

Sustainability Bond Guidelines

June 2021



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Guidelines

Introduction

The **Green Bond Principles** (GBP), together with the **Social Bond Principles** (SBP), the **Sustainability Bond Guidelines** (SBG) and the **Sustainability-Linked Bond Principles** (SLBP) are published under the governance of the Principles. The Principles are a collection of voluntary frameworks with the stated mission and vision of promoting the role that global debt capital markets can play in financing progress towards environmental and social sustainability.

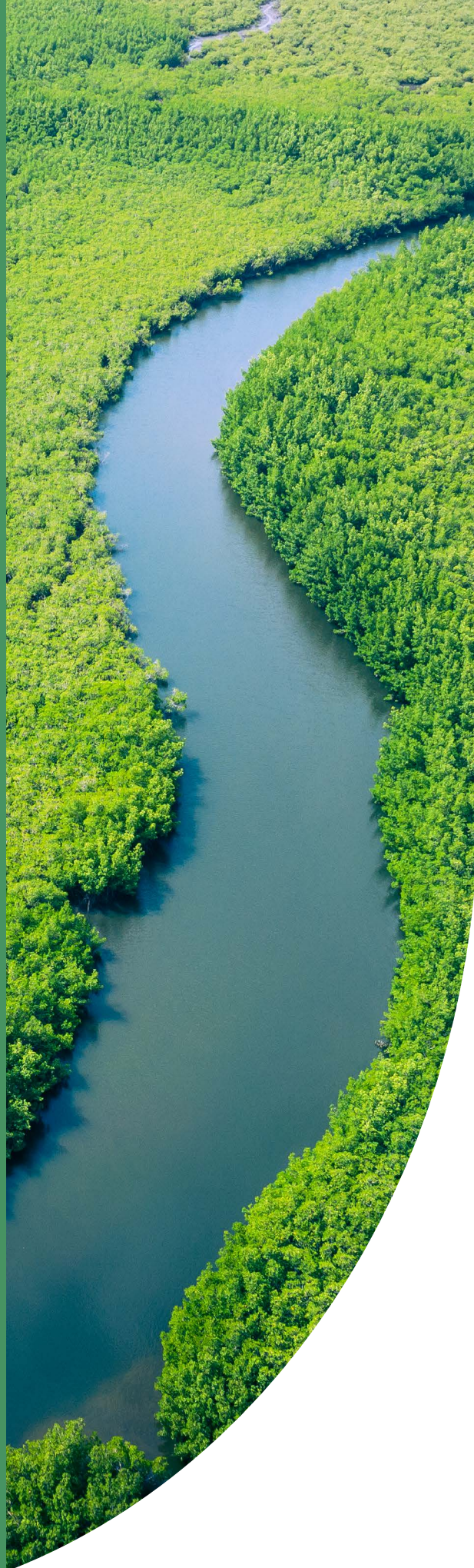
The Principles outline best practices when issuing bonds serving social and/or environmental purposes through global guidelines and recommendations that promote transparency and disclosure, thereby underpinning the integrity of the market. The Principles also raise awareness of the importance of environmental and social impact among financial market participants, which ultimately aims to attract more capital to support sustainable development.

A market has developed for bonds aligned to both the GBP and the SBP. These transactions reflect the continuing development of the use of proceeds bond market. Specific examples of such transactions can be found in the **sustainable finance section** of ICMA's website.

These guidelines have been published to confirm the relevance of the Principles in this context and facilitate the application of their guidance on transparency and disclosure to the Sustainability Bond market. The common four core components of the GBP and SBP (i.e. Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds and Reporting) and their key recommendations on Bond Frameworks and the use of External Reviews therefore also apply to Sustainability Bonds.

The Principles offer approaches that reflect issuer level sustainability commitments, which can supplement or provide an alternative to a focus on use of proceeds. Such commitments can be expressed through Sustainability-Linked Bonds, as well as through dedicated issuer strategies and disclosures as recommended by the **Climate Transition Finance Handbook** when communicating Paris-aligned transition plans. An illustration of the products and related guidance covered by the Principles is depicted in Appendix I.

The 2021 edition of the SBG is consistent with the 2021 editions of the GBP and SBP.





Sustainability Bond Definition

Sustainability Bonds are any type of bond instrument where the proceeds or an equivalent amount will be exclusively applied to finance or re-finance a combination of both Green and Social Projects. Sustainability Bonds are aligned with the four core components of both the GBP and SBP with the former being especially relevant to underlying Green Projects and the latter to underlying Social Projects.

It is understood that certain Social Projects may also have environmental co-benefits, and that certain Green Projects may have social co-benefits. The classification of a use of proceeds bond as a Green Bond, Social Bond, or Sustainability Bond should be determined by the issuer based on its primary objectives for the underlying projects.

It is important to note that Sustainability Bonds should not be considered fungible with bonds that are not aligned with the four core components of the Principles. Bonds issued under earlier Green and Social Bond Guidance released prior to this version are deemed consistent with the SBG.

Finally, where issuers wish to finance projects towards implementing a net zero emissions strategy aligned with the goals of the Paris Agreement, guidance on issuer level disclosures and climate transition strategies may be sought from the [Climate Transition Finance Handbook](#).

Resource Centre

Recommended templates and Green, Social and Sustainability Bond resources can be found in the [sustainable finance section](#) of ICMA's website. Completed templates can be published online for market information at the Resource Centre by following the instructions at the link above.

Note 1

The four types of Green Bonds and Social Bonds referred to in the Appendix I of the GBP and the SBP respectively would also apply to Sustainability Bonds, when Green and Social Projects are combined.

Note 2

It is recognised that there is a market of bonds with sustainable themes, including those linked to the Sustainable Development Goals ("SDGs"), in some cases issued by organisations that are mainly or entirely involved in sustainable activities, but their bonds may not align to the four core components of the Principles. In such cases, investors will need to be informed accordingly and care should be taken to not imply GBP or SBP features by a Sustainability Bond or SDG reference. These issuing entities are encouraged to adopt where possible the relevant best practice of the GBP and SBP (e.g. for reporting) for such existing sustainability, SDG or otherwise themed bonds, and to align future issues with the Principles.

A mapping of the GBP and SBP to the Sustainable Development Goals (SDGs) is now available and aims to provide a broad frame of reference by which issuers, investors and market participants can evaluate the financing objectives of a given Green, Social or Sustainability Bond/Bond programme against the SDGs. It can be found in the [sustainable finance section](#) of ICMA's website.

Note 3

It is recognised that issuers may wish to align their Sustainability Bonds with both the SBG and the SLBP. For the avoidance of doubt, such an approach remains at the discretion of issuers and is neither recommended nor discouraged.

Appendix I

The Principles



* 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.

Disclaimer

The Sustainability Bond Guidelines provide voluntary process guidelines that neither constitute an offer to purchase or sell securities nor constitute specific advice of whatever form (tax, legal, environmental, accounting or regulatory) in respect of Sustainability Bonds or any other securities. The Sustainability Bond Guidelines do not create any rights in, or liability to, any person, public or private. Issuers adopt and implement the Sustainability Bond Guidelines voluntarily and independently, without reliance on or recourse to the Sustainability Bond Guidelines, and are solely responsible for the decision to issue Sustainability Bonds. Underwriters of Sustainability Bonds are not responsible if issuers do not comply with their commitments to Sustainability Bonds and the use of the resulting net proceeds. If there is a conflict between any applicable laws, statutes and regulations and the guidelines set forth in the Sustainability Bond Guidelines, the relevant local laws, statutes and regulations shall prevail.



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