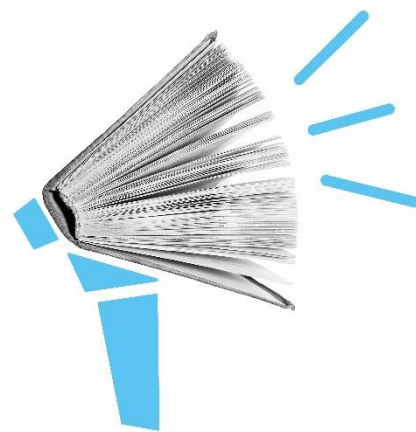


# Green Bonds: New developments



*19 December 2023*

On 30 November 2023 the **Regulation (EU) 2023/2631 of the European Parliament and of the Council, of 22 November 2023, regarding European Green Bonds and optional disclosure of environmental and sustainability bonds**, was published.

This Regulation ("EuGB Regulation") represents a legislative development in the field of European Green Bonds, following the **European Parliament's Legislative Resolution, of 5 October 2023, on the Proposal for a Regulation of the European Parliament and of the Council on European Green Bonds**.

In order to combat the lack of a harmonised legislative framework applicable to EuGBs, this initiative aims to establish specific and standardised requirements for financial companies and sovereign entities wishing to use the EuGB designation, thereby avoiding divergent and conflicting national requirements.

Here, the EuGB Regulation establishes:

## (1) Bonds requirements

In order to use the designation "European Green Bond" or "EuGB", the requirements of the EuGB Regulation must be met.

One of these requirements is the use of the income from the European Green Bonds, which must be fully allocated, in accordance with the taxonomy requirements, to one of the categories listed in Article 4(1) of the Regulation. However, exceptions to this obligation are made along the text of the EuGB Regulation.

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## (2) Transparency and external verification requirements

In addition to setting requirements for European Green Bonds, the EuGB Regulation also sets requirements for transparency and external verification, including the obligation to create:

- a) An informative sheet on the European Green Bond and post-issuance verification;
- b) Reports on the allocation and post-issuance verification of these;
- c) European Green Bond impact reports;
- d) A prospectus, to be published by the issuer; and
- e) Publication on the issuer's website and notification to ESMA and the competent authorities.

## (3) Models for optional disclosure of information regarding bonds marketed as environmentally sustainable and sustainability-related bonds

This chapter sets out the disclosure models, which are designed to disclose information on the pre-issue and post-issue period of the European Green Bonds. Although both disclosures are voluntary, they contribute to market transparency and integrity.

## (4) External verifiers of the European Green Bonds

In order to increase the transparency of the verifiers' methodology, issuers of European Green Bonds should only use external verifiers that have been duly registered and subject to ongoing supervision by ESMA. For this reason, external verifiers of European Green Bonds must first be registered with ESMA before starting their activities.

As part of their activities, external verifiers shall be charged with establishing and maintaining a permanent, independent and effective function, for verifying the fulfilment of obligations under this EuGB Regulation.

To this end, verifiers must adopt and implement policies, internal due diligence procedures and measures to ensure the continuity of their activity, as well as publicising pre- and post-issuance verifications.

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(5) **Supervision by the competent authorities and ESMA**

In order to ensure efficient supervision by the competent authorities, the EuGB Regulation lists the supervisory powers available to the competent authorities.

In conclusion, the EuGB Regulation provides investors with clear definitions and instructions that allow for a more efficient identification of European Green Bonds, thereby contributing to a more informed, harmonised and transparent market.

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