

RECOMMENDATIONS on Implementation or Financing Environmental Projects by Issuing Green Bonds

1. General Provisions

I.1. The Recommendations on Implementation or Financing Environmental Projects by Issuing Green Bonds (hereinafter - the Recommendations) relate to the development of the issuer's policy on green bonds, selection of projects that can be fully or partially financed and/or refinanced by the funds raised from the placement of green bonds, arrangements for using of such funds, the issuer's reporting on environment impact of these projects, the organization of external independent control (verification), management of environmental and social risks, as well as other issues related to green bonds.

I.2. The Recommendations have been developed taking into consideration the regulatory documents and methodological recommendations of the leading capital market participants – the European Commission (EC), the International Capital Market Association (ICMA), the International Finance Corporation (IFC) and the World Bank (WB).

I.3. The procedure of issue and circulation of green corporate bonds in Ukraine is regulated by the Law on Capital Markets and Organized Commodity Markets, the Regulation on the Procedure of Issue and Circulation of Corporate Bonds, the Regulation on Disclosure of Information by Securities Issuers.

I.4. The procedure of issue and circulation of green bonds of local loans in Ukraine is regulated by the Law on Capital Markets and Organized Commodity Markets, the Regulation on the Procedure of Issue and Circulation of Bonds of Inner Local Loans, the Regulation on Disclosure of Information by Securities Issuers.

I.5. The procedure of selection and maintenance of environmental projects financed from the state and the local budget, is established by the Cabinet of Ministers of Ukraine, taking into account the requirements of the Law of Ukraine on the State Aid to the Business Entities.

I.6. The terms mentioned in the Recommendations are used in the following meanings:

Verifier is an officially accredited person selected by the issuer of green bonds to protect the interests of the investors through independent external control (verification) of compliance with the requirements consistent with the recommendations of leading capital market participants, regarding (a) the issuer's policy on green bonds, (b) selection of projects for full or partial financing and/or refinancing with funds received from the placement of green bonds, (c) targeted usage of funds received from the placement of green bonds and (d) the green bonds issuer's reporting on the impact.

Greenwashing, green camouflage is unscrupulous marketing, the issuance of the desired as valid by giving the bonds the status of green to improve the environmental reputation of the issuer, creating an environmentally friendly issuer's image to increase sales of his bonds and to obtain political support.

The Environmental objectives are six environmental objectives set by the Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment are the following:

1. climate change mitigation;
2. adaptation to climate change;
3. sustainable use and protection of water and marine resources;
4. transition to the circular (closed cycle) economy;
5. pollution prevention and control;
6. protection and restoration of biodiversity and ecosystems.

Environmental and social (ES) risks are potential adverse effects for the project / business activity those are result from the impact (or anticipated impacts) of this project on the environment (ie. air, water, soil) or the human community (eg. employees, customers, local people).

Environmental, Social and Governance (ESG) criteria are set of environmental, social and governance factors which companies take into account when managing their activities, and investors when making investments regarding the risks, impacts and opportunities related to:

- environmental matters: potential or actual changes in the physical or natural environments (e.g. pollution, impact on biodiversity, carbon emissions, climate change, use of natural resources);

- social issues: potential or actual changes for the local community and employees (e.g. health care service and labor safety, supply chain, variety and inclusion); and
- governance: structures and processes of corporate governance by which companies are managed and controlled (e.g. structure and diversity in supervisory board, ethical behavior, risk management, disclosure and transparency), including management of key environmental and social policies and procedures.

The ESG standards accepted by the IFC include Performance Standards, which define clients' responsibilities for managing their environmental and social risks, and Corporate Governance Methodology, which defines an approach to assessing and improving corporate governance of clients.

Reporting on the impact is the green bonds issuer's reporting on the environmental impact of the project (projects) that are fully or partially financed and/or refinanced with funds received from the placement of green bonds, and it is consistent with the recommendations on reporting on the impact of the European Union Standard for Green Bonds (EU GBS) and the International Capital Markets Association (ICMA), and in accordance with the Law of Ukraine on Environmental Impact Assessment.

Key features of green bonds are the elements of the green bonds defined by the European Union Standard for Green Bonds (EU GBS) and by the Green Bond Principles ICMA (GBP).

Green Bond Principles (GBP) are the provisions approved by the International Capital Market Association (ICMA) regarding (a) the selection of project (projects) subject to full or partial financing and/or refinancing with funds received from the placement of green bonds, (b) targeted usage of funds received from the placement of green bonds, (c) reporting on the impact and (d) external independent control (verification). Green bond Principles based on necessity to ensure transparency, disclosure and reporting, aimed at achieving integrity in the green bond market.

Principles of sustainable economic activity are four principles to which, in accordance with the Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, sustainable economic activity should comply to the following criteria:

- 1) *They have a significant contribution to achieving one or more of the six environmental objectives.* The definition of "significant contribution" depends on a specific environmental objective (for example, to mitigate the effects of

climate change - this is, according to the Paris Agreement, stabilization of the concentration of greenhouse gases generated during the activities related to renewable energy, energy efficiency, eco-transport, etc.). Technical Screening Criteria set specific requirements for what is “significant”.

- 2) *They have not a significant harm (do no significant harm, DNSH) to any of the other environmental objectives.* It means that a significant contribution to the achievement of the environmental objective should not be achieved at all costs of significant harm to another objective. Technical Screening Criteria set specific requirements for what is “significant”.
- 3) *They are carried out in compliance with minimum social guarantees.* This principle applies to “how” business is conducted, but not “what”. It requires compliance (in the process of "green activities") with the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, and relevant documents of the International Labor Organization and the International Bill of Human Rights.
- 4) *They adhere to the technical (selection) screening criteria.* With their help it determines what is meant by “significant contribution” and “doing no significant harm to any of the other environmental objectives”.

EU Green Bond Standard (EU GBS) is the standard of the green bonds model approved by the European Commission to provide clarity on the actions of the issuer of green bonds that are necessary to ensure transparency and comparability of the green bonds market, the growth of sustainable financing.

Taxonomy of economic activity is a classification system that establishes a list of environmentally sustainable types of economic activities and it is a list of thresholds (technical criteria for verification) that can help to determine clearly, which economic activity corresponds to sustainable development, environmental objectives and principles of sustainable economic activity. Such a taxonomy helps investors, issuers and project promoters focus on the transition to a low-carbon, sustainable for risks and resource-efficient economy, and promote the system of climate-related information disclosure.

As of 2021, there is no single taxonomy of economic activity in the world and market participants use both officially recognized and market taxonomies (ICMA, Overview and Recommendations for Sustainable Finance Taxonomies).

According to the plans of the European Green Deal, which defines the green course of the European Union, in April 2021 the European Commission approved technical criteria for selecting economic activities to achieve the first two environmental objectives, namely criteria for selecting the economic activity that can make a substantial (significant) contribution to climate change mitigation and adaptation to climate change (the EU Taxonomy, Corporate Sustainability Reporting, Sustainability Preferences and Fiduciary Duties: Brussels, 21.4.2021).

Environmental and social risk management (ESRM) of the projects that are fully or partially financed and/or refinanced with funds received from the placement of green bonds is a system of social and environmental management of the issuer and/or developer/operator of the project, which allows to identify, assess and minimize environmental and social (ES) risks on a regular basis, which are due to the preparation and implementation of a project that fully or partially financed and/or refinanced with funds received from the placement of green bonds.

Environmental impact is used in the meaning given in the Law of Ukraine on Environmental Impact Assessment.

Environmental project is used in the meaning given in the Law of Ukraine on Capital Markets and Organized Commodity Markets.

I.7. The development of the green bonds market in Ukraine is consistent with the European Green Deal, objectives set by the European Commission in the European Commission Action Plan: Financing Sustainable Growth and comprises the following:

- reorientation of capital flows into stable investments for sustainable and inclusive growth;
- management of financial risks arising from climate change, resource depletion, environmental degradation and social problems;
- promoting transparency in finance and the economy as a whole with a focus on long-term gains. Investments in environmental and social facilities need long-term orientation.

I.8. The green bonds issued in Ukraine are in line with the EU Green Bonds Standard (EU GBS), according to which the key features for green bonds type are the following:

- 1) the issuer has its own Green Bond Policy;
- 2) targeted use of income from the placement of green bonds;

- 3) issuer's reporting on the impact;
- 4) involvement of an external independent controller (verifier) by the issuer.

I.9. The issuer of green bonds should ensure the proper implementation of all the key features of green bonds. This helps to protect the interests of investors and to increase investments in green bonds.

Failure to comply with at least one of the key features of green bonds defined in paragraph 1.8. of these Recommendations is a reason not to classify the bonds as green.

An attempt to classify bonds as green if they do not match the key features of green bonds gives grounds to regard it as green camouflage (greenwashing).

2. The policy of the issuer on the green bonds

2.1. The issuer of green bonds should have a green bond policy approved by him, which is essential to issuing of green bonds.

2.2. The policy of the issuer on green bonds can be fixed in separate document (e.g. Green Bonds Policy) or in its overall policy document of development (e.g. Strategy/Policy of sustainable economic development/Business Strategy) in context of objectives and processes of sustainable development.

2.3. The issuer's policy on green bonds should be approved by the issuer's governing body, which decides regarding the issuing of green bonds. Such a body is the issuer's governing body authorized to make the final decision regarding the issuance of bonds; if the issuer has a supervisory board, it should approve the green bond policy in cooperation with the committees responsible for ESG / sustainable development.

2.4. In the Green Bond Policy, the issuer have to provide information at least in the following areas:

- Environmental objectives and principles of sustainable activity envisaged for the sustainable development of the issuer.
- The issuer's position on compliance with the key features of green bonds, specified in paragraph 1.8 of these Recommendations, namely concerning (a) selection and evaluation of projects that are expected to be fully or partially financed and/or refinanced with funds received from the placement

of green bonds; (b) organizing the process of intended use of income from the placement of green bonds; (c) impact reports; and (d) external independent control (verification) at all stages - from the preparation for the issuance of green bonds, selection and evaluation of the environmental project (projects) to the organization of the process of targeted funds usage raised from the placement of green bonds and preparation of impact reports.

- Issuer's policies and procedures concerning environmental and social risk management (ESRM), which are designed to ensure the issuer's achievements of environmental objectives and principles of sustainable activities during projects implementation that are fully or partially financed and/or refinanced with funds received from the placement of green bonds. This is to confirm the presence of issuer's policy and procedures, in the green bond policy it is sufficient to provide links to relevant ESRM policies and procedures.
- Confirmation of the reliability of the decision-making process on green bonds. To do this, in the green bond policy it is sufficient to provide links to the relevant policies and procedures of the issuer on environmental, social and management criteria (ESG).

2.5. It is recommended for the issuer to indicate in its Green Bond Policy the government programs and / or programs of local government, on the territory of which the relevant project (projects) is planned, which will be fully or partially financed and / or refinanced by income from the green bonds placement, this project (projects) is consistent with, if such programs exist.

2.6. Planning the issue of green bonds, the issuer should publish the green bond policy on its own website.

Publishing the policy on green bonds, the issuer of green bonds declares its intentions and opportunities to follow the generally accepted and understandable rules of green bonds, which are clear to investors.

2.7. It is recommended for the issuer to publish and disclose information about the environmentally sustainable economic activities they carry out on their websites and in periodic and annual reporting.

2.8. The issuer may use the form of a short summary to inform investors and other market participants promptly about the implementation of key features of green bonds, compliance with environmental objectives and principles of sustainable economic activity for each issue of green bonds. This summary provides information on each of the key features of each green bond issuance (or green bond program).

2.9. Developing the Green Bond Policy, the issuer is recommended take into account the templates of policy on green bonds, which is set in the EU Standard on Green Bonds (Annex 1 of these Recommendations).

2.10. The issuer of green bonds should inform about its position on the key features of green bonds, environmental objectives and principles of sustainable economic activity in the decision on the issue of bonds / bond prospectus and publish on its website

3. Projects that can be wholly or partly financed and/or refinanced by funds from the placement of green bonds

3.1. The evaluation process and procedure of the project (projects) for fully or partially financed and / or refinanced with funds raised from the placement of green bonds should:

- follow the principles of sustainable economic activity and environmental objectives as defined by the Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment;
- based on the approach set out in the Sustainable Europe Investment Plan, adopted in accordance with the European Green Deal Investment Plan, whereunder the priority is energy efficiency and its provision, where appropriate, at all stages of the energy chain, from production to final consumption, helping to avoid frustrated expenses of resources production oriented, disposal, distribution and usage really unnecessary energy;
- comply with the requirements of the Law of Ukraine on Environmental Impact Assessment as such that is aimed at preventing environmental damage, environmental safety, environmental protection, rational use and reproduction of natural resources, in the decision-making process of economic activities that may have a significant impact on environment, taking into account state, public and private interests;

- take into account the provisions of the Law of Ukraine on the Basic Principles (Strategy) of the State Environmental Policy of Ukraine For the Period Till 2030.

3.2. In order to implement the second principle of sustainable economic activity regarding significant harm (DNSH) to any of other environmental objectives, the issuer is recommended to adhere to the IFC (Performance Standards, PS) approach to identifying possible significant environmental and social risks when evaluating and selecting a project for fully or partially financed and/or refinanced with funds received from the placement of green bonds.

The IFC approach is that an activity/project is considered to carry significant environmental and social risks if it does not meet at least one of the eight IFC Performance Standards. The IFC Performance Standards are:

- Performance Standard № 1: Assessment and Management of Environmental and Social Risks and Impacts.
- Performance Standard № 2: Labor and Working Conditions.
- Performance Standard № 3: Resource Efficiency and Pollution Prevention.
- Performance Standard № 4: Community Health, Safety, and Security.
- Performance № 5: Land Acquisition and Involuntary Resettlement.
- Performance Standard № 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources.
- Performance Standard № 7: Indigenous Peoples.
- Performance Standard № 8: Cultural Heritage.

To comply with these performance standards, the issuer should have an environmental and social risk management system (see Section 7 of these Recommendations).

3.3. Regarding the third principle of sustainable economic activity is what to comply with minimum social guarantees, the issuer, evaluating and selecting the project for fully or partially financed and/or refinanced with funds received from the placement of green bonds, should take into account that the concept of “minimum social guarantees” in this case has a broader meaning and provides for compliance with minimum environmental and social requirements.

To ensure the implementation of the third principle of sustainable economic activity (compliance with minimum social guarantees), the issuer is recommended to:

- comply with Ukrainian legislation on environmental and social issues (environmental safety, labor protection, etc.);
- follow good corporate governance practices, environmental, social and management (ESG) criteria;
- implement processes and procedures for managing environmental and social risks (see Section 7 of these Recommendations);
- implement IFC Performance Standards.

3.4. The green bonds issuer should clearly show the environmental benefits of each of the selected projects using quantitative indicators. The issuer should inform investors and other market participants on:

- environmental objectives of the selected for green bonds the project (projects);
- the process and procedures for determining the level of compliance of the project (projects) with the category "projects that can be financed and / or refinanced by income from the placement of green bonds";
- criteria used to identify potentially significant environmental and social risks associated with the selected projects; prove by providing a link that the selected criteria and their application are the issuer's general environmental and social risk management (ESRM) policies and procedures.

3.5. When determining the procedures and criteria by which the project (projects) is evaluated and selected for fully or partially financed and/or refinanced with funds received from the placement of green bonds, the issuer is recommended to consider:

- Guidelines of the International Capital Markets Association in the following part (a) a list of categories of green projects and procedures for the evaluation and selection of such projects (Green Bond Principles, GBP), (b) mapping of green projects according to their environmental objectives and the use of different classification systems (Green Project Mapping), and (c) recommendations for the preparation of impact reporting (Harmonized Framework for Impact Reporting).

- International Finance Corporation Recommendations on Green Bonds Process, Environmental and Social Performance Standards and Environmental and Social Risk Management (for details see paragraph 7 of these Recommendations.)
- Existing classification of categories / types of economic activity and relevant investment projects (ICMA, Overview and Recommendations for Sustainable Finance Taxonomies), (Developing a National Green Taxonomy. World Bank Guide), (EU Taxonomy Climate Delegated Act).

3.6. When evaluating and selecting projects to be fully or partially financed and / or refinanced by funds raised from the placement of green bonds, the issuer may take into account that, according to the Green Bond Principles (GBP), the categories of such projects such as:

- 1) Energy efficiency: new construction and modernization of existing buildings, storage and conservation of energy, district heating, smart grid, manufacture and repair of equipment needed etc.
- 2) Renewable (alternative) energy: projects of energy production from renewable (alternative) sources, its transmission and distribution, production and repair of necessary equipment etc.
- 3) Prevention and control of pollution: projects aimed at reducing air issues, controlling greenhouse gases, cleaning the soil, preventing waste generation, reducing waste, recycling waste and its energy use.
- 4) Ecologically sustainable management of living natural resources and ecologically sustainable land use: projects of ecologically sustainable agriculture, ecologically sustainable animal husbandry, climate-friendly farming technologies (biological protection of crops, drip irrigation etc.), ecologically sustainable fisheries and aquaculture, ecologically sustainable agriculture including afforestation or reforestation and preservation or restoration of natural landscapes.
- 5) Conservation of terrestrial and aquatic biodiversity: projects aimed at protecting ecosystems, wildlife, including the protection of coastal, marine and watershed environments.

6) Ecological (clean) transportation: projects aimed at the development of eco-transport and infrastructure of clean energy vehicles and reduction of harmful issues, including private and public electric transport and hybrid transport, rail, non-motorized and multimodal transport.

7) Water resources and drainage (sewerage) management: projects aimed at developing sustainable infrastructure for clean and / or drinking water, wastewater treatment, sustainable urban drainage systems and river regulation, other forms of flood protection.

8) Adaptation to climate change: projects aimed at developing information support systems, climate monitoring systems and early warning systems.

9) Eco-efficient and / or adapted to the circular economy products, production technologies and processes: projects aimed at the development and implementation of environmentally sustainable products, products with eco-labeling or environmental certification, resource-efficient packaging and distribution.

10) Green buildings: construction projects that meet regional, national or international standards or certificates.

Projects that can be financed and/or refinanced by green bonds may include research and development works (R&D) costs. Such costs are indirect and may relate to two or more categories of projects and their environmental objectives at the same time.

3.7. Projects aimed at improving energy efficiency, but related to fossil fuel production or industrial processes, may be financed and / or refinanced by green bonds, provided that they comply with the environmental objectives and principles of sustainable economic activity. In this case, the green bond issuer should clearly inform its investors about the environmental objectives and principles of sustainable economic activity, which follows, as well as the management system of possible environmental and social risks of such projects.

3.8. When evaluating and selecting a project (projects) that is planned to be fully or partially financed and / or refinanced by funds raised from the placement of green bonds, it is recommended:

- to use not only qualitative and, if possible, quantitative indicators. For example: energy consumption, electricity generation, reduction or avoidance of

- greenhouse gas issues, the number of people who have access to clean energy, reducing water use, reducing the number of cars needed etc;
- to disclose the main methodologies and / or assumptions used in the evaluation of quantitative indicators;
- to provide information on individuals who have the ability to monitor the impact of projects on the environment. The green bonds issuer may appoint a person (for example, in the coordination group for the issuer's work with green bonds) (see Section 8 of these Recommendations), responsible for ensuring that the selected projects comply with all obligations of the issuer on green bonds.

4. Targeted use of funds received from the placement of green bonds

4.1. The intended use of the funds raised from the green bonds placement is indicated in the decision on the issue of bonds / bond prospectus, on its website and in the reporting. The directions of use of such income are also specified.

4.2. The issuer is not entitled to issue green bonds if not all funds from their placement can be directed to the project (projects), which can be selected in accordance with the requirements of Section 3 of these Recommendations.

4.3. As projects that are fully or partially financed and / or refinanced by income from the green bonds placement can bring not only environmental but also social benefits (e.g. public transport projects, access to clean water), the issuer should determine the purpose of the project (green/ecological or social) depending on its priority objectives.

Funds raised from the placement of green bonds may be used exclusively to finance and / or refinance environmental projects selected in accordance with the requirements of Section 3 of these Recommendations.

4.4. Financing and / or refinancing of projects at the expense of funds raised from the green bonds placement can be both full and partial, and projects can be both new and existing.

4.5. In the bond issue / bond prospectus decision and on its website, the issuer should:

- clearly indicate the environmental benefits of each of the selected projects, providing, where possible, quantitative assessments;

- if all or part of the funds from the placement of green bonds are planned for refinancing of the project (projects), investors should be notified, providing the following information: (a) the name of the project (projects) to be refinanced; (b) the period during which the project (s) has (have) already been implemented; (c) the size of the refinancing share.

4.6. The issuer is obliged to ensure the targeted use of funds received from the placement of green bonds for full or partial financing and/or refinancing of selected environmental projects. If the funds from the green bonds placement are not temporarily allocated to the project (projects), selected in accordance with the requirements of Section 3 of these Recommendations, the issuer should clearly indicate the purposes for which they will be temporarily used / invested and inform investors.

Income from the placement of green bonds should be kept by the issuer until the moment of financing / refinancing of the selected projects in liquid assets, preventing greenwashing.

To prevent greenwashing the issuer should:

- inform investors how exactly it is planned to use the income until the financing and / or refinancing of selected projects;
- disclose its investment policy and acceptable investment instruments; monitor the use of these funds at least quarterly and notify investors;
- ensure external independence control (verification) of funds raised from the placement of green bonds and held in liquid assets until the financing / refinancing of selected projects.

4.7. The issue of several green bonds issues may be carried out for the implementation of one project, which is selected in accordance with the requirements of Section 3 of these Recommendations, provided that the total nominal value of such issues does not exceed the design cost of such project (namely, cost which is defined in the decision of such project implementation).

4.7.1. A person financing and / or refinancing a project (projects), selected in accordance with the requirements of Section 3 of these Recommendations, may issue one issue of green bonds to finance and / or refinance several such projects.

4.8. To ensure the targeted use of funds raised from the placement of green bonds, the issuer is recommended to keep separate record.

4.8.1. The issuer of green bonds can build a system of management of funds raised from the placement of green bonds, on the distribution in terms of individual green projects or in terms of the portfolio of green projects.

4.8.2. If there is two or more issues of green bonds, the issuer may manage their cash flows as a single program on one account without dividing the cash flows of each issue. The documentation for such bonds will relate to projects financed and / or refinanced by funds from the placement of one or all issues of green bonds.

4.8.3. The issuer should periodically check the balance of funds on green bonds that are still in circulation / not matured, and to provide information to the investors. .

4.9. The green bonds issuer is recommended to introduce (approve the relevant order / instructions) the internal process of distribution of funds related to credit and investment operations on projects fully or partially financed and / or refinanced by funds from the placement of green bonds, as well as reporting on this distribution.

Income from the placement of green bonds (or the equivalent amount) should be spent only on projects that meet the criteria set by the issuer (eligibility criteria for projects that can be fully or partially financed and / or refinanced by funds from the placement of green bonds).

The issuer is recommended to disclose the principles of its approach (what it is guided by) when allocating funds from the placement of green bonds and to indicate an external independent controller (verifier) of these processes.

5. Issuer's reporting on the impact of the project (projects) on the environment

5.1. In addition to reporting on the distribution of funds raised from the placement of green bonds, the issuer of green bonds should provide (publish) reports on the environmental impact of (project) projects that are fully or partially financed and / or refinanced through these funds (reporting on the impact).

5.2. Impact reporting should be provided annually at least. The governing body of the issuer that decides on the issue of green bonds (should be the supervisory board if it exists) should review and approve the impact report before it is made publicly available.

5.3. The report on the environmental impact of projects that are fully or partially financed and/or refinanced from the funds raised from the placement of green bonds should:

- comply with the requirements of the Law of Ukraine on Environmental Impact Assessment; and
- follow recommendations for reporting on the impact of the International Capital Markets Association (ICMA. Handbook Harmonized Framework for Impact Reporting. December 2020), underlying the EU Green Bond Standard relating to reporting.

5.4. It is recommended to follow the key principles and recommendations approved by the International Capital Markets Association (ICMA. Handbook Harmonized Framework for Impact Reporting. December 2020) when preparing reports on the impact of the issuer of green bonds. The key principles and recommendations for impact reporting are as follows:

5.4.1. Issuers are encouraged to identify and disclose the period and process of adding/removing projects to/from their impact report. There are several choices for adding/removing projects to/from an impact report:

- the project can be added to the reporting on impact when the issuer identifies and approves the project as eligible, or as soon as the income from the placement of green bonds are allocated to the relevant project payments;
- the project can be removed from the impact reporting if there was no use of funds for this project in the reporting period, or after the repayment of the loan.

As a result of due diligence, namely detail independent verification (checking) of projects included in the green bond program, the issuer may decide to withdraw one or more projects from the program. In this case, the reporting of such project (projects) may be suspended until the next decision to restore the project to the category of eligibility of projects that can be fully or partially financed and / or refinanced by funds from the placement of green bonds.

Possible reasons for removing a project from the green bond program are the cancellation of the project or its restructuring (as a result of which the project ceases to

meet the eligibility criteria). If this is the case, the issuer is advised to disclose the approach it followed when withdrawing projects from green bond programs.

5.4.2. The issuer is recommended to indicate the total amount of the project and the amount to be allocated for eligible costs for green bonds.

If only part of the project financing is in the green bond program, only this part should be reported.

For projects that only partially meet the eligibility criteria of green bonds (for example, projects can be complex, and not all parts of them can be classified as “green”, i.e. “environmental”) the issuer of green bonds in a proper way should disclose the procedure for classifying payments to these (belonging to the eligibility criteria) parts. In such cases, the issuer should be as transparent as possible, explain its actions, provide the investor and other stakeholders with all necessary information to prevent greenwashing.

The issuer positions itself favorably when providing the following information in the reporting:

- year of project start (or other parameters that characterize the “exposure” / duration of the project), or
- stage of the project in terms of its financing (e.g. signing, payment, repayment).

5.4.3. An important characteristic of green bonds is that income from the green bonds placement (or the equivalent amount) is allocated only to those projects that meet the eligibility criteria specified by the issuer. The issuer is recommended to establish a formal internal process for the distribution of funds raised from the green bonds placement, to link it with credit and investment operations for projects to be financed and / or refinanced from green bond income, and to report on the distribution of revenues. The issuer is encouraged to explain the key features of the approach he chooses for the allocation of funds raised from the placement of green bonds and, where possible, to provide references to external audit / verification of the allocation criteria.

5.4.4. The issuer may report on each of the projects for which funds are allocated from the green bonds placement, or report exclusively on the portfolio of such projects as a whole. It depends on the process of distribution of income from the placement of green bonds introduced by the issuer. Project portfolio reporting may be required for reasons of confidentiality (so as not to disclose details), or in the case of financing green bonds for a large number of small projects. The issuer should explain / disclose its approach.

5.4.5. Depending on the method of distribution of funds raised from the green bonds placement, the issuer may use different approaches in the formation of reporting on the impact:

If the appropriations are for individual projects, it is recommended that the report:

- identifies specific projects and indicates the overall results (including funding from all sources) with information on the total project volume and / or the issuer's share in the total funding (project-by-project report) for each of them clearly;

and / or

- summarizes the project results, reflecting only the share of each (as a percentage of the issuer's share in total financing), i.e. (portfolio report based on project-by-project allocations).

If the appropriations are for a project portfolio, a portfolio report based on portfolio allocations is used. Issuers are encouraged to report in these reports on the share of each project in the overall results.

5.4.6. The green bond issuer's impact report should illustrate the expected impact of those projects for which green bond funds have been allocated. The report should be based on previous (carried out before the start of the project) estimates of the expected results of both the reporting year and the period after the completion of the project and withdrawal of its normal capacity. If they are reporting on a portfolio of projects, preliminary estimates can be based on annual analyses of the portfolio as a whole, or, if the portfolio has several project categories, if it is possible, in the context of these categories. The method of impact estimation should be made transparent. As the report will include estimated results of projects under construction or implementation, there is no guarantee that these results will eventually materialize. Thus, reporting is not intended to provide actual results achieved in a given year or reporting period.

5.4.7. It is useful to report projections of project outcomes that are expected over its life cycle and/or economic life (in years) with the purpose to provide an understanding of the impact of a project financed and/or refinanced with green bond funds throughout its life cycle. It is not always possible to estimate the impact of a project throughout its life cycle by simply multiplying the projected annual impact by the duration of the life cycle.

In this calculation, the lifecycle of the project does not take into account the periods of rise (capacity buildup) and gradual decline. In addition, in some types of projects, it is difficult to combine all the activities implemented at the project area, since there is heterogeneity of processes and/or equipment.

5.4.8. If the green bond issuer practices ex post verification on specific projects, it is recommended that the results of such verification be included in the reporting. It is important to keep in mind that the evaluation of impact indicators is often based on a number of assumptions. Technical experts strive to provide reasonable and conservative estimates of projects, but their actual impact may differ from projections, because the latter are based on the information available at a certain point, depending on the actual state of the environment. The actual impact of projects may differ from the initial projections. For example, social, economic, technical, political, and legislative changes can cause deviations from projections. In any case, the transparency of the assumptions contributes to understanding the reasons for discrepancies between the previous and the next estimates.

5.4.9. For optimal comparisons of results, green bond issuers should submit a limited number of indicators in impact reporting.

5.4.10. The issuer can follow its own methodology, making it available to investors to calculate indicators for which there is no single generally accepted standard. From the point of view of managing this process, good practice is the practice of disclosing the process of data collection, approval and verification (such disclosure is possible by reference to those internal documents (document) of the issuer, which describe this process, including the role of business units, for example for data selection, and the board for approval/signing).

5.4.11. Investors should be informed that the comparison of projects should be made in the context of the country.

5.4.12. Green bond issuers may resort to recalculation (conversion) of units for which they report on the impact of certain projects to ensure comparability and aggregation of results. In the case of recalculated units, standard recalculation coefficients with an appropriate explanation of the order of such conversion should be used.

5.4.13. The issuer should be as transparent as possible within the projects that only partially comply with the eligibility threshold. Some projects may have both components that meet the eligibility threshold and those that do not. Issuers should disclose whether

and to what extent the projects to be financed and/or refinanced by income from green bonds placement meet the eligibility threshold. If the issuer uses criteria that require allocation of income from green bond placement to the project with partial eligibility threshold, it is recommended to explain in detail to which component each payment relates.

5.4.14. If the impact of different project components that cannot be separated is expected (e.g., energy efficiency and renewable energy in the same project), the green bond issuer can attribute the results to each component based on their share of the relevant financing and disclose the approach used. In addition, issuers can consolidate reporting indicators for both components into one table.

5.4.15. Issuers have to be transparent about all cash flows that take place in the allocation of income from green bond placement, reflecting them in the same currency, as well as during the reporting of green projects.

5.5. It is recommended that the issuer provide in impact reporting the following information:

- a list of the projects for which the funds raised from the of green bonds placement;
- a brief description of the projects (each project and other general information belongs to which green category, i.e. environmental projects);
- brief information on the amounts allocated to the projects (by each project, or portfolio of projects) and the balance of undistributed net revenues of bonds;
- expected environmental impact of the projects (individual indicators of impact measurement).

5.6. Details of the information submitted by the issuer in the reports may be limited in the case of:

- availability of confidentiality agreement(s);
- the need to protect trade secrets and ensure competitiveness;
- a large number of projects.

In such cases, the information is presented in a generalized form, in the form of consolidated data.

5.7. In order to report on the environmental impact (the environmental effect) of green projects, the issuer should:

- clearly and definitely understand what exactly refers to the information on the environmental impact of green projects (impact information);
- know the specifics of impact information disclosure (how to disclose it, how much detail, in the context of individual projects or the entire portfolio of such projects, etc.);
- be sufficiently knowledgeable in the technical details of projects;
- be well aware of the potential environmental and social impacts of projects (environmental impact of issues, water and soil quality, livelihoods, etc.);
- systematically collect all data necessary for reporting (not limited to information on production, construction, sales of goods and services).

5.8. It is recommended that the project impact reporting system be based on the green bond issuer's existing reporting systems, regardless of their stage of development.

The green bond issuer should:

- evaluate the information available on the project (portfolio of projects) and how it can be adapted for an impact report.
- identify the person responsible for impact reports (see Section 8 of these Recommendations - green bond coordination team).
- establish who and how will collect the data needed for the impact report, submit and process it.
- provide training for staff who will collect, process and submit data for the impact report.
- establish appropriate KPIs for personnel who will collect, process and submit data for the impact report.

The duration of the overall impact reporting period is up to the full repayment of green bonds or the completion of green projects, whichever is the latter.

If there are significant deviations on green (environmental) projects, the issuer has to report what exactly the deviations were compared to the previous reporting period.

It is appropriate to begin impact reporting with a brief report, assessing the ability to provide more detail later on. Feedback from investors on the initial impact report is a good way to measure their satisfaction with the level of detail and clarity of that reporting.

It is recommended that qualitative and, if possible, quantitative performance indicators be used in impact reporting, disclosing the methodology of their calculation and/or the assumptions used in quantitative indicators.

5.9. Proper environmental impact assessment of projects that are fully or partially financed and/or refinanced by funds from the green bonds placement, high-quality aggregation of indicators and consistency of calculation methods, are ensured by the correctness of calculation methods, source data and benchmarks.

Benchmarks are source data for comparison, benchmarks and target indicators.

The issuer should disclose technical reports information and/or data verification protocols, providing additional information and references to data sources and calculation methods.

The reliability of reporting is enhanced if the reports provide information on any independent assessments, verification bodies and/or institutions with recognized experience in the realm of environmental sustainability.

5.10. Since impact reporting includes the results of projects that are still under construction or implementation, there is no guarantee that these results will eventually materialize. Impact reporting is not intended to provide data on the actual results of a particular year (reporting period).

5.11. Relevant data should be collected to prepare reports on the impact of the green bond issuer. Such data can be information about water, waste, energy. For example, it is determined/calculated the amount of purified/stored water, the amount of energy produced and saved, and so on for the green projects aimed at improving resource and energy efficiency.

If the issuer of green bonds is a financial institution, it can use the Climate Assessment for Financial Institutions (CAFI) developed by the IFC to measure the impact of projects on the environment. This tool helps to determinewhether a project financed by the bank meets climate criteria.

5.12. It is recommended to use impact reporting templates approved by the International Capital Markets Association (ICMA. Handbook Harmonized Framework for Impact Reporting. December 2020) and which follow the EU Green Bond Standard. The

example of impact reporting based on this template is set in the Annex 2 to these Recommendations.

5.13. It is proper practice for the issuer to include in the impact reporting a brief description of environmental and social risk management policies and systems for specific projects. References to the issuer's internal documents relating to these issues may be sufficient here.

6. Independent external monitoring (verification) of key features of green bonds

6.1. The issuer should involve an external independent controller (verifier) for each issue of green bonds in order to protect the interests of investors and provide a guarantee of compliance by the issuer with key features of green bonds, preventing greenwashing.

Each issue of green bonds is pre-evaluated by the verifier in terms of the issuer's ability to ensure compliance with all key features of green bonds.

After the green bonds placement, the verifier monitors the progress of green projects, evaluates them and presents the results in reports.

6.2. The issuer of green bonds is recommended to clearly state its position on independent external control (verification) in the Green Bond Policy and to indicate who will carry it out.

6.3. The candidacy of the independent controller (verifier) is approved:

- for green bonds of local loans – by authorities that make decision on the issue of green bonds of local loans (The Council of Ministers of the Autonomous Republic of Crimea or a territorial community represented by a representative body of local self-government);
- for corporate green bonds – by the governing body of the issuer that decides on the issue of green bonds (by the supervisory board if it exists).

6.4. The issuer of green bonds should carefully approach the process of selecting an external independent controller (verifier), carefully review the existing market proposals and take into account that the market for these services is divided between four types of organizations (see Usability Guide EU GBS):

- non-financial rating agencies and advisory services on sustainable development;
- Big Four of audit firms;
- credit rating agencies;
- global bodies of technical control and certification.

The issuer should become familiar with the list of verifiers registered as such on website of the International Capital Markets Association (ISMA).

6.5. When choosing a verifier to work with green bonds, the issuer should ensure that this verifier follows the five basic ethical and professional principles defined by the International Capital Markets Association (ICMA Guidelines for External Reviewers):

- honesty (anti-corruption);
- objectivity;
- professional competence and due caution;
- confidentiality;
- professional behavior.

6.6. The verifier should demonstrate its competence and experience in the following matters (see Usability Guide EU GBS):

- characteristics and processes of debt instruments issuance of the capital market;
- management of confidential and market information;
- assessment of environmental projects for all or certain environmental objectives and for all or certain sectors of the economy;
- providing the expert assessment and / or compliance verification services, in particular in accordance with ISAE 3000 and / or DIS ISO 17029.

6.7. The issuer of green bonds should obtain evidence from the potential verifier that he/she has (see Usability Guide EU GBS):

- organizational structure, operating procedures and other appropriate systems for the provision of verification services;
- ability to hire staff with the necessary experience and qualifications to carry out the required amount of work on independent external control of green bonds (the issuer identifies and provides a list of works);

- ability to provide appropriate compensation for possible damages / professional liability insurance.

6.8. Whereas the green bond verifier may be a representative of a company that specializes in external audit, the issuer should take into account the fact that the advisory services of a green bond verifier are different from the services of an external auditor to verify accounting data and indications of financial statements and/or consolidated financial statements, as the first one provides close cooperation with the bond issuer both at the stage of their preparation for the issue and in the post-issue period.

If the issuer has chosen as an independent external green bonds controller (verifier) the representative of the company, who also carries out the external audit of the issuer, then the conflict of interests of all stakeholders should be avoided.

6.9. External independent control (verification) of green bonds can be partial (covering only certain aspects of a particular green bond issue or green bond program), or complete (assessing on all key features of green bonds) independent control (verification) of green bonds depends on the nature of this control.

The timing of external independent control (verification) of green bonds depends on the nature of that control.

Disclosure of green bond verification results may be limited to business confidentiality requirements.

6.10. The verifier's report (see ISMA Guidelines for External Reviewers) should contain or at least indicate, providing links where the following information is freely available:

- General description of the purpose, types of work and powers of the external independent controller (verifier).
- Required certificates / diplomas certifying the right to evaluate KPI indicators (key performance indicator), SPT (sustainability performance targets) and related benchmarks, core indicators and strategies related to sustainable development/green bonds, as well as potential environmental and sustainability risks, their consequences for green bonds.
- Application form of independence and conflict of interest policy.

- Definitions, applied analytical approaches and/or methodologies.
- Report`s conclusions or results of the external independent control, including any restrictions on external review.

7. Environmental and social risk management

7.1. Implementation of projects that are fully or partially financed and/or refinanced by green bonds may be accompanied by environmental and social risks.

The probability of environmental and social risks exists in connection with such phenomena and processes as:

- issues into the atmosphere and air quality;
- energy use;
- wastewater and water quality;
- use of hazardous materials;
- waste generation;
- land pollution;
- damage to biodiversity and natural resources;
- working conditions;
- professional hygiene and labor protection;
- health, safety and well-being of local communities;
- land allocation and resettlement;
- cultural heritage.

7.2. Environmental and social risks in projects that are fully or partially financed and/or refinanced by income from the green bonds placement may lead to the reputational risks and corresponding losses of the issuer.

7.3. As noted in Section 3 of these Recommendations, projects those are fully or partially financed and/or refinanced by funds raised from the placement of green bonds, should comply with the requirements of the Ukrainian legislation on environmental issues (including human health and safety, flora, fauna, biodiversity, soil, air, water, climate, landscape, natural areas and sites (objects), historical monuments and other material objects or a combination of these factors as well as effects on cultural heritage sites or socio-economic conditions, which are the result from changes in these factors).

7.4. The environmental and social risks of the project those are fully or partially financed and/or refinanced by funds raised from the placement of green bonds do not transfer to the investor and only the credit risk of the issuer is transferred.

7.5. In order to identify, assess, minimize/mitigate and monitor environmental and social risks, issuer should form its environmental and social risk management system, ensure its proper implementation.

Organizing the Environmental and Social Risk Management System, the issuer of green bonds is recommended to follow the IFC requirements, in particular the Performance Standard №1 “Assessment and Management of Environmental and Social Risks and Impacts” (Performance Standard 1), which is recognized in the global capital market as a benchmark or any other international standards that are more appropriate (for example, ISO 14001, ISO 45001, OHSAS 18001, etc.).

It is recommended to integrate the environmental and social risk management system into the issuer's existing risk management process, if one already exists, or include it as a part of the general risk management process, if this process is still in the early stages of development.

7.6. The elements of the Environmental and Social Risk Management System are:

- environmental and social policy of the issuer (declaration of the issuer regarding its environmental and social objectives and responsibilities);
- procedures for identifying, assessing, minimizing / mitigating and monitoring environmental and social risks;
- organizational capacity and competence of personnel to ensure effective implementation of the environmental and social risk management system, as well as the system of training specialists in environmental and social risk management;
- preparedness for and response to emergencies;
- external communications, stakeholder engagement and complaint investigation mechanism;
- internal and external reporting on environmental and social performance of both the issuer and projects.

7.7. To enable the effective operation of the Environmental and Social Risk Management System, the issuer of green bonds should provide own properly trained staff,

or when it is necessary to involve external experts in environmental and social risk management.

7.8. The governing body of the issuer (supervisory board, if any), which decides to issue green bonds, should approve the issuer's policy on the environmental and social risk management system, which is integrated into the company's overall risk management system, and review an independent audit of the effectiveness of the environmental and social risk management system, including stakeholder engagement processes and complaint investigation mechanism.

7.9. All elements of the Environmental and Social Risk Management System provide a structure through which the issuer can:

- manage the environmental and social risks of projects that are fully or partially financed and/or refinanced by income from the sale of green bonds;
- receive the information necessary for disclosure to the shareholders and stakeholders;
- increase their own expertise in environmental and social risk management;
- contribute to the growth of its ESG rating;
- facilitate external independent control (verification) and/or external independent certification of the issuer, its activity.

7.10. The green bonds issuer is recommended to disclose information on its approaches to the environmental and social risk management to inform investors, such as:

- processes and procedures used to identify potentially significant environmental and social risks associated with environmental projects; and
- programs and measures to minimize / mitigate the environmental and social risks.

7.11. All the projects those are fully or partially financed and/or refinanced by funds raised from the placement of green bonds, should comply with the Environmental and Social Policy of the issuer.

7.12. Proper management of environmental and social risks of the projects those are fully or partially financed and/or refinanced by funds raised from the placement of green bonds, is the factor of forming investor confidence by the green bonds issuer and is incompatible with greenwashing (green camouflage).

The issuer should take into account that, apart from purely reputational risks, green washing creates a legal risk related to possible claims of investors regarding the misleading positioning of financial products.

To minimize the risk of green washing, an issuer of green bonds has to make impossible:

- the usage of proceeds from the green bonds offering to finance and/or refinance the projects that are not actually green;
- the unsustainability of its principal business activity;
- the non-transparent use of the proceeds from green bonds offering, impossibility of their proper tracking;
- the absence/lack of evidence that the projects which are fully or partially financed and/or refinanced by funds raised from the placement of green bonds, have a positive impact on the environment.

8. Coordination Group (Subdivision) on Issuer's Work with Green Bonds

8.1. The issuer is recommended to create a special coordination group (subdivision) in its office with the purpose to organize the work with green bonds.

The body that approves the decision to establish such a coordination group (subdivision) and to which the coordination group (subdivision) reports is:

- the governing body of the issuer that decides on the issue of green bonds (supervisory board if it exists) for green corporate bonds;
- the body that makes the decision to issue the bonds (The Council of Ministers of the Autonomous Republic of Crimea or a territorial community represented by a representative body of the local self-government) for green local loan bonds.

8.2. The coordination group on green bonds is established with the purpose of providing:

- accountability, consistency of actions and transparency of an issuer in his work with green bonds;
- supervision and management of all processes at the stages of preparation for green bonds issuance and post-issue work.

8.3. The main powers of the coordination group on green bonds are:

- development and publication of the issuer's Policy on green bonds;
- production of marketing materials for green bonds, materials for presentation to potential investors during the road show;
- monitoring the process of preparation of green bonds issue, participation in the development of the green bonds issuance' prospectus, assessment of potential costs for work with green bonds, monitoring of reporting on green projects.

8.4. The members of the coordination group on green bonds are:

- the individuals who have experience in issuing bonds and manage the green bonds issuance;
- technical experts for evaluation and selection of projects intended to be fully or partially financed and/or refinanced by funds raised from the placement of green bonds. These are the experts in environment, climate change, infrastructure, planning etc.;
- a lawyer and corporate secretary (if available).

8.5. The term of powers of the coordination group on green bonds is the period of preparation to the green bonds issuance, the issuance itself and period after the issuance until the funds raised from the green bonds placement are fully allocated and the bonds are fully paid off.

8.6. The frequency of meetings of the coordination group on work with green bonds are as following:

- at the stage of beginning, during the preparation for the issuance, it is recommended to hold meetings more often, for example, monthly;
- at th stage after the issuance, the meetings may be held less often, for example, quarterly.

8.7. The issuer is recommended to clearly define the criteria/key performance indicators (KPI) according to which it will measure/assess the impact of the environmental project on the environment. This information is recommended to be clearly articulated and presented to investors in the relevant memorandum/proposals.

ANNEXES TO THE GREEN BONDS RECOMMENDATIONS

Annex 1. Issuer's policy on green bonds (template)¹

Approved _____
(specify the issuer's authority that approved the Policy)

Date: _____ 202____

GREEN BONDS POLICY

(Full name of the issuer of green bonds)

(Full name of the external independent controller (verifier) for green bonds of this issuer)

1. STRATEGY AND JUSTIFICATION

1.1. Environmental objectives as part of the overall strategy of the issuer. Considerations for issuing green bonds.

(Description)

1.2. Which environmental objectives are promoted by projects that will be financed and/or refinanced from the funds raised from the green bonds placement.

(Select relevant objectives from the list below)

- Climate change mitigation
- Adaptation to climate change
- Sustainable use and protection of water and marine resources
- Transition to a closed cycle economy (cyclic/circular economy)

¹ According to the European Union Green Bond Standards. Usability Guide. EU Green Bond Standard. March 2020: https://ec.europa.eu/info/files/200309-sustainable-finance-teg-green-bond-standard-usability-guide_en

- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

1.3. (*The section is optional for the issuer*). Has it been previously reported (indicate sources and/or documents) where and how the issuer's environmental objective(s) and/or strategy relate to international obligations. These may be publications in accordance with EU Directive 2014/95/EU on non-financial reporting², international obligations under the Paris Climate Agreement³, the UN Sustainable Development Objectives⁴, etc.

(Description)

1.4. Any additional information that may apply to this section.

(Description)

2. SELECTION PROCESS OF GREEN PROJECTS (ENVIRONMENTAL PROJECTS)

2.1. Management process to ensure that each project complies with the EU Taxonomy of Economic Activity: (1) whether the project is a significant contribution to environmental objectives, (2) whether the project does not significantly harm the environmental objectives, (3) whether the project provides minimum environmental protection methods where they are developed, (4) whether the project meets the criteria for technical screening. For example, the usage of committees and internal/external environmental expertise, exclusion criteria, eligibility principles, indicators and parameters, methodology, standards or certificates.

(Description)

2.2. Any additional information that may apply to this section.

(Description)

3. GREEN PROJECTS (ENVIRONMENTAL PROJECTS)

3.1. Projects/categories of projects financed and/or refinanced from green bond proceeds and economic activities related to these projects in accordance with the EU and NACE Taxonomy (if available).

² See more:

https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/companyreporting/non-financial-reporting_en

³ See more: <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

⁴ See more: <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

(Description)

- 3.2. *(If information is available)* Approximate list of projects/activities financed and/or refinanced from proceeds from the realization of green bonds. Supplement this information with revenue distribution data by project category or asset class.

(Description)

- 3.3. *(The section is optional for the issuer)*. Whether environmental projects have a significant impact specifically (directly), or only contribute to others (expand, cover other environmental objectives).

Climate change mitigation

Low carbon

Transition

Promoting

Adapting to climate change

Adapting

Promoting

- 3.4. Any additional information that may apply to this section.

(Description)

4. MANAGEMENT OF FUNDS RAISED FROM THE GREEN BONDS PLACEMENT

(The management of funds raised from the green bonds placement should be consistent with the approaches set out in the Green Bond Principles⁵. This includes providing project appropriations equivalent to net income, as well as documenting such allocations. In addition, the approach should comply with reporting and verification requirements enshrined in the EU Green Bond Standard⁶).

(Description)

3. REPORTING

⁵ Green Bond Principles, GBP (June 2018). ICMA:

<https://www.icmagroup.org/green-social-and-sustainabilitybonds/green-bond-principles-gbp/>

⁶ Usability Guide. EU Green Bond Standard. March 2020:

https://ec.europa.eu/info/files/200309-sustainable-finance-teggreen-bond-standard-usability-guide_en

5.1. Title of the report, place of its publication and frequency of reporting. *(For example, “Green Bond Report, which is published on the issuer’s website.” If you plan to report more than once a year, you should indicate the frequency of reporting).*

(Description)

5.2. Reports on the distribution of funds are expected to be published:

- Until the full distribution of funds raised from the placement of the relevant issue of green bonds
- Until the end of the maturity of the relevant issue of green bonds

5.3. When and how often will the impact report be published.

(Description)

5.4. Qualitative and quantitative impact indicators that will be used to demonstrate a significant contribution to the achievement of environmental objectives, in terms of categories of projects related to economic activities defined in accordance with the EU Taxonomy.

(Description)

5.5. Qualitative and quantitative impact indicators that will be used to demonstrate no-significant-harm to the environment, in terms of categories of projects related to economic activities defined in accordance with the EU Taxonomy (including any significant changes).

(Description)

5.6. Any quantitative or qualitative indicators that will be used in the impact report to supplement the indicators described in the EU Taxonomy, with reference (embedded links) to the relevant methodology/documentation. *(For example, annual reductions/avoidances of greenhouse gas emissions in tons of CO₂ eq., annual generation of renewable energy in MW*h/GW*h)*

(Description)

5.7. Providing an environmental impact assessment of projects financed and/or refinanced from the funds raised from the green bonds placement. *(if available)*

(Description)

5.8. Verification is provided for:

- Each annual fund distribution report (*optional for the issuer*)
- Final annual fund distribution report (*mandatory*)

5.9. Any additional information that may apply to this section.

(Description)

Annex 2. Impact reporting (example of portfolio-based reporting for green projects)⁷

Portfolio name	Portfolio description	Environmental object/industry	Total value of the portfolio ⁸	Share of funding	The amount of allocated revenue from the green bonds placement	Portfolio start date/end date (if applicable)	Share of revenue used for financing or refinancing	Nature of the green asset / Costs	IF THERE IS: Impact Index ⁹ (absolute, annual ¹⁰) ¹¹	IF THERE IS: impact indicator ¹² (relative)
CEC Portfolio	Installation of rooftop solar panels for 4,000 private households with a total annual capacity ... MW / GW	Renewable energy (solar photovoltaic) / Climate change Mitigation	40 million euros	90 %	36 million euros	2017 continues	100% financing	Tangible asset, (100% CapEx)	... tons of CO ₂ emissions eq (based on y gCo ₂ eq/kwh) ... tons avoid CO ₂ eq	

⁷ [Usability Guide. EU Green Bond Standard. March 2020.](#)

⁸ Total project amount - the total approved and legally fixed amount of the project (its components) or project program, which is subject to full or partial financing and / or refinancing with funds raised from the placement of green bonds.

⁹ A description of the main methodology and assumptions used to calculate impact indicators, thresholds and indicators, or a cross-reference to those described in the Green Bond Policy.

¹⁰ If applicable, there should be an additional column for the duration / impact of the relevant project over the life cycle.

¹¹ Only the estimated share of the impact that corresponds to the value of the portfolio financed by the issuer (share of financing) is reported.

¹² For other impact indicators, columns are added accordingly.