

Green Bonds – An Introduction

April 2017

Authors: [Cenzi Gargaro](#), [Karsten Wöckener](#), [Tallat Hussain](#), [Mindy Hauman](#), [Debashis Dey](#)

Since their introduction in 2007, Green Bonds issuances have exponentially increased in volume and have become part of the lexicon of environmental finance. Simply defined, Green Bonds raise funds for new and existing projects with environmental benefits. While many different types of Green Bonds are starting to emerge, for the most part Green Bonds are similar to mainstream bonds, with the key difference being a defined use of proceeds for environmental protection, sustainability, climate change solutions and other green project purposes.¹

Market Guidelines, Rules and Regulations

Standardisation and Principles

The Green Bond market has developed on a self-regulatory and voluntary basis through such initiatives as the Green Bond Principles (“**GBP**”)². The GBP and other similar standards are sets of voluntary guidelines to help clarify the issuance of Green Bonds. A microcosm of services has developed around the GBP to support the Green Bond market, involving standards providers (such as the Climate Bond Initiative – CBI), certifiers and assurance providers (such as the CBI, accountancy firms, analysts and academics), and in some markets, elements of the voluntary guidelines of the GBP are being integrated into more Green Bonds-specific regulations.

Green defined

Although there are increasing attempts to rank the various possible “shades of green”, there is no legal definition of a Green Bond. Considering that the use of proceeds is the most distinctive feature of a Green Bond compared with other bonds, some countries, such as China and India, have recently complemented the GBP with policy-backed issuance guidelines, for a more determined focus on directing investment into green projects.

Through the People's Bank of China Announcement No. 39 [2015], China has set out recommendations and obligations which, in some instances, have the same foundations as the GBP. Recommendations include the use of independent external reviewers, a process for tracking and reporting on use of proceeds, and a public annual report on the green projects financed by the Green Bond.

Inspired by voluntary standards such as GBP, China has also sought to define “green” in its Green Bond Catalogue of sectors and projects. This catalogue includes six categories: energy saving, pollution prevention and control, resource conservation and recycling, clean transportation, clean energy and ecological protection and climate change adaptation. The catalogue seeks to strike a balance between responding to China's

¹ This Alert is based on a project in which White & Case advised the Chair of the G20 Green Finance Study Group on the terms and characteristics of Green Bonds in several markets and jurisdictions.

² <http://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/green-bonds/green-bond-principles/>.

national conditions, which include coal-based sectors, when developing its domestic definitions, while remaining compatible with international standards and practices.

Green Terms in Transaction Documentation

Key “Green” terms in Green Bond documentation to date

The GBP recommend certain approaches to process and disclosure that issuers, investors, underwriters, placement agents, rating agencies and other market participants may use to understand the characteristics of a particular Green Bond. The GBP have four components:

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

Most of the Green Bonds listed in the US, Mexico, Europe, China and India to date adhere to these four components, albeit to varying degrees and by adopting different methodologies³.

- **Use of proceeds** is universally included in Green Bond documentation and remains the single most consistent identifier. A typical reference is:
 - “**Use of Proceeds:** (a) for the general corporate purposes of such Group member; or (b) to finance and/or refinance, in whole or in part, Eligible Green Projects.”
- **Process for project evaluation and selection** varies due to the bespoke nature of project structures and the complexity of selection criteria. Where issuers use a selection process, that selection process is set out in detail. For example:
 - “**Eligible Green Project Categories** are identified in the Issuer's Green Bond Framework (which appears on the Issuer's website) and currently include the following...upgrades and Improvements.”
- **Management of proceeds:** Green Bond issuers are showing some increased willingness to “ring fence” or “ear mark” proceeds from Green Bonds into separate dedicated accounts but it is not yet the norm. For example:
 - “**Earmarking:** Proceeds from the Green Bonds will be credited to an internal earmarked account dedicated for lending to the Water Authorities.”
- **Reporting** is included in the documentation for most Green Bonds, although the degree and methodology of such reporting varies widely⁴. There is a measure of consistency within those Green Bonds which utilise external reviews because the criteria adopted by the various providers of such opinions and certifications are, as would be expected, largely consistent. The widest variance is found in those Green Bonds which self-report or self-evaluate, as the criteria are decided solely by the issuer. Regardless of whether an issuer utilises an external reviewer or prepares its own report, most issuers do tend to commit to producing a report at least annually and make it publicly available on their website. Example language has included:
 - “During the term of the notes, until such time as the proceeds from the notes have been fully allocated to Eligible Green Projects, we will publish annual updates on a dedicated page of our website detailing, at a minimum, the allocation of the net proceeds of the notes to Eligible Green

³ This is true even within the same market or listing venue.

⁴ The Monetary Authority of Singapore will introduce a Green Bond Grant scheme this year for issuers to offset 100 per cent of expenses attributable to obtaining an external review for green bonds, up to a cap of S\$100,000 per issuance. <http://www.mas.gov.sg/News-and-Publications/Speeches-and-Monetary-Policy-Statements/Speeches/2017/Keynote-Address-at-the-Investment-Management-Association-of-Singapores-20th-Anniversary-Conference.aspx>

Projects together with key features and the current green building certification status, where applicable, of Eligible Green Projects funded.”

Green Bonds – perceived risks

Although they are generally prepared to follow market guidelines, Green Bond issuers in many jurisdictions are understandably concerned about exposing themselves to any additional or exceptional liabilities.

These liabilities can arise as a result of a breach of an express contractual term in the Green Bonds and, in some jurisdictions, criminal or civil liability may attach to misstatements or misrepresentations made in or pertaining to a prospectus or during an offer process. Issuers may be contractually or otherwise legally liable to underwriters and/or investors for prospectus misstatements or misrepresentations.

Prospectus liability

In many jurisdictions, prospectus liability (either criminal or civil) may be imposed if there is a material inaccuracy in, or omission of information from, the prospectus, which causes investors to suffer loss as a result.

If the issuer discloses in the “Use of Proceeds” section, for example, that it would use the proceeds of the issuance for certain eligible investments, and did not, in some jurisdictions prospectus liability may arise.

If the terms and conditions involve a mechanism to credit the proceeds of the Green Bond into a specific sub-account or otherwise track them by a formal internal process, bondholders who suffer a loss as a result of a breach may be able to claim compensation from the issuer in certain jurisdictions.

Contractual claim for breach of representations/warranties/indemnity

An issuer could be liable to the managers of a transaction if there is a breach of any representation and warranty in the subscription agreement that the prospectus (and any other offering material) is accurate, complete and not misleading and contains all information necessary to allow investors to make an informed investment decision. The managers may also be able to claim indemnification from the issuer if the managers themselves suffer loss (for example, if they were sued by an investor).

Liability for periodic disclosures to the market

Many jurisdictions have a secondary market transparency regime under which issuers may be liable for certain misstatements and omissions, including in periodic reports. Under these regimes, an issuer of securities to which the regime applies may be liable to indemnify any person who suffers loss as a result of any failure to comply with the requirements of any such transparency regime.

Green undertakings

Issuers are reluctant to include “green” undertakings as a breach may trigger an event of default under bond documentation, which could result in cross-defaults of other agreements. However, in green project bonds and green structured finance there has been a willingness to include such undertakings.

It is more common to see provisions which seek to exclude or attenuate “green” liabilities in Green Bond documentation. For example:

- “The above examples of Eligible Projects are for illustrative purposes only and no assurance can be provided that disbursements for projects with these specific characteristics will be made by the Issuer during the term of the Notes. The payment of interest and principal of the Notes is strictly based on the credit quality of the Issuer, and is not directly affected by the result of the underlying investments that the Issuer makes.”

There are also examples of exclusions of liability for investing in projects not meeting the relevant green criteria:

- “In an unlikely event that a project did not meet the use of proceeds criteria, the Issuer would reallocate the bond funds to a different project that is aligned with the criteria”.

There does not currently appear to be much demand from investors to move toward a more undertaking-style approach. The state of affairs is somewhat evolving, with underwriters starting to request such undertakings from issuers, along with risk factors and due diligence questions to provide them with a level of comfort against any concerns of potential issuer “green wash”.

Market Expectations and Transaction Precedents

Expectations of Green Bond market participants

An analysis of a cross section of Green Bond documents from different types of issuers in North and South America, Europe, India and China reveals which elements of the GBP are being incorporated, how and to what extent. Generally: (i) “public” sector issuers typically take on increased reporting and other obligations and publish more information than Financial Institutions and Corporate issuers; (ii) very few Green Bonds provide undertakings in the bond terms and conditions or tie obligations to an event of default; (iii) Green Bond documentation in all markets, whether voluntary or otherwise, seems to adhere to the GBP, at least with respect to use of proceeds; and (iv) the use of second party opinions and third party verification is becoming the norm. It is important nonetheless to underline regional differences.

- The European markets tend to issue more wholesale Green Bonds and focus on price and function of the product. Offers in the US, Mexico, China and India tend to be on a retail basis and focus on transparency and disclosure for retail investors.
- The US, Mexican and European Green Bond markets have been left to grow organically (within the parameters of wider securities regulations). Therefore, Green Bond documentation in those markets largely reflects what the market participants require or aspire to in Green Bond “regulation”.
- China differs as the Chinese Green Bond market has its own statutory regime and so what is relevant is what is required by law.

Green Bonds listed or admitted to trading on a dedicated “green”, “environmental”, “sustainable” or other equivalent-labelled segment of a stock exchange or securities market may not automatically satisfy an investor's requirements in relation to its own investment criteria or guidelines investor. The criteria for such listings or admission to trading will vary from one stock exchange or securities market to another, so a certain amount of familiarisation with the relevant market may be required.

Green Bond Listing Venues

There are a growing number of dedicated Green Bond markets that exist to promote green finance. Green Bonds must comply with the listing rules of the dedicated Green Bond segment of the Stock Exchange on which they are listed. These rules or criteria apply in addition to usual non-green regulatory listing requirements or rules for bonds.

There are a number of Green Bond exchanges that have similar listing requirements for Green Bonds. The following features are seen consistently across all the dedicated Green Bond segments:

- the proceeds raised by issuing a Green Bond must be used for green projects (though there is some variation as to the prescriptiveness of what projects shall be considered green – see below for further details); and
- an external review document certifying the nature of the bond is mandatory for some listing venues (London, Luxembourg, Oslo, and Mexico) and recommended for others (India and Shanghai).

As an example, the Securities and Exchange Board of India defines what is green on a case-by-case basis. Using an external reviewer to review the green credentials of the bond is optional. Issuers are, however, required to disclose the procedures they will use to track Green Bond proceeds, which will be verified by external auditors. Disclosures including use of proceeds and list of projects to which Green Bond proceeds have been allocated must be included in the annual report/periodical filings made to the Securities and Exchange Board.

Example Green Bonds

The chart in the Annex to this document sets out a sample of Green Bonds from different sectors of the Green Bond market.

- **Multilateral Development Banks:** The World Bank Group has been a long-standing participant in the development of the Green Bond market while tailoring their approaches to the differing needs of country partners. Their products are designed to respond to specific investor demand for investment grade rated fixed income products that support projects that address climate challenge.
- **Global Financial Institutions:** The Bank of America and The Bank of China, through the GBP, are examples of standards in disclosure and transparency utilised by global FIG issuers.
- **Emerging Market Financial Institutions:** Yes Bank was chosen as a pioneering example of Green Bonds in India. It adhered to a prescriptive Green Bond regime while maintaining global appeal. It has set examples which other domestic issuers may follow.
- **Corporates:** Apple is included not only for being the largest corporate Green Bond issuer but also because it serves as an example in relation to voluntary disclosure, transparency and commitment to green principles. Apple's \$1.5bn Green Bond will fund several initiatives, including the company's conversion to 100% renewable energy.
- **Structured Debt:** Toyota Financial Services is included for Structured Finance. Proceeds from Toyota's Green ABS Bond funds a pool of leases and loans for low-carbon Toyota vehicles. This structure gives an example for other potential structured Green Bond issuers.
- **High Yield:** Abengoa develops technology solutions for sustainable development in the energy and environment sectors. Its Green Bond and related guarantees were offered to traditional high yield investors as well as dedicated Socially Responsible Investments buyers. Abengoa is included as an example in the High Yield market.
- **Emerging Market Corporates:** Advanced Semiconductor Engineering (ASE) is included for being the first Green Bond from Asia's private sector. This Green Bond highlights the potential for sustainable investing in the region.
- **Sovereigns:**
 - The Republic of Poland has set up a Green Bond programme committed to using the proceeds toward meeting European Union and domestic energy and climate change targets despite having a predominantly coal based economy and was the first European sovereign to issue a Green Bond.
 - The Republic of France has also recently issued its first benchmark Green Bond dedicated to financing sustainable investment in France and other similar issues are expected to follow. France intends to establish a special economic and scientific council of renewed and independent experts charged with ensuring transparency and assessing the environmental performance of these investments.
- **Municipalities:** The City of Gothenburg is included as an example of the potential uses for sustainable investing for local governments.
- **Projects and Infrastructure:** The District of Columbia Water and Sewer Authority ("DC Water") issued a Green Bond to fund the initial green infrastructure project in its DC Clean Rivers Project. By financing the project through a Green Bond, DC Water has created a model funding mechanism that other municipalities could consider to advance the use of Green Bonds to finance infrastructure projects.

Example Green Bonds

ISSUER	GREEN ELEMENTS															
<p>WORLD BANK</p> <p>Class Global Market Developer</p> <p>Date of issue Various since 2008</p> <p>Amount Total of approx. USD 9bn</p>	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> Eligible projects are selected by World Bank environmental specialists and meet defined World Bank eligibility criteria for low-carbon and climate resilient development. The criteria underwent an independent review by the Center for International Climate and Environmental Research at the University of Oslo (“CICERO”) (opinion here http://treasury.worldbank.org/cmd/pdf/CICERO-second-opinion.pdf). <p>Eligible Projects may include projects that target:</p> <ul style="list-style-type: none"> Mitigation of climate change including investments in low-carbon and clean technology programs; or Adaptation to climate change, including investments in climate-resilient growth. <p>Earmarking:</p> <ul style="list-style-type: none"> Proceeds from Issuance are credited to a special account. Disbursements often occur over a period of several years, dependent on when each project milestone is reached. <p>Reporting:</p> <ul style="list-style-type: none"> Client countries implement the development projects in accordance with the project loan agreement. Supervision process includes a mid-term review. The World Bank publishes detailed project information on its website, including Project Appraisal Documents. <p>Summaries and key impact indicators of the Green Bond Projects are provided on the World Bank’s Green Bond website, with links to relevant documents and more detailed information.</p> <p>Annual Green Bond newsletters also highlight relevant projects.</p>															
<p>BANK OF AMERICA CORPORATION (“BAC”)</p> <p>Class Pioneer Commercial Bank Green Bond</p> <p>Date of issue May 2015</p> <p>Amount USD 600m</p>	<p>Use of Proceeds:</p> <ul style="list-style-type: none"> Net proceeds used to fund renewable energy and energy efficiency projects (“Eligible Green Projects”) as per internal investment criteria. These include renewable energy, energy efficiency and overnight or short term financial instrument criteria. <p>Eligibility Criteria:</p> <ul style="list-style-type: none"> Renewable Energy Criteria: <table border="1" data-bbox="411 1552 1465 2016"> <thead> <tr> <th data-bbox="411 1552 635 1585">Area</th> <th data-bbox="635 1552 930 1585"></th> <th data-bbox="930 1552 1465 1585">Explanation</th> </tr> </thead> <tbody> <tr> <td data-bbox="411 1585 635 1720">Solar Energy</td> <td data-bbox="635 1585 930 1720">Photovoltaic Solar Electricity</td> <td data-bbox="930 1585 1465 1720">Development, construction and operation of generation facilities where 100% of electricity is derived from solar energy resources.</td> </tr> <tr> <td data-bbox="411 1720 635 1809"></td> <td data-bbox="635 1720 930 1809">Concentrated Solar Power</td> <td data-bbox="930 1720 1465 1809">Development, operation and construction of facilities with a maximum of 15% gas fired back-up.</td> </tr> <tr> <td data-bbox="411 1809 635 1910"></td> <td data-bbox="635 1809 930 1910">Infrastructure and Manufacturing</td> <td data-bbox="930 1809 1465 1910">Operational production or manufacturing facilities wholly dedicated to solar energy development.</td> </tr> <tr> <td data-bbox="411 1910 635 2016"></td> <td data-bbox="635 1910 930 2016">Transmission</td> <td data-bbox="930 1910 1465 2016">Wholly dedicated transmission infrastructure for solar electricity generation facilities.</td> </tr> </tbody> </table>	Area		Explanation	Solar Energy	Photovoltaic Solar Electricity	Development, construction and operation of generation facilities where 100% of electricity is derived from solar energy resources.		Concentrated Solar Power	Development, operation and construction of facilities with a maximum of 15% gas fired back-up.		Infrastructure and Manufacturing	Operational production or manufacturing facilities wholly dedicated to solar energy development.		Transmission	Wholly dedicated transmission infrastructure for solar electricity generation facilities.
Area		Explanation														
Solar Energy	Photovoltaic Solar Electricity	Development, construction and operation of generation facilities where 100% of electricity is derived from solar energy resources.														
	Concentrated Solar Power	Development, operation and construction of facilities with a maximum of 15% gas fired back-up.														
	Infrastructure and Manufacturing	Operational production or manufacturing facilities wholly dedicated to solar energy development.														
	Transmission	Wholly dedicated transmission infrastructure for solar electricity generation facilities.														

	<table border="1"> <tr> <td data-bbox="411 197 608 293">Wind Energy</td> <td data-bbox="644 197 863 293">Wind Farms Infrastructure and Manufacturing</td> <td data-bbox="932 197 1442 327">Development and construction. Operational production or manufacturing facilities wholly dedicated to wind energy development.</td> </tr> <tr> <td></td> <td data-bbox="644 327 804 360">Transmission</td> <td data-bbox="932 327 1442 423">Wholly dedicated transmission infrastructure for wind electricity generation facilities.</td> </tr> <tr> <td data-bbox="411 423 549 519">Other Renewable Energy</td> <td data-bbox="644 423 783 456">Geothermal</td> <td data-bbox="932 423 1442 488">Development, construction and operation of generation geothermal energy facilities.</td> </tr> </table> <p data-bbox="411 539 847 573">• Energy Efficiency Project Criteria:</p> <table border="1"> <thead> <tr> <th data-bbox="411 591 475 624">Area</th> <th data-bbox="932 591 1082 624">Explanation</th> </tr> </thead> <tbody> <tr> <td data-bbox="411 624 587 819">Energy Efficiency Technology/ Products Manufacturing and Supply</td> <td data-bbox="644 624 1442 875">Thermal Insulation Materials HVAC Systems Centralized Energy Control Systems Lighting Technology</td> </tr> <tr> <td data-bbox="411 875 608 909">Green Buildings</td> <td data-bbox="644 875 842 940">Existing Building and/or Lighting</td> </tr> </tbody> </table> <p data-bbox="411 987 1066 1021">• Overnight or short term Financial Instrument Criteria</p> <p data-bbox="411 1039 1442 1104">Overnight or other short-term investments criteria is defined as items that would qualify as cash and cash equivalents from a US GAAP reporting perspective.</p> <p data-bbox="411 1133 539 1167">Reporting:</p> <ul data-bbox="411 1167 1410 1581" style="list-style-type: none"> • During the lifetime of the bond regular updates on a designated website outlining: <ul style="list-style-type: none"> (i) the allocation of the net proceeds of the notes to Eligible Green Projects, detailing the Eligible Green Projects funded, current funded amounts, initial funding dates and contractual maturity dates; (ii) assertions by management that the net proceeds of the notes are invested either in qualifying Eligible Green Projects or in overnight or other short-term financial instruments; and (iii) Updates and assertions will be accompanied by an examination of management’s assertion conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. PWC provided this confirmation on 22 February 2016. 	Wind Energy	Wind Farms Infrastructure and Manufacturing	Development and construction. Operational production or manufacturing facilities wholly dedicated to wind energy development.		Transmission	Wholly dedicated transmission infrastructure for wind electricity generation facilities.	Other Renewable Energy	Geothermal	Development, construction and operation of generation geothermal energy facilities.	Area	Explanation	Energy Efficiency Technology/ Products Manufacturing and Supply	Thermal Insulation Materials HVAC Systems Centralized Energy Control Systems Lighting Technology	Green Buildings	Existing Building and/or Lighting
Wind Energy	Wind Farms Infrastructure and Manufacturing	Development and construction. Operational production or manufacturing facilities wholly dedicated to wind energy development.														
	Transmission	Wholly dedicated transmission infrastructure for wind electricity generation facilities.														
Other Renewable Energy	Geothermal	Development, construction and operation of generation geothermal energy facilities.														
Area	Explanation															
Energy Efficiency Technology/ Products Manufacturing and Supply	Thermal Insulation Materials HVAC Systems Centralized Energy Control Systems Lighting Technology															
Green Buildings	Existing Building and/or Lighting															
<p data-bbox="153 1615 347 1648">BANK OF CHINA</p> <p data-bbox="153 1671 368 1805">Class Pioneer in Covered Green Bond policy and development in China</p> <p data-bbox="153 1832 304 1888">Date of issue Nov 2016</p> <p data-bbox="153 1915 272 1971">Amount USD 500m</p>	<p data-bbox="400 1615 608 1648">Use of Proceeds</p> <ul data-bbox="400 1648 1326 1850" style="list-style-type: none"> • Renewable energy: the production and transmission of renewable energy; • Pollution prevention and control; • Clean transportation; and • Sustainable water management. <p data-bbox="400 1872 624 1906">Eligibility Criteria</p> <ul data-bbox="400 1906 1442 2063" style="list-style-type: none"> • Domestic and overseas branches of the Issuer shall conduct a preliminary screening of potential projects in accordance with the criteria and standards set out in the Bank’s internal regulations and the eligible green project categories as described in the Use of Proceeds of this section, and form a list of nominated projects which will be submitted to the Headquarters of the Issuer for review. 															

	<ul style="list-style-type: none"> • The Headquarters of the Issuer shall review each of the nominated projects for approval as eligible green projects. The approved projects will form an Eligible Green Project list. • The Headquarters of the Issuer shall review the Eligible Green Project List on a quarterly basis and organise domestic and overseas branches to nominate new projects, and approve the eligible ones to replace projects that have amortised, been prepaid, sold or otherwise become ineligible. <p>Project Selection</p> <p>The proceeds of the Green Bonds will be used to fund the eligible green projects in at least one of the following subsets of the categories set out in the Management Statement:</p> <ul style="list-style-type: none"> (i) renewable energy: wind power plants; and (ii) pollution prevention and control: waste water treatment projects. <p>Management of Proceeds</p> <ul style="list-style-type: none"> • Prior to the issuance of Green Bonds, the Issuer shall develop a preliminary Eligible Green Project List in accordance with the procedures as described in the Project Evaluation and Selection • The Issuer shall record the source and allocation of proceeds in a separate ledger to ensure that all the net proceeds of the Green Bonds are used to fund eligible green projects. • Unallocated proceeds shall not be invested in greenhouse gas (GHG) intensive or highly polluting or energy intensive projects. The unallocated proceeds could be temporarily invested in Green Bonds issued by non-financial institutions in domestic or international markets, and in money market instruments with good credit rating and market liquidity until they are allocated to eligible green projects. <p>Reporting/Monitoring</p> <ul style="list-style-type: none"> • As long as the Green Bonds are outstanding, the Issuer will make and keep readily available up-to-date information on the allocation of the proceeds and the environmental performance of the funded eligible green projects on an annual basis on its official website (http://www.boc.cn/en/investor/ir10/) and through other channels where feasible, such as annual reports or social responsibility reports. The Issuer intends to maintain the transparency of information disclosure following the best practices recommended by the Green Bond Principles, 2016.
<p>YES BANK/ INTERNATIONAL FINANCE CORPORATION</p> <p>Class Pioneer in Green Bond development in India</p> <p>Date of issue Aug 2015</p> <p>Amount INR 3.15bn</p>	<ul style="list-style-type: none"> • Yes Bank issued a private placement with International Finance Corporation (“IFC”) as the sole investor. IFC issued a Green Bond to finance the investment in Yes Bank’s bond. • Yes Bank’s bond had no second opinion or certification of the green credentials of the bond, but as the IFC’s Green Bond was used to finance its investment in the Yes Bank bond, Yes Bank’s projects need to meet the IFC Green Bond eligibility criteria. These criteria have a second opinion by CICERO. <p>Use of Proceeds:</p> <ul style="list-style-type: none"> • “The net proceeds of the issue of the Notes will be allocated within IFC’s Treasury to a special subportfolio that will be linked to IFC’s lending operations for Climate Projects (“Eligible Projects”). The sub-portfolio will be invested by IFC’s Treasury in accordance with IFC’s liquid asset management investment guidelines.”

	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> “Eligible Projects will be selected from all Climate projects funded, in whole or in part, by IFC. Climate projects may include the following investments: (...)” <p>The above examples of Eligible Projects are for illustrative purposes only and no assurance can be provided that disbursements for projects with these specific characteristic will be made by IFC during the term of the Notes.”</p> <p>Transparency/Reporting and Monitoring:</p> <ul style="list-style-type: none"> CICERO provides an external reviewer on the IFC’s Green Bond Framework. <p>CICERO external reviewer on the IFC’s Green Bond Framework dated 23 November 2015</p>
<p>APPLE INC</p> <p>Class Largest US Corporate Green Bond</p> <p>Date of issue Mar 2016</p> <p>Amount USD 1.5bn</p>	<p>Use of Proceeds</p> <ul style="list-style-type: none"> “An amount equal to such net proceeds will be allocated for investments in one or more Eligible Projects”, meaning projects that meet the Eligibility Criteria. <p>Eligibility Criteria</p> <ul style="list-style-type: none"> Including projects related to, inter alia, renewable energies, building projects reaching LEED or BREEAM high level certification, environmental design/energy efficiency projects, water efficient projects, enhancement of recycling or material recovery and the use of bio-materials. <p>Project Selection</p> <ul style="list-style-type: none"> Apple’s Environment, Policy and Social Initiatives (EPSI) team will assess and determine project eligibility and make a recommendation for allocation of proceeds. Apple’s finance department will track allocation of the proceeds and produce a quarterly internal report for review by the EPSI team. Final approval from company’s Vice President of EPSI. <p>Management of Proceeds</p> <ul style="list-style-type: none"> Proceeds to be managed by Apple’s finance department. <p>Reporting/Monitoring</p> <ul style="list-style-type: none"> Apple commits to publishing an annual report on the allocation of proceeds and the progress of funded projects, either by reference or as an appendix to its annual Environment Responsibility Report. Apple intends to include a compliance letter from Sustainalytics and a report from an independent registered public accounting firm. Sustainalytics will review a sample of projects and determine whether the Use of Proceeds criteria have been met.
<p>TOYOTA FINANCIAL SERVICES</p> <p>Class Green ABS</p> <p>Date of issue Jun 2015 and Mar 2014</p> <p>Amount USD 1.25bn and USD 1.75bn</p>	<p>Use of Proceeds</p> <ul style="list-style-type: none"> To fund new retail finance contracts and lease contracts for Toyota and Lexus vehicles <p>Eligibility Criteria</p> <ul style="list-style-type: none"> Vehicles that meet high green standards using three specific criteria set by the California Environmental Protection Agency’s Air Resources Board: <ul style="list-style-type: none"> using a gas-electric hybrid or alternative fuel powertrain; recording a minimum EPA estimated MPG (or MPG equivalent for alternative fuel vehicles) of 35 city/35 highway; and obtaining a California Low-Emission Vehicle II (LEV II) certification of super ultra-low emission vehicles (SULEVs) or higher, which would include partial

	<p>zero-emissions vehicles (PZEVs) and zero-emissions vehicles (ZEVs).</p> <ul style="list-style-type: none"> • Eight vehicles in the Toyota and Lexus portfolio of green vehicles qualify <p>Reporting/Monitoring</p> <ul style="list-style-type: none"> • Doesn't appear to be independent review of compliance.
<p>ADVANCED SEMICONDUCTOR ENGINEERING (ASE)</p> <p>Class EM Corporate Pioneer</p> <p>Date of issue Jul 2014</p> <p>Amount USD 300m</p>	<p>Use of Proceeds</p> <ul style="list-style-type: none"> • Proceeds will go to financing the “eligible projects to promote the Company’s transition to low-carbon and climate resilient growth”. • Examples of eligible projects includes green buildings, waste water recycling projects, waste water management and projects promoting energy efficiency in manufacturing processes. <p>Management of Proceeds</p> <ul style="list-style-type: none"> • Proceeds are to be credited to a special account. <p>Reporting/Monitoring</p> <ul style="list-style-type: none"> • ASE will issue an annual letter to investors including a list of projects financed, project examples and a summary of its Green Bond development – ASE Investor Letter • Spending plans and Use of Proceeds to be independently monitored by CICERO.
<p>ABENGOA</p> <p>Class High Yield Corporate Pioneer</p> <p>Date of issue Sep 2014</p> <p>Amount EUR 500m</p>	<p>Use of Proceeds</p> <ul style="list-style-type: none"> • To finance future or under development or construction phase projects regarding Renewable Energy, Energy efficiency, Energy transmission, & distribution, Water transmission, & distribution, Water management, Bioenergy and Waste to energy that contribute to the fight against climate change and energy transition, protection of water resources, creation of local employment and improvement of access to clean energy and drinking water, in line with its sustainable development commitments. <p>Eligibility Criteria</p> <ul style="list-style-type: none"> • According to Abengoa’s Corporate Social Responsibility Strategy and its commitments to sustainability and the fight against climate change, the Company will finance green projects which are clearly defined as: <ul style="list-style-type: none"> • Renewable Energy • Energy transmission & distribution • Energy efficiency • Water transmission & distribution • Water management • Bioenergy • Waste to energy <p>Environmental and social outcomes of these green projects categories have been identified: contribution to fight against climate change and ecological transition, creation of local employment and improvement of access to clean energy and drinking water.</p> <p>Project Selection</p> <ul style="list-style-type: none"> • The selection process of projects to finance is designed and includes compliance with relevant criteria, belonging to Environment, Human Resources, Human Rights, Business Behaviour, Local communities and Governance domains. These criteria are visible, precise, measurable and relevant and the selection process is based on

	<p>a framework publicly available on Abengoa’s website, aiming at a responsible management of projects.</p> <p>Reporting/Monitoring</p> <ul style="list-style-type: none"> Abengoa is committed to report annually in its Corporate Social Responsibility Annual Report available on Abengoa’s website and verified by a third party, on <ul style="list-style-type: none"> The fund allocation to eligible projects (list of financed projects) and the compliance of the net proceeds’ allocation with the above described process Effective environmental and social outcomes and responsible management of projects financed, with relevant indicators regarding the integration of ESG issues, covering all sustainability domains and criteria
<p>REPUBLIC OF POLAND</p> <p>Class Sovereign Green Bond</p> <p>Date of issue Dec 2016</p> <p>Amount EUR 750m</p>	<p>Use of Proceeds</p> <ul style="list-style-type: none"> With reference to the Green Bond Principles the proceeds of each Green Bond will be used exclusively for new financing or the re-financing of Projects that promote the transition to low-emission economy and climate resilient growth, including both climate mitigation and adaptation. <p>Eligibility Criteria</p> <ul style="list-style-type: none"> Renewable Energy Clean Transportation Sustainable Agricultural operations Afforestation National Parks Reclamation of Heaps <p>Project Selection</p> <p>Use of Proceeds will be selected by the following considerations:</p> <ul style="list-style-type: none"> Alignment with identified Eligible Sectors; Investment horizon; Availability of information to facilitate reporting; Other ESG/external factors related to the agencies/organisations; and Projects determined as eligible will then be eligible for Green Bond allocation. <p>Management of proceeds</p> <p>All proceeds from the Ministry of Finance Poland Green Bond are set aside in a designated account for funding exclusively projects as defined in the Eligible Sectors disclosed in the Green Bond Framework.</p> <p>Reporting/Monitoring</p> <p>The State Treasury of the Republic of Poland will report annually, initially within one year of the issuance and until full allocation, on amounts equal to the net proceeds of the Green Bond issued to provide to investors:</p> <ol style="list-style-type: none"> aggregate amount allocated to the various Eligible Sectors; remaining balance of funds which have not yet been utilized; and examples of Green Projects from each Eligible Sector(s) (subject to confidentiality disclosures).

<p>REPUBLIC OF FRANCE</p> <p>Class Sovereign Green Bond</p> <p>Date of issue Jan 2017</p> <p>Amount EUR 7bn</p>	<p>Use of Proceeds</p> <ul style="list-style-type: none"> • <i>Programme d'Investissements d'Avenir</i> (Investment for the Future investment programmes, or PIA projects), including renewable energy projects managed by private companies, such as underwater energy production through the use of turbines. <p>Eligibility Criteria</p> <ul style="list-style-type: none"> • Sectors eligible for proceeds include buildings and transport, research and scientific knowledge. The four objectives of the bond are: climate change mitigation, biodiversity protection, and climate change adaptation and pollution control. <p>Project Selection</p> <ul style="list-style-type: none"> • Proceeds on the budgetary side will go to areas such as tax cuts for households that install energy-efficient technologies. • PAI projects will include renewable energy projects managed by private companies, such as underwater energy production through the use of turbines. <p>Reporting/Monitoring</p> <ul style="list-style-type: none"> • An independent council will evaluate the green bond's impact. This council will be composed of six to eight high-profile specialists. The State will publish an annual report on the expenditure and investments financed by the bond.
<p>CITY OF GOTHENBURG</p> <p>Class Municipal Green Bond</p> <p>Date of issue Sep 2013</p> <p>Amount Total of SEK 2bn</p>	<p>Use of Proceeds</p> <ul style="list-style-type: none"> • "Eligible Projects" means a selected pool of projects funded, in whole or in part, by the City of Gothenburg that promote the transition to low carbon and climate resilient growth in line with the City's Environmental Programme and Climate Strategy, and as determined by the City of Gothenburg. <p>Eligibility Criteria</p> <ul style="list-style-type: none"> • Eligible Projects may include projects that target: <ul style="list-style-type: none"> • mitigation of climate change, including investments in low-carbon and clean technologies, such as energy efficiency and renewable energy programs and projects ("Mitigation Projects") • adaptation to climate change, including investments in climate-resilient growth ("Adaptation Projects") or • to a smaller extent (max 20%) projects which are related to a sustainable environment rather than directly climate related. <p>Project Selection</p> <ul style="list-style-type: none"> • The City Council decides on the City's Environmental Program and Climate Strategy. The City Council also decides on the companies'/administrations' project investments. • The City Office (Urban Development and Treasury Departments) jointly select projects in accordance with the Environmental Program and/or Climate Strategy. The Urban Development Department possesses strategic knowledge on environmental issues. • Then, the Environment Administration, with its expertise in environmental issues, verifies the City Office's selection. • Finally, the City Office (Treasury) presents the selected and verified projects for funding through the Green Bonds to the City Executive Board for final approval. <p>Management of Proceeds</p> <ul style="list-style-type: none"> • Proceeds to be managed by the City Office.

	<p>Reporting/Monitoring</p> <ul style="list-style-type: none"> To enable investors to follow the development and provide insight to prioritised areas the City of Gothenburg will provide an annual investor letter to investors including: <ul style="list-style-type: none"> a list of projects financed; a selection of project examples; and a summary of the City of Gothenburg’s Green Bond development. The investor letter will be made publically available on the City of Gothenburg’s home page. In addition, the principle of free access to public records is applied.
<p>DC WATER</p> <p>Class Project/ Infrastructure Green Bond</p> <p>Date of issue Jul 2014</p> <p>Amount USD 350m</p>	<p>Use of Proceeds</p> <ul style="list-style-type: none"> The proceeds of the bond were used to construct green infrastructure practices designed to mimic natural processes to absorb and slow surges of storm water during periods of heavy rainfall, reducing the incidence and volume of combined sewer overflows (CSOs) that pollute the District’s waterways. <p>Eligibility Criteria</p> <p>The DC Clean Rivers Project is designed and engineered to achieve three core environmental and social outcomes:</p> <ul style="list-style-type: none"> Water quality: Improve water quality by capturing and treating CSOs before entering the District’s rivers and waterways. Climate resilience: Promote climate resilience, with the objective of flood relief and mitigation. Quality of life: Enhance the quality of life associated with restoring the District’s rivers, waterways and waterfront areas by removing harmful contaminants and pollutants. <p>Project Selection</p> <ul style="list-style-type: none"> The first phase includes various infrastructure projects, primarily upgrades to existing facilities in the sewer system such as inflatable dams and pumping stations. The second phase of the Project includes the construction of a deep tunnel system that is engineered to capture and divert CSOs into underground sewer structures to prevent the CSOs from overflowing into the Anacostia and Potomac Rivers and the Rock Creek. <p>Reporting/Monitoring</p> <ul style="list-style-type: none"> Use of proceeds tracking procedure and annual reporting plus External Review provided by Vigeo.

Our Green Finance Practice

Our global Green Finance knowledge and experience is extensive, covering a range of industries, issuers, dealers/managers and financial intermediaries, investors, structures and financial service providers. This experience means that our Green Finance team is ideally placed to seamlessly guide you through the structuring process of a Green Bond issuance or other green financing arrangements.

Green Bonds are one specific sub-set of bonds used for renewable energy projects, 'green' infrastructure and other general 'green' purposes. Our top tier Capital Markets, Structured Finance, Islamic Finance and Environmental teams have a history of providing ground-breaking capital markets advice on Green Bond deals. White & Case also has significant experience with other types of bonds which, while not formally labelled Green Bonds, are issued by renewable energy companies or for the construction and operation of green assets. Our global team of more than 250 Project Finance lawyers helps our clients meet renewable energy project goals wherever they may be located and whatever the source of power. Our experience with renewable projects is broad and ranges from onshore and offshore wind, solar, geothermal, hydroelectric, biomass to biofuels. As the market develops we expect many of these 'other' types of bonds to enter the Green Bond market.

In addition to our extensive Green Bond deal experience, White & Case is contributing Observer Members of the ICMA Green Bond Principles Working Group, a select member of the Green Finance Initiative Partnership lead by HM Treasury, the Department of Energy and Climate Change and the City of London and an Advisor to the Bank of England as chair of the G20 Green Finance Study Group, the ICMA Green Bonds underwriter legal risk mitigation working group, the chair of UK Green Finance Initiative (UK GFI) Green Islamic Finance Working Group and CBI Partners and members of the Climate Bonds Initiative Legal Roundtable.

White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

T +44 20 7532 1000

White & Case LLP
Bockenheimer Landstraße 20
60323 Frankfurt am Main
Germany

T +49 69 29994 0

In this publication, White & Case means the international legal practice comprising White & Case LLP, a New York State registered limited liability partnership, White & Case LLP, a limited liability partnership incorporated under English law and all other affiliated partnerships, companies and entities.

This publication is prepared for the general information of our clients and other interested persons. It is not, and does not attempt to be, comprehensive in nature. Due to the general nature of its content, it should not be regarded as legal advice