



# Guidance on Allocation Reporting

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Allocation reporting is one of the core requirements of all GSS<sup>1</sup> “Use of Proceeds” bonds. This document collates existing guidance from a number of documents published by the Principles to facilitate its understanding and application.

## Reference weblinks

- GBP: [Green Bond Principles](#)
- SBP: [Social Bond Principles](#)
- Harmonised Framework for Impact Reporting Handbook: [Impact Reporting Handbook](#)
- Q&A Guidance Handbook: [Guidance Handbook and Q&A](#)
- Pre-issuance checklist for Green Bonds: [Pre-issuance-Check-List-for-Green-Bonds](#)

Topic	Guidance	Reference
Allocation to eligible projects	The net proceeds of the Green/Social Bond, or an amount equal to these net proceeds, should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner, and attested to by the issuer in a formal internal process linked to the issuer’s lending and investment operations for Green/Social Projects.	GBP/SBP Core component 3
	So long as the Green/Social Bond is outstanding, the balance of the tracked net proceeds should be periodically adjusted to match allocations to eligible Green/Social Projects made during that period.	GBP/SBP Core component 3
	A defining characteristic of green bonds is that the issuance proceeds (or an amount equal to the proceeds) are to be allocated only to those projects that meet the issuer’s predefined eligibility criteria. Issuers are encouraged to put in place a formal internal process for the allocation of proceeds linked to their lending and investment operations for green projects and to report on the allocation of proceeds. Issuers are encouraged to explain the key characteristics of the approach they select for their allocations and to provide reference to external audit/verification, when applicable, regarding their allocation criteria.	Harmonised Framework for Impact Reporting Handbook (Core Principles and Recommendations 4)
Multiple projects	A GSS Bond framework can allow the bond proceeds to be allocated to a project(s) belonging to one or several defined categories. An issuer may issue bonds focusing on different “themes” using a single framework that encompasses all the relevant themes, or they may highlight thematic differences in their approach to any of the Core Components of the GBP/SBP through establishing additional frameworks.	Q&A Guidance Handbook (2.1.11)
	Description of the estimated proceeds allocation per [green] project category. If unknown at time of issuance, please indicate when this will be determined.	Pre-issuance checklist for Green Bonds

<sup>1</sup> Green, Social and Sustainability

Topic	Guidance	Reference
Amount to be allocated	GSS Bonds must have an amount equal to 100% of the net proceeds allocated to Green and/or Social Projects.	Q&A Guidance Handbook (2.1.4)
	Since GSS bonds are based on the use of proceeds concept, issuers should demonstrate that an amount equal to 100% of the net proceeds has been allocated to assets, investments and other related and supporting expenditures such as R&D with clear environmental and/or social benefits. Investors will typically expect issuers to allocate and report on amounts representing actual cash outflows and not the market value of assets, as the latter may be materially different than the related expenditures incurred by issuers. The types of expenditures that can be financed with the proceeds of GSS Bonds should be specified by issuers in their GSS Bond frameworks/documentation. REITs may, for example, consider different types of expenditures depending on whether they are used for the acquisition of buildings, major refurbishment of existing buildings or individual renovations. Issuers should also detail the use of proceeds in their allocation reports as well as in impact reports that reflect how the projects contribute to long term positive environmental and/or social impacts.	Q&A Guidance Handbook (2.1.12)
	It is recommended that the report indicates the total signed amount, and the amount of green bond proceeds allocated to eligible disbursements. It would also be beneficial for issuers to show additional information such as the year of signing (or other measures to describe the seasoning of a portfolio) or project stage from a financing point of view (such as signed, disbursed, repaying).	Harmonised Framework for Impact Reporting Handbook (Core Principles and Recommendations 3)
Methodology	The proceeds of Green/Social Bonds can be managed per bond (bond-by-bond approach) or on an aggregated basis for multiple green bonds (portfolio approach).	GBP/SBP Core component 3
	Depending on the process put in place for the allocation of proceeds, it is recommended that issuers either provide a list of projects to which green bond proceeds have been allocated, or report solely on a portfolio level. Reporting can be done: <ul style="list-style-type: none"> <li>• <b>on a bond-by-bond basis</b>, where one green bond issuance is <ol style="list-style-type: none"> <li>(i) linked to one or more specific projects or</li> <li>(ii) linked to a portfolio of projects if a large number of small-sized projects is financed by one green bond or if confidentiality considerations restrict the level of detail that can be disclosed.</li> </ol> </li> <li>• <b>on a green bond portfolio basis</b> where the proceeds of all of an issuer's outstanding green bonds fund a portfolio of projects. Issuers are encouraged to explain the key characteristics of the approach they select for their reporting.</li> </ul>	Harmonised Framework for Impact Reporting Handbook (Core Principles and Recommendations 5)
	In case of bond-by-bond approach the issuer should clearly reference to which bond (ISIN) the reported impact belongs to.	Pre-issuance checklist for Green Bonds

Topic	Guidance	Reference
Timelines for allocation	It is understood that disbursement of funds to projects can, in some cases, take time. It is recommended that the funds raised from a GSS Bond should be applied to Green and/or Social Projects as soon as possible. Investors routinely check progress on the allocation of funds when annual reports are received. They may decide to divest if they are dissatisfied with the progress.	Q&A Guidance Handbook (2.2.1)
	The issuer can also choose to include a clause which states the commitment of the issuer to invest the proceeds [●] months after issuance.	Pre-issuance checklist for Green Bonds
Inclusion or removal of projects	<p>Issuers are recommended to define and disclose the period and process for including projects in their report. There are several options for choosing when to add/remove projects to/from the report. Some of these options are described below. Projects can be added/removed to/from an impact report either directly, or indirectly via adding/removing them to/from a portfolio when reporting on a portfolio level.</p> <p>a. Projects can be added to the report once the issuer has approved and determined a project as eligible, or once green bond proceeds have been allocated to eligible disbursements.</p> <p>b. Projects should be removed from a report if the project experiences issues that are likely to affect or have already negatively affected (expected) impact such as being past due, or after the underlying loans have been repaid.</p> <p>As part of its due diligence in monitoring projects included in its green bond programme, an issuer may elect to remove a project from its green bond programme, in which case it could cease reporting on such a project until a subsequent decision to restore the project's eligibility.<sup>2</sup></p>	Harmonised Framework for Impact Reporting Handbook (Core Principles and Recommendations 2)
	The issuer can inform on process in case a project no longer qualifies and the net proceeds originally allocated need to be reallocated.	Pre-issuance checklist for Green Bonds
Currency	The GBP/SBP guidance is that the net proceeds of a GSS Bond, or an amount equal to the net proceeds, should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner, which would include an evaluation of any currency mismatches. The reference to "an amount equal to these net proceeds" allows for the use of different currencies to finance eligible Green and/or Social Projects without necessarily using FX swaps or intercompany loans.	Q&A Guidance Handbook (2.2.2)
	Issuers should be transparent on how they report all green bond related cash flows in one currency when they allocate green bond proceeds and report on the projects to which green bond proceeds have been allocated.	Harmonised Framework for Impact Reporting Handbook (Core Principles and Recommendations 17)

<sup>2</sup> Possible reasons for removing a project from a green bond programme include, but are not limited to, cancellation of the project, or restructuring that results in the project no longer meeting the eligibility criteria. Issuers are encouraged to disclose their approach to removing projects from their green bond programmes, if applicable.

Topic	Guidance	Reference
Refinancing	<p>In the event that all or a proportion of the proceeds are or may be used for refinancing, it is recommended that issuers provide an estimate of the share of financing vs. re-financing, and where appropriate, also clarify which investments or project portfolios may be refinanced, and, to the extent relevant, the expected look-back period for refinanced eligible Green/Social Projects.</p>	GBP/SBP Core component 1
	<p>Description of the estimated share of financing vs. re-financing, and where appropriate, also clarify which investments or project portfolios may be refinanced, and, to the extent relevant, the expected look-back period for the refinanced green projects.</p> <p>If unknown at time of issuance, please indicate when this will be determined.</p> <p>Please note that:</p> <ul style="list-style-type: none"> <li>• Green projects qualify for refinancing as long as they are in use, follow the relevant eligibility criteria at the time of issuance and are still assessed as making a meaningful impact.</li> <li>• Different lookback periods may apply for Capex, Opex and assets.</li> </ul>	Pre-issuance checklist for Green Bonds
Temporary placement of unallocated proceeds	<p>The issuer should make known to investors the intended types of temporary placement for the balance of unallocated net proceeds.</p>	GBP/SBP Core component 3
	<p>As projects may disburse over time, there may be temporarily unallocated bond proceeds, and issuers should explicitly state how unallocated proceeds will be/are temporarily invested.</p>	Q&A Guidance Handbook (2.1.4)
	<p>GSS Bonds should not typically qualify as use of proceeds for a GSS Bond other than for temporary management of proceeds' purposes prior to allocation to eligible projects. This reflects a concern that the impact of the same underlying project(s) may be reported both by the original GSS Bond issuer and by the issuer of the subsequent GSS Bond ("double counting").</p>	Q&A Guidance Handbook (2.1.5)
	<p>In cases where bond proceeds are placed temporarily before allocation, there is a strong investor preference that issuers use and disclose liquid temporary investments pending allocation of proceeds to Green and/or Social Projects. Additionally, some investors have a strong preference that liquid temporary investments should be ESG/green products as much as possible or be subject to ESG criteria.</p>	Q&A Guidance Handbook (2.2.1)
	<p>Issuers may consider temporary placements (preferably thematically relevant/ESG placements) pending allocation to eligible Green and/or Social Projects or buying back their previous GSS Bonds in case of a permanent shortfall. Issuers should seek to ensure that, in the selection of such temporary investments, they do not damage the integrity of the GSS Bond market.</p>	Q&A Guidance Handbook (2.2.3)

Topic	Guidance	Reference
<b>Matured projects or past due underlying investments</b>	Where an eligible asset has matured, been prepaid or no longer qualifies under the issuer's eligibility criteria, the issuer should disclose the temporary use of the relevant proceeds pending allocation to eligible Green and/or Social Projects.	Q&A Guidance Handbook (2.1.4)
	When an underlying investment that is financed or refinanced by a GSS Bond becomes past due, the issuers can include the investment in their reporting, as long as there is certainty that the expected impact has or will materialise independently of the debt being past due. Conversely, if the expected impact has not been achieved or is no longer likely to be achieved, the proceeds allocated to this project should be reallocated to new eligible Green and/or Social Projects where possible.	Q&A Guidance Handbook (2.1.10)
<b>Frequency of reporting</b>	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 developments.	GBP/SBP Core component 4
<b>Content of reporting</b>	The annual report should include a list of the projects to which Green Bond proceeds have been allocated, as well as a brief description of the projects, the amounts allocated, and their expected impact. Where confidentiality agreements, competitive considerations, or a large number of underlying projects limit the amount of detail that can be made available, the GBP/SBP recommend that information is presented in generic terms or on an aggregated portfolio basis (e.g. percentage allocated to certain project categories).	GBP/SBP Core component 4
	The issuer should report on the balance of any unallocated proceeds, and the types of temporary investments made with such balance.	Q&A Guidance Handbook (2.1.10)
<b>Verification</b>	The GBP encourage a high level of transparency and recommend that an issuer's management of proceeds be supplemented by the use of an external auditor, or other third party, to verify the internal tracking method and the allocation of funds from the Green Bond proceeds.	GBP/SBP Core component 3
	Post issuance, it is recommended that an issuer's management of proceeds be supplemented by the use of an external auditor, or other third party, to verify the internal tracking and the allocation of funds from the Green/Social Bond proceeds to eligible Green/Social Projects.	GBP/SBP Key recommendations
	This verification is expected to take place annually or until full allocation.	Pre-issuance checklist for Green Bonds
	Issuers should describe the governance within the company to manage the use of proceeds, including the supervision, tracking and reporting of the proceeds.	Pre-issuance checklist for Green Bonds

Topic	Guidance	Reference
Secured GSS Bonds	<p>It is possible to <b>allocate the proceeds from a Secured GSS Bond to Eligible Projects which are not contained within, or necessarily even related to, the Secured GSS Bond itself.</b> This would be possible using the Secured GSS Standard Bond method detailed in (ii) of paragraph 4 of the appendix to the GBP/SBP. There is no requirement for such eligible Green and/or Social Projects to be related directly to the collateral pool, although it is also possible for such eligible Green and/or Social Projects to secure the specific bond in whole or in part.</p> <p>This would not be possible using the Secured GSS Collateral Bond approach.</p>	Q&A Guidance Handbook (3.1)
	<p>Where certain notes issued as part of a Secured GSS Standard Bond are <b>GSS Bonds and others are not, in order to ensure that investors can clearly distinguish between the two, they should form separate class(es) of notes,</b> should be allocated separate ISINs and should be clearly labelled in all relevant marketing materials. Please note for the avoidance of doubt that, by definition, all issuances under a Secured GSS Collateral Bond approach would be considered a GSS Bond so it would not be possible to issue certain tranches as GSS Bonds and others which are not. Hence this approach, requires sufficient eligible Green or Social collateral for all ISINs in the transaction.</p>	Q&A Guidance Handbook (3.8)
	<p>It is possible to issue a <b>Secured GSS Bond that is partly collateralised by Green and/or Social Projects at the time of issuance, where the remaining proceeds will be allocated to Green and/or Social Projects thereafter.</b> The GSS Bond framework established by the issuer, originator or sponsor (as appropriate) should outline how the proceeds may be managed for example, at the time of issuance by the issuer, in whole or in part, to acquire/finance/refinance the initial Green and/or Social Projects and the remainder of the proceeds to be allocated thereafter to eligible Green and/or Social Projects. This approach is not however compatible with a Secured GSS Collateral Bond, where the transaction should be fully collateralised by one or more specific Green and/or Social Project(s) aligned with the GBP/SBP, at the time of issuance and where the net proceeds have been exclusively applied to finance or refinance the Green and/or Social Project(s) securing the specific bond (however this does not preclude a Secured GSS Collateral Bond having a revolving collateral pool, as long as all collateral securing the bond constitutes Green and/or Social Project(s) aligned with the GBP/SBP; nor would this preclude a Secured GSS Collateral Bond transaction with a ‘ramp-up’ period, where some of the bond proceeds are temporarily held in cash, or cash equivalents, for a short period of time prior to being fully invested in Green and/or Social Project(s) such that after the ramp-up period all the collateral securing the bond constitutes Green and/or Social Project(s) aligned with the GBP/SBP).</p>	Q&A Guidance Handbook (3.9)
	<p>There is nothing in the Principles to preclude assets included within a secured structure from being allocated to a different GSS Bond (whether a Secured GSS Standard Bond or a Standard GSS Use of Proceeds Bond), provided that they do not breach the “double counting” principle. This would not be possible in the case of a Secured GSS Collateral Bond, as by definition the assets in such a structure would be being allocated to the relevant Secured GSS Collateral Bond and therefore to allocate to any other issuance would involve “double counting”.</p>	Q&A Guidance Handbook (3.14)

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