

# EU Green Bond Standard (EuGBS)

Gold plating or a new best practice?

7 May 2024

# What is the EU Green Bond Standard?

The EU Green Bond Standard is a **voluntary framework** developed **by the European Union** to **enhance the effectiveness, transparency, comparability, and credibility of the green bond market**. It is part of the **EU's broader strategy to finance sustainable growth** and reach its **climate and energy targets**.

## Four core components:

1

### Use of Proceeds:

The funds raised by the green bond are to be used for green projects that provide environmental benefits.

2

### Process for Project Evaluation and Selection:

The issuer should clearly outline the process used to determine if a project is environmentally sustainable and fits within the eligible green projects categories. This includes any exclusion criteria and the project's environmental objectives.

3

### Management of Proceeds:

The proceeds of the green bond should be moved to a sub-account, sub-portfolio or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be verified by an independent auditor.

4

### Reporting:

The issuer should make, and keep, readily available up to date information on the use of proceeds to be renewed annually until full allocation, and as necessary thereafter in the event of material developments.

Support **green initiatives** and contribute to EU's goal of achieving **climate neutrality by 2050!**

### Why EUGBS?

- Clarity
- Comparability
- Trust

# EU Green Bond Standard – Regulation (EuGBS Regulation)



## EuGBS Regulation

- Regulation on European Green Bonds was **published in the Official Journal of the EU on November 30th, 2023**
- Entry into force 20 days after its publication



Application: 12 months after entry into force → **December 21st, 2024**

## Review obligations

- **Transitional phase for external reviewers:**
  - external reviewers may commence work 12 months after entry into force
  - 30 months after entry into force, the requirements must be complied with on "*best efforts*"
  - 30 months after entry into force, registration with ESMA is required (**from June 20th, 2026**)



## Rulebook

- Use of Proceeds bonds (UoP)
  - Sustainable securitizations („green securitization“, ABS)
  - Bonds marketed as sustainable
  - Sustainability-linked Bonds (SLB)
- } European Green Bonds



### Protection of designations:

European Green Bond

EuGB



**Voluntary application of the standard**  
**BUT: if it is used, compliance with the "no pick and choose" rules is mandatory**

Regulation (EU) 2023/2631 of the European Parliament and of the Council of 22 November 2023 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds

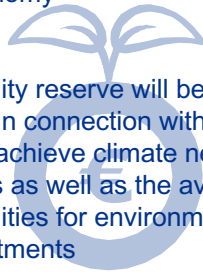
# Determination of the Use of Proceeds acc. to Art 4

**Use of proceeds approach:** the proceeds generated from the green bonds are to be used in accordance with the regulation

## 85% Taxonomy alignment

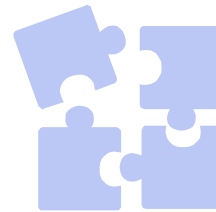
- Green bonds do not differ in legal terms from regular bonds, but **through the use of proceeds approach**, the issuer **promises to invest the proceeds in economic activities that comply with the EU Taxonomy** (provided the sectors concerned are already covered by the latter)
- **Flexibility reserve of 15%** pursuant to Art 5 for sectors not yet covered by the EU Taxonomy

→ The flexibility reserve will be continuously re-evaluated in connection with the measures to achieve climate neutrality and their progress as well as the availability of new opportunities for environmentally friendly investments



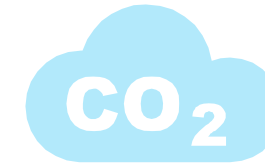
**Application** of the Use of Proceeds approach (and subsequent verification of revenue allocation)

- Leads to **exceptional levels of transparency** and **facilitates impact reporting**
- Allows **any company to issue EU Green Bonds**, regardless of their main business strategy, **provided that eligible green projects are financed with the proceeds** from the bonds
- Annual reporting obligation on the use of proceeds (template provided in Annex II) including **proof of use in line with the EU Taxonomy**



The **selection of green projects** and thus the **use of proceeds** must be **in line with the EU Taxonomy** (and thus also with the **Paris Climate Agreement**, and the **UN Sustainable Development Goals**):

- Rules of the EU Taxonomy Regulation are to be applied in order to **evaluate the suitability of those projects ("green projects") that are to be financed with the proceeds**
- Economic activities in the EU Taxonomy are defined as broad sectors. The regulation also provides **NACE codes** including **four levels of sub-codes** which could cover those **activities**.



The use of Proceeds approach is closely linked to the application of the criteria established in the EU Taxonomy Regulation

# Information Sheet & Pre-issuance Review acc. to Art 10 icw Annex I

Issuers must complete an information sheet **BEFORE** issuing a bond, which has undergone a pre-issuance review and has the following content:

1. General information
2. Important information (Conformity with the European Green Bond Regulation)
3. Environmental strategy and rationale
4. Intended allocation of bond proceeds
  - for Taxonomy-aligned economic activities
  - for specific Taxonomy-aligned economic activities
  - for economic activities not aligned with the technical screening criteria
  - procedure and timeline for use
  - issuance costs
5. Environmental impact of bond proceeds
6. Information on reporting
7. CapEx plan
8. Other relevant information



A factsheet can refer to one or more issuances.

Only if the **requirements** for the **bond itself**, **transparency** and **external review** are met may the bond be designated as a **"European green bond"** or **"EuGB"**!

## Obligation for a prospectus acc. to Art 14

- Publication of a prospectus pursuant to the Prospectus Regulation for the designation as "European Green Bond"
- The bond is referred to throughout the prospectus as "European Green Bonds" or "EuGB".
- It is clear from the prospectus, i.e. specifically from the section containing information on the use of proceeds, that the European Green Bond is issued in accordance with the EuGBS Regulation.

# Allocation Reports & Post-issuance Review acc. to Art 11 icw Annex II

- Issuers prepare an **allocation report as evidence** that the **proceeds** of all EuGBs concerned have been used since issuance and until the end of the reporting year acc. to the Regulation (Art 4-8)
- The allocation report is prepared for each **12-month period** (from the date of issuance) **until the date of full utilization of the proceeds** of their bonds and, if applicable, **until the completion of the CapEx plan**
- The report may cover **several issuances** of such bonds
- Publication **no later than 3 months** after the end of the reference year
- The allocation report must be subject to a **post-issuance review** by an **external reviewer**
- **Corrections** in the use of proceeds lead to a **change obligation** in the allocation report as well as a **new post-issuance review by the external reviewer** and must be **recognizable in the title**

## Content:

- **General information**
- **Important information (Conformity with the European Green Bond Regulation)**
- **Environmental strategy and rationale**
- **Allocation of bond proceeds**
  - for Taxonomy-aligned economic activities
  - for specific Taxonomy-aligned economic activities
  - for economic activities not aligned with the technical screening criteria
  - issuance costs
- **Environmental impact of bond proceeds**
- **Information on reporting**
- **CapEx plan**
- **Other relevant information**

Mandatory certification of the factsheet by an external reviewer!

### The following apply:

- the report must be published **on the website** of the issuer and the external reviewer
- the report **must be available** on the website **at least until the bond matures**



# Impact Report acc. to Art 12 icw Annex III

- **Description of the issuer's environmental strategy** and the **environmental impact of the use of proceeds**
- Issuers prepare the report **after full use of proceeds at least once during the life of these bonds**
- Impact reports **may relate to more than one issuance** of European green bonds
- **MAY be reviewed** by an external reviewer (not mandatory)



## Content:

- **General information**
- **Important information (Conformity with the European Green Bond Regulation)**
- **Environmental strategy and rationale**
- **Allocation of bond proceeds**
  - for Taxonomy-aligned economic activities
  - for economic activities not aligned with the technical screening criteria
- **Environmental impact of bond proceeds**
- **Information on reporting**
- **CapEx plan**
- **Other relevant information**

### The following apply:

- the report must be published **on the website** of the issuer and the external reviewer
- the report **must be available** on the website **at least until the bond matures**



# Responsibilities of Authorities

## Competent authorities acc. to Art

- National competent authorities take over the **supervision of issuers and originators** – in Austria probably FMA
- Competent authorities may require the following **from issuers** as part of their **supervisory and investigative powers**:
  - publication of information sheets, reviews and assessments, allocation and impact reports
  - submission of information and documents from the reviewers and managers of the issuer
  - suspension (max. 10 days) or prohibition of public offers or admissions of European green bonds
  - suspension (max. 10 days) or prohibition of advertising activities for European green bonds
  - publication of insufficient fulfillment of obligations by issuers
  - prohibition of issues of European green bonds for a maximum of 1 year
  - publication that EuGB does not comply with the provisions
  - on-site inspections

Transposition into national law

## ESMA

- ESMA takes over the registration and supervision of external reviewers
- ESMA has a
  - right to request information (Art 54)
  - right to conduct general investigations (Art 55)
  - right to on-site inspections (Art 56)
- Delegated powers may not be used to require disclosure of information that is subject to legal privilege
- ESMA has the following **supervisory measures** at its disposal:
  - revocation of registration (Art 59)
  - fines (Art 60)
  - periodic penalty payments (Art 61)
- ESMA keeps a **public register** in which the **data of the external reviewers** are listed (Art 67)

## Administrative penalties & other administrative measures acc. to Art 49ff

- Publication of the administrative penalty and responsible parties
- Ban on issuing EuGB for max. 1 year
- Max. administrative fine:
  - up to twice the amount of the profits made as a result of the infringement, provided these can be quantified
  - for legal entities up to EUR 200,000 or 0.5% of the total annual turnover
  - for natural persons up to EUR 50,000
- Member States may provide for higher fines, sanctions or measures

Penalties imposed are reported annually to ESMA; ESMA prepares an annual report

Transposition into national law



# Best-practice Challenge

Issuers must complete an information sheet BEFORE issuing a bond, which has undergone a pre-issuance review and has the following content:

1. General information
2. Important information (Conformity with the European Green Bond Regulation)
3. Environmental strategy and rationale
4. Intended allocation of bond proceeds
  - for Taxonomy-aligned economic activities
  - for specific Taxonomy-aligned economic activities
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  - procedure and timeline for use
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8. Other relevant information

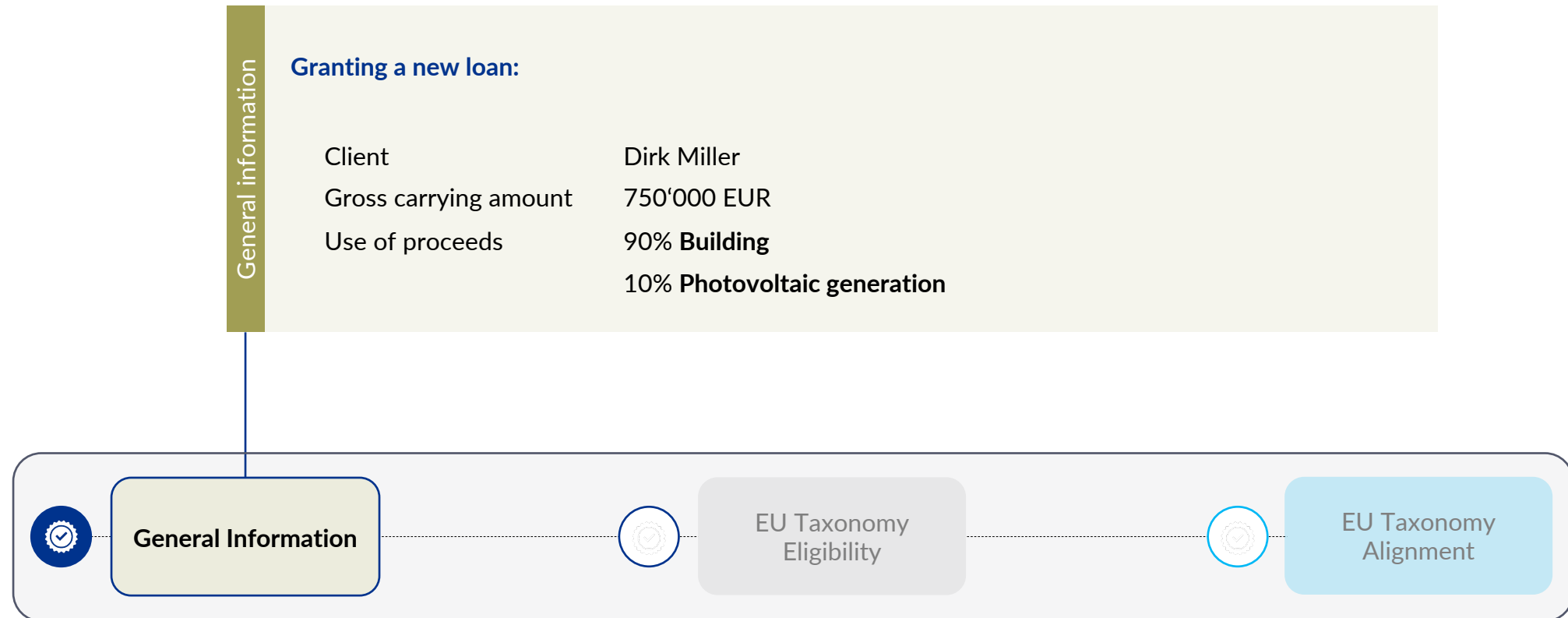
- Identify taxonomy aligned assets
- Properly document taxonomy aligned assets for external review




A factsheet can refer to one or more issuances.

Only if the requirements for the bond itself, transparency and external review are met may the bond be designated as a "European green bond" or "EuGB"!

# Identifying a Taxonomy Aligned Asset












# Identifying a Taxonomy Aligned Asset



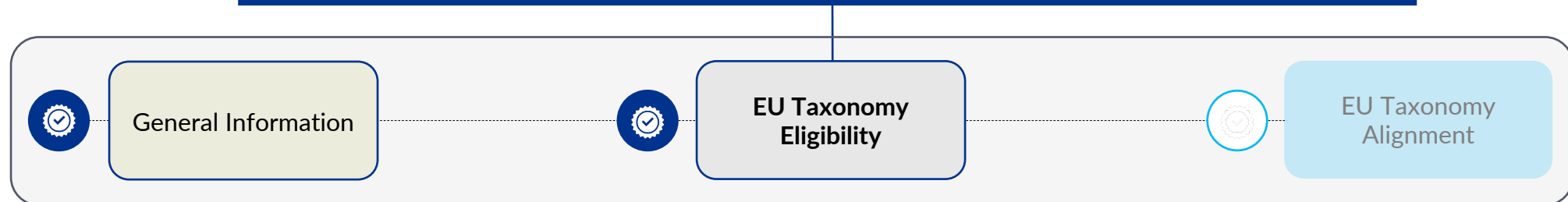
- ESG Risk Scoring
- EU Taxonomy**
- GAR & Disclosure
- GAR & Disclosure AM
- ESG Stress Test
- CO2 Emissions PCAF
- Physical Climate Risks
- Transactions
- Documentation
- Administration

**EU Taxonomy**  
**Dirk Miller, Mortgage loan, Building**

**Activity Results (10)**

 7.1 - Construction of new buildings	<input type="radio"/>
 7.2 - Renovation of existing buildings	<input type="radio"/>
 7.3 - Installation, maintenance and repair of energy efficiency equipment	<input type="radio"/>
 7.4 - Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	<input type="radio"/>
 7.5 - Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	<input type="radio"/>
 7.6 - Installation, maintenance and repair of renewable energy technologies	<input type="radio"/>
 7.7 - Acquisition and ownership of buildings	<input checked="" type="radio"/>
 7.8 - Demolition and wrecking of buildings and other structures	<input type="radio"/>
 7.9 - Maintenance of roads and motorways	<input type="radio"/>

Is the specific asset (building) in one of the activities included in the EU Taxonomy?



# Identifying a Taxonomy Aligned Asset

**Climcycle**

ESG Risk Scoring

EU Taxonomy

GAR & Disclosure

GAR & Disclosure AM

ESG Stress Test

CO2 Emissions PCAF

Physical Climate Risks

Transactions

Documentation

Administration

**EU Taxonomy** Activity 7.7 - Acquisition and ownership of buildings

Eligible Dirk Miller, Mortgage loan, Building

Minimum Safeguards

Climate Change Mitigation

Climate Change Adaptation

Assessment

## Climate Change Mitigation

**Do No Significant Harm**

Building dedicated to fossil fuels

☐ Yes ☒ No

Check with 'Yes' if the building is dedicated fossil fuels.

Energy Performance Certificate (EPC)

No file chosen

Upload the energy performance certificate.

Construction Date

11/2/2022

Specify the construction date.

Energy Performance Certificate Class PEB

A

Select the energy performance certificate class for the building.

Building Category

Residential building

Select the building category.

Non-renewable Primary Energy Demand

35 kWh/m<sup>2</sup> per Year

Enter the non-renewable primary energy demand for kWh/m<sup>2</sup> per year, often denoted as PED<sub>n,em,SK</sub>.

Household Electricity Demand

22 kWh/m<sup>2</sup> per Year

Enter the household electricity demand for kWh/m<sup>2</sup> per year, often denoted as HHSE.

**Substantial Contribution Criteria**

Area

200 m<sup>2</sup>

Enter the gross floor area (BGF) of the building in m<sup>2</sup>.

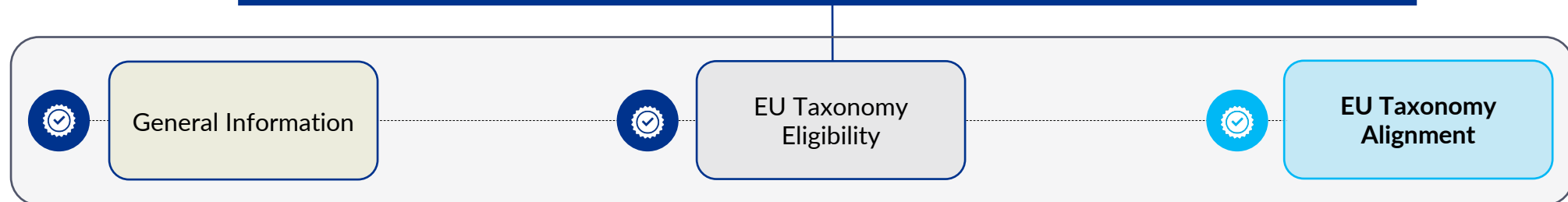
Leave a comment

Write your comment here...

PDF Document Upload

No file chosen

Are the technical screening criteria fulfilled?



# Identifying a Taxonomy Aligned Asset

Climcycle

ESG Risk Scoring

EU Taxonomy

GAR & Disclosure

GAR & Disclosure AM

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Activity 7.7 - Acquisition and ownership of buildings

Eligible Dirk Miller, Mortgage loan, Building

Minimum Safeguards

Climate Change Mitigation

Climate Change Adaptation

Assessment

## Climate Change Mitigation

Do No Significant Harm

Building dedicated to fossil fuels

☐ Yes ☒ No

Energy Performance Certificate (EPC)

No file chosen

Choose file

Clear

Construction Date

11/2/2022

MM/DD/YYYY

Energy Performance Certificate Class PEB

A

Building Category

Residential building

Non-renewable Primary Energy Demand

35

kWh/m<sup>2</sup> per Year

Household Electricity Demand

22

kWh/m<sup>2</sup> per Year

Substantial Contribution Criteria

Area

200

m<sup>2</sup>

Leave a comment

Write your comment here...

PDF Document Upload

No file chosen

Choose file

Clear

Check with 'Yes' if the building is dedicated fossil fuels.

Upload the energy performance certificate.

Specify the construction date.

Select the energy performance certificate class for the building.


Select the building category.

Enter the non-renewable primary energy demand for kWh/m<sup>2</sup> per year, often denoted as PED<sub>non-SK</sub>.

Enter the household electricity demand for kWh/m<sup>2</sup> per year, often denoted as HHSB.

Enter the gross floor area (BGF) of the building in m<sup>2</sup>.

! Text recognition software for energy performance certificate



# Identifying a Taxonomy Aligned Asset

Climcycle

ESG Risk Scoring
EU Taxonomy
GAR & Disclosure
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EU Taxonomy Activity 7.7 - Acquisition and ownership of buildings

Minimum Safeguards

Climate Change Mitigation

Climate Change Adaptation

Assessment

Eligible Dirk Miller, Mortgage loan, Building

## Climate Change Mitigation

Do No Significant Harm

Building dedicated to fossil fuels

☐ Yes
☒ No

Energy Performance Certificate (EPC)

No file chosen

Choose file

Clear

Construction Date

11/2/2022

MM/DD/YYYY

Energy Performance Certificate Class PEB

A

Building Category

Residential building

Non-renewable Primary Energy Demand

35

kWh/m<sup>2</sup> per Year

Household Electricity Demand

22

kWh/m<sup>2</sup> per Year

Substantial Contribution Criteria

Area

200

m<sup>2</sup>

Leave a comment

Write your comment here...

PDF Document Upload

No file chosen

Choose file

Clear

Check with 'Yes' if the building is dedicated fossil fuels.

Non-renewable Primary Energy Demand

Do No Significant Harm

The Primary Energy Demand (PED) setting out the energy performance of the building resulting from the construction does not exceed the threshold set for the nearly zero-energy building (NZEB) requirements in national regulation implementing Directive 2010/31/EU. The energy performance is certified using an as built Energy Performance Certificate (EPC).

Substantial Contribution Criteria

The Primary Energy Demand (PED), defining the energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council. The energy performance is certified using an as built Energy Performance Certificate (EPC).

# Identifying a Taxonomy Aligned Asset



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GAR & Disclosure AM

ESG Stress Test

CO2 Emissions PCAF

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Transactions

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EU Taxonomy

Activity 7.7 - Acquisition and ownership of buildings

Status: Ready for review, Date: 5/4/2024

Minimum Safeguards

Climate Change Mitigation

Climate Change Adaptation

Assessment

Eligible

Dirk Miller, Mortgage loan, Building

Climate Change Adaptation

Do No Significant Harm

Address

Am Belvedere 1, 1100 Wien

Latitude

48.18659

Longitude

16.38115

Origination Date

11/2/2022

Maturity Date

11/1/2052

Assess Physical Climate Risks

No high risk identified.

use

Appendix A compliant

Yes

No

Substantial Contribution Criteria

Leave a comment

Write your comment here...

PDF Document Upload

No file chosen

Choose file

Clear

Risk	1 RCP 2.6	2 RCP 4.5	2 RCP 6.0	1 RCP 8.5
River Flood	0.00	0.00	no data	0.00
Coastal Flood	no data	no data	no data	0.00
Heavy Precipitation	0.25	no data	0.26	0.25
Snowfall	0.11	no data	0.14	0.16
Hail	0.21	no data	0.24	0.24
Wind	0.33	0.33	0.33	no data
Cyclone	0.00	no data	0.00	no data
Landslide	0.00	0.00	no data	0.00

!

Automatized check on physical risks

Provide longitude, latitude, origination date, and maturity date, before clicking this button to evaluate the Physical Climate Risks. Note that this assessment is only possible for locations within Europe.

Check with 'Yes' if all generic DNSH criteria for climate change adaptation are met.

# Identifying a Taxonomy Aligned Asset



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GAR & Disclosure AM

ESG Stress Test

CO2 Emissions PCAF

Physical Climate Risks

Transactions

Documentation

Administration

EU Taxonomy Activity 7.7 - Acquisition and ownership of buildings

Status: Ready for review, Date: 5/4/2024

Eligible Dirk Miller, Mortgage loan, Building

Minimum Safeguards

Climate Change Mitigation

Climate Change Adaptation

Assessment

Assessment : Aligned

Minimum Safeguards			Fulfilled
	DNSH ⓘ	SCC ⓘ	Contribution Goal ⓘ
Climate Change Mitigation	Fulfilled	Fulfilled	<input checked="" type="checkbox"/>
Climate Change Adaptation	Fulfilled	Input missing	<input type="checkbox"/>

Download CSV

Download PDF

Back

Save as "In Progress"

Save as "Ready to Review"

FL

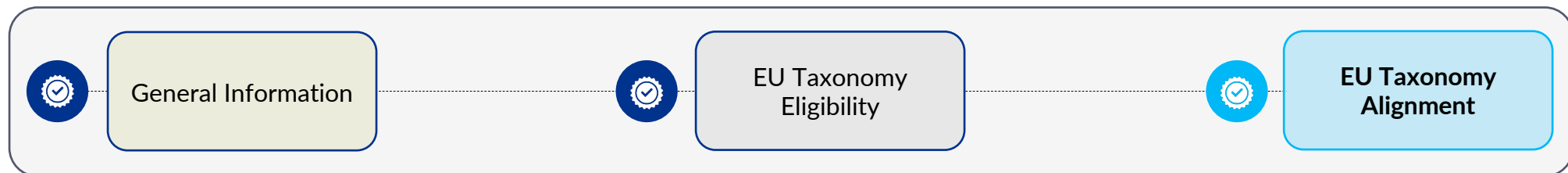
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# Identifying a Taxonomy Aligned Asset

General Information			Building	Photovoltaic
<b>Gross carrying amount</b> 750'000 EUR  <b>Use of proceeds</b> <ul style="list-style-type: none"> <li>90% <b>Building</b></li> <li>10% <b>Photovoltaic</b></li> </ul> <b>Time period:</b> 11/2/2022 – 11/1/2052			<b>Activity Code:</b> 7.7 – Acquisition and ownership of buildings -> Taxonomy eligible  <b>Technical Screening Criteria:</b> Mitigation: DNSH fulfilled, SCC fulfilled Adaptation: DNSH fulfilled, SCC not fulfilled Minimum Safeguards fulfilled  <b>Taxonomy status: Aligned</b>	<b>Activity Code:</b> 4.1 – Electricity generation using PV -> Taxonomy eligible  <b>Technical Screening Criteria:</b> Mitigation: DNSH fulfilled, SCC fulfilled Adaptation: DNSH fulfilled, SCC not fulfilled Circular Economy: DNSH fulfilled Biodiversity: DNSH fulfilled Minimum Safeguards fulfilled  <b>Taxonomy status: Aligned</b>
Counterparty_ID	Transaction_ID	Item_ID		
Dirk Miller	Mortgage loan	Building		
Dirk Miller	Mortgage loan	Photovoltaic		



# Bundle Aligned Assets to an EU Green Bond



ESG Risk Scoring

EU Taxonomy

GAR & Disclosure

GAR & Disclosure AM

ESG Stress Test

CO2 Emissions PCAF

Physical Climate Risks

Transactions

Documentation

Administration

EF

<<

ESG-Dashboard

Counterparty ID

Transaction ID

Item ID

Taxonomy Aligned

CO2 Intensity

ESG Risk Score

GCA

Dirk Miller	T_1	1	1	20	0.48	675.000,-
Dirk Miller	T_1	2	1	45	0.84	75.000,-
Company A	T_3	3	0	290	0.89	160.000,-
Company A	T_4	3	1	56	0.34	290000,-
Company A	T_5	3	1	485	0.54	110.000,-
Company B	T_6	3	1	481	0.49	950.000,-
Company C	T_7	3	0	381	0.57	450.000,-
Company C	T_8	3	1	274	0.29	1.200.000,-
Company C	T_9	3	1	486	0.36	120.000,-
Company C	T_10	3	1	496	0.49	75.000,-
Sven Larson	T_11	3	0	466	0.51	900.000,-
Milos Tramic	T_12	3	1	287	0.39	600.000,-
Anna Gutheim	T_13	3	0	280	0.84	150.000,-
Anna Gutheim	T_14	3	0	315	0.76	40.000,-
Company D	T_15	3	0	121	0.52	250.000,-
Company D	T_16	3	1	56	0.54	1.000.000,-
Company E	T_17	3	1	455	0.71	100.000,-
Company E	T_18	3	0	180	0.54	840.000,-
Company E	T_19	3	1	484	0.21	35.0000,-
Company E	T_20	3	1	80	0.34	115.000,-

Übersicht Portfolio-Auswahl

GCA Total

€ 3.355.000,-

Taxonomy Alignment

85%

ESG Risk Score

0,61

CO2 Intensity

204 g/€

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Legal

Imprint

# Gold plating or a new best practice?

Whether or not the EU Green Bond standard will become the new best practice, is dependent on many things. Here are three key points:

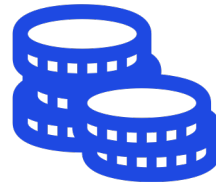
## TRUST

Do we have trust that the proceeds of an EU Green Bond are invested in truly green assets?



## COSTS

How much does the process of collecting the data and providing it to an external reviewer cost?



## BENEFITS

Will there be advantages for EU Green Bonds?





## Richard Branco

Manager

KPMG Advisory GmbH  
Porzellangasse 51  
1090 Vienna

T +43 664 821 38 59  
[richardbranco@kpmg.at](mailto:richardbranco@kpmg.at)



## Fabius Lenhart

COO

ESG Software GmbH / Climcycle  
Mahlerstraße 13/5  
1010 Vienna

T +43 664 8161076  
[fabius.lenhart@climcycle.com](mailto:fabius.lenhart@climcycle.com)



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