Green, Social & Sustainability Bonds:

Development Financing Instruments

Sustainable

AMMC Guide

June 2018

---------In partnership with---------
Preamble

This guide was developed by the Moroccan Capital Market Authority (AMMC), with the support of the International Finance Corporation (IFC), in order to support and encourage the development of the market for financial instruments intended to finance the sustainable development. It follows on from the Guide on Green Bonds published by AMMC in November 2016, in collaboration with IFC.

Indeed, the principles and rules contained in the latter have been reviewed and updated in the light of the development of international best practices and feedback on emissions of Green Bonds made on the Moroccan market. In addition, and in addition to Green Bonds, the this guide aims to open up more opportunities for financing sustainability, and this by introducing two new types of instruments: Social Bonds and Sustainability Bonds.

Potential issuers of such sustainable instruments will find in this guide a summary of the principles that they must respect and a clarification of the approach to be followed in order to achieve credible operations responding to national and international best practices in the matter. Investors will also find useful information there to better understand this segment of the debt market.
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Part 1: General presentation

I. Definitions:

The financial market offers several opportunities for the financing of activities participating in the sustainable development.
In fact, at the international level, three instruments have become particularly important. These are the Green, Social and Sustainability Bonds. These instruments, for which the market is experiencing a strong development, constitute an alternative increasingly used by issuers for financing of the global sustainable development objectives, their credibility being ensured through supervision by recognized standards.

Indeed, long-term bonds are not governed by a specific legal regime. They obey the general principles governing the relationship between issuer and investor (obligations to respect agreed contractual clauses, continuous and periodic information obligations, etc.).

However, and faced with the strong growth of the market, the players set about developing principles and best practices in the investor-bond issuer relationship sustainable. There are several initiatives aimed at the standardization of these instruments, of which the most widespread are:

- The principles and guides of the International Capital Markets Association (ICMA): Association bringing together more than 60 members (issuers, financial intermediaries, investors, infrastructure providers, etc.) from 60 countries, with the mission of promoting Globally resilient and coherent cross-border debt markets. ICMA has issued standards that are internationally recognized for Green, Social and Sustainability bonds.

- The Climate Bonds Initiative (CBI): this organization aims to mobilize the debt market for the benefit of climate change solutions. As such, she operates on three activities: providing information and reports on the market of green bonds, development of sectoral guidelines for "green" certification bond", and policy development and advice.

International standards for enduring bonds do not require specific characteristics specific in terms of financial structuring for the labeling of an obligation as
as *Green, Social or Sustainability bond*. In addition, the operating principles of these instruments are identical in all aspects, except as regards the allocation of the produces emissions.

1. **Green Bonds:**

Literally translated as "green bonds", *Green bonds* are bonds whose proceeds are used exclusively for the financing or refinancing, total or partial, of new or existing projects with positive environmental impacts.

There is a wide range of activities and projects which have a positive environmental impact and which may, therefore, be eligible for green bond funding. However, the international standards establish, with different degrees of detail, lists or taxonomies of eligible projects. For example, the ICMA sets, in its Green Bonds Principles, a list of general categories of eligible projects while the CBI offers a taxonomy more detailed in order to benefit from the CBI certification.
Categories of eligible projects according to the ICMA Green Bonds Principles *

- **Renewable energies**: including production, transmission, equipment and products;
- **Energy efficiency**: such as in new or renovated buildings, energy storage, district heating, smart grids, equipment and products;
- **Prevention and control of pollution**: including reduction of emissions into the air, control greenhouse gases, prevention, reduction and recycling of waste, soil rehabilitation, etc.;
- **Sustainable environmental management of living natural resources and land use**: including sustainable agriculture, sustainable animal husbandry and breeding, agricultural inputs sustainable such as biological crop protection or drip irrigation, fishing and aquaculture, sustainable forestry including afforestation or reforestation and preservation or restoration of natural landscapes;
- **Conservation of terrestrial and aquatic biodiversity**: including the protection of coastal and marine environments;
- **Clean transport**: such as electric or hybrid vehicles, public transport or multimodal, clean energy vehicle infrastructure and emission reduction;
- **Sustainable management of water and wastewater**: including sustainable infrastructure for clean water or potable, wastewater treatment, sustainable urban drainage and management systems floods;
- **Adaptation to climate change**: including information support systems such as climate observation and warning systems;
- **Eco-efficient products, production technologies and processes or adapted to the economy circular**: such as the development and introduction of sustainable products, having an eco-label or environmental certification, efficient packaging and distribution; and
- **Green constructions**: which meet national or regional standards or certifications or recognized international.

*Non-exhaustive list*
2. Social bonds:

The Social Bonds, or social obligations are all obligations whose emission product exclusively allocated to the financing or total or partial refinancing of new projects or existing projects aimed directly at solving or mitigating social problems specific and / or targeting a positive social impact, specifically but not exclusively at the benefit of one or more target population (s). Social projects eligible for funding by a social obligation must have clear social benefits that can be measured, and quantified if possible, by issuers.

Thus, the notion of target population becomes decisive in the context of Social Bonds. Indeed, the issuer of a Social Bond must imperatively specify the target population (s) beneficiaries of the social impacts of the projects concerned by the issue.

In addition, the definition of target populations may vary depending on local contexts. Too, in some situations, the target population (s) may also be served by actions aimed at the general interest.

The ICMA Social Bonds Principles define certain categories of projects and populations targets commonly targeted by Social Bond issues.

**Categories of Eligible Projects according to the Social Bond Principles of the ICMA *

- **Affordable basic infrastructure**: such as drinking water, sanitation, network sewage disposal, transport, energy;
- **Access to basic services**: such as health, education, vocational training, financing and financial services;
- **Social housing**;
- **Job creation**: including through the potential effect of financing SMEs and
microfinance;
• Food security; and
• Socio-economic advancement and empowerment.

* Non-exhaustive list

Examples of Categories of Target Populations according to the Social Bond Principles of the ICMA *

• Populations living below the poverty line;
• Marginalized and / or excluded populations and / or communities;
• Vulnerable groups, including following a natural disaster;
• People with disabilities;
• Immigrants and / or displaced persons;
• Illiterate or illiterate populations;
• Underserved populations, without access to quality essential goods and / or services;

and

• Unemployed populations.

* Non-exhaustive list

3. Sustainability bonds:

The Sustainability Bonds or lasting bonds are bonds whose emission product is intended to finance or refinance a combination of green projects (with an environmental impact positive) and social (with a positive social impact for a target population). Thus, their definition is aligned with those of Green Bonds and Social Bonds.

Indeed, the sustainability approach is often an integrated approach, some issuers could raise debt in the market to finance a combination of green projects and social. In addition, some green projects can have social benefits and vice versa,
some social projects can also have positive environmental impacts. Of
In general, the classification of a bond as a Green Bond, Social Bond or
Sustainability Bond is the responsibility of the issuer, according to the main objectives that it assigns to its issue,
subject to compliance with the requirements associated with the framework of the classification adopted.

II. Typology and interest of Green, Social or Sustainability emissions

Bonds:

1. Types of instruments:

From the point of view of the financial structuring of the instrument, the Green, Social and Sustainability Bonds do not present any particularity compared to traditional bonds. The repositories recognized in this area do not require specific financial characteristics.

However, practice in the international market recognizes the main categories of obligations following depending on the nature of the creditors' recourse:

• Use of proceeds bonds: with a general recourse on the issuer in the same way as the other creditors (according to rank);

• Use of proceeds revenue bonds: without recourse to the issuer, and where the sums due to the title of the issue are covered by income from the issuers from projects concerned or not by the issue (commissions, taxes, etc.);
• Project bonds: where the proceeds of the issue are specifically intended for one or more projects, on which the investor has a direct exposure to risk (recourse on the assets of the project(s) concerned);

• Securitized bond: where the appeal relates to a set of grouped eligible projects together and generating the flows intended for the payment of the obligation, for example in the part of a securitization transaction.

2. Benefits of issuing Green, Social or Sustainability Bonds:

In addition to being able to raise funds on the market, the issuance of sustainable instruments (Green, Social or Sustainability bonds) allows the issuer to benefit from certain additional advantages by compared to a conventional bond issue. The main advantages conferred by a issuance of sustainable bonds are as follows:

• Diversification and widening of the investor base of the issuer;

• Financing potential at better conditions by targeting investors applicants for this type of instrument;

• Participation in the achievement of the global objectives of sustainable development and public demonstration of commitment to achieving these goals.

3. Links with the global objectives of sustainable development:

Green, Social and Sustainability bonds are privileged instruments for financing projects contributing to the achievement of the global sustainable development objectives set by the United Nations as part of the 2030 Agenda for Sustainable Development entitled "Transforming Our World: The 2030 Agenda for Sustainable Development". This universal program, which came into force on 1st January 2016, is based on 17 focus targets on three fundamental elements which are: economic growth, social inclusion and Environmental Protection.
Efforts have been made to establish correspondences between the categories of projects eligible for Green, Social and Sustainability bonds and the Sustainable Development Goals, in particular the mapping carried out by the ICMA published in June 2018.

The following two tables, based on the aforementioned mapping, illustrate the development objectives that each of the categories of eligible projects can potentially fulfill. He is at note that each category can participate in the achievement of one or more objectives, depending on the exact nature of the projects targeted by the issuer. Also, these tables are provided for purely illustrative in order to highlight the contribution that each type of durable bond can have in the financing of sustainable development goals, without however establishing automatic matches. In fact, it is recommended that issuers preparing issuance of sustainable financial instruments to conduct an in-depth reflection and evidence the expected impacts of the program and their links with the overall objectives of sustainable development.

A more detailed correspondence between the targets (169) of the Sustainable Development Goals can be consulted in the Mapping established by the ICMA. Finally, it should be noted that the objectives 16 and 17 are not affected by Green, Social and Sustainability Bonds.

The mapping established by the ICMA can be consulted on the link: https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds / June-2018 / Mapping-SDGs-to-Social-and-Sustainability-Bonds-Final-140618v2.pdf

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**Green Bonds: Potential matches between eligible project categories and global sustainable development goals**

<table>
<thead>
<tr>
<th>Project categories eligible</th>
<th>Potentially sustainable development goals concerned</th>
</tr>
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<tbody>
<tr>
<td>Renewable energies</td>
<td></td>
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Energetic efficiency

Prevention and control of Pollution

Management environmental sustainable resources living natural and land use Conservation of terrestrial biodiversity and aquatic

Clean transport

Sustainable water management and wastewater

Adaptation to climate change

Products, technologies eco-production and process efficient or adapted to circular economy

Green constructions

Social Bonds: Potential matches between eligible project categories and global sustainable development goals
Project categories eligible

<table>
<thead>
<tr>
<th>Basic infrastructure</th>
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<tbody>
<tr>
<td>affordable</td>
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<table>
<thead>
<tr>
<th>Access to services</th>
</tr>
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<tr>
<td>essential</td>
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| Affordable housing      |

| Job creation            |

| Food safety             |

<table>
<thead>
<tr>
<th>Advancement</th>
</tr>
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<tbody>
<tr>
<td>socioeconomic</td>
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</table>
III. Principles and Good Practices:

The principles developed in this part are based on the recommendations of the Green Bonds Principles, Social Bonds Principles and Sustainability Bonds Guidelines developed by the ICMA and widely recognized internationally as benchmarks in the field.

1. Allocation of funds raised:

The allocation of funds is the cornerstone of a lasting bond. The funds raised must be allocated to projects with positive environmental and/or social impacts. Too, the allocation of the proceeds of the issue determines the type of instrument (Green, Social or Sustainability Bond).

In the case of a Green Bond, the proceeds of the issue are allocated to impact projects positive environmental (green projects), while for a Social Bond the said product is allocated to projects with a positive social impact (social projects). The product of a Sustainability Bond is, in terms of him, assigned to a combination of green and social projects.

It should be noted that for a Social Bond, and in addition to the definition of the projects targeted by the issue, the issuer must define a target population who will benefit from the positive impacts of said projects.

Eligible projects can be either future projects, where it is a question of funding for their implementation, i.e. existing projects for which the issuer is then seeking refinancing.

In the first case (financing), the use of the proceeds of the issue must be used exclusively to finance projects or categories of projects predefined during the broadcast.

In the second case (refinancing), it is a question of backing the proceeds of the issue to an existing project or portfolio of projects. The issuer with a pool of eligible assets replaces the resources it has already committed to the said projects with the proceeds of the issue. So, the use of the funds raised is not restricted. However, the issuer must guarantee the existence of a portfolio of eligible projects corresponding at least to the outstanding amount of the issue at any time during the life of the program.

In all cases, it is imperative to define relevant indicators making it possible to quantify the expected impacts of projects financed by sustainable bonds.
2. Evaluation and selection of projects to be financed:

In some sustainable issues, the funds are not intended to directly finance a project in particular, the objective of the issuer being to collect capital which will be used to finance a portfolio of eligible investments which are not known in advance, but which meet predefined criteria.

In these cases, it is essential for the issuer of a Green, Social or Sustainability Bond to have a well-defined, monitored and controlled process for the selection of projects to be financed by the funds lifted. In particular, the following aspects should be clearly defined and communicated in full transparency to investors:

- The expected objectives of the projects to be financed and their impacts environmental and / or social as the case may be;

- The selection and evaluation process by which the issuer ensures that the projects selected fall within the framework of the eligible project categories and meet the predefined selection criteria;

- Project eligibility criteria, including, where applicable, exclusions possible or any other process for the identification and management of potential material social and / or environmental risks associated with projects.

In the case of already existing projects for which the issuer is seeking refinancing, a clear monitoring process should be in place to ensure the existence of a portfolio of projects sufficient in backing to the outstanding amount of the issue, throughout its life. This process must in particular provide for measures to remedy the withdrawal of assets from the portfolio backed by the issue.

3. Management of funds raised:
In order to ensure that it is used in accordance with the principles agreed upon at issue, the funds raised by an issuer of Green, Social or Sustainability Bonds must be restricted to accounts specific to ensure transparent allocation of proceeds from sustainable emissions eligible assets as well as their accounting traceability.

Likewise, the issuer must have a formal and rigorous process for monitoring these funds throughout life-long titles. This monitoring concerns both the traceability of the allocation of invested funds, as well as only the uninvested balance. Funds not yet invested in eligible projects may be temporarily invested in financial instruments meeting the principles defined by the issuer and communicated to investors.

However, it should be noted that in the case of refinancing, where the use of funds is not restricted, the confinement of funds raised is not applicable.

4. External reviews:

Verification of the sustainability (green and/or social) of eligible projects by a qualified third party and independent is essential to ensure the credibility and trust necessary controlled and secure development of the sustainable financial instruments market. Indeed, she allows:

- Reassure investors of the veracity of the ecological and/or social impacts of projects, thus contributing to the success of the program;

- Safeguard the reputation of the transmitter against accusations of greenwashing or Socialwashing, particularly in the event of failure to achieve the expected impacts;

- The independent review provider, given its expertise in the matter, can guide the issuer for a better definition of projects as well as in the finalization of the drafting of the documentation relating to the program;

External reviews can be of four levels:
• **Second party opinion, or “third party opinion”**: This is an opinion provided by a third party, qualified and independent, which focuses on the alignment of the proposed framework with the principles defined by the applicable standards. The third party provider of the opinion must have expertise in the matter and be independent of the issuer and its advisers in the part of the proposed program.

:*The Greenwashing is the dissemination of false information in order to present a public image of environmental responsibility (Oxford dictionary). The same definition can be extended to Socialwashing in relation to social responsibility.*

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• **Verification**: the issuer can use a recognized independent third party (e.g.: auditors external) to verify certain aspects of a lasting obligation in relation to a set criteria and standards. For example, the verification may relate to compliance with the criteria selection of funded projects, compliance with agreed procedures for the management of funds raised, account balances dedicated to funds raised, impacts achieved by projects…;

• **Certification**: unlike verification, which relates to compliance with internal standards at the issuer, the certification ensures compliance with an external standard or a label recognized. The alignment of the instrument to be issued with the specific criteria defined by the standard or the label is verified by a qualified and independent third party. Thus, a transmitter can, for example, have its green bond certified against an external standard such as than that of the Climate Bonds Initiative, for example.

• **Scoring / Rating**: The issuer can use an extra-financial rating agency recognized for rating a Green, Social or Sustainability Bond issue. The notation is made in relation to the methodology of the agency.

In general, the external review can cover all or part of the issuance process lasting bonds.
In June 2018, the ICMA published “guidelines” on the external review of Green, Social and Sustainability bonds. According to these guidelines, external review providers must be guided by the following five ethical and professional principles:

- Integrity,
- Objectivity,
- Professional competence and diligence,
- Confidentiality, and
- Professionalism.

It should also be noted that certain regulated professions may provide external review as part of a Green, Social or Sustainability Bond issue. It's about in particular the case of statutory auditors or external auditors who are required to provide, throughout the life of the securities, assurance on compliance with the procedures agreed to the issue, on the allocation of funds raised or on balances not yet allocated.

In these cases, the suppliers of the external review must also refer to the rules of conduct professional rules that govern them, in particular in terms of independence and due diligence.

In general, providers of external reviews within the framework of Green, Social or Sustainability Bonds must ensure that they have:

- An organizational structure, work procedures and related systems. enabling the review to be carried out;
- Human resources with the experience and qualifications necessary to carry out the external review; and
- Insurance covering their professional liability, if applicable.

5. Reporting and communication:
The issuer of a Green, Social or Sustainability Bond must provide a certain level of information which must be available and brought to the attention of investors on a regular basis less annual. This information mainly relates to the nature of the projects financed or refinanced which must be described with sufficient clarity and detail, as well as the impacts of these projects. The issuer must provide investors with this information at the time of issue. 

(projects to be financed / refinanced and expected impacts, external reviews carried out) and throughout the lifespan of securities (projects financed and actual impacts, external reviews carried out).

Continuous communication on Green, Social or Sustainability bonds must be made in the framework of the ESG report to be published annually by issuers making public offerings in application of the new rules provided for in the amendment to book III of the AMMC circular.

Part 2: Production of a Green, Social or Sustainability bonds

I. Prior to issuance:

The commitments of an issuer under the Green, Social or Sustainability Bond framework must be consistent with its social and environmental responsibility profile. Thus, a transmitter involved in violations or controversies involving its social responsibility and environment should not offer such instruments.
1. Identification of projects:

The projects to be financed must be clearly defined by the issuer and their impacts clearly described and quantified. In addition, within the framework of a Social Bond, it is imperative to define the target populations supposed to benefit from the positive social impacts of the projects.

These may be individually identified projects, or unidentified projects that meet the well-defined criteria. In the latter case, the issuer must establish a policy describing the criteria to be met by the investments to be made, as well as a procedure detailed for the evaluation, selection and financing of said investments.

In the event that all or part of the proceeds of the issue are used for the refinancing of projects eligible, the issuer must specify the portion of the issue intended for the said refinancing and clarify which projects or project portfolios are affected by the refinancing. Also it is important to specify a maximum lookback period that the issuer will take into consideration in order to identify the projects (or the funding granted to these projects) which will be included in the portfolio to be refinanced.

2. Independent review:

The framework of Green, Social or Sustainability Bonds proposed by the issuer must be the subject of an independent review to ensure alignment with the selected international benchmarks. InIndeed, it will not be possible to issue a bond labeled as Green, Social or Sustainability Bond if its alignment with applicable international standards is not certified by an independent and qualified auditor.

The auditor reviews projects (or categories of projects) and procedures established for monitoring and reporting. It should be noted that the adoption of recognized standards reduces the costs and time of verification and improves the credibility of the program. The auditor can also examining, as part of its due diligence, the social and environmental responsibility profile
of the issuer and integrate it into its assessment of the issue.

In terms of due diligence, external review providers, depending on the type of review provided, have to:

- Have expertise in the categories of projects proposed as part of the issuance of
  
  Green, Social or Sustainability Bond subject to the external review;

- Evaluate the expected impacts of projects to be financed or refinanced by Green, Social or
  
  Sustainability Bond;

- Review and confirm the alignment of the Green, Social or Sustainability Bond with the principles
  
  the international standard adopted;

- Evaluate, where applicable, the material environmental and/or social risks associated with
  
  eligible projects as well as the management of these risks by the issuer.

Finally, the external review report must at least include the following information:

- A general description of the objectives and scope of the review;

- The qualifications and main references of the journal supplier;

- A declaration of independence and a policy for managing conflicts of interest;

- A description of the analytical approach and the methodology used; and

- The conclusions and possible limitations of the external review.
II. AMMC authorization process:

1. Filing of the file:

The filing of the file relating to an issue of Green, Social or Sustainability bonds obeys the same rules applicable to other bond issues. However, specific elements must be filed in addition to the standard file. These are the following:

• Issue contract detailing all of the issuer's commitments and describing each of the four pillars of the lasting obligation (Use of Funds, Assessment and selection of projects, Management of funds raised, Reporting and communication) or referring to the documentation which describes them (prospectus for example). In particular, it is recommended that the following elements be detailed therein:

- Description (technical, legal, economic and financial aspects) of projects if they are individually identified, including their impacts expected as well as, in the case of Social Bonds, the description of the population target;

- Precise selection criteria for eligible projects (categories, impacts expectations, profitability, etc.);

- Procedure for evaluating the investments to be made, detailing the approach (roles, steps, reporting, archiving, etc.) adopted during examining the various investment opportunities that would arise the issuer;

- Investment selection procedure, presenting the roles and stages for the validation of investments with a view to their financing;

- Commitment to create a specific account to collect funds surveyed, as well as the instruction to the centralizer of the operation to transfer the said funds (except in the case of refinancing);

- Procedure for managing and monitoring the funds collected. It details the authorizations and restrictions on the movement of funds, verifications...
and periodic reconciliations to be carried out on the dedicated account, as well as reports planned with regard to used and unused funds (except in refinancing cases);

- Continuous communication policy of the show. It details the information that the issuer undertakes to publish throughout the program (nature information, publication frequencies and media, places of availability, managers, auditors, recipients, etc.);

- Procedure detailing the measures to be deployed in certain cases of non-compliance with the issuer's commitments (e.g. non-realization of investments planned, withdrawal of an asset from the issuer's portfolio, etc.);

• Reports of the independent auditors who have reviewed the proposed issue, including the declaration / certificate of independence of the independent auditor, and confirming alignment of the issuance framework with applicable international standards;

• Presentation file of the independent auditor (s) to assess independence and qualification (brochures, CVs, references, accreditations, declaration links with the issuer and its advisers, etc.);

It should be noted that depending on the characteristics of the issue and / or the transmitter, other documents or information may be requested by the AMMC.

2. Investigation of the file:

In the context of an issue of Green, Social or Sustainability bonds, it is not the responsibility of the AMMC to verify the merits and social or environmental benefits of the program. On this aspect, the AMMC relies on the second opinion issued by the independent auditor or the external certification provided. However, the AMMC ensures that sufficient information on the framework put in place by the issuer is provided to potential investors.

Thus, the issuance of Green, Social or Sustainability bonds is subject to the same usual procedures of the AMMC, with particular attention to the following aspects:
• The destination of the funds raised must be defined as clearly as possible, including with regard to any provisional placements planned while awaiting the financing of projects;

• In the case of a Social Bond issue, the target population is clearly defined;

• Investment selection criteria, as well as their environmental impacts and / or social expected must be clear and quantified. A generic formulation or ambiguity is not allowed;

• In the case of an issue intended to finance new projects, the funds raised must be confined to a specific account for which the responsibility is clear. These funds should only be used in accordance with the intended purpose or agreed procedure for handling exceptional cases of non-compliance with issuer commitments (e.g. failure to make planned investments, exit from a assets of the issuer's portfolio, etc.). The funds raised must be subject to formal and rigorous monitoring process, ensuring full traceability of funds used as well as the unused balance;

• In the case of an issue intended for the refinancing of a portfolio of projects, the issuer must ensure at all times that the said portfolio is maintained at a size less equal to the amount of the issue outstanding. The measures put in place to ensure compliance with this obligation must be clear and be subject to control periodically by an independent third party such as the statutory auditor or an auditor external;

• The terms of communication of information to investors must be well defined and ensure clear, relevant and up-to-date information; and

• The conclusions of the independent review provider (s) must be
All of the principles mentioned above must be reflected in the information note of the issue as well as all the documentation of the issue (issue contract, procedures, etc.). The AMMC may have to make comments on these documents in order to ensure adequate protection of investors and the market.

III. Throughout the life of the titles:

The issuer of *Green, Social or Sustainability bonds* is subject to all obligations in force for issuers of conventional securities. As such, and throughout the life of the titles, he must comply with periodic and continuous information obligations. In addition, certain specificities must be observed with regard to *Green, Social or Sustainability bonds* in order to ensure adequate market information.

1. Periodic information:

In general, the issuer must respect the information commitments it made during the issue (detailed in the prospectus and in the issue contract). The principles at least the following must be observed:

- The issuer must regularly communicate on the use of the funds raised: projects or types of projects financed, envelopes allocated to said projects, drawing schedules, unused balances, etc.;

- The impacts of financed or refinanced projects must be the subject of a communication regular at the market. Impacts should be communicated in measurable terms and understandable. The issuer must determine the most relevant indicators and commonly accepted. Also, the information communicated must be comparable over time (maintain the same indicators in all publications). In case of
change in the indicators to be communicated, the issuer must justify this change and ensure a transitional period in which abandoned indicators must be published. The impacts must be communicated by project and/or on a global basis as the case may be;

- The impacts achieved by the financed or refinanced projects must be compared to the expected impacts during the evaluation phase of said projects and eligibility criteria fixed in the initial documentation;

- The impacts published by the issuer must be reviewed by qualified third parties;

- The external auditors or the statutory auditors must attest to the respect procedures described in the initial documentation (assessment and selection of projects, project monitoring, impact measurement, etc.). Also, the account housing the funds surveys must be subject to a specific review to ensure that it is managed in accordance with initial agreements and certify its balance; and

- Information specific to Green, Social or Sustainability bonds (projects, impacts, etc.), as defined before the issue, must be published at least annually by the issuer. The AMMC recommends adopting the calendar of half-yearly and annual financial publications.

2. Continuous information:

Like other issuers, an issuer of Green, Social or Sustainability bonds must make public any important information (as defined by legal provisions and regulatory).

In the context of green bonds, the following events can be qualified as information important to be brought to the attention of the public without delay (indicative list):

- Discrepancy in the timetable for the use of funds as presented in the
IV. Frequently asked Questions:

1. What is the link between Green, Social or Sustainability bonds and others?

"sustainable" instruments such as climate or ESG Bonds, Vaccine Bonds, Sustainable Development Bonds or other similar instruments?

Indeed, there are several labels on the international markets for sustainable financial instruments. These labels generally correspond to financial instruments participating in the financing of the sustainable development in the same way as Green, Social or Sustainability bonds, and developed according to specific frameworks focused on the use of funds, put in place by international organizations for their own issuance or investment needs.
The principles of Green, Social and Sustainability Bonds, on the other hand, are not based solely on the use of funds but define the four pillars of a sustainable issue (Use of funds, Project evaluation and selection, Management of funds raised and reporting and communication). Said principles, more universal and internationally recognized, guarantee the credibility necessary for the development of the market for sustainable financial instruments.

2. Who can issue or invest in Green, Social or Sustainability bonds?

Any company can issue these instruments if it complies with the legal conditions for the issue of conventional bonds (legal form, duration of existence, release of capital, etc.). It is however, it is essential to respect the additional principles presented in this guide.

In addition, these issues are aimed at any investor wishing to direct part of his savings towards interest rate products intended to finance sustainable activities. However, it should be noted that, generally speaking, qualified investors are the main investors in bond issues. Finally, sustainable instruments are particularly attractive for investors adopting a socially responsible investment approach or taking into account ESG aspects into account in their investment policy.

3. If the planned emission concerns projects with an environmental impact and social, who decides on the nature of the bonds to be issued?

Some projects can have both ecological and social impacts. Also, some issues can be intended to finance a pool containing green projects and projects

social.

In these cases, it is up to the issuer to determine the nature of the instrument (Green, Social or Sustainability) that he proposes according to the primary objective that he assigns to his program. However, it is important to define the framework corresponding to the desired nature.

4. Who are the stakeholders in a Green, Social or Sustainability program?
In addition to the participants in a classic bond issue, namely the issuer, its advisers financial and legal, its auditors, agents and other intermediaries financial, the issuance of Green, Social or Sustainability bonds calls on third parties who will have to provide investors with reasonable assurance as to the green or social character of the issue (pre-issue) and compliance with the commitments made during the issue (post-issue and throughout the life of the titles).

5. Does the AMMC ensure the sustainability of a Green, Social or Sustainability Bonds?

The regulator does not comment on the sustainability (green or social) of the program. He makes sure that the conditions of the said issue have been reviewed by an independent third party who provides opinion on its green and / or social character. The AMMC then ensures that all issuer commitments and relevant information for decision-making investments are made known to the public.

6. Can an issuer rely on the “green” quality of its activities in order to issue a green bond?

The presumed green quality of an issuer's activities is not sufficient on its own to be able to define a bond issue of Green bond. Indeed, the green quality of a program depends on the allocation of funds raised during the said issue, independently of the other activities of the transmitter. Said allocation must be exclusively directed towards "green" investments having a positive environmental impact.

7. Does the product of a Green, Social or Sustainability Bond have to be
intended to finance new projects?

An issue of **Green, Social or Sustainability Bonds** can be used as well to finance a *pipeline* of future projects than to refinance a portfolio of existing projects on which the issuer is already engaged. In this second case, the issuer backs the said projects to the issue and undertakes to keep the portfolio at a size at least equal to that of the issue, without any commitment on the cantonment and use of funds raised. The portfolio of projects concerned by the refinancing must be clearly identified and be subject to rigorous monitoring.

8. **Can an existing bond issue be redefined as Green, Social or Sustainability Bond?**

A classic bond issue can be redefined as *Green, Social or Sustainability Bond* during its lifetime if it meets the labeling criteria (eligible assets, applicable procedures established, external reviews, etc.). However, the issuer must inform the AMMC in advance, and disseminates information to the market.

9. **What authorizations are necessary for the issuance of Green, Social or Sustainability Bonds?**

Emissions of **Green, or Social Sustainability Bonds** do not require authorization additional to those required for a traditional issue (Board of Directors, General meetings, etc.).

10. **What happens if the commitments made by the issuer of a Green, social or Sustainability Bond not being met?**

Failure by the issuer to comply with one or more of its commitments in the context of an issue of **Green, Social or Sustainability Bonds** subjects it to the legal and regulatory sanctions provided for in the matter. In addition, investors could take legal action to seek damages and interest, or even the nullity of the transaction. Finally, the AMMC can order the revision of the conditions of the show.
11. What happens if one or more projects affected by a Green, Social or Sustainability Bond coming out of the issuer’s portfolio?

The issuance documentation should address this issue and specify what the issuer intends to do if such a case should arise during the life of the title. Many alternatives can be considered, such as early repayment of the part corresponding to the assets withdrawn, or the commitment to reinvest in new projects in accordance with the eligibility criteria provided for by the issue in such a way as to maintain permanently a size of the portfolio of eligible assets at least equal to the outstanding issue.