



Green Bond Workshop II: Monitoring, Reporting & Market Aspects – What do the Green Bond Principles say?
São Paulo, 4 & 5 April 2017

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The Green Bond Principles



Green Bond Principles, 2016 Voluntary Process Guidelines for Issuing Green Bonds

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INTRODUCTION

Green Bonds raise funds for new and existing projects with environmentally sustainable benefits. The Green Bond Principles (GBP) are voluntary process guidelines that recommend transparency and disclosure, and promote integrity in the development of the Green Bond market. They are intended for broad use by the variety of actors participating in the market and are designed to provide the information needed to increase capital allocation to environmentally sustainable purposes without any single arbiter.

The GBP have four core components:

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

GBP – Monitoring – Management of Proceeds

3. Management of proceeds:

- The **net proceeds of Green Bonds should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner** and attested to by a formal internal process linked to the issuer's lending and investment operations for Green Projects.
- So long as the Green Bonds are outstanding, the balance of the tracked proceeds should be **periodically adjusted** to match allocations to eligible Green Projects made during that period.
- The issuer should **make known to investors the intended types of temporary placement** for the balance of unallocated proceeds.
- The GBP encourage a high level of transparency and **recommend** that an issuer's management of proceeds be supplemented by the use of **an auditor, or other third party, to verify the internal tracking method and the allocation of funds** from the Green Bond proceeds (see External Review section).

GBP – Reporting

4. Reporting

- Issuers should make, and keep, readily available up to date **information on the use of proceeds** to be renewed **annually** until full allocation, and as necessary thereafter in the event of new developments.
 - This should include a **list of the projects** to which Green Bond proceeds have been allocated,
 - as well as a **brief description of the projects and the amounts allocated**,
 - and their **expected impact**.
- Where **confidentiality** agreements, **competitive considerations**, or a large number of underlying projects limit the amount of detail that can be made available, the GBP recommend that information is presented in **generic terms or on an aggregated portfolio basis** (e.g. percentage allocated to certain project categories).

GBP – Impact Reporting

4. Reporting (continued)

- **Transparency is of particular value in communicating the expected impact** of projects. The **GBP recommend** the use of
 - **qualitative** performance indicators
 - and, **where feasible, quantitative** performance measures (e.g. energy capacity, electricity generation, greenhouse gas emissions reduced / avoided, number of people provided with access to clean power, reduction in the number of cars required, etc.)
 - with the key underlying **methodology and / or assumptions** used in the quantitative determination.
 - Issuers with the ability to monitor **achieved impacts** are encouraged to include those in their regular reporting.
- Leading International Financial Institutions have developed a **reference framework for impact reporting** (“**Working towards a harmonized framework for Green Bond impact reporting**” available at www.icmagroup.org/greenbonds) that outlines
 - core principles and recommendations and puts forward core indicators for two sectors: energy efficiency and renewable energy.
 - The framework includes templates for impact reporting at a project and portfolio level that other issuers can adapt to their own circumstances.
 - The GBP welcome this initiative, and encourage further initiatives, to help establish additional references for impact reporting that others can adopt and/or adapt to their needs.



Green Bond Workshop II: Monitoring and Reporting from International Issuers' perspective

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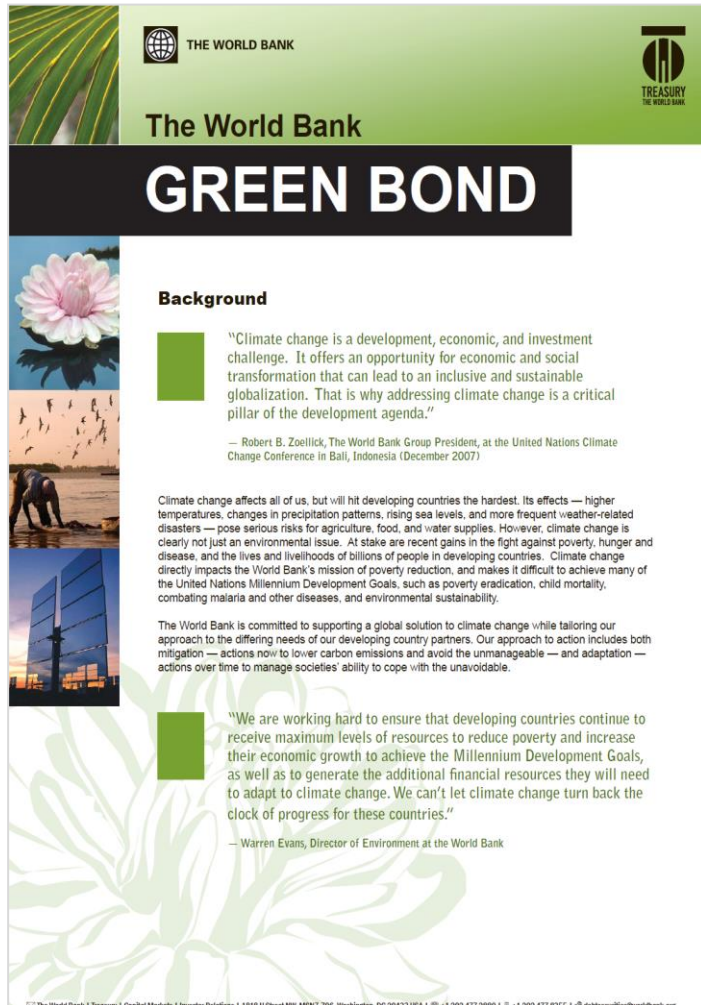
Monitoring

Sound and simple thinking:

- Starting point:
 - If you promise that use of proceeds exclusively shall be allocated to certain green project...
 - ...obviously, you must keep track of these specific funds.
- How to do it - two general guidelines:
 - Keep it simple
 - Be prudent
- A couple of alternatives:
 - Separate account at the house bank
 - Separate account in the internal accounting structure
- Make allocations to Eligible Green Projects periodically - according to your Selection criteria
- Inform on how unallocated proceeds will be used
- Recommendation – independent, transparent assurance of tracking method and the allocation of funds

Reporting – Evolution

2009



2016



Reporting

- Requirement and recommendation
- Diversity of issuers
 - Sector
 - Size
 - Capacity
 - History
 - Competitive landscape
 - Regulatory framework
- Trade-off: strength of commitment – capacity to deliver

Reporting

- Impact reporting – the devil is in the details
 - Numerous new trade-offs lined up
- Harmonization is encouraged
- Reporting synergies and multiple benefits from knowing what you're doing
- General guidelines:
 - Honour transparency
 - Better to under promise and over deliver
 - Clear direction – one step at a time

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Thank you!

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