

The purpose of this GBP working group is not to develop GBP-specific criteria for “green” economic activities. The GBP wants to encourage market participants in as many economic sectors as possible to enter the green bond markets and will act as a catalyst. Currently the GBP provides capital markets players with an “indicative list of the most commonly used types of projects supported or expected to be supported by the Green Bond market”, which includes “broad categories of eligibility” of diverse nature.

In order to make sustainable finance processes at financial markets participants in the future more efficient, green financing and investing will have to rely more on automated identification of eligible activities and automated data collection for impact reporting. Structured information would allow financial institutions to have a more accurate view on their eligible green portfolios and would allow borrowers to easily identify and verify eligible green or taxonomy-compliant activities. This working group will aim to contribute to that process.

The main objectives and the envisaged deliverables (the sub-bullets) of the Working Group are outlined below, with the key outcome to facilitate the market to more easily identify green assets, activities, products and services across the board.

- The GBP will continue to map the categories against other taxonomies and classifications for sustainable economic activities including the EU Taxonomy (by EU Technical Expert Group and/or any legislative versions published), the Green Industry Guiding Catalogue in China 2019 (joint effort of NDRC, MEE, PBoC and four other agencies) and classifications systems such as used in the System for Environmental-Economic Accounting (SEEA) (United Nations, European Commission, FAO, IMF, OECD, World Bank).
 - ✓ *The Green Project Mapping document (June 2019) will be updated*
 - ✓ *The GBP list of categories will be aligned with other taxonomies as needed*
- The GBP will not take a position on which green technologies, standards, claims and declarations are optimal for environmentally sustainable benefits. The GBP however aims to provide more nuanced guidance on the various **types** of environmentally friendly activities, products, services and assets that ultimately support those technologies, standards, claims and declarations and can be financed with green bonds. This is particularly important for non pure play sectors, such as manufacturing. Assets can be direct produced assets, non-produced assets, and indirect investments in natural capital.

- ✓ *Detailed green eligibility guidance may be provided in a separate document or tool with concrete linkages of investments to specific economic activities and ultimately sectors, including manufacturing, referring to existing activity coding systems*
- The GBP wants to encourage standard setting bodies in various sectors to give the financial sector a clear view on the green investments needed. Examples of standards that are already used in green bonds are BREEAM, LEED, Nordic Ecolabel (Swan), Eco Lighthouse, FSC, MSC, ASC, and there are many others
 - ✓ *The GBP may provide a template for standard setting bodies to give more clarity on the environmental investments per GBP category that their members do, as well as the positive impacts that these investments have (where possible linking to Paris Agreement targets and SDGs)*

Working group coordinators:

- ING Bank

Working group members:

Actiam	Climate Bonds Initiative	Nordic Investment Bank (NIB)
American Carbon Registry	EDF	OP Corporate Bank
Amundi	European Bank of Reconstruction and Development (EBRD)	PineBridge Investments
Ashurst Hong Kong office	European Investment Bank (EIB)	Rabobank
Axa IM	GRESB BV	Rating and Investment Information
Bank of America	International Finance Corporation (IFC)	SMBC Nikko Capital Markets
Bank of China	International Institute of Green Finance	Sustainalytics
BlackRock	JP Morgan	UN Women
BNP Paribas	Mizuho International plc	VIGEO-Eiris
BNPParibas AM	Moody's	WWF
Ceres	Natixis	Yale Initiative on Sustainable Finance (YISF)
CIBC Capital Markets	Nordea	Zurich Insurance