



Green Debt Securities
May 2017

Brahmayya & co.

www.brahmayya.com

Introduction

A Green Bond is like any other bond, where the debt instrument is issued by an entity for raising funds from investors. However, what differentiates a green bond from other bonds is that the proceeds of a green bond are ear-marked for use towards financing '**green**' projects. Thus, the key difference between a '**green**' bond and a regular bond is that the issuer publicly states that the funds are raised for green projects, assets or business activities with an environmental benefit, like renewable energy and low carbon transport. Issuance of green bonds was started in the year 2007 by European Investment Bank, World Bank along with few governments. India has lately seen, issuance of these bonds by Yes Bank, CLP Energy India, Exim Bank of India and IDBI Bank.

Definition of Green Debt Securities

A Debt Security shall be considered as "Green" or "Green Debt Securities", if the funds raised through issuance of the debt securities are to be utilised for project(s) and/or asset(s) falling under any of the following broad categories:

- Renewable and sustainable energy including wind, solar, bio energy, other sources of energy which use clean technology.
- Clean transportation including mass/public transportation.
- Sustainable water management including clean drinking water, water recycling
- Climate change adaptation
- Energy efficiency including efficient and green buildings.
- Sustainable waste management including recycling, converting waste to energy, efficient disposal of wastage.
- Sustainable land use including sustainable forestry and agriculture, afforestation .
- Biodiversity conservation

Disclosures in Offer Document/ Disclosure Document

The issuer of Green Debt Securities shall make following disclosures:

- A statement on environmental objectives of the issue of Green Debt Securities
- Brief details of project(s) and/or asset(s), for which the proceeds are being raised through issuance of Green Debt Securities.
- Details of the system/procedures to be employed for tracking the deployment of the proceeds of the issue.

- Details of the project(s) and/or asset(s) or areas, where the issuer proposes to utilise the proceeds of the issue of Green Debt Securities, including towards refinancing of existing green project(s) and/or asset(s), if any.
- The issuer may appoint an independent third party reviewer/certifier, for reviewing /certifying the processes including project evaluation and selection criteria, project categories eligible for financing by Green Debt Securities.

Continuous Disclosures

An issuer who has listed its Green Debt Securities shall provide following disclosures along with its annual report and financial results:

- Utilisation of the proceeds of the issue, as per the tracking done by the issuer using the internal process as disclosed in offer document/disclosure document. The utilisation of the proceeds shall be verified by the report of an external auditor, to verify the internal tracking method and the allocation of funds towards the project(s) and/or asset(s), from the proceeds of Green Debt Securities.
- Details of unutilised proceeds

Additional Disclosures

The issuer shall provide following additional disclosure along with annual report:

- List of project(s) and/or asset(s) to which proceeds of the Green Debt Securities have been allocated/invested including a brief description of such project(s) and/or asset(s) and the amounts disbursed.
- Qualitative performance indicators and, where feasible, quantitative performance measures of the environmental impact of the project(s) and/or asset(s).
- Methods and the key underlying assumptions used in preparation of the performance indicators and metrics;

Responsibility of the Issuer

An issuer of Green Debt Securities shall:

- maintain a decision-making process which it uses to determine the continuing eligibility of the project(s) and/or asset(s)
- ensure that all project(s) and/or asset(s) funded by the proceeds of Green Debt Securities, meet the documented objectives of Green Debt Securities.
- utilise the proceeds only for the stated purpose, as disclosed in the offer document.

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