Draft

**Order**

**On Approving of the Rule on Granting, Maintenance and Cancellation of Green, Social, Sustainable and Sustainability-linked Bond Status**

**N…**

**…2024, Tbilisi**

Pursuant to subparagraph "g" of the first paragraph of Article 15 of the Organic Law of Georgia "On the National Bank of Georgia," as well as subparagraphs "a," "d," "g," and "h" of Article 52 of the same Organic Law, and paragraphs 1 and 3 of Article 4 and paragraph 4 of Article 9 of the Law of Georgia "On the Securities Market," I hereby order the following:

**Article 1.**

The Rule for Granting, Maintenance, and Cancellation of the Green, Social, Sustainable, and Sustainability-linked Bond Status, along with their attachments, is hereby approved.

**Article 2.**

This order shall not apply to bonds issued prior to its enactment.

**Article 3.**

This order shall take effect immediately upon publication.

**Acting Governor of the National Bank of Georgia,**

Natela Turnava

**The Rule on Granting, Maintenance and Cancellation of Green, Social, Sustainable and Sustainability-linked Bond Status**

**Article 1. Scope of the Regulation**

1. The Rule on Granting, Maintenance and Cancellation of Green, Social, Sustainable and Sustainability-linked Bond Status (hereinafter referred to as “the Rule”) sets requirements for the granting, maintenance and cancellation of the “Green Bond”, “Social Bond”, “Sustainable Bond”, or “Sustainability-linked Bond” Status.
2. This rule shall apply to publicly issued bonds and also to the bonds for which public offering or admission to trading on a licensed stock exchange in Georgia is requested through the

prospectus submitted to the National Bank of Georgia (hereinafter referred to as “the National Bank”).

1. It is forbidden to use wording such as “Green”, “Social”, “Sustainable”, or “Sustainability-linked” as the name or description of the bond or their equivalent or similar terms (including in the foreign language) if it is not in compliance with the conditions laid down in this Rule.
2. Except for Paragraphs 3 and 4 of Article 5 and Paragraphs 2 and 3 of Article 6, this Rule shall not apply to the bonds admitted to trading on the recognized foreign stock exchange as determined by the Rule approved under the Order N178/04, dated October 7, 2020, issued by the Governor of the National Bank of Georgia “On Approving the List of Recognized Stock Exchanges of Foreign Countries, the Issuer of Securities Admitted to Trading on them, the Rule Related to the Public Offering of Securities in Georgia Issued by International Financial Institutions and Development Organization Created with Equity Participation of a Foreign country” (hereinafter referred to as “The Rule on the Recognized Foreign Stock Exchanges”), if the usage of wordings in the name or description of the bond, as determined by Paragraph 3, is allowed by the law of the state where the recognized stock exchange is established and/or by the rules applicable to the recognized stock exchange.
3. This Rule does not apply to the securities issued by International Financial Institutions and Development Organizations with Foreign State Participation in Shareholding as determined by The Rule on the Recognized Foreign Stock Exchanges.

**Article 2. Definitions**

1. For the purposes of this Rule, the terms provided herein shall be defined as follows:
2. **Issuer –** the issuer as defined by Article 2, Paragraph 16 of the Law of Georgia on the Securities Market.
3. **Green Taxonomy** - a classification system as defined by Annex №1 of this Rule that establishes a list of economic activities with positive environmental effects by defining corresponding technical criteria.
4. **Social Taxonomy** - a classification system as defined by Annex №2 of this Rule that establishes a list of economic activities with positive social impact.
5. **Sustainable Finance Taxonomy** – a classification system composed of Green and Social Taxonomies as defined by Annex №1 and Annex №2 of this Rule.
6. **Equivalent Taxonomy** – any of the taxonomies as defined hereunder:

1. The EU Sustainable Finance Taxonomy adopted by the European Union;

2. Climate Bonds Taxonomy of Climate Bonds Initiative;

3. Technical Report on Sustainable Development Goals (SDG) Finance Taxonomy (China) established by United Nations Development Programme.

4. Sustainable Development Goals Taxonomy of United Nations.

5. Common Principles for Climate Mitigation Finance Tracking of Joint Climate Finance Tracking Group of multilateral development banks (MDBs) and International Development Finance Club (IDFC).

1. **Green Bond** - a bond, which complies with the requirements stipulated in this Rule and is being used to finance or refinance one or more economic activities determined by the Green Taxonomy or the relevant Equivalent Taxonomy.
2. **Social Bond** - a bond, which complies with the requirements stipulated in this Rule and is being used to finance or refinance one or more economic activities determined by the Social Taxonomy or the relevant Equivalent Taxonomy.
3. **Sustainable Bond** - a bond, which complies with the requirements stipulated in this Rule and is used to finance or refinance a combination of economic activities that simultaneously meet the requirements of Green and Social Taxonomies or Equivalent Taxonomy, taking into consideration that neither of the economic activities does any significant harm to the other activity defined by the relevant taxonomies.
4. **Sustainability-Linked Bond** – a bond, which complies with the Sustainability-Linked Bond Principles of International Capital Market Association and additionally follows the requirements stipulated in this Rule.
5. **External Reviewer** – An independent third party included in the list published by International Capital Market Association (website: https://www.icmagroup.org/) or approved by Climate Bonds Initiative (website: <https://www.climatebonds.net/>) as a verifier.
6. **External Review** – Evaluation/assessment provided by an External Reviewer in compliance with the standards/principles determined by International Capital Market Association or Climate Bonds Initiative.
7. **Granting of the Status** – The granting of right to use the name “Green Bond”, “Social Bond”, “Sustainable Bond” or “Sustainability-linked Bond”.
8. **Look-back period** - a maximum period in the past that will be tracked in order to identify assets/earlier disbursements used for the refinanced project(s).
9. **Allocation report** – a report illustrating yearly results of allocation of the bond proceeds to the projects as determined by the terms and conditions of a bond.
10. **Impact Report** - a report illustrating the expected environmental and/or social impact or outcome made possible as a result of the project to which bond proceeds have been allocated.
11. **International Capital Market Association Principles** – “Green Bond Principles”, “Social Bond Principles”, “Sustainability Bond Guidelines”, or “Sustainability-linked Bond Principles” established by International Capital Market Association.
12. **Recognized Stock Exchange** – a stock exchange determined by the Annex №1 of The Rule on the Recognized Foreign Stock Exchanges.
13. Other terms not defined in this Rule shall have the meaning assigned to them by the Law of Georgia on the Securities Market, relevant Rules of the National Bank, and other normative acts of Georgia.

**Article 3. Granting of the Status**

1. Funds raised through the issuance of bonds with the Green Bond, Social Bond, or Sustainable Bond Status shall be exclusively used for financing/refinancing the relevant economic activities as specified in Annex 1 and/or Annex 2 of this Rule or in the Equivalent Taxonomy.
2. In order to obtain Green Bond, Social Bond, or Sustainable Bond Status the issuer shall disclose the following information in the preliminary prospectus to be approved by the National Bank:
3. Description of use of proceeds indicating Green, Social, or Sustainable objectives;
4. Brief details on determining eligibility of the bond in accordance with Annex №1 and/or Annex №2 of this Rule or the latest enacted version of Equivalent Taxonomy;
5. Details of the system/procedures to be employed for managing and tracking the deployment of the proceeds of the issue;
6. Description of investments and/or projects to be refinanced (if applicable). An estimate of the share of financing and refinancing and, to the extent relevant, the expected look-back period for refinanced projects, in the event that all or a proportion of the proceeds are or may be used for refinancing.
7. Positive External Review determining the Status of the bond and eligibility in accordance with the requirements set by Paragraph 1 of this Article;
8. The date(s) and the website set for the publication of the allocation report(s) and impact report(s).
9. Brief summary of the terms and conditions of the bonds within the context of the issuer’s overarching sustainability strategy.
10. Description of any risks and issuer’s liabilities associated with the cancellation of the Status.
11. Through the issuance of a Sustainability-linked Bond, an issuer shall commit to future improvements in sustainability outcome(s) of its activities within a predefined timeline.
12. In order to obtain Sustainability-linked Bond Status the issuer shall provide the following information in the preliminary prospectus to be approved by the National Bank:

a) Description of the compliance with the core components of the latest enacted version of Sustainability-linked Bond Principles of International Capital Market Association;

b) Positive External Review determining the Status of the bond;

c) The date(s) and the website for the fulfillment of the Sustainability-linked Bond Principles reporting component.

d) Brief summary of the terms and conditions of the bonds within the context of the issuer’s overarching sustainability strategy.

e) Description of any risks and issuer’s liabilities associated with the cancellation of the Status.

1. The issuer shall ensure that, at the time of submitting the preliminary prospectus to the National Bank, the External Reviewer conducting the External Review is included in the list published by the International Capital Market Association or verified by the Climate Bonds Initiative.
2. The National Bank shall grant the status to the bond at the moment of the approval of the preliminary prospectus.

**Article 4. Reporting Requirements**

1. Paragraphs 2 to 9 of this article shall apply to Green, Social, and Sustainable Bonds.
2. Until the bond's proceeds are fully allocated, the issuer shall publish an allocation report and impact report on its website.
3. The allocation report must be prepared annually, commencing from the date of bond issuance.
4. The first allocation report shall be published no later than 15 months after the date of the issuance of the bond. The dates for the publication of every following allocation report shall remain fixed at the date of the publication of the first allocation report.
5. The allocation report shall demonstrate the use of the proceeds in accordance with the terms of the bond as prescribed by Article 3 Paragraph 2 accompanied by the External Review.
6. In case of multiple issuances of the bond based on the same prospectus, the issuer may provide and publish an aggregated annual allocation report. The allocation report as provided by Paragraph 2 of this Article shall be published no later than 15 months after the date of the first issuance. The publication date for all subsequent allocation reports shall coincide with the date of publication of the first allocation report.
7. At the time of the full allocation of the bond proceeds, the issuer shall publish an impact report accompanied by the External Review. The impact report shall include a demonstration of the use of the proceeds, qualitative, and where relevant, quantitative performance indicators, as well as social/environmental impacts/outcome made possible as a result of the allocation of the bond proceeds as determined by the terms and conditions of the bond.
8. In case of multiple issuances of the bonds based on the same prospectus, where they target different or separate projects/objectives, the impact report shall be published for each bond individually at the time of the full allocation of the bond proceeds.
9. If the bond finances multiple projects, the allocation report and impact report shall include information on the use of proceeds and impact of individual projects, unless restricted by confidentiality agreements, competitive considerations, or a large number of underlying projects. If information is provided at an aggregate level, the report shall include an explanation for not providing project-level details.
10. The issuer of the Sustainability-linked Bond shall prepare and publish an annual report on its website, complying with the Reporting and Verification Components of the Sustainability-linked Bond Principles established by the International Capital Market Association.
11. After publishing the allocation and impact reports, the issuer shall notify the National Bank within 5 business days
12. The issuer shall ensure that, at the time of publication of the allocation and impact report(s), the External Reviewer conducting the External Review is included in the list published by the International Capital Market Association or verified by the Climate Bonds Initiative.

**Article 5. Maintenance of the Status**

1. From the moment of the issuance until the maturity of the bond(s), the issuer shall ensure to comply with the requirements of this Rule.
2. If the Taxonomies, as determined by this Rule, or International Capital Market Association Principles change, the issuer shall comply with the updated requirements within five years from their enactment.
3. Until the bond maturity, the issuer shall maintain information about compliance with the changes outlined in Paragraph 2 of this Article published on its website.
4. The issuer shall inform the National Bank and the investors in writing about compliance with the changes outlined in Paragraph 2 of this Article within 10 business days after their implementation.
5. The obligations set forth by Paragraphs 3 and 4 of this Article also apply to the issuer of the bonds admitted to trading on the Recognized Stock Exchange.

**Article 6. Cancellation of the Status**

1. Considering the seriousness and the potential risk caused by the infringement, the National

Bank of Georgia may cancel the Status of the bond if the issuer breaches one of the requirements of this Rule.

1. Until the bond matures, the issuer shall maintain information about the cancellation of the Status published on its website.
2. In the event of the cancellation of the Status, the issuer shall inform investors, and if the bonds are admitted to trading on a Recognized stock exchange, also the National Bank, in writing within 10 business days.
3. The obligations set forth by Paragraphs 2 and 3 of this Article also apply to the issuer of the bonds admitted to trading on the Recognized Stock Exchange.

**Article 7. Powers of the National Bank**

In the event of a violation of the requirements established by this Rule, the National Bank has the authority to impose supervisory measures and/or sanctions (including fines), in accordance with the Organic Law of Georgia on the National Bank, the Law of Georgia on Securities Market and other normative acts enacted in accordance with them.