Mr. Alain Deckers
Head of Unit, Asset Management (FISMA C.4)
DG FISMA, European Commission
Rue de Spa 2,
1000, Brussels

Brussels, 4 November 2022

Re: Proposal for introducing mandatory disclosures requirements for all green bonds alongside the EU Green Bond Standard Regulation

Dear Mr. Deckers,

We are writing to you in relation to the European Green Bond Standard (EU GBS) Regulation, the final provisions of which are currently subject to interinstitutional negotiations.

Eurosif supports the creation of an ambitious European label for green bonds to help investors identify investments with a rigorous and reliable environmental performance. We also welcome the proposal from the European Parliament for **a mandatory disclosure framework applying to all the debt issuances marketed as "environmentally sustainable" or "green"**. This is necessary to improve the transparency of bond issuers on sustainability matters and minimise greenwashing in relation to so-called green bonds, which are not adequately covered by the Sustainable Finance Disclosure Regulation (SFDR) nor by the EU Taxonomy Regulation.

The disclosures must include clear sustainability, in particular climate, targets underpinned by robust transition plans to provide investors with insight into the credibility and ambition of the **issuers of green bonds, and information on sustainability risks and the potential and actual adverse impacts that the issuer has or may have on the environment and people**.

The requirements should be **coherent with the overall EU sustainable finance regulatory framework**, building on and/or complementing the provisions set out in the Corporate Sustainability Reporting Directive (CSRD), the upcoming European Sustainability Reporting Standards (ESRS), the EU Taxonomy Regulation, the SFDR, and the future Corporate Sustainability Due Diligence Directive (CSDDD).

In particular, we call on the EU co-legislators to adopt the amendments tabled by the European Parliament regarding:

- **The transition plans and their alignment with the objective to achieve climate neutrality by 2050 for issuers in scope of the CSRD**. This is essential for investors to have easy access the issuers' climate plan.
- **An issuer's statement regarding the due diligence policies on the principal adverse impacts implied by its own operations and value chain** (or with the procurement, for sovereign issuers) –

Transparency on how issuers identify, prevent and/or mitigate adverse impacts would allow investors to assess and manage any potential and actual adverse impact that their investment may have on people and the planet. Investors need such information to take informed investment decisions as well as to prepare their own sustainability-related disclosures.

- **The percentage of the expected EU Taxonomy-alignment of the use of the proceeds and an explanation as to how the green bond takes into account the potential and actual principal adverse impacts**. Issuers of public equity are required to disclose such information pursuant to the EU Taxonomy Regulation and CSRD. Such provision aims to ensure a level playing field for equity and bonds and ensuring investors obtain the relevant and comparable sustainability-related information. These disclosures, together with additional information on the environmental characteristics of the bonds, should be included in the **pre-issuance and post-issuance documents**.

We are cognisant that these requirements will, in some instances, imply additional effort and cost for issuers, especially in the first years of application. The challenges may be even higher for small issuers. Nevertheless, we believe that such disclosures would minimise greenwashing and that the benefits to **the investors, supervisors and other stakeholders would outweigh the costs**.

As laid out in the impact assessment that accompanied the EU GBS legislative proposal, investors currently find it **costly, time-consuming and resource-intensive to assess** the environmental credentials of green bonds. **Comparability of such disclosures is limited**. Moreover, issuers often hesitate to tap into the market over **uncertainties** on which projects can qualify as eligible, and reputational risks. All these challenges occur **despite the wide adoption of international market-led voluntary standards**.

Finally, we would like to emphasise **the need to improve transparency in the market of sustainability-linked bonds**. As these products have different characteristics and have reached a different level of maturity as compared to green bonds, the co-legislators might consider requiring the EU Commission to conduct an impact assessment aimed at investigating potential challenges and regulatory needs of this market.

The ongoing interinstitutional negotiations on the EU GBS Regulation represent a window of opportunity that the co-legislators should exploit.

We remain at your disposal for any questions or to provide further information.

Yours sincerely,

Aleksandra Palinska

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Executive Director

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