Emerging Markets Investors Alliance
Actionable Intelligence for Responsible Investing

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EMIA Enhanced Labeled Bond Principles

The EMIA enhanced principles offer more specific and granular guidance for EM labeled bonds issuance, to promote the development of a labeled bond market that can make a meaningful contribution to improved environmental, social, and governance - ESG - outcomes.
The EMIA plans to periodically revise these principles as the labeled bond market continues to develop and evolve.

for Use of Proceeds Bonds (Green, Social and Sustainability)

on Use of Proceeds

1. Use of proceeds on green and social bonds must be 100% allocated to the specified usages in the legal documentation at issuance.
2. Use of proceeds on sustainability bonds must provide an intended percentage breakdown between green and social usages ex ante, for thematic labelling.
3. Net proceeds from use of proceeds bonds cannot be used to refinance pre-existing bonds, unless those bonds were also use of proceeds bonds and the original projects have retained their economic value. Issuers have to disclose the lookback period if refinancing pre-existing bonds.

on Process for Project Evaluation and Selection

4. Use of proceeds frameworks (e.g., an issuer's green bond framework) must evidence a well-articulated, inclusive process that encompasses community/grassroots involvement, with clear consideration of both intended and

unintended impacts across E, S and G dimensions, typically carried out over a period of many months, and directly led by the issuer.

5. The project selection committee should have independent oversight, with a majority of selection committee members who are not part of the company's management; the use of proceeds must be independently audited by an external verifier. For sovereign issuers and agencies, the independent oversight should be provided by a Multilateral Development Bank or other International Financial Institution, whenever possible.

<u>on Management of Proceeds and post-issuance reporting (accountability of the external verifier)</u>

6. Unless otherwise prohibited by law, net proceeds should be kept in a ring-fenced structure from general budget or other funds to avoid leakage into operating expenditures or other non-impact usages, and verified by external oversight.

7. Issuers of use of proceeds bonds must make annual impact reporting publicly available for all projects selected. While it is expected that annual impact reporting will be conducted by the same independent external verifier who provides an initial opinion on the issuer's impact framework, all use of proceeds bonds must include a mechanism allowing bondholders to change the external verifier throughout the life of the bond.

8. Recourse on misuse of funds: should the independent verifier find in their annual review that any funds have been spent on usages different from the specified usages in the legal documentation at issuance, they should make this public; and the issuer should be required to immediately replace these funds in the ring-fenced pool from the issuer's general budget.

9. Issuers must report any findings from the external verifier regarding a failure to spend proceeds on specified usages throughout the life of the bond to all ESG data providers and scoring agencies for reassessment of implications on the issuer's general ESG status/ ratings (with consequences on losing Labelled certification, ESG Benchmark Indexes exclusion, Bloomberg de-labelling and other implications). Issuers should be required to report all failures, including those stemming from an

issuer’s inability to find eligible projects, a general change in the issuer’s strategic goals or financial situation, or for any other reason.

for Sustainability-linked bonds (SLBs)

10. Timeliness and ambition: Sustainability Predetermined Targets must comprise a new or strengthened set of KPI targets and timeframe - an issuer cannot issue a bond with target levels and plans already used in previous issuances. The use of more than one KPI is encouraged.

11. SLBs’ sustainability targets must be material to the issuer’s central ESG strategy; in case of corporates, they should be mapped to the SASB standards for the sector of operation.

12. Trajectory: SLBs must have yearly checkpoints in addition to the KPIs “trigger point”. The KPI “trigger point” should be half way (or earlier) between the issuance date and the earlier of the maturity date or call date.