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The Emerging Markets Investors Alliance’s (EMIA) Enhanced Labeled Bond Standards (ELBS) are designed to promote the continued development of a labeled bond market that maximizes the credibility and impact of sustainability commitments, for both Use of Proceeds Bonds and Sustainability-Linked Bonds.

EMIA recognizes the scope and detail of ICMA’s “Green Bond Principles” and “Sustainability-Linked Bond Principles” (collectively, the “Principles”) and their important role in the market.¹ But EMIA believes that environmental, social, and governance objectives would be even better served by enhancements to the Principles. EMIA’s enhancements include: (a) making the Principles mandatory via contractual undertaking in the debt instrument, rather than remaining voluntary guidelines, (except for the “preferences” expressed below) and (b) expanding the Principles in several key respects. Below is a summary of these two categories of enhancements.

EMIA will provide a “label” to bonds that meet these ELBS:

Use of Proceeds Bonds – conditions for EMIA ELBS Label

Principles that are mandatory under ELBS

1. **Exclusive Use of Proceeds:** Sole allocation of proceeds to the specified uses
2. **Allocation of Proceeds:** Clear, upfront statement of percentage allocation as between Green and Social uses
3. **Statement of Intended Impact:** Clear, upfront and detailed disclosure of the intended, and unintended environmental, social, and governance impacts, and independent review of the program’s proposed impact framework
4. **Independent Proceeds Tracking:** Independent oversight and audit of the actual use of

¹ The Principles are embodied in (a) ICMA’s [“Green Bond Principles: Voluntary Process Guidelines for Issuing Green Bonds, June 2021 \(with June 2022 Appendix 1\)”](#) and (b) ICMA’s [“Sustainability-Linked Bond Principles: Voluntary Process Guidelines \(June 2024\)”](#).

proceeds (for sovereign bonds, multilateral oversight is preferred)

5. Ring-Fencing of Proceeds: Ring-fenced separate account for bond proceeds, isolated from the general budget, as verified by an external auditor (including crediting to a dedicated sub-account, or other formal, verifiable tracking by the issuer, for sovereigns)
6. Look-Back/Look-Forward Period: Issuers to use proceeds over disclosed look-back/look-forward period
7. Annual Compliance Certification: Issuers to provide an annual compliance certification, including detailed annual impact reporting

Expansions to the Principles

1. Limited re-financing: Prohibition on use of proceeds for refinancing, unless bonds to be re-financed were also Use of Proceeds bonds whose projects have retained their economic value, as determined by an independent verifier; mandatory disclosure of look-back period for any re-financings
2. Community/grass-roots involvement: Requirement that the applicable sustainability framework includes disclosure of the details of community/grass-roots involvement in its formation
3. Independence of project selection committee: Requirement that project selection committee include independent oversight (preferably via official multilateral organizations for sovereigns), and a majority of the committee's members to be fully independent
4. Verification of impact reporting: Annual impact reporting (see point 7 in the previous section) to be assessed by independent verifier, preferably by the same independent verifier that assessed the intended impact at issuance (see point 3 in the previous section)
5. Independent verifier replacement: Bondholders to have the right to veto any proposed replacement independent verifier that has not been pre-designated (though for sovereign bonds, bondholders shall not have any veto right in respect of any multilateral organization's service as the independent verifier)
6. Misuse of proceeds: requirement that independent verifier publish any discovery of proceeds not used for stated purpose, and contractual requirement that the issuer immediately replenish the separate account
7. Non-use of proceeds: failure to deploy the proceeds in eligible projects to be disclosed publicly by the independent verifier, with the consequence that the label be withdrawn, and requirement that issuers report in detail on the reasoning for non-deployment (e.g., inability to source eligible projects, change in objectives, financial distress, etc.)

Sustainability-Linked Bond – conditions for EMIA ELBS Label

Principles that are mandatory under ELBS

1. Concrete KPIs: KPIs must be concretely additive to previous policy commitments
2. Material KPIs: KPIs must be material to the issuer's sustainability strategy
3. KPI Mapping: KPIs must be mapped against leading industry standards
4. KPI Reporting: Issuers to report accurately and throughout the duration of the bond, at least annually
5. SPT Verification: Issuer to obtain pre-issuance independent review/verification of SPTs, as well as annual post-issuance SPT performance verification, preferably by the same independent verifier that assessed the intended impact at issuance
6. Commensurate Consequences: Financial consequences of performance and non-performance to be commensurate and meaningful relative to issuer's non-labeled bonds

Expansions to the Principles

1. Multiple KPIs: Selection of multiple KPIs per issuance is preferred
2. Independent verifier replacement: Bondholders to have the right to veto any proposed replacement independent verifier that has not been pre-designated (though for sovereign bonds, bondholders shall not have any veto right in respect of any multilateral organization's service as the independent verifier)
3. Mid-point measurement: Financial consequences of performance and non-performance (see point 6 above) to be measured no later than midway between issuance and earlier of call/maturity
4. Environmental, social, and governance data providers: Issuers to report SPT achievement/progress to identified environmental, social, and governance data providers and scoring agencies, for inclusion in assessment of issuer's ranking and status