

# EU Green Bond Standard (EU GBS)

By

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# ECBC

EUROPEAN COVERED BOND  
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## 1 **Executive Summary**

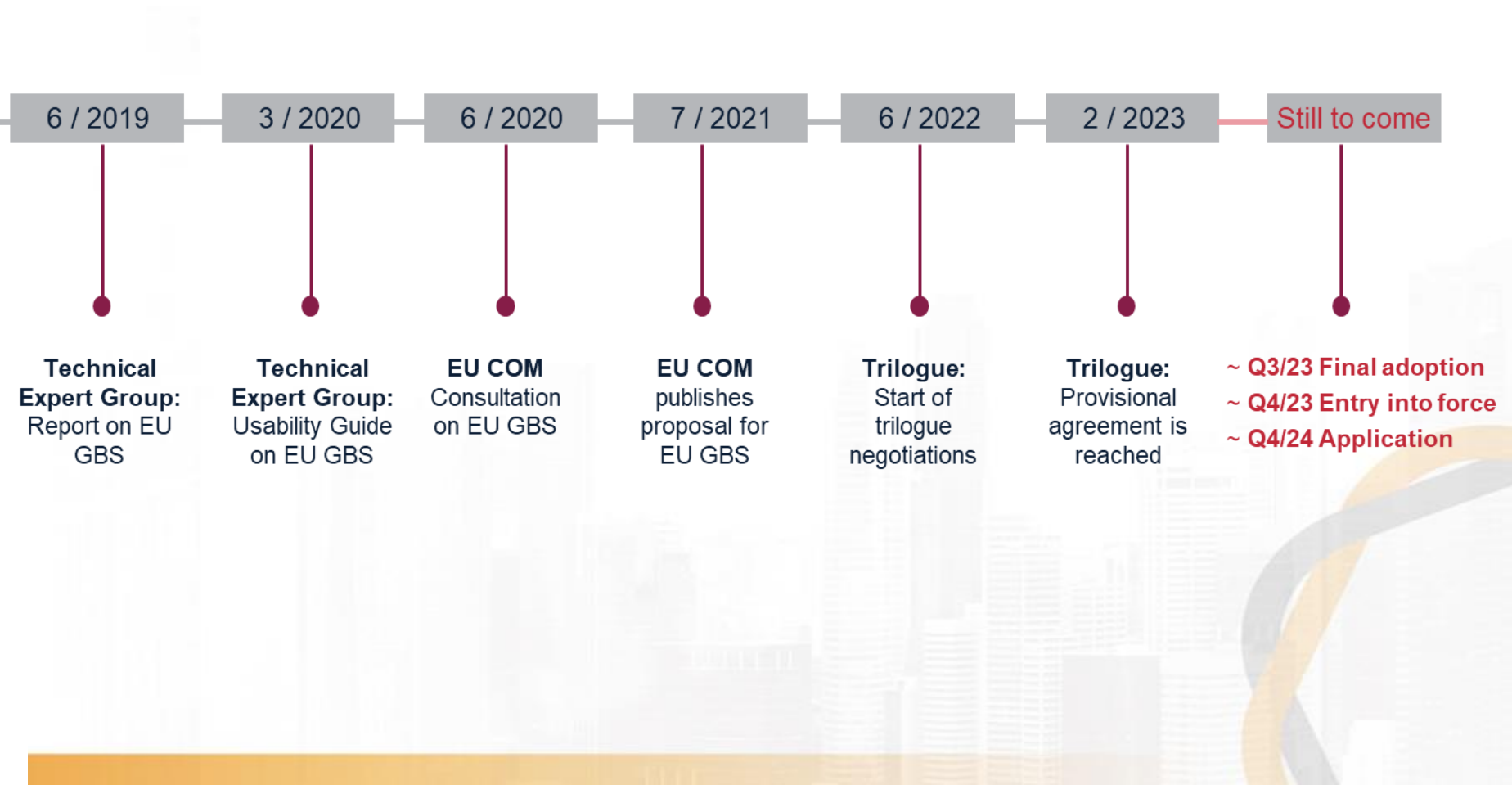
2 EU GBS features

3 ICMA vs. EU GBS

### A “European green Bond” or “EuGB”<sup>\*</sup> is:

- ...used on a **voluntary basis** by all **European and non-European** green bond issuers.
- ...allocate the proceeds for **eligible fixed assets, capex, opex and financial assets**.
- ...defines what is “green” by aligning the **use of proceeds with the EU Taxonomy** (except for a **15 % flexibility pocket** allowing the allocation towards Taxonomy-eligible economic activities where technical screening criteria (TSC) have not been developed yet).
- ...provides that in case of amended TSC issuers have a **7-year period** in order to replace allocations or align existing allocations with the new criteria (“**Grandfathering**”).
- ...ensure a high level of **transparency to avoid greenwashing** by verified **pre- and post issuance reports**.
- ...sets high standards for **ESMA-registered, external reviewers** and **enforcement power for authorities**.
- ...foresees **voluntary templates** for issuers of regular green bonds (e.g. issued after ICMA GBP)

<sup>\*</sup> Designation acc. to Art. 3 of the European Green Bond Standard (“EU GBS”)





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## Scope

- The EU GBS is applicable on a **voluntary basis** for **any bond issuer**, including issuers of **covered bonds** as well as **originators of securitisations** and **sovereigns**
- Applicable for **Use of proceeds bonds** as well as **general purpose bonds** (sustainability-linked bonds)
- Applicable for **EU and Non-EU issuers** as long as a **prospectus** has been approved
  - Sovereigns are exempt from prospectus
  - Non cooperative jurisdictions for tax purposes or high risk third countries excluded
- Optional sustainability disclosures: On a voluntary basis issuers of bonds **marketed as environmentally sustainable** and **sustainability-linked bonds** may **use templates (to be developed)**

## Use of proceeds (Art. 4)

- Proceeds shall be only and fully allocated **according to taxonomy requirements** to the following, or a combination thereof:
  - **Fixed assets**
  - **Capital expenditures** (which meet or will meet taxonomy requirements)
  - **Operating expenditures** (incurred within three years before issuance)
  - **Financial assets** (created not later than 5 years after issuance of EuGB)
  - **Assets and expenditures of households**
- Issuers may **deduce issuance costs** (But: To be explained in EU Green Bond Factsheet)
- **Portfolio approach**: Proceeds may be allocated to a portfolio of fixed assets / financial assets as long as the total value exceeds total value of outstanding bonds

## Flexibility pocket (Art. 4a)

- Issuers may allocate **up to 15%** of the proceeds to economic activities that **comply with the taxonomy requirements**, with the exception of technical screening criteria (TSC) where:
  - **TSC have not entered into force** for the relevant activity by the date of issuance or
  - **Activities are in the context of international support** contributing to the environmental objectives
- **Activities concerned and estimated share of proceeds** intended to finance such activities shall be described in the EU Green Bond factsheet
- Issuers **still need to comply with Do No Significant Harm (DNSH)-criteria** of Appendices A, B, C and D of Annex I to the Climate Delegated Act



## CapEx plan (Art. 6)

- Issuers **must publish a CapEx plan** where use of proceeds for capital and operating expenditures will meet taxonomy requirements, where the following applies:
  - CapEx Plan must **specify a deadline** for capex and opex to meet taxonomy requirements (must be before maturity of the EuGB)
  - **Assessment from an external reviewer** about expected taxonomy alignment is necessary (Shall be provided within 60 days after abovementioned deadline)
  - The **prospectus shall include a summary** of the CapEx Plan
  - **Report on the progress** made on the implementation of CapEx plan **in annual allocation reports**

## Grandfathering (Art. 7)

- Issuers shall ensure that EU Green bond **proceeds are allocated in alignment** with technical screening criteria **(TSC) applicable at the time of issuance** of the bond.
- But, **where TSC are amended** after the issuance, following proceeds must be aligned within a **7 years grandfathering period** after their entry into application:
  - Proceeds that are not yet allocated, and
  - Proceeds covered by a CapEx plan that have not yet met taxonomy requirements
- Issuers shall **draw up a plan for aligning proceeds** and **mitigating negative consequences** if at risk of not meeting TSC. Also, issuers shall **publish the plan** and **submit it to external review**.
- **Portfolio approach**: Issuers shall **include only those assets** where the economic activity is aligned with TSC applicable at **some point of time during 7 years prior to publication of allocation report** (which is done annually until full allocation), including allocated proceeds.

## Transparency and external review requirements (Art. 8-10)

- **EU Green Bond factsheet** (*Annex I*)
  - Must be completed **prior to issuance**
  - Must have **pre-issuance review** with a positive opinion by external reviewer
- **Allocation Report** (*Annex II*)
  - **Annually until full allocation** is reached
  - May be used for one or several EuGBs
  - Shall be **verified after the full allocation** of proceeds (post-issuance review)
  - Needs to be published within 270 days after reporting period
  - External reviewers have at least 90 days for their review
- **Impact Report** (*Annex III*)
  - Shall be **published after the full allocation** of proceeds and once during bond lifetime
  - May cover several issuances of EuGBs
  - **“May” obtain external review**

## Prospectus and issuer's website (Art. 12 & 13)

### ➤ Prospectus

- “European green bond” or “EuGB” designation shall be used only for bonds for which a **prospectus has been published** in accordance with the Prospectus Regulation ((EU) 2017/129)
- Shall include **information about the use of proceeds** (currently revised by **EU Listing Act**)
- May incorporate information from EuGB Factsheet **by reference**

### ➤ Issuer's website

- Issuers shall publish (**free of charge**) until at least **12 months after maturity** of the bond:
  - **EuGB Factsheet** (before the issuance of the bond, including pre-issuance review)
  - **Prospectus** (before the issuance of the bond)
  - **Annual Allocation Reports** (without undue delay, including post-issuance review)
  - **Impact Report** (without undue delay, including external review where applicable)
  - **CapEx plan** (where applicable)

## Securitisations bonds as EuGBs (Art. 13a – 13d)

- Proceeds refer to “*Proceeds obtained by the originator from selling the securitised assets to the SSPE*”:
  - That is, the **securitised pool does not necessarily consist** of green assets
- Prospectus shall include a statement, that **use of proceed commitments fall under the originator**
- Prospectus, EuGB Factsheets and allocation reports shall include:
  - the share of securitised exposures with **taxonomy eligible activities**
  - thereof: the share of **taxonomy aligned securitised exposures**
  - thereof: the share of securitised exposures **not meeting DNSH-criteria**
- Bonds issued for the purpose of **synthetic securitisation** shall **not be eligible** to use the designation ‘European green bond’ or ‘EuGB’

## Optional disclosures (Art. 13g – 13h)

- EU COM to publish guidelines to establish **voluntary templates for pre-issuance disclosures** (12 months after entry into force of EU GBS)
  - For **bonds marketed as environmentally sustainable**
    - Intent to use external reviewer
    - Intent to use the “common template” for periodic post-issuance disclosures (Art. 13h)
    - Contribution of EuGB to issuer’s transition plans
    - Contribution of EuGB to taxonomy-aligned turnover/capex/opex (where applicable)
  - For **Sustainability-linked bonds**
    - Intent to use external reviewer
    - Intent to use the “common template” for periodic post-issuance disclosures (Art. 13h)
    - Rationale, level of ambition, materiality, and calculation methodology of KPIs
    - Contribution of EuGB to issuer’s transition plans
    - Contribution of EuGB to taxonomy-aligned turnover/capex/opex (where applicable)
    - Description of bond structure, including coupon adjustment mechanism

## External reviewers (Art. 14 ff.)

- **Registration regime** and **ongoing supervision** of external reviewers **by ESMA**
- A **transitional regime** will be established **for the first 18 months** after the application
- External reviewers must adhere to **organizational, procedural, and governance prerequisites**, in addition to **pre-issuance and post-issuance review criteria**
- Procedures for **equivalence assessment**, recognition or endorsement for **third country reviewers**



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	ICMA GBP	EU GBS
<b>Main goal</b>	ICMA GBP are „voluntary process guidelines“	EU GBS is designed to be “the gold standard” for green bonds
<b>Regulation approach</b>	Principle-based	Rule-based
<b>Main information source</b>	Green Bond Framework (Key recommendation)	EuGB Factsheet (mandatory)
<b>Scope</b>	Use of proceeds bonds only	Use of proceeds bonds as well as general purpose bonds
<b>Pre-issuance review</b>	Key recommendation of a Green Bond Framework review	Mandatory review of EuGB Factsheet
<b>Post-issuance review</b>	Key recommendation of a review of management and allocation of funds	Mandatory review of allocation reports and binding time targets
<b>Requirements for reviewer</b>	No subject matter	Registration and supervisory regime
<b>Definition of „green“</b>	Defined by the issuer (Green Bond framework)	Defined via EU-Taxonomy and Delegated Acts