IDW KNOWLEDGE PAPER

GREEN BONDS

TOWARDS A RELIABLE MARKET FOR GREEN BONDS

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IDW
INSTITUT DER WIRTSCHAFTSPRÜFER

CONTENT

1. PRELIMINARY REMARKS

The issue of the sustainable transformation of the economy and its related financing has reached a broad section of the general public. A large number of financial instruments are now being issued that claim the use of the label "Green Bond". This label implies that funds are being raised for activities or investments that are intended to reduce or prevent environmental or climate damage. In practice, several different so-called green bonds standards have become established, which have given rise to numerous questions regarding their practical interpretation. Such ambiguities heighten concerns about reliable classification of financial products as "green" and increase the risk that issuers could engage in "greenwashing", by denoting investments as sustainable even though they contain elements or finance activities that are damaging to the climate or the environment.[1] Not least, such company-specific frameworks for issuing green bonds are derived from green bond standards that themselves are only applicable on a voluntary basis.

The external verifications carried out in connection with the issuance of green bonds also exhibit a high degree of heterogeneity. This relates above all to the (verification or assurance) standards applied, including the varying scope of the verification actions to be performed. In this context, also institutions outside the auditing profession are increasingly raising critical questions concerning meaningfulness of "green" certificates e.g., where the verification methodology used is based solely on the evaluation of questionnaires.

This heterogeneity on the issuer and verifier side currently makes it difficult for market participants to compare the green bonds issued. The European legislator has recognized these problems and is currently working on the development of a non-binding EU Green Bond Standard.[2] The publication of a legislative proposal by the EU Commission has been announced for June 2021.

This IDW Knowledge Paper presents various observations and outlines current developments concerning the issuance of green bonds. The dynamic development of the green bond market is described first. Building on this, the paper then presents the ideologically typical processes in the context of a green bond issuance. This is followed by an overview of the main green bond standards currently established in the market, and an explanation of the changes anticipated as a result of the future EU Green Bond Standard. Finally, possible verification services for the issuance of green bonds are presented, which can strengthen the confidence of the capital market in the products issued.

From the perspective of the German auditing profession, green bonds represent a central element of the sustainable transformation of the economy. Regulatory measures must therefore be developed carefully, also taking due account of market-based levers. With this paper, IDW would like to contribute to the essential, ongoing debate on the future of green bond issuance. This paper is addressed towards interested parties in the public domain, in particular issuers, investors and policymakers.

2. SIGNIFICANCE OF GREEN BONDS: DYNAMIC INCREASE IN THE ISSUANCE VOLUME

Since the European Investment Bank issued the first Climate Awareness Bond in 2007, and the World Bank issued the first bond labelled Green Bond to institutional investors in 2008, there has been a dynamic development within the market for green bonds, as well as for sustainability and social bonds[3]. The possibility of linking capital procurement to green projects has become established worldwide. The specific object being financed, and the transparency thereof are therefore becoming increasingly relevant.

The G20, OECD and IMF (International Monetary Fund) recognized the potential of green bond markets some time ago and within the G20 Green Finance Study Group have actively been discussing their roles since 2016.[4] Because the first green bonds were issued by international organizations and banks, the first green bond of an industrial company and the first green bond of a municipality (Green Muni Bond) were issued in 2013.

Along with the different types of a green bond, the issuer base has diversified greatly, as illustrated in Figure 1 below.

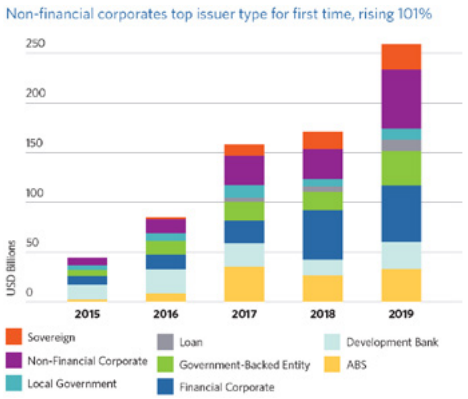

Figure 1: Green Bond Issuers, 2015-2019; Source: CBI, Global Green Bonds 2019 Report.

In 2015, the majority of issuers were still development banks and agencies, which per se have a strong focus on sustainability. Over time, more and more players from the general financial sector and the market economy have joined in, adding a strong private sector participation to the issuer landscape. More and more banks are issuing green bonds, the proceeds of which they then pass on to their customers in the

form of green loans.[5] The German development bank KfW, for example, has been financing loans for the expansion of renewable energies since 2014 and loans for the construction of energy-efficient buildings through green bond issuance since 2019.[6] More and more governments are also issuing green bonds as government bonds, such as France, Belgium, Ireland and most recently Germany.

In 2019, the global issuance volume for green bonds exceeded USD 250 billion for the first time.[7] Thus the annual issuance volume from 2010 (USD 2.5 billion) had increased a hundredfold by 2019. According to preliminary calculations, issuance could be increased further in 2020. This means that the total issuance volume of green bonds has reached USD 1 trillion since 2007.[8] New issues of green bonds are forecast to even reach almost EUR 500 billion in 2021.[9]

Figure 2 shows the distribution of green bond issuance by region and supranational issuers. The three regions with the highest issuances are Europe, North America and Asia. By June 2020, Europe (excluding Scandinavia) accounted for 42.1% of the global market. The strongest participating countries worldwide are the USA, followed by China and France.

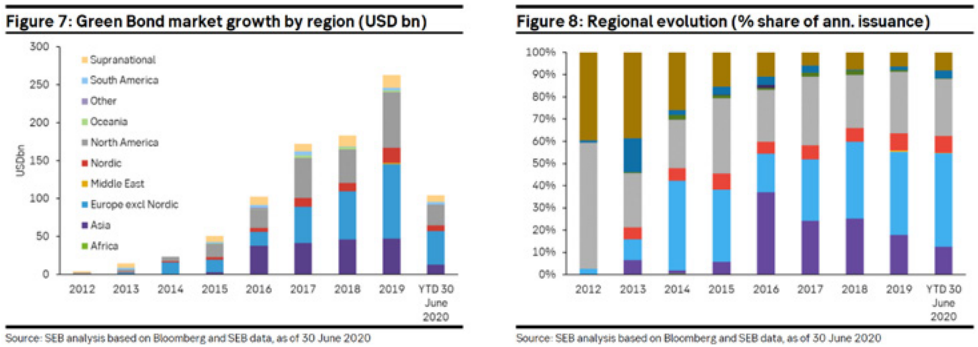

Figure 2: Cumulative green bond issuance volumes by regions and percentage distribution, 2012-2019; Source: SEB (2020) The Green Bond, July 2020.

The most common uses for Green Bonds are renewable energy, green buildings, and sustainable transportation and traffic (see Figure 3). With Teekay Shuttle Tankers' Green Bond in 2019[10], the proceeds of which are to be used for the development of e-boats to transport oil, the debate on intended use has intensified in the market. A discussion has begun on the issuance of transition bonds. Whilst they support the sustainable transformation of the economy, they do not yet reflect the technical notion of target of a low-carbon economy. "Green" would then have various "shades of green."

German issuers are among the pioneers in the green bond market. Both KfW and Landwirtschaftliche Rentenbank have been issuing green bonds since 2013, and NRW.Bank and the Federal State of North Rhine-Westphalia since 2014.[11] By May 2019, the cumulative issuance volume in Germany had risen to EUR 33.6 billion, making Germany the fourth-largest market worldwide.[12]

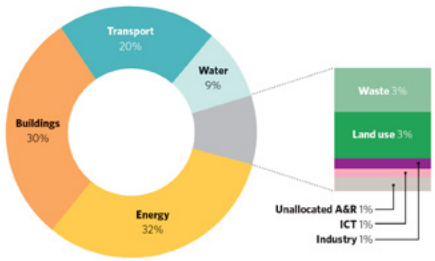

Figure 3: Uses of funds from green bond issues in 2019; Source: Climate Bonds Initiative (2019) Green Bonds Global State of the Market 2019.

Figure 4 shows the issuance volumes from 2013 to May 2019 in Germany and the breakdown among the various market participants. The issuance is mainly by development banks and financial sector players (e.g., Berlin Hyp, Deutsche Hypo, LBBW, Commerzbank and DZ Bank etc.). However, market economy companies are also increasingly participating in the green bond market, e.g., VW, EnBW, enercity, MEP Werke and BayWa. The Federal Republic of Germany issued a first green bond in September 2020 and has already issued a second one in November 2020. It can be assumed that the signal effect of a green federal bond will further boost the German green bond market.

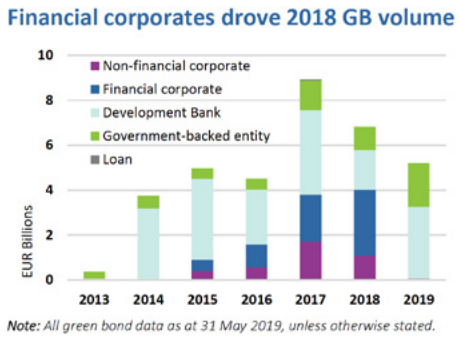

Figure 4: Green Bond Issuance Volumes in Germany 2013-2019 (May 2019); Source: Climate Bonds Initiative (2019), Germany Green Finance State of the Market - 2019 update

3. GREEN BOND ISSUANCE PHASES

Green bonds are securities (financial instruments) for raising capital via the capital market. The phases of a green bond issuance are analogous to those of a conventional bond issue. A rough distinction can be made between three phases:

- Phase 1: Time prior to the issuance of the green bond,
- Phase 2: Issuance of the Green Bond,
- Phase 3: Time subsequent to the issuance of the green bond.

The issuer must comply with different requirements at each phase. On the one hand, these stem from legal provisions, e.g., rules for the preparation of prospectuses as well as notification and submission obligations to the financial supervisory authorities as set forth in WpHG [Wertpapierhandelsgesetz; German Securities Trading Act], KAGB [Kapitalanlagegesetzbuch; German Capital Investment Law, VermAnlG [Vermögensanlagengesetz; German Asset Investment Act] and WpPG [Wertpapierprospektgesetz; German Securities Prospectus Act].

On the other hand, issuers must decide whether and, if so, which green bond standard they will use as a basis for issuing a green bond. In practice, it has become established practice to develop a company-specific framework based on an established green bond standard, adapted to the projects to be (re-)financed. The green bond standard and the framework derived from it set out (minimum) requirements for using the “label” green bond. Amongst other things, these will address the necessary differentiation between the "green" projects to be financed and the analyses and specifications for monitoring and reporting post-issuance. To this end, issuers must establish appropriate and effective systems, processes and procedures and also monitor them. Figure 5 illustrates the individual process steps and key corner-stones of green bond issuance.

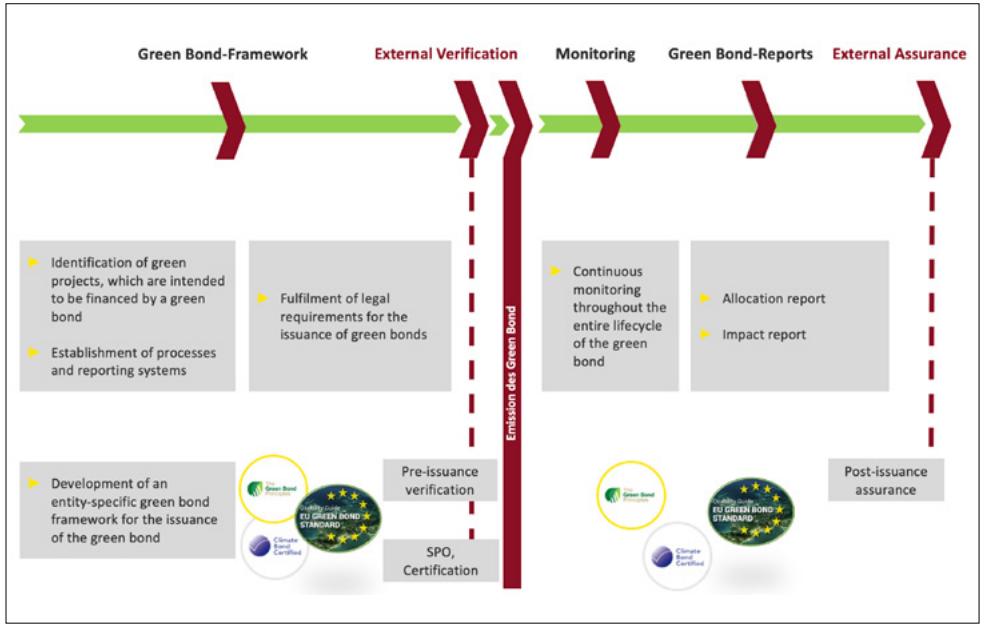

Figure 5: Phases of green bond issuance

4. GREEN BOND STANDARDS AND OUTLOOK FOR THE EU GREEN BOND STANDARD

Several standards have become established in the market for issuing a green bond. These include the Green Bond Principles (GBP)[13], which were developed under the umbrella of the International Capital Market Association (ICMA), and the Climate Bonds Standard[14] of the Climate Bonds Initiative (CBI), which was developed on the basis of the GBP. The use of a standard is not yet mandatory when issuing a green bond. Nevertheless, these standards have been instrumental in standardizing the issuance of green bonds.

GBPs are essentially broken down into four building blocks:

- **Use of Proceeds:** The GBP describe minimum requirements for green projects to be financed by means of green bonds. In doing so, they provide indications of possible delineation criteria, among other things by describing categories of "suitable" green projects.

- **Process for Project Evaluation & Selection:** This requires issuers to provide transparent information about the environmental objective, the process for identifying green projects, and the respective eligibility and exclusion criteria. In addition, measures to identify and manage potential environmental and social risks associated with the projects are to be disclosed. Issuers are also recommended to have the process subject to external verification.

- **Management of Proceeds:** Internal processes must be in place to ensure that the capital received from the issuance of the green bond is used exclusively for the green projects' lending and investment activities. The GBPs require a high level of transparency and recommend that the use of funds be subject to verification by an auditor or other third party.

- **Reporting:** Issuers should provide up-to-date information on the use of the proceeds. According to the GBPs, annual reporting should include as a minimum: an overview of the projects allocated to the green bond, a brief description of the project, and the corresponding amounts received. In addition, references to impact reporting (expected environmental impacts) are called for. The use of qualitative performance indicators and, if possible, quantitative key figures is recommended here.

The CBI's Climate Bonds Standard takes up these four core components of the GBPs and makes a clearer distinction between pre-issuance requirements and post-issuance requirements. The standard specifies the requirements in many parts and thus provides stricter guidelines overall.

In 2018, the EU Commission's Technical Expert Group on Sustainable Finance (TEG) was tasked with preparing a report on the development of an EU Green Bond Standard. The TEG based its work on the established standards. In particular, the classification criteria were to be specified. In June 2019, the TEG published its first report with ten recommendations for the creation of an EU Green Bond Standard. In March 2020, the TEG presented an application guide, "Usability Guide for the EU Green Bond Standard" (EU GBS). According to the TEG, the application of the EU GBS should be relevant for those issuers who aim to issue at a high-quality level.

The TEG defines four central regulatory contents:

1. Classification criteria for green projects in line with the "green list" of sustainable economic activities according to the EU Taxonomy[15],
2. Preparation of a green bond framework by the issuer,
3. Preparation of mandatory reports on the use of revenues ("Allocation Reporting") and the environmental benefits ("Impact Reporting"),
4. Mandatory verification by accredited external verifiers.

The application guide mainly provides guidance on the green bond framework to be prepared by the issuer (Annex 2), the reporting (Annex 3) and the presentation of the linkage of the classification with the EU taxonomy (Annex 4).

According to this draft model of an EU Green Bond Standard, the issuer of an EU Green Bond is required to publish the following documents:

- Green Bond Framework,
- Allocation Reporting,
- Impact Reporting.

In its company-specific green bond framework, the issuer confirms the voluntary application of the EU GBS and publishes details on all material aspects of the intended use of funds as well as on its green projects and the underlying green bond strategies and processes.[16]

The framework must be published prior to or at the latest at issuance (pre-issuance reporting) and be publicly available until the maturity of the EU Green Bond. In the event of subsequent changes or additions to the Taxonomy, including the Technical Screening Criteria (TSC), outstanding issues are to enjoy legal grandfathering.

The EU GBS provides for allocation reporting and impact reporting as post-issuance reporting.

Public allocation reporting must be made at least annually until the funds have been fully utilized; in the event of significant changes in the allocation of funds, updates are required on an ad hoc basis. The allocation report on the complete use of funds (final allocation report) is of particular importance.[17]

An Allocation Report includes confirmation of the application of the EU GBS, a breakdown of the amounts (already) allocated to green projects disaggregated at least down to sector level, and the geographical distribution of projects.

For the organization of an EU Green Bond issue, it is important that allocation reporting is already described in the framework. In this respect, the issuer must already anticipate the requirements for allocation reporting at the level of the framework. Subsequently, the specific allocation reporting complies with the conditions defined in the respective framework.

Upon full utilization of the funds, an impact report must be published at least once during the term of the issue, as well as on an ad hoc basis in the event of significant changes in the allocation of funds.

Impact reporting is also required to be set forth in the framework. As a result, the specific impact reporting is based on the requirements specified in the respective framework. Only the methods and assumptions with which the impacts are to be "assessed" (according to chapter 4.3 of the EU GBS) or "calculated" (according to chapter 4.2 of the EU GBS) may be "subsequently submitted" in the impact reporting itself.

The TEG recommends voluntary application of the EU GBS for all market participants. In this context, the EU GBS can be applied to finance projects within, but also outside, the EU. Furthermore, it can be applied to all types of listed and unlisted debt instruments.

As part of the Green Deal, the EU Commission reaffirmed its efforts to standardize the green bond market in early 2020. The EU Commission consultation ("Establishment of an EU Green Bond Standard"), completed in October 2020, was based on the TEG's EU GBS Report, including the Application Guide and the EU Taxonomy.[18] The submission of a proposal for an EU Green Bond Standard by the EU Commission is currently expected in June 2021.[19]

Figure 6 below illustrates the core elements according to the EU GBS:

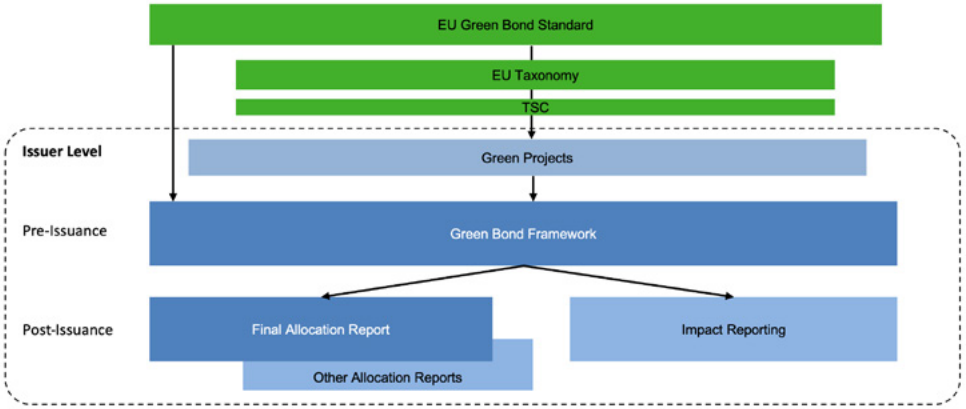

Figure 6: Core elements of the EU Green Bond Standard

5. EXTERNAL VERIFICATION IN CONNECTION WITH GREEN BONDS

5.1. Current Status

Verification services support issuers in their own monitoring of the high governance requirements and controls over the lifecycle of the green bond. Independent external verification is designed to address the needs of investors as to the veracity of information. Above all, they need comfort that over its lifecycle a green bond meets the criteria as specified and published in order to, in turn, avoid reputational damage and adhere to their own governance and risk management requirements. In addition, verification services provide societal benefits by ensuring transparency and credibility as a counter to potential greenwashing threats. Verification services performed by independent third parties (external reviewers) thus strengthen confidence in the green bond market as a whole.

In order to reduce information asymmetry for market participants, some green bond standards recommend that issuers have their green bond framework, green bond processes, or green bond issuance reporting analysed by one or more external reviewers or their compliance with the requirements of the selected green bond standard verified. Some standards provide for mandatory external verification.

In relation to the issuance of green bonds, it is necessary to distinguish between three different areas of activity for an external reviewer:

1. Pre-issuance verification or certification of the green bond framework,
2. Verification of the use of funds (allocation report), and
3. Verification of the impact of the projects financed with the funds (impact report).

Currently, these validation services are offered by four institutions

- Auditing firms,
- Consulting firms specializing in so-called second party opinions and certifications,
- Sustainability rating agencies and
- Certification authorities[20].

The verification or assurance services offered by these types of organizations exhibit a distinct difference in terms of their informational value and level of assurance.

The differences between the services, particularly between assurance and certification or second party opinions, arise primarily from the following characteristics:

- Comparability of the criteria used for the work,
- Understandability of the assurance or validation procedures performed,
- Achievable level of assurance,
- Consistency in the structure of the auditor's or consultant's report,
- The initial training and continuing professional education requirements for external reviewers and the measures ensuring their compliance therewith,
- The required quality management procedures,
- The required external quality control measures,

- The principles of professional conduct, including the requirements for the external reviewer's independence,
- The experience and expertise in "assurance skills and techniques".

According to the GBPs, rough distinctions should be made between the following four categories of verification: [21]

- Second Party Opinions (SPO) are the most common type of verification in connection with green bonds in the EU and in Germany. They aim to provide a personal assessment of whether the company-specific framework for the green bond is in line with the requirements of the green bond standard selected. SPOs are currently offered in particular by consulting and ESG rating agencies who do not perform limited or reasonable assurance engagement according to internationally accepted auditing and assurance standards, e.g., ISAE 3000 (Revised). The process for forming an opinion is therefore not subject to a uniform international standard. In addition, the consulting and ESG rating agencies - in contrast to auditors, for example - are regularly not subject, among other things, to any stringent requirements of international standards regarding their independence from the client, nor to any regular external quality control by an independent body. The structure and content of second-party opinions differ between providers. In general, however, SPOs are structured according to the four central core components of the GBPs: Use of Proceeds, Process for Evaluation and Selection, Management of Proceeds, and Reporting. The methodology used and the description of the thresholds applied are made transparent to varying degrees. This makes it difficult for the issuer, the investor or other addressees of the SPOs to compare the statements made between different providers. In some cases, no information is provided on the level of assurance achieved in making the statement. The informative value of such SPOs is limited.

- Assurance in the narrower sense uses suitable criteria with a high level of assurance to determine, for example, whether frameworks and their implementation are in compliance with the requirements of the standard selected. This includes, for example, obtaining assurance as to whether processes and arrangements are suitable for identifying compliant green projects and then financing them. In addition, such engagements may be performed to obtain assurance about the completeness and accuracy of appropriation accounts and impact reporting in order to confirm this. For this purpose, the assurance practitioner issues an assurance opinion (auditor's or assurance report). Such assurance engagements are performed on the basis of recognized auditing and assurance standards with reasonable or limited assurance, e.g., in accordance with ISAE 3000 (Revised) or IDW AuS 480 and IDW AuS 490 [Note: These are the German standards transposing ISA 800 and ISA 805]. In conjunction, there are high requirements for the independence and competence of the assurance practitioner, so that the assurance services are mainly performed by auditors. German public auditors have been performing reasonable or limited assurance engagements on environmental matters for many years, also using multidisciplinary assurance teams. In the auditor's or assurance report, the criteria used and the assurance procedures as well as the degree of assurance obtained are made transparent in accordance with the auditing or assurance standard used. This provides support for the addressee in also comparing the different verifiers who prepare an audit or assurance report.

- Certification allows an issuer to have its green bond framework or public reporting on green bonds certified by external bodies. The certification is based on certifiers' internal criteria, who often make their assessments on the basis of the issuer's responses to questionnaires. The certificate regularly does not contain a concrete statement as to the nature and scope of the procedures carried out.

- In addition to the aforementioned forms of external verification services, green bond ratings are also offered on the market. These are carried out by research providers or rating agencies on the basis of an internal (not necessarily transparent) rating procedure.

Figure 7 below illustrates the different assurance levels of verification services offered:

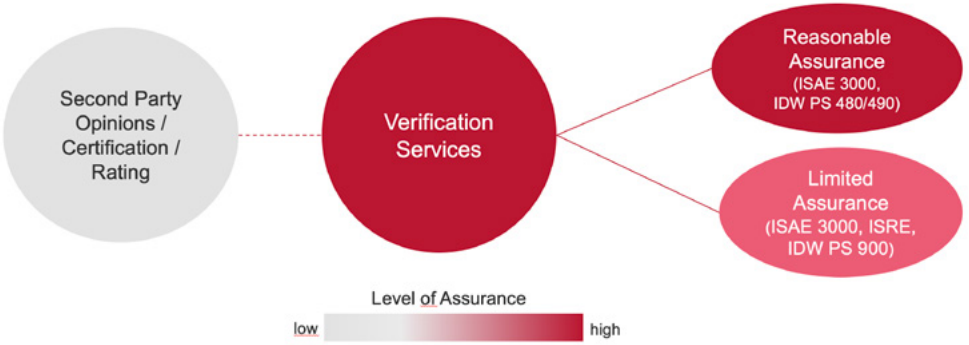

Figure 7: Assurance level of different external verification services

5.2. Requirements of the EU Green Bond Standard

The current draft of the EU GBS of the TEG provides for mandatory external "verifications" by accredited "verifiers" covering both the pre-issuance and post-issuance areas:[22]

1. Prior to or at the time of issuance: verification of the compliance of the issuer's company-specific Green Bond Framework (GBF) with the EU GBS, including a consideration of the requirements of the EU Taxonomy;
2. Upon full utilisation of funds for the green projects: verification that the Final Allocation Report complies with EU GBS requirements.

Verification of other allocation reporting (e.g., the mandatory annual reports prior to full allocation of funds) and impact reporting are recommended in the EU GBS, but the TEG does not propose these should become mandatory.

The EU GBS's intended regulations for verification are illustrated in Figure 8 below.

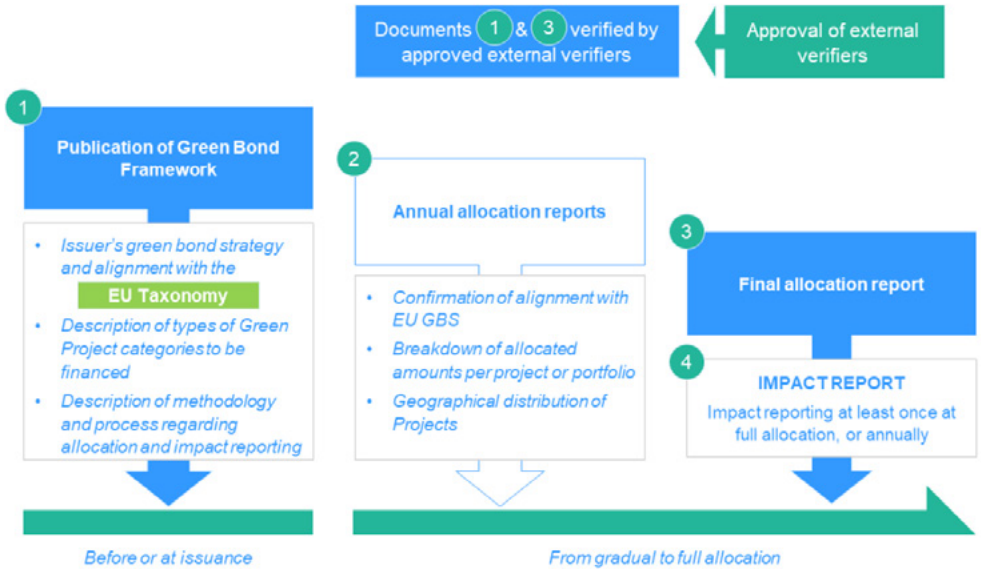

Figure 8: Core components of the TEG's draft EU Green Bond Standard.[23]

The result of the external verification, e.g., the assurance report in accordance with ISAE 3000, must be published together with the respective reporting.

The TEG is also in favour of a supervisory body for green bond external reviewers. In the opinion of the TEG, this should be organized by the European Securities and Markets Authority (ESMA). Until such a monitoring body is implemented, the TEG believes that a transitional solution lasting a maximum of three years could be established, which should provide for a registration process for external reviewers.

6. OUTLOOK: SOCIAL AND SUSTAINABILITY BONDS

In addition to green bonds, other sustainable financing instruments such as social or sustainability bonds have also increasingly been observed in the market in recent years. Social bonds are bonds, whose issue proceeds are used exclusively for the pro rata or full financing or refinancing of suitable social projects. Bonds whose proceeds go towards projects that are both green and social projects are known as sustainability bonds. Recently, so-called sustainability-linked bonds have also been added. Unlike social and sustainability bonds, sustainability-linked bonds are bonds for which the issue proceeds are not earmarked for a specific purpose, but whose financial or structural characteristics can vary with the achievement or non-achievement of predefined sustainability performance targets (SPTs) based on key performance indicators (KPIs).

The volume of social and sustainable bonds issued has risen disproportionately in recent years. Besides supranational organizations, individual states, government agencies and banks, companies have also issued social, sustainability and sustainability-linked bonds.

In 2020, there was a particularly strong growth in the placement of social bonds due to the considerable need for financial resources to address the extensive social challenges posed by the Covid-19 pandemic. For example, the International Finance Corporation issued its largest social bond to date to help those developing countries that have been particularly hard hit by the Co-

vid-19 pandemic outbreak strengthen their healthcare systems as part of a World Bank Group package of measures. In October 2020, the European Commission announced that it would issue its future EU-SURE (Support to Mitigate Unemployment Risks in an Emergency) bonds to finance mitigation of the social impact of the Covid-19 pandemic in the EU, worth up to EUR 100 billion as social bonds. Bonds worth EUR 17 billion were placed in the same month. This was followed by further borrowings of EUR 14 billion and EUR 8.5 billion in November 2020. The Covid-19 pandemic is also expected to increase the level of activity of companies and financial institutions in the social bond market. In parallel, the issuance volume of sustainability and sustainability-linked bonds has also increased in 2020.

Transparency for Sustainability Bonds

Similar to green bonds, investors in social, sustainability and sustainability-linked bonds are also interested in the most standardised and clear specifications possible for categorizing a bond as social or sustainable. There is a risk of bonds being labelled as social or sustainable, but the social impact or sustainability effect of the projects in which investments are made is either not measurable or, in some cases, may even be questionable. Or that in the case of sustainability-linked bonds, performance targets are defined for KPIs that are not relevant in the context of the issuer's sustainability development.

With the Social Bond Principles (SBPs) and the Sustainability Bond Guidelines (SBGs), the International Capital Markets Association (ICMA) has issued voluntary process guidelines for the issuance of social and sustainability bonds. These guidelines are intended to encourage issuers to be transparent, in order to provide market participants with relevant information on the specific social or sustainability bond characteristics. In addition, ICMA also published Sustainability-Linked Bond Principles (SLBPs) for the first time in May 2020.

The published guidelines contain recommendations on the issuance of social, sustainability and sustainability-linked bonds, including the design of company-specific frameworks, reporting by issuers and external verification in the form of pre- and post-issuance services. As with the issuance of green bonds, in practice pre-issuance services in connection with social and sustainability bonds currently mainly constitute second party opinions aimed at an assessment of the individual framework and post-issuance verification services in connection with allocation and impact reporting. In the case of sustainability-linked bonds, at present it is mainly second party opinions that are being used to assess the key performance indicators (KPIs) and the predefined sustainability performance targets; post-issuance verification services relate to the achievement of the sustainability performance targets.

The External Review Guidelines[24] published by ICMA in June 2020 explicitly recognize ISAE 3000 (Revised) as an appropriate standard for performing the verification services recommended in the Principles.

The ICMA Principles for Social, Sustainability and Sustainability-Linked Bonds do not contain any specific technical assessment criteria for classifying bonds as social or sustainable. Nor are there any concrete specifications regarding the KPIs and sustainability performance targets to be used for sustainability-linked bonds. The criteria must therefore be defined in the issuers' individual frameworks. In doing so, the issuers can orient themselves towards different external social standards; the use of a specific standard is not mandatory. This results in lower comparability between the issued bonds, requiring in the context of pre-issuance assurance services pursuant to ISAE 3000 (Revised) additional assurance about whether the criteria defined in the individual framework are suitable for the classification of bonds as social or sustainable or whether suitable KPIs and sustainability performance targets have been defined in the case of sustainability-linked bonds.

Against this background, the timely expansion of the EU Taxonomy to include social objectives and the definition of corresponding technical assessment criteria would be welcome.

7. CONCLUDING REMARKS

Growing demand for sustainable investments also increases the incentive to engage in "greenwashing," The approval of the EU Taxonomy and the introduction of labels and uniform standards both counteract this development. The EU Green Bond Standard announced by the EU Commission for 2021 is of particular importance in this regard. However, both national and European legislators should also keep an eye on the market for social and, more generally, sustainability bonds, as there are comparable needs in terms of transparency and reliability.

The German auditing profession is convinced that the justifiably ambitious sustainability goals can only be achieved when the economic players perceive sustainable trust in ESG measures. This demands independent external assurance providing appropriate informational value, reliability and transparent reporting, which reduces information asymmetries between the players and strengthens trust.

As analyses by the IDW working group "Grüne Investments" demonstrate, there is a pressing need for action worldwide, but especially in Germany, in order to counter the formation of "green bubbles" effectively and the resultant risks to financing a sustainable transformation. It should also be noted that – like all other forms of investment – "green investments" are subject to a risk of loss.

FOOTNOTES

[1] Refer to the German government's response to the question from parliamentarians "Greenwashing – of financial products in Germany and Europe" on 17.01.2020, Drs 19/16590.

[2] On June 18, 2019, TEG published its final report on this, https://ec.europa.eu/info/files/190618-sustainable-finance-teg-report-green-bond-standard_en, and on March 09, 2020, it published a "Usability Guide," https://ec.europa.eu/info/files/200309-sustainable-finance-teg-green-bond-standard-usability-guide_en.

[3] Refer in detail to section 6.

[4] World Bank Treasury (2019), 10 Years of Green Bonds: Creating the Blueprint for Sustainability Across Capital Markets, https://www.worldbank.org/en/news/immersive-story/2019/03/18/10-years-of-green-bonds-creating-the-blueprint-for-sustainability-across-capital-markets.

[5] An established standard for green loans is set forth in the Green Loans Principles, administered by the Loan Market Association.

[6] KfW (2019), "Green Bonds - Made by KfW", Allocation Report: Use of proceeds of 2019 Green Bond issuances, https://www.kfw.de/PDF/Investor-Relations/PFD-Dokumente-Green-Bonds/KfW-Green-Bond-Allocation-Report-2019-2.pdf.

[7] CBI, Green Bonds: Global State of the Market 2019, https://www.climatebonds.net/files/reports/cbi_sotm_2019_vol1_04d.pdf.

[8] Following USD 754 Mrd. in 2019. Refer to the Climate Bonds Initiative (2019) Green bonds global state of the market 2019, https://www.climatebonds.net/files/reports/cbi_sotm_2019_vol1_04c_0.pdf; https://seb.de/uber-die-seb/presse/pressemitteilungen/seb-green-bond-report-dezember-2020.

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[14] See: https://www.climatebonds.net/files/files/climate-bonds-standard-v3-20191210.pdf.

[15] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088.

[16] EU GBS chapter 4.2; core elements of the company-specific Green Bond Framework.

[17] See EU GBS, chapter 7(b).

[18] For an overview, see https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-green-bond-standard_en#next; https://www.europarl.europa.eu/legislative-train/theme-an-economy-that-works-for-people/file-eu-green-bond-standard.

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[20] Refer to TEG, Usability Guide, p. 26.

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[22] Refer to TEG, Usability Guide - EU Green Bond Standard, p. 38.

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For your notes:

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This position paper was approved by the IDW working group "Grüne Investments".

We are looking forward to receiving your comments. Please send them to Dr. Daniel Siegel or to Prof. Dr. Bernd Stibi, Institut der Wirtschaftsprüfer in Deutschland e.V., Postfach 320580, 40420 Düsseldorf (by post) or to siegel@idw.de or stibi@idw.de by email.

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