

Green, Social and Sustainability Bond Index Service Mapping Supporting Paper

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Introduction

In conjunction with the rapidly expanding market for Green, Social, Sustainability and Sustainability-Linked Bonds, recent years have seen the emergence of Green, Social and Sustainability Bond (GSS) indices. Index providers and the data providers play essential roles in meeting the growing demand for environmental, social, and governance (ESG) data and can help to measure and benchmark market activity to support the investors in their investment strategies. GSS indices are also used by issuers who follow and/or reference their own GSS bonds eligibility in such indices. Issuers may also benefit from using or referencing the methodologies/criteria applied by the index providers as a complementary tool when assessing eligibility of projects for their own GSS bonds proceeds.

To facilitate the uptake in the use of such Indices, coordination and transparency among parties, i.e., index providers, data providers, issuers and investors, is essential.

This paper and the Index Service Mapping Template (**Template**) aim to harmonise index data requirements and disclosure policies, clarify roles and responsibilities of stakeholders, and facilitate communication among stakeholders to enhance the provision of transparent and reliable data. This includes clarifying assumptions and the calculation methodology used by index and/or the data providers they use. For index providers, who rely on data providers for ESG data for GSS bonds, the data reported by issuers remain the greatest hurdle. While acknowledging challenges faced by issuers with respect to forward-looking statements regarding allocation, fair disclosure regulation, confidentiality, and data availability, issuers should make, and keep, readily available up to date information on the use of proceeds to be renewed annually until full allocation, and on a timely basis in case of material developments¹. It is equally important that all parties work with the same data. Through consistency and by improving the transparency, harmonisation, and communication of all parties' activities, the credibility of data presented, measured and benchmarked should also improve.

This paper and the Template were developed by the GSS Index Working Group of the **Green Bond Principles** (GBP), **Social Bond Principles** (SBP), **Sustainability Bond Guidelines** (SBG) and **Sustainability-Linked Bond Principles** (collectively the "Principles") with the support of the Secretariat. A reference group of stakeholders including issuers, investors, index providers, and data providers were consulted during the development of the paper and Template.

The Principles consider that methodologies and GSS bond eligibility criteria used by indices may evolve over time. Attention should be paid to the rapidly evolving sustainable finance market and ensure solutions are compatible with new products and regulations that arise. A clear separation between use of proceeds-bonds and sustainability-linked bonds and emerging green and sustainable finance taxonomies are examples of such market developments. Index providers and their data providers should allow for regular dialogue with issuers with the aim of addressing changing needs and potential improvements in light of ongoing developments.

The Template will be subject to periodic review to reflect changes in index development and market best practice.

The Principles do not endorse one type of index, index provider, or data provider over another. This paper is not intended to address various ESG-themed indices whose criteria relate solely to the ESG profile of the issuer.

GSS Indices

Index providers have different focuses and inclusion criteria; might target different user groups and/or geographical jurisdictions; rely on differing technology; and are regulated by national/regional bodies. In addition to clearly specifying index criteria, it is recommended that Index providers clearly note their adherence to relevant market regulations.

The **IOSCO Principles for Financial Benchmarks** (July 2013) provide an overarching framework for benchmarks used in financial markets, covering governance and accountability as well as the quality and transparency of benchmark design and methodologies. Many global index providers have constructed oversight, governance, control and accountability frameworks to align with the IOSCO principles. In addition, the provision of benchmarks² is generally a regulated activity. Index providers should indicate by which regulatory body and jurisdiction the index is regulated.

¹ See [Green Bond Principles](#) and [Social Bond Principles](#)

² The provision of benchmarks is a regulated activity in the European Union (EU) and in the United Kingdom (UK). The legal framework governing the provision and use of benchmarks is set out in the Benchmarks Regulation (BMR) that introduces an obligation for European and UK benchmark administrators to be authorised or registered if they wish to provide their benchmarks for use by supervised entities in the EU/UK, and for third-country benchmark administrators to have a license to provide their benchmarks in the EU/UK. The BMR has been applicable to UK and EU administrators since January 1, 2020 but allows third-country benchmark administrators to benefit from a longer transitional period (ending in Dec. 31, 2023 (EU) and Dec. 31, 2025(UK)).

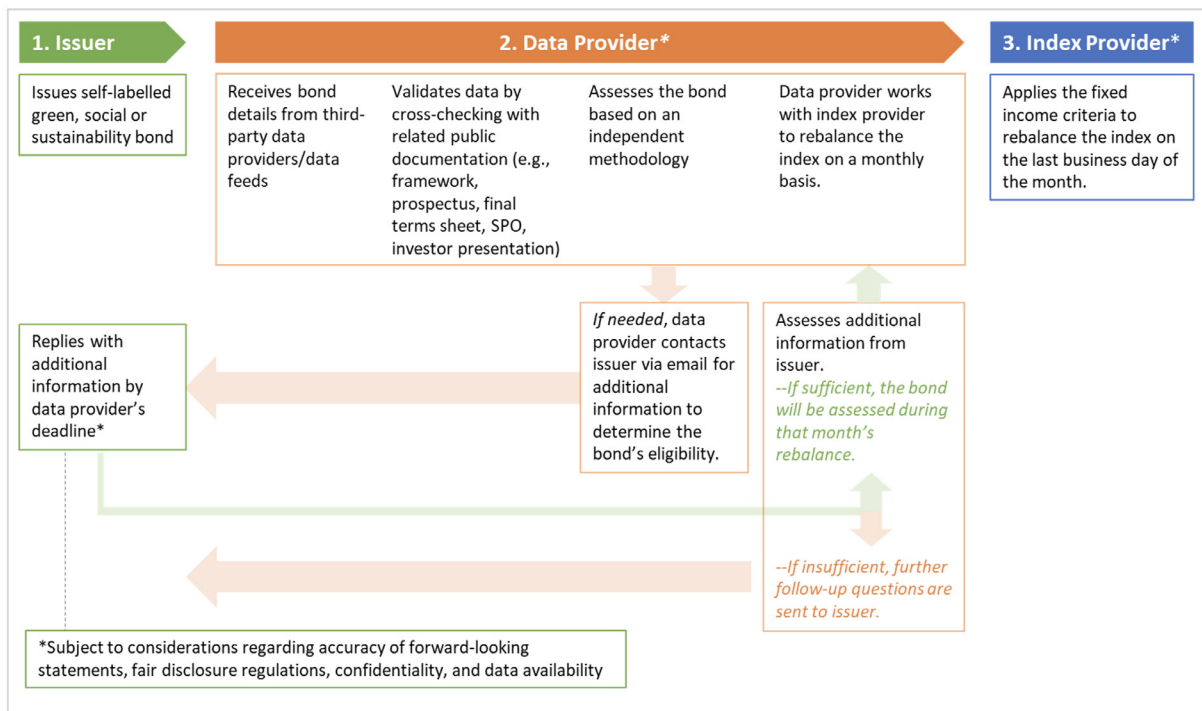
A list of contributing GSS index providers can be found on [the Sustainable Finance section of ICMA’s website](#). The [Index Service Mapping Template](#), which accompanies this paper is an Excel form where index providers are invited to voluntarily provide information about their scope of services.

The Executive Committee of the Principles encourages index providers to complete the Template on a voluntary basis to promote transparency and disclosure and support market efficiency.

Roles and flow of information

It is important to understand the different roles, expectations, and responsibilities/liabilities of various stakeholders such as index providers, data providers and issuers. The role of index provider and data provider are necessarily related yet should remain separate to avoid conflicts of interest. See Figure 1 below for a typical example of the roles and flow of information between issuer, data provider and index provider.

Figure 1. Sample flow of information from issuer to data provider to index provider



Data collection and management of indices

Indices should be structured clearly to facilitate understanding of index methodology and criteria and specify communication channels available for questions/clarification in line with the regulation governing the index provider.

Index providers should, at a minimum, clearly indicate the following:

- description of the index and the administrator.
- adherence of relevant market regulations.
- eligibility criteria and methodology of selection of GSS bonds.
- source of the index bond data and method/selection process for collecting data.
- index maintenance and administration.
- governance arrangements including those that govern the relationship between index provider and data provider.

Index providers should ensure their solutions are compatible with current and different approaches of bond issuance programmes and consider variations in reporting cycles, with special attention to the use-of-proceeds, allocation, and impact reporting, which may be based on portfolio allocation or bond-by-bond allocation. Depending on the way in which proceeds are allocated (portfolio-level vs. bond-level), the approach to the structuring of output may differ. For example, if the issuer uses a portfolio allocation approach (multiple bonds financing a pool of projects), information on the specific projects to be financed or the distribution between specific categories would not be applicable for a single bond. Index providers (perhaps through their data provider) should have a clear, well-defined rules-based approach on how and at what intervals they assess a bond's eligibility for inclusion in (or exclusion from) the index (i.e., at issuance and/or post-issuance).

Index providers need to clearly indicate minimum criteria and metrics to determine a bond's eligibility for inclusion. Index providers and data providers should further explicitly mention whether the data used is self-reported by the issuer and/or if the data provider is estimating the data. Providers should avoid filling any gaps in reporting metrics and indicators across issuers by using proxies or assumptions. This also means assumptions used by issuers should not be changed by data providers. In case it is relevant for index providers or data providers to add one or more layers of analysis, this should be disclosed, and such additional analysis should not undermine the transparency of the original data. Data should be verifiable/replicable for index users.

It is also important to recognise the variations in geographical and/or technical specifications of issuance programs. Index providers should indicate the eligibility criteria and/or standards and thresholds used and that such standards and thresholds may limit eligibility of bonds supporting projects in other markets based on location (e.g., emerging markets vs. European markets vs. US markets) or status of the project (e.g. new vs. refurbishment/retrofit). Application of international standards should be used for defining sustainability best practices. If equally robust and recognised international standards exist, index providers should allow issuers to align with the most relevant standard considering the jurisdiction of the projects. Best practice may sometimes also be equally well or even better reflected in regional regulations. In such cases, the issuer should be allowed to apply local regulations as a benchmark, given that it is publicly justified. For investors, it is key that the bonds included in the index represent the eligible investment universe.

Index providers should clearly communicate governance arrangements of the index including those that govern the relationship and information flow between the data provider and index provider. The index provider should indicate how it monitors market developments to reflect changing market standards and guidelines and highlight any bodies or committees and the composition of such bodies that oversee the management of the indices, including determination of intra-rebalancing changes, maintenance and inclusion policies, and other matters affecting the maintenance and calculation of indices.

Advice For Data Providers

In assessing bonds for potential inclusion in an index, data providers should:

- Conduct additional due diligence/validation of flagged GSS bonds by third-party data providers to ensure that bonds are correctly labelled (non-GSS, green, social, sustainable), especially in the case of multi-tranche bonds.
- Strive to have timely access to information on new bond issuance, and even impending bond issuance.

In their role as data provider to indices, the data providers should:

- Explicitly mention whether the data used is self-reported by the issuer and/or if the data provider is estimating the data. Providers should avoid filling any gaps in reporting metrics and indicators across Issuers by using proxies or assumptions.
 - Clearly communicate rebalancing frequency of the index and the required deadline for issuers to response to data provider's queries.
 - Establish a consistent and uniform way of communicating and following up with issuers to assess bond eligibility that is streamlined and not cumbersome for issuers. This could be in the form of an easy-to-use digital template or similar technical solution.
 - Communicate with issuers when their bonds may be subject to removal from the index, including the reason(s) for such action. Index providers should provide an opportunity for issuers to clarify /provide additional information before a bond is deemed ineligible for the index, preferably with an accompanying dialogue. A follow-up on the outcome of the issuer's clarification, e.g., whether the bond(s) is /remains eligible or not would also be appreciated by issuers.
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- Maintain rules-based and predefined criteria, thresholds, methodology, etc. for inclusion of bonds, without subjectivity, reinterpretation or discretion used in determining eligibility.
- Re-evaluate bonds for index inclusion upon publication of additional detail from the issuer, or upon receipt of additional information, even if after the initial evaluation deadline has passed.
- Provide information about the amount of AUM which are benchmarked against the index, including in requests for additional information from issuers.

Advice for Issuers

By following the recommendations for Impact reporting as presented in the Impact Reporting Handbooks³, (*the SLB Disclosure Data Checklist (appendix II of the [Sustainability-Linked Bond Principles](#)) and Illustrative examples for the selection of KPIs and supporting document*), or other widely accepted recommendations, and by having easy to access impact data available, issuers facilitate the smooth collection and/ or transfer of data.

To facilitate smooth collection and use of data, issuers are encouraged to:

- Make use of market guidance provided by the Principles including guidance for harmonised frameworks for allocation and impact reporting for Green Bonds and Social Bonds and other accepted market standards.
- Map any issuer, framework, or transaction-specific categories to an eligible category outlined by the Principles for purposes of allocation reporting and evaluation for index inclusion.
- Ensure that the raw allocation and impact data submitted is transparent and consistent, in order to ensure that stakeholders seeking information can reach the same conclusions regardless of the access point, especially when engaging with multiple data providers/indices/platforms
- Consider providing allocation and impact data and/or impact reports in a machine-friendly format.
- Have sufficient resources to prepare, present, and reply to queries on GSS bonds and their allocation and impact. The Issuer should also establish routines for updating data, e.g. when new impact reports are published.
- Establish a communication channel with main contacts at (index providers and) data providers.

Advice for Investors

In engaging with index providers investors are encouraged to:

- thoroughly familiarise themselves with the index provider, its methodology and eligibility criteria (a good source for key information is the [Index Service Mapping Template](#)).
- establish a regular dialogue with index providers.
- be aware that data used, and bonds included in indices might be based on information directly presented by issuers, or through a data provider.
- make sure the index providers (or their data provider) have necessary follow-ups on bonds, allocation and impact reporting for ongoing inclusion in the database/index.
- see that index providers are transparent on whether the eligibility criteria are being aligned with widely accepted market standards like the Principles.
- Be aware that different index providers consider different approaches and methodologies and might use different naming conventions for GSS bonds and may include unlabelled bonds.

³ [Harmonised Frameworks for Impact Reporting \(for Green Bond and for Social Bonds\)](#)

Contributors

This note is intended to accompany the GSS Indices Mapping Template and was developed through a collaborative and consultative process with a reference group of index providers, data providers, issuers and investors that were part of a technical working group within the GSS Indices Working Group as well as the Executive Committee of the Principles. Please see the **Sustainable Finance section of ICMA's website** for a full list of contributing organisations as well as of those voluntarily aligning with these Guidelines.



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