

Pre-issuance Checklist for Green Bonds / Green Bond Programmes

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This document aims to function as a pre-issuance checklist for issuers considering issuing Green Bonds and to give guidance on the steps for establishing a Green Bond framework as recommended by the **Green Bond Principles** (GBP). Links to relevant sections in the GBP and to different supporting documents (e.g., the **Harmonised Framework for Impact Reporting**, the **Climate Transition Finance Handbook** (CTFH), the **Guidelines for External Reviews**, etc.) have been inserted for ease of reference. It is intended to be a pragmatic and condensed tool for issuers and for investors. Also included are some common questions that the external review providers may assess pre-issuance.

In accordance with the GBP, issuers should explain the alignment of their Green Bond or Green Bond programme with the four core components of the GBP (i.e., Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds and Reporting) in a Green Bond framework or in their legal documentation. Green Bond frameworks and/or legal documentation should be publicly available in a readily accessible format to investors.

In addition to communicating the alignment of the framework to the core components of the GBP, issuers should provide information on their overarching sustainability strategy, supporting standards or frameworks for disclosure, and any taxonomies, green standards or certifications referenced in project selection in the framework, supported by links to relevant documents and/or webpages.

Once an issuer has developed a Green Bond programme and intends to issue, they are encouraged to complete and forward the Green Bond/Green Bond Programme Information Template (**Template**) to the Secretariat to be saved in the **Sustainable Bonds Database**. The Secretariat to the Principles established the **Templates** to publicly confirm the alignment of a Green Bond programme with the core components of the GBP. The 2022 updated version of the Template includes more detailed information on the issuer's sustainability strategy in line with Section I: Strategy and Rationale.

The structure of a Green Bond framework could be modelled on the following:

Introduction:

- Short introduction of issuer (including, for example, its purpose, owners, structure, business areas, geographical reach, etc.) and type of issuance.

Issuer sustainability strategy:

- Summary of issuer's overarching sustainability strategy (strategy, governance, ESG risk management) with links to relevant documents/webpages.
- Information on supporting standards or frameworks for issuer's sustainability-related disclosure and reporting.

The framework:

- Describe the rationale for establishing a Green Bond framework.
- Describe alignment of the issuer's Green Bond or Green Bond programme with the four core components of the GBP.
- Information on possible engagement with external review providers.

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Disclaimer

This document does not constitute an offer to purchase or sell securities nor constitute specific advice of whatever form (tax, legal, environmental, accounting or regulatory) and does not create any rights in, or liability to, any person, public or private. Issuers adopt and implement the check list voluntarily and independently, without reliance on or recourse. If there is a conflict between any applicable laws, statutes and regulations and the check list, the relevant local laws, statutes and regulations shall prevail.

The following tables can act as pre-issuance checklist for issuers before considering setting up Green Bond programmes and Green Bond frameworks.

I Strategy and rationale

Topic	Content	Core to the Principles / Recommendation	Reference
Rationale for Green Bond issuance	Description of the reasoning for issuing a Green Bond.	Recommendation	Green Bond Principles Component 2
Sustainability strategy - issuer	<p>It is recommended that issuers summarise in their Green Bond framework relevant information to provide the context of the issuer's overarching objectives, strategy, policy and/or processes relating to sustainability.</p> <p>Environmental Sustainability Strategy: This may include reference to the five high level environmental objectives of the GBP (climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control). <i>For example, if the Green Bond's use of proceeds is invested in clean energy projects, the issuer should provide the rationale for how those projects will support the issuer's decarbonisation efforts. If possible, provide a quantification of the green projects' contribution towards the realisation of the relevant environmental strategy and decarbonisation targets – Greenhouse Gases (GHG) reduced/avoided and/or renewable capacity installed.</i></p> <p>It is recommended that issuers with a published decarbonisation trajectory also include reference to relevant external, industry or sector benchmarks (e.g., SBTi) and to provide disclosures aligned to each of the four elements of the CTFH in order to credibly articulate how the identified use of proceeds fits into the achievement of the overall strategy.</p> <p>Social Sustainability Strategy: This may include references to the issuer's social objectives.</p> <p>Common question(s) from the pre-issuance external reviewers: <i>Is the activity integrated into the issuer's business model?</i> <i>(For example, what proportion of the issuer's income and/or investments are linked to such activities? How has it been changing over the last few years? What are relevant short-term, medium-term and long-term targets?)</i></p>	Recommendation	Green Bond Principles Key recommendation Green Bond Principles Component 2 Climate Transition Finance Handbook (CTFH) Key element 1
Sustainability governance - issuer	<p>Explain the issuer's governance and responsibilities around sustainability.</p> <p>Examples of items that can be included are:</p> <ul style="list-style-type: none"> • Description of the board's oversight and role in assessing and managing of climate-related risks and opportunities; • Board and management composition: board size, % of independent members, rotation, diversity (gender, age, ethnicity, geography), competence, qualifications; • Engagement: ability of the board to ensure the interest of shareholders, as well as the active role they play in setting the vision and sustainability strategy; • Sustainability strategy and associated performance targets: sustainability-related targets, processes, monitoring systems, formalised action plan and incentives mechanism (remuneration); • Sustainability-related policies: sustainability-related policies and operational guidelines, implemented by trainings, audits, etc.; • Social safeguards: human rights, labour rights, anti-corruption, anti-bribery; • Sustainability reporting. <p>Common question(s) from the Pre-Issuance External Reviewers: <i>How does the company's strategy ensure that all activities are aligned with both social and green priorities?</i></p>	Recommendation	Climate Transition Finance Handbook (CTFH) Key element 1

Topic	Content	Core to the Principles / Recommendation	Reference
Supporting regulations, standards, or frameworks for sustainability-related disclosure and reporting - issuer	<p>Issuers are encouraged to create disclosures regarding issuer strategies and their alignment with recognised initiatives, standards and/or reporting frameworks.</p> <p>Examples may include:</p> <ul style="list-style-type: none">• Supporting regulation such as: <u>EU Non-Financial Reporting Directive (NFRD)</u> – <u>EU Corporate Sustainability Reporting Directive (CSRD)</u> - <u>EU Sustainable Finance Disclosure Regulation (SFDR)</u>.• Climate reporting standards and carbon pathway methodologies such as: <u>TCFD</u>, <u>SBTi</u>, <u>PRI</u>, <u>TPI</u>.• ESG reporting such as: <u>GRI</u>, <u>SASB</u>, <u>CDP</u>.	Recommendation	<u>Climate Transition Finance Handbook (CTFH)</u> Key elements 2 & 3

II Focus on the 4 pillars of the GBP

GBP component 1: Use of proceeds

Topic	Content	Core to the Principles / Recommendation	Reference
Green projects	<p>A description of the issuer's selected green projects should be appropriately described in the Green Bond framework or in the legal documentation of the security. All designated green projects should provide clear environmental benefits, which will be assessed and, where feasible, quantified by the issuer. Issuers are encouraged to provide further details on the project category, such as type of technology being considered.</p> <p>Common question(s) from the pre-issuance external reviewers: <i>Does the activity/project provide clear environmental benefits that can be monitored, quantified and are attributable (at least indirectly) to the activity/project?</i></p>	Core	<u>Green Bond Principles</u> Component 1
Environmental benefits	<p>Taking into account the local context and business activity of the issuer, will the intended activity/project/asset provide and/or ensure a short- or long-term environmental improvement?</p> <p>Common question(s) from the pre-issuance external reviewers: <i>Can the issuer demonstrate that the project/activity/asset will provide clear and relevant environmental improvements (based on evidence, research, international standards, etc.)?</i></p>	Core	<u>Green Bond Principles</u> Component 1
Multiple projects	<p>Description of the estimated proceeds allocation per green project category. If unknown at time of issuance, please indicate when this will be determined.</p>	Core	<u>Green Bond Principles</u> Component 4
Refinancing	<p>Description of the estimated share of financing vs. re-financing, and where appropriate, also clarify which investments or project portfolios may be refinanced, and, to the extent relevant, the expected look-back period for the refinanced green projects. If unknown at time of issuance, please indicate when this will be determined.</p> <p>Please note that:</p> <ul style="list-style-type: none"> Green projects 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. Different lookback periods may apply for Capex and Opex. 	Recommendation	<u>Green Bond Principles</u> Component 1

GBP component 2: Process for project evaluation & selection

Topic	Content	Core to the Principles / Recommendation	Reference
Evaluation and selection of green projects	<p>Description of the governance process by which the green projects are evaluated and selected including:</p> <ul style="list-style-type: none"> • details on who will be part of the process to select eligible projects for allocation; • the alignment with the Use of Proceeds Categories (qualitative and quantitative inclusion criteria and, if applicable, exclusion criteria); • the alignment with official or market-based taxonomies, (e.g., qualitative and quantitative criteria and if applicable, exclusion criteria). <p>Issuers should also clearly communicate the environmental sustainability objectives of the green projects and should describe how the selected projects fit within the issuer's wider sustainability strategy, goals and objectives.</p>	Core	<u>Green Bond Principles</u> Component 2
		Recommendation	
		Core	
Associated risks	<p>Description of the process applied to identify and manage perceived/known social and environmental risks associated with the relevant projects.</p> <p>It is recommended that issuers have a process in place to identify mitigants to key social and/or environmental risks associated with the eligible project(s). Such mitigants may include clear and relevant trade-off analysis undertaken and monitoring required where the issuer assesses the potential risks to be meaningful.</p> <p>While green activities do not require to demonstrate a positive social impact, they should not cause any social harm.</p> <p>Common question(s) from the pre-issuance external reviewers:</p> <ul style="list-style-type: none"> • Would the considered use of proceeds have a significant negative impact on the other environmental objectives, or on other vulnerable groups or social areas? • What measures can be implemented to avoid or at least minimise the negative impact of the activity/project? • Is the commitment to identify and manage potentially material social and/or environmental risks, as well as international conventions and recommendations or local labour laws formalised and detailed in the framework? 	Core	<u>Green Bond Principles</u> Component 2
		Recommendation	
Official or market-based taxonomies, green standards or certifications referenced	<p>Issuers are also encouraged to identify alignment of their Green Bond framework and their green projects with official or market-wide taxonomies and to reference any green standards or certifications used which may include: GBP, EU taxonomy for Sustainable Activities, ISO 14030, China's Guidelines for issuing Green Bonds, ASEAN Green Bond Standards, Climate Bond Initiative Standard, Climate Transition Finance Handbook (CTFH) etc. if applicable.</p> <p>It is also recommended to provide information, if relevant and applicable, on exclusion criteria used.</p>	Recommendation	<u>Green Bond Principles</u> Component 2
SDGs alignment	<p>Issuers are also encouraged to identify alignment with market-wide green, social or development objectives, such as the Sustainable Development Goals (SDGs), to help investors that may use them as part of their investment decisions. Issuers can indicate alignment:</p> <ol style="list-style-type: none"> 1) At a company level (if applicable) 2) In respect of the green categories and/or projects to be funded by Green Bonds <p>It is recommended that issuers include in their Green, Social and/or Sustainability Bond frameworks their methodology for alignment with the SDGs, and where applicable, incorporate this in their external review process. Issuers should provide as much clarity and detail as feasible on how specific SDGs are relevant to the issuance and not simply reference the SDGs in general.</p>	Recommendation	<u>High Level Mapping to the Sustainable Development Goals</u>

GBP component 3: Management of proceeds

Topic	Content	Core to the Principles / Recommendation	Reference
Management of proceeds	<ul style="list-style-type: none"> Issuers should describe the governance within the company to manage the use of proceeds, including the supervision, tracking and reporting of the proceeds. The proceeds of green bonds can be managed per bond (bond-by-bond approach) or on an aggregated basis for multiple Green Bonds (portfolio approach). Proceeds should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked in an appropriate manner (e.g., <i>tagged in the internal accounting systems</i>). The issuer can also choose to include a clause which states the commitment of the issuer to invest the proceeds [•] months after issuance. The issuer can inform on process in case a project no longer qualifies and the net proceeds originally allocated need to be reallocated. 	Core	Green Bond Principles Component 3
		Recommendation	
Unallocated proceeds	Description of the intended types of temporary placement for the balance of unallocated net proceeds.	Core	Green Bond Principles Component 3
External review	The management of proceeds may be externally verified, by an auditor or another independent third party, to verify the internal tracking method and the allocation of funds from the Green Bond proceeds. This verification is expected to take place annually or until full allocation.	Recommendation	Green Bond Principles Component 3

GBP component 4: Reporting

Topic	Content	Core to the Principles / Recommendation	Reference
Frequency, duration and level of allocation reporting	<p>The reporting should be renewed:</p> <ul style="list-style-type: none"> Annually until full allocation of the proceeds of the relevant green bond. In case of full allocation, on a timely basis in case of material developments. <p>The reporting can be done on the individual Green Bond level (bond-by-bond approach) or on aggregated level (portfolio approach).</p> <p>In case of bond-by-bond approach the issuer should clearly reference to which bond (ISIN) the reported impact belongs to.</p>	Core	Green Bond Principles Component 4
Frequency, duration and level of impact reporting	<p>The report should include the output, expected/achieved outcome and/or impact of projects financed by Green Bond proceeds either on a project level or on a portfolio level throughout the life of the Green Bond or at a minimum, until full allocation of the proceeds.</p> <p>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.</p>	Recommendation	Harmonised Framework for Impact Reporting Guidance Handbook section Core Components of the Principles/Reporting
Reporting Indicators	<p>Description of the qualitative and quantitative impact metrics that will be used to demonstrate substantial contribution to environmental objectives per project category related to the criteria.</p> <p>For the calculation of indicators, where there is no single commonly used standard, issuers may follow their own methodologies while making these available to investors. For the calculation of greenhouse gas (GHG) emissions reduced/avoided, for instance, there are a number of calculation methodologies both within and across institutions. Issuers should be transparent as to the calculation methodologies used.</p> <p>The impact report should illustrate the expected/achieved environmental impact made possible as a result of projects to which green bond proceeds have been allocated.</p> <p>The expected environmental impacts should be based on ex-ante estimates (developed prior to project implementation) of expected annual results for a representative year once a project is completed and operating at normal capacity. In case of reporting on a portfolio level, ex-ante estimates can be based on the annual analyses per portfolio and, if several categories are financed, per category, if possible.</p>	Recommendation	Green Bond Principles Component 4 Harmonised Framework for Impact Reporting

Topic	Content	Core to the Principles / Recommendation	Reference
Indicator Methodology	Description of the key underlying methodology and/or assumptions used in the quantitative determination. To facilitate comparison of project results, it is suggested that issuers aim to report on at least a limited number of sector specific core indicators for projects included in their green bond programmes.	Recommendation	Green Bond Principles Component 4 Harmonised Framework for Impact Reporting
Estimated lifetime results	It could also be beneficial to report the estimated lifetime results and/or project economic life (in years) to provide users with a basis for understanding the impact of the project over its lifetime.	Recommendation	Harmonised Framework for Impact Reporting
Further information	In this section you have the opportunity to provide further information e.g. based on national regulations, data and/or certain KPI's, with regard to the SDGs or other information which could be useful for investors.	Recommendation	Harmonised Framework for Impact Reporting High level mapping to the Sustainable Development Goals

III Engaging external review providers

Topic	Content	Core to the Principles / Recommendation	Reference
Appointment	The GBP recommend that in connection with the issuance of a green bond or a green bond programme, issuers appoint (an) external review provider(s) to assess through pre-issuance external review the alignment of their green bond or green bond programme and/or Framework with the four components of the GBP.	Recommendation	<u>Green Bond Principles</u> Key recommendation
Type of external review	<input type="checkbox"/> Second Party Opinion <input type="checkbox"/> Verification <input type="checkbox"/> Certification <input type="checkbox"/> Scoring/Rating	N/A	<u>Guidelines for External Reviews</u>
Public disclosure of the reports or templates	The GBP recommend public disclosure of external reviews (on the bond issuer's website and/or through any other accessible communication channel as appropriate before or at the time of the issuance) as well as using the template for performed external reviews.	Recommendation	<u>Green Bond Principles</u> Key recommendation
External verification of reporting	Indicate if external review will be provided to verify the internal tracking and the allocation of proceeds.	Recommendation	<u>Green Bond Principles</u> Key recommendation



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