ICMA
International Capital Market Association

Guidance Handbook

June 2021

The Green Bond Principles
The Social Bond Principles
The Sustainability Bond Guidelines
The Sustainability-Linked Bond Principles
Climate Transition Finance

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List of Abbreviations and Acronyms

Core Components:	Requirements for the labelling of bonds issued in alignment with the Principles: *For GSS/UoP Bonds:* 1. Use of Proceeds 2. Process for Project Selection and Evaluation 3. Management of Proceeds 4. Reporting *For Sustainability-Linked Bonds (SLBs):* 1. Selection of KPIs 2. Calibration of SPTs 3. Bond Characteristics 4. Reporting 5. Verification
CTF Handbook:	Climate Transition Finance Handbook
ESG	Environmental, Social and Governance
GBP	Green Bond Principles
GSS	Green Bonds, Social Bonds or Sustainability Bonds
KPIs	Key Performance Indicators (for SLBs)
MSME	Micro, Small and Medium Enterprises
NDCs	Nationally determined contributions for greenhouse gas emissions
Principles:	The collective term for the Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines and Sustainability-Linked Bond Principles
SBG	Sustainability Bond Guidelines
SBP	Social Bond Principles
SDGs	The UN's 17 Sustainable Development Goals
SLBP	Sustainability-Linked Bond Principles
SPTs	Sustainability Performance Targets (for SLBs)
TSCs	Technical Screening Criteria under the EU Taxonomy
UoP	Use of Proceeds Bonds (Green Bonds, Social Bonds and Sustainability Bonds)

View of the Principles

The Principles

The Green Bond Principles | The Social Bond Principles | The Sustainability Bond Guidelines | The Sustainability-Linked Bond Principles

Financial Instrument Guidance

Use of Proceeds*

Green, Social, Sustainability Bonds ("GSS" or "UoP")

Core Components:

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

Key Recommendations:

1. Bond Frameworks
2. External Reviews

General Purposes*

Sustainability-Linked Bonds ("SLBs")

Core Components:

1. Selection of Key Performance Indicators (KPIs)
2. Calibration of Sustainability Performance Targets (SPTs)
3. Bond characteristics
4. Reporting
5. Verification

Thematic Guidance

Climate Transition Finance

Climate Transition Finance Handbook (CTFH)
(Guidance may be applied to GSS/UoP Bonds or SLBs)

* Under the GBP, SBP and SBG, an amount equal to the net bond proceeds is dedicated to financing eligible projects (Use of Proceeds Bonds) while under the SLBP, proceeds are primarily for the general purposes of an issuer in pursuit of identified KPIs and SPTs (Sustainability-Linked Bonds). A bond that combines SLB and Use of Proceeds features should apply guidance for both types of bonds.

Contents

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) in 2017, followed by the release of the Sustainability-Linked Bond Principles (SLBP) in 2020 (together, "the Principles"), 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 Principles Executive Committee have been made available online and have grown into an important body of knowledge and best practices. They were also published in 2019 in the form of this "Guidance Handbook" in order to further enhance the accessibility and user-friendliness of the information.

The Executive Committee, with the support of the Secretariat, is now publishing this up-to-date edition of the Guidance Handbook that contains additional responses, including those arising in the context of the socioeconomic crisis created by the COVID-19 pandemic.

The table of content now covers 6 sections: Fundamentals, Core Components of the GBP/SBP/SLBP, Market and Technical Issues, Governance & Membership, Other Market and Official Sector Initiatives, and Social Bonds related to COVID-19.

This edition of the Guidance Handbook, reflects the publication of the newly established SLBP and the Climate Transition Finance Handbook, as well as updated versions of the GBP, SBP, and SBG, published in 2021.

Our objective is that this publication be widely circulated and used by 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, Sustainability and Sustainability-Linked 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 Core Components of the GBP. Eligible Green Project categories include renewable energy, energy efficiency, pollution prevention and control, environmentally sustainable management of living natural resources and land use, terrestrial and aquatic biodiversity conservation, clean transportation, sustainable water and wastewater management, climate change adaptation, circular economy and/or eco-efficient projects, and Green buildings[1].

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) and are aligned with the Core Components of the SBP. 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.[2]

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 Core Components of the GBP and SBP.

d. Sustainability-Linked Bonds are any type of bond instrument for which the financial and/or structural characteristics (i.e. coupon, maturity, repayment amount) can vary depending on whether the issuer achieves predefined Sustainability/Environmental and/or Social and/or Governance (ESG) objectives within a predefined timeline, and which are aligned with the Core Components on the SLBP.

It is possible to combine a "use of proceeds" approach with a Sustainability-Linked Bond approach, if an issuer chooses to earmark the proceeds of their sustainability-linked bond to specific projects, and where these are eligible green and/or social projects, by aligning their bonds simultaneously with all the Core Components of the GBP/SBP/SLBP.

Green, Social, Sustainability and Sustainability-Linked 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, Sustainability or Sustainability-Linked Bond?

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

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

A Green, Social, Sustainability and Sustainability-Linked Bonds' Database of issuers that have released their external review report and/or that have completed a Market Information Template that enables Green, Social, Sustainability and Sustainability-Linked bond issuers to publicly confirm their alignment with the GBP/SBP/SLBP is available on the sustainable finance section of ICMA's website. Apart from this, there are several lists, databases or indices that exchanges, market data providers, the Climate Bond Initiative (CBI) or the external review providers are updating, based on their own criteria.

1 Green Bond Principles 2021
2 Social Bond Principles 2021

1.4 Do the GBP and SBP provide clear standards for defining what Projects qualify as Green or Social? Are the project categories comprehensive? How do GBP eligible Green Project Categories differ from other publicly available taxonomies?

The GBP and SBP only provide a broad suggested, and non-exhaustive list of eligible Green and Social Project 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 or SBP. Issuers are encouraged to provide the thought process by which they evaluate the clear environmental and social benefits of all projects to be funded by Green Bond, Social Bond, or Sustainability Bond issuance, as well as of any additional project category they introduce.

In June 2019, the GBP Executive Committee also released a Green Project Mapping that aims to provide a broad frame of reference by which issuers, investors, underwriters and other bond market participants can relate and evaluate the benefits and contribution of the GBP's Green Project categories to its own stated five environmental objectives (climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control). It also provides a basis for comparison to a few green taxonomies and classification systems currently used in the market. The Green Project Mapping document has been updated in 2021 to reflect the latest taxonomies.

The GBP's high level project categories can be complemented by taxonomies such as those provided for example by the Climate Bonds Initiative and Multilateral Development Banks. Links to a few of these taxonomies can be found on the sustainable finance section of ICMA's website. If relevant, the GBP encourage issuers to provide information on the degree of alignment of projects with official, market-based taxonomies, including in an issuer's Green Bond Framework.

1.5 What is the distinction between a Core Component and a Key Recommendation of the GBP/SBP?

Transparency and disclosure underpin the integrity of the market, and the Principles seek to ensure this through highlighting Core Components and, in the case of GSS bonds, Key Recommendations. In order for a GSS issuer to claim alignment with the GBP/SBP/SBG, at a minimum their bond issue should align with all the Core Components of the GBP and/or SBP (Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds, and Reporting). While the GBP and SBP have previously made and continue to make further recommendations, the 2021 versions of the GBP and SBP highlight the importance placed by the market on two such recommendations for heightened transparency: the use of Frameworks and External Reviews. In following these two Key Recommendations together with the Core Components, issuers ensure that all relevant market participants (such as investors, underwriters, stock exchanges and data providers) are able to understand and assess the sustainability characteristics of the relevant issue or programme.

1.6 What are the advantages of issuing a Green Bond?

Issuers of Green Bonds signal their commitment to addressing environmental issues both externally and internally by financing projects with clear environmental benefits. Issuers 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.

1.7 What is an external review, is it required, who are the review providers, and are they endorsed by the Principles?

Dependent on the type, external reviews can occur pre and post bond issuance. In 2018, the GBP and SBP released Guidelines for External Reviews which detail the different types of external review and provide expectations for professional and ethical standards for external reviewers and include guidance related to organisation, content and disclosure for their reports.

It is a Key Recommendation of the GBP and SBP that issuers (i) use a pre-issuance external review to assess the alignment of their issuance, bond programme and/or their framework with the Core Components of the GBP or

SBP; and (ii) post issuance that an issuer's management of proceeds be supplemented by the use of an external auditor, or other third party, to verify the internal tracking and the allocation of funds to eligible Projects.

The GBP and SBP does not endorse any external review providers, solely providing an overview of external review services. The External Review Service Mapping aims to provide market participants with clear information on the range of services offered, as well as the context and content of the final external review report. The overview includes templates, and external reviewers are invited to voluntarily provide information about the different external review services they provide.

Post issuance, issuers of SLBs are required to obtain independent and external verification as part of the reporting commitment under the SLBP, as set out in section 4 of the SLBP. Such a verification should also coincide with any trigger event on the bond instrument – i.e. a point in time measurement of the SPT that effects the bond's characteristics. Annual disclosure of relevant information for the assessment of the SPT performance is recommended.

1.8 Can Green, Social, Sustainability or Sustainability-Linked Bonds "default" by not following the core components of the GBP/SBP/SLBP anymore?

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

1.9 Can a Green Bond, Sustainability or Sustainability-Linked 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 for Green Bonds, Sustainability Bonds and Sustainability-Linked Bonds. 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. In particular, additional disclosures may be sought around the strategic importance of sustainability for the business, demonstration of the issuer's transition strategy and/or the sustainability benefits of the underlying projects that go beyond established sector norms and business as usual. The Climate Transition Finance Handbook acts as additional guidance for issuers seeking to utilise Green Bonds, Sustainability Bonds and Sustainability-Linked Bonds towards the achievement of their climate transition strategy. Issuers should consider the relevance of the recommended elements of disclosure.

1.10 Can a Green Bond, Sustainability Bond or Sustainability-Linked Bond be issued by an issuer at the start of their transition journey i.e., issuers not yet able to claim alignment with the Paris Agreement, but taking ambitious steps in that direction?

Use of proceeds and/or Sustainability-Linked Bond issuers are at different stages of their transition journey, and they should seek alignment with the voluntary guidelines in the CTF Handbook on a best-efforts basis, disclosing how they are progressing against each of the recommended elements. Where applicable, an issuer may choose to signpost future plans for further developing a transition strategy. In addition, any impact reporting provided should include an update on their progress.

1.11 Can a Green Bond or Sustainability Bond be issued by a financial institution, which may not necessarily have a transition plan of its own, but may be involved in financing its clients' transition strategies?

Financiers extending debt for their clients' eligible Green Projects can issue Green Bonds or Sustainability Bonds. Where the Green Projects support their clients' transition strategies, the financial institution should articulate how the projects fit into each project owner's climate transition objectives and strategy, referencing the recommendations outlined in the CTF Handbook.

1.12 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, recognises 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.

1.13 What is the difference between Green Bonds, climate bonds, environmental bonds, Social Bonds, Sustainability Bonds, Sustainability-Linked Bonds, Transition Bonds, Blue Bonds, SDG and ESG bonds?

As defined by the GBP, Green Bonds encompass climate and environmental bonds as long as they are aligned with the 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 Core Components of the GBP and SBP.

Sustainability-Linked Bonds ("SLBs") are intended to be used for the issuer's general purposes, but incorporate measurable forward-looking sustainability key performance indicators and sustainable performance targets into the financial and/or structural characteristics of bonds that are aligned with all Core Components of the SLBP.

Transition bonds can be either Green Bonds, Sustainability Bonds, or Sustainability-Linked Bonds that are issued by those looking to align their financing strategy to their climate transition strategy and decarbonisation trajectory.

A number of transactions have been promoted as "Blue Bonds" to emphasise the importance of the sustainable use and protection of water resources and the promotion of related sustainable economic activities. Such "Blue Bonds" are also Green Bonds as long as they align with the four Core Components of the GBP. SDG bonds are Sustainability Bonds that aim to promote wide sustainability criteria and/or the 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, Sustainability or Sustainability-Linked Bonds if they align with the GBP, SBP, SBG or SLBP.

As with SLBs, 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 SLBs if they align with the Core Components of the SLBP, and can only be deemed Green, Social or Sustainability Bonds if they align with the GBP, SBP or SBG.

1.14 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 Core Components of the SBP.

1.15 The GBP and SBP state issuers should communicate the "process applied to identify and manage potentially material social and environmental risks associated with the projects". What is expected of issuers?

Issuers should seek to clarify any related eligibility and exclusion criteria, as well as any other policies or processes by which the issuer identifies, and manages perceived social and environmental risks associated with the relevant project(s). Issuers are encouraged to seek through their processes to identify mitigants to known and likely risks of material negative social and/or environmental impacts from the project(s), which may include relevant trade-off analysis and monitoring undertaken where the issuer assesses the potential risks to be meaningful.

Climate transition in alignment with the goals of the Paris Agreement, may, for instance, have material impacts on employees in greenhouse gas intensive sectors of the economy. Understanding how an issuer is looking to incorporate the elements of a "Just Transition" into its overall decarbonisation strategy is therefore also considered relevant. A Just Transition seeks to ensure that the substantial benefits of a green economy transition are shared widely, while also supporting those who stand to lose economically – be they countries, regions, industries, communities, workers or consumers. The Just Transition concept links to a number of the SDGs, explicitly drawing together SDGs 13 – climate action, 10 – reduced inequalities, 8 – decent work and economic growth, and 7 - affordable and clean energy. See Disclosure 4 of the CTF Handbook.

1.16 What is the targeted investor base for Green Bonds, Social Bonds and Sustainability-Linked Bonds?

Green Bonds, Social Bonds and Sustainability-Linked Bonds are suitable for all investors, and are particularly relevant for fixed income funds with a responsible investment/ESG strategy, notably ESG integration, best in class, ESG tilts and thematic approaches. Certain dedicated Green Bond/Social Bond/Sustainability Bond funds may also consider Sustainability-Linked Bonds that reference relevant KPIs and SPTs even when these are not combined with a "use of proceeds" approach.

1.17 Are there restrictions on the types of debt instruments that can be issued under the GBP, SBP and SBG?

Generally, no. So long as the instrument has a use of proceeds which can be exclusively applied to eligible environmental and/or social projects and follows the relevant Core Components, the instrument could be deemed eligible. Borrowers under loan instruments, however, should consider the applicability of the Green Loan Principles, as administered by the Loan Syndications and Trading Association (LSTA).

2. Core Components of the GBP/SBP/SLBP

2.1 Use of Proceeds[3]

A Common features

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

GSS Bonds are often used to refinance assets that have a longer operating lifetime than the bond's tenor. Eligible projects would qualify for refinancing as long as they are in use, follow the relevant eligibility criteria at the time of issuance, and are still assessed as making a meaningful impact. Note however, that many investors differentiate between the refinancing of capital projects and operating expenditures and may expect a shorter lookback period for Opex. Investors may also seek additional information on the clear environmental benefits of refinanced projects with longer look back periods. The GBP/SBP/SBG 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.

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

Market operations, often referred to as liability management such as buybacks and reissuing, are an essential part of the capital markets. The GBP and SBP allow for refinancing of eligible projects, thus it would also be possible for the proceeds of a new GSS Bond following all the Core Components of the GBP and/or the SBP to be used to buyback a GSS Bond. It would even be possible for the proceeds of a new GSS Bond to be used to buyback a conventional bond, as long as an amount equivalent to the net proceeds is earmarked to fund existing and/or future eligible projects that have not been earmarked against any GSS Bond issuance that will remain outstanding. In all such cases, the issuer should ensure that any new GSS Bond follows the Core Components of the GBP and/or the SBP. Where all the assets underpinning the original GSS Bond remain outstanding, the Core Components will remain unchanged. Where the underlying projects are no longer outstanding for the full amount of the proceeds of the original issuance, new eligible projects will need to be identified to cover any shortfall.

The GBP and SBP recommend that issuers clarify which eligible 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) and include this under the existing GBP/SBP reporting requirement (See Q 2.1.1.) It is also recommended that the issuer's GSS Bond framework states clearly that refinancing of assets is permissible.

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

The proceeds from a GSS Bond may be used to finance or refinance other expenditures related to or in support of eligible Green and/or Social Projects, as long as those intangible assets and expenditures are associated with clear environmental or social benefits. A Key Recommendation of the GBP/SBP is that issuers use an external review to help investors assess the bond's alignment with the Core Components of the GBP/SBP, including the environmental or social benefits of the projects to be financed together with any related intangible assets and expenditures.

The importance of the issuer's overall decarbonisation trajectory is especially high in hard to abate sectors, and it is understood that this will contain multiple levers to achieve: capex, and Opex (incl. R&D, education, and monitoring). In the context of decarbonisation efforts, disclosures aligned to each of the four elements of the CTF Handbook are recommended to credibly articulate how the identified use of proceeds fits into the achievement of the overall strategy.

3 As Sustainability-Linked Bonds are not use of proceeds bonds, they and the SLBP are not covered under 2.1

2.1.4 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 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 SBG 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.

2.1.5 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. GSS Bonds must have 100% of the 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.

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

GSS Bonds should not typically qualify as use of proceeds for a GSS 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 GSS Bond issuer and by the issuer of the subsequent GSS Bond ("double-counting").

In the case of structured and securitised Green Bonds, or those 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, should be transparently communicated to the market to avoid potential "double counting" complications.

A bond issued in the context of a liability management transaction, in which an existing GSS Bond is bought back and refinanced, may qualify as a GSS Bond if it is aligned with the Core Components of the GBP/SBP (see Q 2.1.2). This recognises that such refinancing can be a routine process by which issuers optimise their access to markets.

2.1.7 Can eligible assets be refinanced with the proceeds of a Green, Social or Sustainability Bond 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 GSS 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 GSS Bond market.

2.1.8 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 GSS Bonds subject to key disclosures by the issuer. The easiest way to do this may be in a portfolio-based 'Management of Proceeds' approach where multiple green bonds finance one single pool of assets and expenditures. Specifically, the issuer should make explicit: the age and remaining useful life of the asset, as well as any (re)financed amounts; and their (re)evaluation of the continuing environmental and/or social benefits of all eligible projects/assets and, as appropriate, that of an external reviewer. 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 GSS Bond.

2.1.9 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 GSS 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 Components of the GBP/SBP. The refinancing should be done within the useable lifetime of the green, social or sustainability asset (see also Q 2.1.8 above).

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

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

2.1.11 When an underlying investment that is financed or refinanced by a Green/ Social/Sustainability Bond becomes past due, can the issuer include the investment in its reporting?

Yes, as long as there is certainty that the expected impact has or will materialise independently of the debt being past due. Conversely, if the expected impact has not been achieved or is no longer likely to be achieved, the proceeds allocated to this project should be reallocated to new eligible Projects where possible. The issuer should report on the balance of any unallocated proceeds, and the types of temporary investments made with such balance.

2.1.12 Can an issuer issue 'theme' bonds focusing only on one category out of a more general Green/Social/Sustainability Bond Framework?

Yes, a GSS Bond framework can allow the bond proceeds to be allocated to a project(s) belonging to one or several defined categories. An issuer may issue bonds focusing on different "themes" using a single framework that encompasses all the relevant themes, or they may highlight thematic differences in their approach to any of the Core Components of the GBP/SBP through establishing additional frameworks. Whatever the focus of the bond or framework, it is helpful to ensure that all issuance communications and documentation state clearly whether the bond is aligned with the Core Components of the GBP/SBP. When raising funds for climate transition-related purposes, it is recommended that issuers reference the recommendations outlined in the CTF Handbook in their reporting.

B Green Bonds

2.1.13 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, which is not exhaustive, can be found in the GBP's Use of Proceeds section and the Green Project Mapping linked above.

2.1.14 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. (See also Q 1.15) The appointment of (an) external review provider(s), to advise on the environmental sustainability and expected impacts and risks of the projects to be financed, is a Key Recommendation of the GBP. 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.

2.1.15 Would a project be eligible for inclusion in a Green Bond if it were to improve the energy efficiency of 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 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. A Key Recommendation of the GBP is that issuers use (an) external reviewer(s) to advise on the environmental sustainability including, for instance, the project's degree of alignment with the objectives of the Paris Agreement, and expected impacts and risks 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 organisations, 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.

2.1.16 Is there an eligible Green Project category in the Principles, which would consider carbon offsetting?

Carbon offsetting has not been envisaged within the GBP list of eligible projects, only carbon reduction. While the list of Green Project categories is not exhaustive, it conforms to the most widely supported categories for green investments. As carbon offsetting is less impactful than carbon reduction, and would fall under operating expenditures rather than capital expenditures, bonds focusing on such projects may meet with more limited investor demand.

2.2 Management of Proceeds[4]

2.2.1 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 GSS 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 are dissatisfied with the progress.

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.

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

The GBP/SBP guidance is that the net proceeds of a GSS Bond, or an amount equal to the net proceeds, should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner, which would include an evaluation of any currency mismatches. 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.

2.2.3 How should you deal with surplus money arising when Green, Social or Sustainability Bond proceeds exceed green projects?

The Principles state that the proceeds of the bond will be exclusively applied to (re)finance eligible Projects. It nevertheless recognises that there may temporarily be unallocated bond proceeds, and that the issuer should make known the intended types of temporary placement of any unallocated bond proceeds. Issuers may consider temporary placements (preferably thematically relevant/ESG placements) pending allocation to eligible projects or

4 As Sustainability-Linked Bonds are not "use of proceeds" bonds, they are not covered under 2.2

buying back their previous GSS Bonds in case of a permanent shortfall. Issuers should seek to ensure that, in the selection of such temporary investments, they do not damage the integrity of the GSS Bond market.

2.3 Reporting

A Common features

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

Transparency is of particular value in communicating the expected and/or achieved impact of projects, including through the use of qualitative performance indicators and, where feasible, quantitative performance measures. The GBP and SBP seek to encourage harmonised impact reporting by providing core principles for reporting the impact of projects, as well as through suggested metrics and the provision of templates that cover most eligible Projects. These suggested metrics are available on the sustainable finance section of ICMA's website. As of June 2021, the Green Project categories with suggested impact metrics include renewable energy, energy efficiency, sustainable water and wastewater management, waste management and resource efficiency, clean transportation, green buildings, biodiversity, climate adaptation and circular economy and eco-efficiency projects. Impact metrics and templates are available for the aforementioned project categories individually, and are also collated in the Harmonised Framework for Impact Reporting, which also highlights additional recommended disclosures of the key underlying methodology and/or assumptions used in the quantitative determination.

2.3.2 How often and for how long is an issuer expected to report on Green, Social, Sustainability or Sustainability-Linked 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 welcome 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 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 their Market Information Template[5].

For Sustainability-Linked Bonds, issuers should publish and keep readily available up to date information on their performance against the selected KPI(s), a verification assurance report relative to the Sustainability Performance Target(s) and any other relevant material, as outlined under Section 4. Reporting of the SLBP. At a minimum, following the observation date, publication of performance against the selected KPIs with a verification assurance report is required. Examples of post-issuance information is also provided in Appendix II of the SLBP.

2.3.3 What kind of reporting should the issuer consider pre-issuance of Green, Social, Sustainability or Sustainability-Linked Bonds?

As the GBP and SBP recommend a clear process and disclosure for issuers, which investors, banks, underwriters, placement agents and others may use to understand the characteristics of any given GSS Bond, this would require pre-issuance reporting on the processes established to ensure alignment of their bonds with the Core Components of the GBP or SBP. A Key Recommendation of the GBP/SBP is that this be done through providing a publicly available Green Bond or Social Bond Framework prior to issuance together with any external review. Additional details may also be provided through, for example, FAQs and/or the Market Information Template. Examples can be found in the sustainable bonds database.

Pre-issuance, in accordance with the GBP and SBP's "Process for Project Evaluation and Selection," issuers are encouraged to provide their overarching objectives, strategy, policy and/or processes relating to environmental/ social sustainability, as well as any green/social standard or certifications relevant to project selection. For issuers from greenhouse gas intensive sectors, the importance of the issuer's overall decarbonisation trajectory is even

5 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 sustainable finance section of ICMA's website.

higher, and it is recommended that such issuers also provide disclosures aligned to each of the four elements of the CTF Handbook in order to credibly articulate how the identified use of proceeds fits into the achievement of the overall strategy.

For Sustainability-Linked Bond issuance, the SLBP provides a non-exhaustive pre-issuance checklist under Appendix II.

2.3.4 How should an issuer report impact for projects where the issuer has provided only partial financing?

As per the guidance in the Harmonised Framework, issuers are encouraged to report the impacts of the pro-rated share of the total project cost that they are financing, and to provide the total project cost when available, subject to confidentiality considerations. Issuers who do so are further encouraged to provide confirmation that they have chosen to report using a pro-rata methodology. Where issuers have used estimates to determine their share of financing of the total project cost, they should clearly state so. In circumstances where the issuer believes an alternative impact reporting methodology is appropriate, issuers are encouraged to explain their rationale, and to provide transparency regarding the share of the project they financed as well as the share of the impacts they are reporting.

B Green Bonds

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

To aid harmonised metrics across Green Bond issuers, the Green Bond Principles Impact Reporting Working Group ("IRWG") has offered suggestions for best practice in the suggested impact reporting metrics for all but one of the 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 remaining eligible Green Project category. The proposed metrics are, however, only suggestions that issuers may adopt, adapt or ignore in favour of alternative metrics, as they see fit.

2.3.6 Do the GBP provide any recommendation on these metrics and on their definition, choice and control?

The GBP offer suggestions for best practice in the impact reporting metrics 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.

2.3.7 Do the GBP provide guidance for issuers to select Projects aligned with a decarbonisation pathway consistent with a below 2° scenario?

While many of the projects funded by the Green Bond market support mitigation efforts towards a low carbon transition, Green Bond eligible categories are not solely limited to climate focused projects. Green Bond and Sustainability-Linked Bond issuers can consider the use of a wide variety of currently available scenario providers. For example, the Task Force on Climate-related Financial Disclosures (TCFD) offers a list of providers and possible scenarios in its Technical Supplement[6], and the Principles for Responsible Investment also provides a registry of publicly available climate scenario tools[7]. While a range of scenarios can be useful for scenario planning, in the context of setting a transition strategy, a decarbonisation pathway should have the objective of limiting climate change ideally to 1.5°C and, at the very least, to well below 2°C. We note that prior to the update of the IEA's World Energy Outlook in October 2020 the most common scenario utilised was IEA SDS[8]. Note that the IEA has updated its World Energy Outlook in May 2021.

6 Task Force on Climate-related Financial Disclosures, Technical Supplement, The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities. June 2017
7 See: https://www.unpri.org/climate-change/directory-of-climate-scenario-tools/3606.article
8 See: https://www.iea.org/reports/world-energy-model/sustainable-development-scenario

C *Social Bonds*

2.3.8 Should an issuer report on actual and/or estimated impact?

It is understood that for certain social projects/assets (e.g., construction loans for affordable housing, construction of healthcare facilities), actual impact cannot be calculated until those assets are operational and/or projects completed, which may/may not be at the outset of a bond issuance. In these cases, issuers should report on their estimated impact. With either approach, actual or estimated, issuers are encouraged to provide detailed insight with clear disclosure on the scope and limitations of data presented.

2.3.9 How does a positive social outcome differ from a social issue?

The SBP stipulates that Social Projects 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). A social issue is defined in the SBP as one that threatens, hinders, or damages the well-being of society or a specific target population. A Social Project could also be founded on a project's aim to achieve positive social outcomes i.e. benefits or changes to specific individuals and/or groups that are expected to occur as result of the project. Working towards a Harmonised Framework for Impact Reporting for Social Bonds considers this in more detail.

2.3.10 Are Social Projects also required to identify a specific target population?

In instances where there may be broad social issues that impact the general populace, for example public health issues, polluted water supply etc., consequently the target population could be the entire populace rather than a particular segment of the population. In such cases especially, issuers should provide a thorough explanation of the social issue to be addressed by the project and the expected impact on the general populace. In such cases, issuers are nonetheless encouraged to identify any particular segments of the general populace that are expected to especially benefit from the project.

Issuers are encouraged to identify the target population(s) for which positive social outcomes are anticipated and to include target populations in reporting wherever possible. It is acknowledged that a project may benefit people beyond the identified target population. The notion of 'target population(s)' may also be context-specific in that an individual considered underserved in one sector or country context, may not be considered underserved in another. Where applicable, issuers are encouraged to provide information on such context.

D *Sustainability-Linked Bonds*

2.3.11 What are the benchmarks, standards or frameworks that can be used to identify relevant and material KPIs?

SLB issuers may reference or take inspiration from regulatory standards or taxonomies in the choice of relevant KPIs. Similarly, reference to goals and objectives set in international agreements, such as the Paris Agreement (countries' nationally determined contributions (NDCs) and the 1.5°C or 2°C temperature rise objective) or the 2030 Agenda on Sustainable Development (SDGs), can prove useful.

Existing and ongoing work on environmental and social impact metrics by the GBP may also help identify relevant KPIs and calculation methodologies. Reference to public or private multi-stakeholder initiatives can also prove useful and examples are available on the sustainable finance section of ICMA's website.

To determine which activities are material to an issuer from a sustainability/ESG perspective, external guidance and/or tools such as the Global Reporting Initiative's Guidelines (GRI), Sustainability Accounting Standards Board (SASB), TCFD, International Integrated Reporting Council's Framework and the Accountability's Materiality Framework may be useful in order to conduct a materiality assessment of the issuer's business activities. A determination of materiality may take into account financial metrics i.e. as % of turnover/EBITDA or other relevant metrics, and can be assessed using standard calculation and accounting methods (e.g. compound annual growth rate, changes in the share of the business or financial indicator concerned, such as capacity or energy mix for utilities). Multiple KPIs may be relevant, even for a single offering, especially where there are no dominant sustainability issues for a given issuer or sector, in order to appropriately capture the sustainability performance of the issuer.

All KPIs should be consistent with the issuer's strategy and reference a core, significant and relevant business activity, for which the outcomes are actually under the control of the issuer. In order to allow investors to evaluate the issuer's historical performance against the KPIs selected, where possible, they should have already been included in previous annual reports, sustainability reports or other non-financial reporting disclosures, or alternatively, issuers should seek to provide externally verified KPI values covering at least the previous 3 years.

2.3.12 What governance process should be established by the issuer to monitor the achievement of SPTs?

The issuer should not only select the relevant KPIs and related SPTs as per sections 1 and 2 of the SLBP but also ensure proper monitoring, disclosure and verification as per section 4 of the SLBP. Issuers should ensure that where multiple SPTs are used for the same KPI in relation to a single offering, this does not appear to reduce the issuer's commitment to high performance on the KPIs chosen.

In particular, issuers of SLBs should publish, and keep readily available and easily accessible:

1. up-to-date information on the performance of the selected KPI(s), including baselines where relevant;
2. a verification assurance report relative to the SPT outlining the performance against the SPTs and the related impact, and timing of such impact, on the bond's financial and/or structural characteristics; and
3. any information enabling investors to understand the time horizon of an SPT in relation to the bond tenor, and monitor the level of ambition of the SPTs (e.g., any update in the issuers sustainability strategy or on the related KPI/ESG governance, and more generally any information relevant to the analysis of the KPIs and SPTs).

This reporting should be published regularly, at least annually, and in any case for any date/period relevant for assessing the SPT performance ("trigger event") leading to a potential adjustment of the SLB's financial and/or structural characteristics.

As a reminder, since a number of transparency measures are specified throughout the SLBP and for the sake of clarity, a checklist of recommended or necessary pre- and post-issuance disclosures is provided in Appendix II of the SLBP.

To ensure a smooth governance process, some issuers may find it convenient to make the verification of SPTs achievement relative to KPIs part of the preparation of the integrated annual report or sustainability report, in particular if the external verification is provided by the statutory auditor.

2.3.13 How should differences in the sector, geography, governing laws and environmental policies be reflected when defining the ambition of SPTs?

The issuer should select ambitious KPIs and SPTs in relation to the specific sectors and local context, with SPTs based on a combination of benchmarking approaches, such as historically externally verified values, issuers peers' and industry or sector's standards, considering recognised Best-Available-Technologies or other proxies in the sector/industry. Targets should be set at minimum to be in line with science-based scenarios, or absolute levels (e.g. carbon budgets), or to official country/regional/international targets (e.g. EU Taxonomy of sustainable activities, the China Catalogue, Paris Agreement, 2030 Agenda on SDGs, etc.), and, when possible, shall aim to go even beyond such levels.

It is understood that sustainability priorities are likely to vary depending on the economic, social and political development of geographies, in which issuers are domiciled or have the largest portion of their activities situated: for example, environmental SPTs that may be regarded as modest in ambition in developed economies could be of high significance in regions where the Carbon Transition is less advanced. Similarly, differences in social factors including demographics, workforce participation and gender equality where issuer activities are undertaken may mean that what is regarded as an ambitious target in one region may not be ambitious in another.

The Principles invite issuers to clearly communicate to investors the references to the benchmarks selected and how the specificities of a given sector and/or local context have been identified and addressed.

2.3.14 Is it possible to use ranges, dynamic targets, and/or benchmarks (as opposed to all being "set" before the issuance of the bond) including to allow a reasonable margin of error?

The SLBP state that SPTs should “where possible be compared to a benchmark or an external reference;” and “be determined on a predefined timeline, set before (or concurrently with) the issuance of the bond.” While such SPTs will be the most transparent and easiest to calculate results of, some issuers may elect a range or dynamic targets that could change over the life of the bond. Examples may include, but are not limited to, a “Most Favoured Nation” clause, or remaining in the top [quartile] of an industry or peer group with respect to a particular KPI. Issuers should keep in mind that in such situations, the calculation and evaluation of a KPI against an SPT must remain transparent, specific, and replicable over time. Language which leaves room for interpretation – for example as to whether or not to apply a most favoured nation clause or to modify a peer group (for example due to M&A activity of peers) is discouraged. The scale of any range should be clearly defined, with any margin of error being commensurate.

2.3.15 Can an issuer amend how it calculates a KPI or change an SPT prior to the maturity of an SLB?

KPI(s) and SPT(s) will be fixed in the legal terms and conditions of an SLB at the point of issuance. Therefore, to the extent there is to be any discretion as to how a KPI is calculated or potential for an issuer to change an SPT prior to maturity, it must be explicitly contemplated in the legal documentation. KPIs and SPTs should always be precise, clear and unambiguous to avoid future disagreement as to whether a SPT has been met.

2.3.16 Can a third party ESG rating serve as KPI for a SLB?

In principle, an issuer’s ESG rating as provided by an external sustainability rating agency may serve as KPI for a SLB. Issuers should clarify if they are using either an ESG rating as a whole or only specific E, S or G parts of the rating. Given diverging and evolving rating methodologies or rating scales, where an ESG rating is not accompanied by other KPIs, issuers are expected to explain why an ESG rating is the best indicator to reflect their core business ESG challenges. In addition, issuers should be aware that they hold no direct influence on the evolvement of their ESG ratings and, in choosing them as KPIs, they risk not reaching set SPT(s).

2.3.17 Can the KPIs be at project level? Or do they need to be at corporate level?

Yes, the KPIs can be at the project level provided that such KPI fulfils the first and second principles of the SLPB in terms of KPI selection and calibration of the SPTs. In particular, this means that the KPIs should still be “relevant, core and material to the issuer’s overall business, and of high strategic significance to the issuer’s current and/or future operations”, which is probably less obvious for project-related KPIs than corporate-level KPIs.

2.3.18 When the issuer is an issuing subsidiary within a larger group: should it use its own KPI or can it use group KPIs?

KPIs could be set independently of the issuing entity, as long as they are material and relevant to the group/share of the group that the issuing entity represents.

2.3.19 How should the issuer deal with M&A activities with regards to the existing KPIs/SPTs defined at the bond issue date? How should an issuer disclose material changes to its operations (i.e. M&A activity) and corresponding adjustment to SPTs?

Any adjustments to KPIs and SPTs designed to address the impacts of M&A activity must be defined before (or concurrently with) the issuance of an SLB. The methodology for dealing with such M&A activity will be highly customised for each set of KPIs and SPTs, however, the calculation and evaluation of a KPI against an SPT must remain transparent, specific, and replicable over time.

M&A activity which impacts KPIs and the probability of achieving SPTs is likely to impact the price at which SLBs trade. As such, disclosure of material changes to operations must be done in accordance with securities disclosure laws applicable to the issuer and the SLB.

2.3.20 Should the SLB’s reporting process be aligned on time and in appropriate manner to the Issuer’s Management Report?

There is no such requirement as part of the SLBP. The timing of the annual reporting relative to an SLBP issuance or programme is not prescribed, but the issuer would need to disclose it ahead of issuance. However, since KPIs are likely to be part of the issuer’s annual reporting exercise, the coincidence of timelines is therefore more likely.

2.3.21 Are there any minimum requirements in terms of an issuer's ESG performance or exclusions in terms of business activities or practices?

No, the SLBP do not prescribe a minimal level of ESG performance or consider any exclusions.

Unless issuers choose to combine the GBP/SBP approach with the SLBP, the proceeds of SLBs are intended to be used for general corporate purposes. As a result, proceeds may be used to finance any kind of business activities that the issuer is pursuing (see Q 1.2 above). However, it is up to the issuer to explain the credibility and ambition of their SLB and overall sustainability/transition strategy.

Many investors take into consideration the quality of the issuer's overall ESG profile. Investors with a focus on sustainability also often have exclusion criteria and minimum requirements with respect to ESG performance. Investors may take into consideration the broader conduct of the issuer in order to evaluate the level of ambition of the chosen KPI(s) as well as to assess the likelihood of the issuer achieving the SPTs.

2.3.22 External verification of the performance against the SPTs is required under the SLBP. How will this affect the legal documentation?

It is a requirement of the SLBP that external verification of each KPI is made at least once a year and for any date/period relevant for assessing the SPT performance ("trigger event") that may lead to an adjustment of the bond characteristics.

Therefore, it is expected that reference will need to be made in the legal terms and conditions of the bonds setting out the roles of the parties in confirming whether each SPT has been met. By way of example, in bond documentation, where an Issuer or third party makes a determination, it is common to include drafting that the determination, in the absence of error, fraud, negligence etc., is binding. The precise drafting would need to be addressed as part of the documentation process prior to issuance of the SLB.

It is also likely that parties structuring the transaction will want to include a specific undertaking from the Issuer in the legal terms and conditions to make external verification reports publicly available in line with the requirements of the SLBP.

2.3.23 Can SLBs be issued with a call date that precedes the notification date for the SPT?

Issuers should ensure the structure of any SLB requires their performance against at least one SPT to be evaluated prior to the bond becoming callable at the issuer's option at a pre-determined price. Where there is an early first call date, and evaluation against an SPT is impracticable, Investors will likely expect the call price to reflect an assumption that the SPT has not been met. This prescription does not apply to "make whole calls" where the redemption price is calculated based on prevailing benchmark rates at the time the call is exercised.

3. Market and Technical Issues

3.1 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.

3.2 How can investors recognise the eligibility of a bond as a Green, Social, Sustainability or Sustainability-Linked Bond when the issuer does not refer to the GBP/SBP/SBG/SLBP?

It is up to the issuer to confirm alignment with the GBP/SBP/SBG/SLBP. Certain financial information providers and indices, such as Bloomberg and MSCI, provide complementary information that investors may review in conjunction with the information provided by issuers, and for which links can be found in the sustainable finance section of ICMA's website.

3.3 Are there any additional requirements for Green sukuks?

In alignment with the Core Components of the GBP, 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.

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

In alignment with the GBP's Core 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.

3.5 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 Core Components.

3.6 Are Green Bonds, Social Bonds, Sustainability Bonds and Sustainability-Linked Bonds becoming a separate asset class?

Since the overall risk and return characteristics of GSS Bonds do not differ from those of non-labelled bonds by the same issuer, they do not meet all the criteria that are generally considered necessary to qualify as a separate asset class. Sustainability-Linked Bonds, in seeking to incorporate Key Performance Indicators (KPIs) and Sustainability Performance Targets (SPTs) into the bond's financial and/or structural characteristics, come closer to differentiating their overall risk-return from non-labelled bonds by the same issuer, although they, too would be unlikely to be sufficiently distinct to be considered a separate asset class. Some investors, however, disagree, and a growing number adjust investment processes or allocations to seek exposure to GSS Bonds and/or Sustainability-Linked Bonds in an attempt to actively contribute to the positive impacts associated with such issuance.

3.7 Guidance on fungibility considerations

GSS Bonds and Sustainability-Linked Bonds are not considered fungible with bonds that are not aligned with all the Core Components of the GBP/SBP/SLBP. More specifically, taps of Green, Social, Sustainability or Sustainability-Linked Bonds must respect the original documentation of the relevant Bonds, including the use of proceeds for

GSS Bonds, and KPI(s) and Sustainability Performance Targets for Sustainability-Linked Bonds

While it is possible (albeit not advisable) for the coupon and maturity dates of a GSS Bond or Sustainability-Linked Bond to be the same as for other bonds of the same issuer, they would be separate transactions (with separate ISIN codes and separate documents i.e. prospectuses).

3.8 Can an issuer launch a Green, Social, Sustainability or Sustainability-Linked Bond Framework without having an MTN program?

In principle yes. The GSS Bond or Sustainability-Linked Bond Framework need not specify which legal platform is used for issuance and could apply to different types of issuance programme or to a standalone bond issue. The Principles do not specify the bond documentation to be used.

3.9 Does the issuer have to write a separate Framework and/or Information Template document, or is a description in the Legal Documentation enough?

It is a Key Recommendation of the GBP/SBP that issuers publish a Framework, which would be separate from the legal documentation, and be available in a readily accessible format to investors. The Framework should cover their alignment with all Core Components of the GBP/SBP, as well as with additional recommendations. Further clarifications in the form of FAQs may also be deemed helpful.

For Sustainability-Linked Bonds, as key sustainability features impact the bond's characteristics, many core aspects will need to be embedded in the bond's terms and conditions as well as other relevant sections of the prospectus. Further "non-contractual" information related to the SLB's structure and the issuer's sustainability strategy can be disclosed in a variety of ways, including a framework, investor presentation, external review, sustainability report – subject of course to security regulation relevant to the target market of the offering.

3.10 Does a Framework need to be published for each issuing entity of the same group or is it possible to use the same common Framework for the entire group?

As the GBP, SBP and SBG seek to promote transparency, it is recommended that each issuing entity should explain their alignment with the Core Components of the Principles separately, or in the event that the Framework will apply, identically to multiple entities, explicitly state the entities to which the Framework will apply. For any issuing entity in greenhouse gas intensive sectors, it is also recommended that the Framework incorporate each of the disclosures outlined in the CTF Handbook.

3.11 How often should a Framework be updated?

A Framework does not need to be updated if there have been no changes to it.

4. Governance and Membership

4.1 How can I become a Member or Observer of the Principles (GBP, SBP and SLBP), and enter into active dialogue with the community?

Organisations that are involved in the GSS Bond and/or Sustainability-Linked Bond market or more generally in green and social finance are invited to apply to join the Principles either as Members or Observers. For more details, please see the sustainable finance section of ICMA's website.

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.

4.2 How is the Executive Committee elected?

The Executive Committee is formed by 24 organisations comprising an equal distribution between investors, issuers and underwriters 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.

4.3 Are the GBP/SBP/SLBP a regulatory institution?

No, the GBP, SBP and SLBP are voluntary guidelines as opposed to a mandatory framework. The GBP SBP and SLBP are typically reviewed annually on the basis of a consultation of Members and Observers by its Executive Committee, which is comprised of 24 market participants elected by Members of the Principles. Several national and international regulators have used the Principles as a significant point of reference.

4.4 What is the purpose of the Advisory Council and how are its members selected?

The Advisory Council's (AC) purpose is to complement and provide input to the Executive Committee that remains the sole executive body of the Principles in line with its Governance. The AC also supports and informs the market outreach of the GBP/SBP/SLBP.

Members apply voluntarily and are selected by the Executive Committee for an annually renewable 1-year term. The selection is based on a balanced representation of Principles' Members and Observers, especially key market stakeholders such as exchanges, service providers, rating agencies, external reviewers, and law firms, as well as civil society; geographic diversity; and market share and activity of green, social and sustainability bond issuers, investors or underwriters not already represented on the Executive Committee.

The AC is designed to enable wide stakeholder representation including through the rotation of participants.

4.5 How can members and observers join one of the working groups?

The Executive Committee reviews the list of the working groups and their related terms of reference each year at one of the first meetings following the Annual General Meeting. In order to keep the groups relevant and manageable in terms of size, the involvement of new participants is subject to adequate contributions of expertise and the operational capacity of the group. Should Members or Observers wish to get involved, they can contact the Principles' Secretariat at sustainabilitybonds@icmagroup.org.

5. Other Market and Official Sector Initiatives

5.1 Why are there regional green bond standards, such as the ASEAN GBS? Does the Principles' Executive Committee support the development of these regional standards?

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

5.2 What is the Principles' 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 Core Components of the GBP, but regional/national green bond standards have generally furthered the recommendations and requirements of the Core Components of the GBP. The Principles' Executive Committee encourages any regional/national guidance to align with the Core Components 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 prominent capital market participants representing investors, issuers and underwriters 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 environmental 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 provided 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.

5.3.1 How might an SLBP issuer map KPIs to the UN SDGs?

There are initiatives and resources in the market that may be of help to issuers when mapping KPIs to the SDGs, including, for example:

- UNDP's impact practice Standards for SDG bond refers to standardised metrics (e.g. GRI, SASB, IRIS+) that are linked to specific SDG targets or outcomes and set across the Five Dimensions of Impact developed by the Impact Management Project.

- GRI, UN GC and WBCSD's 'SDG Compass' includes inventories of business tools and indicators mapped to the SDGs.
- PIMCO's Best Practice Guidance for Sustainable Bond Issuance lists examples of initiatives that suggest targets at the corporate issuer level that may be mapped to the SDGs, e.g., CEO Water Mandate, RE100, EV100, Science-based target initiative or the New Plastic Economy Global Commitment.

It is important to note that KPI-alignment with the SDGs does not automatically ensure alignment with the SLBP.

5.4 How does the Climate Transition Finance Handbook interact with the Climate Bonds Initiative's White Paper on Financing Credible Transitions[9]

The CTF Handbook does not seek to define either dedicated use-of-proceeds or business activities that could be considered "Transition". Instead, it provides recommended disclosures to evidence a credible transition strategy, which could be used to accompany either a use of proceeds or sustainability-linked instrument.

The CBI White Paper, as well as other definitional guiderails available and/or under development, provide frameworks for defining transition.

5.5 Are "science-based targets", referred to in the SLBP and in the Climate Transition Finance Handbook, the same as Nationally Determined Contributions, as proposed by the parties to the Paris Agreement?

Not necessarily. Nationally Determined Contributions (NDC)[10] represent a country's individual commitments under the Paris Agreement. Science based targets, such as the approach set out by the Science Based Targets Initiative (SBTi)[11], seek to provide guidance to companies and other economic actors on the extent and speed by which they need to reduce their greenhouse gas emissions to meet and/or exceed the objectives of the Paris Agreement. As it stands today, the sum of each countries' NDCs does not meet the 1.5°C or well below 2°C target of the Paris Agreement.

Element 3 of the CTF Handbook recommends, as part of a credible transition proposition, that issuers reference appropriate, sector-specific decarbonisation trajectories in communicating their strategy in this area. We note that an aim to align the business plans with a 1.5°C trajectory will be perceived as most credible to an increasing proportion of market participants. However, reference to NDCs could be made as part of a transition strategy, particularly where issuers are at the beginning of their transition journey.

5.6 What are the main differences between the SLBP and the Sustainability Linked Loan Principles (SLLP). Can a Sustainability-Linked Bond be used to refinance a Sustainability-Linked Loan?

Both the SLBP and SLLP are voluntary guidelines that aim to incentivise material sustainability achievements by the borrower. Owing to the more public nature and (expected) broad distribution of SLBs, however, the SLBP provide more detailed indications on the definition and calibration of the Key Performance Indicators (KPIs) and Sustainability Performance Targets (SPTs), and promote a higher level of transparency, requiring that the post issuance verification of the issuer's performance against these targets be made publicly available. This can consequently expose the issuer's strategy, goal-setting and deliverables to the broader market, with the potential for a higher impact on the issuer's reputation. Sustainability-Linked Bonds aligned with all Core Components of the SLBP can be used to refinance Sustainability-Linked Loans.

9 https://www.climatebonds.net/transition-finance/fin-credible-transitions
10 http://spappssecext.worldbank.org/sites/indc/Pages/INDCHomeMore.aspx
11 https://sciencebasedtargets.org/about-us

5.7 How might the EU Taxonomy support Green Bond and Sustainability-Linked Bond issuance?

The EU Taxonomy seeks to identify activities that substantially contribute to the EU's environmental objectives of climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control and/or protection and restoration of biodiversity and ecosystems. The EU Taxonomy includes technical screening criteria (TSCs) that are both qualitative and quantitative, and although there may be challenges both in translating green activities into eligible Green Projects, and in applying the TSCs to projects undertaken outside the EU, it will nevertheless provide a reference point for identifying and reporting on eligible Green Projects. Issuers of Sustainability-Linked Bonds are encouraged to reference and benchmark their sustainability performance against the EU Taxonomy's TSCs, which may also be applied as KPIs or the SPT calibration for such an issuance.

6. Social Bonds related to COVID-19

6.1 What types of issuers can issue Social Bonds related to COVID-19?

All types of issuers in the debt capital markets can issue a Social Bond related to COVID-19, as long as all the Core Components of the SBP are addressed, and that the use of proceeds of the bond go exclusively towards eligible Social Projects that address or mitigate social issues wholly or partially emanating from the coronavirus outbreak. There is no requirement to have previously issued a Social Bond.

6.2 What types of proceeds are eligible for a COVID-19 focused Social Bond?

Social Bonds finance projects that directly aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes. The global Coronavirus outbreak threatens the well-being of the world's population, especially the elderly and those with underlying health problems. In addition, millions of people around the world are suffering or will be suffering from the economic downturn and social isolation brought on by the pandemic. Relevant projects could be undertaken by various industries and sectors where the aim of the project(s) is to mitigate COVID-19 related social issues and bring about positive social outcomes, especially for target populations, which may also include the general population affected by the crisis.

Illustrative examples for eligible Social Projects can include, for example, COVID-19 related expenditures to increase capacity and efficiency in provisioning healthcare services and equipment, medical research, SME loans that support employment generation in affected small businesses, and projects specifically designed to prevent and/or alleviate unemployment stemming from the pandemic. The general population is likely to be affected by the pandemic, including by any resultant socioeconomic crisis, and Social Bonds, while seeking to achieve positive social outcomes for target populations, may also serve to address the needs of the general population.

6.3 Would an existing Social or Sustainability Bond issuer require a change to its Framework to enable issuances related to COVID-19?

An existing Social or Sustainability Bond issuer with an established framework which includes use of proceeds that comprise sectors affected by the coronavirus outbreak e.g. healthcare, employment generation, access to finance etc. would not need to amend its Framework or use of proceeds language to explicitly mention the pandemic. The issuer should make transparent the positive social outcomes that the eligible Social Projects underlying a COVID-19 Social Bond are targeting. In the absence of a broader Social Bond Framework, issuers may also opt to specify how they will comply with the Core Components of the SBP in the offering document for a COVID-19 focused Social Bond.

6.4 Can an issuer issue a Social Bond for COVID-19 where not all the proceeds are directed towards COVID-19 Projects?

As with all Social Bonds, all the proceeds should be exclusively used to finance or refinance eligible Social Projects. Thus, issuers should make known what the intended use of proceeds are for their Social Bonds, and, where applicable, should indicate whether only a percentage of proceeds is earmarked for dedicated COVID-19 mitigation, while the remaining proceeds finance other eligible Social Projects.

6.5 Can all bonds that broadly target COVID-19 be labelled as Social Bonds?

This is a crisis situation that requires swift action, and thus the selection process and earmarking of bond proceeds required by the Social Bond Principles may not be feasible. While this is fully understandable, where issuers cannot apply all Core Components of the Principles, they should refrain from using the Social Bond label.

6.6 Is additional reporting required?

Where possible, issuers should include recommended indicators applicable to COVID-19 in their annual Social or Sustainability impact report. See Working Towards a Harmonised Framework for Impact Reporting for Social Bonds for the core principles for reporting on Social Bonds.

6.7 Many governments across the world are in the process of extending sizable guarantee schemes with the aim of incentivising banks to finance SMEs and loans to borrowers who are suffering stress as a result of the ongoing COVID-19 virus. Can an issuer use these government-guaranteed loans in its Social or Sustainability Bond?

So long as the use of proceeds are eligible, these loans could be eligible for the Social or Sustainability Bond. Indeed, there are already existing issuers with explicit or implicit sovereign guarantees who issue social bonds.

6.8 If loans related to COVID-19 relief are included among use of proceeds and these loans mature or are repaid prior to the maturity of the issuance, do the proceeds need to be re-allocated?

Where an eligible asset has matured, been prepaid or no longer qualifies under the issuer's eligibility criteria, the issuer should re-allocate the funds to other eligible projects according to the use of proceeds as disclosed in their Social or Sustainability Bond Framework or Information Template at the time of issuance. The issuer should also disclose the temporary use of the relevant proceeds pending their re-allocation. (See Q 2.1.5.)

6.9 Is there a standard methodology to report on jobs supported or jobs maintained as a result of MSME financing?

The SBP encourages issuers to refer to established sources for guidance on indicator methodology and to disclose the methodology used as part of their impact reporting. For guidance on job-related indicators, including jobs supported or jobs maintained, issuers could refer to sources such as IRIS (*Jobs Maintained at Directly Supported/ Financed Enterprises*).

6.10 Can Social Bonds be used to refinance existing COVID-19 related projects?

Social Bond proceeds may be used to refinance, in part or in full, existing eligible Social Projects. The SBP recommends that issuers clarify which Projects are to be refinanced and disclose, to the extent relevant, the expected look-back period for these refinanced Projects. (See also Q 2.1.1.).

6.11 Are there any tenor restrictions for Social or Sustainability Bonds issued in response to COVID-19?

No, the SBP does not include any restrictions or recommendations related to tenor.

The Green Bond Principles

The Social Bond Principles

The Sustainability Bond Guidelines

The Sustainability-Linked Bond Principles

Climate Transition Finance

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